# **Conflict →Consensus → Convention**
The Depoliticization of Canada's Economic Discourse

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# ABSTRACT

My thesis addresses the following question: how did the idea of balanced budgets and inflation targeting become conventional views so powerful that they has seeped into our popular culture as comedy, been touted as a cornerstone of our national identity and earned Canada a global reputation for fiscal probity and monetary acumen that others are keen to emulate? The answer, I argue, is that the conventions were constructed, slowly but doggedly, over a thirty year period beginning in the troubled economic times of the 1970s. We can profitably understand this process by investigating three overlapping communicative circuits or spheres of ideas and knowledge construction that built and now police these conventions, namely: (1) convention construction in and by the federal bureaucracy by means of increasingly strategic communication practices that originated in the early 1980s at the Department of Finance; (2) convention construction by the media through content that was shaped by the media's fiscally conservative and inflation-averse agenda but driven largely by the federal government's policy agenda; (3) convention construction by the polling industry through practices that buttressed the case for fiscal restraint (monetary issues were generally not subject to polling). I call the actors in these of these spheres of convention construction the "elite." From the 1970s until the early 1990s, there were significant fissures amongst this elite, with many still harboring what would now be regarded as illicit Keynesian or "embedded liberalism" views about the proper function and salutary effects of an activist state using fiscal and monetary policy to their full capacity. Many if not most of these progressive elite eventually surrendered to the overwhelming force of political momentum and convention out of some combination of honest intellectual conversion, battle fatigue, or recognition that they were on the losing side of history. The rest were merely silenced or sidelined by the forces of convention. Consequently, I argue *contra* the dominant narrative of Canada's fiscal and monetary turn, that the strength and durability of our current fiscal and monetary policy conventions *depend* on the degree of consensus among this elite much more than among the broader public.

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# CHAPTER 1 : CONVENTIONS AND THE RESILIENCE OF IDEAS

> The truth of the matter is that the real agenda and the defining issues have shifted from economic issues to social values, so conservatives must do the same (Prime Minister Stephen Harper in a 2003 speech to the neo-conservative group Civitas, quoted in Dreher 2006).

It is difficult to pinpoint the precise moment when the federal political debate shifted from macro-economic to social policy issues.[1] Perhaps it began when John Crow made it clear in the late 1980s that henceforth, monetary policy would aim at "price stability" regardless of the economic or political consequences. Perhaps it was when former Finance Minister Paul Martin delivered his February 1995 budget and promised to defeat the deficit, "come hell or high water," setting the country on a path that would see the federal government generate surpluses worth almost $100 billion and reduce its debt-to-gross domestic product (GDP) ratio to 32.3%, the lowest in the developed world (Department of Finance 2007). Or perhaps it was when the country's social-democratic party, the New Democratic Party (NDP), gave up fighting the overwhelming force of conventional opinion on these two critical macro-economic issues.

On a pragmatic level, it does not really matter when *precisely* people stopped talking about an alternative to the fiscal and monetary ideas that now constitute conventional opinion. After all, any casual reading of history suggests that precise turning points are more often in the eye of the beholder than in some un-contentious factual understanding of history. It does matter, however, that all these moments – Crow's decision to orient monetary policy towards price stability, the 1995 budget, the NDP abdication, and numerous other events in recent history – contributed to the situation we find ourselves in today, namely a fiscal environment where everyone, it seems, agrees on the need for the federal government to balance its budget and a monetary environment

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[1] My study focuses primarily on the cessation of debate about deficits at the **federal** level for two reasons. First, because any research project, even one as ambitious as a thesis, must set out some research limits and second, because arguably and somewhat perversely, the conventional view about the need for balanced budgets is most powerful federally. This can best be seen by reference to the fact that some provinces, most notably Ontario, incurred deficits throughout most of the 1990s and into the beginning of the 21st century. The Progressive Conservatives even managed to get re-elected in June 1999 despite posting a sizeable deficit for 1998-99, the most recently completed fiscal year at the time of the election.

where it is understood, but rarely stated, that any lingering responsibility for dampening the effects of recession rests with an unelected and largely unaccountable institution, the Bank of Canada. Together, these two ideas form an equally strong conventional view that macro-economic issues are no longer political despite their status as amongst *the* pre-eminent political issues for much of the 20th century.

The consequence is that the federal government generates budgetary surplus after budgetary surplus while the Bank of Canada does what it takes to press for low inflation even as many pressing social, economic and environmental needs go unaddressed – health care waiting lists grow, unemployment and recession stalk Ontario and Québec's manufacturing sector, and global warming threaten our very existence. In short, these conventions seriously impinge on our ability to think creatively and abundantly about some very serious policy problems. Indeed, it is difficult to exaggerate the force and resilience of these conventional views on fiscal, monetary and macro-economic policy. They have seeped into popular culture as comedy,[2] been touted as a cornerstone of national identity[3] and earned Canada a *global* reputation for fiscal and monetary probity (*The Economist* 2003, 2003) that others are keen to emulate.[4]

The goal of this thesis then is to examine how Canada, unique amongst developed nations in the zealousness with which it pursues balanced budgets and inflation

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[2] The popular Canadian comedian team Bowser and Blue joke that when Canadians describe themselves as "fiscally conservative and socially liberal," they mean Canadians "are cheap and like to sleep around."

[3] In 2002, Queen's university political scientist Matthew Mendelsohn (2002) conducted a review of 10 years worth of polling data, augmented by his own focus group research. He concluded that maintaining a balanced budget had become a "Canadian value and there is great resistance to violating this." He also found that while Canadians: "...continue to manifest a spirit of social solidarity and commitment to strong social spending and programs, most have embraced (or accepted) what they consider to be the realities of an open and global economy. Trade, knowledge, education, fiscal restraint, and strategic investment are crucial for prosperity, and government can help create opportunities but cannot 'create jobs.' Therefore, support for traditional job creation programs has gone down, while support for 'strategic investments' that can help Canadians make the most of their own opportunities has gone up (Mendelsohn 2002, p. vii).

[4] Over a 12 month period beginning in September 2005, France for example sent no fewer than three political delegations to Canada, often with journalists in tow, to study how Canada went from chronic deficits to consecutive surpluses. Subsequently, Nicholas Sarkozy was elected president of France by promising a "rupture" with the country's recent history of deficits and high unemployment. In a recent *National Post* story, Sarkozy is described as having a "passion" for Canadian policy and notably, Canada's fiscal turnaround (O'Neil 2007). The story also notes that "French officials have in recent years been consulting regularly with Canadians, and one Canadian bureaucrat has been seconded to work in France's budget ministry."

targeting,[5] arrived at this juncture in history, to ask how macro-economic policy questions ceased to be sites of social and interpretational struggle and instead acquired the quiet, dignified, unthreatening and taken-for-granted status of convention that effectively circumscribe what our political class can do to address serious social, economic and environmental problems. This question is inherently *critical* in that it seeks to foreground something that exists comfortably in the background or in the words of Norman Fairclough, whose work plays an important role in this study, to make "visible the interconnectedness of things" (Fairclough 1995, p. 36).

**The Argument**

My answer to this critical question starts from the claim that these conventions were constructed, slowly but doggedly, over a thirty year period beginning in the stagnant economic situation of the 1970s. We can profitably understand this process by thinking in terms of three overlapping communicative circuits or spheres of ideas and knowledge that built and now police these conventions, namely: (1) convention construction in and by the federal bureaucracy; (2) convention construction in and by the media and their readers; and (3) convention construction in and by the polling industry.

I call the actors in these three spheres of convention construction the "elite." They are, roughly speaking, the "chattering classes," people who concern themselves with economic policy matters, even if their only connection to policy issues is reading the *Globe and Mail* on a regular basis. For the most part, they are people with above-average income and wealth. From the 1970s until the early 1990s, there was discord among this elite, with many still harboring what most would now regard as illicit Keynesian or "embedded liberalism" views about the proper function and salutary effects of an activist state. As others have documented in other countries (Frank 2004; Joffrin 2006), most of those who were members of this progressive arm of the elite – what in Canada is sometimes referred to as "champagne socialists," surrendered to the overwhelming force of political momentum and convention out of some combination of honest intellectual

[5] Most other industrialized nations, including all of Europe and the United States, have run deficits for the better part of 30 years. In terms of monetary policy, at least one major industrialized country – the United States – has rejected inflation-targeting as a policy rule and others, such as New Zealand (the original inflation-targeting country), have recently begun to reconsider and relax their strict pursuit of inflation targeting.

conversion, battle fatigue, or simple recognition that they were on the losing side of history. Consequently, I argue in later chapters that the strength and durability of Canada's current fiscal and monetary policy conventions *depend* on the degree of consensus among this broadly-defined elite *much more* than among the less policy-savvy public.

There are interesting theoretical and empirical stories to tell in each of these circuits or spheres of knowledge. In the bureaucratic and political sphere, we can see clear evidence for what Fairclough calls the "technologization of discourse," a term he uses to describe the increasingly strategic, self-conscious and formal structures that govern institutional and political communications with the outside world in late modernity. In the media sphere, we see tangible evidence that the government was able to set the fiscal and monetary policy agenda for the *Globe and Mail*, a staunchly fiscal conservative newspaper which since the late 1970s, has increasingly targeted a narrow, high-income (elite) audience. Alongside this changing target audience, I find evidence of a strong bias in sourcing practices, of an editorial staff increasingly willing to straddle and sometimes cross the line between fact and fiction and of journalists increasingly opting for a set of powerful metaphors that helped stitch together Canada's fiscal and monetary policy conventions among the paper's readership and beyond. My argument here is broadly similar to Hall's (1988) view that the media are key sites "in the translation of doctrine and philosophy into the terrain of practice and policy and the popular idiom of practical accomplishments. They helped make the "intolerable" thinkable" (Herman and Chomsky 1988) by relaying relatively complex ideas into understandable discourse using a range of metaphors.

Finally, in the polling sphere, there is strong evidence that when prompted by appropriately framed questions, the public has always tended towards fiscally conservatism,[6] a fact that supports my contention that we must look to the elite to understand the evolution of fiscal and monetary policy conventions and which debunks the widespread claim that there was a radical shift in the public's perception of fiscal matters in the early to mid 1990s. I also find strong evidence of a sharp divergence of

[6] There has been virtually no polling work done that questions the public about the appropriate monetary policy stance.

concern about fiscal matters between high and low-income respondents, with the former overwhelmingly showing more concern about the issue than the latter. Finally, there is compelling evidence that these facts were systematically overlooked by polling firms in general but the Department of Finance's main polling firm in particular.

**The Theoretical Context**

Perhaps not surprisingly, these issues have been largely ignored by communications scholars. Keyword searches[7] of the *Canadian Journal of Mass Communications*, full text since 1974, yielded at most 28 results, only four of which *mentioned* the deficit/debt discourse and even then, only in a tangential fashion.[8] Insofar as monetary policy is concerned, the results were even more discouraging. Keyword searches using "Bank of Canada" or "monetary policy" or even "interest rates" yielded no results. Extending the search to the comprehensive EBSCO mass communications database, which spans both Canadian and U.S. research, yielded only marginally better results.

What explains this absence of peer-reviewed work on the communicative aspects of fiscal and monetary policy? There are several possible explanations[9] but I would argue that the most likely explanation is simply that it has become unfashionable to examine issues that could easily be construed as inherently suited to a "political economy" approach (with emphasis on the "economy"). This aversion to political economy approaches, in turn, is closely aligned with a tendency in communications studies and all the sociologically-inflected fields to emphasize the *uncertainty* and *instability* of ideas, knowledge, identities and any other social construction, especially when communicated from the media to individuals.

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[7] Searches were conducted in the fall of 2006. These search terms, as well as those for monetary policy discussed momentarily, are drawn from my research in the qualitative and quantitative sections of the thesis.

[8] Of the four, only one makes any kind of theoretical contribution to understanding media coverage of fiscal matters. In a paper on journalists' attitudes towards public opinion polling (Gingras and Carrier 1996), the authors quote a journalist who says the "deficit" is an example of an issue that made its way into "public opinion" thanks to a concerted effort on the part of elites who tried to create a "panic" over deficits and debt so they could justify cuts to social programs.

[9] It is possible, for example, that mass communications scholars have themselves accepted the intractable truths of fiscal and monetary policy and left the economic policy sandbox to the (mainstream) economists and political scientists. We might also speculate that mass communications scholars in Canada lack familiarity with the methodological and theoretical tools with which to investigate these two seemingly technically opaque fields in a constructive, rigorous and useful way.

The political economy approach, by contrast, tends to argue that the economic imperatives of capitalism produce predictable ideas, knowledge and identities and, moreover, that the media exert predictable effects on their audience. James K. Winter, one of the few, and last, scholars to write at any length on fiscal and monetary policy from a communications perspective, argued for example that Canada's fiscal and monetary policy conventions merely act out a corporate agenda found in media discourses which, he argued, were increasingly influenced by corporate ownership trends towards concentration: "Simply put, we are brainwashed. The vast majority of the public is effectively on drugs, addicted to Media Think as surely as if we were taking the soma of Aldous Huxley's Brave New World (Winter 1997)." For Winter, the only difference between democratic capitalist and Soviet-style societies is that the media-effect process is more insidious in the former than the latter because the citizens of democratic capitalist societies have been conditioned to believe that the media play a pivotal role in a functioning democracy through their commitment to fairness, balance and objectivity.

By contrast, proponents of the uncertainty and instability approach argue that that the "masses" are not really masses at all but a collection of more or less rational individuals who actively interpret media messages based on their own unique histories and social contexts. We are all different. We therefore see the world in different ways. Social concepts are sites of societal struggle and uncertainty rather than quiescence and certainty. In his analysis of political spectacles, political scientist Murray Edelman (1988, p.124), argues that work conducted in this tradition tends to focus

> upon the central importance of variation in experience with the social situation, the form of discourse, and the context, perspective, and definition of the whole transaction of which any observer observation is a part. They sensitize us to the inevitability of distortion in expression and in understanding because of efforts to say things that cannot be said, the radiation of signifiers and traces of other signifiers, and the sense in which texts undermine their own premises. Rather than verifiability or falsifiability and the certainties and dogmatisms to which the search for definitive answers leads, a useful analysis must examine the consequences of uncertainties, unjustified certainties, the variations in response that diverse social milieus evoke, and the potentiality for multivalent response to situations and to texts.

In his analysis of the pitfalls and discourse of political polling, communications scholar Justin Lewis (2001, p. 202) makes the same point:

> The potential gap between 'encoding' and 'decoding' has been the subject of much debate – one amplified by the postmodernist stress on the instability of meaning in what Ien Ang has called the 'age of uncertainty.' If this debate, for some, threatens to become rather tiresome, the central question it addresses could hardly be more significant. How and to what extent do media discourses play a role in creating popular consent for dominant systems of power? Or, to put it another way, how does hegemony work in the struggle between different ideologies and meanings?

As these citations suggest, work conducted in this tradition is often associated with labels such as post-structuralism, post-modernism, deconstruction and more radical forms of social constructivism because they all, at some level, seek to undermine what Dupuy (1994, p. 91) calls "western metaphysics – the pretension of the Logos to affirm itself as complete and self-sufficient, the ambition of philosophy to have immediate access to pure truth." They reject in other words the analyst's or academic's privileged position to assess the impact of media messages from the comfort of his or her armchair. They also tend to reject "economism" explanations of the kind put forward by political economists (and plain old "economists" as well), namely that opinions, beliefs and actions are easily explained by reference to the real world.

This study straddles the line between these two competing views. On the one hand, my work is premised on the claim that some ideas, in this case, fiscal and monetary policy ideas, ***are*** stable, widely dispersed and shared among a certain class of individuals and relatively robust through time. I also contend that the broad economic context *is* important although not in a simple economistic way. Moreover, sometimes the media do exert relatively predictable effects on their audiences *at least as measured by the technology of public opinion polling*. On the other hand, the substance of my work is aimed at exploring the *contested* process that lead to, sustains and polices these robust conventions. The care with which those who generate events and structure their messages speaks to the *potential* instability of meaning inherent in public communications. If the mere fact of the written word or the spoken speech guaranteed understanding and persuasion, there would be no need for the practices, strategies and resources devoted to the communicative process at institutions like the Department of Finance and the Bank of Canada. Clearly, communication aimed at eliciting a certain response, be it understanding, persuasion or whatever, is no easy matter.

**The Relevant Literature**

If mass communication scholars have largely ignored the way we talk about fiscal and monetary policy, this is not to say the issue has been neglected in other disciplines. In fact, there is a small but important literature on how Canada arrived at its current set of fiscal and monetary policy conventions from the perspective of political science, cultural studies, investigative journalism and even economics. Rather than surveying this literature in detail, I want to frame my review in the context of a recent work by political scientist Timothy Lewis. In his 2003 book, *In the Long Run We're All Dead: The Canadian Turn to Fiscal Restraint,*[10] Lewis argues that the federal government's turn to fiscal restraint and the consequent move away from more Keynesian approaches to fiscal and economic management can be explained by the combined effect of what he calls "interests, ideas and institutions."

At the level of interests, Lewis argues that there were two broad "macro" interests that "powered the train of politics," namely the "broad corporate interest in the restoration of profitability" and the "broad populist interest in the restoration of economic security" after a prolonged period of stagnation in the 1970s and early 1980s (Lewis 2003, p. 191). According to Lewis, both interests settled on an idea or vision that was "sometimes explicit and sometimes inchoate" (Lewis 2003, p. 191) but always pragmatically suited to their interests and mediated by a political class whose interest was to win political power. For the corporate class, the idea was to pursue a Canada-U.S. free-trade agreement as a means of restoring profitability; for the populace, the idea was to eliminate the deficit in order to restore economic security. Finally, at the institutional level, Lewis argues that the move towards fiscal restraint – what he calls the "fiscalization" of politics – was both cause and consequence of the Department of Finance's ability to, beginning in the 1980s, restore its dominant position in the federal bureaucracy.

Lewis situates his findings in the context of two competing, dominant accounts of the turn to fiscal restraint which we can use to order and roughly summarize the rest of the literature on Canada's turn to balanced budgets and inflation targeting. On the one

[10] The title of his book borrows from one of John Maynard Keynes' better-known aphorisms which he used to criticize classical economics for its tendency to promise a better tomorrow at some point in the mythical long-run.

hand, Lewis identifies what he calls purely "objectivist" explanations, which he says claim "that the centrality of deficits to political consciousness and behaviour follows in an unmediated fashion from the obvious and deep problems with fiscal shortfalls" (Lewis 2003, p. 7). The following extract by two well-known economists is illustrative of this line of thinking:[11]

> By 1990 the rapid accumulation of debt ***produced*** the political conditions required for an attack on structural deficits. Indeed, the steady rise in the debt ratio caused by the interest/growth component ***made it obvious*** that holding the structural deficit at zero would not be enough. By 1994, it ***had become obvious*** that structural surpluses were required to keep control of the debt ratio (Kneebone and Chung 2004, p. 117, emphasis added).

Lewis contrasts this "objectivist" approach with "subjectivist" interpretations, which he says have tended to argue that anti-deficit arguments are mere ideology because deficits are either (a) nothing to be worried about; or (b) best addressed through more accommodative monetary policy. From this perspective, the political class and the broad Canadian public were victims of a concerted ideological and ultimately, *communications effort*, lead by the business community, mainstream economists, think tanks, the media and institutions like the Department of Finance and the Bank of Canada. Lewis cites several works in this tradition, including most notably Linda McQuaig's best-selling book *Shooting the Hippo (McQuaig 1995)*. Winter's argument, while not discussed by Lewis, also clearly falls in this category of theorizing, as do important efforts by Workman (1996)[12] and Weinroth (2004),[13] both of whom stress the importance of

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[11] Lewis cites several other sources who espouse a similar view, including prominent *Globe and Mail columnist* Jeffrey Simpson (1994), C.D. Institute researchers Richard Harris (1994) and William Robson and William Scarth (1994) and political scientist Douglas Hartle (1993). My reading of these texts supports his interpretation.

[12] Workman argues that media coverage of fiscal issues tended to draw on sexist and teleological language while at the same time using inaccurate home-finance analogies to convey difficult fiscal material.

[13] Weinroth argues that the federal Liberal government successfully "sold" Canadians on the need for fiscal probity after running an election campaign based on a jobs platform by constructing a three-part dramatic narrative that ultimately fed off of ideas of nationhood. Like all nationalist narratives, the deficit discourse began with pathos (the fiscal crisis), then moved to terror (the silencing of dissenting voices and imposition of conformity) before settling into catharsis (the leader, Paul Martin, successfully guiding his flock through the crisis into fiscal salvation). As Weinroth (Weinroth 2004, p. 67) notes, "the astonishing character of the anti-deficit campaign was its capacity to turn bloodless statistics into the political symbolism of blood rites."

language in stitching together a dominant ideology. I draw selectively from these works in later chapters.[14]

Lewis sees strengths and weaknesses in both the objectivist and subjectivist approaches. He says the objectivists are right in stressing that "the numbers matter" while the subjectivists are right in emphasizing (a) the importance of "constructed" ideas; and (b) the Bank of Canada's role in creating the conditions for a turn to fiscal restraint. He criticizes objectivists because they (a) fail to appreciate the subjectivist point about the "constructed" nature of ideas; and (b) have difficulty accounting for the "timing" of Canada's decisive turn to "fiscalization" (early to mid 1990s). The subjectivists for their part come under fire for (a) failing to "unpack" the content of fiscal conservatism;[15] (b) assuming that all those who believed in the need for fiscal restraint were either Machiavellian or fools instead of intelligent, reasonable people who arrived at their conclusions through honest consideration of the evidence; (c) ignoring the effect of erroneous beliefs on behavior and self-fulfilling prophecies;[16] and (d) failing (also) to account for the timing of Canada's fiscal turn – after all, Lewis says, the business community had been hectoring the federal government about its fiscal position since at least the 1970s. Ultimately, Lewis argues that both the objectivist and subjectivist suffer from over-riding problem – they are both normative rather than descriptive and thus they are limited in "their ability to explain precisely what should be at issue" (Lewis 2003, p. 11).

**The Situation**

Where do I situate my work relative to Lewis and the objectivist versus subjectivist divide? There are clearly significant areas of overlap and difference between Lewis' argument and my own. In terms of overlap, his analysis is, like mine, largely

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[14] The other works cited by Lewis as essentially "subjectivist" in orientation were all published by the Canadian Centre for Policy Alternatives, arguably *the* most important locus of criticism about Canada's turn to fiscal restraint and inflation targeting. They include several works by Concordia University political economist Harold Chorney (Chorney 1989) and joint efforts by Chorney and other academics such as Mario Seccareccia, an economist at the University of Ottawa, and Duncan Cameron (Chorney, Hotson, and Seccareccia 1992), until recently, a political scientist also at the University of Ottawa. Again, I broadly concur with Lewis' characterization of their efforts.

[15] He argues that this failure is due to the subjectivist assumption that the ideas underlying deficit reduction are without merit (Lewis 2003, p. 10).

[16] Even if bond traders for example were wrong to believe that Canada's deficit was worrisome, there was nevertheless the risk that they would act in a way consistent with this belief and, in so doing, create very real economic consequences for Canadians.

concerned with looking at elite views – his source material consists of interviews with finance ministers, senior bureaucrats at the Department of Finance and the Bank of Canada, budgetary documents (including Budget speeches, supporting papers and other government documents), and a wide range of secondary sources. His discussion of institutional changes at the Department of Finance are also consonant and broadly supportive of my argument, as is his desire to ground his research in the broad economic changes that took place in the Canadian and global economy beginning in the 1970s. Finally, I share Lewis' belief that numbers matter but not in any transparent or simple way.

On the other hand, his criticisms of the "subjectivist" view appear to strike close to home since I too am approaching the construction of our fiscal and monetary policy conventions largely from the perspective of communications and even, at times, ideology (see next chapter). While I develop my own theoretical position more forcefully in the next chapter, I want to briefly summarize my position. First, my study is aimed primarily at *describing* the construction process of Canada's fiscal and monetary policy conventions, not so much at evaluating their rights and wrongs, truths and untruths. I make no judgments about the intelligence or Machiavellian intent of those who espouse fiscally conservative and inflation-hawk views. They should, for the most part, be able to read this study profitably. Second, I explicitly address timing issues in a number of chapters, both historically *and* empirically.[17] Third, I agree that bandwagon effects are real. I use them to help explain theoretical and timing issues around the construction of conventions generally and our fiscal and monetary policy conventions in particular.

Fourth, my study differs, and profitably so, from Lewis's in a number of ways. Whereas he derives his conclusions about the popular mood based on his interviews with elites, budgetary documents and a few seemingly randomly selected polls, I derive mine from a direct and critical examination of a large volume of polling evidence. Whereas Lewis discounts and downplays the media's influence based on no discernable analysis, I devote a considerable amount of space to taking apart media content and setting it in a long-term context. Whereas Lewis sidesteps or is simply unaware of the growing

[17] Despite his professed respect "for the numbers," Lewis does look at the empirical side of fiscal (and monetary) policy in any fulsome way save for a few tables of fiscal data at the end of his book.

importance of the *strategic* communicative functions in the Department of Finance and the Bank of Canada, I document and illustrate how they worked in practice. In short, whereas Lewis sidesteps the communicative question, I problematize it. In so doing, in no way do I assume that Lewis is a dupe or ill-informed merely because his views fail to coincide with mine. Rather, I see his work as trying to describe the same basic phenomenon from a different perspective and with different tools, ultimately in a complimentary way.

# CHAPTER 2 – CONVENTIONS AND THE ELITE

This is a study about the construction and maintenance of convention told from a communications perspective. To properly ground this enquiry, this chapter answers five important theoretical questions: What is a convention? What function(s), if any, do conventions serve? How does a convention come into being? What is the relationship between convention and ideology? Finally, what tools can we or should we use to study the creation of convention? In addressing these questions, I will also be addressing Timothy Lewis' two main criticism of the subjectivist position, namely that it invariably means rejecting the influence of the "real world" on social events *and* assuming that agents are either stupid or Machiavellian. These critiques, as well as the essentialist question "What *is* a convention?" – demand that we begin with a short digression into the world of ontology and my preferred reading of ontology, critical realism.

**The Real World and The Individual**

With the post-modernist turn, it has become fashionable to reject either implicitly or explicitly the "real world" (always in scare quotes) and to disdain questions of truth or right or wrong. These are all held to be ultimately matters of perspective and historical context, not tethered to any underlying *anything* other than perhaps false or delusional beliefs in some larger metaphysical force labouring sight unseen "out there" (Derrida 1976). For critical realists (see Bhaskar 1989; 1991; 1994), these theorists too easily dismiss ontology, i.e., the importance of the real material *and institutional* world in shaping the way we think, talk and behave. Bhaskar believes the tendency to conduct analysis strictly from an epistemological perspective smuggles in an ill-defined and often incoherent ontology, leading to what he calls the epistemic fallacy. If this ontological confusion is to be avoided, the researcher must set out their research in some sort of coherent ontology.

Critical realists often describe the real world as the "intransitive dimension," a place where forces and structures shape observable outcomes even when we are unaware of their presence. "Gravity" is one example of something presumed to exist in the intransitive dimension. A powerful idea might be another, as Keynes famous aphorism

about the ideas of dead men suggests.[18] This intransitive dimension has certain features, which we can derive by asking the Kantian "rational reconstruction" question: What must natural and social scientists presume about the natural and social world in order for science to be possible? By carefully studying the method of natural and social scientific research, critical realists have developed the following answer. First, they observe that all science works on the premise that at some point quantitative change becomes qualitative change. Boiling water is qualitatively different from room-temperature water. One cannot be reduced to the other even if they share common features. Moreover, critical realists say that boiling water *emerges* from room-temperature water just as the quality "consciouness" in humans *emerges* from a collection of otherwise unconscious cells.

Next, they argue that most scientific research proceeds as if reality is *stratified* at three levels. The first level is *empirical*, which is where find theoretical or socially-determined knowledge or lenses. The second level is called the *actual* and consists of an event or state of affairs which we interpret with out empirical lenses – we interpret, for example, the event of boiling water as "very hot water." Critical realists believe that knowledge is socially constituted primarily at the empirical level based on events in the *actual* level but with occasional feedback from the third and non-observable level, which is called the *real* level. This is where we find enduring but not necessarily permanent structures, powers, and generative mechanisms such as gravity or the heat pulsating through the pot that causes water to boil. With a few exceptions, none of these levels operate in any kind of perfectly predictable way[19] because the physical and social worlds are *open systems* where at any moment, many forces come together to produce an observation at the *actual* level of reality. Consequently experimental closure, which is the premise on which empirical analysis rests, is difficult to attain in the physical sciences and nearly impossible in the social sciences. In short, critical realists would argue that scientific theories have never been nor should they be judged solely on their ability to predict outcomes with perfect accuracy. The open nature of our social and physical

[18] "The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist" (Keynes 1964)

[19] The cosmos is typically depicted as the most important example of perfectly predictable behaviour.

worlds precludes any such possibility. The radical positivist emphasis on perfect and constant correlation is an unattainable fiction that only discourages creative theories and models; the post-modern emphasis on uncertainty and instability is closer to the truth but goes too far in rejecting any notion of stability.

These ontological claims have important implications about how critical realists talk about *causality* and *tendencies.* Because the world is an open system where various structures, powers, and generative mechanisms are working at cross-current, critical realists use the term *tendency* to refer to the *causal* property of an object or idea, not to its expression in any probabilistic sense at the empirical or actual level of reality. Given this belief in open systems and given this understanding of tendency and causality, critical realists say it is wrong to critique a theory *just because* there is an absence of perfect constant conjunctures between an observation and the relevant theory. The absence or presence of empirical evidence should be part of our critique but not the whole of the critique as it is in some versions of positivism and post modern approaches. A well-founded critique needs to posit alternative mechanisms and forces that would provide greater explanatory power for a given observed phenomena. This argument in turn rests on the very important distinction between epistemic and judgemental relativism. Epistemic relativism is the two-part claim that all discourses come from somewhere (i.e., reflect some unique historical vantage point) and that reality is only accessed through discourse. Judgemental relativism is the claim that given epistemic relativism, all discourses are equally good or bad – there is no way of evaluating discourses relative to their "fit" with reality. Simply put, critical realists largely accept the former but reject the latter.

Finally, in a direct application of the principles of emergence and stratification, critical realists argue that humans have agency but it is constrained. Specifically, critical realists argue that humans work at three levels of consciousness similar in structure to the three layers of reality. The first level is occupied by discursive knowledge and subjectivity. By ascribing discursive reasons to our actions, we implicitly and/or explicitly believe that our stated reasons actually affect the world around us to some degree. The second level is the realm of tacit knowledge which may have been acquired discursively but eventually becomes routinized or habitualized. The third level of

consciousness is where we find unconscious knowledge and motivations. These are deeply held beliefs that are considerably more difficult to access through discursive practices than tacit knowledge. Critical realists believe this level of subjectivity is probably formed before the development of linguistic competence.

**The Reality of Convention**

What does this brief overview of critical realism buy us? First, and most obviously given the way I have framed the discussion, it amounts to a way around Lewis' simple distinction between, and critique of, objectivist (positivist) and subjectivist (post-modern) approaches. We do not need to chose one or the other but rather both. Similarly, as I also suggested in the lead-up to the discussion, it gives us purchase into thinking about conventions as relatively stable social entities that *emerge* based on shared knowledge at the individual level, whether in discursive, tacit or subconscious form. In other words, we need to think about conventions in terms of structure *and* agency, not one *or* the other. Third, critical realism married to the study of convention enables us, and indeed compels us, to think about the ontology of the social world. Institutional economist Geoffrey Hodgson offers a useful way into the discussion, suggesting that we think of a convention as a "particular instance of an institutional rule," with institutions, in turn defined as "systems of established and prevalent social rules that structure social interactions" (Hodgson 2006, p. 2).[20] Rules, for their part, are "socially transmitted and customary normative injunction(s) or immanently normative disposition(s) that in circumstances X do Y" (Hodgson 2006, p. 3). To illustrate, Hodgson cites the example of the "institution" of traffic rules. Every traffic system has at least one rule that governs whether people drive on the left or right-hand side of the road. This rule is an (arbitrary) convention. The balanced budget convention is, in this sense, an informal rule embedded in the institutional framework of formal federal accounting rules and the Department of Finance. The inflation-targeting convention is, in this sense, a more formal rule embedded in the institutional framework that governs monetary policy

[20] It is tempting to think of institutions purely in terms of organizations. For Hodgson however, an *organization* is a special type of institution that involve "(a) criteria to establish their boundaries and to distinguish their members from nonmembers, (b) principles of sovereignty concerning who is in charge, and (c) chains of command delineating responsibilities within the organization" (Hodgson 2006, p. 18).

This definition of conventions as rules embedded in an institutional framework raises a deeper and more fundamental ontological question, namely what is or are the constituent elements of rules? For this question, we to turn philosopher John Searle who, in a number of influential works (2005; 1995), has argued that rules are created when the practice of counting X as Y in context C becomes regularized and acquires a "status function" by means of what Searle calls the "collective intention." To borrow Searle's example, a man crossing a line with a ball in his hands (X) counts as a touchdown (Y) in the context of a football game (C) because of the collective intention of the players, referees, fans and team owners to see the world in this particular way.[21] To relate it to our current study, a deficit (X) counts as a line or boundary that shall not be crossed (Y) in the context (C) of a set of fiscal rules. Searle also argues that status functions always involve matters of deontic powers, i.e., matters of rights, duties, obligations, and responsibilities, issues that in the end are, according to Searle(Searle 2005, p. 18) , "the glue that holds society together." We find echoes of this idea in Hume, who writes that conventions are the solution to the problem of social order, of restraining the threat by the "natural state of man," namely its "passions and affections" (Latsis 2005, p. 711). Already, we see there is a long tradition of regarding conventions as a potentially important mechanism for stabilizing behaviour, sometimes in a socially useful way.

Crucially, the practice of counting X as Y can only take place *given* language, which Searle describes as the original institution on which all others are built: "you can have language without money, property, government, or marriage, but you cannot have money, property, government, or marriage without language" (Searle 2005, p. 12). This may seem obvious but exploring this insight yields some important analytical fruit for the study of conventions. First, it forces us to take language seriously. We need to pay attention to how a convention makes use of cultural resources found in language that may be lodged deeply as tacit or subconscious knowledge.

Second, language is important because unlike a lot of other institutions, it is largely self-organizing and self-policing. In addition to strong biological/genetic

[21] The football example is intriguing because of the slight differences (three downs in the Canadian Football League, four in the National Football League) between Canadian and American football, differences that while easy to grasp discursively, are not so easy to grasp tacitly and subconsciously for American players coming to the Canadian Football League.

predispositions towards using and creating language (Pinker 1994), we also, as Hodgson notes, have "strong incentives and inclinations to use words and sounds in a way that conforms as closely as possible to the perceived norms " (Hodgson 2006, p. 14). In other words, language can be a constraint as well as an enabler. The norms of language use around fiscal and monetary discourse enable practitioners to form a convention and develop analytical insight from the perspective of the convention but also make it difficult to enter into these discussions from a critical perspective, especially one that challenges fundamental assumptions. The language of a convention in other words creates boundaries and barriers to entry.

Given the linguistic basis of conventions, we can also see how we might be "born into" a conventional view. That is, we might accept conventions tacitly or even subconsciously, never giving them a moment's thought. We drive on the right-hand side of the road, balance the books and target inflation without much thought about *why* we engage in these behaviours. In so doing, the historical moment is lost or, as Latsis notes, a convention becomes "associated with the natural and immutable, with the pre-ordained order of things" (2005, p. 719). It also becomes *depoliticized.* According to Hodgson, the effectiveness of rules (and hence conventions as a type of rule) hinges on them never being "purely or fully matters of conscious deliberation." (Hodgson 2006, p. 4). That said, within any convention, there are of course bound to be those who *are* aware of its historical origins and/or somewhat arbitrary nature. In England, there are probably some who believe that the traffic laws should be changed to conform to those in continental Europe; in Canada, there are clearly some who believe that our balanced budget and inflation-targeting rules are ill-advised. In both cases, however, the mere *desire* of a small group of people to change a convention does not necessarily lead to a change in the convention. The structure of the convention still conditions behaviour. In other words, collective intentionality *does not* mean that *everyone everywhere* assigns the same desirability to a convention; only that by and large, most of the people most of the time, including its critics, obey its strictures whether consciously or unconsciously. The effect is to render at least this element of social interaction predictable and relatively stable through time, hence Searle's comment about language's role, via status functions, as societal "glue."

For those who do break with convention, conventions typically have some sort of formal or informal policing mechanisms that exact some form of punishment. In the case of driving on the right of left, there are legal strictures (formal mechanisms) but also powerful *self*-policing (informal) incentives just like in language. Drive too long on the wrong side of the road and odds are, you will get into an accident. In the case of the fiscal policy convention, the immediate consequences of misbehaving (i.e., speaking out in public against the convention) are not so obvious but they are almost equally binding. As mainstream economist Tim O'Neill found out when he recommended that the federal government relax its balanced budget rule (O'Neill 2005), politicians, and the media were quick to rebuke his theoretically sound arguments as dangerous and politically na□ve with the effect that, as I discuss in detail in Chapter 8, O'Neill withdrew from the debate before it got started. Thanks to these kinds of policing mechanisms, the federal government has not had to codify the balanced budget convention in law for it to "constrains politicians in a socially useful way" (Harris 2003, p. 42).[22] Its communicative function, with the support of the media and the polling industry, have been effective in ensuring that this particular convention is respected. As Hodgson notes, the important thing about conventions, laws and rules is that they are followed not whether they are codified – there are plenty of laws that exist "on the books" but not "on the ground."

It is instructive to contrast the policing of Canada's fiscal policy convention with the policing function in monetary policy. Here, we can identify three reasons why there is more scope – but not absolute scope – for speaking out against the convention and finding a receptive public audience. First, the Bank of Canada's policy target is a 2% annual inflation rate measured by the Consumer Price Index (CPI) with a one percentage point "target range" or margin of error on either side. Criticism can therefore take the form of conflicting assessments of the inflationary environment. Second, the Bank uses a number of inflationary measures ("core inflation" measures) other than CPI to help guide policy in the short term, "operationally." All are subject to periodic revision by Statistics Canada. The potential discrepancies between these "core" measures of inflation and the broad 2% CPI target combined with the potential for data revisions also open up room for

[22] Harris seems to be channelling Hume in making this claim.

"legitimate" debate. Finally, and most importantly, criticism of the Bank's policy stance is "permitted" because the Bank is shielded by its arm's length relationship (it's a Crown corporation) from the political process, a fact that helps explain the near absence of polling questions about monetary policy since the late 1980s and the dramatic decline in general news coverage of monetary policy issues that began around the same time. Formally, we can say that the monetary policy convention owes its robustness to the fact that the Bank of Canada is independent operationally because of the *Bank of Canada Act* and shielded from criticism about its policy objective by virtue of a formal binding agreement between it and the Department of Finance.

**The Potential Instability of Convention**

To recap, conventions acquire stability and can strongly shape our behaviour in predictable ways by tapping into certain linguistic features of our culture, burying themselves into tacit or subconscious knowledge, or simply because they are sustained through some sort of incentive mechanism, whether self-policing or externally enforced. Despite these important stabilizing features of conventions, there is still a sense in which the term "convention" evokes fragility. As Latsis points out, there is a lingering sense that "conventions are, by their nature, contingent and ephemeral" (Latsis 2005, p. 716). Where might this potential instability come from? To answer that question, we first need to remember that social facts such as conventions exist both as emergent structures and at the individual level of agency. As Latsis notes, "(i)t does seem important to the notion of convention that it involves agreement at some stage in its generative process" (Latsis 2005, p. 720) In other words, there is some *stage* in the formation of a convention where it exists at a much more discursive, less tacit or subconscious level. This is the historic moment I spoke of a moment ago and it is, I submit, usually the outcome of significant structural change, either technological, institutional, economic or climactic, a point emphasized by Andrade (2002, p. 3) in his study of the dynamics of convention within a firm: "Economic systems are subject to an endless number of conflicts and unpredictable situations; the result may be that people will be facing 'moments of crisis situations or structural breaks when existing conventions or social practices are disrupted'."

This is *not* to say that we can easily "read off" the features or content of a convention by understanding the underlying structur or looking at the changes that lead to

its creation. Just the opposite. Following Latsis, we need to think of conventions as more than just rules governing behaviour embedded in an institutional framework but also as contingent and powerful ideas, what Latsis calls "the exemplar," a concept borrowed from Kuhn who used it to describe the "regulating idea" that governs the way natural scientists approach a puzzle. Latsis uses this Kuhnian perspective to create a taxonomy that describes conventions from a perspective patterned after the organization of scientific communities. Thus, the exemplar "propagates" what Latsis calls a "moral and metaphysical neighbourhood (MMN)" which defines the "dispositions and abilities of those who have been trained appropriately" in the use of the exemplar (2005, p. 723). At the same time, an "architecture of relations" comes into being which assigns a number of "networked" and hierarchically arranged "positions" to administer "procedures" which are "the observable data of any convention" (2005, p. 723). Finally, "the members of a community sustaining a specific convention will usually undertake repetitive activities that are both observable and predictable. Moreover, there will be a sense within the community that 'the same thing' is happening over time" (Latsis 2005, p. 723).

From this emphasis on the exemplar or the "idea" in the definition of convention, we can see why Dupuy (1994) argues that all conventions "contain" their negations or their undoing, a proposition he derives from the idea that language and ideas operate always and everywhere based on their opposites. Dupuy uses the word "contain" in both its senses, as in to "have within oneself" and to "keep in check." Conventions are defined and rendered autonomous by their "contained" negation. Moreover, they cannot exist without this "contained" negation. To illustrate, Dupuy points to religious conventions which often include rituals or carnival-like rites that consist in doing precisely what the religious convention otherwise forbids.[23] Similarly, as I argue later, inflation targeting *implicitly* targets a level of employment (its supposed negation from a policy perspective) while the balanced budget rule must "contain" even modest suggestions, such as those from O'Neill, that the no-deficit rule be relaxed.

[23] Leaning on research by French anthropologist Louis Dumont, Dupuy (90) points to religious societies in India where there is "always a reversal of the hierarchy within the hierarchy. Take the Brahmin and the king: the Brahmin represents the sacred, the encompassing level, and is superior to the king. But in certain domains to which the social hierarchy assigns an inferior rank, the hierarchy is reversed, and the king stands above the Brahmin. As Dumont puts it, the Brahmin is above the king because it is only at inferior levels that the king is above the Brahmin."

Latsis' discussion of convention also points to the importance of thinking about the community of individuals steeped in the exemplar's logic and willing to mobilize language to advance its cause and defend it from challenges, in much the same way that I discussed the policing function played by governmental institutions (the Department of Finance and Bank of Canada), the media and the polling industry. Latsis' use of the scientific community as a template for his discussion of convention is particularly apt in that it compels us to think about the community that sustains a convention rather narrowly in terms of those most seized with the issues or behaviour in question, i.e., the policy community. This is not to say that the broader public is unimportant. It clearly plays a role, especially when discussing the fiscal policy convention and its relationship to the polling industry, but it is nevertheless the case that the core of convention – and the process that leads to it (see below) – exists and takes place within the policy elite community which, following political scientist Paul Ross, we may describe as:

> those whose interest in a particular policy field may be translated into influence over policy content. Policy communities consist of a 'sub-government' of state officials and interest groups representatives regularly involved in the making and implementation of policy, as well as an 'attentive public' of external interest groups, policy institutes and news media (cited in Ernst 1992, p. 113).

**The Emergence of Convention**

Conventions are potentially fragile in moments of significant structural changes because these events can pull conventions up from tacit or subconscious knowledge to the level of ideas and discursive knowledge. This is the historic moment when discursive battles are fought, contained negations are visible, long-time opponents of a prior convention may suddenly find a receptive audience and where a new consensus, as a way station to convention, can be obtained.[24] There is still a question, however, of *how* a community of agents moves from the breakdown of convention to a new consensus at the discursive level and then a new convention at the mostly tacit or subconscious level. To my knowledge, French economist Jean-Pierre Dupuy (1989; 1994)has done the most work to develop a general theory about the *dynamics* or mechanisms of convention formation.

[24] The policy context in early 2008 provides an obvious example of how the collapse of the U.S. asset-backed securities market has opened up a debate about the merits of a "laissez-faire" versus "regulation" approach to the financial system. See for example (Goodman 2008).

Based on some still-born musings by the economist John Maynard Keynes, he argues that imitation plays a central role in explaining the genesis and downfall of conventions under pressure from what Post-Keynesian economists call "fundamental uncertainty," a term used to express the idea that the future is unknowable and cannot be expressed by probabilistic reasoning. Consider the case of two people with the same destination, each following the other because they (falsely) assume the other knows how to get there: "Yet a trajectory is thus generated, endowed with a certain stability (weak, to be sure), apparently guided by an end which pre-exists, when actually it is from the trajectory's unfolding that the end emerges" (Dupuy 1994, p. 97). Dupuy suggests we examine the mechanics of conventions from the perspective of a breakdown in a given convention. Initially, instability and uncertainty rule, creating a ripe environment for speculative activity,[25] or, taking things out of the economic forum, the practice of politics. As Edelman (1988, p. 3) notes, "...(t)he characteristic of problems, leaders, and enemies that makes them political is precisely that controversy over their meanings is not resolved .... there is no politics respecting matters that evoke a consensus about pertinent facts, their meanings, and the rational course of action." In the second stage, and for whatever reasons – a rumour, a fluke, someone's idle speculation – the individuals in the relevant community settle on some arbitrary solution to serve as the new convention. This takes place through an imitative process similar to the one described by Keynes – people imitate each other (driven initially by the rumour, a fluke, or I would add (see below), purposeful action) because they realize (or do not realize) the inadequacy of their own knowledge. Even those who might think they correctly understand the situation fall in line with the momentum of the forming convention for fear they and their contrarian stance will be punished by the rush to imitation. Eventually, everyone forgets about the arbitrariness of the solution and the convention passes into tacit knowledge, where it can be accessed in a cognitively efficient way (i.e., heuristically). As Dupuy notes (quoted in Bibow, Lewis, and Runde 2001), "(t)his common sense has been collectively created by individuals, but it nonetheless appears to them as if it were an objective reality wholly external to their own making and doing ... ."

[25] Speculative behaviour means simply that everyone tries to intuit what everyone else's believes is the new convention. Keynes beauty-contest analogy invokes this kind of speculative behaviour.

In their review of Dupuy's theory of conventions, Bibow *et al.* suggest that Dupuy's argument cuts against the grain of critical realism because it seems to assert that conventions arise purely inter-subjectively, utterly detached from their social context and supporting institutions. This critique suggests two other important critical questions: One, if Dupuy's description of the convention-creating process is broadly accurate, how does the imitative process stabilize on a convention instead of leading to simply more speculative behaviour?[26] Second, how do participants "forget" the true nature of the convention, i.e., how does it pass into tacit knowledge?[27] My reading of Dupuy's work certainly supports the Bibow *et al* criticism. Dupuy's emphasis on "flukes," "chance" and "idle speculation" as the catalysts for new conventions, while plausible in some cases, is too arbitrary to explain the genesis of Canada's fiscal and monetary policy conventions. In fact, I argue that these conventions owe their existence in part to *purposeful* and often (but not always) *ideologically* motivated behaviour (conscious or unconscious) on the part of certain key actors, namely the policing agents identified earlier: the Bank of Canada and governor John Crow in particular, the Department of Finance and former deputy minister David Dodge in particular, newspapers such as the *Globe and Mail*, and the of course the polling industry as a putative barometer of the public mood.

