

**Putting the 'Public' Back in Government  
and the Economy Back in its Place**

A Paper for the Conference:

*"Beyond the Washington Consensus: Governance and the Public Domain in  
Contrasting Economies: the Cases of India and Canada"*

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*DRAFT*

In reflecting on the public sphere and how it is understood in Canada, I found myself fashioning an argument rather than simply describing or analyzing the Canadian reality as I apprehend it. Given the subject of our collective enquiries – the Washington consensus, governance and the public domain - I also found myself proceeding at a fairly high level of generality, which runs the risk of reifying concepts such as ‘globalization’, ‘neo-liberalism’ and the ‘public interest’ and then making them walk and talk like real things.

To allow me to advance what I freely admit is a sweeping argument, and yet fasten its corners to solid empirical ground, I have proceeded in the following way.

- First, I lay out my argument, unadorned, in a series of propositions in Section I below.
- Then, in Section II, I offer some discussion and evidence in support of each of the propositions.

The advantage of this approach for you, the reader, is that the naked presentation of my line of reasoning in Section I can be easily understood and readily assessed. The disadvantage for me, the author, is that my thoughts are exposed in the full light of day; there are few shadowy thickets where I can run and hide. But this paper, after all, is meant to be a working draft, and what are working drafts for?

## **SECTION I – THE ARGUMENT**

1. Canadians have traditionally believed in positive government and – relative to the United States - an expansive role for the state. Nation building entailed significant government penetration of the market.

2. The traditional Canadian understanding of the role of politics and the nature of government and market were undermined in the 1980s and 1990s by several powerful forces:

- An ideological shift from social democracy to neo-liberalism.
- Globalization.
- Rising debt and seemingly uncontrollable deficits.
- The 'decline of deference'.

3. Beginning in the 1980s and picking up steam in the 90s, Canadians and their governments, in response to these pressures, supported major elements of the neo-liberal agenda:

- Debt and deficit reduction.
- Public sector fiscal restraint.
- Tax reduction.
- Privatization.
- The liberation of economic forces from social and political control.
- Freer international trade (FTA and NAFTA)

4. As a consequence, the profile of government declined, the commons shrank, and the market expanded:

- Individuals at the top and the bottom of the socio-economic ladder were left more to their own devices.
- Business and the logic of the market place assumed pride of place in national discourse.
- The non-governmental institutions of civil society were asked to pick up the slack left by the retreat of the state.
- Governments began to think of themselves as the equivalent of businesses

5. In Canada, we have been living within this ideological paradigm for more than a decade. It has been sustained in part by:

- The widely acknowledged necessity of getting government deficits under control.
  - The economic boom.
6. Nothing lasts forever, not even right-wing economic theory. Several countervailing forces have begun to nibble at the foundations of neo-liberal influence:
- The unacceptable social and human consequences of pursuing the neo-liberal vision.
  - The return of government surpluses.
  - The recent weakening of the North American economy.
  - The emergence of a global political movement resisting economic globalization.
7. One can imagine a future in which economic globalization and the neo-liberal paradigm with which it has been associated may be checked. Their continued dominance is not pre-ordained.
8. Whether or not they falter, or proceed unchecked, countries and national communities retain much of their meaning and enjoy significant degrees of freedom to order their lives as they see fit. The state is far from being obsolete.
9. Arguing about the paradigm, not within it, is one way in which the public sphere will re-assert itself and push back the market.

## **SECTION II – DISCUSSION OF THE ARGUMENT**

**Proposition 1. Canadians have traditionally believed in positive government and – relative to the United States - an expansive role for the state. Nation building entailed significant government penetration of the market.**

Since its inception, Canada has invested its state with considerable authority and a high expectation that it will act positively in support of the good of the community as a whole. The ‘peace, order and good government’ of the BNA

Act of 1867 stands in stark contrast to the 'life, liberty and the pursuit of happiness' of the American Declaration of Independence. Liberty American-style was liberty from government; what Canadians especially sought, in constructing their new country was in fact the benefits of good government. While Canadians did not always enjoy good government, government they most certainly got, and lots of it.

The country was established to overcome a political stalemate, to oversee economic development on a continental scale, to discourage the United States from inflicting its manifest destiny on the British North American colonies, and to settle the West. All of these things it did, with a forceful central government that proved itself capable of fashioning a new national interest for the new country, despite the gritty local realities of formerly autonomous British North American colonies jealous of their autonomy, and a hesitant Quebec interested in guarding its faith and distinctive way of life. The state was the creative and constitutive agent in the emergence of settled societies in the North West, in the construction of the railways, the attraction and settlement of immigrants and the maintenance of peace. There, government came first and society came after. The habit of looking to the government, not just as a necessary evil, but as a source of positive benefits is deeply embedded in Canada's political culture.

One of the consequences of this pattern of understanding was that the state became an aggressive economic actor in its own right. Macdonald's National Policy of Western expansion, immigration and railroad construction did not simply entail the political constitution of civil societies in Western Canada, it also meant the deep penetration of the state into the market. Crown corporations and the heavy subsidization of private entrepreneurs became the chosen vehicles for constructing the political economy of the National Policy. [List examples here.]

The 19<sup>th</sup> century Canadian model, then, displays a significant interpenetration of state, market and civil society. This may be why the pictorial representation often favoured by American social scientists, such as Ben Barber

and Daniel Yankelovich [citations], of civil society existing between the market and the state does not ring quite true to Canadian ears. The three have been deeply entangled in Canadian political experience since the beginning, which is why – when Canadians think about civil society – they are more likely to think of it as a dimension of national life that manifests itself in each of the three notionally distinct sectors of market, society and state. For example, when PetroCanada was founded as a crown corporation, it was meant to occupy all three domains simultaneously. It was an instrument of national policy - a means by which the Government could shape the energy industry and benefit directly from the economic rents produced; it was a powerful economic actor in the market place; and it was a symbol of Canadian identity and national purpose to which, it was hoped, Canadians would feel a patriotic attachment. [Mention public domain concept here.]

The political culture I have described above expresses itself at the provincial as well as the federal level, undergirding the politics of most provinces. A singular exception to this pattern was Quebec between 1840 and the start of the Quiet Revolution in 1960. The Catholic Church assumed a predominant role as French Canada's central institution in the aftermath of the Rebellions of 1837, and preserved its pre-eminence until the secularization of Quebec in the 1960s. The provincial state in Quebec had a reduced and distinctive function, as compared to that of the other provinces, with the differentiation becoming particularly obvious in the first half of the 20<sup>th</sup> century. Successive Quebec governments had a critical, though limited role during this period; their job was to protect the French Canadian community of Quebec from the actions of the English-Canadian majority. The Church, however, had a broader responsibility to support French Canada in the maintenance and development of its social, cultural, religious and spiritual life. The Church retained, until well into the 20<sup>th</sup> century, the mandate to deliver many of the basic social services which, in other parts of the country, were increasingly being delivered by the state. The institutions of civil society occupied a much larger place in the political landscape

of Quebec than was the case elsewhere. With the advent of Quebec's Quiet Revolution, at the beginning of the 1960s, there was a frenzied attempt to 'catch up' to the rest of North America, which led to a precipitous decline in the role of the Church and a sharp expansion in the place and position of the provincial state.

How then did Canadians understand the public sphere during this period? Let us suppose that the public sphere is the place where people attempt to come to some understanding about the nature of the public interest. Deborah Stone speaks of the public interest as a contentious idea, as an 'empty box' that people try to fill up. This suggests that the struggle over the very meaning of the public interest – the contents of the box – ought to be the defining feature of the public sphere. Stone writes:

In the market, the public interest or general welfare is the net result of all individuals pursuing their self-interest. Given a well-functioning market and a fair initial income distribution, whatever happens is by definition the best result for the whole of society. What happens *is* the public interest. In a market, in short, the empty box of public interest is filled as an afterthought with the side effects of other activities. In the polis, people fill the box intentionally, with forethought, planning and conscious effort.