With this discussion in mind, I want to clarify my use of the terms convention and consensus, leaving a definition of ideology to the next section: rather than defining the term "convention" as something that arises purely inter-subjectively, I use the term to describe conventions as rules embedded in an institutional framework supported by ideas that are outcome of a process that is partly inter-subjective, partly formed by purposeful, interest-driven action and partly shaped by larger contextual *structural* forces. To the extent that a convention is predicated on fluke or chance, we might say that the convention is more or less arbitrary. To the extent that the purposeful, interest-driven behaviour explains the bulk of the process, we can say that the convention is more or less *ideologically* imbued (see below). To the extent that structural forces largely determine

[26] Bibow *et al.* use the stock market as an example. If everyone concurs that prices will continue to rise in the future, then it is hard to see what would prevent prices from continuing to rise. Dupuy would almost certainly rebut this argument by pointing to his "contained negation" claims discussed above. Conventions must simply contain their opposites, not annihilate them. In the stock price example, the negation consists of those who sell their shares to those who want to buy them.

[27] Bibow *et al* argue for example that there were plenty of contrarians during the 1990s stock market boom who said stock prices were priced arbitrarily based on a false claim about the new economy.

the process, we might say that a convention is more or less structurally determined or objective in the way defined by Lewis.[28] The term consensus by contrast refers to a half-way point between the moment of uncertainty and speculative behaviour and convention, where the random, ideological, structural, and negational ideas are visible and have not yet passed into and been contained by tacit or subconscious knowledge.

**The Place of Ideology**

As Timothy Lewis' work suggests, the study of Canada's fiscal and monetary policy conventions has often been framed by theories of ideology. In his study of ideology, Thompson (1990) argues that the term "ideology" tends to be used in one of two ways. The first corresponds roughly to Lewis' critique of the subjectivists, i.e., people who see ideology as a misapprehension of reality foisted onto the public by an elite group in the name of preserving social cohesion and minimizing the use of force. The second approach defines ideology as neutral, a mere definition for any comprehensive system of ideas. Thompson situates his definition of ideology between these two poles, describing ideology succinctly as meaning that establishes and sustains "relations of power which are systematically asymmetrical" or in a word, dominant (Thompson 1990, p. 7).

Thompson's definition of ideology is useful in three ways. First, it helps us steer clear of the false consciousness critique raised by Timothy Lewis because it places the emphasis on meaning used to effect *domination* and *not* erroneous or illusory symbolic forms. We do not need to assume, in other words, that the public *writ* large is a victim of strategic mass communications, although this *may* be true in some cases. Relations of domination may be maintained in a transparent way. The citizenry could for example support policies and political parties that are *against* their narrow economic interests but *for* their cultural or religious preferences, a point emphasized by Hall (1988)and Frank (2001; 2004) in different contexts. From this perspective, it is probably wise to assume that the public is comprised of people who are a composite a mix of ideas, beliefs, desires and knowledge. It is no simple matter for anyone, subjectivists or objectivists alike, to

[28] I cannot think of a good example of where structural conditions have determined conventions in a simple linear fashion but I would not want to rule out this possibility altogether.

adjudicate between this mix and declare a resulting decision – a vote or a belief or an opinion – as "rational" or "irrational."

Second, Thompson's definition helps us avoid the old Marxist assumption that the relations of production in the economy *necessarily* determine relations of domination, a form of "economism" (Forgacs 1988) that assumes away the discursive moment or, from a critical realist perspective, the empirical level of knowledge where social structures are constructed. Third and finally, Thompson's definition of ideology helps us escape the "social cement" view that the capitalist system needs to integrate the broad public into a single dominant ideology. Rather, there are good reasons to believe that *any* social system's stability – including the capitalist system – may depend on the use of meaning to effect domination over elements *within* that class of individuals I have called the elite,[29] especially on crucial economic issues such as fiscal and monetary policy (more on the need for *economic* conventions in the next chapter). Held (1982, p. 189) for example emphasizes the importance of consensus among the "dominant group" in his work:

> Clearly, some groups have to be normatively integrated into the government political culture to ensure a society's reproduction. But what matters most is not the moral approval of the majority of a society's members – although this will sometimes be forthcoming, for instance during wars – but the approval of the dominant group. Among the latter, it is the politically powerful and mobilized, including the state's personnel, that are particularly important for the continued existence of a social system.

From this perspective, social stability under normal conditions may be more a function of fragmentation and differentiation among the broad public than ideology *per se*, a point found in Thompson (1990) and in Held's work: "Fragmentation acts as a barrier to a coherent conception of the social totality … the political order is acknowledged not because it is regarded as 'worthy' but because of the adoption of an instrumental attitude towards it; compliance most often comprises pragmatic acquiescence to the status quo (Held, 190)." The public may in other words accommodate itself hedonistically[30] to the political and economic order (McCarthy 1978), assessing the tangible cost of revolution or rebellion to outweigh the very

[29] On this point, it is useful to remember for example that the people behind the September 11, 2001 attacks were educated, disaffected members of the elite, not the poor. Empirical research similarly shows that suicide bombers are disproportionately drawn from the same elite classes (Benmelech and Berrebi 2007).
[30] This argument was recently popularized in Canada in the book *Rebel Sell* (Heath 2004).

uncertain benefits. Alternatively, the public may find itself too busy and/or ill-equipped to challenge the conventional explanations for the economic and political order, preferring to defer to elite opinion on issues such as fiscal and monetary policy, just as I defer to the advice of my mechanic, doctor or academic advisor when it comes to thinking about the best way to fix my car, mend my knee or restructure my thesis.

These constraints of time and efficiency,[31] plus the possibility of hedonistic accommodation, underscore the importance of ideological uniformity or at least acquiescence among the elite. A thought experiment shows why. Imagine a set of broad economic changes (mass unemployment, rising inflation or just general economic insecurity) that sever or at least stress daily routines and challenge the calculus of hedonistic accommodation. In this new context of broadly shared, *actual* (in the critical realist sense) experience, the differentiation and fragmentation that normally frustrate attempts to care about, or derive, a coherent world view *may* give way to a broader civic engagement or at least receptiveness to otherwise abstract policy debates at the *empirical* level. It is similarly likely that we will find some degree of elite dissensus, as different factions of the elite (political parties for example) position themselves by offering competing views about the best way to address the economic changes in questions. This elite dissensus will, for reasons discussed below, likely excite media coverage. If, however, only a narrow range of these views are given expression, the public's newfound willingness to consider policy issues may be muted, tamed, or redirected to some other policy end, outcomes that the "technology of polling" is likely to register in one way or another (again, see below). Given these dynamics, some faction(s) of the elite will invariably find itself marginalized through the combined recursive forces of media marginalization, weak support from the public (via the polls), and eventually disinterest from other elites. "Consensus" of an *ideological* sort will set in, with convention likely to follow.

From this thought experiment, we can identify two important critical reference points. First, that the media in late modernity (see below) are crucial sites of consensus and convention formation about policy issues among the elites and, to a lesser extent, the

[31] From a strictly economic perspective, there are "search costs" involved in seeking out detailed knowledge of a given issue. I do not enter medical school to learn how to mend my broken knee. It is efficient and hence reasonable to defer to expert opinion.

broader public (Fairclough 1995; Thompson 1990). Second, that the ideological content (in Thompson's sense) of a policy consensus *cum* convention can be judged by the degree to which institutions (the bureaucracy, media and polling industry) create and sustain what Habermas' calls an "ideal speech situation," where

> there is a symmetrical distribution of chances to select and employ speech acts, where there is an effectively equality of chances to assume dialogue roles. ... In other words, the conditions of the ideal speech situation must insure not only unlimited discussion but also discussion which is free from all constraints of domination ... (McCarthy, pp. xvi-xvii of introduction to Habermas 1979).

An ideal speech situation is of course an "ideal type," a useful concept to guide our thinking rather than an accurate description of a moment or event in time. It is important to note however that Habermas' description of an ideal speech situation corresponds roughly to the media's self-ascribed role as a *public* forum free from coercion for rational debate about important policy matters, the government's ostensible desire for openness and transparency, and the polling industry's faithful representation of the views of "the people." The ideal speech concept gives us a philosophically grounded leverage point from which to critically evaluate these discourses, all of which I find systematically downplayed alternatives to our current fiscal and monetary policy conventions.

**Theoretical Tools for Studying Convention Formation and Maintenance**

This discussion of convention and ideology makes a strong case for looking at Canada's turn to fiscal restraint and inflation targeting from a communications perspective. The discursive or purely communicative moment is most evident when a convention is shaken loose and a new one is constructed after having passed through the consensus-forming stage among the elite. I have also argued, however, that language use and mobilization in key circuits of knowledge is also critical for maintaining convention among this elite. The rest of the chapter outlines the communications-based theoretical tools used to examine the construction and maintenance of convention from the perspective of the three circuits of knowledge and their respective policing arms, namely government institutions, the media and the polling industry.

The discussion proceeds by examining each theoretical and methodological approach in the context of the circuit of knowledge to which it most pertains. It is important to understand, however, that these lines are often crossed – the theory explored

in the context of the polling circuit for example is also useful (and used) to understand the media circuit and vice-versa. Similarly, while some chapters are largely interpretive and historical, they also invoke empirical evidence just as the largely empirical chapters are consistently framed by the historical evidence.

**(i) The Institutional Circuit: Late Modernity, the Public Sphere and the Theory of the Technologization of Discourse**

My analysis of the institutional circuit is based largely on an interpretive approach (informed by the theories discussed next) based on a review of some 30 years of budgetary documents, press releases, speeches, Bank of Canada annual reports, *Bank of Canada Review* articles, the last 13 years worth of *Monetary Policy Reports*, academic articles, and a range of supporting documents supplemented by formal and some informal interviews of personnel who have held significant communications responsibilities at the Department of Finance and the Bank of Canada.

To properly interpret and understand this material from a theoretical perspective, it is important to situate the discussion in its broader historical context. Writing in the late 1990s, Chouliaraki and Fairclough (Chouliaraki and Fairclough 1999) argue that we can characterize the last quarter of the 20th century and the beginning of the 21st century as "late-modernity." This period is "modern" and not pre-modern or post-modern in the sense that there is a large degree of continuity between it and earlier (modern) periods. This continuity owes to the fact that Chouliaraki and Fairclough define modernity in part by the ability to *disembed* or *mediate* communication from its local, immediate context. In other words, modernity is characterized by the ability to move messages *en masse* across space and time detached from those engaged in a communicative practice. Modernity, therefore, can be traced back to the invention of the printing press, which was the first technology to enable the mass production of 'communication' detached from those engaged in the communicative action. This ability to disembed or mediate communications is of course a defining feature of *mass communication.*

We also live in "late" and not "early" modernity because the disembedding and mediation process permeates an increasingly large fraction of the globe and our daily lives *and* this process occurs at an increasing pace. This permeation in turn is possible in part because late modernity is also characterized by the fact that information technology

and mass communications media play a greater economic role than ever before. As a consequence of the ever-increasing penetration of these disembedding communicative forces, the late 20th and early 21st century period is also late modernity because there is a growing proportion of the global population (but certainly not all or even most) with an increasingly *reflexive* attitude towards their own lives and the societies they live in. We all are born into a set of taken-for-granted traditions but we begin to reflectively adopt and discard traditions and identities at a young age because our mass communications technologies allow us to see ourselves from an outsider's perspective. Consequently, traditions are relatively unstable and need to be discursively justified and defended. In this world, "structures and relations have become more unstable, and practices more diverse and open to negotiations, such that there are many hybridizations of traditional ... genres and discourses"(Fairclough 1995, p. 211).

Finally, we live in late modernity because there is an increasing commodification of language, which means that discourses are designed aesthetically to sell goods and ideas based on wants and desires rather than some sort of rational ideal. The commodification of language also means that discourses, even institutional discourses from public officials, increasingly tend to be conversationalized, borrowing idioms from everyday language to convey complex points. Commodification also means that the "selling" of conversationalized discourses is detached from, or otherwise masks, both the interests of those who produce them and the conditions of production behind these discourses. Add in late-modernity's reflexivity and the conclusion is that discourses are increasingly conducted with strategic or rhetorical intent. In an earlier work, Fairclough (1995) also argues that modernity (and by extension, late modernity) is a period characterized by the increasing importance of discourse for social organization and power. That is, "discourse in modern as opposed to pre-modern societies is characterized by having the distinctive and more important role in the constitution and reproduction of power relations and social identities which this entails" (Fairclough 1995, p. 136).

In response to these trends, Fairclough predicts that we should observe more of what he calls the "technologization of discourse" at the institutional level, which he characterizes as a process of "... redesigning existing discursive practices and training institutional personnel in the redesigned practices, on the basis of research into the

existing discursive practices of the institution and their effictivity (be it in terms of the efficiency of organizational operations, the effectiveness of interaction with clients or 'publics', or the successful projection of 'image')" (Fairclough 1995, 102). Fairclough identifies five characteristics of this technologization of discourse (Fairclough 1995, pp. 102-103):

1. **The emergence of expert 'discourse technologists'**: These include public relations personnel either internal to an institution or brought in from outside who are specialists in persuasive and manipulative discourses. In more recent times, these discourse technologists would consist largely of people with privileged access to scientific information (polling data for example) such as social scientists or consultants;
2. **A shift in the policing – checking, correcting and sanctioning – of discourse practices**: Fairclough says that increasingly, this policing function is administered from outside of any single institution, i.e., it takes place at the "trans-institutional level," by people who are not necessarily specialists in the relevant field (economists are no longer the only ones who police other economists for example);
3. **Design and projection of context-free discourse techniques**: Increasingly, politicians, bureaucrats, and business people are being instructed in a variety of "context-free" discursive skill sets such as, for example, recommending that interviews end "on a friendly note" and so on;
4. **Strategically motivated simulation in discourse:** Increasingly, everyday discourse practices are consciously "grafted" into alien discourses for strategic ends. Consider the recommendation that an interview end on a friendly note. This grafts "friendship" discourses onto an instrumental discourse (a job interview for example); and
5. **Pressure towards standardization of discourse practices:** The combined effect of the previous four tendencies is for a standardization of discourse practices within and across institutions.

Chouliarki and Fairclough are not the only ones who have emphasized the changed nature of communications in modernity and late modernity and its importance for thinking about how institutions navigate these changes. Thompson (1990) for example also equates modernity with mass communications for the same reason as Chouliarki and Fairclough, namely that symbolic exchange no longer occurs exclusively in a face-to-face manner but happens over time and space between a sender and a receiver. Where he differs is in his claim that the technical developments that permitted this change have different degrees of fixation (time bias) and of reach (space bias), à la Innis and McCluhan. In fact, Thompson broadly agrees with McCluhan that

communication technologies come embedded with some deterministic tendencies which have the potential to generate new cultural forms and provoke the kind of structural changes I discussed in the context of conventions and ideology.

Elsewhere, Jurgen Habermas has, in his earlier work on the public sphere (Habermas 1974), addressed the growing influence of strategic communications in everyday life. While this work has attracted its share of legitimate criticism and while Habermas has distanced himself from some of his own ideas (Kellner 2000; Thompson 1990), some of his insights are worthy of mention because of their relevance to my study. First, Habermas argues that the public sphere – roughly the space of unconstrained public communication – in the era of the "social welfare state" has been corrupted by interest groups who use a range of what he calls "public relations" tools – essentially strategic communication methods – to achieve their ends, thus contributing to a weakening of the "critical functions" of the public sphere. Second, despite the overall pessimism of his theory of the public sphere, Habermas holds out some hope for the future to the extent that government and private agencies and interest groups make available more information around which a new public sphere, possibly organized and controlled by rival organizations, could help influence policy decisions. I find evidence that the opening-up process that occurred at both the Department of Finance and Bank of Canada was and still is couched roughly in these terms.

**(ii) Media Circuits: Late Modernity, Media Practices and Studying Media Content**

If institutions in late modernity increasingly engage in practices that fall under the heading of "technologization of discourse" and, moreover, are increasingly strategic or rhetorical in their communications practices, and if these activities play an important role in the construction of convention, what is the media's role in the convention-forming process? How have they responded to the changing communicative environment of late modernity? Which of their practices might have contributed to the construction of Canada's fiscal and monetary policy conventions? And finally, what are the most appropriate tools for studying media content given our concern with convention formation?

Before addressing these theoretical questions, a short word on the material used to evaluate and explore the consensus and convention process at the level of the media

circuit. For the most part, my analysis is based on an interpretative reading and subsequent empirical analysis of some 2300 *Globe and Mail* newspaper stories and editorials related to fiscal and monetary policy. I discuss the actual sampling procedures in more detail in chapters 6 and 7 because the *process* of deriving these samples yielded important analytical fruit about the nature of Canada's fiscal and monetary policy conventions.

**(a) Media Practices, Consensus, and Late Modernity**

Earlier, I suggested that Bibow's critique of Dupuy's dynamic theory of conventions raised two questions, namely (a) how does speculative activity come to an end; and (b) how does convention pass into tacit knowledge? The news media, I believe, help us begin to answer both questions. In the short to medium term, they play a key role in stabilizing the speculative process by helping stitch together a consensus among the elite (chattering classes) while at the same time spreading the language of the nascent consensus to the broader population. In the medium to long term, they contribute to a systematic "forgetting" of the convention's genesis and its random, ideological, structural and discursive roots among virtually all of the general public and most of the elite class save for a few specialists and critics.

Generally speaking, the news mass media play this role because they are engaged in the practice of recontextualization, of moving discussions of events from one specialized discourse field onto a more generic language field capable of reaching a broader audience. Following Fairclough, we might say that the news mass media constitute a crucial "site of mediation between (in Habermas's terms) systems and lifeworld (or: the public and the private) which transforms the boundaries and nature of publicness" (Fairclough 1995, p. 103). Given the importance of the journalistic field, it has the potential to "radically reshape the political field overall" (Fairclough 1995, p. 103).

In making this claim for the news mass media's role in the convention-formation process, I am also drawing on a relatively new, and largely empirically-guided media research program (Bennett 1990; Bennett et al. 2004; Davis 2000; 2000; 2003; Edelman 1988) that departs from earlier more functionalist elite theories by people such as Mills (Horowitz 1963)in two important ways. First, this new research program imbues actors

with agency, i.e., with clear decision-making powers. They have the capacity to shape the system in which they reside, a key ontological claim consistent with critical realism and the approach adopted here.

Second, rather than seeking to point the finger at a single, uniform and united elite, the new theories define elites based on relevant communication networks (policy communities in Ross' terminology) *and* the role played by the media in bringing about the cohesiveness of these network. This is an important claim, one that Brownlee (2005) in his review of competing elite theories would likely label "pluralist" because by defining elites so generically, it implicitly treats all elite groups equally – no one set of elites has more power over the policy process than any other because no one group is likely to be more cohesive than any other. The business elite and the labour elite for example can both be defined by their relevant communication networks and the media's role in securing this cohesion (or lack thereof) rather than by appealing to old "power elite" models espoused by people such as Mills which assume that economic and structural forces (i.e., class) dictate the composition, cohesion and hence relative power of different elite groups over policy outcomes.[32] Following Bronwlee, I take the position however that at least on some broad economic issues such as fiscal and monetary policy, and in some circumstances, the economic elite are "able to develop, articulate and advance a class-wide interest in the policy-making process (Brownlee 2005, p. 30) and that government, the media and the polling industry play an important role in making this possible. This is not to say that there is necessarily perfect agreement amongst members of the elite or that within-group differences are always kept under wraps. In fact, an important part of my story is that there were important schisms within the elite until well into the 1980s, especially in the realm of monetary policy.

In any case and at a minimum, these new forms of "elite consensus" theories rest on some important empirical and theoretical findings about media practices that help us better understand the way the media help shape consensus and then convention within a community. "Elite-indexing" theorists (Bennett 1990; 2004; Davis 2000; 2000; 2003,

[32] Brownlee identifies a third group of theorists that he calls "structuralists." Like the pluralists, they assume that the elite the "business class" are generally unable to secure enough cohesion to influence policy outcomes in any consistent and persistent way. Unlike pluralists however, structuralists generally believe that the state assumes "the role of protecting the common interests of the elite because the business elite is not unified enough to do this for itself" (Brownlee 2005, p. 18).

Edelman, 1988 #46; Deacon and Golding 1994) for example argue that media reports largely reflect *and influence* elite pre-occupations both in areas related to private business and in public policy formation. Within these spheres, Edelman (1988) argues that political media coverage tends to focus on "spectacles" rather than to fulfilling some lofty fourth estate role of providing information that citizens can use to make informed policy judgments. Further, the more these "political spectacles" conform to certain narrative frames, the more likely they are to receive political coverage. So, for example, a given public policy issue will, *ceteris paribus*, generate more media coverage if it can be framed in oppositional terms, i.e., if there are identifiable good and bad guys (or gals) that are part of some well-known social group. Similarly, a given public policy issue will generate more media coverage if it can be framed as a competition between two individuals, as a horse-race with a clear winner and loser. This oppositional framing tends to take place most often during election time.

More pragmatically still, Deacon and Golding (1994) suggest that the media are heavily, and increasingly, dependent on "information subsidies" in the form of press releases (as generators of news) and press conferences. The institutions with the greatest capacity to provide these information subsidies, typically governments, corporations and corporate-funded think tanks, usually secure coverage. Information subsidies are especially important for large media conglomerates which, because of a broad convergence trend, find themselves saddled with large debt loads from their takeover efforts. For these companies, a steady flow of information subsidies from government and corporations can help balance out coverage which increasingly favours cheap and non-confrontational "infotainment" news over otherwise expensive and potentially controversial hard news (Franklin 2004).

In terms of journalistic practices, these subsidies are especially important because journalists are increasingly required to produce the same story across different media. A newspaper journalist, for example, has to write a story for the next day's paper but may also have to provide hourly Internet updates as well as short spots for the conglomerate's radio and television operations. Similarly, in the financial services industry, "central bank watchers" are compelled for competitive reasons to constantly update their clients on the implications of the latest economic data, international relations incident or public

policy speech. With that in mind, we also need to consider the information subsidy question from the other side of the communications coin. Public relations practitioners have to worry that if they fail to feed the beast (the hourly media, the Internet, the central bank watchers), then a rumor may become a story which may take on a life of its own that will later require a much more vigorous strategic communications effort. In other words, there *is* a risk that a fluke or rumor may very well become conventional opinion.

In addition to press releases and news conferences, governments and business are also able to provide information subsidies by hiring or funding think tanks that in turn hire people who can write ready-to-publish op-ed pieces and act as "advocates" and "arbiters" in defining what is newsworthy. Advocates are shills who the media can reliably turn to for what is known to be biased information on a given policy issue. Government and business advocates, what Kingdon (2003) calls "policy entrepreneurs," can be particularly good at ingratiating themselves with journalists by selectively granting advance access to major policy announcements or insider discussions. While advocates play a very important role in defining media agendas, research suggests that journalists value policy "arbiters" above all (Ericson, Baranek, and Chan 1989). Policy arbiters are people who are perceived by journalists to offer unbiased assessments of major policies and who can explain complex issues in simple, clever ways. While comments by advocates almost always find their way into the news, arbiters often remain behind the curtain, acting as important resources for journalists struggling to meet deadlines.

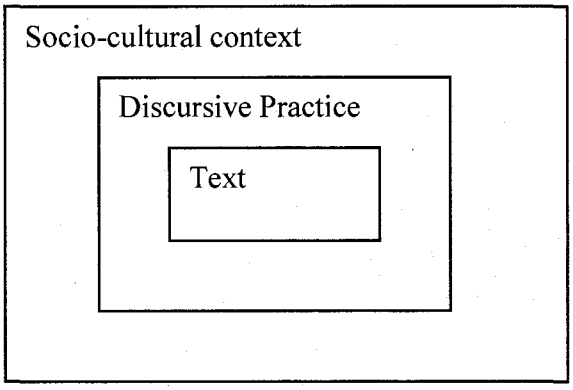
To summarize then, there is a growing body of research about news mass media practices which I argue helps explain the media's role in stabilizing the speculative process and bringing about consensus. These practices begin "in the beginning" as it were with the news media's primary task of recontextualizing specialized discourse for more general consumption. It continues through to the news media's tendency to cover issues where there are clear antagonisms within the groups that comprise the elite. The media are, similarly, attune to spectacles. Competitive pressures tend to compel journalists to seek out information subsidies, especially from a cadre of professional, readily-available sources (arbiters) within government, well-funded think tanks, and business as opposed to labour or the people affected by fiscal and monetary policy.

**(b) Analyzing Media Content 1: Critical Discourse Analysis**

> *"Any stretch of language should come trailing clouds of context with it..." -- (Thompson 1996, p. 10)*

For the purposes of studying the media's role in recontextualizing material for a general audience, I approach the analysis of content from the perspective of critical discourse analysis or CDA for short. In CDA, *discourse* is defined as "the sort of language used to construct some aspect of reality from a particular perspective" (Chouliaraki and Fairclough 1999, p. 63). Well-known discourses include welfare discourses, liberal discourses, conservative discourses, business discourses and scientific discourses.

**Figure 1: The CDA Model**




In any discourse analysis, we must be concerned with the *communicative event* (i.e., the *actual* level of reality in critical realism) which is merely an instance of language such as a newspaper article. In turn, every communicative event involves at once a *text* (a speech, visual image, or writing), a *discursive practice* (the activities that lead to the production of the text) and the larger *social-cultural context* which I referred to a moment ago. In CDA-oriented research, the task is to explore these three dimensions of a communicative event and their dialectical relationships (Figure 1 sets out a visual representation of the model).

The *socio-cultural context* is like the background of an artist's canvass. Much like different backgrounds bring out different features of a canvas, different contexts bring out different textual meanings of a text. In some of his work, Fairclough (1995, p. 114) for example shows how context can influence even seemingly stable word definitions by imposing "hierarchical salience relations between senses" of a word. Sometimes, context can even lead to "contestation, destructuring and restructuring" of

word definitions. The CDA approach to *discursive practices* looks at how the author of a text draws together or articulates relevant discourses (as defined above) and genres (particular usages of language and other semiosis involved in a social practice or activity such as the news genre or the advertising genre). Fairclough calls this kind of analysis "external analysis" because it looks at what the text "brings in" from outside. Most obviously, texts talk about or "represent" (in Fairclough's terminology) certain social and real-world events while excluding others. Somewhat less obviously, texts also represent or fail to represent other texts, a "bringing in" process that Fairclough calls intertextuality. Texts also meld together to varying degrees different discourses, genres, and styles, a process Fairclough calls Interdiscursivity. Finally, texts also import, or fail to import, certain assumptions and impose what Fairclough calls "differences," a term which measures the degree of openness to outside voices (i.e., *who* is included and who is left out?) At one extreme, artistic discourses are very open to what CDA calls pastiche, the practice of mixing and blending different discourse types and assumptions that lends a text a hybrid flavour. At the other extreme, bureaucratic discourses are usually rigid and closed to other discourses, as the technologization of discourse thesis suggests.

Fairclough contrasts external analysis with "internal analysis," which is the *textual level* proper because it consists of a more fine-grain analysis of semantic, grammatical and cohesive features *within* a given text. For his internal analysis, Fairclough's work leans heavily on Halliday's Functional Grammar, an approach to studying the form of language that looks to extract latent, often over-looked meaning. Specifically, Functional Grammar aims to "describe the range of structures available and the meanings that they construe if chosen" (Thompson 1996, p. 28). While traditionally form versus content debates have been conflictual, Functional Grammar and Critical Discourse Analysis – consistent with the approach adopted throughout my study of convention for example – sees form and content analysis as complimentary, as two sides of the same coin because "(i)f content (meaning) is to enter the realm of practice, it must do so in form(al) clothing ...(Fairclough 1995, p. 74).

Functional Grammar and until recently, CDA theorists,[33] argued that texts play three broad functions. First, texts strive to build certain relationships between individuals – audiences and authors, readers and writers, and so on. Functional Grammar and CDA theorists call this the *interpersonal function*. Second, texts strive to tell us something about the intransitive world around us – about physical things, mental thoughts, relations, and so on. Functional Grammar calls this the *experiential function*; CDA theorists call it the *ideational function*. Finally, texts strive to impart to the reader a particular viewpoint or way of looking at the world. Functional Grammar and CDA theorists call this the *textual function* (we might think of this last function as narrative in nature and potentially ideological in its effects). For each of these functions, Functional Grammar defines a set of labels. In interpersonal analysis, we study clause types (declarative, imperative, interrogative, and exclamative), Mood (Subject + Finite), modality, and other markers that together, shed light on the kind of relationship the writer is trying to build with her reader. In experiential analysis, we look at (non-Finite) verbs to learn something about the transitivity of the text: what kind of processes are at play in the text (material processes, mental processes, or relational processes), who are the participants and what are the circumstances in which the processes take place? In studying the textual function, we look at how the author builds in cohesion into the text and in so doing, helps the reader construct coherence in her mind. We ask what are the major Themes and how are they carried through the text or brought into the text from outside.

There are a number of perhaps more familiar grammatical features that contribute to each of these functions. Two in particular are worth mentioning because of their important role in the subsequent discussion, namely nominalisation – the rendering of verbs (processes) into nouns and the use of the passive voice instead of active voice. Both remove Actors from processes and in so doing, help naturalize them. By contrast, clauses that directly and unambiguously attribute an outcome to the actions of an Actor connote authority, decisiveness and a willingness to be held accountable. In Functional

[33] In his 2003 effort to more clearly spell out CDA methods and practices, Fairclough distances himself from the Functional Grammar framework somewhat, preferring instead to speak of three layers of *meaning* and labelling these as *action, representation* and *identification*. Under this new approach, the action level of meaning encompasses elements of Functional Grammar's interpersonal function. The same is true for the identification level of meaning, where the analytic focus is on building identities both for the writer and the audience. The representation level of meaning, however, retains much of what Functional Grammar describes as the experiential function.

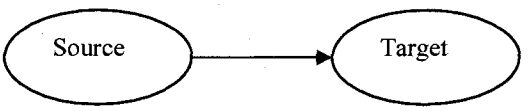
Grammar terms, we might say that the Theme of the clause is put up for negotiation. In a predominantly neo-liberal era, one would expect a predominance of active voices when speaking of the individual's capacity to make their own way in the world and more use of the passive voice when addressing the forces which compel societies and/or marginalized groups of individuals to behave in a certain prescribed way.

**(c) Analyzing Media Content 2: Metaphor**

For most of recorded history, the study of metaphor has been a subfield of rhetoric, a discipline that McCloskey (1986, pp. xvi-xvii) describes as "the paying of attention to one's audience" and "the study of all the ways of accomplishing things with language: inciting a mob to lynch the accused, to be sure, but also persuading readers of a novel that its characters breathe, or bringing scholars to accept the better argument and reject the worse." With her economics perspective very much in evidence, McCloskey (1986, p. xvii) adds however that rhetoric is also the "economics of language, the study of how scarce means are allocated to the insatiable desires of people to be heard..."

Metaphor is one of four master tropes in the study of rhetoric, the other three being metonymy (letting an attribute of something stand for the thing itself), synecdoche (taking a part for a whole or vice versa), and irony ("perspective on perspective") (McCloskey 1986; Thompson 1990). It is also, arguably, the most important at least judging by its pervasiveness in everyday life as well as scientific study (Otis 2002). Certainly, McCloskey devotes the bulk of her discussion in *The Rhetoric of Economics* to the use of metaphors in economic discourse. What is metaphor from the perspective of rhetoric? Quoting philosopher Max Black, McCloskey writes that "a memorable metaphor has the power to bring two separate domains into cognitive and emotional relation by using language directly appropriate to the one as a lens for seeing the other"(McCloskey 1986, p. 76) Later, quoting the literary critic I.A. Richards, she adds that metaphor is "two thoughts of different things *active together*, .... whose meaning is a resultant of their interaction" (McCloskey 1986. 77) From this perspective, McCloskey notes, metaphor is no mere verbal trick but, again quoting I.A. Richards, "a borrowing between and intercourse of thoughts, a transaction between contexts," which McCloskey translates (amusingly!) for her economic audience as simply the idea of "mutually advantageous exchange" (McCloskey 1986, p. 77).

Cognitive-based approaches to the study of metaphor add some refinement to this understanding of rhetoric. In her 2004 book, *Metaphor and Gender in Business and Media Discourse: A Critical Cognitive Study*, Veronika Koller for example argues that metaphors are conceptual phenomena that express themselves at the surface level of language and can be thought of as mapping features from a source to a target domain. The image below is a simplified representation of this process:[34]




To illustrate, consider the following sentence from a 1979 *Globe and Mail* story on monetary policy: "Bond prices steadied in Canada as the market absorbed an unusually detailed declaration of war on rising prices by Bank of Canada Governor Gerald Bouey" (Anderson 1979). In this example, the journalist draws on a source domain of war themes to colour the target domain – inflation and monetary policy – with inferences and associations more typically linked to the act of war.

Koller adopts the position that there are roughly two types of metaphors, namely "primary metaphors" and "complex metaphors." Primary metaphors are acquired in the "conflation" phase of early childhood when metaphors serve to link our subjective experiences and judgements to sensorimotor experiences. These metaphors would include, for example, notions of space and more generally, "the links between motor control and abstract reasoning"(Koller 2004, p. 13) [35] They are *causal* in the critical realist sense that they exert a broad tendential influence on our language use but not in any easy, empirically-predictable way. Complex metaphors by contrast *emerge* later in life through a blending process derived from a combination of these primary metaphors

[34] This image corresponds to the "classical" cognitive study of metaphor. Koller actually employs a "blended" approach which allows for two or more source domains as well as a "generic space" which contains basic characteristics common to these sources. To illustrate, Koller offers the following example: "*...management was scared of being gobbled up by Deutsche Bank.*" This sentence fragment uses two source domains, namely FEEDING and TAKE-OVER SCENARIOS. The generic space is the general idea of one entity incorporating and extinguishing another. The resulting blend is "emergent" in the sense that it embodies the generic space *plus* elements of the source, i.e., things we know about feeding and take-overs.
[35] We might say these are Kantian assumption in that the presume the existence of relatively rigid and universal concepts.

and broader cultural and historical context. From the perspective of critical realism, we might say that Koller attempts to ground critical discourse analysis, which is her over-arching theoretical and analytical tool, in the realist tradition by arguing that metaphors are not *only* influenced by their socio-historical context but also by the more intransitive world of biology, genetics and physical experience from early childhood. Language, in short, is an emergent property of human genetics that while tethered to this biology, can also, in a sense, surpass it and be influenced by features of the broader socio-economic world it helps create. Koller next argues that agents use metaphors to consciously or unconsciously structure ideas (*the ideational or experiential function)*, interpersonal relationships (*the interpersonal function)*, and relationships between a given text, other texts and the real physical world (*the textual function*) by drawing on certain source domains to colour the target domain in a certain way and, in so doing, downplay other features of the target domain. Koller calls this the "highlighting and hiding" function of metaphor and it plays an obvious role in building and sustaining convention, especially if we remember Dupuy's claim that all conventions must contain their negation.

Cognitive theorists have also done extensive work on the effects of metaphors and how agents go about choosing them. David Ritchie (2003) for example argues that sometimes, metaphors "work" by evoking a set of responses (emotions, social relationships, cultural and physical expectations) that may be associated primarily with the source domain and are carried over to the target domain. To illustrate, Ritchie uses an example from Shakespeare where Romeo's declares metaphorically that "*Juliet is the sun.*" The power of this metaphor does not arise from any "qualities common to a young woman and the sun" and, moreover, "none are needed: what their metaphorical juxtaposition brings to the fore is the kind of emotions, comparisons, and expectations they each arouse."[36] Further, Ritchie argues that even so-called "dead" or "lexicalized" metaphors often retain some of their metaphorical power. While it may be relatively routine, for example, to say that "so-and-so attacked the argument," the metaphorical use of the word "attack" does *not* amount to the same thing as saying, for example, that "so-and-so *refuted* or *demonstrated the argument's inconsistencies*." Clearly, the word

[36] As Ritchie explains, Romeo uses the "sun" metaphor to tell the reader that the "sight of Juliet's face in the window arouses in him the same sort of responses and expectations that the rising sun elicits."(Ritchie 2003, p. 141)

"attack," even in a relatively neutered phrasing, still carries some of its original metaphoric content, especially its emotional and interpersonal meaning.

This last point speaks to the selection process behind the use of metaphor. Ritchie argues that we can hypothesize that metaphors influence thought in two ways "without contradicting the hypothesis that people more or less deliberately select metaphors to express their ideas as clearly as possible"(2003, p. 139). It is worth quoting him at length:

> First, to the extent that the language most readily available for discussing an abstract concept is shaped by a certain set of metaphors, we will find it difficult to express contradictory ideas about that concept without inventing new metaphors. Second, to the extent that a hearer is induced to process the entailments of a metaphor, these entailments will become part of the meaning of the concept in the present context. It is, indeed, for this reason that a speaker would choose one metaphor rather than another: It would be no use choosing an expression based on "LOVE IS A JOURNEY" rather than "LOVE IS A NATURAL DISASTER" if the entailments particular to each implicit metaphor could not be expected to have a distinctive influence on the thoughts and responses of the listener (Ritchie 2003, p. 139).

One last point on metaphoric analysis and audience effects. There is a considerable body of empirical research from the field of psychology which suggests metaphors play some important, more properly cognitive, roles. In their review of the literature, Read *et al.* (1990) for example point to a body of research showing that metaphors can play useful heuristic roles, aiding with memory retention of facts and enhancing the ability to elaborate on the arguments and concepts of a message – indeed, the best metaphors (heuristically) are those which are concrete, highly imageable and useful for organizing material. The authors also cite research which suggests that "emotional attributes seem particular important for political metaphor as they often try to map an emotional or affective response onto the target" (Read et al. 1990, p. 129). In their own experimental work, Read *et al.* find evidence to support these and other conclusions. Especially noteworthy is their finding that "an appropriate metaphor can affect people's beliefs about a topic as well as their global attitudes" and that "one way in which metaphors operate is to provide a framework for a communication that organizes those elements of a communication that are consistent with it"(Read et al. 1990, p. 145)

Echoing Ritchie's point, they also find that because a metaphor often conveys its message by implication,

> it may be harder to counterargue than is an explicit statement. After all, when someone says "Israel is a cancer in the Middle East," to deny the surface meaning of the metaphor is beside the point. We all know that Israel is not really a cancer. To successfully counterargue, we must first make explicit the meaning of the metaphor and then attack those arguments. Obviously, this is a more difficult and time-consuming task than counterarguing an explicit statement. As a result, people may often be less effective in counterarguing a metaphor than a literal statement

**(iii)Polling Circuits: Agenda Setting and Elite Concerns**

While government (institutional change) and the media (volume and content of coverage) played a key generative role in shaping Canada's fiscal and monetary policy conventions, the speculative process that is so essential for convention formation would likely have never been cut short had it not been for polling evidence that the Canadian public was supportive of the need for fiscal retrenchment and prudence. The source material for this discussion consists of four elements. First, I review the *existing* literature on polling data related to fiscal matters; second, I review some 50 years worth of Gallup Polling data on fiscal (and some monetary) topics; third I review about a dozen years of individual-level (micro) polling data; and fourth, I critically assess the available polling data by Earnscliffe Consulting, the main polling firm used by the Department of Finance in the 1990s.

To examine this evidence from a theoretical perspective, I lean largely on an important and critical study of the polling industry by communications scholar Justin Lewis (2001). Before we address his analysis of the polling industry, a bit of context is in order. As Lewis (2001) recounts, the notion of "public" (in "public opinion polling) has expanded and contracted with notions of democracy. In ancient Greece, the word denoted the open-air public forums where rhetorical and debating skills were esteemed. In the feudal middle ages, "public" lost much of its relevance, while in 18$^{th}$ century England, the word was a signifier of "a shift in power toward an educated, property-owning middle class, one which – as opposed to the common people who could be collectively identified and dismissed as "the mob,"—defined who the public were"(Lewis 2001, p. 23). With the expansion of the voting franchise and political power in the 19$^{th}$

and early 20th century, the term became still more inclusive, with early pollsters such as Gallup explicitly advocating their science as a tool that could weigh the opinion of the common man equally with those who held power. This ideal still infuses and indeed legitimizes the official public opinion discourse as well as self-perception among public opinion practitioners. The irony is that this democratic ideal is often used in rhetorical attempts to dismiss and even stifle other more participatory forms of democracy such as public assemblies, protests, town-hall meetings and Parliamentary meetings as "unrepresentative," mere forums for the pleadings of special-interest groups with no claim to represent the broader public.

With this critique (and others) in mind, Lewis advocates for a more critical understanding of the theory and practice of public polling. He begins from the premise that public opinion polling is best interpreted as a cultural form with its own specialized discourse rather than some kind of more or less precise (+/- 2.5%) measurement tool which, calibrated through judicious wording and sample selection, provides real, empirical, and fulsome insight into what is *really* of concern to the people or what they *really* think or know about an issue. As a cultural form with its own discourse, public opinion polling is a peculiar, intrusive and highly constrained way of communicating highly at odds with the way we normally formulate, express and share our knowledge and opinions. The discourse of public opinion rests on a positivist understanding of reality and as such, presupposes a distinction between knowledge and opinion. Lewis argues, however, that it is impossible to disentangle the two, especially in public opinion polls: "responses to polls depend on an (unequal) distribution of knowledge, and their meaning – or lack thereof – is thus conditional. We need to understand what people know, in short, to make sense of what they think"(Lewis 2001, p. 16).

Lewis says the function of public opinion polling "for better or for worse, *is to structure opinions into forms measurable against elite political discourse*" (emphasis in original Lewis 2001, p. 14).[37] One set of elites commissions the poll, another drafts the questions, tabulates the results and issues the press releases, and a third reports on them in the media. In short, the "...the manufacturers of polls are likely to be close, in a general ideological sense, to media professionals and political leaders" (Lewis 2001, p.

[37] Gingras and Carrier (1996) make a similar argument.

17). They are also likely to be close to the beliefs and values of media professionals and political leaders in the sense that public opinion polling is an industry like any other, one where there is an interest in producing polling results that conform to a client's biases and preferences. Indeed,Habermas' theory of interests reminds us that the pecuniary motive often influences behaviour to an easily overlooked extent, and this seems especially true given the industry's frequent appeal to the scientific, objective nature of its enterprise when faced with criticism of its results.

If the *function* of public opinion polling is to structure opinions into a manageable form for elite use, then the public opinion poll must be the tool. Like other tools, there is a tendency to see the world according to the tool's form and features. In colloquial terms (with shades of Heidegger for good measure), if all you have is a hammer then everything starts to look like a nail. As Lewis argues, the point is not to reject polls (hammers) as unimportant or useless tools, but to understand the limits and constraints of the information they generate, to understand that the tool of public opinion polling determines the datum of public opinion polling and our understanding of "public." The polling question, for example, "often tell us more about the assumptions of the questioner than the respondent... most of the ideological work has therefore been done before a single question is put. The respondent is merely asked to inhabit the questioner's world for a few fleeting moments and push various buttons"(Lewis 2001, p. 18). As he later goes on to argue, polling results often merely replicate elite discourse as found in the media, especially when it comes to relatively abstract issues government finances. That is, the poll is often a measure not so much of public opinion in any fulsome sense but of the quantum and tone of media discourse.

While Lewis does not put it quite so starkly, his critique of public opinion polling can be interpreted as a study of agenda setting, a term typically used to describe the media's influence on the public. For Lewis, elites set the agenda, the media as part of the elite dutifully report on their debates and decisions, and the broader public follows.[38] This sounds a lot like the well-known finding that the media may not be good at telling people what to think but they are rather good at telling people what to think about

[38] Kingdon (2003) makes essentially the same point when he stresses the need to differentiate between the agenda and the *alternatives* within an agenda: whereas the media play an important role in shaping the former, the latter is almost always dictated by bureaucrats and other policy specialists.

(Iyengar and Kinder 1982; Lewis 2001; Soroka 2002), especially with respect to issues that are abstract and unobtrusive.[39] It also sounds a lot like a classic stimulus-response approach to understanding agenda setting. It is important however to bear in mind Lewis' broader argument that the *tool* of public opinion largely determines the datum of public opinion. Top-down agenda-setting takes place but it is top-down agenda setting *as measured by* public opinion polls.

> Media influence on public opinion is, in part, contingent upon how public opinion is defined. In particular, if public opinion is defined by the technology of polling, it may be possible to record apparently significant forms of media influence. If, on the other hand, public opinion is investigated using more qualitative forms of inquiry – such as small group interviews – forms of media influence may appear to have a more incidental or less profound impact on the nature of public conversation (Lewis 2001, p. 79).

Lewis' arguments also amounts to an implicit rejection of simple stimulus-response understanding in the sense that he distinguishes between elite and non-elite respondents. He points to evidence which suggests that marginalized groups for example are more apt to refuse to answer or respond "don't know" than groups closer to power. The former are largely unfamiliar with the elite discourse while the latter pride themselves on and profit from its mastery:

> ...(T)he political competence required to *produce* an opinion in response to a pollster's question is unequally distributed in the population – the further one is from a familiarity with elite political discourse, the more responses are likely to be arbitrary or unsure. Since those with more income and formal education are less likely to say "don't know" or to nominate choices at random, their response will play a greater role in determining the overall statistical aggregate(Lewis 2001, 28).

Lewis' study opens up five areas of investigation that will guide my reading of the polling data around the deficit/debt issue. First, it is at least as profitable to interpret polling results as telling us something useful about the preoccupations of those who draft

[39] Interestingly, at least some agenda setting work (Iyengar and Kinder 1982, 1987) is situated within a well-established body of psychological research into how people use heuristics to solve complex problems that would otherwise paralyze decision making. This heuristic research, rooted in the work of Tversky and Kahneman (1974), is also at the heart of a growing body of interdisciplinary economic and psychology research (Earl 1990; Harvey 1998; Rabin 1998) and bears obvious similarities to some of the cognitive metaphor research discussed a moment ago. The major claim, from an agenda-setting perspective is that people will tend to draw on what is most cognitively available when responding to public opinion polling and not necessarily what they know or believe in any deeper sense. These and other agenda-setting issues are addressed more fully in Chapter 9.

the questions and report on the results of the surveys as it is to focus on the responses. Second, we need to think critically about how respondents interpret polling questions. What does it mean for example to say that "Canadians are concerned about the "deficit" if they have trouble defining the term or if knowledge of the term is unequally distributed in the population? Third, the Lewis approach encourages us to think critically about traditional empirical agenda-setting research where, for the most part, the media's agenda-setting effects are assumed to be quantifiable through detailed analysis of polling data.

Fourth, Lewis's work compels to bear in mind that the polling industry has a great deal of influence over policy and political strategy precisely because of the *perception* that it more or less reflects broad-based public opinion in some objective and/or useful way. Polling can be used to build momentum for a cause or to convince persons within one's own class, political party or movement of the need to pursue a given policy objective. They are, in other words, a key part of the consensus and convention formation process. It is therefore instructive to look at a range of timing issues, including the timing of particularly polling questions, the willingness on the part of the polling firm to tout the results of a particular question, and changes in the wording of questions over time. These are all markers of elite concern and the degree of consensus or dissensus within elite circles. As Lewis notes: "Because opinion polls have the capacity to influence legislative struggles, this form of public opinion -- regardless of its "authenticity" in day-to-day conversation – is of political consequence" (Lewis 2001, p. 81).

Fifth, Lewis' approach encourages us to think about what the public believes to be important. That is, public opinion polls can reveal the power of certain widely-held un-reflected mythologies and attitudes to shape opinions on issues about which these same citizens may have little knowledge or understanding. Polls can tap into widespread mythologies and attitudes. A clever and sufficiently mercenary public opinion polling firm can draft questions that implicitly invoke these widely-held views for un-related matters or for issues where, if the citizens were given more information or engaged in a less scripted discussion, they might make different choices. In short, mythologies can bleed or colour answers to unrelated questions and can be manipulated to achieve desired

effects, much like an abstract issue such as the deficit/debt can be hitched to a concrete issue like unemployment. As Lewis notes (Lewis 2001, p. 14), "(o)nly when ... stereotypes are articulated with a specific rationale can they be said to mobilize opinion ..." At the same time, it is equally important to note that some basic ideas are so deeply entrenched that a great deal of ideological work is required to override them. Obvious examples include efforts to reverse deeply held support for public healthcare in Canada, or social security in the United States.