In the Canadian case, is it possible to identify the content with which Canadians were inclined to fill the empty box? In attempting to designate the sphere in which the public is found, George Frederickson identifies five different ways in which the public may be understood: the pluralist, public choice, representative, clientelist, and citizenship perspectives. While it is not at all possible to be categorical about this, my hunch is that, historically, the Canadian public has been understood and has understood itself predominantly within the framework of the representative perspective, that is, that public governance first and foremost involves the public entrusting authority to its representatives. In this perspective, as Frederickson says, "the public's elected representatives are the clearest single manifestation of a public perspective." Representative government has deep roots in Canada, and, in the past, before the emergence of concentrated, relatively unaccountable executive power, appears to have been

the system with which Canadians felt most comfortable. Many students of politics would agree that, until recently, deference to political authority has been a defining feature of Canadian political culture.

**2. The traditional Canadian understandings of the role of politics and the nature of government and market was undermined in the 1980s and 1990s by several powerful forces: neo-liberalism; globalization; rising debt and deficits; the 'decline of deference'.**

**3. Beginning in the 1980s and picking up steam in the 90s, Canadians and their governments, in response to these pressures, supported major elements of the neo-liberal agenda: debt and deficit reduction; public sector fiscal restraint; tax reduction; privatization; the liberation of economic forces from social and political control; freer international trade (FTA and NAFTA).**

Clearly, a major shift in public attitude, political ideology and public policy occurred in Canada, as in many other states, in the course of the last two decades. In Canada, it is probably possible very loosely to characterize the 1980s as the decade when the attitudinal and political ground was prepared and the 1990s as the decade when the tasks envisaged by this change in orientation were put into effect.<sup>1</sup> Paul Martin, Liberal Finance Minister since 1993, stood on the shoulders of Michael Wilson, the Tory Finance Minister during the preceding Mulroney period. Brian Mulroney's government took office in 1984 with a broadly neo-liberal agenda, drawn in part from American Republican and British Conservative models. He and his colleagues implemented it where they could, but Mulroney's transactional style of leadership, together with a substantial degree of public resistance, meant that wholesale change was not possible. While the Conservatives imposed public-sector restraint, limited transfers to the provinces and negotiated the Free Trade Agreement with the United States, they were unable to get the deficit under control, and therefore unable to address the heavy tax burden which was the focus of much neo-liberal criticism. In fact, with the controversial introduction of the Goods and Services Tax, they increased the taxes to which Canadians were subject.

It was left to Jean Chrétien's Liberals to do the job left undone by their predecessors. In fact, the Liberals did not promise radical measures at the time they were elected in 1993; they made much of having a balanced approach. However, by the time of Paul Martin's second budget in 1994, the Liberal Government was ready for action: slashing transfers to the provinces, imposing significant restraint on its own operations, reducing unemployment insurance benefits, privatizing Air Canada and the country's airports, signing the North American Free Trade Agreement, etc. [firm up and verify examples].

Two points are worth making about what happened. First of all, the serious implementation of what many would regard as neo-liberal policies were executed by a party that had never explicitly avowed those values. Secondly, public and provincial-government resistance to these policies was surprisingly muted, considering their draconian character and the virulent opposition that the milder efforts of the Tories had attracted. These, I would argue, are indicators of a paradigm shift. The new ideology had taken, at least to the extent that its central policies had become acceptable. Canada was living in a tough new world where global competitiveness was the key to national survival. The presuppositions of the Keynesian welfare state were dead, or in abeyance.

Evidence that a new understanding of government and the role of markets had truly come into being can be seen in the fact that a succession of Canadian provincial governments of various ideological stripes began to pursue similar policies in their own areas of jurisdiction. Alberta, in fact, was the first jurisdiction to embark on this type of program, beginning xx years before the Ottawa Liberals. In time, all provincial governments, whether Conservative, Liberal, New Democratic or Parti Québécois, took the necessary restraint measures to get their deficits under control; today Canadian governments - greatly assisted by a booming North American economy - are in a net surplus position. [oecd #] Many provincial governments also pursued the broader neo-liberal agenda of privatization, tax reduction, deregulation, restructuring of social assistance and

selective investments in the competitive fundamentals such as education and training.