**CONCLUSION**

We can summarize the main points of this chapter as follows: Conventions are rules embedded in an institutional framework and framed by some sort of exemplar or regulating idea. They are sustained by this exemplar, the language used to describe it, the media's willingness or unwillingness to faithfully reproduce dissent, the ability of the rule to burrow itself into tacit or subconscious knowledge and become depolicitized, and the incentives provided either internally or externally that support the convention. Conventions are born and die in periods of broad structural change, when they exist at the discursive level and when consensus is most possible and a level playing field of ideas and interests is crucial lest the resulting convention be labelled ideological.

To examine these features of convention from a communicative perspective, I proposed employing a range of theoretical tools, including Fairclough's theory of the technologization of discourse as a response to the communicative changes of late modernity, theories of critical discourse analysis and Functional Grammar to examine the latent meaning of texts, theories of rhetoric and cognitive psychology to examine and understand the effects of metaphors, and critical theories of polling to understand the polling data. Throughout, I have suggested that we focus most of our analytical effort at the convention process as it takes place among the elite. Latsis' emphasis on the exemplar for example compels us to examine the community of individuals who are properly steeped in an idea's mores and language; Thompson's definition of ideology similarly suggests that we focus our analytical attention on a narrow cadre of powerful actors especially if there is reason to believe that the public sphere is less than equally available to all; analysis of journalism practices suggests that the media have increasingly strong incentives to rely on well-funded and communications savvy sources from

powerful elite institutions such as the Department of Finance or Bank of Canada; and finally, Lewis' critique of the polling industry suggests that we interpret polling data largely as a reflection of elite concerns rather than what the broader public really thinks.

# CHAPTER 3 : CONVENTIONS ARE BORN IN STRUCTURAL CHANGE

> If binding decisions are legitimate, that is, if they can be made independently of the concrete exercise of force and of the manifest threat of sanctions, and can be regularly implemented even against the interests of those affected, then they must be considered as the fulfillment of recognized norms. This unconstrained normative validity is based on the supposition that the norm could, if necessary, be justified and defended against critique. And this supposition is itself not automatic. It is the consequence of an interpretation which admits of consensus and which has a justificatory function, in other words, of a world-view which legitimizes authority (Habermas 1979, 100).

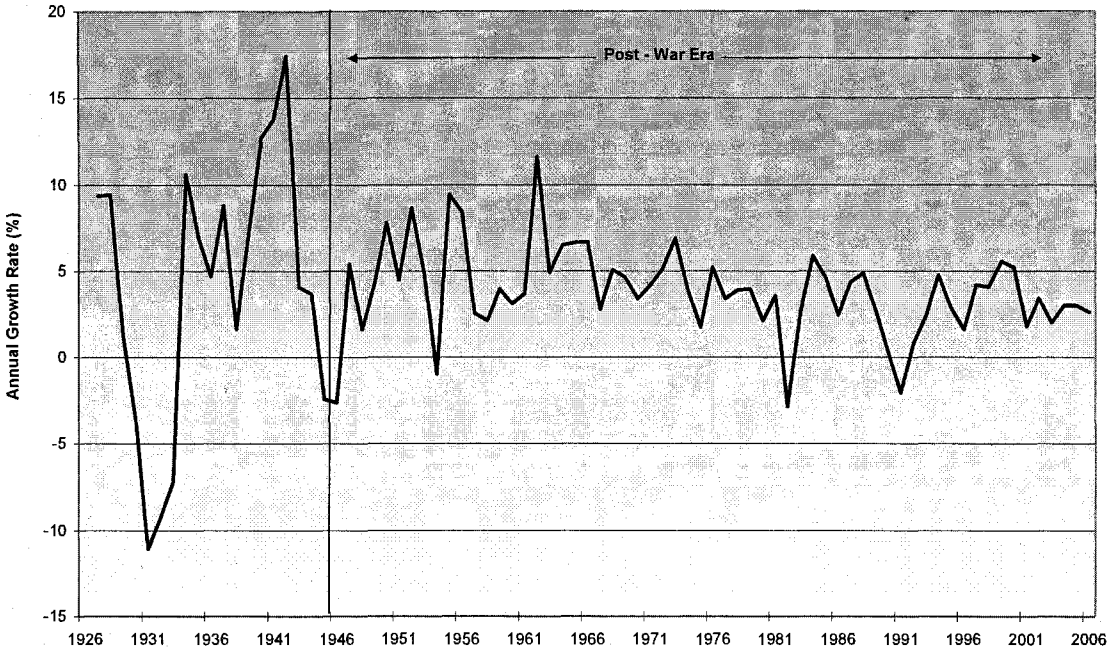
If conventions are based on institutionalized rules that in turn are constructed from status functions of the type "X counts as Y in context C," then clearly we need to say something about C=Context before we can properly study the convention-formation process. The study of C=Context is also motivated by CDA methodology, which compels the analyst to situate his or her more detailed analysis of practices and textual deconstruction in some sort of history context. Finally, theories of convention and ideology suggests that broad structural changes have the potential to destroy old conventions and lead to the creation of new ones.

With this in mind, this chapter sketches a *conventional* account of the economic context of the post-war period, paying special attention to the tumultuous 1970s, which by all accounts (Lewis 2003) was the period in which the Keynesian fiscal and monetary policy conventions that dominated the immediate post-war period first faced serious and sustained criticism, eventually to be replaced by our current set of policy rules. I leave a detailed discussion of fiscal and monetary events in the 1980s and 1990s to the next chapter. The second half of the chapter frames the events of the 1970s more critically in terms of Habermas's argument in his book *Legitimation Crisis*. This, in turn leads to a brief discussion in the conclusion about the importance of economic conventions for the stability of market economies and why we would these to be subject to vigorous elite efforts at convention building, regardless of their precise content.

**The Post-War Fiscal Context**

Over the last 60 years or so, western societies have managed to create unprecedented wealth while attenuating the kind of dramatic economic boom and bust cycles that characterized early capitalism. Figure 3-1 shows a marked dampening of the economic cycle beginning after World War II.

**Figure 3-1**
The Dampening of the Economic Cycle in the Post-War Period: Annual Growth Rates of Real (Inflation-Adjusted) Income, 1926 - 2006.




**Source:** Statistics Canada data.

This era of prosperity *and stability* in the western developed world coincided with a dramatic increase in the size, scope and scale of governments that began around the time of the Second World War. The Canadian federal government emerged from this war for example with an accumulated deficit – roughly equivalent of the federal government's debt – in excess of 100% of the nation's gross domestic product (GDP).[40] The size of the debt both in absolute and in relative (to GDP) terms was unprecedented in Canadian history (Gillespie 1996)and marked a sharp reversal of the fiscal conservatism that dominated Canadian policymaking from Confederation through to the Second World

[40] GDP is a yardstick often used by economists to gauge accumulated debt in relative, historical terms. The intuition behind the use of this yardstick is straightforward and best illustrated by drawing an analogy between federal and household finances. Consider a household with $100,000 in student loans. This debt represents a significant burden for a household that depends, say, on service-sector employment that yields only $25,000 in annual income. This same debt, however, is entirely manageable for a doctor earning $200,000 a year. Measuring Canada's debt relative to its income therefore provides a rough measure of its ability to finance its obligations without undue hardship.

War, a reversal supported in the realm of ideas by what we might call the *first* post-war set of fiscal and monetary conventions, namely Keynesian theories of fiscal and monetary policy which were built around the idea that the state had an important role in managing aggregate demand and smoothing out the economic cycle.

Despite the federal government's growing presence in the economy, its accumulated deficit[41] as a percentage of GDP fell gradually over the 30 years immediately after the war, bottoming out at 18.4% in 1974-75 (Department of Finance 2007, Table 2). The decline in the ratio was due largely to a combination of strong economic growth and low nominal and real (after inflation) interest rates, although there was some explicit debt reduction immediately after the war as returning soldiers and their families redeemed war bonds and as politicians responded to public pressure to reduce what was perceived to be a dangerous and stability-threatening debt load (Gillespie 1996, p. 11). The federal government's relatively infrequent and rather small (by today's standards) budgetary surpluses[42] over this period did not contribute to the decline in the ratio of debt to GDP.[43] In fact, the federal government accumulated deficit in absolute, nominal dollar terms increased over this period, rising from a little more than $13 billion in 1945-1946 to $28.4 billion by 1974-75.

While the Keynesian consensus and the policy community built around it was not entirely immune from internecine struggles during the 1960s,[44] they were sufficiently well entrenched[45] by the early 1970s as to motivate the creation of a counter-movement in the form of the pro-free market Fraser Institute in 1974. Several other policy advocacy

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[41] Where possible, I define key accounting terms in the body of the text or in footnotes. Readers are, however, invited to consult Appendix x, where they will find a detailed explanation of some of the key (federal) accounting terms used in this discussion.

[42] Budgetary surpluses are defined as the difference between total revenues and total expenses (including interest costs) attributable to a fiscal year (the federal fiscal year ends March 31). The term "attributable" is used deliberately because federal accountants, operating under the full accrual rules adopted in 2003, record revenues and expenses according to the period in which they are earned or incurred, not when cash actually flows in or out.

[43] Of course, a counterfactual argument could be made such that in the absence of prudent fiscal management (as evidenced by small deficits and occasional surpluses), the federal debt as a percent of GDP might have been higher.

[44] In a 1974 *Toronto Star* feature, columnist Anthony Westell (1974)wrote for example "There was a time within living memory – say about 10 years ago – when every business leader worth his membership in the Chamber of Commerce felt it a public duty to make an annual speech explaining why the remorseless rise in government spending was driving us straight into national bankruptcy"

[45] In the mid 1970s, Prime Minister Pierre Trudeau sparked a minor controversy when he mused aloud about the failings of capitalism and the need for some kind of new system.

institutions were also created around this time, including the Institute for Research on Public Policy (IRPP) in 1972,[46] and the C.D. Howe Institute[47] and the Canada West Institute in 1973,[48] as well as what Browlee (Brownlee 2005) calls "intersectoral" policy institutions such as the Canadian Federation of Independent Business (CFIB) in 1971 and Business Council on National Issues (BCNI) [49] in 1976, both of which helped present a unified business perspective on major policy matters such as fiscal and monetary policy. For the most part, these think tanks and intersectoral policy organizations expressed three related fears with respect to government spending and the potential for deficits.[50] First, they believed that government spending was responsible for inflationary pressures; second, they believed that Canada was headed toward a "one-boss economy" in which everyone "directly or indirectly works for government" (Gwyn 1974); and third, they were concerned that growth in government had "produced a deepened and widened sense of entitlements not as discretionary decisions of temporary political leaders but as rights of citizenship"(Simpson 1994, p. 792).

Throughout the 1970s, the government's fiscal stance also came under fire from within. The Office of the Auditor General for example routinely published reports documenting examples of wasteful spending, the well-understood subtext being that government was too big and too reckless with "taxpayer's" money.[51] These reports generated almost guaranteed media attention and proved instrumental in directing media

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[46] According to Lindquist (2004), the IRPP was created by the federal government to be Canada's version of the Brookings Institute.

[47] According to Ernst (1992), the C.D. Howe Institute was initially soft on the deficit in part to protect its links to the bureaucratic policymaking community. By the early 1980s, however, Ernst says the Howe's position had changed quite dramatically.

[48] The Canada West Institute's mandate is to look at policy issues from a western perspective. By the late 1980s and early 1990s, the "deficit" had become a key policy issue for a lot of westerners, thus presumably motivating the Canada West Institute's foray into this field.

[49] Later renamed to the Canadian Council of Chief Executives.

[50] Due to recent (since 2003) revisions in the way the government accounts for its spending and taxation, contemporary data show persistent budgetary deficits beginning in 1970-71 instead of 1975-76 as discussed here.

[51] In February 1976, the Citizens Coalition, precursor to today's National Citizen's Coalition, created an award called the "The Max" in honour of Auditor General Maxwell Henderson, who had just recently retired. "The Max" award – which depicted a beaver set against a maple leaf gnawing on a dollar sign – was to be awarded for the best example of government waste provided by an anonymous civil servants. The "Max" appears to have had a short shelf life. The National Citizen's Coalition's website makes no mention of the award and Factiva keyword searches (the Max, National Citizens Coalition) of Globe and Mail content from November 14, 1977 forward yields no results.

attention towards the deficit. Echoing the information subsidy argument, one journalist noted that:

> There is one figure in Ottawa who triggers pure, unadulterated adulation in the media. The Great Canadian hero is the Auditor General ... We love this guy ... (his) operation saves news organizations thousands of dollars a year to allow him to go hunting for the smoking guns and the foul ups and the scams that any government with a large civil service is going to entangle itself in (quoted in Savoie 1990, p. 34).

While 1977 proved to be a pivotal year in the Office of the Auditor General's evolution – new legislation was passed giving the Office its own statutory basis and an expanded mandate,[52] the Office's fiscal rhetoric, at least during the 1970s, arguably reached its apogee late in 1976 when newly-minted Auditor General J.J. Macdonell accused the federal government of having "lost control of the public purse," a phase that would resonate through the rest of the decade.

Around the same time, the Liberal government set up the Royal Commission on Financial Management and Accountability headed by Allen T. Lambert, president and chair of the board of the Toronto Dominion Bank. The Lambert Commission, which was charged with recommending ways to improve the government's control over spending, reported back to the Federal government in April 1979, more or less echoing the concerns identified by Macdonell in 1976:

> After two years of careful study, we have reached the deeply held conviction that the serious malaise pervading the management of government stems fundamentally from a grave weakening, and in some cases an almost total breakdown, in the chain of accountability, first within government, and second in the accountability of government to Parliament and ultimately to the Canadian people (Lambert 1979, p. 21)

From the beginning, the Commission made it clear that growing deficits were the subtext of its study. While broad fiscal matters were technically outside of its mandate, the first chapter (entitled "The Fiscal Dilemna") of the Commission's 1979 report discussed the federal government's fiscal situation in detail, arguing that growing deficits

[52] Among other things, the Office could as a result of the 1977 changes enquire into whether departments had sufficient funds to achieve their program objectives and whether government as a whole was spending its money legally and efficiently. These changes gave birth to "value-for-money" audits (since 2004, called "performance audits" which would prove crucial in unveiling the Sponsorship Scandal that helped dethrone the Liberal government.

were *symptomatic* of the government's accountability failings: government had grown too big too fast and with too few controls.[53] Deficits were *unplanned* and *unexpected* because no one had a firm understanding of the overall budgetary picture and no one was willing to impose hard and fast constraints on spending. Straying from its narrow focus on accountability and echoing prominent themes from the business-community, the Commission further argued that government deficits were one of the main causes of inflation and, worse yet, not likely to be balanced even if economic growth resumed its 1960s' pace, the implication being that balanced budgets would be the norm rather than the exception.[54]

The commission's 165 recommendations included a broad array of proposals aimed at improving "accountability" or, in other words, tightening Parliamentary and outside oversight over the bureaucratic spending process. These accountability measures included, most notably, a recommendation that the government publish five-year fiscal forecasts in the fall that would help guide the estimates and budgetary process that typically occurred early in the new year. By setting firm budgetary ceilings and by making budgetary forecasts public, government and its departments would have to make "hard choices" about their spending priorities while opposition parties and outside groups (i.e., business) would be in a better position to hold the government to account.[55] These fiscal plans would also help curtail the tendency of some ministers to use the public forum to announce programs that could only be retracted at great political costs (Lambert 1979, p. 75). While acknowledging that long-range economic forecasts might miss the mark, the Commission argued the accountability benefits outweighed these risks. In any event, the Commission further recommended that the government explain any deviations from its forecasts, a process that presumably would go some way towards enhancing rather than detracting from its fiscal credibility. As I discuss in the next chapter, the

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[53] These themes, and indeed references to the Lambert Commission study, re-emerged recently in discussions about the Sponsorship Scandal in 2004 and 2005.

[54] The Commission attributed this claim to decisions earlier in the 1970s to index the tax system and expand a range of social programs.

[55] While the Commission never says so explicitly, the outside groups in question are clearly the same business groups who had long-complained about the government's increasing size, scope and tax take. Indeed, the Commission notes that its proposal for expenditure ceilings linked to the five-year Fiscal Plan were in part aimed at limiting the influence of "pressure groups" (business was exempted from this category) who pushed for spending increases (Lambert 1979, p. 83).

implementation of this recommendation beginning in 1979 would represent a significant break with the tradition of budgetary secrecy. More generally, the Lambert Commission's report and its accountability recommendations helped nurture an increasingly potent "accountability" discourse that could be used as a wedge by both politicians and outside lobby groups to highlight federal waste, a topic that almost guaranteed media coverage and which could easily be linked back to the deficit.[56]

Notwithstanding the business community's campaign against big government and some internal critiques by the Auditor General and (later) the Lambert Commission, the federal government's fiscal situation only turned decisively – and structurally – towards deficits in 1975-76. Two things happened around this time. First, federal program expenditures exceeded budgetary revenues for the first time since 1963-64 as the federal government attempted to cushion the impact of rising oil prices and slower economic growth by indexing the taxation system and some of its social programs to inflation;[57] second, federal interest costs on the debt as a percent of GDP spiked higher as the Bank of Canada began its monetary-targeting journey (more on this in a moment), routinely exceeding the 2% of GDP average that had prevailed for most of the post-war period.[58] Consequently, the accumulated deficit expressed as a percentage of GDP began its steady ascent to its post 1974-75 peak of 68.4% in 1995-96. Figures 3-2 and 3-3 illustrate the evolution of these three variables (operating deficits, interest costs on the debt as a percentage of GDP, and the accumulated deficit) in the post-war period.

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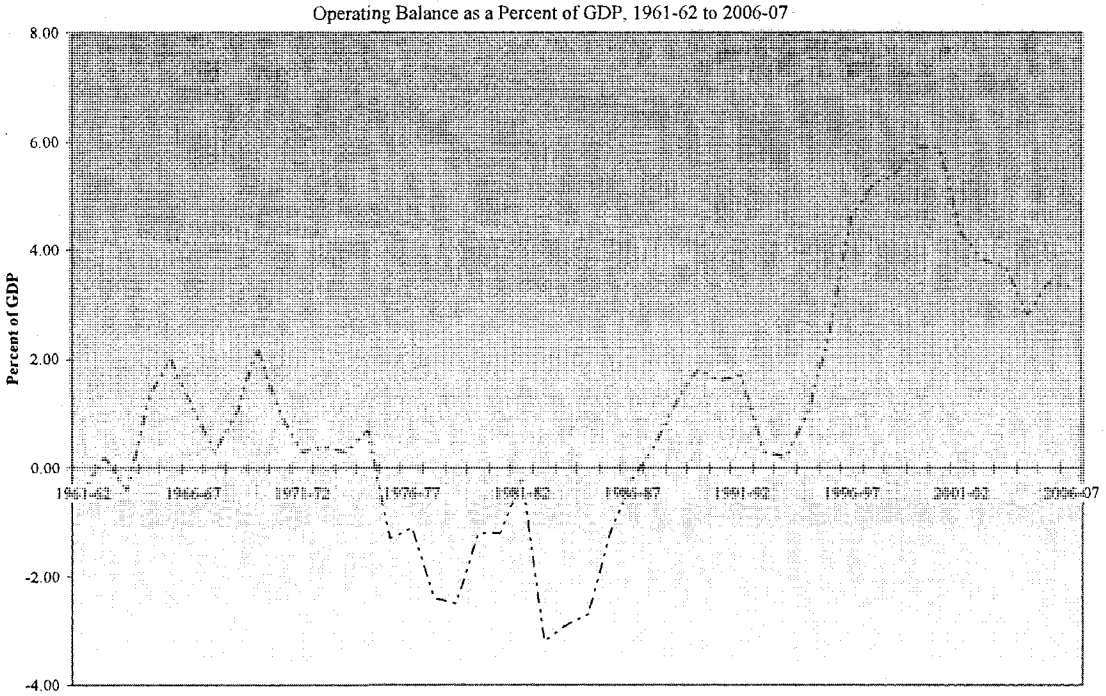
[56] Of course, the accountability rhetoric was also marshalled to effect real changes to the federal government's institutional practices, procedures and guidelines, especially vis-ι-vis opening the budgetary process. One of the more tangible results of the accountability rhetoric has been the recent creation of the post of a Parliamentary Budget Officer, which is ostensibly designed to empower parliamentarians in this oversight role.

[57] Operating deficits persisted through to 1986-87. From 1944-45 through to 1963-64, the federal government ran 14 operating surpluses and six operating deficits. Over the 11-year period from 1964-65 to 1974-75, the federal government consistently ran operating surpluses. In 2004-05, the federal government generated an operating surplus of $12.6 billion or 2.8% of GDP.

[58] In 2005, federal interest costs were still 2.6% of GDP, although this was down from a high of 6.4% in 1991-92.

**Figure 3-2**

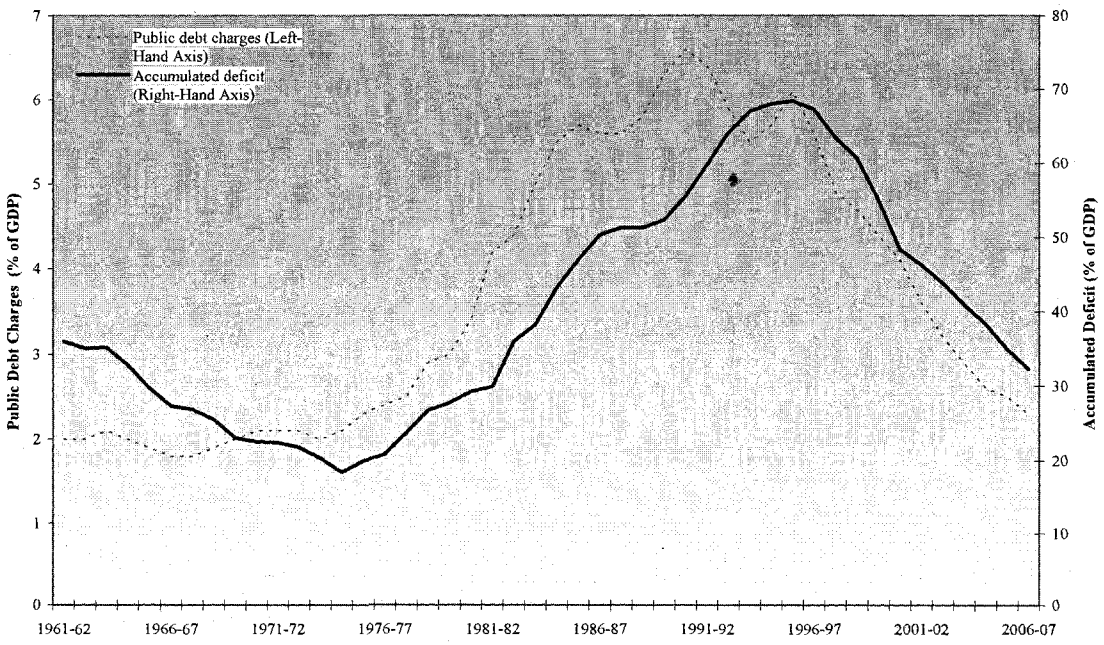
Operating Balance as a Percent of GDP, 1961-62 to 2006-07




Source: Department of Finance 2007 Fiscal Reference Tables

**Figure 3-3**

Evolution of Public Debt Charges and the Accumulated Deficit as a Share of GDP, 1961-62 to 2006-07




Source: Department of Finance Fiscal Reference Tables

The thrust of the federal government's economic focus during the latter half of the 1970s remained on unemployment and inflation, and especially rising energy prices. [59] Throughout, Liberal Finance Ministers routinely defended rising deficits against the business community as a necessary, humane and to some extent, unavoidable response to the economic hardship imposed by global events.[60] At the same time, however, there were some attempts at fiscal restraint accompanied by a shift in rhetoric in the second half of the 1970s. In October 1975 for example, Finance Minister Donald MacDonald issued a policy statement that argued that rising inflation was the consequence of growing deficits. He promised to restrain spending increases at the rate of (nominal) economic growth, arguing that in any event, "we cannot spend our way out of unemployment" (MacDonald 1977), a refrain that would only gain currency as time went on. Meanwhile, then-Treasury Board president Jean Chretien was pushing through spending cuts aimed at demonstrating the government's leadership in its anti-inflation campaign, which had been crystallized in the 1975 wage and price control plan. Foreshadowing the approach adopted by Chretien and Martin in 1995, Chretien gave departments a choice: either accept the proposed spending cuts or come up with their own. Either way, spending had to be reduced. After studies, presumably polling results, suggested that Canadians were sceptical of the federal government's plans for fiscal restraint, the federal government in August 1976 put in place a publicity campaign, detailed in a memo obtained by the press, to highlight programs which had been cut, trimmed or abandoned.

Later, as Finance Minister (1977 to 1979), Jean Chretien oversaw a second attempt at restraint after Prime Minister Trudeau, in a televised address, told Canadians that the government would need to cut $2 billion in order to keep to its promise of limiting spending increases to the rate of economic growth.[61] While Trudeau's fiscal

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[59] The federal government was at least as concerned about inflation as the Bank of Canada (the conventional narrative blames the Bank for being lax on inflation), while in the 1980s, the anti-inflation crusade fell uniquely on the Bank of Canada, something that was only rectified with the 1991 agreement between the Bank and the Department of Finance (Confidential interview with a retired senior official from the Bank of Canada and the Department of Finance).

[60] In speeches to outside groups, Turner, MacDonald and Chretien frequently argued that there was very little room for actual reductions in spending because most of the government's spending was dedicated to statutory programs, which could only be changed by law, and interest costs on the debt, which could not in any way be tampered with.

[61] The actual amount ended up being $2.5 billion. According to Savoie (1990, p. 152) Trudeau made the announcement shortly after attending a summit in Bonn, Germany where a consensus had developed that

restraint was described at the time as "drastic" by some, Lewis points out that the term "drastic" seems excessive for anyone writing today, which only goes to show "...how far the parameters of discussion have shifted" (2003, p. 72). In that light, it is important to stress that the fiscal restraint imposed during this period and indeed, in subsequent periods through to the 1995 budget, was aimed at limiting the rate of increase in overall planned spending rather than imposing absolute spending cuts. As a result, the fiscal restraint of the late 1970s had no discernable effect on the deficit other than perhaps to reduce its growth rate.

Towards the end of the 1970s, the business community's rhetorical war against big government and by extension, deficit spending, was given a major push by events in California, where in June 1978, citizens voted for Proposition 13, an amendment to California's constitution that cut state property taxes by more than half.[62] Proposition 13 was the brainchild of Howard Jarvis, a wealthy industrialist and leader of the United Organization of Taxpayers, a group devoted to limiting the size of government. The surprise success of the vote immediately triggered significant press coverage in Canada (not to mention some short-term budgetary chaos in California) and led to a flurry of stories about the rise of a "new right" among Canada's political leadership and among what was often described as a tax-fatigued populace.[63] In the United States, the success of Proposition 13 helped convince California governor Ronald Reagan to seek the Republican nomination at the national level and, eventually, challenge Jimmy Carter for the presidency on the basis of a fiscally conservative platform that would, despite its failures, exert an important influence on the fiscal debate in Canada during the 1980s (Associated Press 1978; Martin 1978).

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inflation was caused by excessive government spending. Crucially, Trudeau's announcement was made without any forewarning to his Minister of Finance, Jean Chretien. As Prime Minister, Chretien was careful to avoid making the same mistake, giving his ministers and most notably Finance Minister Paul Martin, considerable freedom to decide policy, with Chretien playing more of a background role.

[62] In his book on agenda setting, John Kingdon (2003) cites a number of sources who discuss Proposition 13 as the kind of event that had large ripple effects on policy agendas at both state and federal levels and, I would add, Canada.

[63] According to one news report, several (unnamed) Canadian groups actively sought out advice from the advertising professionals who worked on the "Yes to Proposition 13" campaign (Clifford 1978). Note also that keyword searches on the FACTIVA database for *Globe and Mail* coverage generated 185 "hits" on the search term "Proposition 13" from 18 November 1977 through to 16 August 2006. Proposition 13 recently resurfaced in the news in relation to California governor Arnold Schwarzenegger's fiscal problems and the inviolability of the Proposition 13 constitutional amendment.

Notwithstanding increased talk of a looming tax revolt and calls for fiscal restraint, Lewis argues the Keynesian consensus among senior policymakers at the Department of Finance remained secure at least until 1978:. "There was some internal debate, but the consensus was consistently in favour of larger deficits, given economic conditions" (Lewis 2003, p. 68). Politically, "the middle path walked by Ottawa in the second half of the 1970s was consistent with the Keynesian view that the government is responsible for evening out the business cycle through fiscal policy" (Lewis 2003, p. 72). Indeed, in the 1979 election, even the Progressive Conservatives under Joe Clark were arguing for more fiscal stimulus to help address Canada's (historically) high unemployment rate, although once in office their rhetoric shifted quite dramatically.

The Liberal hold on power was broken, however briefly, when Joe Clark's Progressive Conservatives won power in 1979 with a minority government in part because of a promise to increase spending and to implement a $2 billion tax cut. Shortly after assuming power, however, Finance Minister John Crosbie began to emphasize the need for fiscal restraint and the virtue of enduring short term pain for long-term gain. Foreshadowing Paul Martin's emphasis on spreading the pain of fiscal restraint evenly, Crosbie criticized those who advocated restraint for others but not themselves:

> ... there is no shortage, unfortunately, of Canadians who are 'ready, aye, ready' to see someone else's ox gored, or cod gutted, but who are suddenly and vigorously protective when it comes to the possibility of cutbacks or restraint programs that affect them directly. If there is one message that I would like to deliver to you today it is this: When we say restraint, we mean you (Globe and Mail Editorial 1979).

Turning the then-dominant economic logic on its head, Crosbie added that "the only stimulative deficit for Canada at this point in time is a reduced deficit" (Globe and Mail Editorial 1979). It would take more than a decade for this view to become commonplace. While the auditor general, think-tank economists, the business community and even the general public (with an appropriately worded survey)[64] were strongly favourable of deficit reduction, economist Marc Lavoie points to evidence that as recently as 1986, some 85% of university-based economists still supported, in theory, the Keynesian claim that deficits could have a stimulative effect on an economy operating at less-than-full

[64] As indicated in the introduction and as argued more thoroughly in Chapter 9, the "Canadian public" has *always* supported fiscal conservatism when presented with the appropriately worded survey question.

capacity (Lavoie 1993, p. 127).[65] Despite this lingering, if tepid support for Keynesian ideas in the academic community, Crosbie's statement marked an important turning point in the evolution of fiscal thinking, especially within the Department of Finance and other more fiscally conservative elements of the federal bureaucracy. In his review of budgetary documents since 1979, Lavoie (1993) for example argues that the federal government's budgetary documents since 1979 have leaned almost entirely, albeit implicitly, on a Hayekian understanding of the economy rather than a Keynesian one, with four recurring Hayekian themes, namely (1) the idea that the private sector is *the* engine of economic growth; (2) that the medium and long-term are more important than the short term (recessions are unavoidable and even necessary); (3) that inflation is an evil that must be resisted at all costs; and (4) that the deficit and debt "crowd out" private borrowing by consuming a disproportionate share of a finite amount of savings.

**The Post-War Monetary Context**

Against this backdrop of an increasingly contested fiscal landscape and economic change, the Bank of Canada found itself having to contend with some serious challenges to the way it conducted monetary policy. Most of these however originated from the real economy rather than from outside or inside critics. To understand their import, we need to frame the discussion relative to the first post-war period, roughly from 1945 through to 1970. While it would be wrong to say that monetary policy was uneventful during this period, it is nevertheless true that the Bank of Canada was for the most part supportive of fiscal demand management, helping to engineer a low interest-rate environment that encouraged private-sector investment and helped limit federal borrowing costs. The 1970s, however, ushered in several important changes, beginning in 1970 when Canada abandoned its fixed-exchange rate with the United States, anticipating by several months the collapse in the Bretton Woods system of fixed exchange rates that took place in 1971. A little while later, in 1973, the world was hit by the first of two oil price shocks which contributed to a sharp increase in inflation.

Faced with these changes, the Bank of Canada in 1975 adopted a policy framework approach that many construed as "monetarist" because it consisted of an

[65] In practice however, few actually supported more deficit spending – in fact, Lavoie notes that according to one survey, fully 75% of university economists were in favour of spending reductions, a view which implied that many believed that a 10.9% unemployment rate constituted "full employment."

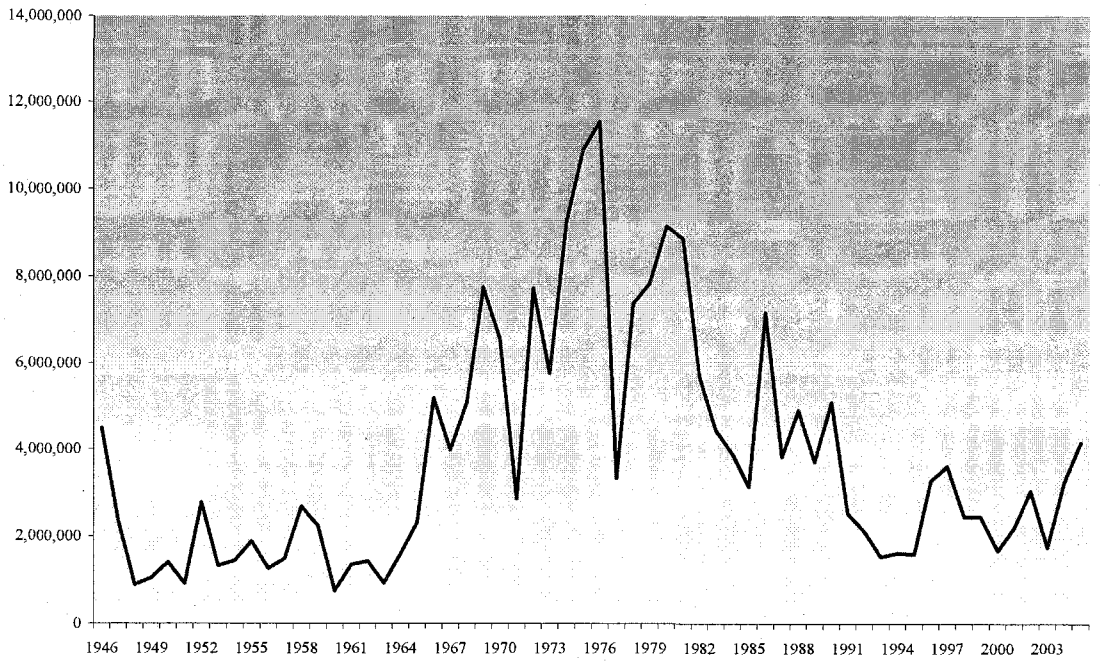
operational objective that tried to control the supply of money in order to restrain the surge in inflation caused by the first oil crisis. While the Bank was singularly effective in achieving and even besting its monetary targets, it was far less successful in containing inflation, an outcome that critics on the right of the spectrum attributed to its overly-accommodative or "gradualist" implementation of monetarist rules. This policy failure would eventually lead the Bank to abandon its efforts to target the monetary supply such that in 1981, then-governor Gerald Bouey famously delivered an address to the Per Jacobsson Foundation at the University of Toronto which he entitled "Monetary Policy: Finding a Place to Stand."

It would take another 10 years before this search would come to fruition but along the way, and especially in the 1970s, Bank of Canada governors routinely blamed either the federal government's deficits[66] or Canadians for insipient inflationary pressure. In his annual reports from the mid 1970s, around the same time the Bank began its monetarist experiment, Bank of Canada governor Gerald Bouey routinely commented for example on the "dangerous" culture of entitlement that he believed had wormed its way into the Canadian psyche both in the form of "excessive" wage demands (expressed in the form of strikes and labour militancy more generally – see Figure 3-4) and in fiscal profligacy:

> Public and private attitudes in Canada had gone dangerously (by 1975) far towards the belief that Canadian prosperity was automatically assured and that the economy could be relied upon to generate enough real income to permit a continuation of the unusually rapid increases in recent years in both private and public consumption. This was of course an illusion, but it was commonplace to see people acting as though they believed it (Bank of Canada 1977, p. 5).

[66] There are two variants of the deficit-causes-inflation argument. The first says that government deficit spending is inflationary because by it can (a) push demand beyond the economy's capacity; and (b) limit the economy's capacity because government spending is often inefficient. The second says that deficits create fear among international investors that governments will one day force the central bank to "print money" to pay its debts , which in turn would be inflationary.

**Figure 3-4**
Labour Unrest in the 1970s: Person-days not worked in Canada as a result of work stoppages




**Source:** Statistics Canada Table 278-0009, series v4391647.

## Legitimation Crisis

The 1970s were clearly a decade of considerable economic change and upheaval. The prosperity of the first post-war period was nearing an end, helping unleash a growing movement both inside (a monetarist central bank; an empowered Auditor General; an increasingly stridently anti-deficit Progressive Conservative party) and outside of government (Proposition 13; the creation of various think tanks) that argued in favour of fiscal and monetary policy restraint largely on the basis of two claims: first, that the federal government had grown too large too fast and with too little accountability; and second, that Canadians had grown complacent and lazy due largely to this government largesse and to the central bank's laxity with respect to inflation. In this context, fiscal and monetary policy began to reorient themselves, seeking an elusive Archimedean point around which to centre policy decisions. How do we make sense of this progression of events from a period of obvious tumult in the mid 1970s to a period of relative calm some 20 years later? Habermas' *Legitimation Crisis* I think provides a useful way of understanding these events, at least from the perspective to the elites who worried about the public's work ethic and labour's militancy. To see why, we need to briefly review his argument.

Habermas begins by observing that while capitalism has demonstrated its capacity to generate wealth and scientific knowledge far in excess of earlier forms of social organization, it has also shown a strong tendency towards crisis as demonstrated by the frequent and severe economic crises in the 19th century and up until World War II. Since then, this tendency has been mitigated by pre-emptive, activist and technocratic state involvement of the kind discussed earlier. The state both subsidizes certain industries through what economists call supply-side policy and redistributes income through demand-side policies. The state's attempts to sublimate economic crises through activist policies entails some quite serious economic consequences according to Habermas, including:

> (a) disparate wage developments and/or sharpening of wage disputes in the public service sector; (b) permanent inflation, with corresponding temporary redistribution of income to the disadvantage of unorganized workers and other marginal groups; (c) permanent crisis in government finances, together with public poverty (that is, impoverishment of public transportation, education, housing and health care); and (d) an inadequate adjustment of disproportional economic developments, sectoral (agricultural) as well as regional (marginal areas) (Habermas 1979, p. 38).

These consequences and the state's attempt to address these can in turn entail what Habermas calls a *rationality crisis*, a term he uses to describe the conflicting pressures on the state to, on the one hand, actively protect capitalism from itself and, on the other hand, the pressure on the state to leave the private sector alone. Ultimately, much hinges on the state's ability to structure its interventions such that it keeps the economy moving (i.e., economic growth does not stall) and its taxing and spending policies are sufficient to "guarantee mass loyalty" (Habermas 1979, p. 61).

The crux of Habermas' thesis in *Legitimation Crisis* however is that the government's attempts to assure production and avoid economic problems may merely transform or displace an economic and rationality crisis into one or two forms of sociological or *integration crises,* i.e., situations where the "consensual foundations of normative structures are so much impaired that society becomes anomic. Crisis states assume the form of a disintegration of social institutions" (1979, p. 3). Both these integration crises hinge on the ability or inability of the capitalist system to distribute the social product "... inequitably, and yet legitimately" a problem that is "temporarily

solved through the ideological protection of counterfactual validity claims" (Habermas 1979, p. 20).

Habermas argues there are two forms of integration crisis. The first he calls a *legitimation crisis.* Whereas early capitalism retained legitimacy by attributing responsibility for economic failure (and success) to the invisible hand of the free market and hence the individual, modern capitalism is threatened because the state adopts responsibility for economic outcomes by virtue of its visible, activist and instrumentally-justified role in ordering and structuring the economy. In assuming these responsibilities, the state "re-couples" the economic to the political, in effect ushering in a system comparable to pre-capitalist societal forms where it was understood that economic outcomes were the responsibility of the feudal lord or whoever happened to be in charge. As McCarthy (p. 368) notes, "(w)ith the repoliticization of the relations of production, the ideology of fair exchange has lost its force. There is a general awareness that distribution of social wealth depends in no small measure on governmental policies and the quasi-political negotiation of rewards and obligations."

Citizens now have the capacity and even the willingness to demystify economic happenings (including the economic consequences of government intervention described above), make demands of their governments and attribute blame when promised results fail to materialize. Moreover, taken-for-granted meaning "is a scarce resource and is becoming ever scarcer. Consequently, expectations oriented to use values, that is, expectations monitored by success – are rising in the civil public" (Habermas 1979, p. 73). Government have also contributed to this process by taking credit for fortuitous economic circumstances or by promising action to pull the economy out of economic downturns.[67] A legitimation crisis occurs when the demands of citizens exceed the capacity or willingness of the state to meet those demands and when, consequently, citizens can see clearly that while the state adopts the rhetoric of fairness, equality and freedom, it acts largely in a contrary fashion. In short, the state's legitimate dominance over day-to-day life is called into questions.

[67] To this day, media and political discourses on economic issues and fiscal and monetary policy in particular are rife with politicians willing to take credit for economic prosperity while disdaining responsibility for recessions and this is true notwithstanding the turn to neo-liberalism that began in the 1970s.

The second form of integration crisis is called a *motivational crisis*. The argument for this type of crisis rests on a claim that managerial capitalism erodes the cultural pillars which were inherited from pre-capitalist traditions and which continue to provide citizens with the motivation to work hard and dismiss or ignore systemic inequities. Habermas calls these cultural pillars civic and familial-vocational privatism: in early capitalism, citizens took only a passing interest in politics, devoting their energies to caring for their families and seeking career success. In the post-war period, the state takes on many of the roles previously played by family such as care for the elderly, income support for the unemployed, housing for the destitute and health care services for the ill. The motivation to work is gradually eroded by coddled welfare-state recipients, monotonous, isolating and alienating employment, growing evidence of the system's unequal income distribution and a general inability of the system to produce the kind of citizens necessary for the system's reproduction.

In later refinements of the *Legitimation Crisis* thesis, Habermas (1982) calls this growing intrusion by the state into the private lives of individuals the "colonization of the lifeworld." This growing intrusiveness is also accompanied by an increased effort to redefine politics in a technocratic, pro-growth way:

> State regulation of the economy and its involvement in a range of social concerns (e.g., education, family matters, health) is justified by reference to seemingly nonideological reasons, 'e.g., economic growth, social stability, the maintenance of standards of living, or national security. ... The repression of a democratic moral and political culture by science, capitalism, and bureaucracy is seen as the chief threat to a good society (Seidman 1989, 21).

The consequence of this trend towards increasingly deferring the political to the technocratic is that the state effectively "decouples" the economic from the political and returns society to a more pure form of liberal capitalism that we now know as neo-liberalism (Habermas 1979, p. 36). The turn to balanced budgets and inflation targeting are key moments in this decoupling process, with the balanced budget convention acting as a kind of *quid pro quo* for activist but *depoliticized* monetary policy, what Niggle

(2006) calls "rough tuning" of the economy instead of the much more politicized "fine tuning" that took place in the Keynesian heyday of the 1950s and 1960s.[68]

**Conclusion : Legitimation Crisis and the Elite**

The *Legitimation Crisis* argument has considerable intuitive appeal. The claim that a motivation crisis can arise out of a rationality crisis certainly seems to fit with the way the business community and many others saw the world in the 1970s: for them, growth in government social programs, made possible by deficit spending, seemed to foster a dangerous culture of entitlement, eroding the desire for work and personal responsibility and leading to numerous work stoppages, slowing economic potential and inflationary pressures. We see a similar ongoing backlash against proposals for universal child care on the grounds that they are "socialist," "bureaucratic" and undermine individual autonomy and responsibility.[69] In other words, the concerns expressed during this period seem to fit with the way Habermas' defines the process of "colonization of the lifeworld." The definition of a legitimation crisis similarly helps us understand why in the context of a relatively poor economic performance, there were rumblings of a backlash (think Proposition 13) against governments unable or unwilling to live up to the rhetoric promises that flowed from the Keynesian convention of the immediate post-war era, namely that the state would do what it takes to save capitalism from itself.

While Habermas' work, including *Legitimation Crisis,* has been criticized for assuming too much about the need for the capitalist system to integrate the broad citizenry into its ethos, he does allow for the possibility that ideological effects might work largely at the elite (bourgeois) level. He notes, for example, that the

> socially integrative effect of the value form may be restricted, by and large, to the bourgeois class. The loyalty and subordination of members of the new urban proletariat, recruited mainly from the ranks of the peasants, are certainly maintained more through a mixture of traditionalistic ties, fatalistic willingness to follow, lack of perspective, and naked repression than through the convincing force of bourgeois ideologies (Habermas 1979, p. 22)

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[68] To see how this tradeoff works in practice, imagine a situation where the central bank believes the government is over-stimulating the economy through tax cuts and / or spending increases. To keep inflationat its 2% target, the Bank would likely increase the target for the overnight lending rate, thus slowing the economy. In other words, the current conventional view of what constitutes sound monetary policy can, under certain circumstances, offset or undermine any effort on the part of Parliament – the elected representatives – to stimulate economic growth through fiscal policy.

[69] Advocates of a national daycare program, for example, argue that this would make it easier for women to participate in the workforce, thereby contributing to economic growth.

This view is consistent with Thompson's definition of ideology and the positions of a number of critical theorists surveyed in the last chapter (Abercrombie, Hill, and Turner 1980; Held 1982; McCarthy 1978; and Thompson 1990). In other words, we might say that while the system must find a way to "distribute the social product inequitably and yet legitimately," the rhetoric needed to sustain rationalization, legitimation and motivation may not be geared so much to the broad masses but to that group I have referred to as the elite.

There are, furthermore, good reasons to believe that it is especially important for the elite to coalesce around economic conventions (by definition, *depoliticized*) in general and fiscal and (especially) monetary policy conventions in particular, regardless of their specific content, in the name of system stability. Habermas for example points explicitly to monetary policy as "...an essential part of a state's global planning ..." (Habermas 1979, p. 54). In a later work, he says that monetary policy is the perfect example of a policy domain cloaked in technical rhetoric, something which suits conservative-minded, democratic elite theorists just fine: "Hence the preference for depoliticized steering institutions (like the Bundesbank) [70] and especially the stylization of a purported competition between the principle of a balance of powers, on the one hand, and democracy, on the other" (Habermas 1985, p. 90). In his *Theory of Communicative Action*, Habermas assigns monetary policy an even more prominent role by arguing that money played a key role in separating out ("decoupling") the economic from the political sphere, displacing language as a coordinating medium and ushering in liberal capitalist societies:

> By decoupling action in certain ways from yes/no responses to validity claims, these media neutralize the usual lifeworld requirements for consensus formation. They "encode" certain forms of purposive-rational activity, symbolically generalize certain categories of rewards and punishments, and make it possible to exercise strategic influence on action by non-linguistic means. Further, media-steered interactions can link up in more and more complex functional networks, without anyone commanding an overview of the latter or being responsible for them (McCarthy, pp. xxix-xxx of the introduction to Habermas 1983).

[70] The European Central Bank is modelled after the Bundesbank because of its reputation as an inflation hawk.

Elsewhere, there is a longstanding tradition within Marxism that views war as the outcome of imperialism (the scramble for markets), a theoretical approach which may be interpreted as a conflict between competing elites from different nation states. Goodhart (1998) employs a form of this argument by arguing that strong currencies are empirically and historically related to strong leaders and strong states. Strong kings beget strong money. Strong money reinforces strong kings. While Goodhart does not make the case in so many words, it does not take a great leap of logic to see why a fractured elite, each schism attempting to build its own system of taxation and currency, could be destructive for the stability of any jurisdictional area such as a nation state, a federation or an economic union.[71]

There is also a rich tradition in heterodox economics which suggests that inflation can be seen as a barometer of class conflict, which further suggests that the elite have an interest in maintaining consensus if only to minimize the risk of inflaming class conflict and worsening inflation. In a recent paper, Setterfield (2007) for example develops a model which shows that historically, inflation "is the result of conflict over the functional distribution of income" rather than too much money chasing too few goods (the monetarist theory) or an excess of demand over capacity (the fashionable theory in monetary policy circles). Similar arguments can be made for the need to have consensus around fiscal policy, especially to the extent one believes that fiscal policy has a direct bearing on the implementation of monetary policy and the value of money itself, as many Post Keynesians do (see for example Fullwiler and Allen 2007).