The political party which was most aggressive and systematic in the articulation and pursuit of this broad agenda was the Ontario Progressive Conservative Party under Mike Harris, which came from behind to win the 1995 election in the Province. The Tories were explicitly elected on the basis of their platform, The Common Sense Revolution, which they then proceeded to implement almost in full. This document reads like a neo-liberal textbook on the role of government in the new economy, and it is worth recording its Table of Contents here.

### ***The Common Sense Revolution***

- I Lowering Your Taxes
  - Income Tax
  - Only One Taxpayer
  - “Fair Share” Health Care
  
- II. Less Government Spending
  - Protecting Priority Services
    - Health Care
    - Law Enforcement
    - Education
  - Finding the Savings
    - Fewer Politicians
    - Restructure the Bureaucracy
    - Reform Welfare
    - Reform Education
    - Scrap jobsOntario Program
    - Cut Government Grants and Subsidies
    - Reduce the Capital Budget
    - Reform Government Housing
    - Reform Legal Aid
  
- III. Removing Barriers to Growth
  - The Key Steps
    - Cutting Payroll Taxes
    - Eliminating Red Tape
    - Reforming Ontario Hydro
    - Cutting WCB Premiums
    - Labour Law Reform
    - Abolish Inter-provincial Trade Barriers

## Free Choice in Child Care

- IV. Doing Better For Less
  - Spending Smarter
  - Less Government
  - Asset Sales
  
- V. A Balanced Budget Plan

The Harris Government, despite or because of the upheaval it had visited on the Province of Ontario in its first mandate, was re-elected for a second term when it went to the polls in xx of 1999.

#### **4. As a consequence of this shift, the profile of government declined, the commons shrank, and the market expanded.**

- **Individuals at the top and the bottom of the socio-economic ladder were left more to their own devices.**
- **Business and the logic of the market place assumed pride of place in national discourse.**
- **The non-governmental institutions of civil society were asked to pick up the slack left by the retreat of the state.**
- **Governments began to think of themselves as the equivalent of businesses.**

Opinion polls chart the rise in reputation of the business class in Canada and the fall in reputation of politicians and public servants relative to one another over the last 20 years. [evidence] As the significance and reputation of governments declined, and public service jobs dried up, increasing numbers of young people focussed their education on preparing for business careers. In Quebec, starting in the 1980s, there was a dramatic shift away from a focus on the state, which had been the vehicle and chosen career path for a generation of 'quiet revolutionaries'. In its place, Quebecers

began to celebrate the rise of an indigenous business class and the emergence of what was known as 'Quebec Inc.'

Unlike the United States, where economic inequalities grew throughout the 90s, Canada's public transfer systems constrained the growth of economic inequality until the latter part of the 90s; recent evidence, however, suggests that, as the full effects of government restraint measures began to be felt, the gap between rich and poor in Canada began to rise. [evidence]

As the state's presence contracted, some functions fell by the wayside, while in other cases, non-governmental actors picked up the slack. The federal government vacated a number of fields – for example, training and housing – in favour of the provinces. At both the federal and provincial level, privatization and de-regulation moved what had heretofore been public activities into the private sector. The Ontario government turned to private corporations to build highways and manage youth detention centres. They have created a new class of organization along the lines of the executive agencies, special operating agencies and delegated administrative organizations seen in other jurisdictions. For example, they have created a Technical Standards and Safety Authority, a private, non-profit corporation created to enforce safety regulations and to make regulatory recommendations to the provincial government; it is funded by the industries it regulates.

Clearly, one of the effects of this strategic retrenchment is that matters which used to be assumed to fall in the public domain have been shifted to the private sector, or to an ambiguous public/private sphere somewhere between the two. In either case, it is a domain in which, intentionally, private interests and public purpose exist in often uneasy proximity. Given Canada's long experience with mixed government, one might expect this public/private model would fit fairly comfortably within the political tolerances of Canadians, but at this point it is probably too soon to say. At the very least, however, this complicates the processes of public accountability and democratic control.

The governmental core that remains in the wake of this retrenchment is by no means unaffected by this approach. The new public management movement, which has swept through governments and public services around the globe, has had a major impact on Canada. Donald Savoie sums up its key insight efficiently: it argues, he says, [Whorley,p.5] that “what can be privatized or contracted out should be, and what is left should be run much like a private business.” The Ontario Conservatives state the case baldly in the Common Sense Revolution. Their approach, they assert:

would have a significant impact on the way in which government and employees do business on a day-to-day basis, because it will demand that **government does business like a business**. In other words, in an efficient and productive manner that focuses on results and puts the customer first. [p. 16, bold in original]

Norman Lewis, in his examination of the new public management in the United Kingdom, notes that a member of the public in this model is viewed as a “consumer of services – as a market-player,” but that “it is not possible to be a market-player without markets to play in, so the whole of public administration must either resemble real markets or be market mimicking.” This, he says, will change the form of the state beyond recognition.” On the contrary, it will change the state into something quite familiar: a business. [Whorley] Whatever the advantages in improved management practices and greater efficiency arising out of the new public management movement, a price is paid in what might be called the ‘democratic mission’ of the public service, namely, to assist the government, under law and the constitution, to serve the public good. [Heintzman, p. 11] The shift in terminology from ‘citizens’ to ‘customers’ is fraught with significance for democratic government and the preservation of a robust public realm. Customers exist in a private market, citizens in public space. To admit this change in discourse about government is to acquiesce in the implicit attenuation of the public sphere.

**5. In Canada, we have been living within this ideological paradigm for more than a decade. It has been sustained in part by the widely acknowledged necessity of getting government deficits under control, and by the economic boom.**

**6. Nothing, however, lasts forever, not even right-wing economic theory. Several countervailing forces have begun to nibble at the foundations of neo-liberal influence.**

**7. One can imagine a future in which economic globalization and the neo-liberal paradigm with which it has been associated may be checked. Their continued dominance is not pre-ordained.**

I have suggested in this paper that neo-liberalism has become the prevailing paradigm, in close association with its blood brother, economic globalization. One of the reasons it has received the degree of public acceptance that it has, I think, is its apparent success. Its un-doing may turn on its apparent failures, more about which in a moment. It seems to have worked in exactly those areas where change was perceived to be most needed. A decade ago, there was a not unfounded sense that governments were fiscally out of control, and that the economy of the country was in steep decline. Something had to be done; and governments espousing neo-liberal solutions came along and did it. The federal and provincial fiscal houses were set in order, and, coincident with the ascension of this philosophy, the United States economy began to boom, and Canada's along with it. Why change a winning combination?

A diamond may be forever; but nothing else is. When we were living in the middle of the era of the Keynesian welfare state, the radical right, at least in this country, looked like the minority faith of a kooky sect. Well, some of their ideas had a real future, although many of us didn't know it then. Today we have neo-liberalism rampant, but this will not always be so, unless you are gullible enough to believe that history has come to an end. Indeed, there are hints of the emergence of some forces with the power and dynamism needed to move our society beyond its undue dependence on a theory of political economy which is

far too partial to support a comprehensive understanding of civilization and human potential.

The existence of large government surpluses on the one hand, for example, confronts the unacceptable social and human consequences of the era of restraint and downsizing on the other. It seems plausible to believe that the healthy friction of democracy will work away at this tension in the coming years. The Walkerton water tragedy is a case in point. It has revealed a crumbling infrastructure and a woefully inadequate regulatory regime. The Government of Ontario, having limited its own fiscal flexibility with substantial tax cuts and legislation to obstruct the raising of taxes, uses the occasion to toy with the idea of privatizing Ontario's water system. The solution to the problem is more of what arguably caused the problem in the first place. There is, however, another alternative, which is to recognize that public health and safety, including safe drinking water, is a central and unavoidable responsibility of government, to keep it in the public sector under democratic control, and to deliver the good government which in this case the public clearly expects. It is likely that a vigorous debate about this issue and the available policy alternatives will accompany the release of the Walkerton Commissioner's report. In part, this will be a discussion about the nature and extent of the public sphere in Ontario.

The blight of homelessness in Canada's urban centres is another example of what is perceived by many to be the unacceptable result of the conventional philosophy and governing practices of the day. Almost all governments in Canada have stopped building social housing, and a direct correlation between the absence of affordable shelter and people living on the street is drawn by many citizens. In an era of government surpluses and major tax cuts, it is difficult to make the case that there is no money to allocate to that priority. Again, social problems of this kind may force governments to change their policies, or citizens to change their governments, so that issues of social justice as well as matters of economic productivity can be tackled. These 'corrective forces' are partly

generated by the workings of the existing system itself. They are, in a sense, an unintended by-product, displaying significant transformative potential.