Finally, Brownlee presents compelling evidence that Canada's elite, which he defines largely in terms of the business class and its agents – think tanks, intersectoral organizations, some elements of the bureaucracy and certain factions of the political class[72] – were in fact able to overcome some of their natural differences[73] and achieve a degree of unity and cohesiveness that allowed them to exert an increasing influence over the policy process and its outcomes with respect to certain large issues such as the deficit,

[71] First, to the extent the elite want to further commerce, competing currencies are inefficient because they add to transaction costs. Second, and more importantly, currency competition can easily translate into war.
[72] My definition of elites is somewhat broader in that it includes, as indicated in Chapter 1, high-income or high-wealth individuals who concern themselves with policy issues, even if that means reading the *Globe and Mail*'s policy and political coverage on a regular basis.
[73] Manufacturing interests for example have often been at odds with financial interests. I explore some of these divides within the elite in Chapter 6.

and free trade.[74] For Brownlee, the elite's ability to unify its position *on these issues* can be traced back to a "dramatic rise" in corporate concentration (Brownlee 2005, p. 53), a strong sense of class consciousness developed through interlocking directorates, the growing influence of intersectoral policy organizations and think tanks, and tight linkages between business and political segments of the elite. More fundamentally, he suggests that elite unity assumes "a more solid political expression when class conflict is high and the elite face a threat," as they did in the 1970s (Brownlee 2005, p. 19).

To summarize then, substantive elite disagreement over broad economic issues is likely to introduce instability by undermining the ability of policy makers to settle on a fixed policy reference point. It may also worsen class conflict that, in turn, may lead to inflationary pressures and create broad-based societal instability. Above all, however, elite dissensus on key economic issues such as the deficit and monetary policy is also likely to expose fiscal and monetary policy debates for what they really are and were increasingly seen to be in the 1960 and 1970s, namely political debates about who gets, what, when where and how.

[74] As I argue later in Chapter 6, monetary policy is something of the odd man out here – compared with fiscal policy and other broad economic issues, the business class was much less able to present a unified front on this subject, although that began to change – and dramatically – beginning in the early 1990s.

# CHAPTER 4 : CONVENTIONS AND THE TECHNOLOGIZATION OF DISCOURSE

> At one (pre-budget) conference, a participant put it this way. "...If you have to cut ... begin with me, because I refuse to be part of the system that is robbing the wealth out of the mouths of my children, our children" (Paul Martin's 1994 Budget Speech Department of Finance 1994, p. 13)

> I have some sympathy with the account in Pilger of apparently ever-increasing openness and visibility of the political process being underlaid by an increasingly secretive state engaged in more and more covert operations, and an increasingly disciplinary society. In this light, the restructured order of political discourse has more of a legitimizing function than a democratizing function, though the ambivalence of conversationalization which ... precludes simple black-and-white interpretations (Fairclough 1995, p. 181).

Since the late 1970s, there has been a remarkable transformation of the federal government from a largely secretive institution to one that pro-actively engages the media and where communication considerations play a central role in the choice and design of public policy. To a large extent, this sea-change would appear to be rooted in technology. Certainly, the personal computer, the Internet and even the humble photocopier have greatly reduced the cost of producing and distributing information en masse while at the same time increasing the cost of taming this information flow to avoid the risk of rumours, innuendo and mis-interpretations being taken as fact.

The purpose of this chapter, however, is to argue that there was something else driving the growing influence of communications considerations in the federal government. By documenting the changing communications practices at the Department of Finance and the Bank of Canada, I aim to show that the federal government's "communicative turn" was also driven by strategic political considerations arising out of a "bad news" environment of difficult economic change. The resulting "technologization of discourse" practices had at least three important convention-forming consequences addressed here and in subsequent chapters.

First, both institutions became increasingly adept at satisfying the media's need for news subsidies and, in so doing, spreading the language of fiscal conservatism and inflation control beyond Ottawa. Second, by feeding these outside communication

circuits, they were also able to strengthen their internal position within the federal hierarchy and, in turn, strengthen the case for fiscal retrenchment and inflation targeting among the bureaucratic and political class. Third, the increasing use of strategic communications helped depoliticize fiscal and monetary policy by suggesting that fiscal conservatism and inflation targeting were strictly matters of mathematical and economic necessity rather than ideological pursuits.

**The Federal Government's Communicative Turn: A Broad Outline**

The election of Brian Mulroney's Progressive Conservatives in 1984, with their "New Right" agenda, marked a major shift in the way the federal government talked to the outside world especially as it concerns economic issues. Instead of relying on its bureaucracy for policy direction and design, the new government increasingly sought outside input into the policy process, creating for example the so-called Nielsen Task Force, which "brought in people from outside government to take a hard look at government spending under the direction of Deputy Prime Minister Erik Nielsen"(Simpson 1994, p. 792).

Kozolanka (Kozolanka 2006) argues that the new government's push for "openness" and outside scrutiny was partly tied to its mistrust of the federal bureaucracy but also was linked to changing outside demands from interest groups and research institutes (think tanks) for more information which, in turn, were partly driven by changes in communications technology. Government had to, in a word, "feed the beast" and the beast was perhaps all too willing to be fed with a steady diet of cheap subsidized information flows. Looked at through the prism of Habermas' *Legitimation Crisis* prism, we might say that certain elements of the public were sufficiently politicized that they demanded more discursive justification rather than less. In most areas, the consequence of this opening-up process appears to have been a curtailment of the bureaucracy's traditional influence over policy design and implementation. The tremendous growth in outside research institutes and ongoing effort to further public-private partnerships are only two instances of how the bureaucracy's monopoly over policy has been watered down.

Brian Mulroney's Progressive Conservative government did more than just open the policy debate process to outsiders, it also opened up the communications function

itself by relying increasingly on outside communications consultants, and especially former journalists, for its communications strategies and monitoring. I find evidence for this claim in my research on the Bank of Canada and the Department of Finance. In fact, the media personnel recruited to these two government institutions eventually played pivotal roles in spreading "technologization of discourse" practices to other parts of government. Parallel with this increasing reliance on outside consultants, the government centralized control over departmental communications divisions under its two "steering" institutions, namely the Privy Council Office (PCO) and the Prime Minister's Office (PMO).[75] The upshot of all this is that throughout the last 20 or so years, the federal government has been routinely criticized as being too focused on spin and putting too little attention on actual policymaking.

The Mulroney government's new approach to the communications function was encapsulated by its *1988 Government Communications Policy*, the product of a year-long review of the government's communications operations and part of the government's "very significant effort to review the overall management of the communications function in the Public Service (Treasury Board Secretariat 1988, p. 47). Couched in the language of opening the policy process to outside influence,[76] Devereaux-Feguson summarizes the thrust of the *1988 Communications Policy* as follows:

> communications was to be formally integrated into the corporate planning process. The communication function had been, in corporate terms, upgraded from a *service-oriented* function to a *management* function. Under the new policy, senior managers in communications joined policy makers and program specialists at the management table. In many government departments, senior communication managers report directly to Deputy Ministers, the highest level of the bureaucracy(Devereaux-Ferguson 1993, p. 5).

Along with this new reporting structure, the *1988 Communications Policy* put in place two other changes that put communicative considerations at the forefront of policy making. First, it required Departments to include a detailed communications or strategy for all new policy initiatives sent via Memoranda to Cabinet (MCs). Henceforth, no new

[75] At the risk of overly simplifying matters, the PCO acts as a conduit or mediator between the PMO, which assigns broad policy direction, and the bureaucracy, which is charged with implementing policy.
[76] In the words of the *Communications Policy*, "Communications is a management function which ensures that the public receives information about government policies, programs and services; and that the concerns and interests of the public are taken into account in the formulation and implementation of government policies and programs (Treasury Board Secretariat 1988, p. 3).

policy could go forward without a strategy to sell the policy to the public. Consequently, communications personnel would have to sit in at the highest level policy meetings (assistant deputy minister and higher) where they would be expected to challenge the policy from a marketing perspective. Their pay would be bumped up commensurately (Yemen 2007). Second, it required heads of communications[77] from each department to put in place a communications planning cycle. According to the *1988 Communications Policy*, the cycle began in July with PCO laying out the government's broad communications objectives. In September, communications heads prepared a Strategic Communications Plan for the upcoming fiscal year. Once approved by the Deputy Minister, the Strategic Plan was forwarded to PCO for review by Cabinet. In March, Departments prepared an Operational Communications Plan to spell out how the Strategic Plan would be implemented in practice. Then, over the course of the fiscal year, the heads of communications were responsible for updating the Strategic Plan as needed and for monitoring and evaluating its effectiveness. Based on updated versions of the *1988 Communications Policy*, the planning cycle appears to have changed little over the ensuing period.[78] The communications function had come a long way from the dark days of the 1970s when it did little more than write press releases and plan press conferences (Yemen 2007; Schuthe 2006).

**The Communicative Turn at the Department of Finance**

> When ... so much of the fiscal story has to do with something as a percentage of something to make it meaningful, it's incredible how many people (don't get it), it's not where they live, they worry about other things. It became and probably still is in both Finance and the Bank of Canada very much a challenge of isolating

[77] The position of "head of communications" appears to have originated with the *Communications Policy*, which says that Deputy Ministers must "designate a senior official (referred to herein as head of communications) to support the deputy head in co-ordinating and directing implementation of this policy" (Treasury Board Secretariat 1988, p. 7).

[78] The 1996 version of the *Government Communications Policy* is identical to the 1988 policy {Treasury Board Secretariat, 1996 #329. More recent versions (2002, 2004, 2006) of the plan no longer use the term "Strategic Communications Plan" but instead refer to the "Corporate Communications Plan." They also omit explicit discussions of the precise timing of the planning cycle (i.e., July, September, and March) and the relationship between departments and PCO. They note instead that each Department's "corporate communication plan must be periodically reviewed, evaluated and updated in conjunction with the business planning and budgeting cycle" and that corporate communications plans ought to "integrate governmental, ministerial and institutional priorities; identify target audiences inside and outside of the institution (citizens, stakeholder groups, etc.); take account of the views and concerns of audiences inside and outside of the institution (i.e. the internal and external environments); delineate strategies, tools, messages and responsibilities for communicating with target audiences; and set out operational needs and resource allocations."

> the elite – that's the big target audiences who are influential – the opinion leader type thing including key journalists. You couldn't turn your back on the broader so-called broader public you also couldn't possibly spend enough money to get it out there and have it stick (Yemen 2007).

While it would take the Bank of Canada a number of years to implement something akin to the federal government's 1988 communication directive,[79] the Department of Finance was a pioneer in adopting these communications practices.[80] According to interviews with several senior communications personnel who worked at the Department in the 1980s, the motivation for the *1988 Communications Policy*, and indeed, the substance of the report, appears to have been rooted in the communications breakdown around the 1981 MacEachen budget, which Peter Daniels, a senior communications official under Marc Lalonde, Michael Wilson and Paul Martin, described in an interview with the author as " a watershed for communications in government. It really was. Every thing you could do wrong was there. ... It was like non-communication in the classic sense. It was done in a vacuum" (Daniels 2006) Peter Donollo, former Prime Minister Jean Chretien's Chief of communications during his government's first mandate, echoed Daniels' view, describing the 1981 budget as "an absolute disaster" (Donollo 2006).

To some extent, "non-communications" was to be expected given the convention of budgetary secrecy (see below) and the fact that the Department of Finance lacked a strong communications branch. Bruce Yemen, a former senior editor at the *Ottawa Journal* (which folded in 1980) and then speech writer and strategic communications planner at the Department of Finance and later the Bank of Canada, for example described Finance's communications operations in the early 1980s as

> very old-fashioned, you know we put out press releases and we handled arrangements for press conferences...They (Finance) did not have much of a strategic or analytical capacity in terms of the public environment or the interaction of policy proposals with the public environment. Really, I guess you could say it was non-existent (Yemen 2007).

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[79] The *1988 Communications Policy* applied only to major government departments and not Crown corporations such as the Bank of Canada.
[80] See Appendix A-1 for a timeline of major fiscal policy events.

The 1981 budget was also a failure, however, because it failed to anticipate the political backlash from elites, a group that Yemen (2007) described as "the big target audience" at the Department of Finance. Premised on a growing economy, the 1981 budget set out, among other things, a detailed tax reform package that reduced the generosity of a number of tax credit, exemption and deferral measures for the affluent and corporations (partly offset by reductions in marginal tax rates), all in the context of helping the government achieve its deficit reduction targets and, according to the budget, improving tax equity. The budget did not include any significant spending reductions. It is difficult to exaggerate the impact of Budget 1981's proposed tax measures. As Appendix A-2 to this chapter shows, the Budget proposed 20 tax changes that were explicitly targeted at affluent individuals and corporations. No budget before or since has dared to reduce the deficit by focusing on tax measures aimed at upper income individuals and corporations. The reaction from the community was swift. According to Neil Brooks, a Department of Finance official who worked on the tax package, Canadian corporations launched "a classic example of what's called a capital strike. I mean, business simply said to the government that if you go ahead with these measures we will stop investing in Canada. ... Literally the next they were closing down jobs" (cited in Brownlee Brownlee, p. 77)

According to a former senior official at the Department of Finance, MacEachen failed to adequately consult with the business community and upper-income individuals who were most affected by the proposed tax reform package. In not consulting, MacEachen committed the number one sin in government communications: he surprised the business and upper-income community and allowed their "chatter" to take on a life of its own, as Peter Daniels emphasized in our interview:

> You've got to precondition the environment for anything you do plus you need to tradeoff. You need to be able to communicate in a balanced way. You know if you're taking, you've got to be giving. You know, I mean, it's never all take or all give. And even if you're taking, you've got to take in a balanced way. ... There was very little if any consultation with people who would be affected. The chattering classes were left to chatter on their own. (You need to) keep them engaged. I mean they've got to talk to somebody. Don't let them talk to themselves, you know ... (otherwise) they work issues up that don't exist. They create balloons (Daniels 2006).

Why would this failure to consult evoke such a sharp response? After all, the budgetary process in the 1980s was hardly any more open than it had been in the past. To understand this response, we need to appreciate that the business community's anti-deficit rhetoric in the 1970s was more apparent than real. As Timothy Lewis argues, the business community quietly continued to support the Liberal party in return for targeted tax breaks despite mounting deficits. "Part of why business tolerated these deficits (in the 1970s) in practice as opposing them in principle was that the Liberals were courting the corporate community with tax measures while constraining spending"(Lewis 2003, p. 73). Indeed, speeches by the various ministers of finance throughout this period are rife with arguments in favour of targeted tax measures for business to generate economic growth and improve productivity. From this perspective, the 1981 budget can be interpreted as having broken an implicit or perhaps explicit covenant between the Liberals and its backers in the business community. At a minimum, it is clear that "...MacEachen miscalculated the concerted business and high-income opposition he would face" (Lewis 2003, p.77). Or as Donollo put it, "Chretien used to say that the Finance Officials used to pull the same tax increase ideas out of the drawer every budget and they finally found a minister who fell for them."

**Unveiling the Budget : The Demise of Secrecy**

By mid-December, MacEachen was having second thoughts about his November budget and indeed, the federal government reversed course by unwinding many of the 1981 tax reform measures beginning with the June 1982 Budget (better known as the "6 and 5" budget) then Marc Lalonde's 1982 fall economic statement and, most dramatically, Lalonde's 1983 budget, which deliberately increased the deficit to help lift the economy out of recession. For the purposes of this discussion, the most important outcome of the 1981 budget was a series of discussion papers beginning with an April 1982 Green Paper published under MacEachen's auspices. While the Green Paper does not make any definitive policy recommendations,[81] it does provide an overview of the key issues around the convention of budgetary secrecy, beginning with the observation that since at least the 1960s, Ministers of Finance routinely complained about the

[81] A Green Paper tends to set out problems and some very tentative solutions; a White Paper tends to put forward more concrete policy recommendations.

constraints imposed by the budget secrecy convention. Walter Gordon, Finance Minster from 1963 to 1965, for example observed that:

> The old established tradition – according to which budgets are prepared in the Department of Finance, without consultation or discussion with other officials or outside experts, and without informing the Cabinet of what is going to be proposed until a few hours before presentation to the House – is out of date and should be changed.(MacEachen 1982, p. 1)

In its hard form, the convention said that *any* disclosure of *any* information related to the budget could lead to the Minister of Finance's resignation. Consequently, the Green Paper argues that the convention seriously inhibited the scope of consultation within government and between the Department of Finance and outside groups. Finance officials could only listen to behind-closed-door pre-budget submissions, forever mindful that their exchanges might inadvertently reveal the budget's content. As the Green Paper notes, the budget secrecy convention was something of an anachronism, a relic of a time when most government taxation was done through excise taxes and tariffs and aimed purely at revenue generation. Under these circumstances, it could be profitable for an individual to know, in advance, which tariffs/excise taxes were going up or down.[82]

The arguments in favour of opening up the budgetary process hinged on three important post-war institutional and structural changes. First, after the Second World War (and even before), the federal government began to generate an increasing share of its revenue from income taxes rather than tariffs and excises taxes. Second, income tax policy became an increasingly important macro-economic and micro-economic policy tool and hence, increasingly complex and indecipherable to all but the most well-versed, most of whom worked or were affiliated with the Department of Finance. Third, the size, scope and complexity of government grew tremendously in the post war era and consequently, so did the budget. Owing to these changing realities, many believed it was no longer feasible for one department to devise a budget with such far-reaching consequences in isolation from those most affected by the budgetary outcomes. Indeed, by the 1970s, the budget had "... become one of the most significant events in the

[82] If, for example, someone knew that a tariff was about to increased, they could increase their purchases of the related good and resell them at a lower price relative to their competitors after the tariff was increased.

political calendar for unveiling by governments of the specific actions they are taking over the entire range of public policy (MacEachen 1982, p. 3).

These same arguments re-emerged in subsequent discussion papers on budgetary secrecy, including a series of (outside) contributions written shortly after the Green Paper, a February 1985 study by the Conference Board of Canada , a 1985 discussion paper by Michael Wilson (Wilson 1985), a December 1985 report of the Committee on Procedures and Organization (Carson 1985), and a 1993 discussion paper by Gilles Loiselle (Department of Finance 1993). The same set of general recommendations tended to emerge regardless of the forum, namely that the government should : (a) consult with outside groups, especially those affected by highly technical tax matters; (b) release more pre-budget economic data, discussion papers and technical information on taxation measures; (c) adopt fixed or relatively fixed budgetary cycle, usually beginning in the fall with some sort of pre-budget consultation process, followed by a relatively fixed budget date in February or early March; (d) implement a post-budgetary process to correct any possible problems with budgetary proposals; and (e) involve Parliament, and especially the House of Commons Standing Committee on Finance, in the pre-budgetary process. These recommendations were put in practice to varying degree over the ensuing years.

**Communicating Budgets: An Evolutionary Account**

If the 1981 budget was a watershed budget in the negative sense that everything that could go wrong did go wrong, the 1983 budget was almost the opposite. With this budget, we see many of the ideas from the Green Paper put in practice. At the same time, we see this decisive turn to openness around the budgetary process *accompanied by* an elaborate and detailed communications strategy, which is the main focus of this section of the chapter. The evidence of this shift towards a more strategic communications strategy around the budget begins with the budget itself. Weighing in at an unprecedented 421 pages, the 1983 budget includes lengthy justifications for the government's newfound willingness to, as in the 1970s, increase the deficit to cushion the worst effects of the lingering recession. To appease those who might hunger for more restraint, the government devotes an entire section to arguing that the deficit really was smaller than it appeared after adjusting for the effects of inflation and cyclical economic growth. In an

effort to further allay the concerns of fiscal conservatives, the government devotes another section to publishing the results of a first-ever "sensitivity analysis," which showed how a mere 1% increase in economic growth or a 100 basis point drop in interest rates would dramatically improve the budgetary picture.[83] Both forms of argument, in modified form, would re-emerge in the Mulroney-era budgets.

The budget itself was the outcome of a vigorous consultation process ahead of, during, and after the budget. In the weeks leading up to the April 19 budget for example, Lalonde met "formally with 25 organizations representing a wide cross-section of the Canadian economy and the Canadian public" and engaged in dozens of informal contacts as well as a correspondence with outside individuals and groups (Lalonde 1983, p. 4). The Department of Finance also provided the private sector with economic data so they could themselves understand the government's fiscal situation.

Shortly after the budget, the Prime Minister's Office (PMO) distributed a binder called "The Recovery Book: Resources for Parliamentarians" to Liberal members of Parliament.[84] It includes a detailed strategy aimed at "selling" the budget that is clearly framed around targeting opinion leaders and putting in place feedback mechanisms that would allow the PMO to update its message as needed. Backbench (Liberal) members of parliament are told for example to familiarize themselves with the budget, meet with opinion and business leaders on a regular basis, take full advantage of media opportunities and receive feedback so that necessary adjustments can be made. Cabinet Ministers are similarly urged to put in place a "political feedback/assessment mechanisms" that consists of having the minister meet once every two weeks with the MPs from his or her region in order to discuss their progress in selling the budget through speeches, mail-outs, meeting with opinion leaders, and the media. Interestingly, the resource book omits any reference to the opinions of labour leaders. Under the tab "Opinion Leaders Speak," the reader is provided eight pages of quotations grouped

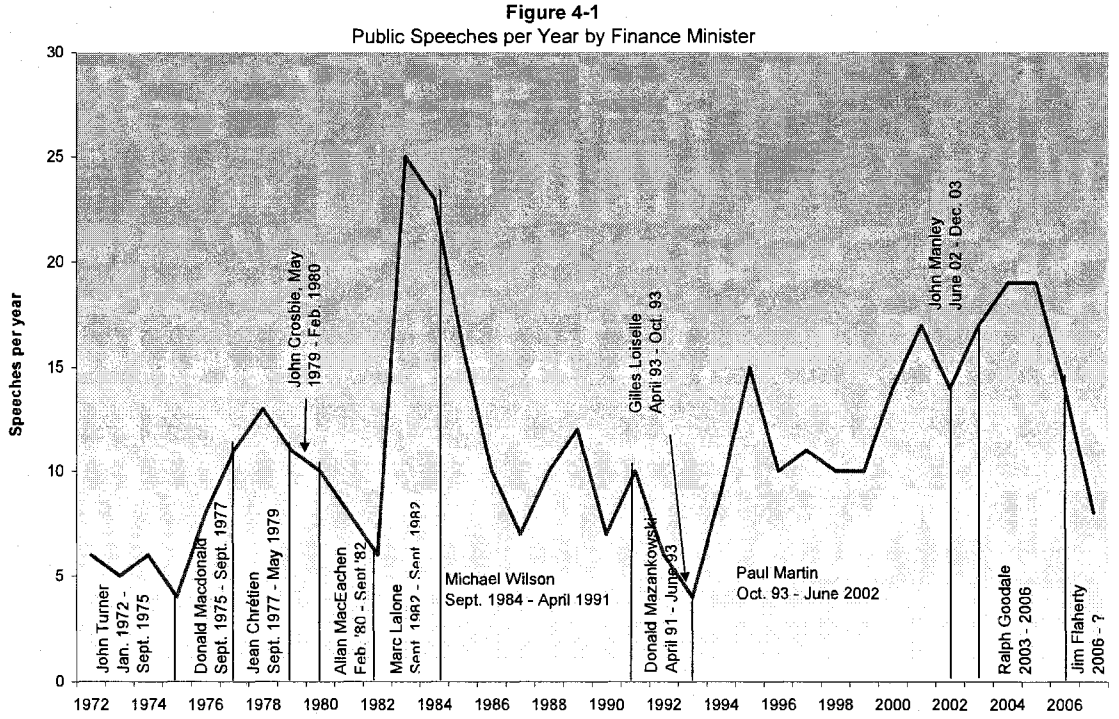
[83] The Conservatives would retain this practice of accenting the fiscal impact of "positive" economic changes while the Chretien Liberals would instead accent the fiscal impact of *negative* economic changes in an effort to bolster the credibility of departmental fiscal forecasts.

[84] The document is available at the Library of Parliament, which suggests it might have been distributed to *all* MPs. The content of the document, however, suggests otherwise. In the 1983 Resource Book, readers are told, for example, that "All MPs and Riding Executives in non-held ridings" should obtain as much information as possible about the budget. In both the 1983 and 1984 resource books, the "quotable quotes" only endorse or paint the budgets in a positive light.

under the following headings: Business Leaders; the Investment Sector; the Building Industry; Research and Development; Agriculture; Housing; The Provinces; The Media.

In the wake of the budget, Lalonde and his senior officials fanned out across the country to meet with interest groups in a "post-budget" information exercise. In the four week period subsequent to his budget, Lalonde delivered 11 public speeches, more than the total number of speeches made in a single year by many of his predecessors (see Figure 4-1 below).

**Figure 4-1**
Public Speeches per Year by Finance Minister




Indeed, in a speech to the Young Presidents Association in November of 1983, Lalonde attributed much of the budget's positive reception to this new consultation process and to the government's increasing use of task forces, advisory committees, discussion papers, draft legislation, and explanatory notes.

> The prime ingredient to a good consultation process is the ability and the willingness of the participants to see the economic and fiscal challenge whole – in the broad context of the national good. It isn't enough to approach either the making of a budget or the resulting budget itself from the position of, "What's in it for me?" The real test is, "What's in it for Canada." (Lalonde 1983, p. 3)

Leaning on arguments from the Green Paper, Lalonde said that the consultation process helped *de-mystify* the budget process which in turn helped discourage the "notion that

budgets can somehow work magical cures of economic ills," an argument reminiscent of themes in Habermas' *Legitimation Crisis* in that it is clearly aimed at dissuading the public of any unrealistic expectations about what government can do to cushion the impact of economic change.[85] By furthering understanding, he argued, the new budgetary process helped generate consensus on the budget's broad policy thrust if not its detailed measures.

The communications strategy around the 1983 budget was in some large measure the brainchild of Lalonde's communications advisor, Peter Daniels, the senior Finance official quoted earlier as describing the 1981 budget as "non-communication." Daniels, a long-time CBC television reporter, would later re-emerge as a pivotal figure in Michael Wilson's first media campaign to heighten awareness of the deficit,[86] then at the Department of Foreign Affairs on the North American Free Trade campaign, then on the GST back at Finance and, and finally, as a key member of Paul Martin's communications team for the 1995 budget.

With Daniels still at the helm of Lalonde's communications effort, the 1984 budget delivered more of the same both thematically and in terms of the consultative process built up around the budget. It was also another door-stopper, weighing in at more than 400 pages. As with the 1983 budget, the Liberal government put in place an elaborate post-budgetary selling tour and, shortly after the budget, issued another weighty resource book for parliamentarians, this time with more emphasis on prepared material that could be sent directly to regional media, including a list of the groups consulted in the budgetary process, talking points for speech preparation, questions and answers, sample press releases, radio and television scripts, and "quotable quotes" to be used in interviews. Clearly, these selling efforts were not enough to stem the growing tide of resentment towards, and fatigue with, the Liberals, especially in the West and in Quebec. In September of 1984, they suffered a devastating elector loss to Brian Mulroney's Progressive Conservatives.

**The Mulroney Era**

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[85] Interestingly, Lalonde bemoaned labour's relative non-participation in the consultation process, attributing most of the blame to labour's unwillingness to participate because of its concerns about being coopted by the process.

[86] Daniels helped draft the Conservatives' 1984 *Agenda for Economic Renewal*, which set the tone for the government's major economic policy initiatives through to 1993.

The Conservatives seemed to break decisively with Keynesian fiscal policy after the election, setting deficit and debt reduction as two of their top policy priorities. Over their ensuing decade in power, the Conservatives mounted two major communications campaigns against the deficit, the first lasting less than two years in their first mandate, the second lasting the entirety of their second mandate. While reality fell well short of rhetoric, both campaigns helped create the discursive landscape necessary for the Liberal government to fully exploit the Canadian public's latent fiscal conservatism.

**The First Campaign**

The Mulroney government's first, albeit short-lived, rhetorical attack on the deficit began almost immediately after the September 1984 election with the release in November of the government's *Economic and Fiscal Statement* and a companion document called *A New Direction for Canada: An Agenda for Economic Renewal.* These documents set deficit and debt reduction as the first priority of the government's "economic renewal" package. Almost immediately, Finance Minister Michael Wilson mounted a vigorous media campaign to sell the public on the idea that the deficit and debt were serious problems, making speeches, appearing on talk shows and open-line shows, and speaking to editorial boards across the country. In an interview with a Sarantakis (1995) a decade after his first budget, Wilson lamented the broader public's lack of interest in the issue and also noted that an important part of his selling job was convincing cabinet colleagues of the need for fiscal retrenchment, a clear sign that the broad public was unmoved by the issue at this juncture in history:

> I made regular speeches to cabinet and caucus saying we've got to be very careful that we maintain the confidence of markets ... when I started making those speeches people's eyes would glaze over – they would say 'what the hell is he talking about?'

During the new government's first year in office (September 1984 – September 1985), Wilson delivered 20 speeches, fewer than Lalonde but more than any Minister of Finance in the 1970s. Wilson's communications efforts were also greatly enhanced by his Minister of State, Barbara MacDougall. In 1985 alone, she delivered 14 public speeches, only two fewer than Wilson.

Wilson's singular focus on the deficit and debt, however, proved short lived after a proposal to de-index old-age security (OAS) payments to seniors for inflation rates

below 3% was scuttled in response to vigorous protest from seniors. According to Greenspon and Wilson-Smith (1996, 126), this reversal "became deeply etched in the Tory psyche." Henceforth, Wilson and the Department of Finance would have to fight the deficit battle alone, without the full support of the Prime Minister who became increasingly preoccupied with free trade, tax reform and his constitutional proposals. The fallout from the 1985 budget carried over to the 1986 budget. Whereas in 1984, deficit reduction was listed as the first order of business, by 1986, it had fallen down the list to number three, after "encouraging" competitiveness and private sector growth (deregulation) and "redefining" government (privatization; tax reform). More concretely, when faced with a revenue shortfall, Wilson allowed the 1986-87 deficit to exceed his earlier forecasts because he did not want to put at risk a fragile economy. Lewis argues that after the 1986 budget, those who wanted to increase spending gained the upper hand in Cabinet: "Wilson was not a strong figure in Cabinet. Fiscal and economic progress (in the mid to late 1980s) weakened his leverage, and Mulroney's political instincts were not going to let fiscal rectitude interfere with re-election" (Lewis 2003, p. 125).

Despite the rather ephemeral nature of Wilson's first deficit crusade, the Conservatives' fist mandate resulted in some lasting changes to the Department of Finance's communication practices and a further erosion of the tradition of budget secrecy. Most notably, Wilson continued Lalonde's practice of publishing very large budgets and adding to the Department of Finance's repertoire of fiscally-related material that would serve as information subsidies for subsequent generations of reporters and other outside commentators. In 1985 for example, the Department of Finance began publishing the *Debt Operations Report*, which would appear periodically in subsequent budgets before emerging in 1997 as another standalone publication called the *Debt Management Report*. In 1986, the Department of Finance began publishing a detailed set of tables depicting the government's fiscal situation over long-periods of time.[87] These Fiscal Reference Tables became a regular feature in subsequent budgets (with the exception of 1991 and 1992) before being published in 1993 as a standalone publication. Also in 1986, the Department began publishing the *Fiscal Monitor*, a detailed monthly

[87] The practice of providing some historical fiscal data actually began with Lalonde's 1983 budget but these were quite limited (five tables in all) compared to what was later published in the 1986 budget.

review of the government's fiscal situation that is still a fixture of media coverage on federal fiscal policy. One month later, the government turned its longstanding (since 1972) *Annual Economic Review* into a quarterly publication called, appropriately enough, the *Quarterly Economic Review*. As the title suggests, this publication provided a broad-based, sector-by-sector overview of the economy. Along with the move to a quarterly publication schedule, the Department made the *Quarterly Review* more accessible, changing the font, adding pull-quotes, white space, and generally turning the content into something more readable and less daunting then its predecessor.

Over the course of its first mandate, the government also adopted most of the consultation strategies initiated by Lalonde. Echoing Lalonde, the government said in its November 1984 *Statement* for example that it was "committed to a consultative process" and intended "... to lay down the foundation for a continuing, ongoing dialogue with all the economic players" (Wilson 1984, p. 87). The rational for this consultative process was described in terms nearly identical to those used by Lalonde only a year earlier: economic reform "cannot become a reality unless everyone works towards solutions with the same broad understanding of the problems." (Wilson 1984, p. 87). The government did add some twists to Lalonde's basic template, setting up for example a "National Economic Summit," which consisted of a set of meetings with interest groups ahead of the 1985 budget.

**The Second Rhetorical Campaign**

In the first few months of 1989, with a second majority government in hand, Wilson put in place an even more vigorous media campaign designed to build up expectations about deep spending cuts ahead of the government's April 1989 budget. This time, the media campaign was built around a policy of purposely leaking bits and pieces of the budget's contents in order to generate media coverage, a strategy devised by a team of consultants from Decima, a major Tory-affiliated polling firm. As one of the government's communications advisors put it, "You have to get at the media elite. You make selected leaks of stories about what might be cut, and get everyone in the media following on it and talking about it"(Speirs 1989). In conjunction with this campaign of budget leaks, the federal government also tried to communicate the severity of the fiscal

problem in easily understood terms, leaning heavily on home finance analogies discussed in Chapter 8.

The government's communications efforts were also enhanced by a vigorous media campaign waged by the private sector and outside institutions, most notably the IMF which early in 1989, publicly urged the federal government to cut some $9 billion from its deficit else face the risk of a weaker currency, sharply higher interest rates and a large drop in stock market prices. This announcement was welcomed by Wilson, as were the publicity campaigns mounted by business groups, many of whom were fresh from victory in the free trade debate and well armed with media savvy and contacts. The vigour of the business media campaign is vividly illustrated by a quarter-page advertisement placed in the *Globe and Mail* in April 1989 by the Campbell and Michener Advertising Agency:

> Over 30% of every income tax dollar goes to pay the interest on our federal government's debt. On top of that, this debt is growing faster than our economy despite the fact that we have enjoyed a booming economy for at least the last 3 years. Unless something is done – right now – in the next federal budget, neither we nor our kids will have a hope in hell of every getting out from under it. Pity. The same is true of our provincial government. They are on a spending binge like there was no debt and no tomorrow. Canadians' standard of living, education, jobs, businesses, health care and vital social infrastructure will do down the tubes. And our kids will have a far tougher time of it than we will. It is up to our governments, *and all of us*, to bite the bullet and put our house in order. Like any healthy household or business which intends to survive, budgets must be balanced and debts must be paid. Or our whole house of cards will come tumbling down around our childrens' ears. We urge the government to have the will to act and Canadians everywhere of all political persuasions to support these efforts.

Just above this caption, the ad depicts an arresting image of a diaper-clad baby weighed down by a huge ball and chain on her legs and the caption: "Our government debt is now $320 billion. But don't worry, our kids will pay for it."

While no budget document could hope to live up to the rhetorical punch of this kind of advertisement, the 1989 budget nevertheless represented a significant shift in rhetoric and style. Whereas in the past, Wilson's typically began his speeches by reviewing the government's successes, his 1989 budget speech begins by forcefully arguing that the deficit and debt were pressing problems that required immediate and resolute attention, especially in the context of rising inflation. Moreover, he argued that

Canada had for too long "lived beyond its means" and that it now found itself on a deficit/debt treadmill, the consequences of which – as the ad states – would be born by future generations if immediate action was not taken, a theme that would resonate powerfully for unemployed Generation X types in the early 1990s.

Shortly before the April 1989 budget, the Department of Finance published a 38-page booklet detailing the government's fiscal situation through pie charts and examples.[88] Later that year, in October, Finance released a 12-minute video by the same title and based largely on the booklet. It sent 40,000 copies of the video, which cost $200,000 to produce, to opinion leaders across the country, including senior executives, civil servants and libraries. Towards the end of 1989, a backbench Conservative Member of Parliament named Garth Turner put together a one-page worksheet called "You be the Finance Minister," which invited Canadians to cobble together a combination of tax increases and spending cuts to reduce the deficit. Turner mailed out copies of his worksheet to the 88,500 residents of his riding and Wilson encouraged other Members of Parliament to do the same. After the February 20, 1990 budget, the Department of Finance placed advertisements in major newspapers across the country with a phone number that citizens could call to obtain a copy of the booklet and the government's budget documents.

Notwithstanding these efforts, the Department of Finance began to lose the communications war again in late 1989. Increasingly, the business community, think tanks and the media, greeted the government's professions of fiscal faith in both the 1990 and 1991 budgets with scepticism. The government's failed communications strategy can be explained in part by the ever-diminishing credibility of the government's five-year fiscal forecasts, failures which were in turn largely due to unexpected weakness in the Canadian economy and unexpectedly high interest rates but also to the waning of Finance's power in the federal bureaucracy. Indeed, the failure to hit deficit forecasts only exasperated the sense that the deficit was "out of control" and the Department of Finance, Wilson and the Mulroney government were not up to the task.

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[88] It appears that the government published a similar booklet in 1988 although it generated no media coverage perhaps due to the free trade debate (which featured a number of booklets from both supporting and opposed to free trade with the United States) and the looming election.

After the 1989 budget, the Department of Finance's communications strategy consequently assumed a defensive or re-active stance rather than a pro-active one. In the 1990 budget for example, Wilson and the Department of Finance attempted to demonstrate the government's fiscal piousness by introducing the Expenditure Control Plan which set out explicit *program* spending limits over the next two fiscal years. The 1991 and 1992 budgets would seek to bolster confidence in the plan by first toughening program spending restraint, extending the plan out for five years, and enshrining the major features of the Expenditure Control Plan in the 1992 *Spending Control Act.* With a similar objective in mind, the federal government also introduced in its 1991 budget something called the "Debt Servicing and Reduction Account," which was to receive "net revenues from the Goods and Services Tax, net proceeds from privatization, and earmarked contributions for debt reductions from individuals or businesses"(Department of Finance 1991, p. 55). While the Fund ostensibly aimed to reduce the government's market debt, proceeds were used entirely to pay debt interest costs, which easily exceeded annual revenue recorded in the fund. In any case, the Fund had no meaning from an accounting perspective[89] and was repeatedly criticized by the Auditor General as chimerical, a cynical attempt by the department to demonstrate its "rigorous" approach to deficit and debt reduction and paint the unpopular GST as a tax designed to bring down an increasingly unpopular deficit and debt. In that sense, the *Spending Control Act* and the Debt Servicing and Reduction Account had the same objectives: to communicate the government's earnest and sincere desire to *do something* about a seemingly uncontrollable deficit and debt to an increasingly skeptical public.

**The Chretien/Martin Years**

> 'You have to remember that we weren't elected on the deficit in any way, shape or form,' one of his (Martin's) advisers said. "So he has to bring everyone on side – caucus, cabinet, everyone" – "Finance Ministers emerge optimistic on major changes," *Globe and Mail,* Dec. 2, 1993.

With the Liberal election victory in 1993, the political landscape changed sharply. Jean Chretien made it clear that his government would not allow itself to be overly

[89] By accounting convention, all government tax revenue flow to the consolidated revenue fund. Creating a separate fund within the consolidated revenue fund is as meaningful as creating an imaginary sub-account within an individual's main chequing account: it has no tangible impact on the flow of money in and out of your account.

concerned with the constitutional issues that preoccupied the Conservatives in the twilight years of their second mandate. Moreover, whereas the Conservates faced two strong opponents from the left (the NDP and the Liberals), the new Liberal government found itself in a situation where the major political threat was from newly formed Reform Party, which advocated sharp reductions in government spending (the NDP lost official party status in the 1993 election, reduced to a mere nine seats). In this context, any spending reductions made by the Liberals would likely look mild compared with what the Reform Party had on offer.

The new Liberal government consequently faced two communications challenges. First, it had to deal with the legacy of its election rhetoric, which for the most part emphasized the Party's plan to create jobs through infrastructure and other kinds of spending and downplayed the Party's promise to reduce the deficit to 3% of GDP and eventually eliminate the deficit altogether. Second, the Liberal Party's deficit hawks needed to convince a significant proportion of the Liberal caucus, the doves, that the deficit really was the number one problem and that job creation would be the outcome, not the victim, of deficit reduction. Consequently, Finance Minister Paul Martin and the Department of Finance's first communications task was to convince *other Liberals* of the need for fiscal restraint more dramatic than anything ever contemplated by the Conservatives.

> You had to precondition inside government as well as the broader public because if you couldn't get a certain level of cooperation, I mean, 90% had to be cooperation, 10% could be coercion. To drive it over line, the Prime Minister could just sort of say (it is so)... But you needed to persuade that there was a real issue here that the whole government had to be seized of. And that whatever your political ambitions were that if you didn't resolve this issue, you couldn't realize anything else. And that it was going to be a fairly austere period and that you had to get people into that mindset of, you know, cutting back and not trying to save the furniture every single day (Daniels 2006).

To achieve this objective, however, the Liberals needed to put in place a strong communications team. Midway through 1994, then-Deputy Minister David Dodge called Peter Daniels, then in South Africa, and asked if he would like to return to the Department of Finance. Daniels agreed. He returned to Ottawa only to find that the communications operations needed a major overhaul.

> It (the communications operation) was a mess. ... It had been run down. It had some very good people but they were incapable of, most of them, rising to the challenge that we had ahead of us. So I went and stole all the people that I recruited at Foreign Affairs a few years earlier and brought them over (Daniels 2006).

Daniels also made it clear that he had Paul Martin's ear because

> No communications group if it's government, private sector or wherever it is will function if the leadership isn't seen to be connected to the very top and if the leadership is not seen to be connected to the very top, the organization runs down. And that was fundamentally the problem (with the communications operation under the Conservatives at the end of their reign). I sat at every meeting. I could go to any goddamn meeting there was. I was at meetings where there was less than 5 people, I was at meetings where there were 20. And everyone downstairs knew when I came down and asked for something to get done that it was for real. I knew what I was talking about and that I understood why it needed to be done and how it needed to be done and exactly what needed to be delivered (Daniels 2006).

Daniels was assisted at the senior level by two outside consultants from Earnscliffe Strategy Group, namely Elly Alboim[90] and David Herle. Both played pivotal roles in the Department's communications strategy by conducting (and commissioning) public opinion polls, focus groups and helping to set the Department's broad media strategy. They also helped draft, edit and revise press releases, speeches, and major publications such as the budget. With his new communications team, a fresh mandate and unconditional support from the Prime Minister's office (Greenspon and Wilson-Smith 1996),[91] Martin was able to engage in an "opportunistic" rather than purely defensive communications strategy, something that his predecessors had been either unable or unwilling to do according to Alboim:

> I think that when you have to communicate year after year after year defensively, we missed our target, we missed our target, the deficit is going up, the deficit is higher, the debt is increasing, at a certain point you get beaten down. As well, and more importantly, defensive communication is totally different than opportunity communications. At the end of two mandates, the Conservative government was getting tired, very defensive because of their poll standings. There was (also) a lot of central control from the Prime Minister's office and the strategic input from

[90] Alboim started working for the Department of Finance on a contract basis a few months before the 1993 election, under then Finance Minister Donald Mazankowski.

[91] As Greenspon and Wilson-Smith recount, Chretien successfully fought against the Department of Finance's 1995 pension reform proposals but otherwise offered full support to Martin's deficit-cutting measures.

> communicators at Finance was not sought and it was not provided … they were simply implementing a series of very difficult budgets (Alboim 2006).

**The 1994 Budget and Its Aftermath**

The new government's focus on an "opportunistic" communications strategy was immediately visible. Shortly after taking power, the Liberals discarded the idea of extending the Conservatives' *Spending Control Act* or adopting some new set of fiscal rules because, according to Don Drummond, then a senior Finance official, it failed "any public communications test (2004, p. 315). Whereas the Conservatives believed that the legislated spending limits strengthened the government's credibility and hence served a valuable communications function both within their own party and outwardly to the broader public, the Liberals believed that codified fiscal rules were too complicated and hence difficult to explain to the mass public. Boothe (2004, p. 330), in a comment on Drummond's argument, summarizes the Department's view:

> … if such rules are to contribute significantly to deficit elimination efforts, they should have a number of characteristics. Above all, they must enjoy the support of the government that must live under them and the voters that put it in power. Beyond that, rules should be simple, strict, hard to amend and easy to communicate, both to spending departments and the public. Finally, adherence to fiscal rules should be easy to measure, and the benchmark against which they are measured should be the actual objective – for example, the realized budget balance – not forecasted outcomes.

Less than a week after being appointed Finance Minister and against the advice of senior officials in the Department (Greenspon and Wilson-Smith 1996, p. 66), Martin launched his first budget consultation process with students at l'Université de Montréal. In his speech to the students, Martin announced that he would commission a major outside review of the Department of Finance's forecasting methods because of their repeated failure to accurately predict fiscal outcomes. Less than a month later, in early December, Martin sought advice on the government's forecasting methods from 40 economists at a public meeting, demonstrating again his willingness to go outside his department for policy advice and continuing the trend started under Lalonde and Wilson. A few weeks later, the Department of Finance published three documents (a booklet summarizing federal spending on January 6; a brochure on the country's economic challenges and government revenues issued on January 11; and a document on

government spending on January 14) that were used for the federal government's first-ever *public* budgetary consultations, a process organized by the Department of Finance with the help of think tanks in Halifax (Atlantic Provinces Economic Council – January 15), Montreal (Institute for Public Policy – January 22), Toronto (Public Policy Forum – January 25) and Calgary (Canada West Foundation – January 29).

Early in February, Martin initiated a first-ever House of Commons debate on what would be in his forthcoming budget. Reiterating a theme developed in his opening remarks to the public consultation process, Martin insisted in his opening remarks to the House of Commons that, much like Lalonde had some 10 years earlier, he wanted to hear proposals that were in the *national* interest not in any one person or group's self-interest. The fiscal question is "about trade-offs," Martin said. For anyone with a spending proposal, Martin said he needed to

> ... hear, today, where that money would come from. And if there are proposals for cuts, we need to know the effects of those on jobs and Canadians most in need. If there are those who are against changes in taxation we need to know if they feel that the existing list of tax exemptions is fair (Martin 1994. p. 5).

Martin also promised to use some of the more pessimistic private sector economic forecasts as the basis for his fiscal projections rather than the Department of Finance's internal forecasts so that there would be "no more rose coloured glasses" (Martin 1994, p. 5). Finally, he said the government would build into its forecasts substantial "contingency" reserves to cushion the fiscal impact of unexpected events.

On February 22, the government unveiled its first budget. It mixed a dose of fiscal conservatism in the form of military base closures and cuts to unemployment insurance with $800 million in new program spending on social policy and infrastructure renewal. More importantly, it sought to bolster the credibility of its fiscal forecasts by incorporating into its spending forecasts a $2.4 billion contingency fund. It also, as Martin had promised earlier in the year, employed a conservative set of economic assumptions that, when combined with two-year instead of the five-year forecasts favoured by Wilson, gave the Department of Finance a lot of room for error. Rather than a *Spending Control Act* or a Debt Reduction and Servicing Account, the Liberals would hang their credibility on their ability to match rhetoric to reality. To help sell the Budget, Martin and the Department of Finance employed some new tactics – the Department of

Finance opened a 1-800 Budget Information hotline the day after the budget – and implemented some familiar practices such as the post-budget media tour. According to Ruth Thorkelson, a long-time Martin aid, the tour was

> a bit like Michael Wilson's. ... we took the advice of the department and we did you know like Rotary club luncheons and we ended up doing some of what Wilson did, you know we ended up doing the economic club...