Parallel pressures are arising at the international level, in this case focussed on economic globalization. The blocking of the MAI, the battle of Seattle and the alternative World Forum in Porto Alegre confirm that there is an emerging global resistance movement, which makes use of the same instruments of technology that have supported world wide economic transformations. Economic globalization is 'naturally' producing its anti-dote – a form of incipient social globalization that raises in international forums questions of social justice that parallel domestic concerns.

I think as well it might be possible to argue that there is a democracy-enhancing potential in the very process of globalization itself. Citizens in a democracy require certain skills and a certain capacity for reason and judgment in order to be able to participate effectively in public affairs. At first blush, globalization appears, in many respects, to inhibit the development of these skills and to undermine reason and judgment – certainly in its commercial and entertainment aspects. Yet the operation of the high-tech information-based global economy needs people with advanced education, refined research and analytical ability and sophisticated technical skills. It needs people who can work effectively with others, can organize, can think critically, can make choices and follow through on their decisions. Are these not some of the qualities needed for the democratic citizen? As people become more autonomous, more critical, more sensitive to cause and effect, it would seem that they become more capable of creative political participation as well, should they choose to engage in it.

Processes of globalization could be slowed, stopped for a considerable period, or even reversed, as they have been in the past. While it is not possible to imagine that the technological advances which support globalization could be rolled back, the pace of economic expansion could be significantly slowed and processes of economic integration could be reversed. It is not difficult to construct a plausible scenario. A sharp economic downturn, a

steep rise in energy prices, combined with an unexpected failure of computer technology and a loss of public confidence in the global economic systems – some such combination of forces could check the on-going processes of economic integration upon which we increasingly rely. Under these conditions, the state would move more prominently into the foreground of the political landscape in response to pressing public demands to re-ignite the engines of economic growth and fulfill long dormant social contracts. As such, it would reclaim, at least in part, its status as a focal point for political loyalty and attachment.

**8. Whether or not globalization and neo-liberalism falter, or proceed unchecked, countries and national communities retain much of their meaning and enjoy significant degrees of freedom to order their lives as they see fit. The state is far from being obsolete.**

While important dimensions of economic life, information and communications, and culture have migrated out into the global arena, most social requirements and social policy demands remain domestic, not global, in character. How these are handled remains a key indicator of the civility and humanity of a political community. In addition, of course, states are primarily responsible for what is inelegantly called ‘human capital formation’, and they are the custodians of the vast array of institutions, practices and programs that make life in the given country worthwhile. States, even in a global world, retain significant responsibility to see to the welfare of their citizens.

It is difficult to contend that these states, capable as they are of generating awesome surpluses, are shorn of all capacity to allocate a portion of those surpluses to the cause of social justice rather than to the support of economic growth. The federal surplus for the current fiscal year is estimated to be in the neighbourhood of \$8 billion; Alberta, benefiting from escalating energy prices may, according to some, have a surplus of a staggering \$13 billion. [verify] Much as some might wish to argue the case, it is not credible to claim that, despite revenues of this magnitude, the needs of the most disadvantaged in our society must continue to go un-addressed.

In considering the degree of autonomy states enjoy, even in a globalized world, it is worth noting the fact that countries can and do follow noticeably different paths in their response to globalization. Consider, for example, how differently Japan, the United States, Singapore and Hong Kong have adjusted to the phenomenon. Globalization does not level the past. States and national communities bring with them their own territorial space, population and resource base, as well as their distinctive culture, traditions and political institutions, built up over long periods of time.

A national community, should it choose, may take a more expansive view of the requisites of global competitiveness than is typical of those who view the state as little more than the handmaiden of globalization. Crime, social disorder, disease and poverty all reduce a country's competitiveness; other things being equal, people and firms will prefer to locate in areas where the quality of life is good. Cities that work – where pollution is low, crime is not a threat to safety, where neighbourhoods thrive, where communities cohere, where schools teach - - make good economic sense, and, they are good places in which to live. A strong economic case can be made for an attempt to reduce the social inequalities that breed poverty and social disorder, for seeking to include the excluded.

The case for including the socially excluded is, however, much more than economic. The generation of wealth need not be the sole or even the pre-eminent priority. The state is accountable to the whole community and the community encompasses not only those who are agile in the global marketplace, but also those who are excluded by it. Some of the resources generated by the expanding economy can be dedicated to support those unable to participate directly in its functioning. The Canadian Senate Committee on Social Affairs, which wrote about these matters, observed that, in the era of the welfare state, security used to mean protection from change, but that it now means building the capacity to change.<sup>ii</sup> The Committee argues that the new concept of security

implies a shift from an emphasis on social expenditure to social investment, a shift away from the traditional welfare state based on direct provision of social services, to a new social investment state. It recognizes that

...the need for insulating or providing social insurance for those in the country who suffer from the socially corrosive forces of globalization and technology has not diminished. If anything, this need has become greater as a consequence of globalization.<sup>iii</sup>

The Committee argues that Canada has not yet responded adequately to the challenge:

...we have not yet found or agreed on a solution on how to achieve a more sustainable balance between economic globalization and social cohesion. Canada lacks a social consensus on this question. There has been no comprehensive blueprint of a social contract for the new global era.<sup>iv</sup>

In an earlier era, the welfare state achieved a rough balance between economic productivity and social justice. That balance, along with the welfare state, is gone.<sup>v</sup> The challenge is to develop policies of social investment to rebalance economic and social needs, not only because a vibrant and functioning society enhances competitiveness, but also because the state has a responsibility to all its citizens.

**9. Arguing about the paradigm, not within it, is likely to be the way in which the public sphere will re-assert itself and push back the market.**

If the international political economy were to collapse, citizens, *faute de mieux*, would look to national governments for leadership and support. They would be strongly inclined to come 'back home' to the state which has a real if somewhat diminished capacity to act and enjoys a degree of democratic legitimacy unrivalled by other institutions. An international economic crisis would be an invitation to national governments to take action to protect their citizens from harm.

However, even in the absence of international economic turmoil, the role of the state remains an issue of central importance. Democratic states,

constitutionally governed by the rule of law, will continue to be the venue where the exercise of power is best held accountable and where legitimate and representative governance is most likely. Indeed, it is to be expected that demands for representation and accountability will grow if globalization deepens, as citizens seek to assert control over important areas of public policy that directly affect their lives.

This will almost certainly be a struggle at two levels. First of all, there will be a debate in the international arena, where a global political economy is increasingly confronted by a globalizing resistance movement intent on holding international actors to account. There, the institutions of political accountability and democratic control remain to be constructed. For the time being, the most promising arena for rule-governed popular debate – for a large and vital public sphere - remains at the second level, at the level of the democratic state. Certainly, international organizations, global private-sector corporations, military alliances and even coalitions of non-governmental organizations do not provide the same opportunity. Nor, domestically, do cities, self-regulating industrial sectors, churches, or cooperative associations.

The modern democratic state is unmatched in its capacity to provide accountability and representation. Whether connections among societies thicken, or globalization suffers a major set back, it will be more important than ever to hold governments accountable for their stewardship of society and to give voice to those who are excluded as well as to those who are included by current processes of globalization.

## ENDNOTES

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<sup>i</sup> One might identify the Free Trade debate of the late 1980s as marking the turning point.

<sup>ii</sup> The Standing Senate Committee on Social Affairs, Science and Technology, *Final Report on Social Cohesion*, ch. 4, p. 4. Banting makes precisely this argument in "The Internationalization of the Social Contract."

<sup>iii</sup> *Final Report on Social Cohesion*, Ch. 2, p. 10.

<sup>iv</sup> *Final Report on Social Cohesion*, Ch. 4, p. 2.

<sup>v</sup> Paul Pierson dissents and argues that despite austerity and retrenchment, the welfare state has demonstrated surprising endurance. See his *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Cambridge: Cambridge University Press, 1994), 179ff.

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