By all accounts, Martin had a gift for conveying complex economic ideas in simple easy-to-understand terms. In the months after the budget, Martin made a number of post-budget speeches in which he also demonstrated his willingness to draw on ideas and turns of phrase from his predecessors while tailoring his arguments to his audience. In a speech to the Canadian Society of New York less than two weeks after the budget for example, he extolled the fact that 80% of the deficit reduction in the 1994 budget came from spending restraint. He pointed to the "unprecedented consensus" for the need to lower deficits and couched the fiscal debate in terms of a reform of government itself, adding that his goal was to eliminate, not just reduce, the deficit, an objective he would attain, ironically, in 1997-98, the same year promised by the Conservatives in their last budget (Martin 1994). In a talk to the IMF in April 1994, Martin explained what he meant by reforming government. Whereas the Conservatives had worked largely on economic issues like taxation and free trade, Martin said the Liberals were taking the process the next logical step by reforming the nation's social safety net, and especially unemployment insurance, to "improve the flexibility and efficiency of Canada's labour markets"(Martin 1994, p. 4), a theme near and dear to the IMF.

By contrast, in a May 1994 public address to the Canadian Federation of Labour, Martin stressed that the solution to the nation's fiscal woes was not a "scorched earth policy." Government, he said, just needed to be "leaner" not "meaner," it needed to "trim its sails" and stop "nibbling away at the edges." He told the CFL that the government would fail to get the deficit down and generate job growth "if we focus only on the deficit. We will also fail if we simply wait for growth to bail us out. In short, we can't cut our way out of our bind, or just grow our way out of it either. But we can succeed if we focus on the two, together." He later told his audience that "anyone who says we can move Canada ahead by leaving our workers behind – or outside – is nuts."

Rhetoric, however, could not appease the growing desire among the business community for stronger fiscal action, especially on the spending side. By March, the initially warm response to the budget had begun to sour. Greenspon and Wilson-Smith argue that this shift in sentiment was due, in part, to the *Globe and Mail's* sharply critical editorial attacks on the February budget. While I discuss the *Globe*'s coverage at length in Chapter 6, the *Globe* criticism and an ensuing (and animated) editorial board meeting with Martin and his senior staff highlights the importance attached to the *Globe* and its readership by the Department of Finance and its communications staff. As Greenspon and Wilson-Smith recount (1996 p. 156), the audience that counted was "... the economic chattering classes and those Masters of the Universe who swapped bonds around the *Globe*...". This preoccupation with the opinions of those who "counted" was starkly evident in the interviews I conducted with some of the people who worked intimately with Martin. To a person, they used the term "interest group" or "stakeholder" to describe everyone other than the business community and upper-income individuals who were, apparently, sufficiently aligned with the Department of Finance and its objectives as to warrant "insider" status.

Concern about the deficit among the "economic chattering classes" was only heightened when, in mid-March, Chretien told a radio audience that the government had done enough spending cuts to achieve its 3% of GDP target. Looking back on the incident more than 10 years later, Peter Donollo, then Chretien's senior communications official, said "I think he was trying to reassure people that things were not going to be brutal and you know, he may have misspoken a little bit so we had to very quickly tidy up. Hugh Windsor wrote the piece I think and I remember talking to Terry (O'Leary) that afternoon about how we would kind of knit it back together" (Donollo 2006). That summer Martin and his chief of staff Terry O'Leary set out on a low-key but 'elaborate campaign to show the decision-makers that eradicating the deficit wasn't as simple as it looked from Bay Street" (Greenspon and Wilson-Smith 1996, 156).

**The Turning Point**

According to Greenspon and Wilson-Smith, the summer of 1994 also marked the period in which Paul Martin underwent a metamorphosis from reluctant or ambivalent deficit-hawk to unrepentant deficit warrior. The transformation, they say, resulted form a

summer-long "running tutorial on economics" administered largely by Peter Nicholson, a visiting economist hired in February by Martin (Greenspon and Wilson-Smith 1996, p. 201). Bruce Yemen, a senior communications official at the Department of Finance, also emphasized the importance of helping Martin understand a complex issue such as the deficit, noting that "a lot of the communications at the (Department) became an internal one directed at him" (Yemen 2007).

The summer also marked the beginning of Program Review, an ambitious process designed to save money by looking into all categories of government spending except certain statutory programs such as unemployment insurance, old age security and transfers to the provinces. For the purposes of this discussion, the Program Review is important for two reasons. First, it represented the re-assertion of Finance's supreme position in the bureaucratic hierarchy: Finance (and the Treasury Board) set the fiscal parameters and the rest of cabinet was obliged to fall in line largely due to Chretien's unwavering support for Martin. Second, and consequent to these conditions, the Program Review exercise helped cement cabinet support for Paul Martin's fiscal measures largely through an education process parallel to the one Martin himself was undergoing with Nicholson (Greenspon and Wilson-Smith 1996, p. 225). By building cabinet solidarity, Martin accomplished an important communications objective : he and the rest of cabinet would, henceforth, present a unified message to the media, something that Michael Wilson had not always been able to claim.

Looking beyond his cabinet colleagues, Martin also needed to secure solidarity among his back-bench colleagues and solidify the rhetorical fence around his cabinet colleagues. The main mechanism for achieving this goal was to work through the media and public opinion. On this count, Martin and the Department of Finance ramped up the communications effort ahead of the 1995 budget in a way strongly reminiscent of Lalonde's media campaign around the 1983 and 1984 budgets and Wilson's 1994 fiscal salvo. First, as promised in his February 1994 budget, Martin asked the House of Commons Standing Committee on Finance to conduct cross-country pre-budget consultations. To launch the process, he appeared before the committee on October 18, 1994, promising to achieve the government's 3% deficit-to-GDP target "come hell or high water" and tabling two documents, the *Economic and Fiscal Update* which set the

terms of the public debate, and a document called *A New Framework for Economic Policy* which outlined the government's overall economic objectives – including its fiscal policy objectives – much as Michael Wilson's *A New Direction for Canada: An Agenda for Economic Renewal* had some ten years earlier.[92] Concurrently, the Department of Finance produced a briefing book called *Briefing Book: Creating a Healthy Fiscal Climate* that in many ways was similar to the one Lalonde had issued with his 1983 and 1984 budgets. The briefing book included among other things "key messages and supporting points," a sample press release, fact sheets for distribution to journalists, and 36 pages of questions and answers to all manner of question.

Shortly after his presentation to the committee, Martin travelled the country to conduct his own parallel consultation process, meeting with Canadians in "town-hall settings" (Department of Finance 1994, p. 70). Individual members of Parliament were also encouraged to conduct their own town-hall meetings and provide feedback to the Minister of Finance. To reach Canadians more directly, the Department of Finance hired the Canadian Foundation for Economic Education (CFEE) to produce a workbook that explained "the fiscal and economic situation in simple terms" and engaged "participants in making choices about what the budget should contain" (Department of Finance 1994, p. 70). The Department of Finance said it would acknowledge receipt of any workbooks and respond to the submissions. Along with the workbook, the Department and the CFEE also organized "community workshops" through the CFEE's national school network. These workshops, put together by local school officials, invited "a broad cross-section of individuals and organization representatives from the community" (Department of Finance 1994, p. 70). CFEE staff and Department of Finance policy experts were available to assist with this workshop process. In all these efforts, one underlying theme dominated the debate, namely that the politics of budget restraint were *not* the politics of ideology but rather a simple matter of mathematical necessity: "Compound interest is not ideology, it's arithmetic. It's reality as cold and as hard as it gets" (Martin 1995).

**The New Communications Cycle**

[92] While both documents emphasized fiscal restraint, they were nevertheless "sold" as part of the government "Jobs and Growth" agenda. We know this because the cover page of both documents features, in type larger than the actual document titles, the words: *Agenda: Jobs and Growth.*

Real-world events conspired to lend some urgency and rhetorical support to Martin's publicity campaign. In March 1994, the Dominion Bond Rating Agency lowered Canada's debt rating. In June, Moody's likewise reduced its rating on Canada's foreign debt. In December 1994, Mexico abruptly devalued its currency because of massive selling of Mexican debt in the wake of large increases in Mexico's deficit and debt. The "Mexican Peso Crisis" lead to a loss of confidence in countries such as Canada that were deemed at risk because of their own large deficits and debt. Consequently, the Canadian dollar fell sharply and the Bank of Canada raised short term interest rates in response, with all the attendant consequences for the government's debt costs. A few weeks later, in mid January, the *Wall Street Journal* published a famous editorial that criticized Canada's fiscal situation and warned that Canada was on the verge of becoming a third-world nation, a clear allusion to the Mexican Peso crisis. Meanwhile, Ralph Klein had demonstrated a year or so earlier that deficit reduction through spending cuts was not necessarily a political death sentence. In fact, his popularity had grown just as Bob Rae and the Ontario NDP's popularity was falling because of the province's poor fiscal reputation. The outcome of all these efforts plus the crisis atmosphere was the 1995 budget, a document that Arthur Kroeger, a long-time and highly respected federal civil servant, has described as an historical bookend, marking the final blow to the post-war (Keynesian) economic consensus and ushering in a new era of economic policy (quoted in Campbell 1995). In the two fiscal years after the budget, 1995-96 and 1996-97, federal program spending fell more than 11% or by about $12.7 billion to $102.3 billion,[93] the biggest and cuts to spending in percentage terms since the late 1940s.

Of course, events require interpretation and while the media played a pivotal role in drawing the "appropriate" conclusions from the circumstances leading up to the budget, the federal government was also quick to seize on these events and others and use them to its advantage. The dominant interpretation of these events validated and emboldened the restraint measures that emerged in Budget 1995. At the same time, they fed nicely into the government's broader communications strategy which, by this point, had crystallized into a three-part process comprised, first, of a formalized budget process

[93] These figures are based on updated national accounts data and are therefore slightly different from the numbers that would have been discussed at the time.

with fixed timelines for budgets, economic statements and public consultations; second, a set of "opportunistic" communications practices designed to drive home the budget's main message; and third, a public opinion research program that gauged reaction to these messages and fed them back into the budget-making process. I discuss each in some detail below.

In many respects, Martin's budgetary timeline resembled closely the one proposed by Loiselle and discussed in the wake of the 1981 budget. Under Martin's scheme, the budgetary cycle began with a fall economic statement and budget update that set the economic and fiscal context for a series of *public* – not closed door – consultations held by the House of Commons Standing Committee on Finance. This process culminated in a report with detailed budgetary recommendations published before Christmas and hence a couple of months before the budget, which would typically be released in February and March. Concurrent with this exercise in participatory democracy, the Department of Finance and Paul Martin and his successors continued the practice, which began under Crosbie then Lalonde and Wilson, of holding far less visible consultations with major stakeholders and business groups. Ruth Thorkelson noted for example that "Mr. Martin opened it up while continuing to do the same closed-door meetings. I mean some people wanted to do public, some people didn't. And you need to, you know, establish a relationship to have a frank discussion as you would with, you know, numerous business leaders" (Thorkelsen 2006).

Concurrently, the Department of Finance's communications operation would, following the example set by Wilson in 1989, selectively leak bits and pieces of the budget's content in the weeks and days leading up to the budget. As Daniels noted, news organizations higher-up in the food chain were the primary targets of this strategic leaking and the Department's communications efforts more generally:

> You've got to call the Globe, the Post, and certain people you know at those institutions … CBC, CTV, five or six, LaPresse and fuck the rest, they'll all run after it and take the press release and call their colleagues. I used to do that. … If it was really big, you made sure you had a one-on-one call with Jeff (Simpson) and you know a few people like that who were going to write columns or write analysis like John Ibbitson, you know, he wasn't there in those times but the equivalent of that, Hugh Windsor, that sort of thing. Or you'd get the Deputy to do some one-on-ones and give some background and get them to understand things better and give them a bit of juice underneath and Bob's your uncle, don't

> worry about the rest. That's so cynical eh? But they're just as cynical on their side. You know? (Daniels 2006)

On budget day, Martin would deliver his budget speech in the House of Commons. Martin's executive assistant, Terry O'Leary, would ensure that other senior cabinet ministers were answering media questions out in the foyer of the House of Commons. According to Thorkelson, "Terry (O'Leary) would work with other ministers so Paul would be delivering his budget speech and you know a half hour in we'd send out a minister and he'd scrum and he'd come back, another half hour another minister, so there was a constant stream as the opposition was coming out" (Thorkelsen 2006). After the budget speech, Martin would devote the next two or three days to media interviews.

> (If the) budget was on a Tuesday, Wednesday and Thursday, he'd do media all day. He'd do like electronic, so English and French all day. He'd do some that night so you know you'd always see him on Peter Mansbridge and you'd see the equivalent Quebec 11 o'clock news. And then he'd do electronic mostly French. It would start at like 5:40 am. He'd just go to CBC and run through every city for about an hour, five minutes each or three minutes each, then on Friday he'd deliver a speech somewhere, usually Toronto, sometimes Montreal. ... And then he would travel, we always had the post-budget tour that following week because the house would rise and that was the week to sell the budget. We'd incorporate ministers. We would meet with Peter Donolo and we would have a meeting with chiefs of staff of either relevant ministers who were in the budget or the best sales people we had or the regional minister of provinces. And we'd say, Brian Tobin, Dingwall, we need you to do this or that sort of media. It was a little ad hoc earlier but we'd try to get that happening (Thorkelsen 2006).

The Department of Finance, largely through its Earnscliffe consultants, would begin a public opinion research cycle described by Alboim as follows:

> There was a very firm cycle of qualitative and quantitative research that began the day after the budget. The night of the budget – we did the real time and qualitative groups – then we normally did a post-budget survey to get satisfaction levels on the budgets and problems in the budget and then by spring we were into focus groups on potential themes and potential options and tradeoffs in order to set up the June departmental process that began work on the Fall Update. And over the summer we usually did both quant and focus groups to narrow options and to narrow alternatives on themes and measures and then we'd go into the fall update and there you would once again have the focus group testing of language...(Alboim 2006)

While I look at some of the Department's polling results in more detail in later chapters, the Department's "real time" analysis bears some discussion at this juncture because as I

suggested earlier, it was used to recursively change the content of speeches and budget documents. The real time analysis was a two-stage process that began with the "perception analyzer," a device typically used by advertisers and movie studios to gauge audience reaction to their material. In this case, the device, a square box with a dial to record the intensity of the individual's response, was used to gauge minute-by-minute audience reaction to Martin's budgetary speeches. The second part of the process began after the speech with a discussion leader probing members of the focus group about their responses (based on the perception analyzer results), seeking out especially resonant, off-putting or simply confusing bits of phrasing. This information would subsequently be used in Martin's speech-drafting process which, by all accounts, was an intense and laborious process involving many revisions aimed at striking just the right tone.

**The Aftermath of 1995**

> For the better part of 15 years, the objective of each budget was for it to be a Lapointe's fish market budget and the reason is for that is that Lapointe's used to wrap fish in old newspapers so the objective was to have news about the budget wrapping fish at Lapointe's, to have it go away. So for them the budget was always bad news, it was not an opportunity, and the communications exercise was to make it go away. Martin was a whole lot more ambitious particularly after the less than stellar success of his first budget in 94. (Alboim 2006)

After the budget was balanced in 1997-98, the budgetary process and the communications strategy became at once more formalized and less intense. Instead of emphasizing the government's overall fiscal strategy and keeping the budget in the news for days and weeks on end, the Department of Finance's new objective became one of having the deficit disappear from the news within a week or so of its release. Lapointe Fish-Market budgets were back in vogue but for an entirely different reason: rather than divert attention away from ever-increasing fiscal deficits, the goal now was to divert attention from the government's growing surpluses and the resulting demands for tax cuts or spending increases.

While the Finance Committee kept up its public consultation process, the Department of Finance's overall communications effort paled next to the pre and post 1995 budget effort. Martin no longer engaged in extensive pre and post-budgetary "town hall style" meeting. There were no more workbooks. No more workshops. No more massive briefing books and only a smattering of fact sheets. As Alboim noted, "if you

have a good budget and the budget went away, the residue was another successful budget. What you wanted to avoid was making the kind of mistake that allowed laser-like single-minded focus to come, which later developed, I think actually unfairly, developed around forecasting" (Alboim 2006).

The Liberals' single-minded focus on building credibility through conservative fiscal forecasts would, by early in the 21th century, come back to haunt them as strong economic growth generated budgetary surpluses that created a whole new dynamic around the budgetary process. While the debate around forecasting is ongoing, the existence of un-anticipated budgetary surpluses hinges on the unvarnished and inviolate rule that federal budgets must be balanced regardless of the cost, a point recognized by Tim O'Neil, the mainstream economist whose study of the budget forecasting process suggested that the no-deficit rule be relaxed and who consequently paid the price of challenging the sacred rule of fiscal policy: though shall not commit a deficit.

**The Communicative Turn at the Bank of Canada**[94]

> You need an anchor—that's the one thing we learned from our not very great experience in the 1970s—and that anchor has to be understandable. Parliamentarians have to understand it. Citizens have to understand it. Markets have to understand it. When we had an anchor back the – and we did have one; we picked the monetary aggregates as our anchor—no one could understand it, and it proved that it wasn't such a good anchor anyway. It kind of dragged it. We now have what we think is a good anchor.
> – former Bank of Canada Governor David Dodge before the Finance Committee on April 24, 2002

The changing communicative practices around fiscal policy had repercussions throughout government. Earlier, I suggested for example that the federal government's first iteration of its *Communications Policy* was influenced by the fallout from the 1981 budget and drafted in part by key Department of Finance communications personnel such as Peter Daniels and Bruce Yemen. The experience at Finance also helped shape communications practices of the Bank of Canada when, in the mid 1990s, Bruce Yemen moved to the Bank to head its newly created communications department. Until that point, the communications function had been a mere division of the "secretaries

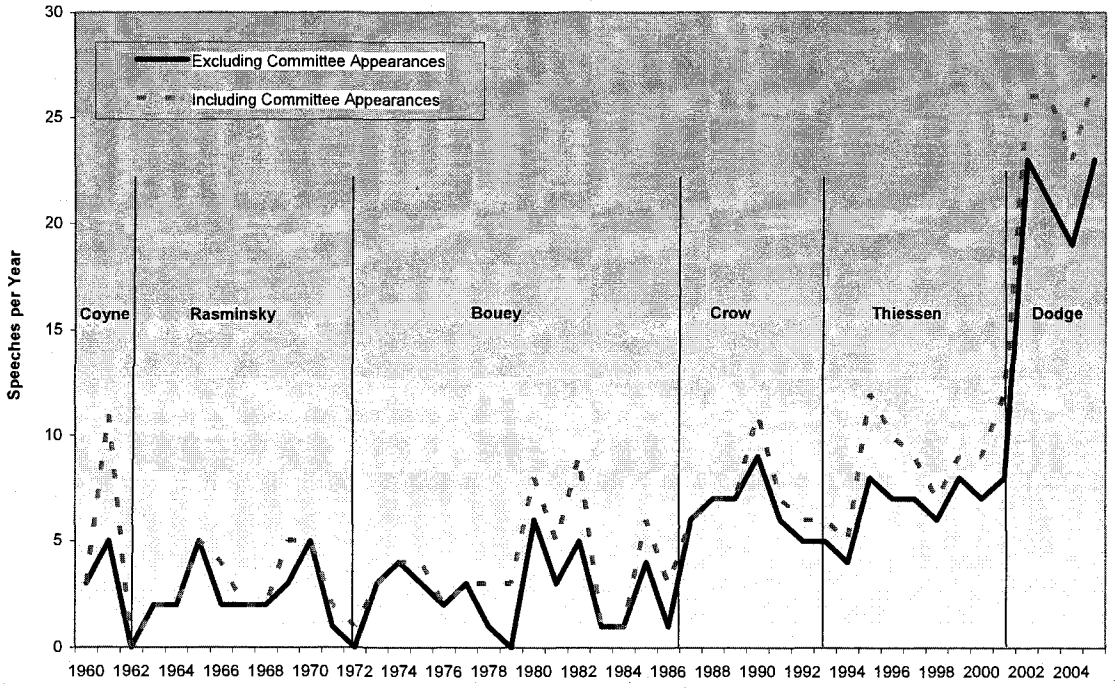
[94] See Appendix A-3 for a timeline of major monetary policy events.

department" and relegated largely to the role of drafting press releases and planning news conferences, just like it had been at the Department of Finance up until the 1981 budget.

To some extent, the Bank of Canada's late but eventually enthusiastic embrace of technologization of discourse practices can be explained by two facts. First, the Bank's status as a crown corporations exempted it from the government's communications policies; and second, the Bank's economists believed that secrecy was paramount for policy effectiveness. Effective monetary policy "surprised" investors. It did not signal them. This historical bias towards secrecy is illustrated by looking at the number of speeches per year by various Bank of Canada governors. In the 1960s and early 1970s, Bank of Canada governor Louis Rasminsky made an average of 2.2 speeches a year to outside groups other than Parliamentary committees.[95] In the 1970s, the Bank was only marginally more loquacious, with the average number of speeches rising marginally to 2.6 under Gerald Bouey. With the appointment of John Crow in 1987, the average number of speeches more than doubled to 6.4 a year, setting a precedent for Gordon Thiessen, who delivered an average of 6.7 speeches a year from 1994 through to 2000. Since then, governor David Dodge has delivered an average of 18.8 speeches a year, more than 2.8 times the output of Thiessen. Figure 4-2 shows the annual number of speeches per year for each governor.

[95] This average is heavily influenced by a relatively large number of speeches given by James Coyne, governor between 1955 and 1961, who was the subject of a political controversy. I return to this point later in the text.

**Figure 4-2:**
Bank of Canada Public Speeches, 1960 - 2005




This increase in communicative, for-public-consumption speech making is reflected elsewhere in what we might call the Bank's "front-region" activities, including press releases, its monetary policy reports and updates, in the content of flagship publications such as the annual report, and in the breadth and depth of the Bank's website.

Nor was the increase in outward communications accidental. It coincided with and was integral to the Bank's eventual and unilateral adoption of a vague price stability objective in the late 1980s and its more formal adoption, this time with the imprimatur of elected representatives, of explicit inflation targets in 1991. Since then, the Bank of Canada has had one over-riding objective, namely to achieve a targeted rate of inflation (2% since 1995) on the assumption that other considerations such as output and employment are best served by this singular goal. The link between inflation targeting as a formal policy objective and communications may not be obvious so a brief explanation is warranted. From the Bank's perspective, its outward communication practices help condition public expectations about future inflation. Since it believes current inflation is at least in part a function of expectations about the future, the Bank's ability to hit its 2% inflation target hinges on its ability to influence these expectations. From the Bank's perspective, the last 15 years of low inflation are an eloquent testimonial to the success

both of inflation targeting as a policy goal and the Bank's ability to manage expectations through its communications efforts. They are also, however, a testimonial to the Bank's ability to largely depoliticize the practice of monetary policy and move the inflation targeting rule onto the plane of convention. With this in mind, the rest of this section is aimed at telling the Bank of Canada's history through a communicative lens and documenting the aforementioned depoliticization process. f digs a little deeper to see what has been hidden from view in the process.

**Bank Of Canada History Through A Communicative Lens**

Analysis of newspaper coverage reveals that for most of the post war period, the Bank of Canada was a deeply politicized institution. In the late 1950s and into the early 1960s for example, Bank of Canada governor James Coyne was embroiled in open communications warfare[96] with the government of John Diefenbaker, an episode that has exerted an important influence on the Bank through to today and which, some have suggested, contributed to Diefenbaker's subsequent political difficulties (Babad and Mulroney 1995). In the late 1970s and early 1980s, Prime Minister Pierre Trudeau publicly asked then governor Gerald Bouey to "explain himself" on a couple of occasions in light of rising interest rates and weakness in the Canadian dollar, something almost unimaginable today first because politicians are loath to tell Bank of Canada governors what to do publicly and second, because governors seize every opportunity to explain themselves.[97] Again, the Bank of Canada's actions were said to have contributed to the Liberal Party's loss in the 1979 election. Even under the short-lived Conservative government of Joe Clark, Finance Minister John Crosbie mused openly about the need to cap interest rates, the implication being that his words carried weight at the central bank.

Opposition politicians were more bold in their criticism, routinely accusing the Bank of Canada of being wildly out of touch with the plight of ordinary Canadians and, at times, urging the government to issue a "lower interest rate" directive to the Bank,

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[96] The use of the term "warfare" is only a slight exaggeration. At one point, Guards in the House of House of Commons actually chased Bank of Canada messengers carrying the latest Bank of Canada press statement through the halls of the House of Commons {Babad, 1995 #331, p. 123}.

[97] In the first instance, Trudeau's comments were made out of concern about the falling value of the Canadian dollar despite the Bank's exchange-market operations (on behalf of the government) and higher interest rates (Anderson 1979). In the second instance, Trudeau said he did not understand why the Bank continued to increase interest rates even though money supply growth was below its targets (Walkom 1982).

even if it led to the governor's resignation (Anderson 1979). In the period leading up to the 1984 election, politicians from all three major parties hinted or said outright that they might issue a directive to Bouey to lower rates (Montgomery 1984; Walkom 1984). The Liberals and NDP were similarly critical of monetary policy in the 1993 election, although much of the criticism related to John Crow the person as much as it did to monetary policy. On at least two occasions, once in 1981-82 and again in 1991-92, the Bank also drew political fire after the Bank granted seemingly large and above-inflation salary increases to senior bank staff. In the late 1970s, through most of the 1980s and the early 1990s, the provinces also routinely demanded more say in monetary policy. Outside of government, the union movement frequently urged the Bank to ease monetary policy, its lobbying efforts culminating in a November 1981 protest organized by the Canadian Labour Congress that brought 100,000 demonstrators to Parliament Hill. Meanwhile, the small business community, represented largely by the Canadian Federation of Independent Business (CFIB) and the Chamber of Commerce, was also a frequent and fierce critic of the Bank in the late 1970s until roughly 1993.

In today's context, it is difficult to fathom massive demonstrations, politicians openly musing about the need for the government to issue directives to the Bank of Canada or concerted business opposition to the Bank of Canada's "sacrosanct" inflation target (Corcoran 2007). On the few occasions where politicians have spoken publicly about the Bank's policy, media coverage has tended to remark on the rarity of such high-profile public criticism.[98] Even the recent sharp ascent of the Canadian dollar, which has crippled Canada's manufacturing sector and promises to usher in a new recession, has sparked only muted criticism, with even the NDP's finance critic recently expressing respect for the sanctity of the central bank's independence.[99] In this context, the move to inflation targeting and central bank transparency (see below) can be seen as the culmination of a long, tentative, at times painful, but ultimately successful struggle to de-politicize monetary policy, to move coverage from the front page to the back page.

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[98] In the spring of 2006, Ontario Premier David McGuinty criticized the Bank of Canada for increasing the target for its overnight rate despite a rapidly strengthening Canadian dollar. By summer, the debate had died down despite the dollar's continued strength (Scoffield 2006).

[99] In a *Globe and Mail* story on a possible appearance by then Bank of Canada governor-in-waiting Mark Carney, the *Globe (Chase 2007)* notes that "Mr. Mulcair said he doesn't think it's up to elected officials to dictate monetary policy to the bank governor."

**The Move to Transparency**

Arguably, the first tentative step along the path to "transparency" came a little more than a year after Canada, for the second time in its history, moved to a floating exchange rate in June 1970. In December 1971, the Bank began publishing its monthly (now quarterly) *Bank of Canada Review*, a publication consisting largely of statistics, charts and the occasional article.[100] Typically depicting some historically interesting monetary unit on its glossy cover, the *Review* targets a relatively sophisticated audience. Until well into the late 1980s, the *Review* was only used by newspapers as a source of statistical information rather than as a place to go for insight into the Bank's thinking on monetary policy.[101] The next major communicative effort was a by-product of the Bank's adoption of monetary targeting in 1975. Whatever its merits or defects, the idea of monetary targeting, of trying to control some measure of money, made it relatively easy for outsiders to evaluate and judge the Bank's performance. Under this regime, the Bank was obliged to offer a modicum of explanation as to why it was, or was not, succeeding in achieving its targets and what it planned to do in the future. That said, the Bank's efforts to explain itself, or the behaviour of monetary aggregates, could hardly be described as anything more than thin. Press releases were terse, rarely more than three to five sentences in length. Press conferences were almost non-existent. Appearances before parliamentary committees were sporadic and, with the exception of a meeting related to the Bank's annual report, were almost always imposed on the Bank by politicians rather than sought by the Bank to explain itself. Speeches were also infrequent, occurring no more than three times a year. The only reliable lines of communication from the Bank emerged from its annual report and the *Review*.

The culture of non-communication at the Bank was pervasive, with deep roots in the Bank's history and sometimes legitimate concerns about wanting to ensure that no one could profit from early access to insider information. In 1939 for example, the Bank put in place controls on the flow of money into and out of the country (capital controls) under tremendous secrecy. Similarly, in 1958, the government's decision to roll-over

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[100] The *Bank of Canada Review* resulted from the Bank's announcement, in 1968, that it would make available staff research and offer researchers access to its statistics and economic models.

[101] After the publication cycle switched to quarterly instead of monthly, *Globe and Mail* journalist and columnist (and future special advisor at the Bank of Canada) Bruce Little made regular use of the *Review* to generate news stories.

(refinance) a large amount of Victory Loans was done under extreme secrecy, with the Bank at one point summoning representatives of the bond industry to Ottawa without revealing the purpose of their voyage.[102] According to Babad, this was "typical" Bank of Canada behaviour, "secret in every aspect…"(Babad and Mulroney 1995, p. 103). Sometimes the Bank's penchant for secrecy or non-communication was a little more difficult to fathom. In June 1970 for example, when Canada abandoned its fixed-exchange rate regime, this momentous policy shift warranted only the briefest of mentions in the Bank's annual report. As Charles Freedman, a former deputy governor at the Bank noted in an interview with the author (Freedman 2006), " John Crow commented in a speech at one point about the fact that when we went to a flexible exchange rate, you had to go to page 9 in the annual report before you'd see a reference to it. There didn't seem to be any recognition of the fact that it changed the way monetary policy worked."[103] Freedman says that as recently as 1990, he still believed that transparency impeded monetary policy (Freedman 2006), while former governor Gordon Thiessen (2000) has argued that the Bank's secretive nature was linked to suspicion about the efficacy of markets originating in the great Depression.

Finally, and perhaps most importantly, the Bank's public temerity was also surely the result of a hangover effect from the Coyne affair, a messy episode in the Bank's history (1960-1961) that led to the resignation of then-governor James Coyne after the government, and indeed a number of economists,[104] grew weary of his "tight" monetary policy and his public criticisms of the government's taxation, deficit spending and

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[102] Upon arrival, the dealers were whisked to the Bank of Canada where, in a room guarded by an RCMP officer, the government outlined the refinancing plan (Babad and Mulroney 1995, p. 103). The dealers were allowed to make one phone call but were not allowed to reveal any of the details of the government's plan.

[103] In fact, the first ***explicit*** reference occurs on page 50. The discussion on page 9 addresses the move to flexible exchange rates but only in a rather oblique and hypothetical way. The following two sentences are typical of the page 9 discussion: "When, as is usual, a country is maintaining a fixed exchange parity, appropriate adjustments of the mix of financial policy are clearly required to resolve conflicts that may arise between the policies needed to maintain the exchange rate and those needed for internal reasons. When the exchange rate is left free to move it might appear that the possibility of such problems is thereby eliminated."

[104] In December 1960, seventeen prominent economists published an open letter urging then Finance Minister Fleming to fire Coyne. It is difficult to imagine that happening today.

national debt policies.[105] The Coyne affair cast a long shadow, affecting the Bank's willingness to engage with the public for many years to come. In the late 1970s and early 1980s, when the Bank faced loud and concerted criticism from all sides, the Coyne affair was sometimes cited as a precedent for what happens when politicians interfere with the Bank of Canada (Canadian Press 1979).

The next major step forward in the evolution of the Bank's communications with the outside world and, by extension, its attempt to depoliticize the institution, was its decision to alter the way it changed the Bank Rate, which is the interest rate the bank charges on emergency loans to the banking sector. In March, 1980, the Bank announced that it would stop making sporadic announcements about changes in the bank rate and instead allow the bank rate to be set every Thursday according to the interest rate on three-month treasury bills. While ostensibly absolving the Bank from responsibility for monetary policy, this new "floating" bank rate did nothing of the sort since the Bank exerted considerable influence over the interest rate paid on treasury bills. For the next three years or so, the volume of Bank press releases increased commensurately (i.e., roughly one press release a week), although this newfound openness was more apparent then real since each press release consisted of at most three or four terse sentences which invariably shifted the blame for monetary policy to the "markets" as this extract from a July 30, 1981 press release shows:

> The increase in the average yield on treasury bills at today's auction and the consequent increase in the bank rate reflected the sharp upward movement in the market interest rates that had occurred earlier this week in response to strong downward pressures that developed at that time on the Canadian dollar in the foreign exchange market.

The Bank's new "floating rate" policy was, not surprisingly, roundly criticized by financial market participants and politicians as an attempt to hide policy changes behind the veil of market activity.[106] To some extent however, the debate about the floating

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[105] In a speech delivered just as the political struggle was heating up, Coyne (1961) made 24 pages worth of detailed policy recommendations on everything from Canada-U.S. trade to regional economic development.

[106] While then governor Gerald Bouey denied this claim, critics rightly pointed out that he had argued against a floating rate a few months before the policy change, telling a House of Commons Committee that "...it makes life a little easier for central bankers in some ways because they can say, 'Well, it is the market; that is what has happened out there.' And you know, I probably would be having an easier time today if I could say 'No, we did not raise the bank rate 11 consecutive times; we just controlled the money

Bank Rate was a red herring for two reasons. First, as noted, the Bank could exert considerable influence on the price and hence interest rate paid on three-month treasury bills through its open market operations – the buying and selling of treasury bills on the market. Second, and more importantly, the Bank's influence on monetary policy was achieved largely through its ability to affect the overnight lending rate between banks by moving government deposits in and out of the banking system, as we now understand based on subsequent Bank of Canada discussions about the application of monetary policy during this era. Until very recently, this fact escaped the attention of journalists and academic economists alike due largely, again, to the Bank's reluctance to explain itself. If the media focused exclusively on ever-so-slight changes to the bank rate, then the Bank's weekly press-releases trumpeting these changes, many of which were due to the Bank's imperfect control over treasury rates, must bear a large share of the responsibility.

Despite this somewhat blatant to absolve itself of responsibility for monetary policy, governor Bouey was also, at times, credited with attempting to foster a new era of openness at the bank. In a March 1980 article, *Globe and Mail* journalist Wayne Cheveldayoff, who would later go on to work at the Bank, credited Mr. Bouey with having "gradually open(ed) up to the press and Parliament after decades of central bank secrecy" (Cheveldayoff 1980). Whatever the merits of this claim, the punditry demanded more transparency from the central bank, especially as Bouey's term neared its end. Consider the following quotation from a pundit quoted in an article by *Globe and Mail* journalist Bruce Little, future special advisor to the Bank of Canada:

> We want the governor to speak out on a fairly regular basis and discuss recent events in terms of the aims of the bank," said John Grant, chief economist for Wood Gundy Inc. of Toronto. "If they know what they're doing, they should be ready to tell us their intentions. It's important for the private sector to get the right signals (Little 1986).

Paraphrasing this source, Little writes that "with Mr. Bouey making only one speech every six months or so, he said, few signals emanate from the bank while federal budgets

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supply and interest rates happened to float up.'" Later, he added that he was "...rather in favour of discrete (irregular) bank rate changes. I think if I were outside the Bank of Canada I would be more in favour of them because it means somebody has to explain what is happening every so often and take responsibility for it" (Cheveldayoff 1980).

scrupulously avoid making any comments on monetary policy." Interestingly, Little also paraphrases and quotes Sherry Atkinson, perhaps better known today as Sherry Cooper, as saying that "it was unfortunate the governor cannot be independent enough of government policy to 'lobby for policies that may not be politically popular'."

Despite their best efforts, the Progressive Conservatives were unable to find an outsider willing to replace Gerald Bouey, settling instead on John Crow's, Bouey's preferred successor and a long-time Bank of Canada insider who would take Ms. Atkinson's suggestions to heart. Almost immediately, Crow indicated that he wanted to be the Bank's "public face" and to "convey the substance of monetary policy – what it's trying to do – to the Canadian people" (Waddell 1986). In short order, Crow made good on his promise, granting an hour-long, apparently exclusive interview, to Bruce Little in February 1987 (Little 1987). During the course of the interview, Crow repeated his desire to explain monetary policy to Canadians, although he added that he did not think it would be easy because people often want "simple short statements that are completely true about monetary policy." In later public comments, Crow added that the Bank's communications efforts, however paltry, were seriously challenged by the demise of monetary growth targeting which despites its faults, had the virtue of being easy to explain. A year into Crow's appointment, Christopher Waddell, writing in the *Globe and Mail*, noted that "the new Governor travels more than his predecessor, making half a dozen speeches across the country in his first year on the job. By contrast, Bouey rarely spoke in public or granted interviews, so that any appearance before a Parliamentary committee was a major event" (Waddell 1988).

Crow also made some important institutional changes. Waddell notes that Crow broke with precedence when he allowed the Bank's senior staff to offer background briefings to reporters after the October 1987 stock market crash. More substantively, in 1987, the Bank of Canada began to publish minutes of meetings between the governor and the Bank's board of directors nine times a year, which also appeared in the *Bank of Canada Review*. By far, however, the biggest communicative shift under Crow took place in 1991, with the announcement of official Bank of Canada inflation targets.

**Expectations Management: The 1990s**

The modern era of Canadian central banking began in February 1991,[107] when the Bank of Canada along with the Department of Finance jointly announced, in the context of the federal budget, explicit inflation targets instead of the Bank's hitherto vague "price stability" objective. Crucially, the Bank of Canada and the Department of Finance chose the "Consumer Price Index" or CPI as its inflation measure for the simple reason that people have some basic understanding of what it means. As Laidler and Robson (Laidler 2004, pp. 116-117) note,

> a strong case exists for using a price index based on gross domestic product (GDP), which would encompass the prices of all goods and services produced in Canada but such an index has a number of drawbacks: it is harder to measure, can be highly sensitive to variations in commodity prices and Canada's terms of trade, appears with a long time lag, is subject to revisions, *and is not well understood by the general public.*

A few months later, in September 1991, the government proposed changes to the preamble of the *Bank of Canada Act* that would have limited the Bank's mandate to price stability, doing away with wording that suggest the Bank should also concern itself with maintaining economic growth. This proposal was part of a broader constitutional package that would have, among other things, given the provinces some influence over the conduct of monetary policy. As most pundits pointed out however, the proposed mechanisms for provincial input were minimal at best and entirely neutralized by the proposed mandate change. In an interview around the time of the announcement, William Robson, a C.D. Howe economist, told *Globe and Mail* journalist Bruce Little that the proposed mandate was a form of "political bullet-proofing" of the Bank, presumably against the premiers and any other politicians or interest group that disagreed with the bank (Little 1991).

While this particular iteration of the government's ongoing series of constitutional proposals never saw the light of day, it does reveal, starkly, the political imperative behind the inflation targeting regime. Inflation targets allowed the Bank to rhetorically disclaim responsibility for (real) economic outcomes by pointing to the inflation targets and insisting that they were the fruit of negotiations with the nation's democratically

[107] At the time, Canada was only the second country in the world, after New Zealand, to explicitly adopt inflation targeting as its central bank's overriding policy objective. New Zealand adopted inflation targeting late in 1990.

elected government. If people did not like the targets, they could criticize the government. The 1991 proposed amendments also signalled that inflation targeting was here to stay. In that sense, the February budget announcement could not have been better timed because Canada was entering a long recession that would keep the Bank of Canada in the political spotlight for the next three years.

Early in 1993, the Bank began including a discussion of monetary policy and its implementation in the now-quarterly *Bank of Canada Review*, a move that generated almost no media attention outside of the specialized business wire services, *Dow Jones* and *Reuters*. The objective, as with future Bank of Canada narrative reports, was to exert some influence, through the media, on public expectations about the future conduct of monetary policy *and* inflation. Similarly, the Bank's move to set a 50 basis point target band for the overnight interest rate in mid 1994 generated zero media attention outside of *Dow Jones* and *Reuters*, again despite the Bank's hope that it would improve transparency. The Bank put in place the 50 basis point band because it felt that financial markets were overly fixated on relatively minor changes in the overnight rate due to changes in the supply of settlement balances rather than to substantive changes initiated by the Bank. In short, the Bank was concerned that market participants found it difficult to discern between true policy-induced changes in the supply of settlement balances and random fluctuations in settlement balances. By announcing a target band for the overnight rate, the Bank wanted to move the discursive focus among financial market analysts from the effects of random and unimportant shifts in the supply of settlement balances to the Bank's explicit policy objectives. With the discussion of monetary policy in the *Bank of Canada Review* garnering very little media attention, the Bank of Canada in 1995 began publishing the *Monetary Policy Report*, a bi-annual publication that initially consisted of 25 pages[108] worth of material explaining in detail the Bank's view of the economy and the monetary policy decisions that such a view entailed. The reports immediately garnered media attention in the *Globe and Mail* and later, the *Toronto Star* (see for example Freeman 1995; Crane 1995).

[108] The Monetary Policy Report would grow in size and scope over time, sometimes weighing in at closer to 40 pages.

Around the same time, the Bank also published its first "modern" annual report (for the year ending December 31, 1994). The shift in style, presentation and content is difficult to exaggerate. Whereas past annual reports had been text-heavy documents plagued by a small font and dense language, the new annual reports were breezy affairs choke full of white space, pull quotes, photographs of the governor (sometimes speaking to "average" Canadians such as a group of students in the 1996 report), the board of directors, the deputy governors and staff busy at work, the requisite pie charts, and of course, a personalized signature by the governor himself. Content wise, half of the 1994 annual report and subsequent reports are devoted to demystifying the Bank. Unlike previous reports, the new reports were written in a straightforward easy-to-understand way. For the first time ever, they included detailed explanations of the Bank's operations, its purpose, its organization (including organizational charts) and its communications efforts with the outside world. They also included a fair deal of content directed internally – staff are routinely praised by the governor (and featured in pictures) presumably both because in the early 1990s they endured some difficult times (cost cutting; politicization) and because of the Bank's ongoing multi-year review of its core programs and services (analogous to the federal government's much larger program review exercise implemented under the 1995 budget).

Concurrently, the Bank also made changes to its internal structure to reflect its over-arching shift towards more emphasis on outward communications. Almost immediately upon taking over as governor, Thiessen put together something called the Governing Council, which consists of the Governor, the Senior Deputy Governor and the four Deputy Governors (a picture of the governing council appears in the 1994 Annual Report). Henceforth, the board– and not *the* governor – were responsible for monetary policy and for authoring the Bank's *Monetary Policy Reports.* Media attention would correspondingly focus on the board and away from the position governor, which under Crow had been the target of so much criticism.

The ensuing period was one of steady improvement and refinement of the Bank's communicative practices which we can interpret as having three objectives, namely minimizing political interference, managing inflationary expectations and correcting inaccuracies and misinformed speculation about the Bank's true views. Dennis Shcuthe

(2006), former head of communications at the Bank noted in an interview for example that:

> There's more and more information and speculation and it's all being driven by this need to communicate. These market analysts and whatnot are putting out all kind of client newsletters almost every day now. There has been an increase in the number of data releases but what has also happened is there's more anticipation of the data releases. They're now doing surveys of market analysts to predict what the monthly employment number will be so there's this story of the day before of what everyone expects and then the data comes out then there's a story afterwards about what it really is but it's all being fed by this need to be filling communications time. ... So there's an enormous amount of internal attention that goes into on the wording on the FAD (fixed announcement date) press releases and the MPR (monetary policy report) but particularly the FAD because it's so short and externally, there's an enormous amount of parsing of the words and whatnot.

Of the numerous changes that ensued, a few stand out because of their clear link to communicative considerations, including especially the fixed announcement dates (FADs) referred to by Schuthe. These were introduced in the fall of 2000 precisely to short-circuit *political* and market talk, although clearly, based on Schuthe's comments, they have not been entirely successful. Until 2000, financial market participants routinely speculated that the Bank of Canada would be forced to mimic U.S. federal reserve interest rate changes, a tendency that undermined the Bank's often touted "made-in-Canada" monetary policy and supported arguments by the Bloc Quebecois, which wanted Canada to adopt the U.S. dollar or at least seek a currency union with the United States presumably to ease any future transition to sovereignty. The Bank, for its part, described the communications benefits of FAD as follows:

> The Bank expects that there will be a number of benefits from fixed announcement dates that will make monetary policy more effective. In particular, fixed dates will reduce uncertainty in financial markets associated with not knowing exactly when the Bank might announce an interest rate change. They should also focus greater attention on the economic and monetary situation in Canada; put greater emphasis on the medium-term perspective that underlies monetary policy; and increase the Bank's transparency, accountability, and ongoing dialogue with the public. Together, these improvements should contribute to better public understanding of the factors influencing monetary policy and increase the public's ability to anticipate the direction of policy (Bank of Canada 2000).

With the move to fixed announcement dates, the Bank of Canada also instituted media lockups on each of the eight fixed announcement dates and on speeches by the governor in Ottawa. As the fixed announcement dates helped tame financial markets, the lockups helped tame journalists, and especially wire service reporters who, in the rush to get out a headline, might easily misunderstand the Bank's message. The Bank adopted lockups after noticing the positive effect of media briefings, a practice that begin in 1997.

> It used to be that people would come in ... they'd pick up the inflation report and the monetary policy report and they'd rush to get their headlines out ... and finally someone figured out, hey, if they come and they're under embargo, and they can read it and write their story and ask technical questions, it's going to be a whole lot better article because the big problem was, you wanted to be the first one out right? ... It's not going to be right necessarily. You know, if you kind of flip through it, that isn't necessarily a reflection on your confidence, it's a reflection on the speed. This way, the bank's got this setup in the basement. ...Let's say it's going to be released at 10:30. You can come as early as 9 o'clock. You're given about three quarters of an hour to read and you can type your story. The switch isn't pulled until 10:30. And the other part of the story is that ... (there are) about three or four senior people (to talk to the press), (to handle) all the little technical things you can ask. In fact it sort of reduced the length of the governor's press conference after(wards) because many of the questions had been answered (Freedman 2006).

Arguably, the culmination of this effort to tame media output was the Bank's creation in 2004 of a "Media Training Day" or day-school for journalists.[109] While the Bank has only offered a handful of such classes, it plans on broadening its educational efforts in the future (Schuthe 2006). The course material consists largely of a binder with reproduced PowerPoint slides. The section entitled "rules of the game" is especially intriguing because it defines explicitly how the Bank communicates with journalists. Among other things, the Bank says it has a "blackout period" of one week ahead of each of the eight policy announcement dates where it makes no statements, declarations or speeches regarding economic performance. The Bank's communications branch also asks journalists to "clearly define" their questions, specify their deadlines and their expectations when seeking comments outside of the blackout period. All comments are off the record and cannot be attributed to the Bank or its officers. In another series of

[109] In our conversation, the Bank of Canada's Dennis Schuthe preferred to call the day-school an "education session for the media." The title "Media Training Day" is taken from reference texts provided to "students" in the program.

slides, the Bank defines "acceptable requests" as questions concerning i) the role of the bank and its policy framework; ii) financial data and statistics; iii) technical explanations; iv) information on upcoming events and bank publications. "Unacceptable requests" include requests for i) comments on the interest rate announcement press release; ii) interpretation of Governing Council remarks; iii) direction of interest rates; and iv) direction of the dollar, all of which point in the direction of concern about the potential for investors to profit from advanced knowledge of the Bank's activities. Indeed, the Bank makes it clear to journalists that it will only make any *new* views on monetary policy available in an open and equitable manner – no one journalist or news outlet gets privileged access to either the Bank's economic forecasts or its monetary policy decisions. In that vein, another slide stresses that briefing sessions with senior Bank staff ahead of the release of its *Monetary Policy Reports* are strictly off-the-record.

In 2000, the Bank moved to consolidate its influence over inflationary expectations by adding two new publications. The first consists of a four to five page summary of the biannual *Monetary Policy Report* aimed at busy journalists, economists and others who do not have time to read the full, 30 page or more, *Report*. Meanwhile, the Bank also began publishing a *Monetary Policy Update* to compliment the *Monetary Policy Report*. These are much shorter documents, rarely measuring more than 10 pages, and are published three months after each issue of the *Review*. Like the *Review*, they summarize the Bank's economic analysis and outlook and talk about the future direction of monetary policy. In total, the Bank now publishes one publication a season.

Rhetorically, the Bank's communications practices have also changed, with one of the more important such events occurring in 2001, when the Bank started to emphasize the "symmetrical" nature of monetary policy, which means simply that monetary policy is (ostensibly) equally concerned by inflation that is consistently below the Bank's 2% target as it is with inflation consistently above the target. Generally, the Bank believes that inflation falls below the 2% target when the economy slips below its potential and exceed the target when it grows above its potential. According to governor David Dodge, the "symmetrical" emphasis is aimed at quieting critics who claim the Bank is overly focused on inflation to the exclusion of economic growth considerations.

> This symmetry is our answer to the charge that central banks target inflation at the expense of growth. On the contrary, paying close attention to signs of deviation from our target promotes timely action in response to both positive and negative demand shocks. This is how we can keep the economy operating near its full capacity and thus keep inflation low, stable, and predictable (Dodge 2005).

**Conclusion: The Communications Challenge of Late Modernity**

In a liberal democracy, it is important for citizens to have access to information above and beyond what the state wants them to know. Ericson *et al* (Ericson, Baranek, and Chan 1989, p. 216) quote approvingly from Bok, who writes "if officials make public only what they want citizens to know, then publicity becomes a sham and accountability meaningless." At the same time, there is a long-standing view that at least some secrecy is important for protecting the interests of the polity as a whole. State enemies for example might profit from truthful statements about military morale, preparedness or tactical plans; investors might profit from advanced knowledge of a tax policy or monetary policy change; policy effectiveness may be inhibited in a similar way; and secrecy may be essential for fulsome and honest policy deliberations.

We can interpret the last thirty years of communicating fiscal and monetary policy as a gradual lessening of these concerns through an openness that has helped depoliticize both policy areas and move them onto the plane of convention. This situation is not, however, as paradoxical as it may appear for three reasons. First, the opening up process documented here did not generate sustained critical news coverage but rather fed the media's increasing reliance on information subsidies and tamed content. In their work from the 1980s, Ericson *et al* predicted that more "open government" might put a "greater onus on reporters to search for documents, read detailed research reports and so on" (Ericson, Baranek, and Chan 1989, p. 241). This situation has not come to pass. Far from it. Instead, reporters have been forced to work under ever-greater constraints and indeed, information overload. In the case of the *Globe and Mail*, the "opening up process" merely emboldened the *Globe* to make factually incorrect but conventionally appropriate statements, as I show in Chapter 8.

Second, the government's efforts to open itself up to outside scrutiny has helped define the discursive landscape of what is permissible to say and think. Government and relevant non-government institutions have successfully mapped-out the discursive terrain,

identifying the richest and thickest nodes in a network of terms and in so doing, secured the fiscal and monetary policy conventions. When government sat on the sidelines, the discursive terrain was far more open and subject to criticism. From this perspective, the Department of Finance and the Bank of Canada gradually understood that press conferences or media interviews were not to be feared but to be embraced as tools to help define the discursive terrain. As one government source told Ericson *et al* (Ericson, Baranek, and Chan 1989, p. 235), "I think you have to try to help them to get the whole thing into perspective properly and hope that it'll be reported that way." The technologization of discourse practices discussed here – media tours, public debates, media lockups, fixed policy announcement dates, and so on, have all helped ensure that the media "...get the whole thing into perspective properly." That is, we need to think of the opening of the budget process metaphorically and paradoxically as an attempt by the government, and the Department of Finance, to "fence-in" a discourse that otherwise existed in the wilds of the commons where speculative "bubbles" were apt to form. This is perhaps ascribing too much agency to the Department of Finance but I think this metaphor gives some useful insight into how language works and how conventions arise. That is, by opening up the budgetary process and dressing it in the garb of an elaborate communications strategy (by going out beyond the confines of the "fort"), the Department of Finance for example not only *tamed* the discursive wilds out beyond the borders of 140 O'Connor Street and Laurier Avenue, it also *harnessed* them to its own ends. To counter those who claimed the Department's fiscal forecasts tended towards over-optimism, the Department of Finance used the average private sector forecast. To counter those who claimed that the Department was overly zealous in its fiscal pursuits, the Department of Finance could point to cacophony of the consensus it helped create. Similarly, the Bank of Canada has successfully focused outside policy discussion on its adopting an inflation target both by virtue of the target itself and a range of recently-adopted communication practices.

The third reason why openness has translated into convention is that government encoders have gotten better at condensing ever-increasing volumes of information into easily digestible forms delivered at regular intervals in an increasingly controlled environment and in an increasingly consistent, coherent and certain fashion. They have,

in the words of Ericson *et al*, gotten better at "front-region enclosure," which in turn has tended to avert the journalistic gaze away from the "back-region."[110] The Finance Committee's vaunted pre-budget consultation process for example is largely an exercise in futility because "there is very little evidence that any Finance Minister ever pays much attention unless the recommendations happen to coincide with what the Department of Finance suggests" (Drache 2007). This outcome is not surprising. As Devereaux Ferguson (1993, p. 4) explains, any organization's effort to open itself to the outside world presents formidable communications challenges: "The more open the organization, the more uncertain its environment and the greater the need to be alert to change." Consequently, relative to "closed" institutions, "open" organizations have to devote a larger amount of resources to both their encoding practices and their efforts to monitor the impact of what they say outside the institutional borders. With this increased "external accountability, government departments must ensure the adequacy of feedback loops that allow the ongoing modification of performance" (Devereaux-Ferguson 1993, p. 8 of 10), as the various budgetary briefing books discussed here suggest. In the next chapter, we take a critical look at some of what is going on in this "back region" at the Bank of Canada, the institution which I argued in Chapter 2, has been most dependent on political support and least dependent on broad public support for the creation and maintenance of its convention.

[110] "Front region" refers to the intersection of government, bureaucratic and media discourses, the "public sphere" if you will; "enclosure" refers to the government and bureaucratic attempt to fence-in discourse and have it respect a certain set of conventions.

# CHAPTER 5: CONVENTIONS CONTAIN THEIR NEGATION

In Chapter 2, I suggested that Canada's inflation-targeting convention seemed to be more permissive and even encouraging of criticism than the fiscal policy convention so long as discussion stayed within the bounds of debate about the "true" inflationary environment or the most appropriate measure of inflation. The purpose of this chapter, however, is to foreground what is *not* permissible criticism of monetary policy – the "negation" in Dupuy's analysis – and to show how the depoliticization process broached in the previous chapter, driven by the communicative turn at the Bank of Canada, has successfully pushed a more fundamental critique of the Bank of Canada's actions largely out of sight. Along the way, we will also see evidence of how, over time, Bank of Canada governors increasingly adopted the practice of "conversationalizing" their discourse, i.e., of integrating popular idioms and mannerisms into what is otherwise a dense, and largely impenetrable discourse.

The chapter proceeds in two moments. First, I review some of the central bank and academic literature on the nature of monetary policy under inflation targeting because it provides important insight into what may be happening behind the rhetorical veil of technologized and conversationalized discourse; I then proceed to critically examine several years worth of interactions between three Bank of Canada governors and the House of Commons Standing Committee on Finance (the "Finance Committee").

**The Monetary Policy Veil**

From a policy practitioner's perspective (Jenkins 2001; Freedman 2002), "good communications" and "transparency" play two vital roles in the conduct of monetary policy. First, they create and sustain the political and democratic support necessary for inflation targeting to work. By choosing an easily understood inflation target, the Bank provides the means by which politicians and the public can assess its performance and hold it to account. The Bank's communications challenge is to explain why the Bank is on or off its target and how it plans to bring back the inflation rate to its target. The Bank sees this kind of accountability as the *quid pro quo* or tradeoff for central bank independence: "as a public institution with a high degree of autonomy for the conduct of monetary policy, the Bank of Canada bears an obligation to account to Canadians for

how well it is doing its job. An explicitly designed and agreed upon inflation target provides a clear basis for accountability" (Jenkins 2001).

Second, "good communications" and transparency shape expectations about future inflation which in turn affect current inflation.[111] According to Jenkins (2001), the Bank of Canada tries to influence expectations by talking to two distinct populations: the public and financial markets participants. If the Bank of Canada communicates successfully, workers and employers (the public) anchor their wage demands and concessions around the Bank of Canada's 2% inflation target; financial market participants, similarly, use the 2% target and their specialized knowledge of the Bank's policy rules as reference points for pricing bonds, mortgages, credit cards, and lines of credit. The result is a coordinated system of price setting that helps stabilize inflation and generates benefits for the economy as a whole.

To appreciate why this focus on communications has become fashionable among policy practitioners and the academic community, it is important to recognize that: (a) most central bankers have a deep aversion to inflation rooted in the experience of the 1970s and 1980s, when inflation was high and volatile, investment was weak, and political criticism of monetary policy was widespread; and (b) since the mid to late 1980s, central bankers have operated on the assumption that they can at best only affect real economic outcomes (economic growth and employment) in the short run when prices are said to be "sticky" (i.e., unresponsive to changes in aggregate supply and demand).[112] In the medium to long run, a period that is defined tautologically as one where prices are flexible, changes in monetary policy only influence *nominal* values (prices levels).[113]

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[111] In economic terms, current inflation equals inflationary expectations less deviations from the natural rate of unemployment (or capacity growth) plus a supply shock variable. Algebraically, this is depicted as $\pi = \pi^e - \beta(\mu - \mu^n) + \varepsilon$ where ğ is current period inflation, $\pi^e$ is inflation expectations, $\mu$ is the current period unemployment rate, $\mu^n$ is the long run natural rate of unemployment, and $\varepsilon$ represents random shocks (error term). Economists call this relationship the (short-run) Phillips Curve (discussed earlier), which in turn is derived from the short-run aggregate supply curve. From this, we can see that if the Bank successfully keeps economic growth at its potential, i.e., $\mu^n - \mu = 0$ and there are no shocks to the system, then current inflation equals inflationary expectations.

[112] This belief is rooted in Lucas' famous (for economists) "rational agents" critique, which says that an increase in the supply of money can only have a short-term effects due to "money illusion" – false interpretation of a signal – because agents eventually ascertain the "true" nature of the economy and recognize that no underlying structural change has taken place.

[113] In the literature, this is known as the "money neutrality" principle. Money is said to be a "veil" to real economic activity.

Given the experience of the 1970s and these theoretical constraints, the best a central bank can do is to use its communications practices to reduce uncertainty over future inflation and, in that indirect way, contribute to business investment, consumer spending and, not coincidentally, depoliticization.

**Lifting the Veil**

The academic literature has belatedly endorsed the policy practitioner's view of the importance of "good communications" and transparency, although for years the literature was of limited use because of a largely game theoretic approach that assumed (a) central banks were inherently biased towards higher inflation because of political pressure to reduce unemployment at the expense of higher inflation, a trade-off formally defined in the literature as the Phillips Curve;[114] and (b) markets process information efficiently and accurately and that the release of information was the inverse of noise and uncertainty.[115] The academic literature has since become deep, vigorous, wide-ranging and more relevant, with Winkler's (2002) recent work on the limits of transparency being the most interesting because (a) it has become influential in central banking circles; [116] and (b) it uncharacteristically (for an economist) integrates Wittgenstein language theory into its analysis of monetary policy communications.

Starting from the sensible assumption that cognitive limits matter and that rationality is bounded, Winkler argues that central bank external communicative efforts involve a trade-off between three core elements of any fulsome definition of transparency, namely: (1) honesty; (2) clarity; and (3) internal information efficiency. According to Winkler, there are three ways that a central bank can be clear in the way it talks. First, the central bank can try to be as clear as possible about, say, its monetary policy decision rule but this can founder on the honesty criteria because the bank, knowing full well that no simple model can hope to capture the complexity of the world or its internal decision making (the "art" of monetary policy), might sometimes act in a

[114] As Winkler notes (2002, p. 10), "most central bankers – and certainly those of the independent variety – firmly reject the notion that any of them would ever wish to surprise inflate in an (ultimately futile) attempt to drive unemployment below its natural rate."

[115] Communications scholars familiar with the work of Babe (1995) are of course well aware of the substantial critique of this argument.

[116] According to Freedman (2006), "everybody was talking about it ... at this conference in Kansas City, in St. Louis, (so) I email him and I said look, three of the four discussants in my session, or three or four of the major papers, referred to your study and he was quite pleased to hear that."

way contrary to what the rule says. The central bank would gain clarity and retain efficiency but at the cost of honesty. Second, if the central bank instead ruthlessly applied a simple policy rule and made this clear to everyone, its "transparency" would be clear and honest but the policy outcome would likely be less than ideal, thus sacrificing the efficiency and usefulness of its internal communicatory processes and its ability to interpret the economy. Third, the Bank could simply give up on clarity and honesty and maximize its ability to interpret the outside world and efficiently turn that information into the "correct" policy decision. Crucially, Winkler (2002, p. 21) argues that these various trade-off possibilities and others can be "attenuated to the extent that policy-makers and the various relevant segment of the public share an identical common understanding of monetary policy... Note also that these trade-offs become less stark if a monetary policy strategy is seen more as a loose framework for analysis rather than as a mechanistic reaction function."

In other words, there are fewer transparency tradeoffs if the outside world speaks roughly the same language that the central bank speaks inside and recongizes that the imprecision of language is sometimes useful in the art of policy making. Once acquired, the community built around this language has a cognitively efficient frame for reasoning that eases the central bank's communications challenge and helps ensure a greater degree of coordination around a set of inflationary expectations. We might say therefore that the Bank of Canada's communicative task is to build this language community by writing the dictionary definition of monetary policy.[117] Dictionaries are however double-edged, a point Winkler's argument and most academic writers on the function of central bank communications too easily forgot: while they help stabilize language use through time, they also obscure contested usages and lag current usages. Dictionaries, in other words, all too often omit the *critical* question of *who* benefits how and in so doing, fail to show how language contribute to this veiling process.

What might some of these contested usages of the language of monetary policy be? The empirical evidence provides an important clue. Angeriz and Arestis (2006, pp. 560-561) argue that there are three major problems with the argument that inflation

[117] The Bank's website, and especially its extensive glossary and background material, are directly analogous to a dictionary.

targeting in Canada and elsewhere has caused low inflation and consequently better real economic outcomes. First, they say there is a lack of *convincing* evidence that inflation targeting is causally related to low inflation: the overall global climate in the 1990s and early 21st century (until very recently) has been remarkably conducive to low inflation with or without an inflation-targeting policy regime.[118] Second, they argue that there is no evidence to support the claim that failure to adopt inflation targeting threatens price stability. Third, they point to research which shows that inflation was "tamed" well before the adoption of inflation targeting in Canada and elsewhere. The low-inflation performance witnessed by Canada and other inflation targeting countries is really just disguised mean reversion. It would have happened with or without the communicative turn. If Angeriz and Arestis are right, then the now-fashionable academic and policy literature on communications and central bank policy is deeply flawed: *if* central bank talk exerts no discernable influence on expectations and *if*, in any event, conventional inflation measures are deeply flawed (i.e., policymakers have only a weak grasp of what the consumer price index (for example) is actually measuring), then what purpose can all this talk possibly serve?

According to Freidman (2002), the evidence suggests that the talk is at least in part about absolving central banks from responsibility for real economic outcomes and in so doing, *depoliticizing* the practice of central banking:

> An observer who has paid attention to the last quarter century of debate about monetary policy is entitled to suspect that a powerful motivation for adopting this (inflation targeting) framework, at least in some quarters, is the hope that if the explicit discussion of the central bank's policy is carried out entirely in terms of an optimal inflation trajectory, concerns for real outcomes may somehow atrophy or even disappears from consideration altogether.

If, instead, one rejects the premise that the Bank is powerless to alter economic outcomes in the medium to long run, then "the rational that the central bank should not seek to affect real outcomes because it cannot becomes vacuous" (Friedman 2002, p. 9). Friedman goes on to argue that an inflation-targeting central bank is only " 'transparent'

[118] In an interview with a former senior Bank of Canada official, I was told, candidly, that "it's a very real historical issue as to how much of the success that we attribute to inflation targeting is really attributable to changes in the structure of global trade, the reduction in the cost of global communications, and so on."

in that it holds a part of what the central bank is doing before clear glass while obscuring other parts behind a logical partition'(Friedman 2002, pp. 16-17).

**The Evidence**

This partitioning of "real economic" considerations from sight as well as the Bank's communicative turn can be observed "in action" by analyzing the evolution of the Bank's discursive exchanges with the House of Commons Standing Committee on Finance. I chose this forum as the focal point of my analysis for two reasons. First, the Finance Committee was *the* major conduit for the Bank of Canada's communications with the outside world until the mid 1990s and is still an important forum today. Second, the monetary policy convention's tolerance and robustness to critique is due in large measure to the inflation-targeting agreement between the Bank and the Department of Finance. The Finance Committee is charged with holding both institutions to account.

With this in mind, the rest of the chapter is broken down into two segments. The first provides a broad overview of the shifts in styles, tenor, and theme (semantic meaning) of about 20 years worth of meetings spanning three governors (Crow, Thiessen and Dodge), paying particular attention to signs of an increasingly hospitable Finance Committee environment while pointing to the evolving ability of the governors to engage in "conversationlization" practices. Much of the discussion is focused on illustrative extracts. In the second segment, I look at three extracts more closely from a CDA and Functional Grammar in order to, following Friedman's critique, document how successive Bank of Canada governors have avoided taking responsibility for "real world" happenings. I begin however by briefly sketching some background detail about the forum in which these exchanges take place, namely the Finance Committee.

**The Committee Context**

Exchanges between the Finance Committee and its witnesses take place within the confines of a highly-structured, time-sensitive set of meetings. These are clearly not fora for Habermasian-type public sphere discussions in any fulsome sense of the term: the Chair typically polices the meetings, allocating time to individual MPs, identifying acceptable thematic bounds, and dictating the order in which interaction take place between MPs and witnesses. The Committee usually debates and decides on its own set of discursive rules in every new parliamentary session, although it is important to

recognize that they are rarely the product of consensus but rather of a governing party or some coalition of parties imposing its will on the Committee as a whole.

The Committee process is designed as a hierarchical relationship between MPs, as representatives of the public, and witnesses. This relationship is especially pronounced when the witnesses in questions are bureaucracts because they are in principle accountable for the responsibilities entrusted in them. They have an obligation to provide truthful and fulsome answers. MPs take this accountability role seriously and are known to berate civil servants who implicitly or explicitly challenge their authority as democratic representatives of the public. The Committee chair, as a member of the governing party, will typically defend the witness in these instances but not always.

It is also important to remember that Committee meetings are always framed by political considerations, especially when meetings are televised. Members can use the meetings as an opportunity to heighten their political profiles and create political opportunities by, for example, exposing government waste, corruption or contradictions between the statements of bureaucrats and their political masters. At the same time, we also see a lot of MPs, especially from the governing party, use their questions simply to "wind down the clock" or satisfy their curiosity. As a rule, political parties with the most seats are best able to exploit these opportunities because they have access to more time and research resources, although this is not always the case.

Finally, it is important to understand that the transcripts that result from these meetings are themselves a form of interpretation. While the meetings are faithfully recorded electronically, the written transcripts pass through two editorial stages before they earn official imprimatur and are published for public consumption. The first stage is the transcription process itself, where the normal rhythms and patterns of spoken language are erased or interpreted. In place of pauses, ums, ahs, tone, lilts and aborted sentences, we get commas, periods, semi-colons, exclamation and question marks, to name a few. The cleaned-up version of events is published internally and unofficially in a format known as "the blues" because of the hue of the paper/background. The blues allow participants in the meeting to correct any interpretational errors, although sometimes these corrections cross over into revisionism in the sense that the participant may ask that offensive or otherwise regretted speech be reworded.

**The Crow Era: 1987 - 1993**

The first set of transcripts consist of four meetings by Governor John Crow before the Finance Committee. The first two took place over two days on May 8 and May 10, 1990 and were the result of a long-standing tradition of having the governor appear before the Committee subsequent to the release of the Bank's annual report each winter/spring. The meetings took place on the cusp of a recession, although this was unclear at the time. It also took place a few short months after the Bank had aborted an attempt to nudge interest rates lower. Mr. Crow regarded that attempt as a failure and indeed, this Theme[119] dominated much of the meeting although I will not attend to it any further because it is technical in nature and not useful for my purposes.

The second two meetings took place on March 18 and March 19, 1991, this time very much in the midst of a recession and on the heels of three events. First, the Bank of Canada had recently published its annual report for the year previous. Second, the federal government had, in its February 1991, budget just announced its inflation-targeting agreement with the Bank of Canada. The meeting was the first opportunity to have a public discussion about the agreement. Third, the Bank of Canada was being criticized for what appeared to be wage increases in excess of the rate of inflation. In his memoirs, John Crow (Crow 2002, p. 54) attributes the meeting entirely to this latter reason, describing the meeting as an "inquiry into the Bank's salary policies" led by the "iridescent" Committee Chair Don Blenkarn, a vocal fiscal hawk in cabinet but clearly a critic of the Bank of Canada.

To the modern-day observer, the Crow meetings are remarkable for several reasons. First, they are quite long. The May 8 and 10 meetings combined stretch over 4.5 hours. The March 18 and 19 meetings lasted a total of 3.5 hours. Under Thiessen by contrast, the average Finance Committee meeting lasted a mere 1.5 hours. Table 5-1 provides details on the duration of meetings during the Crow, Thiessen and Dodge eras.

[119] In keeping with Functional Grammar practice, I will capitalize all relevant analytical terms such as the word "Theme."

**Table 5-1:** Appearances by Bank of Canada Governors Before the Finance Committee, 1987 - May 2007

| | Date | Time in | End of Meeting According to Minutes or Last Time Marker | Difference (Duration of Meeting) |
|---|---|---|---|---|
| **Crow** | | | | |
| 1 | 05-Feb-87 | 10:05 | 11:59 | 1:54 |
| 2 | 21-Jan-88 | 10:07 | 12:14 | 2:07 |
| 3 | 24-Apr-89 | 19:31 | 21:58 | 2:27 |
| 4 | 25-Apr-89 | 15:31 | 17:37 | 2:06 |
| 5 | 29-May-89 | 19:30 | 21:43 | 2:13 |
| 6* | 08-May-90 | 20:03 | 22:10 | 1:58 |
| 7 | 10-May-90 | 10:04 | 12:33 | 2:29 |
| 8 | 18-Mar-91 | 19:34 | 21:42 | 2:08 |
| 9 | 19-Mar-91 | 15:35 | 16:57 | 1:22 |
| 10 | 08-Apr-92 | 15:30 | 17:40 | 2:10 |
| 11 | 09-Dec-92 | 15:32 | 17:20 | 1:48 |
| 12 | 02-Jun-93 | 15:34 | 17:40 | 2:06 |
| **Thiessen** | | | | |
| 1 | 05-May-95 | 9:34 | 11:01 | 1:27 |
| 2 | 08-Nov-95 | 15:31 | 16:57 | 1:26 |
| 3 | 15-May-96 | 15:37 | 17:05 | 1:32 |
| 4 | 26-Nov-96 | 15:30 | 16:50 | 1:21 |
| 5 | 28-May-98 | 11:17 | 12:53 | 1:36 |
| 6 | 17-Nov-98 | 18:31 | 20:04 | 1:33 |
| 7 | 26-May-99 | 15:34 | 17:26 | 1:52 |
| 8 | 16-May-00 | 11:29 | 13:03 | 1:34 |
| **Dodge** | | | | |
| 1 | 01-May-01 | 15:33 | 17:28 | 1:55 |
| 2 | 07-Nov-01 | 15:32 | 17:20 | 1:48 |
| 3 | 24-Apr-02 | 15:30 | 17:30 | 2:00 |
| 4 | 23-Oct-02 | 16:25 | 18:20 | 1:55 |
| 5 | 19-Apr-03 | 15:35 | 17:40 | 2:05 |
| 6 | 22-Oct-03 | 15:30 | 17:30 | 2:00 |
| 7 | 21-Apr-04 | 15:30 | 17:30 | 2:00 |
| 8 | 26-Oct-04 | 15:30 | 17:30 | 2:00 |
| 9 | 19-Apr-05 | 11:35 | 13:41 | 2:06 |
| 10 | 25-Oct-05 | 15:30 | 17:30 | 2:00 |
| 11 | 19-Oct-06 | 15:30 | 17:30 | 2:00 |
| 12 | 01-May-07 | 11:00 | 13:00 | 2:00 |

| **Averages** | Crow | Thiessen | Dodge |
|---|---|---|---|
| Crow | 2:04 | 1:32 | 1:59 |

Note (*): The meeting for May 8, 1990 was interrupted by an interlude. Total time refers to the amount of time the Committee actually interacted with Mr. Crow.

The second notable feature of these meetings is the duration and detail of Crow's answers. In his May 1990 appearances for example, Crow used almost 10 minutes to respond to a question, an eternity in a Committee meeting where opening statements

rarely last more than five minutes and where members rarely get more than eight or 10 minutes at a time to ask questions and obtain answers, a fact alluded to by Chairman Blenkarn (10-5-1990:1105) when he remarked that "We shall have to have you back here, Governor. You talk a long time..." Crow's answers to Committee questions are commensurably dense with statistical and economic jargon. In response to a question about future interest rates, Crow talks (8-5-1990:2005) about "point estimates" as if the meaning of the term was transparent to all concerned In his 1991 appearances, Crow (18-03-1991: 2020) likened the Bank's salaries to "a normal curve in terms of distribution," the (unwarranted) assumption being that the Committee members were familiar with this statistical concept.

The Crow meetings are striking because of the disorder between questions and answers. Crow frequently interrupts and reinterprets questions in a pointed almost purposely obtuse way. He similarly refuses to allow himself to be interrupted by the questioner. The reader, and presumably the witnesses and participants to this event, are left with the impression of a man who perceived himself as vested with a duty to explain a complex subject to people he deems not much better than a group of unruly students. The following exchange between Liberal MP Doug Young from May 8, 1990, edited for brevity, is illustrative:

> **Mr. Young:** ...The business leaders are saying they have to have lower interest rates, but in the export sector they have to have a lower Canadian dollar, whereas your premise is that it has to be maintained. ...Do they have to have a lack of confidence in the Canadian business community and confidence in you and the government? Or are these people misled—Adam Zimmerman, Laurent Thibault—I could go on and name other people, but let us use those two as people in the business sector who disagree with your policy at this stage. Who should Canadians believe?
> **Mr. Crow:** Far be it for me to be a party to naming names about who agrees or who does not agree on monetary policy. Let me stick to the issues, perhaps.
> **Mr. Young:** I appreciate your coming by tonight, Mr. Crow, but if you do not mind, I think I can define the issue. I spend every day with people who talk to me about the issues, who define the issues, and they are becoming the issue because their businesses are being ruined by your monetary policies. So, Mr. Chairman, I want to make sure Mr. Crow understands that the questions we put to him we would like answers to. If you cannot answer them, then say so. If you are not prepared to answer them, we will ask something else. But I am not going to be lectured to as to what the specific issues are and how focused we should be in our questions, because when the Canadian people are telling you, and telling the

government you are associated with in this monetary policy, that you are driving the country into a recession, I will not, sir, allow you to decide whether or not the question is well enough defined for you.... But let us be very clear that we are not going to have rambling answers for a half an hour or an hour so you can go home tonight and say, I got out of that one, because the Canadian people cannot go home tonight and say that they are getting out from underneath your very, very odious monetary policy.

We are similarly left with the impression of a man who preferred to deal with abstract entities over humans beings or tangible real-world events and things, a fact alluded to on a number of occasions by several members of the Committee. The following exchange between Crow and Liberal MP Dennis Mills (10-5-1990:1150) is illustrative.

> **Mr. Mills** (Broadview-Greenwood): I do not mean to suggest that there is complete hopelessness, but I hear – even from yourself, and I say this with respect – that there is a sense, which is reflected in anything from tone to body language or whatever, of a lack of caring and a lack of compassion to this particular phase of difficulty we are going through.
> **Mr. Crow:** Mr. Chairman, to reply briefly, if I may, I and my colleagues at the Bank of Canada care deeply about what happens to the Canadian economy. We think we have an important responsibility to discharge. We try very hard to discharge it in a way in which Canadians can understand and see the correctness of it. At the same time, I am very careful in what I say to emphasize what monetary policy is and what it is not. It may sound more caring to suggest that monetary policy is things it is not, and it may be quite easy to do, but it is misleading and really wrong for us to do so because we cannot claim and we should not claim to do things we cannot do. I do not think it is helpful to a good understanding of what we can do, Mr, Chairman,
> **Mr. Mills:** For my last point, Governor, I would not question your intellectual integrity, but I am suggesting to you, as a politician, as someone who listens and hears people on the street, that they want to hear the truth, but maybe sometimes the tone and the way in which you deliver it can go a long way in getting your message across and understood. That is my only point.

In the March 18, 1991 meeting, Liberal MP Herb Gray (18-3-1991: 2000) echoed Mills' sentiments but with somewhat less empathy for Crow's communicative task. Crow's responses are equally biting:

> **Mr. Gray (Windsor West)** : I was struck by one thing in looking at your statement. At the third paragraph you spoke of the fact that the Canadian economy is in recession and individuals must deal with the difficult adjustments required by economic circumstances. I was wondering why in your statement you could not admit that when you speak of difficult adjustments you are speaking of a lot of

people being out of work. Instead of adjustments, why can you not speak of lay-offs, job loss, and unemployment to indicate that you understand the real pain and suffering behind the word "adjustments" in your statement?
**2. Mr. Crow:** The Canadian economy is in a very difficult position, Mr. Gray. The issue for monetary policy is how it can operate to improve that position. That is the $64 issue for a monetary policy. It is the issue on which the annual report concentrates. I think this is the most constructive way for dealing with this kind of issue.
**3. Mr. Gray (Windsor West):** I still do not understand why, instead of the waffle word "adjustment" you cannot speak of unemployment, lay-offs and job loss. Could you explain that?
**4. Mr. Crow:** We talk about the economy in all its aspects. You can choose whichever words you wish, Mr. Gray, and so can I. The fact that I did not use all the words in the dictionary is hardly a mortal sin.
**5. Mr. Gray (Windsor West):** I just want to observe, Mr. Crow, that the words you use are cold and bloodless and not reflective of the real impact of your policies and those of the government on the economy.
**6. Mr. Crow:** Is that a question, Mr. Gray?
**7. Mr. Gray (Windsor West):** It is a comment to which I would appreciate a response.
**8. Mr. Crow:** I could answer it, then. I did not want to cut you off, of course. That would be unfortunate. As I see it, Mr. Gray, the issue is not how bad the situation is. The issue is what we can do to improve it. That is what we are addressing through monetary policy. We have choices in terms of monetary policy. That is the issue we confront and this is the issue I think is most constructive to address.

These exchanges illustrate two consistent themes in Crow's interactions with the Committee. First, since inflation is a relatively abstract concept, the language of monetary policy must also be abstract. There is no call for discussing the jobless, the food-bank line, or any other real-world consequence of monetary policy. Second, Crow consistently seeks to redefine the debate narrowly on what he believes monetary policy can and cannot do: monetary policy *can* affect nominal values like the inflation rate but it *cannot* affect real outcomes except in a very indirect and abstract way by influencing confidence in money. His willingness to interrupt the politicians and not suffer *their* interruptions is an important part of his effort to redefine the debate and mark his status as an equal if not a superior in the communicative exchange.

Finally, I want to flag two others exchanges, the first between Crow and Conservative MP Lee Richardson (10-5-1990:1135) and the second between Crow and Herb Gray. A short discussion follows.

> **Mr. Richardson:** ...to what extent can you lower interest rates when we have these huge debts? Would we not be further ahead to continue with the policy of this government and cut expenditures?
> **Mr. Crow:** ...other things being equal, people would prefer not to have debts, and they are a complication of life if you have them, because clearly you have to service them. Then the fundamental question is what those debts were incurred for, in the question of how difficult they are to service. If the debts serve to improve the tax base, to increase wealth in the economy, therefore the ability to pay taxes, clearly one can see there is a way out. If they are used to finance consumption there is not such an easy way out. ... I think we as Canadians must very much welcome the government's determination to deal with that indebtedness problem, because it is very difficult.

The following Gray-Crow exchange took place on March 18, 1991 (2010):

> **Mr. Gray (Windsor West):** I take it you are generally sympathetic to the approach of the Minister of Finance in this current budget.
> **Mr. Crow:** What I said was that any central bank governor prefers a strong fiscal performance to a weak one. It is generally helpful in improving the mix and it certainly takes the burden off interest rates. I will limit myself to that statement.
> **Mr. Gray (Windsor West):** So you would not agree if someone said that if you had not crossed the line on undue politicization since the current budget was announced, you were just at the edge of the line.
> **Mr. Crow:** I do not think there is any question of the Bank of Canada crossing any kind of line, in the sand or anywhere else, Mr. Gray.

The theme in both exchanges is the interaction of fiscal and monetary policy. The two extracts show Crow's reticence to comment in a forceful way on fiscal matters, a reticence that contrasts rather sharply with his willingness to express himself unequivocally on the importance of price stability. In the second exchange especially, we see just how much the idea of "balancing the budget" and deficit reduction *were* considered political issues but would cease to be by the time of Thiessen and Dodge.

**The Thiessen Era : 1994 - 2000**

The Liberals announced Gordon Thiessen's appointment as governor of the Bank of Canada in late 1993, despite strong support from the investment community for Crow's reappointment. Officially, Crow resigned for personal reasons but Greenspon and Wilson-Smith (Greenspon and Wilson-Smith 1996) say that the Liberals did not want him back for two reasons. First, Crow had angered many in the Liberal Party with his confrontational style at the Finance Committee. Some of these individuals (Herb Gray

for example[120]) went on to play important roles in the Liberal Cabinet. Finance Minister Paul Martin also found Crow difficult to work with: "And if there was one thing John Crow couldn't resist, it was lecturing. Martin could not reconcile himself to Crow's refusal to accept blame for the recession. He found him rigid in his opinions, a hard man to deal with."(Greenspon and Wilson-Smith 1996, p. 68) The second reason boils down to Crow's insistence on achieving "price stability," something he repeatedly insisted was not the same thing as what we now have as our monetary policy convention, i.e., targeting a 2% inflation rate, +/- 1 percentage point.[121]

Thiessen made his first appearance before the Finance Committee on May 5, 1995, more than a year after he took over as Governor. The occasion coincided with the Bank's release of the first issue of its *Monetary Policy Report*. In all, Thiessen would make a total of eight appearances before the Committee over his seven-year term, which can be broken down into periods that coincide with the election cycle, the first running from 1994 to early 1997; the second from late 1997 to 2000. His appearances differs sharply from Crow's in a number of ways, some of which can be attributed to Thiessen the individual, some of which can be traced back to changed contextual factors. Whereas Crow faced two left-of-centre opposition parties and an antagonistic Chairman willing to veer from strict partisan considerations, Thiessen found himself instead answering questions from a right-of-centre Reform Party anxious to drive both inflation and the deficit to zero, a sovereignist Bloc Québecois anxious to shift blame for Canada's economic difficulties away from uncertainty over Quebec's referendum results, and a Liberal Party by this time firmly committed to deficit reduction and inflation targeting. The Progressive Conservative Party and the NDP by this time had lost their official party status and consequently no longer sat on committees.

At the same time, other contextual factors over the 1994 to 1997 period were very similar to what was observed in the 1990 and 1991 period. The economy was only marginally better off than it had been and while a weaker Canadian dollar was spurring

[120] In the Liberal's first term, Gray served as Solicitor General of Canada and "eminent grise" to the party. In the second term, he was Deputy Prime Minister.

[121] In his 1991 testimony before the Finance Committee, Crow (18-3-1991: 2015) said: "In the paper put forward, it is pointed out that reducing inflation to 2% by the end of 1995 was a specific goal. It was also stated, which is pretty clear, that 2% inflation is clearly not price stability. For example, it means the doubling of the price level in a generation, which is hardly price stability. One has to be quite incredulous to believe that."

growth thanks to exports destined mostly for the United States, unemployment remained well above 10%, Canadians were still reluctant to spend, the federal government was in the midst of an unprecedented fiscal retrenchment, Québec's 1995 referendum was creating political uncertainty, and there were widespread concern about global financial instability following the Mexican Peso crisis. In short, Thiessen was meeting with the committee in an atmosphere still very much governed by economic and political uncertainty coupled with fiscal restraint, just as Crow had a few years earlier. The only substantive difference was a much lower inflation rate. Whereas CPI inflation had averaged 3.5% in the 1990 and 1991 period, it averaged closer to 1.5% in the 1994-1997 period.

Thiessen set the tone for his relationship with the Committee in his very first encounter, using his opening statement as an opportunity to ask the Committee that he and *his colleagues* be invited back twice a year to discuss the contents of the Report, which he described as part of an effort to "improve communications" and "contribute to an increased dialogue on monetary policy issues in Canada." As the meeting progressed, Thiessen made a point of bringing these colleagues into the discussion, a practice that would become habitual for Thiessen and his successor David Dodge. Early into the first meeting for example, he invited Deputy Governor Charles Freedman into the discussion and Freedman clearly felt free to intercede as necessary, as did Deputy Governor Tim Noel.

This effort to broaden the discussion and include more of the Bank's senior personnel in high-profile meetings was purposeful. Thiessen wanted to minimize attention to the "governor," a figure that could easily become a lightening rod for discontent, and diffuse attention to the "Bank" and the governing council as an institution.[122] The inclusion of senior people at the table also lightened the intellectual load for Thiessen, who in his first appearances, struggled to recall basic facts as in this exchange with a Reform Party MP (8-11-95:1605):

> **Mr. Silye (Calgary Centre)::** Could you give me the federal debt, please?
> **Mr. Thiessen:** It should be a number that I know off the top of my head -
> **Mr. Silye:** Five hundred billion something.

[122] Crow rarely if ever allowed other senior personnel in the Bank to speak, the only exception being when he was being questioned over the rate of wage increases paid to staff at the Bank.

**Mr. Thiessen:** I think $550 billion is the right number. ...

While Thiessen may not have had a ready command of all the relevant facts early in his tenure, he does show evidence of a much more scripted, "on message" approach to addressing with the Committee. For example, he typically tried to keep the discussion focused on the three themes emphasized in his opening statements over the 1994-1997 period, namely outlining the purposes of the *Monetary Policy Report* as a communicative device, explaining and then justifying the Bank's 2% inflation-target mandate in terms of its purported long-term benefits and third, assessing the past, current and future economic and inflation environment.[123] Meanwhile, in the question and answer portion of the sessions, Thiessen was typically careful to answer questions in a friendly, non-aggressive way that yielded a like response *despite* the fact that Thiessen's answers were frequently no less abstract or distant from real-world events than his predecessor's. The following exchange between Bloc MP Yvan Loubier, known in Parliamentary circles as one of the more combative MPs, and Thiessen (5-5-1995:1010) is illustrative of this point.[124] Note how Thiessen's approach seems to disarm Loubier, who makes a point of insisting that his questions are not meant as personal criticisms even as the tone of his initial question suggests otherwise:

> **Yvan Loubier**: ... you did not answer my question, what distinguishes your policy from that of your predecessor, who was criticized by this government when it was still in opposition?
> **Mr. Thiessen:** Well, monetary policy has not really changed. We have always had pretty well the same monetary policy, not only during the time of my predecessor, but also when Mr. Bouey and Mr. Rasminsky held my position. What has changed considerably however, are economic conditions. At the present time, we have a very low inflation rate, and that makes a tremendous difference. It is extremely helpful, because when the economy starts to reach its full capacity, we do not have to react too decisively because our inflation rate is not so high that we might feel the need to bring it down. ...
> **Mr. Loubier: ...** I am not criticizing you, Mr. Thiessen - I have no reason to criticize either you or Mr. Bonin[125] even though my comments were misinterpreted at one point. On that same point I have major complaints about the

[123] By 1996, Thiessen had added a fourth major theme, namely insisting that the 2% target showed how the Bank of Canada was equally concerned with inflation below 2% (interpreted by the Bank as a sign of an economy below its capacity) as it was with inflation above 2% (a sign of an economy operating above capacity). This additional theme appears to have been motivated by increasing concern about deflation.
[124] Most of this exchange took place in French. This extract is taken from the official translation of the exchange.
[125] Mr. Bonin is a Liberal MP.

way the government has handled job creation. It says the new monetary policy implemented by the new governor of the Bank of Canada will be different from previous policy, because there will be more concern for short-term changes in the economy, even though price stability will continue to be a concern. However, the message does not seem to have gotten through to the Bank of Canada... I would like some reassurance from you that the Bank of Canada and members of the government in the House of Commons will be singing from the same song book when it comes to the bank's role in areas other than enduring long price stability.
**Mr. Thiessen:** A period of low inflation is excellent for job creation. That was very much the case during the 1960s. That is exactly what we are trying to do now. If we allow a dramatic rise, it may have a positive impact on jobs, but that impact will be temporary. We are attempting to create a more sustainable situation where employment will continue to rise over an extensive period of time. ...

Notwithstanding these kinds of *personal* differences between Thiessen and his predecessor, the Finance Committee meetings with the governor were also largely defined by the broader political context. From the Liberals, the questions were, in CDA terms, "Elaborative," aimed at getting the Governor to restate or exemplify his four major themes. The following sequence between Liberal MP Barry Campbell and Thiessen, edited for brevity, illustrates the friendly back-and-forth that dominated the meetings in this period (5-5-1995: 1040). It is inflected by two contextual events, namely ongoing concern about global financial instability especially as it relates to a looming sovereignty referendum in Quebec and fiscal retrenchment at the federal and provincial levels.

**Mr. Campbell**: You spoke of the ability of a nation state to choose to have an independent monetary policy; indeed, that was one of the hallmarks of sovereignty. I'll avoid the temptation to comment on the "illogic" of Quebec speaking of political sovereignty yet forgoing monetary sovereignty. I want to ask a question, though, about independent monetary policy and to what extent, with a largely unregulated currency exchange market, one can today have an independent monetary policy.
**Mr. Thiessen:** I certainly think the fluctuations in currency markets don't prevent you from having an independent monetary policy. They certainly can make your life difficult at times because there can be fluctuations, there can be volatility in currency markets, but the interesting thing is that ... the amount of volatility in currency markets really hasn't increased. It's been there for years upon years. ... If we've managed to conduct monetary policy in the past with that volatility, there's no reason we can't do it in the future. ... I'm afraid when you go back and look at all those events rather carefully, what you see in every case is an economic policy problem. ... more often than not they have been problems of economic policy, which is a monetary policy that wasn't tight enough to prevent inflation and fiscal policies that were adding to debt and deficits.

> **Mr. Campbell:** I guess, Governor, your comments are encouraging because so many believe that the currency traders are the tail that's wagging the dog. You are saying that they're reacting to policies at a national level or perhaps the lack of coordination internationally among the G-7 or a larger group you might want to pick.
> **Mr. Thiessen:** I'd agree with that, Mr. Campbell. ...

The transcript reads like an educational video more than a Parliamentary session aimed at holding the governor to account. Campbell's opening gambit, for example, has the effect of allowing Thiessen to Elaborate on two dominant themes in this period, namely the importance of the Bank's inflation-targeting objective and the relationship between the successful pursuit of this objective and fiscal policies, which Thiessen equates with "economic policies." Campbell describes Thiessen's response as "encouraging" and uses the opportunity to implicitly buttress the recent federal budget ("they're reacting to policies at a national level") *and* highlight the uncertainty created by talk of a possible referendum.[126] This in turn elicits a supportive and friendly response from Thiessen. We can easily imagine this exchange taking place in a far more critical way, with Campbell for example arguing that the central bank's independence was largely illusionary because its policy actions mimiced happenings in the United States.

From the Reform Party, the questions to the governor were only marginally more aggressive and tended to be of two types, namely those aimed at testing the strength of the Bank's commitment to its inflation target and second, those that tried to bring the Governor onside in explicitly criticizing the federal government for its unwillingness to tackle the deficit and debt in a more aggressive way. The Bloc Québecois was the only party that was somewhat aggressive with its questions, occasionally challenging the Bank over its use of CPI as "the" measure of inflation and over its reticence to push the non-inflationary limits of economic growth. Even here, however, the Bloc frequently sought to score political points by attributing high real interest rates to the federal government's fiscal "mismanagement" rather than uncertainty over Québec's status in Canada.

All three parties implicitly agreed however that there was little wrong with the Bank's theory, its models or the inflation-targeting objective; they also agreed that "the

[126] In May 1995, it was still not clear *when* the Parti Quebecois would call a referendum, only that it had promised to in its election campaign.

problem" was the deficit and debt. Thiessen was consequently more willing than Crow to link the conduct of monetary policy to deficits and debt, as in this extract:

> **Mr. Bélisle:** In reading your remarks and listening to your opening statement, one gets the impression that the effects of the monetary policy are highly important to establish the momentum of the economic expansion. Can we go as far as saying that economic growth is ultimately much more linked to the effects of short- and medium-term monetary policy than to government short- and medium- term policies?
> **Mr. Thiessen:** Both are important. Of course, in order for us to bring interest rates as low as they are now, we needed that an fiscal policy be put in place to bring down the deficit. That was absolutely crucial.

I want to flag one other defining feature of the1994-1997 meetings and that is the generally convivial atmosphere that prevailed both among the politicians[127] and between them and the governor, as in the following extract with Reform Party MP Herb Grubel, who holds a doctorate in economics and has taught at Simon Fraser University. It occurs after Grubel asked Thiessen about the possibility that investors might become so enamoured with Canada's fiscal progress that they would create an inflationary risk by flooding the country with money. In response, Thiessen pointed out that Canada's floating exchange rate minimized the possibility of this outcome,[128] a basic (mainstream) theoretical proposition that apparently slipped Grubel's mind. Aware of his flub, Grubel attempts to repair the damage by demonstrating his understanding of the governor's point with the following statement.

> **Mr. Grubel:** Since we're a small country and we have a separate currency, we are open to the possibility that once there is an increase in the value of the dollar, money will be coming in. All I can see is that we watch out that it doesn't take off and put us into serious trouble with both the exchange rate and the accumulation of the money supply that is implicit if you don't let the exchange rate go up. Thank you, Mr. Chairman. I wanted to see whether he's watching the money supply, how much of a monetarist he is.
> **2. Mr. Thiessen:** Actually, you wanted to see whether I passed my economics 101 or not.
> **3. The Chairman:** Mr. Grubel, was your concern more with M1, M2 or M3?
> **4. Mr. Grubel:** Well, I was hoping the Governor would get into this, but he's obviously not in the mood.

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[127] The only serious tension emerged between the Bloc and the Liberals and Reform Party over the sovereignty issue.

[128] In this kind of scenario, the currency would likely appreciate in value (as it has in 2007 for example), offsetting (from a mainstream economic theory perspective) the otherwise inflationary impact of "more money" chasing the same amount of goods and services.

**5. The Chairman:** Okay.

In turn #1, Grubel tries to recover from his obvious error and reassert his credibility. He stresses, for example, that his initial question makes sense "if you don't let the exchange rate go up" and then, to add some levity to the discourse, suggests that the real purpose behind his question was to gauge the governor's commitment to monetarist principles. Thiessen of course understands the subtext (i.e., Grubel's attempt to reassert his credibility) and offers him face-saving assistance by humorously suggesting that Grubel's true intent was to test Thiessen's economic knowledge. The Chairman, perhaps oblivious to the (theoretical) subtext but clearly wanting to demonstrate *his* (limited) knowledge, plays into Grubel's hands by mentioning the monetary measures of M1, M2, and M3. Grubel of course seizes the opportunity to reinforce the notion that his initial question was aimed at these kinds of technical objectives. In my experience as an analyst to these committees, civil servants rarely if ever come to the aid of politicians in quite such a friendly and face-saving way especially in meetings ostensibly aimed at holding the civil servant to account *unless* there is (a) a shared sense of purpose over the underlying objectives (i.e., inflation targeting); and (b) a shared sense of community (i.e., the mainstream economics fraternity) built around this purpose. These conditions sometimes hold for a meeting or even a series of meetings but rarely for an entire Parliamentary session, as was clearly the case during Thiessen's tenure.

In the 1997-2000 period, the general tenor of the Finance Committee meetings is much the same as in the first period. The Committee atmosphere is still convivial and Thiessen is still approachable and unthreatening, as in this exchange from November 17, 1998 with Reform MP Ken Epp, whose questions suggest a lack of familiarity with monetary policy (17-11-1998:1845). Notice also how Thiessen apologizes for "getting technical" and tries to illustrate his answer by means of a concrete example, two clear markers of the conversationalization of discourse:

> **Mr. Ken Epp:** You say when you increase the interest rate, it strengthens the Canadian dollar. Why?
> **Mr. Gordon Thiessen:** If our interest rates are higher than they were before, it means there is some attraction for people to hold funds in Canada. They can earn a higher rate of return. This will tend to strengthen the dollar until the

difference—*and I'm sorry I'm getting a little technical on you here*— (emphasis added)
**Mr. Ken Epp:** No, I want to know this.
**Mr. Gordon Thiessen:** It will strengthen the dollar until the difference between the two sets of interest rates is offset by the expectation of what's going to happen to our currency. So if we raise interest rates, it will tend to raise the Canadian dollar up to the point where the expected change in the Canadian dollar is equal to the change in interest rates. If, for example, we have interest rates that end up being 50 basis points or half a percentage point higher, it by and large means that in the markets people will expect the Canadian dollar to depreciate by about half a percent over the following year. Once this happens, everybody is sort of in an equilibrium. They say, yes, I get a higher return in Canada, but I think on balance the Canadian dollar would be a little weaker and I'm content.

Thematically, the transcripts reveal several major changes owing in part to a much different economic and political context. The economy in this period is more buoyant – consumers were beginning to spend, exports were strong, economic growth was gaining momentum, and the period of fiscal restraint was more or less over. At the same time, Canada's resource-sector was negatively affected by the Asian Financial Crisis, inflation was threatening to become deflation, and a "new economy" discourse permeated the air, including some of Thiessen's opening statements and many of his responses to questions. Politically, the Liberals held onto a very small majority government. The meetings over this period were dominated by three major themes, namely the impact of the Asian financial crisis, productivity and the New Economy, and from the Bloc, the possibility of a monetary union with the United States in the wake of a similar effort in the European Union.

Finally, I want to briefly flag an exchange about the "structural impediments" to productivity that took place in November 1998 between Thiessen and Progressive Conservative MP (and future Liberal) Scott Brison. In a rather bold excursion beyond the confines of matters strictly monetary that foreshadowed Governor's Dodge's tenure, Thiessen (17-11-1998: 1905) suggested that federal and provincial governments address "interprovincial trade barriers" and then "look hard at taxes" as well. Clearly, the moment which had defined John Crow's reticence to wade into policy areas outside monetary policy had passed and the convention of inflation targeting was secure.

**The Dodge Era: 2001 - 2007**

David Dodge became Governor of the Bank of Canada in 2001. Over the course of his tenure, Dodge's meetings with the Finance Committee were influenced by seven historical events, namely the impact of 9/11 early in tenure and the U.S. government's related deficit spending, the impact of the SARS crisis, the energy blackout and mad-cow disease in 2003, sharp fluctuations in the Canadian dollar first to record lows then to record highs, rising energy prices and finally, the impact of a booming Chinese economy on Canada and the world. Over Dodge's tenure, the Canadian economy was strong, inflation tame, but the unemployment rate remained stubbornly high, often as much as double the U.S. rate. Politically, Dodge's tenure overlapped three governments – the tail end of the Chrétien era, the short-lived Martin era, and the more recent Conservative era. As we might expect given the increasingly entrenched nature of the inflation-targeting convention, these political changes exerted little discernable influence over the Committee meetings and certainly nothing like the tectonic shift that occurred from the contentious meetings of the Mulroney/Progressive Conservative era to the tranquil meetings of the Chrétien/Liberal era.

The appointment of David Dodge as Governor marked a decisive shift towards the role of governor as a communicator first, one might even say national soothsayer, and technical and theoretical economist second. Dodge was the first non-Bank of Canada employee appointed to the job,[129] a fact that appears to have been both a reflection of his relationship with Paul Martin, at the time the Finance Minister in the Chretien government, and his widely recognized reputation in Ottawa's bureaucratic circles as a skilled communicator and experienced public servant. Dodge embodied the "conversationalization of discourse" emphasized in Fairclough's work, a trend so firmly entrenched now that it dominated media speculation about who would eventually replace Dodge. In a July 2007 *Financial Post* article (Thorpe 2007)for example, long-time Bank of Canada employee Peter Jenkins and Department of Finance "wunderkind" Mark Carney, were touted as the two leading contenders to replace Dodge in part because of

[129] The first governor, Graham Towers, was also in theory from "outside" the Bank but it is important to recognize that "the Bank" did not exist as an entity at the time of his appointment. In some sense, he *was* the Bank. Note also that despite his status as an outsider, Dodge was no stranger to monetary policy, having played an important role in implementing wage-and-price controls in the 1970s and served as Deputy Minister at the Department of Finance in the early 1990s under Paul Martin.

their communicative skills. Journalist Jacqueline Thorpe quoted one unnamed "observer" who describes Jenkins as someone who "... explains things well and is quite an articulate man, for sure," while a different Bay Street "observer" describes Carney as a "... pretty good presenter. He's not the rigid, off-the-text kind of person we've become accustomed to in some spaces. He's polished. He's aware of who's in the room. It's not cheesy. He's in touch with what's going on and what needs to be covered." Carney was of course eventually appointed governor.

Dodge's communications skills are readily apparent in the transcripts of his meetings with the Finance Committee. We see evidence of his skill at "creatively" interpreting questions that threaten to re-politicize the Bank's inflation-targeting mandate, as in this response to a question by Judy Wasylycia-Leis (edited for brevity), an NDP MP who had recently been appointed finance critic and who was clearly not yet sufficiently steeped in the inflation-targeting convention to realize that the Bank pursued its target with singleminded zeal:

> **Ms. Judy Wasylycia-Leis: ...** I want to pick up on the discussion earlier about what would appear to be the preoccupation on the part of the Bank of Canada with inflation and with interest rates as the only tool we have in our basket to deal with the economic situation in Canada. ... Wouldn't it be better for us to tackle those problems through other regulatory mechanisms, other processes available to this committee, as opposed to doing something I think is potentially problematic for the economy, that is, to increase the interest rate?
> **Mr. David Dodge:** Let me go back to the issue. You say to us, you guys are focused only on inflation. Actually, what we are really focused on is trying to keep the economy growing at its potential. That is the objective we have. The reason we focus on inflation is first, it's the tool we actually have to operate on, but perhaps more importantly, it is actually a gauge of how close to or how far away from capacity we are. What we'd like to do is to stay humming along at 3% growth with no excess demand and no excess supply. Indeed, the experience we've had with inflation targeting is that we've done a lot better under that regime than we did under previous regimes and that indeed Canada has ended up doing better than a lot of other countries because of it. The inflation targeting is a tool to achieve the economic goal of rallying at about capacity, and it's extraordinarily important that we recognize that. ... (29-4-2003:1625)

As this extract shows, Dodge carefully returns to "the issue," namely the idea that the inflation-targeting objective is *really* an attempt to keep the economy "at potential," even if, in fact, potential is defined tautologically by referencing the inflationary trend. In do doing, Dodge is more explicit than his predecessors in drawing a causal link

between concern over a nominal value (inflation) with concern over a pseudo real-value called economic potential and placing that link in the here and now as opposed to some ill-defined long-run. At the same time, Dodge is careful to avoid linking the effects of monetary policy to more concrete phenomena such as unemployment, as in the following exchange with Wasylycia-Leis from the same April 2003 meeting:

> **Ms. Judy Wasylycia-Leis: ...** Is it therefore only with the greatest reluctance you would increase interest rates, or is it that you're prepared to see some increase in unemployment or a lack of employment growth in the interest of a stable response on the inflationary front?
> **Mr. David Dodge:** Monetary policy does matter, let's be very clear. We try to run it in such a way as to keep us operating just at that fine point where we're fully using capacity but not putting a lot of excess pressure on prices. Nor do we want to operate well below capacity either; we'd like to stay right there. That is obviously part of the judgment calls we have to make every time we sit down on a fixed action date to make the decision. The experience we've had and the experience other countries that have adopted inflation targeting regimes have had is that these regimes actually do serve to keep you closer to that point and that we don't end up going through periods of boom and bust. The evidence, both domestically and abroad, is that this is the right way to go. Now, it's absolutely clear that when we have a monetary policy that is restrictive--and I would point out that at the moment we still have a rather stimulative policy--it is clear we're doing that because we think we're well above capacity. When we have a very loose one, we think we're doing it because of the danger we would open up a huge gap between what we can produce and what we are producing (29-4-2003:1715).

Dodge also demonstrates considerable skill at making politicians, especially those likely to be critical of the inflation targeting regime, feel like their questions are incisive and important. In his inaugural meeting on May 1, 2001, for example, he tells the Bloc's Yvan Loubier that his question about the scope for independent monetary policy is " excellent" (1-5-2001:1550). Later, he tells NDP MP Lorne Nystrom that he has asked "an extraordinarily pertinent question" about why Canada cannot seem to emulate low U.S. unemployment rates despite its lower inflation rate (1-5-2003:1635). In one meeting from 2005, Dodge comments on the quality of MP questions no less than five times, telling the NDP's Wasylycia-Leis that her questions on productivity and a lack of business investment for example "are both excellent questions" and describing questions from the Conservative Party about the U.S. impact on Canada's economy as "extraordinarily good" or "really good."

Dodge's answers to questions are peppered with statements about the "clarity" of what he or the Bank has said or is about to say. In CDA terms, he explicitly evaluates his own statements. In his November 2001 meeting for example, Dodge stresses that he and the Bank have been "very clear" on one issue or another on *12* separate occasions, as in this exchange about the weakness of the Canadian dollar with Canadian Alliance MP Jason Kenney, an MP known for his combativeness:[130]

> **Jason Kenney**: ... So you are, on the one hand of a mandate, trying to protect the Canadian currency—which is at its all-time record low with bleak prospects for the foreseeable future—and you are lowering rates to try to support the economy at a time of recession. How can you meet these two competing objectives? How can you support the Canadian dollar by continuing to lower rates? How do you deal with the conundrum?
> **Mr. David Dodge:** *We're very clear.* Our job is to try to keep inflation at about 2%. What we see is that as we go through next year the core inflation is going to fall below 2% because of the weakness of the economy; therefore, we're taking the appropriate actions to do what we're trying to do, and that is to keep inflation at around 2%.

Over his tenure, Dodge has also distinguished himself by opining on a broad range of issues, including labour market institutions (normally the purview of the Department of Human Resources and Social Development Canada), intellectual property law (Industry Canada and Heritage Canada), financial markets regulations (Finance Department), the Canada Pension Plan (the CPPIB) and mandatory retirement policies (HRSDC). Dodge has, of course, argued that these policy areas and others are linked to monetary policy largely by virtue of the Bank's mandate of promoting stability in the financial system and effecting monetary policy in order to promote economic growth and minimize price and exchange rate volatility. However, virtually every facet of the economy can, in some way and at some point, be linked to monetary policy just as a Deputy Minister of Agriculture Canada might argue that everything, including monetary policy, is in some way related to farm production. The line between what is acceptable and unacceptable comment for an unelected and to some extent unaccountable civil servant has become ever more blurred since John Crow, so much so that traditional allies of the Bank such as the C.D. Howe Institute's David Laidler, have argued that the

[130] The 2003 exchange with Wasylycia-Leis, cited above, is another example of this kind of framing.

governor "should stick to his knitting" else he get distracted from the Bank's 2% inflation target (Scoffield 2004).

To some extent, Dodge's ability to exceed the traditional mandate of a governor can be explained by his personality and experience. Over the years, Dodge earned a great deal of respect within bureaucratic and political circles as a competent and politically-sensitive civil servant. A careful review of the transcripts shows that his juniors, the deputy governors who accompanied him to the table and frequently helped answer questions, were far more reticent to stretch the boundaries of *their* roles. Dodge's forceful personality and long history as a powerful civil servant may also explain this tendency to sometimes refer to *some* politicians by their first name, as in this exchange from 2006 (29-10-2006: 1645) with Liberal MP (and economist) John McCallum, where he refers to Judy Wasylycia-Leis as simply "Judy":

> **Hon. John McCallum:** Or at least not contribute to out of their non-neutralities, such as treatment of surpluses and this type of thing. I used to work for a bank, and was on the pension committee, so I know a little bit about that.
> Do you think there are good public policy actions that could be taken to reverse or slow that trend towards defined contribution?
> **Mr. David Dodge:** Yes, I think there are. There are actions that would certainly help to at least make public policy neutral. I talked about one of those in answering *Judy's* question.

While Dodge does not engage in this practice in any regular way and while he seems to confine this familiarity to Wasylycia-Leis, the mere fact that it happens at all is highly unusual in the public relationship between bureaucrats and politicians. It suggests a degree of familiarity that is difficult to fathom given the limited interactions between the governor and the political class (two Finance Committee meetings a year). The only plausible explanation is that it is at once strategic and a reflection of Dodge the person. It is strategic in the sense that it is a relatively transparent attempt to mimic the patterns of everyday conversation in a forum where convention strongly dictates otherwise. It is also strategic in the sense that it is used almost exclusively with respect to a politician Dodge knows comes from a more critical background then most other members of the Committee. It is a reflection of the person in the sense that Dodge is not your ordinary bureaucrat, having spent a long career in key economic portfolios within the federal

bureaucracy and along the way, acquiring a strong reputation as a straight-shooter willing to challenge his political masters.

Dodge's ability to step outside of the governor's traditional role is also, however, a function of the Committee's willingness to ask questions that lead him to stray from his traditional mandate. The following extract from April 2003 is illustrative. It shows Dodge promoting the idea of deeper integration with the United States, a policy that is outside of the Bank's mandate except perhaps in the sense that any such integration might entail a monetary union. The decision to enact a monetary union, however, is ultimately a political one, as Thiessen was careful to note when the issue came up during his tenure. The extract, edited for brevity, occurs towards the end an exchange between Liberal MP Tony Valeri and Dodge:

> **Mr. Tony Valeri:** In fact, I agree with your position on the monetary union. I do believe there are a number of barriers and that we're a long way away from that. My question was, do you see any barriers in pursuing a harmonization of an external tariff with the United States, a customs-type union, with the costs and benefits that are associated with that? Second, if we actually pursue that, are we automatically on track to a monetary union? I think not, but I would defer to the expertise at the table.
> **Mr. David Dodge:** The answer to that is no. You're right, we're not automatically on that track. I did some of the analysis for Senator van Roggen's report way back in 1980, when we were first looking at this sort of thing, so I guess I have a strong predilection for continuing to tear down the trade barriers between our two countries. I think it is indeed a worthwhile thing to do, but that certainly does not imply monetary union. Finally, I think one thing that is really important, something I would be remiss in not mentioning, is that it is extraordinarily important that we work with the Americans on all of those impediments to trade across the border not related to tariff but related to security and other issues.

More fundamentally, Dodge's willingness to speak on issues not directly under his purview and the Committee's willingness to engage him on these topics are suggestive of the underlying stability of the underlying convention. If the major purpose of monetary policy is assumed and largely uncontroversial, then that leaves only one line of critical discussion, namely questions that challenge in some way the Bank of Canada's assessment of the inflation risks but not its overall objective. For those who agree with the Bank's inflation assessment, that in turn leaves only three things left to talk about namely, in order of frequency (a) questions that ask the Governor to elaborate on his assessment of recent economic events or trends (U.S. economy, China, etc.); (b)

questions such as Valeri's that push the Governor to over-reach his mandate, the objective being to link the Governor's credibility on economic matters to whatever issue is of concern to the MP; and (c) *relatively* trivial questions about the Bank's other roles such as debt management or the design and security features of physical currency. In other words, to the extent that the inflation-targeting objective is taken for granted, the probability of being asked a critical question decreases.

**The Unveiling**

I want to conclude this discussion by carefully filtering extracts from each governor through a CDA/Functional Grammar lens. The three extracts, reproduced in Appendix B and numbered for ease of reference, all centre around discussions about the concept of the non-accelerating inflation rate of unemployment (NAIRU), which as the name suggests is a statistical measure of the lowest attainable non-inflationary unemployment rate – an element of the "real world" hidden behind what Benjamin Friedman calls the "logical partition."

Despite the Bank of Canada's avowed commitment to transparency and openness, not to mention its subservience to Parliament and its pre-amble mandate to concern itself with unemployment (among other things), all three governors rhetorically evade questions that explicitly ask them to reveal the Bank's NAIRU estimates or even discuss it in any kind of fulsome way. This evasiveness takes place despite the concept's continued use in mainstream economics, strong evidence that the Bank continues to think in NAIRU terms and ongoing criticism of the concept by heterodox economists. At the same time, NAIRU questions from the politicians on the Finance Committee have become increasingly rare. Whereas in the Crow era, NAIRU and other "real" variables dominated Finance Committee discussions, they virtually disappeared as a major topic of conversation in the Thiessen and Dodge eras. The extracts discussed below are the only instances where it emerged as an explicit topic of discussion. In addition to showing just how real world concerns were and are rhetorically evaded, the following extracts also, again, demonstrate how technological of discourse practices became increasingly embodied in the governor's very being and consequently, his interaction with parliament and the public.

**The Crow Vs Langdon Exchange**

The first exchange I want to look at took place between John Crow and Steven Langdon, an NDP MP with a Ph.D. in economics, on 8 May, 1990, the first of two days of hearings into the Bank's annual report. When reading this extract, it is important to bear in mind that prior to this exchange, Landgon had wrestled a grudging admission from Crow that his aborted attempt to reduce interest rates earlier in January had been "a mistake." Langdon had also suggested to the governor that the Bank had failed to impose the same kind of wage restraint on its own employees that it was seeking from the Canadian public, a point strongly contested by Crow. Generally, Langdon, Crow, and the Chair all show an appreciation for the political subtext of the meeting. They *understand* and readily interpret slight variations in phrasing and word usage in ways that might not be readily apparent to the outside observer, which is one of the reasons why a CDA / Functional Grammar analysis is so useful.

From the perspective of the modern-day observer, the Crow-Langdon exchange is most remarkable at the level of interaction between Crow and Langdon or, rather, the lack thereof. The protagonists are clearly engaged in an intense struggle over defining the Bank of Canada's role and over who gets to say what when. Crow for example asserts his authority and communicative rights by ignoring interjections in turns #4 through #8, implicitly asking the Chair to intervene in turns #11 and #13, and trying to redefine and redirect the line of questions especially in turn #4, where he uses an identifying process ("is") to suggest that the Token="that"[131] (i.e., Langdon's question) is best categorized as the Value="wrong way of looking at the question."

The exchange emphatically does *not* follow the normal Committee pattern of Question (Interrogative statement) and Answer ( Declarative statement). Rather, Langdon and Crow actively wrestle for control over the agenda. The effect is to provoke Langdon into leveraging (turn #10) an earlier discussion between Liberal MP Doug Young and Crow (cited earlier), where Young castigates Crow for his effrontery. We can attribute Crow's willingness to assert his authority in part to his desire to "run down the clock" and avoid being trapped in an overtly political discussion, in part to his general

[131] The term "token" is used to describe a *specific value* while the term "value" is used to describe the category into which the token is placed (related).

preference for abstract discourses and in part to his belief that it was his duty to offer what he believed to be fulsome explanations to obviously ignorant politicians.

The fight for control over the discursive agenda also compels the Chair to intercede, but only in a half-hearted way. In Turn #9 for example, the Chair turns an Imperative clause into an Interrogative by tagging it with the modal clause "will you." He could have easily and more forcefully said "Mr. Langdon, let the man answer the question!" In Turn #14, the Chair similarly tempers what could have been a strongly imperative clause by adding the modal clauses "I think" at the beginning and "we can" at the end. Langdon and Crow both seize on the Chair's reluctance to forcefully intervene and correspondingly ignore his interjections by carrying on as if nothing had been said.

Normally, these kinds of half-hearted interventions would be characteristic of a "weak" or inexperienced chair, someone who fails to impose the kind of order on a meeting that participants expect. We know, however, that Blenkarn was neither weak nor inexperienced but instead had acquired a reputation as a relatively independent, free-thinker. The historical record helps us reconcile these two facts. In his book, Crow suggests that there was no love lost between him and Blenkarn. Blenkarn's half-hearted interventions can best be seen, therefore, as a reflection of his own dislike for the governor, his willingness to put some distance between himself and his party and, perhaps more strategically still, as part of a PMO and Department of Finance effort to relay a message to Crow in a discrete way. There is some basis for the last of these conjectures. In a 29 May, 1989 appearance before the Committee, Blenkarn took the first 20 minutes of the meeting to ask a series of pointed and exceedingly detailed questions of Crow, an unusual intervention in the sense that Committee chairs rarely ask questions of witnesses, let alone take up the first 20 minutes of a meeting. The following citation gets to the heart of Blenkarn's intervention:

> Your policies are now directly in conflict with the interest of the government. We now have to substantially increase taxes, which substantially increases inflation, because we have a policy to try to stop inflation.

Note how Blenkarn very clearly places his government, the Progressive Conservatives, in oppositional terms to the Bank of Canada, suggestive of some deeper divisiveness

between the two. [132] Sensing this inter-elite conflict, NDP Lorne Nystrom makes the following remarks later in the meeting:

> **Lorne Nystrom (Yorkton-Melville):** Now, I know you are a very independent-thinking man, but I suggest to the governor tonight that I think our chairman was probably the point man in the Conservative Party power play against you and your monetary policy. I am sure the Minister of Finance would have liked to have said similar things to you that the chairman has said, but obviously he cannot say that in public; you cannot have a public rift or a public dispute. So despite the independence of the Chair, I think tonight he was certainly that point man and certainly on behalf of the government was probably trying to get a message through to you as to why you did not act in a more decisive way to bring down interest rates when the budget was brought in. I will tell you, Mr. Chairman, that the Canadian people would very much like to see the governor act. I know that most people expected for example, that the deficit would be lower, and because of monetary policy the deficit is higher than anticipated. Wilson's forecasts last year were way, way off. As the chairman has also said tonight, unless the interest rates come down by several basis points, the forecasts and predictions by the Minister of Finance again for this year will be way, way off. I guess you cannot comment on what kind of a dispute you may have had with the Minister of Finance, but I am sure you have had a dispute. I can sort of see it in your eyes.
> **Some hon. Members**: Oh. Oh.
> **Mr. Nystrom:** I wonder if you can offer a very short comment on that. I have very good eyes, and I can see them from here, but I ---
> **Mr. Crow:** These are rose-coloured glasses, Mr. Nystrom, that I am putting on now.
> **Mr. Nystrom:** You also notice the chairman is blushing, so I think I really hit the nail on the head -- that he was a spokesman tonight for the Minister of Finance and he has given you a message that the minister could not give. I do not like to accuse the chairman of being a puppet for anybody, he is too independent-minded, but I think tonight you have seen a rather significant development.

Returning to a detailed look at the 8 May 1990 meeting, one of the more peculiar grammatical features of the exchange at an interpersonal level is the frequent prefacing of propositional statements with modal clauses comprised of the personal pronoun ("I") as Subjects and Mental processes such as "guess" "wonder" and "think." In the third sentence of turn #1 for example, Langdon says "I wonder" if full employment should be

[132] In Brian Mulroney's recent biography, he quotes approvingly from a conversation with Gordon Ritchie (the government's chief negotiator on the free trade agreement with the United States) who described Crow's monetary policy as "completely absurd" because he feared his actions would delay the benefits of the Canada-U.S. free trade agreement. According to Mulroney, New York Federal Reserve Bank president William McDonough also confided in Mulroney that the Bank of Canada was not leaving his government much room to manoeuvre. That said, Mulroney later suggests however that history has vindicated his support for Crow and that he always believed in the long-term benefits of what Crow was doing (Mulroney 2007, p. 979).

one of the central bank's goals. In turns #4, #13, #24, #32, Crow prefaces his remarks with "I think." In the second sentence of #34, Crow prefaces his remarks by saying "I guess" while in the third sentence, almost as an epilogue, he says "I would suggest." At a purely superficial level, these clauses *appear* to be modalizing the subsequent statement, implying that there may be some doubt on the part of the speaker about the validity of the proposition. Of course, we know from the larger context that Langdon (#4) does not *really* "wonder" about whether it makes sense to have full employment as part of the Bank's mandate. He believes it quite unequivocally. Similarly, we know that Crow is in fact unequivocally sure (#4) that monetary policy has no business targeting real entities such as employment. He is also sure that "the more important question" (#24) is how to get the unemployment rate down, not to dwell on NAIRU estimates.

So what purpose do these apparent, but not actual, modal clauses play? I think[133] they serve two functions. First, they signal perhaps some deference to the structure of the Committee process itself, where these kinds of modal clauses are quite common and where the questions and answers often unfold in a respectful way. They are purely performative in other words. Second, they also signal sincerity, as if the ensuing proposition was the outcome of a long, honest and sincere reflection process. It is as if Langdon was saying in turn #1, for example, that after serious reflection about the theoretical and empirical pros and cons – the wondering process, he had concluded that the Bank should use monetary policy to target unemployment. Similarly, Crow's frequent use of "I think" is similarly meant to signal that his opinions are the result of long, hard reflection that ought not to be dismissed easily or used for political gain. In CDA or Functional Grammar terms, we might say these clauses are a form of grammatical metaphor because they do not fulfill their normal role of signalling a willingness to negotiate over the proposition in question but rather signal authority based on study and reflection.

The experiential analysis adds some weight to this conjecture. First and most obviously, the discussion takes place almost entirely in abstract terms involving Mental, Verbal, Relational and Existential processes, which is what we would expect in a

[133] To emphasize my point, note how I have used "I think" in this sense – I clearly am signalling to you the reader that the ensuing proposition is speculative and open to debate.

question-and-answer session where the participants are wrestling over the appropriate definition of monetary policy and the relationship between theory and reality. That is, this exchange involves what Fairclough calls Epistemic or Knowledge exchanges that are aimed at asserting one understanding of the economic world at the expense of another. In addition to the quite obvious cognitive Mental verbs discussed a moment ago ("think", "wonder"), we also see a range of other cognitive processes such as "consider" in turn #3, "reinterpreted," and "interpret" in turn #10, "understand" in turn #13, "thinking" in turn #23, and so on. These play a very different role, namely to signal more explicitly the epistemic and cognitive work underlying this exchange. We also see affective Mental verbs such as "feels" and "agreed" in #10, both of which Langdon uses to call into question in some way Crow's credibility. Langdon implies that Crow's *merely* "feels" he can best define the correct questions for the meeting and in so doing, he is subtly challenging Crow's claim to scientific understanding. As for Langdon's reference to the fact that Crow "agreed" with the proposition that the Bank mandate was also to seek full employment, this appears to play on what Crow must surely have regarded as a rhetorical slip in turn #2.

We might say that this emphasis on "mental processes" is in some sense Crow's preferred terrain, as he consistently tries to translate questions into economic theory. In turn #4 for example, Crow uses an identifying process to equate the Value="monetary policy" to the Token="nominal policy" and implies that this is something every good economist should know. In turns #6 and #8, Crow further calls into question Langdon's economic knowledge by implicitly equating a concern with real variables=Token with "a market policy that destroys the value of the currency... "=Value. In his closing move (#34), Crow again suggests that Langdon's training is deficient to the extent that he fails to realize that high unemployment is due to "other reasons," which we find out in later exchanges, are of course "structural" factors, a euphemism for unemployment insurance, welfare, and other disincentives to "flexibility" and "labour mobility."

The exchange is also peppered with quite a few Verbal processes. In most cases, these are transparent statements about what was said over the course of the exchange or in the past. In other instances, however, the verbal processes play a kind of cognitive Mental role that reinforces the effects just described. In sentence 2 of turn #4 for

example, Crow clearly wants his interlocutor to engage in a reflective process when he says that "we have to *ask* ourselves, what is the nature of monetary policy?" The implication is of course that Langdon has not "asked himself" the question or thoroughly worked through the problem. Crow achieve the same objective later in the paragraph when he suggests that "You have to *ask* yourself what is the contribution that monetary policy can really make to a strong Canadian Economy?"

The Relational verbs play yet another role. They are the site of a grammatical struggle over defining both the appropriate definition and role of monetary policy and the "most important question" struggle between Crow and Langdon. Langdon in turn #1 attributes the qualities of "damaging" and "suicidal" to monetary policy as practiced by John Crow and the Bank of Canada. In the final sentence of this turn, he uses his interrogative to equate the value="part of monetary policy" with the token="full employment." Perhaps not realizing the full import of Langdon's question, Crow seems to agree with his definition in turn #2. By turn #4, however, Crow realizes his mistake and tries to regain control over the definitional debate by, as I indicated a moment ago, equating monetary policy (the Value) with a concern over nominal values (the Token). He then goes on to suggest more "appropriate" questions that we "have to ask ourselves." In turn #10, Langdon tries to reassert his right to control the debate by linking the Token="For us to have the questions which we put reinterpreted by Mr. Crow" with the Value="purpose of this hearing."

The debate over NAIRU, for its part, is permeated with what Thompson would describe as Existential processes proper, i.e., processes preceded by the Adverb "there."[134] In Existential processes, the speaker renounces the opportunity to represent the participant (the Existent) as involved in any 'goings-on.' In turn #17 for example, Langdon asserts that "*there*" is a concern for full employment at the Bank of Canada. In turns #18 and #20, the Chair links Langdon's questions to an outside (Exopheric) academic debate about the NAIRU ("Yes, but *there* is also a theory called the non-inflationary...") as if to imply that Landgon's question is somehow less relevant because it restates what is obvious to those familiar with the discourse. In turn #24, Crow builds on the Chair's intervention by restating that "*there* are various calculations floating

[134] Thompson defines Existential processes as processes that begin with the adverb "there."

around" but then immediately tries to reassert control over the debate by equating the Value="more important question" with the token="how do you get it (unemployment) down." When Langdon volunteers that that is indeed an important question (#25), Crow again tries to redefine the question and gain control of the debate by insisting that it is "*the* most important" question. The peculiar use of Existential processes to talk about the NAIRU combined with unwillingness to give it some numeric definition or attribute its calculation to any identifiable participant lends an almost taboo feeling to the concept, one that would reassert itself in subsequent meetings with subsequent governors.

A final note on processes. There are of course some material verbs in this exchange. It is difficult to imagine an exchange where they would be completely absent. In this exchange, they are used largely to dramatize each interlocutor's assessment of the consequences of the other's economic policies. In turn #1 for example, Langdon says the goal of full-employment is "being attacked" by Crow's monetary policy. In turn #8, Crow says that Langdon's concern with full employment would "destroy" the value of the currency. This use of material processes to describe the consequences of economic events is also characteristic of economic discourses more generally, as we will see in the other exchanges.

**The Thiessen – Nystrome Exchange**

The next exchange I want to look at took place between Gordon Thiessen and NDP MP Lorne Nystrome in May 1998 (28-05-1998: 1117), shortly after the Liberals won a slim majority government and the NDP re-acquired full-party status partly on the strength of its long-standing concern with labour issues. This concern played well in the eastern provinces, which had been hard-hit by the Liberal government's changes to employment insurance. The exchange is characteristic of the Bank's evasiveness when it comes to putting a precise figure on its NAIRU estimates despite its propensity to use precise figures and confidence intervals on a range of other equally uncertain variables. While it is not obvious in this extract, Thiessen like his predecessor and his successor, often tied the unemployment theme to "structural changes," arguing for example that (26-5-1999:1630) "I think what you always want in an economy is as much flexibility as you can get, because the world is a very changeable place" and adding that U.S. prosperity

was in large part due to this kind of "flexibility" whereas European stagnation was caused by "less flexibility."

The most striking feature of this exchange, in contrast to the Langdon-Crow exchange, is Nystrom's friendly mannerism, his unease with the topic and the deferential nature of the ensuing discussion, all evidence of differing personalities and a changed political context but also of the increasingly strong hold of the inflation-targeting convention. Unlike Langdon, Nystrom seems unwilling or unable to pursue his line of questioning in a vigorous way that might create unease within the Committee or about the underlying monetary policy convention. For his part, Thiessen initially adopts a surprisingly defensive attitude towards Nystrom's line of questioning but later settles into his well-known folksy mannerisms as it becomes increasingly clear that Nystrom is unwilling or unable to push the issue as vigorously as Langdon had a few years earlier.

Turn #1 sets the tone for the discussion. Nystrom opens by remarking on the fact that both he and Thiessen are from Saskatchewan, a place mythologized for its friendly, down-to-earth people. In the next sentence, Nystrom says he "basically" wants to ask questions about unemployment. The use of the adverb "basically" is peculiar and, I think, suggestive of the overall tone of the exchange. "Basically" literally means "in fundamental disposition or nature" (Marriam-Webster Online Dictionary) and in that sense reinforces the idea that Nystrom's questions are focused on unemployment. In this instance however, "basically" arguably also plays the role of Mood Adjunct, signalling Nystrom's uncertainty about the subject matter. In other words, he is putting the topic up for negotiation, willing to be proven wrong about his suspicions that the Bank has a hidden agenda.

After making a Declarative statement about Canada's higher unemployment rate, Nystrom proceeds to ask three Interrogatives which we can summarize as follows: What is this concept called NAIRU? What is the Bank's NAIRU estimate? How does the NAIRU estimate influence the Bank's policy actions? Nystrom does not *initially* word the questions quite so succinctly, clearly *or* unequivocally. In fact, his initial wording is wordy, awkward and laden with modal clauses ("I want to ask you," "I specifically want to ask you") which again suggest that Nystrom is willing to, interpersonally, negotiate on these questions.

Sentence 5 in turn #1 is especially difficult to comprehend. The referent for the pronoun "this" for example is not immediately obvious, oddly sandwiched as it is between the noun "factor" and the relational verb "is." Upon closer inspection however, we can see that the pronoun "this" refers to Canada's "stubbornly high unemployment rate relative to the United States" and that the noun "factor" is really meant as a verb such that we could reword the question more simply as: "How does this (Canada's stubbornly high unemployment rate relative to the United States) factor into your monetary policy decisions?" The minor clause "and so on" adds nothing to the meaning of the question and, if anything, suggests that Nystrom was contemporaneously aware of his own disfluency. We can think of sentences 6 and 7 as Nystrom's first attempt to repair the damage from his bungled wording in sentence 5 by restating the question (Elaborating in CDA terms) in a more comprehensible way. The last four sentences represent a second, far more successful effort to restate the questions in a comprehensible form. Crucially, they lack modal and minor clauses as well as the kind of Mood Adjuncts that populate the first few sentences of turn #1. Nystrom's difficulties with posing these questions suggest that *initially*, he may have been trying to incorporate a list of prepared questions into his own vocabulary with the goal of affecting a smooth transition from friendly banter about shared Saskatchewan roots to weighty discussions about an unfamiliar topic (NAIRU) probably flagged by his staff or committee researchers in a briefing note that Nystrom may or may not have had time to fully digest. The last four sentences, by contrast, sound as though they were read more or less straight off a page.

That said, it is important to stress that while Nystrom may have had difficulty grasping the theory behind the NAIRU concept, as a long-serving NDP Member of Parliament (Nystrom served continuously from 1968 through to 1993), he would have been familiar with the left-wing critique that the Bank used unemployment as a tool (i.e., "targeted" a rate of unemployment) to both reduce inflation and hold it constant. In other words, while the wording of Nystrom's first attempt to pose his questions was awkward and difficult to follow, the subtext was clear. In his response (turn #2), Thiessen correctly gauged this subtext, addressing the bulk of his answer to dismissing the idea that the Bank somehow targeted an unemployment rate as dictated by NAIRU calculations ("We do not have a target for it"). Instead, he emphasized that the Bank looks at "every single

contributor to the economy" in trying to gauge economic capacity and, in any case, NAIRU estimates have a "wide range of error." While it is true that the Bank was increasingly willing to "test the boundaries" of capacity in the late 1990s and that NAIRU was increasingly regarded as an imperfect measure of economy-wide capacity, Thiessen went a step further when he denied Nystrom's assumption that the Bank used the NAIRU as an input to policy. ("We just don't use it as an input to policy") or ever had ("We don't, and we haven't).

The implication is that the Bank has never calculated NAIRU in any way, shape or form – why calculate something if you do not believe in it or use it? Of course, we know that the Bank did and does calculate NAIRU values and that these values were and are used in the process of generating the Bank's estimate of capacity. In its inaugural 1995 *Monetary Policy Report* for example, the Bank included a full-page discussion on the Bank's techniques for estimating capacity and noted, explicitly, that the Bank calculated NAIRU as part of its estimate of capacity.[135] Similarly, the exchanges between Crow and Langdon and Dodge and Minna (which I turn to in a moment) both suggest that NAIRU estimates were and are very much *part* of the Bank's decision-making process.

From a functional grammar point of view, the remarkable thing about Thiessen's response in turn #2 is the unequivocal and emphatic nature of his denials ("We just don't use it as an input to policy. We do not have a target for it" and "We don't, and we haven't"). The only modalizing element is the adverb "just" in the sentence "We *just* don't use it as an input to policy" and in this case, the Mood element strengthens the declarative and emphatic nature of the statement rather than offering it up for any kind of negotiation. The emphatic nature of his denials contrasts with his statements about the Bank's process for estimating capacity where the Bank "tries" to estimate full-capacity using a fulsome set of variables because the Bank "thinks" this is the only "sensible" way to go about matters. These statements hint at Thiessen's increasing adherence to the then-

[135] The discussion, framed as a "Technical Box," is fascinating in a number of respects. It notes for example how the Bank adjusts its statistical filtering process (the Hodrick-Prescott filter) to account for "certain labour market relationships." It goes on to note that these include the "fact" (my scare quotes) that "rising inflation is associated with excess demand in labour markets, so the statistical procedure weights the data on employment in a manner that increases the likelihood of having trend labour supply below actual employment during periods of rising inflation and above it during periods of declining inflation" (Bank of Canada 1995, p. 8)

fashionable idea that new telecommunications technologies had ushered in a "New Economy" with a new, higher capacity for non-inflationary growth. The overall effect of Thiessen's response is clear. He will not discuss the NAIRU any further but he is open to a discussion about the New Economy, as we see in turn #6.

At the beginning of turn #3, Nystrom tries to put the exchange back on a more friendly footing by effecting a knowledgeable air that implies his interest in the NAIRU was more academic than political. The adverb "just," which forms part of the Mood in the clause "I *just* wanted to see whether or no you use the models and the estimates" can be interpreted as a strategic retreat ahead of resuming the NAIRU line of questioning. The subsequent questions about full employment are, in fact, a way of dressing up the NAIRU concept without mentioning it by name.[136] Structurally, sentences 2-4 are similar to the closing sentences in turn #1 in that they are forceful, succinct, to the point, generally lacking in modality, and therefore probably written in advance by a staff member or Committee researcher. In sentences 5 and 6 by contrast, Nystrom appears to slip back into his own unthreatening voice. In sentence 5 for example, he summarizes and restates the previous questions in a way that implies he is more interested in understanding the Bank's thinking process than in condemning it from a political perspective. Similarly, in sentence 5, he implies that his questions are motivated by a genuine concern for the welfare of unemployed Canadians rather than say, some crass desire to score easy political points.

This time, his effort at sustaining a more friendly exchange is more successful with Thiessen gently interrupting Nystrom's statement in turn #4 ("Sure") and taking a more conciliatory tone at the beginning of turn #6 by prefacing his comments with a modal clause ("I'm afraid") despite the essentially unchanged theme of the questioning. The effect is to re-establish the exchange on a more friendly footing and to create an opening for Thiessen to shift the discussion to a favourite topic, namely the New Economy. Thiessen's New Economy discourse is characterized by two important features from a functional grammar and CDA perspective, namely the use of four consecutive Additive sentences each marked by the presence of an Existential process:

[136] For mainstream economists, the concept of NAIRU is more or less synonymous with "full employment."

"There have been so many changes…", "There has been a degree of restructuring…", "There has been an introduction of technology…", "There has been a change in the orientation of Canadian businesses". The back-to-back use of Existential and Additive statements suggests that their propositional content is somehow causally related – the reader is left to infer the precise explanatory relationship. In CDA terms, the four sentences are a form of "hortatory report" because while ostensibly descriptive, they also suggest that something called the "New Economy" is the force driving all these changes.

In the last half of turn #6, Thiessen tries to link the New Economy back to Nystrom's question about full employment. Again, he takes a more conciliatory tone, suggesting that while the "New Economy" forces are real, their impact on unemployment is unclear. In sentence 7 for example, he uses the modal clause "I think" to signal this uncertainty and stresses the uncertainty again with the adverbs "just incredibly." He then points to the U.S. example, arguing that by "keeping their eye on the inflation rate" they exceeded the expectations of NAIRU theorists and achieved low unemployment rates. The New Economy is what made it all possible. Thiessen omits to mention however that the U.S. Federal Reserve was at the time charged with *two* objectives, namely achieving low inflation *and* low unemployment. It kept its eye on *two* balls not just one and at least some of its willingness to "feel" its way through the New Economy may have been due to this dual mandate. In any case, the interpersonal effect of Thiessen's response is to suggest that he shared Nystrom's concern about reaching full employment but perhaps differed in his views on the best way to get there.

In turn #9, Nystrom again evinces a desire to keep the exchange on friendly terms, urging Thiessen to "correct me if I'm wrong" about his understanding of monetary policy history. From a functional grammar perspective, the questions appear less scripted than his earlier interjections, drawing creatively on earlier discussions ("you even said that again this morning") and his experience as a long-time Parliamentarian. The questions are also peppered with enough modality to keep the discussion on friendly terms (e.g., "You *seemed* to be forgetting about the employment side" instead of "You forgot about the employment side"), and stretching the questions beyond the length of his earlier more scripted and to-the-point queries. In terms of the propositional content of turn #9, Nystrom notes that in the 1960s, Canada enjoyed low inflation and low unemployment

and that the Bank of Canada pursued low inflation and unemployment with equal vigour, the implied (but unstated and hence hortatory) causal link being that the latter caused the former.

In turn #10, Thiessen explicitly rejects the causal link implied by Nystrom's question and instead uses the question as an opportunity to tell an historical parable. The parable is marked by the prevalence of Temporal and Causal clauses and sentences. Sentences two and three for example are Temporal, situating the narrative in the twilight of the golden era of the 1960s and early 1970s, a time when the Bank of Canada still believed in the Philips curve trade-off between inflation and unemployment. Sentence 5 is Causal in the sense that Thiessen tells the Committee that the Consequence of this belief was a "grave mistake" that led to the phenomenon of rising unemployment and inflation. Fortunately, the Bank redeemed itself when it "learned" that by keeping its focus on the inflation rate, it could generate more sustained economic growth and in the long run, lower unemployment rates. Thiessen implies that the Bank learned this lesson by watching events in the United States (after all, Canada was still plagued with high unemployment rates in 1998) but again omits any discussion of the Federal Reserve's dual mandate.

Along with the fiscal narrative discussed in previous chapters, this monetary policy narrative has become a pillar of official economic history in Canada, frequently cited in formal and informal discussions alike. Like all such narratives, it conveniently omits much of the complexity and uncertainty that characterizes actual history. It omits, for example, the fact that the 1970s were a tremendously tumultuous period geo-politically both in Canada and the world, with all that that entails in terms of uncertainty about currency values and interest rates. The narrative omits that Canada moved from a fixed-exchange rate to a floating exchange rate a few short months before the collapse of the Bretton-Wood standard. It omits that Canada's inflationary performance in the 1970s was not very different from the inflation experience in other countries and, indeed, for a while, was considerably better. It omits for example any discussion of events in Quebec (the first-ever election of a pro-sovereignty government) and the uncertainties these entailed. It omits any discussion of the impact of the oil crisis or the Vietnamese war on inflation. It omits for example the effectiveness of wage and price controls in the 1970s.

On the other hand, the narrative *accentuates* the idea that mainstream economics is a science that first accepts and learns from its mistakes, moving forward in synch with the steady march of scientific progress. On this narrative structure, too, is built Canada's monetary policy convention.

**Dodge and Minna**

I want to conclude the discussion by looking at two exchanges between Dodge and Maria Minna, a self-described left-of-centre Liberal MP. The first exchange took place in October 2002, the second in April 2004. In the interest of full disclosure, I strongly suspect but cannot be sure that Minna's questions were influenced by Committee briefing notes I helped prepare for these meetings. Quite apart from the fact that the questions bear a striking resemblance to those I prepared, we can also detect as we did with Nystrom some differences between statements and questions which are very clearly said in Minna's own voice and those which appear to have been rehearsed or lifted off of a page. I will flag these as I proceed with the analysis.

Again, the two exchanges centre around the NAIRU concept. Like his predecessors, Dodge and his Deputy Governor Paul Jenkins avoid directly answering Minna's questions by instead emphasizing both the uncertainty around NAIRU estimates and the "structural factors" which ostensibly impede efforts to move Canada's unemployment rate lower. In the second exchange, Dodge simply ignores Minna's suggestions that by failing to answer her 2002 question fulsomely, the Bank shirked its self-ascribed duty to transparency. Dodge similarly ignores Minna's argument that inflation measures are at least as uncertain as NAIRU estimates but yet are amply discussed, dissected and made public.

Given the strong similarities between the propositional content of these exchanges and the previous two examples, I want to focus most of my discussion on analyzing the exchange from a stylistic and interaction perspective in order to buttress my more general argument, namely that the strength of the inflation-targeting convention increasingly depended on the performative and communications abilities of the governor and the larger communications apparatus around him.

**The Dodge-Mina 2002 Exchange**

In her opening gambit of the October 2002 exchange, Minna like Nystrom stresses the almost academic and therefore unthreatening nature of her questions ("one area that has been of interest to me…"). Despite her professed "interest" in this "area" and her claim to "know" that the U.S. has a full employment policy (it does not), Minna use of back-to-back modal clauses ("…I think ..." in S3; "I'm not sure…" in S4) indicate she may not have been as comfortable with the topic as implied superficially by S2, an impression reinforced towards the end of turn #1. Contrary to her assertion in S10 for example, interest rates in the 1990s did not in fact "keep rising" but mostly trended lower at least in nominal terms. The unemployment rate, for its part, remained stubbornly high during this period although Minna's unfinished sentence suggests she was unsure about the historical record. In S11, Minna attempts to legitimize her questions by implying that her concerns are shared by "other colleagues." S11 ends incoherently with Minna stating that "it's investment," with the pronoun "it" seeming to have "interest rates" as its referent. This is a nonsensical statement that is probably best (and charitably) interpreted as follows: "…we hike interest rates, and that increases unemployment as well because higher interest rates reduce investment."

The beginning and end of turn #1 are also characterized by Additive clauses and sentences and a corresponding absence of causal clauses and sentences. The reader is left with the impression that Minna is stringing together facts in a kind of rambling and ill-fated hortatory report. S4 for example merely adds to S3 instead of linking the actual U.S. employment rate, which Minna does not know, with what she believes is that country's full-employment policy. In S5, she further adds to the discussion by identifying Canada's unemployment rate and adds yet more detail by pointing to recent interest rate increases but again fails to make any causal connection between these propositional statements. In S6, she adds that the U.S. economy is slowing and seems to draw a causal link between this happening and the Bank of Canada's recent round of increases in the target for its overnight rate. Again, she fails to explain how exactly slower U.S. growth might affect Canada and why it suggests the Bank of Canada was wrong to increase its target for the overnight interest rate. In the third clause of S6, she goes a step further by clumsily linking these rate increases to "our unemployment

situation" but again fails to offer a causal explanation. S10 and S11 are similarly comprised of Additive clauses with very little in the way of explicit causal markers.[137]

In his response (T#2), Dodge takes advantage of Minna's disfluency by translating her very explicit question about NAIRU into a more general question about the Bank's "concept of capacity." The switch occurs in S1, with Dodge explicitly identifying the Theme of his response as "We certainly have a concept of capacity" which of course is not identical to the Theme in Minna's questions (of course NAIRU and "capacity" are strongly related concepts). We know Dodge is carefully switching Themes in S1, and doing so in a somewhat cloaked way (see below), because he avoids the using the pronoun "that" to refer explicitly back to NAIRU. In other words, he could have easily said: "We certainly have *that* concept of capacity" but instead chose to use the indefinite article "a" to make an Exopheric reference to the Bank's broader measure of capacity. This conclusion is further reinforced by Dodge's studious efforts to avoid using the NAIRU acronym or even referencing the concept in his answers. The *only* oblique references occur in S4 ("...the way we have thought about them") and S18 ("...boiling it down to a relatively simple number produced by Statistics Canada every month..."). The reference in S4 is interesting because it emphasizes a point I made earlier, namely that Thiessen lied about the Bank's past, present and future use of the NAIRU concept in its decision-making process. The reference in S18 is on the face of it jarring because Statistics Canada does not produce a monthly NAIRU measure. The only logical explanation for this comment is that Dodge is implicitly drawing on conversations, perhaps with labour leaders and others, who have long argued that the Bank ought to target employment growth instead of, or at least in conjunction with, inflation.

It is also important to stress that while it is true that the NAIRU is only one measures of capacity, Dodge could have taken Minna's question at face value and explained the Bank's estimates of *that* particular measure. He could have also explained the importance of *that* measure in the Bank's decision-making process, i.e., described its weight relative to other measures of capacity. As a skilled communicator, Dodge

[137] Meanwhile, Minna's questions are sandwiched between her rambling opening and closing statements in S7 and S8. They are almost identical to the questions I prepared for the Committee and are notable in the relative absence of modal clauses, modal verbs, Mood Adjuncts or signs of (economic) disfluency.

probably understood however that Minna's commitment to the question was more general than particular (as we learn in turn #3) and maybe even rooted in a desire to use up her allotted time with a question that would demonstrate her competences in monetary policy matters. In a pattern typical of Dodge's style and the broader shift in the Bank's communications strategies, he consciously or unconsciously employs several techniques to ably redirect Minna's attention to the Bank's more elusive and less politically contentious concept of capacity. Dodge's rhetorical efforts are rewarded in T3, where Minna, perhaps channelling Nystrom, explains that her questions rooted in a desire to understand a difficult concept as opposed to crass politics.

One of the more obvious rhetorical techniques employed by Dodge is his tendency, discussed earlier, to cloak his response in terms that are flattering from an interpersonal perspective. While in this case he avoids prefacing his answer with some of the more explicit modal clauses used elsewhere (e.g., "that is an extraordinarily pertinent question"), the Mood Adjuncts "certainly" in S1 and S3 and "absolutely" in S2 both achieve a similar albeit less dramatic effect. That is, they *appear* to legitimize the question and the questioner even as Dodge carefully shifts the thematic terrain by insisting on the indefinite article "a" in "a concept of capacity." Similarly, in S3 and S15, Dodge again *appears* to legitimize Minna's question by explicitly thematising his response as a presumably fulsome "answer" ("So the answer is…") to Minna's questions.

As he shifts themes, Dodge carefully walks Minna through the Bank's reasoning process with a number of modalized Cognitive Mental and Behavioural verbs and Causal clauses and sentences. This is very different approach to answering questions than the one adopted by Crow, who tended to imply stupidity on the part of his interlocutor or invoke abstract theory to justify the Bank's pursuit of price stability. With Dodge, and Thiessen to a somewhat lesser extent, the listener/reader is left with the impression that the Bank as an institution has carefully worked out the policy alternatives, evaluated the economic landscape, and after a long difficult but consensual deliberative process, arrived at a decision. In S2 for example, Dodge stresses that the bank's governing council ("we") "tries" (a modal verb) "to judge" (a mental cognitive process) as it "looks" (a behavioural verb with a cognitive function) forward in time. In S9, Dodge notes that he and the governing council "think" (another cognitive mental process) that

"probably" (a Mood Adjunct) there is room for the economy to grow before it reaches capacity. Along the way, Dodge explicitly signals causal relationships (Reason in CDA terms) with the conjunction "because" in S2 and S6 and achieves the same effect in S9 with the Thematic clause ("That's part of the reason…"). To illustrate even more concretely the Bank's thinking process as it relates to employment issues, from S4 to S8 Dodge discusses the relationship between Canada's unemployment, employment and participation rates, implicitly invoking the NAIRU but again failing to do so explicitly.[138] To the extent that Dodge's explanatory style – the modality, cognitive verbs, and so on, helps effect and buttress his thematic shift from NAIRU to a broader concept of capacity, it is also rhetorical in effect.

A third rhetorical technique employed by Dodge is to use Minna's question as a springboard for a rather lengthy (double the duration of Minna's question) discussion of an enduring theme in Bank of Canada discourse, namely the importance of labour mobility and of removing "impediments" in the labour market so that labour can flow freely from, say, Newfoundland to Alberta. In this instance, Dodge is careful to equate these impediments to a lack of on-the-job training rather than policies such as employment insurance, although we know from other exchanges that Dodge also believes that some features of Canada's employment insurance system retard this "flexibility." And of course, we know that U.S. social welfare measures are considerably less generous than their Canadian equivalents.

There is one other feature of Dodge's response that I think merits some brief attention, namely his use of the material verb "hit" to describe what happens to the economy as it reaches its capacity. In this extract, the verb is only used twice, once in S9 and another time in S13 but Dodge uses it often in other exchanges with the Committee. The effect is to lend a "real" feel to an abstract notion of capacity, one that paradoxically the Bank admits it struggles to measure with any degree of accuracy. This tension between the intransitive nature of capacity implied by the material verb "hit" and the

[138] One of the reasons the NAIRU is a misleading measure of capacity is because, as Dodge points out, the unemployment rate does not measure those who may want to work but have given up searching out of frustration (i.e., those who known as "out of the labour force"). In the early 1990s, this "out-of-the-labour-force" population grew markedly because of weak economic conditions. As the decade wore on, many resumed their job search because of a stronger economy and therefore helped keep the unemployment rate relatively high by historical standards.

Bank's much more careful, probabilistic discussion of its measures of capacity is, I suggest, part of the inflation-targeting convention's success. On the one hand, the verb "hit" suggests a harsh reality that the Bank must obey, while on the other hand, describing the Bank's estimates of capacity in probabilistic terms allows it to minimize responsibilities for any negative outcomes that flow from its decision-making. On such shifting grounds are conventions built.

**The Dodge-Minna 2004 Exchange**

The April 2004 exchange is quite similar to the 2002 exchange both in terms of the propositional content and the style of the questions and answers. This is not altogether surprising given that we are dealing with the same interlocutors. For the sake of brevity, my comments will be more limited and broad-brushed than in the preceding analysis.

The first eight sentences in turn #1 appear to be relatively scripted and, indeed, the propositional content suggests they are. Not only do they mirror questions I had helped prepare for the Committee but we can reasonably surmise that it is unlikely that Minna just happened to remember the details of a question and answer exchange from 18 months earlier.[139] In S9 through S12 however, Minna reasserts her voice and the effect is twofold. First, Minna's reassertion of her voice dampens the non-negotiability of the questions in S7 and S8, which make the rather damning claim that Dodge was less than forthright (i.e., transparent) in his November 2002 response. On the heals of these questions however, Minna opens the discussion back up for negotiations by thematically stressing her "feelings" in S9 ("I've always felt") and her seemingly innocent quest for

[139] Specifically, the Briefing note was worded as follows: "Most economists agree that there is a relationship between unemployment and inflation. Some believe that a certain level of unemployment is needed in order to have low levels of inflation. According to this reasoning, in sectors of the economy where there is excess demand, there will be upward pressure on wages; in sectors where there is excess supply, however, wages will not necessarily go down because of downward nominal wage rigidity. ... During his 23 October 2002 appearance before the House of Commons Standing Committee on Finance, the Governor of the Bank of Canada suggested that the Bank uses a similar concept, although he declined to reveal the Bank's estimate of what would constitute a tolerable unemployment rate. The Governor remarked that the Bank's "notion of capacity" changes in response to public and private policy decisions. He also claimed that the notion of capacity is quite complicated; distilling it to a relatively simple number produced by Statistics Canada every month is not terribly helpful, in his opinion. 1. Does the Bank believe that permanently maintaining a certain rate of unemployment in the economy is necessary to achieve relatively low rates of inflation? 2. What does the Bank of Canada believe to be Canada's NAIRU? Is this measure used in setting the overnight interest rate? If so, why does the Bank not publicize what it believes to be the non-accelerating inflation rate of unemployment? Would publicizing the NAIRU – in effect, the amount of unemployment the Bank of Canada believes must be tolerated in order to secure its inflation target – increase the Bank's transparency?"

knowledge in S11 ("So I"ve always wanted to know"). The result is to allow Dodge, the patient school master rather than the subservient public servant, to answer her questions.

The second effect of her attempt to Elaborate in her own words on the questions in S7 and S8 is to create confusion and reinforce the impression that she is ill-at-ease with basic economic concepts. In S9 for example, she says that "some economists" say that a certain level of unemployment "must be tolerated." In fact, surely *all* economists would agree that absent a comprehensive job creation program or a redefinition of the term unemployment, there will always be *some* minimal level of unemployment in a capitalist economy due to frictional (job search) and/or structural unemployment (mismatch of skills to available jobs). More confusing still, the "some economists I know" probably refer to left-wing economists (given Minna's left-credentials) quite critical of the Bank's approach. The difficulty is that these economists would probably emphasize the importance of minimizing the amount of *involuntary* unemployment rather than making statements about "tolerating" a certain level of unemployment. In S10, Minna similarly shows signs of confusion when she says that bringing the unemployment rate "too low" creates a "different kind of problem" when it is fairly clear that the problem in question is inflation.

In its propositional content, Dodge's response in turn #2 is very similar to his 2002 answer, emphasizing again the Bank's focus on a broader concept of capacity (the output gap) than the NAIRU. Again, Dodge refrains from mentioning the NAIRU acronym or its variants, preferring instead to talk about the "unemployment rate" (see S9:S15) as if it were the same thing as the NAIRU. Perhaps out of simple forgetfulness, Dodge omits an explicit discussion of the uncertainty around NAIRU estimates. In turn #5 however, Deputy Governor Paul Jenkins closes the circle by stressing "the extremely wide confidence band" around NAIRU estimates. Unlike Dodge, Jenkins explicitly mentions the term NAIRU aloud, a breach of protocol that is diminished by his failure to attribute these estimates to any one Actor. That is, Jenkins does not tell us *whose* NAIRU estimates have an "extremely wide confidence band" around them but the reader and presumably the listener is left with the impression that perhaps, the Bank of Canada still has them lying around somewhere, perhaps in a vault labelled "capacity constraints."

Stylistically, the major difference between this exchange and the 2002 version is the much more structured and focused nature of Dodge's answer in turn #2, beginning in S3 where Dodge sets up his answer by promising to discuss three reasons why the Bank prefers to look at its more "encompassing" output gap measure rather than the NAIRU. True to form, Dodge ably moves through his three reasons in a manner more reminiscent of a written text than an oral exchange. This is a stylistically important feature of Dodge's interactions with the Committee and it has two important effects. First, the use of these kinds of cohesive markers (first, second, and third) help the listener "see" or "watch" Dodge's reasoning process as he moves methodically from point to point. In short, they help the listener or reader build coherence in their own mind. Second, they signal Dodge's mastery of a complex subject. It takes a considerable amount of understanding to distil a complex and historical reasoning process into three main points.

The exchange ends in turns #6 and #7. Perhaps with the benefit of her experience from 2002, Minna tries to re-frame her initial question in S1 of turn #6. The effort, however, appears to be scuttled by S2, where Minna implies that the NAIRU is somehow an "entity" that affects interest rates rather than a statistical measure used by the Bank to help decide whether to change its target for the overnight interest rate. S2 again reveals Minna's disfluency with the subject. Surprisingly, Dodge chooses to answer Minna's first question (i.e., S1) although he carefully refrains from mentioning NAIRU concept or using the verb "tolerate" to describe the amount of unemployment the Bank believes is necessary to tame inflation. Instead, he talks about a "certain amount" in S5 and "that amount" in S6, with amount standing in for the "tolerable level" evoked in Minna's question. In the first part of his answer, from S2 through to S5, Dodge talks about about frictional unemployment, the fact that 2% of the labour force changes jobs every month. From S6 through to S7, he shifts to a discussion of "structural unemployment," and which more critically minded economists prefer to call simply "involuntary."

To summarize, Dodge's responses to Minna's questions over two separate exchanges are evasive, although his answer in turn #6 from the 2004 meeting is somewhat less so. His evasiveness however goes largely unnoticed, even in 2004, thanks to the disfluency of his interlocutors, his communicative abilities and command of the

subject but also, no doubt, to the hold of the inflation-targeting convention on the political class. Whereas in the Crow era, there were sustained efforts to get the Bank to discuss the NAIRU concept and related real-world phenomena from across party lines, by the time Thiessen and Dodge are in power, the efforts are sporadic and fleeting, and sometimes even attributable to the efforts of a researcher at the Library of Parliament.

**CONCLUSION**

Over the last 20 years, central bank practitioners and monetary economists have come to appreciate the importance of "good communications" and "transparency" for stabilizing inflation expectations and coordinating the economy around a relatively stable anchor. This "communicative turn" started in the early 1990s, after nearly two decades where the Bank of Canada was the focal point of political controversy because of its inability to deliver low inflation or low unemployment rates or both. The academic literature was slow to appreciate the communicative turn at the Bank of Canada and other central banks but when it came around, it provided important theoretical support for the use of strategic communication practices in monetary policy: by creating a language community around monetary policy, the practice of inflation-targeting became anchored in language, consistent in application and efficient in cognitive processing.

The linguistic turn came at a steep cost however – it effectively helped depoliticize monetary policy, placing concern about real economic activity behind a "logical partition" that central bank communication practices, aided and abetted by theory, helped construct. The examination of the last 20 years of transcripts shows how the depolicization emerged in the form of a noticeable shifts in the quality and tenor of the social interaction between the politicians and the three governor *despite* a remarkable consistency in the over-arching themes of the meetings: under all three governors, the Bank of Canada consistently emphasized responsibility for its nominal inflation target and disdained responsibility for real outcomes – questions about jobs, bankruptcies, food-banks and other "real-world" consequences of monetary policy were usually dismissed or rhetorically evaded.

As the inflation-targeting convention became more entrenched, the transcripts show political concern with these kinds of "real" outcomes becoming more tenuous, sporadic and less sustained. Concurrently and not coincidentally, the inflation-targeting

regime becomes increasingly seen as immutable fact and as such, served increasingly as a foundation on which to buttress other policy arguments, such as the balanced-budget convention. By the end of Dodge's tenure, the convention had become sufficiently uncontroversial that an increasing number of politicians from all parties devoted their limited time on the Finance Committee to asking questions that pushed the governor to discuss matters not directly under the Bank's mandate, the goal being to bathe their particular policy argument in the light of the governor's aura of credibility and perceived impartiality.

Now to put it that way is perhaps a bit too bold. The depoliticization of the inflation-targeting regime, its acceptance as convention, is not due solely to Crow's single-mindedness, Thiessen's folksy mannerisms and communications focus, or even Dodge's gifts as a public speaker and philosopher king. The real-world was also remarkably cooperative, although whether we can attribute that cooperativeness to anything the Bank of Canada has done remains an open question. The larger political context also matters. The political environment of the mid to late 1990s and 21st century was vastly different from the political environment of the late 1980s and early 1990s. The personalities on the Finance Committee also changed, becoming more conciliatory, less threatening and certainly less sure of themselves in their questioning. That said, it is clear that along the way, the role of governor has expanded to that of Philosopher King, the powerful individual with the bird's eye view willing, able and called up to comment on a range of economic and even social issues. It will be interesting to see if this trend holds with Dodge's successor, Mark Carney.

To illustrate just how much matters have changed, I want to conclude with one last exchange, this time between Liberal MP Alex Shepherd and David Dodge in April 2004 (21-4-2004: 1625). Comments follow.

> **Mr. Alex Shepherd (Durham, Lib.): ...** You touched briefly on emerging economies. We read in the business press and so forth about the impact China has had on oil pricing and so forth. I'm told that the average wage in China is something like 67¢ U.S. an hour. You also touched very briefly on the concept of outsourcing. You described an orderly process whereby there's the dislocation of lower-skilled labour to these economies, and presumably we're replacing them to some extent with higher-skilled labour. I'm just wondering how orderly that really is. We see this emerging economy, and China seems to be getting its act together in some real ways, but there are also some clouds on the horizon. I just came back

> from Taiwan. I noticed that a large part of their computer sector had gone to the mainland. So China seems to be sucking these resources out of just about every economy. We talked about this jobless recovery. Do you think an orderly process is going to take place in the dislocation of labour?
> **Mr. David Dodge:** It never appears very orderly if you're one of the people directly affected. I think we have to recognize that. As I said earlier, in Canada the industrial mix of our regional and provincial economies is quite different, so that we have manufacturing concentrated in Winnipeg, southern Ontario, and the Montreal plain, whereas we have resource production in northern Ontario, Alberta, and so on. So the adjustments are always a bit tricky. But remember that the value of those products, where we would like to be able to produce more but we're supply constrained, is adding enormously to the income of Canadians. We have a distribution problem, both the geographic and the division across corporations where profits are occurring. We've been through this before. It's not a movie that we haven't seen. What we think we've learned is that it's important for monetary policy, when this output gap opens up, to be supportive, and we can do it because we've had sensible fiscal policy for a period of time, both at the federal and provincial levels, so that there's confidence in the nation's public finances.

In the context of Crow's refusal to speak of the unemployed and their plight, Dodge's response is remarkable. With little prompting or cajoling, he volunteers that the "orderly process" of labour market adjustment, an assumed and very abstract variable in mainstream economics, is really not so orderly for those who have to live through it. He then proceeds to effortlessly move the discussion back towards a more abstract discourse, capping his point by emphasizing again that fiscal and monetary policy are intertwined now and forever more. Liberal MPs Dennis Mills and Herb Gray would be proud.

# CHAPTER 6 – CONVENTIONS, AGENDAS AND THE MEDIA

In the long-struggle to build a communications edifice that could support, sustain and eventually defend Canada's fiscal and monetary policy conventions, the *Globe and Mail* played a singularly important role. If the Bank of Canada and the Department of Finance were relatively slow to change their ways and to fully adopt the mores of a "strategic communications" orientation, they could at least count on the *Globe* for encouragement, support and positive coverage for every tentative step towards their fiscal and monetary policy objectives. The aim of this chapter and the next is to explore the quantum, bias and rhetorical features of the fiscal and monetary texts produced by the *Globe and Mail* and digested by its increasingly narrowly defined elite audience. The argument is that the combination of these three factors is crucial to understanding the consensus and then convention-building (i.e., forgetting) exercise around fiscal and monetary policy.

This analysis also touches on several related theoretical arguments. The quantity exercise for example yields insights into agenda-setting effect, namely who or what set the *Globe*'s agenda in terms of the quantity of its fiscal and monetary policy coverage. The bias exercise helps us explore how structural features of the newspaper business, the "business" of news, time constraints, information subsidies, translated into sourcing practices in the fiscal and monetary policy realms and how these sourcing practices can be linked back to an agenda-setting discussion. Finally, the rhetorical exercise, which is discussed in chapter 8, sheds light on exactly how the *Globe*, given its status as the pre-eminent "establishment" newspaper and its long-standing economic conservatism, conveyed the complexity of fiscal policy in terms that its audience could understand and draw on to form opinions that would register using the technology of opinion polling (Chapters 9 and 10).

Before addressing these theoretical arguments, I want to first explore my reasons for choosing the *Globe* as the focal point for my media analysis and then to document the paper's increasing emphasis on reaching what it has quite openly described as an "elite" audience. This trend, I argue, contributed greatly to the formation of consensus and convention among elites to the extent that it freed the *Globe* from having to publish more

critically minded stories and columns by people like Linda McQuaig or Thomas Walkom, both of whom as we will see, were jettisoned from the paper in the late 1980s.

**Why I Chose to Study the *Globe***

Quite apart from its steadfast support for fiscal conservatism and inflation targeting, I chose to focus my media analysis on the *Globe* for a number of pragmatic and theoretical reasons. First, and most obviously, the *Globe* is a newspaper and newspapers are to the news industry what the oil and gas sector is to the petrochemical industry – they provide the raw material that informs morning, afternoon and evening newscasts on radio and television (Ericson, Baranek, and Chan 1989, p. 180) and increasingly, the internet. They devote the resources necessary to unearth the stories that matter. Broadcast media are by contrast far more apt to rely on source hand-outs, i.e., information subsidies, than newspapers, often allowing "their sources to act as reporters, leaving them to edit the source hand-outs as the final copy that was heard on newscasts" (Ericson, Baranek, and Chan 1989, p. 214). In short, most broadcast media are little more than "stenographers" who lack the resources (cost, time, and so on) to do anything more than reproduce handouts. In a study of news media markets in Montreal and Vancouver for example, researchers at the Centre d'études sur les medias (CEM) found that the average number of journalists at daily newspapers in these two markets was more than double the average number at local television stations and 10 times more than the average at local radio stations (Senate Committee on Transport and Communications 2004, Table 28).

Partly because of their greater devotion to content over form, newspapers are also the preferred news source for the policymaking community and those higher-income individuals with the leisure time and educational background necessary to wade through complex policy issues. Ericson *et al* (1989, p. 236) for example find that newspapers were the preferred medium for politicians seeking detailed and sustained coverage of an issue. This reflects a "media hierarchy" whereby "...newspapers (are) for major ongoing issues, television for ongoing images, and radio as a residual medium" (Ericson, Baranek, and Chan 1989, p. 236).[140] The fourth reason for looking at newspaper content is purely

[140] As this hierarchy suggests, television plays a crucial role in and around election time and in sustaining popular support for political parties and political figures. .

pragmatic: newspaper content going back in time is relatively easy to obtain in digital form and is consequently amenable to computerized content analysis. The *Globe* just happens to have the most historically extensive full-text easy-to-search database of news stories in Canada. Fifth and finally, the *Globe* is of course, not just *any* newspaper but at least until recently, *the* elite newspaper in Canada. In his empirical work, Soroka (Soroka 2002) finds that the *Globe* "is a significant predictor of other newspapers' emphasis on three issues: debt and deficit, inflation and taxes," all three of which are of course directly relevant to this study. To stretch the oil and gas metaphor, we might say that radio, television and the internet are downstream from newspapers and at least on the issues that are of interest here, Canada's newspapers are downstream from the *Globe*. This is not universally true of course but it is sufficiently true so as to constitute a working principle for this study.

**Targeting the Elite**

The *Globe and Mail* was founded in 1844 by George Brown, who would later become a Father of Confederation. The newspaper has long been considered "(t)he voice of the Upper Canada elite – that is, the Bay Street financial community of Toronto and the intellectuals of university and government institutions" (Wikipedia 2006). The *Globe and Mail* describes its editorial stance as "socially liberal, fiscally conservative."[141] Its motto, which figures prominently on the editorial page, is borrowed from Junius, the pseudonym of an English writer of the 18th century: "The subject who is truly loyal to the Chief Magistrate will neither advise nor submit to arbitrary measures." According to the *Globe*, this motto reflects Brown's belief that "only an informed public can defend itself against power seekers who threaten its freedoms" (Globe and Mail 2007).

In the past, the *Globe and Mail* has endorsed both Liberals and (the now defunct) Progressive Conservatives at the federal level, depending on who best reflects its editorial principles.[142] In the 1980s, the *Globe and Mail* supported the Progressive Conservative Party, while in the 1990s, it aligned itself with the Liberals, especially after they assumed the mantle of fiscal rectitude. Over the last thirty years, the Globe has made concerted efforts to increasingly target the kind of upper-income audience desired by high-end

[141] Personal communication with Warren Clement, long-time editorial writer at the Globe and Mail.
[142] Provincially, the Globe and Mail has endorsed the New Democratic Party (NDP) on two occasions (Ontario – 1990; British Columbia 1991), both of which coincided with electoral victories by the NDP.

advertisers. In 1982 for example, in the midst of a severe recession, the *Globe* cut back circulation to rural areas ostensibly because delivery costs outweighed the benefits of a few additional far-flung readers "but implicit in the decision was a second, more disconcerting factor: isolated pockets of readers, regardless of their intellectual interests, fell outside the demographic characteristics favoured by advertisers" (Hayes 1992, p. 181).[143] In 1988, the *Globe* replaced 90,000 readers in rural and low-income areas with people from its preferred demographic (Hayes 1992, p. 201). As part of the same effort, it concentrated its street boxes in areas frequented by upper-income readers. In a 1987 memo foretelling this purge, *Globe* publisher Roy Megarry insisted that "The Globe is not a mass circulation newspaper. ... Globe readers are now even more upscale than *The New York Times*, and our demographics match *The Wall Street Journal's*. ... As the future unfolds, we will be taking further steps to focus the editorial content of the *The Globe* to better serve the interests of this elite audience" (Hayes 1992, p. 221).

Again in 1990, the newspaper unveiled a plan to "boost the number of copies it sells in major markets while cutting back distribution in smaller centres that advertisers find less appealing" (Partridge 1990). Finally, in 2003, former editor-in-chief William Thorsell, who was brought in by Megarry to implement major changes to the newspaper, defended the paper's efforts to target upper-income individuals as merely an extension of the logic of specialization. The *Globe and Mail*, he argued, is no more "elitist" than the free dailies that target commuters or specialized ethnic newspapers. He added that the only way a newspaper can survive is by narrowly defining its audience because "(t)he more you sell, the more you lose, unless advertising revenue (which accounts for about 70 per cent of total revenue) rises faster than readership. At some point it doesn't, and selling more papers makes no business sense. Quantity becomes your foe" (Thorsell 2003). As for the danger that this specialization might undermine the media's traditional calling of "afflicting the comfortable," Thorsell dismissed this notion as a "chestnut" best left for another column (Thorsell 2003).[144]

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[143] As is well known, people residing in rural areas and small centres earn considerably less than their urban counterparts – since at least 1984, the median annual income of rural Canadians in inflation-adjusted terms has been $10,000 less than in urban Canada (Michaud 2006).

[144] In a speech to his newsroom shortly after being named editor-in-chief, Thorsell criticized the belief that journalists were supposed to "comfort the weak and afflict the comfortable" as a "classic but intellectually careless aphorism" and added that consequently, journalists "tend to be somewhat like fundamentalist

The *Globe*'s position as the pre-eminent source of news for Canada's elite is at least in part a function of its long history of directing a substantial portion of its coverage to economic news, a category that obviously includes fiscal and monetary policy. As I show later, the bulk of the *Globe's* monetary policy coverage has, since the mid 1980s, largely been published in the paper's business section whereas fiscal policy coverage has, since the early 1990s, largely appeared in the *front* section of the newspaper. We can identify three types of news in the business section, namely economic news (economic data), financial news (bond and stock markets) and corporate news (corporate profit/loss reports). As a rule, economic reporters *tend* to be responsible for fiscal and monetary policy coverage because of the link between these discretionary policy areas and economic outcomes. They are therefore important nodes in the circuit of elite discourse, especially among those who already have a certain familiarity with fiscal and monetary policy matters.

That said, there are important exceptions to this rule in periods around elections, budgets, and episodes of sustained interest rate increases or decreases especially during times of economic distress. In all these instances, *political or general news* reporters play an important role in cementing a *broader* consensus into convention among political elites and, eventually, the general public. Their stories typically run in the general news or front section of the newspaper. While they rarely tackle fiscal or monetary policy matters in any theoretical detail, they play an important role to the extent they problematize or fail to problematize these policy areas for a wider audience.

In his book on the history of the *Globe*, David Hayes points out that while the paper's *Report on Business* (*RoB*) section had long been the its main source of advertising revenue and operating profits,[145] most journalists and senior editorial management treated business reporting as a kind of "ghetto" (Hayes 1992, p. 179) until well into the 1980s. The *RoB* "spoke almost exclusively to male executives and their princes-in-waiting," a narrow-vision that "carried over into the section's contents," which

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preachers in our concentration on the evils of the world, ponderously fingerwagging from page one right through columns, editorials and reviews. There is certainly a role for us on this pulpit, uncovering evil and righting wrongs, but it is much too narrow a perch to carry the weight of the news for a larger, loyal audience" (Hayes 1992, pp. 251-252).

[145] The *RoB* was created in February 1962. In the 1970s, the *RoB* accounted for more than half of the paper's operating profits and national advertising revenue (Hayes 1992, p. 142, p. 158).

dealt with "predictable subjects such as corporate earnings and stock trading, and with what happened yesterday, what reporters call "reactive" stories" (Hayes 1992, p. 178). Some accused the *RoB* of publishing little more than rewritten press releases (Hayes 1992, p.193). Hayes goes on to note that :

> Overall, the *RoB* failed to probe beneath the surface of business life in a systematic way, identifying long-range trends and providing analysis. ... Although coverage of non-traditional areas such as advertising, media, and the service industries grew, the Rob was painfully slow in broadening its scope. It had a dull appearance rarely enlivened by graphics or striking photos, but without competition in the daily business-news arena there was no compelling reason to tinker with its formula (Hayes 1992, p. 178).

The situation began to change, albeit gradually shortly after Kenneth Thompson's *Thompson Newspapers Ltd.* took over the *Globe* in 1980. With Thompson's support, Roy Megarry, who had been hired as the *Globe's* publisher in 1978, and his senior editorial staff implemented several incremental changes. These included the addition of a Monday edition of the *RoB*, the dismantling of the "Chinese walls" that had long separated the *RoB* from the rest of the newspaper,[146] and personnel changes to better reflect the new policy of free exchange between the news and business news sections.

The *RoB*'s content, style and prestige changed more markedly, however, in and around 1988, when the *Financial Post*, one of its main competitors, went from a weekly to a daily newspaper, thereby threatening the *RoB*'s long-standing monopoly over the lucrative daily business news market. In response, Megarry budgeted $20 million to strengthen the *RoB*, hire more business correspondents stationed both in Canada and abroad, increase the emphasis on business and economic news *throughout* the newspaper, and create a promotional campaign which was aimed largely at what Hayes calls the "suburb-dwelling, subway-riding middle managers" who were increasingly drawn to the *Post's* more colourful content and controversial columnists (Hayes 1992, p. 221).

Perhaps even more substantively, the *Globe* also elevated the *RoB* editor to the status of managing editor, complete with his own office and equivalent income, thereby entrenching the *RoB* new status in the newsroom and setting the course for what many in

[146] Among other things, the *RoB* now had to report directly to the managing editor so as to ensure common news standards and values. Senior *Globe* management also made it known that information was to be shared between news and *RoB* reporters and that *RoB* stories would be considered for front-page status where warranted (Hayes 1992, p. 193).

the newspaper regarded as an ongoing effort to turn the *Globe and Mail* into Canada's version of the *Wall Street Journal*, a not-altogether unreasonable assumption given that the *Globe* would in fact later include full-page reproduction of key Journal's business stories. Along with this increasing emphasis on business news, the *Globe* jettisoned its sole labour reporter and managed to "convince" many of its left-wing writers, including columnist Thomas Walkom and business reporter Linda McQuaig, to leave the paper.

It is important to emphasize that this increasing emphasis on business news and the weeding out of alternative voices is not unique to the *Globe*. Parker (1999), Hubbard (1987) and Sessions (1999) separately find similar broad-based trends in the United States. Jeffrey Madrick, editor of a U.S. economic-affairs journal called *Challenge*, has argued that these trends have also coincided with a general decline in the quality of business reporting(Madrick 2001), which he says is increasingly crisis oriented, focused on personalities and personal finance over complex issues, accepting of neo-liberal and mainstream economic precepts, and less sceptical of sources than it used to be.[147]

So *who* exactly is the *Globe* targeting with this additional business content, an important component of which is of course fiscal and monetary policy news? It is possible to get a reasonable idea of the *Globe*'s target audience by constructing a statistical profile of the "average" reader from a regular RoB feature called "Financial Facelift," which the *Globe* has publishing since May 1999. The column is very much part of the "personal finance" or "news-you-can-use" output discussed by Madrick: each column profiles a reader facing some financial challenge and includes a detailed accounting of their financial situation. The table below outlines some of the key demographic and financial variables derived from carefully entering financial data from 176 columns over a period stretching from 1999 through to April 2006 into a database built using Microsoft Access. It shows that demographically, the *Globe*'s readership is roughly comparable to average and median data for Canada as a whole. Financially and occupationally, however, *Globe* readers are a world apart from what anyone might deem to be the "average Canadian," with the average *Globe* readers earning roughly double (in average and median income terms) what the average Canadian earns. From a balance

[147] Madrick notes for example that "Wall street analysts, business and academic economists, and business executives are treated with credulity. ... And little distinction is made between an independent expert and one who works for a Wall Street firm or business consulting firm."

sheet perspective, the gap is even greater, with these representative *Globe* readers reporting net worth 2.5 times the Canadian average.

**Table 6-1:** Profile of Targeted *Globe and Mail Audience* Based on Data Compiled from Financial Facelift Column, May 1999 - April 2006

| | Financial Facelift Data | National Data |
|---|---|---|
| **Demographic Profile** | | |
| Average Age | 41.0 | 39.0 |
| Median Age | 40.0 | 39.5 |
| Gender | | |
| Male | 46% | 49% |
| Female | 54% | 51% |
| Married / Couple | 75% | 71% |
| **Cash Flow** | | |
| Average income (before taxes) | $117,828 | $68,880 |
| Median income | $108,704 | $56,640 |
| Average expenses | $68,691 | $66,857 |
| Median expenses | $63,804 | n/a |
| **Balance Sheet** | | |
| Average Assets | $597,420 | $237,200 |
| Median Assets | $462,750 | $136,600 |
| Average Liabilities | $136,590 | $55,200 |
| Median Liabilities | $110,400 | $29,000 |
| Average Net worth | $460,830 | $182,000 |
| Median Net Worth | $279,000 | $81,000 |

NOTES

**1.** Financial Facelift Data collected from 176 columns beginning in 1999 through to April 2006. Data were entered into a proprietary Microsoft Access database which yielded the tabulations in this table.

**2.** The Financial Facelift columns mostly profile married or otherwise engaged couples (the 176 columns surveyed profiled 306 individuals). The data presented here reflect the total number of individuals profiled (i.e., 306). The average age data for example represent the average age of *all* individuals profiled in the column.

**3.** Sources for National Data: Demographic Data (Statistics Canada 2006); Average Income Data ((Statistics Canada 2006; 2006) ; Balance Sheet Data: (Statistics Canada 2001) .

## Sampling Procedures

The samples discussed in this chapter and the next were derived from the Factiva database, a *Dow Jones & Co.* product recommended by Librarians at Carleton University and the Library of Parliament as providing the most sophisticated search engine currently available, the most generous downloading privileges, and the most extensive full-text coverage of *Globe and Mail* content extending back to the first electronic edition of November 14, 1977. Having chosen the Factiva database, the next task was to define the target population of *Globe* content. Whereas a lot of traditional content analysis is aimed at rejecting or confirming the hypothesis that news coverage is some sort of "objective" rendering of events, my analysis is more aimed at describing the convention-forming process. To that end, I chose to define my target population to include both news and

editorial content on the assumption that conventions are products of both objective news reporting and more explicitly positioned commentary. We might even say that the more elaborate commentary found in an editorial or column gives meaning and definition to the rawer, more objective content found in news items. To that extent, editorialists and columnists play a kind of opinion-leader role. Directly and indirectly, they frame news content both within their own newspaper and, to the extent they are influential, over the media more generally.

With respect to defining a population of fiscal policy content, I had to make another important decision, namely whether to focus exclusively on items discussing *federal* fiscal policy or to include items that focused on fiscal policies in the provinces, municipalities, the United States and even a range of non-governmental organizations. As I discuss in more detail below, I opted for a middle-of-the-road approach, obtaining samples that explicitly included and excluded content on provincial, municipal and U.S. fiscal policy. The rationale for this decision is simply that the federal balanced-budget convention was and is, in part, a function of fiscal discourses at other levels of government and in other jurisdictions, including notably the United States. In the monetary policy realm, defining the appropriate universe of content was somewhat easier. Given that monetary policy is an exclusively federal concern and given certain features of the discourse (see below), the universe is simply the entirety of the *Globe*'s monetary policy coverage.

**Choosing Keyword Search Terms**

The next challenge was to choose a suitable set of keywords that would yield a reasonable sample given these populations. While our modern era affords researchers access to a tremendous wealth of news as data, the difficulty is choosing the right mix of keywords to effect a search that yields relevant results. The researcher must strive for a delicate balance, one that recognizes the trade-off between efficiency/accuracy and sample size: a laundry list of discourse-relative keywords may yield a very efficient and easily-reproduced sample of relevant news items but the sample size is likely to be too small for anyone interested in statistical time-series analysis or for that matter, any kind of profound historical understanding. Small sample size is of course merely a reflection

of the fact that increasing the number of keywords adds a layer of bias to the extent that it excludes more creative, metaphoric, or allegorical discussions of a given issue.

Conversely, as any Google user knows, a relatively unconstrained search involving a small number of general keywords may yield a large sample size of many thousands of items, most of which will prove to be irrelevant upon inspection. The researcher must then engage in an extremely time-consuming and highly subjective process of removing irrelevant items from the sample, with the result being a sample that is difficult to reproduce by outsiders. Of course, a researcher can formalize and obtain assistance in this process by recruiting graduate students to apply decision rules and then use statistical tests to ensure consistency of application. This approach, however, is costly monetarily, time-wise and far from foolproof. There is no guarantee that an outside observer will interpret the procedural rules in the same way as the original analyst(s). In fact, the "coaching process" of getting students to understand the procedural rules and apply them consistently is crucial in obtaining accurate and reproducible samples (Krippendorff 1980). Even with a consistent set of rules, a different set of coaches is likely to lead to a different set of results. For all these reasons, I rejected this approach.

After considerable trial and error, I eventually settled on a set of sampling keywords that attempts to walk a fine-line between efficiency and sample size. It is important to note that the resulting samples are "raw" in the sense that I did not go through each sample and attempt to remove irrelevant content. Table 6-2 shows the keyword search patterns and the number of results obtained for my samples. A discussion follows.

**Table 6-2:** Search Strings Used to Derive Samples for Fiscal and Monetary Policy Analysis

| | Search String | Results |
|---|---|---|
| **Fiscal Policy Broad Sample** | | |
| **FPB-C+USA**: CANADA + United States Content | rst=GLOB and atleast3 deficit* and federal not deficit* near5 (trade or tourism or balance of payments or current account or merchandise or parts) | **4587** |
| **FPB-C ONLY:** Canada Only Content | rst=GLOB and atleast3 deficit* and federal not (U.S. or US or United States or Washington or Congress) not deficit* w/5 (trade or tourism or balance of payments or current account or merchandise or parts) | **2107** |
| **Fiscal Policy Narrow Sample** | | |

| | | |
|---|---|---|
| **FPN-C + USA:** Canada + United States Content | rst=GLOB and deficit*/f50/ and atleast3 deficit* and federal not deficit* near5 (trade or tourism or balance of payments or current account or merchandise or parts or UI or U.I. or EI or E.I. or unemployment insurance or employment insurance or account) | **1957** |
| **FPN-C ONLY:** Canada Only Content | rst=GLOB and deficit*/f50/ and atleast3 deficit* and federal not deficit* near5 (trade or tourism or balance of payments or current account or merchandise or parts or UI or U.I. or EI or E.I. or unemployment insurance or employment insurance or account) | **1017** |
| **Monetary Policy** | | |
| **MPN:** Narrow Sample | rst=GLOB and "monetary policy" and "Bank of Canada" and interest rate* and ("Gerald Bouey" or "John Crow or "Gordon Thiessen" or "David Dodge") | **804** |
| **MPB:** Broad Sample | rst=GLOB and "Bank of Canada" and ("Gerald Bouey" or "John Crow or "Gordon Thiessen" or "David Dodge") | **2986** |

*Notes*

1. Data searches begin on November 14, 1977 for the *Globe and Mail* and extend through to December 30, 2006.
1. RST is the command used to specify the source, i.e., GLOB = Globe and Mail.

As Table 6-2 shows, I opted for four separate keyword searches of the *Globe*'s fiscal policy coverage and hence four separate samples all built around a core set of search terms: the four search patterns look for content with at least three mentions of the word "deficit" (atleast3 deficit*), which is the cornerstone of the fiscal policy convention, and at least one mention of the word "federal." The motivation for specifying at least three mentions of the word "deficit" is straightforward: the greater the number of mentions, the more likely that the article, editorial or column in question deals wholly or in large part with fiscal policy matters. The term "deficit" on its own has long since escaped its purely financial boundaries[148] and is widely used in a variety of contexts, including psychological contexts (e.g., "attention deficit disorder"), political contexts (e.g., "the democratic deficit"), and other policy contexts (e.g., "the infrastructure deficit"). The keyword "federal" is included in an effort to exclude extraneous discussions related to, for example hospital, school board or opera company deficits. Of course, it also tends to yield content centred on the federal government's fiscal situation but does not necessarily exclude provincial, municipal, or foreign fiscal policy items to the extent these items include at least one mention of the word federal. Finally, to avoid content dealing with Canada's trade or balance of payments deficits, the four search patterns *exclude* stories that collocate the word "deficit" within five words of "trade" or "tourism" and others as indicated in Table 6-2.

[148] The Oxford English Dictionary traces the term back to the 18th century, when it was devised and used in relation to financial matters and inventory tracking.

The difference between the broad and narrow searches is the "deficit*/F50/" search command under the Narrow heading, which simply says that the term "deficit" or its variants (denoted by the asterisk (*) as wildcard) must appear in the first 50 words, a criterion that attempts to profit from the well-known inverted-pyramid feature of journalistic writing, where major thematic elements appear at the beginning of a text and less newsworthy content appears towards the end. The narrow search also adds one other criterion, namely that the sample must exclude stories discussing unemployment insurance (later renamed employment insurance) deficits. Finally, two of the four fiscal policy searches are aimed at obtaining Canada-only content by excluding stories that mention the United States, various acronyms thereof, the seat of government, and the major policy-making institutions in the United States. For monetary policy, I conducted two searches built around the keywords "Bank of Canada" *and* the last names of Bank of Canada governors from Bouey through to Dodge. The narrow sample is distinct from the broad sample in that, additionally, it looks for content with the words "monetary policy" and "interest rate,*" two sets of keywords that are of course strongly associated with monetary policy discourse.

It was, again, much easier to come up with a set of keywords that yielded good quality samples of monetary policy content than it was for fiscal policy. The names Bouey, Crow, Thiessen and Dodge are strongly and uniquely identified with monetary policy discourse, while the names of former Finance Ministers Michael Wilson, Donald Mazankowski, or Paul Martin are not uniquely identified with fiscal matters. Including the latter in the search term either narrowed the sample unduly (using the logical operator AND) or widened it beyond recognition (using the logical operator OR). Similarly, keyword searches using *only* the term "monetary policy" invariably yielded a large volume of relevant content while searches with only the term "fiscal policy" did not.

**The Historical Evidence**

Figures 6-1 and 6-2 below show the time-series trends for the six search patterns listed in Table 6-2. The different search patterns are identified by their acronyms: FPN-C+USA for example is the acronym used to describe the Fiscal Policy (FP) search (Narrow – N) for both Canada (C) and United States (USA) content. The initial (B) refers to broad searches. Both charts show a high degree of correlation between the

results of the narrow and broad search patterns and, in the case of fiscal policy, the results of the Canada-only and Canada plus U.S. search patterns. Statistical analysis tells the same story as the visual depiction. The correlations between the various search patterns in Figure 6-1 are all above 0.95. The correlation between the results of the narrow and broad monetary policy searches in 6-2 is 0.91.[149]

[149] These high degrees of correlation suggests that we should have some confidence in the efficiency of the broad and narrow search terms, i.e., in their ability to yield relevant content. Narrowing and broadening the scope of the search terms does not significantly alter the historical pattern. To see why, suppose we had a set of search terms that yielded a sample comprised of only pertinent content which replicated in detail what we know about historical events. Suppose further that the only drawback to this search term was its small sample size relative to the population of potential items. To broaden the sample size, we would remove some of the search terms in order to catch less formulaic discussions of the subject matter, bearing in mind that in so doing, we increase the risk of catching irrelevant content. Without manually checking the thousands of items generated by each attempt to generate a new, broader but still efficient sample, how could we gauge the saliency of the results for each set of search terms? Surely one test would be to look at the correlation between the various search attempts and the original, accurate effort, using the correlations as a proxy for the quality of the results for each set of search terms.

**Figure 6-1**
Frequency of Globe and Mail Coverage of Fiscal Policy Matters, Narrow (N) and Broad (B) Search patterns, Canada + US and Canada Only Content

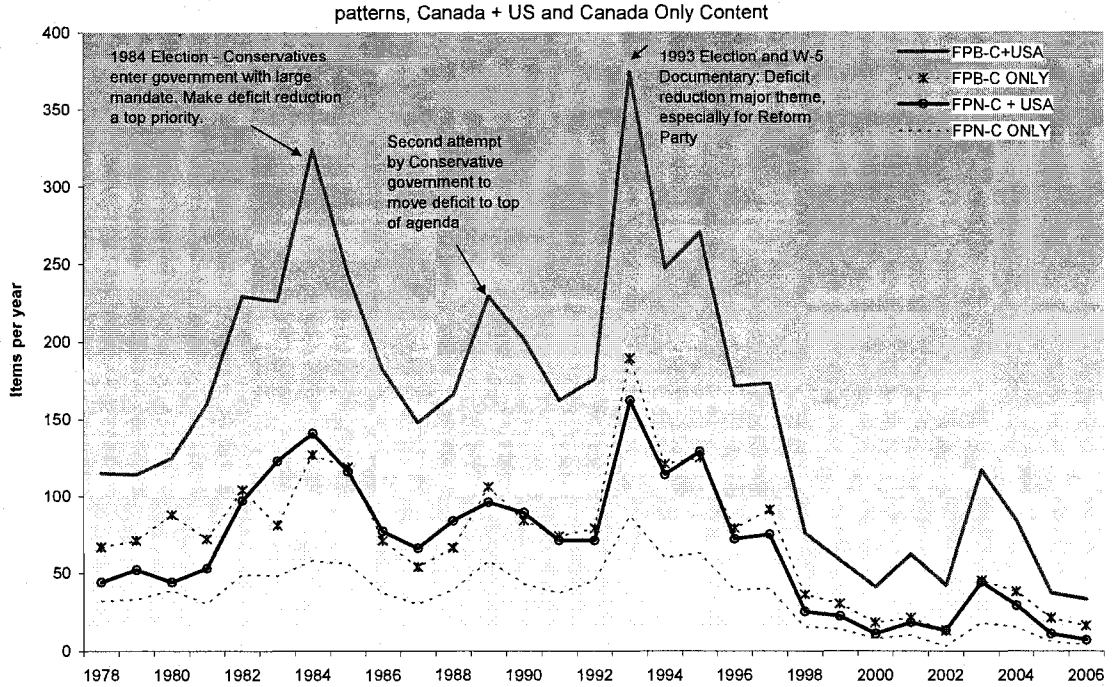
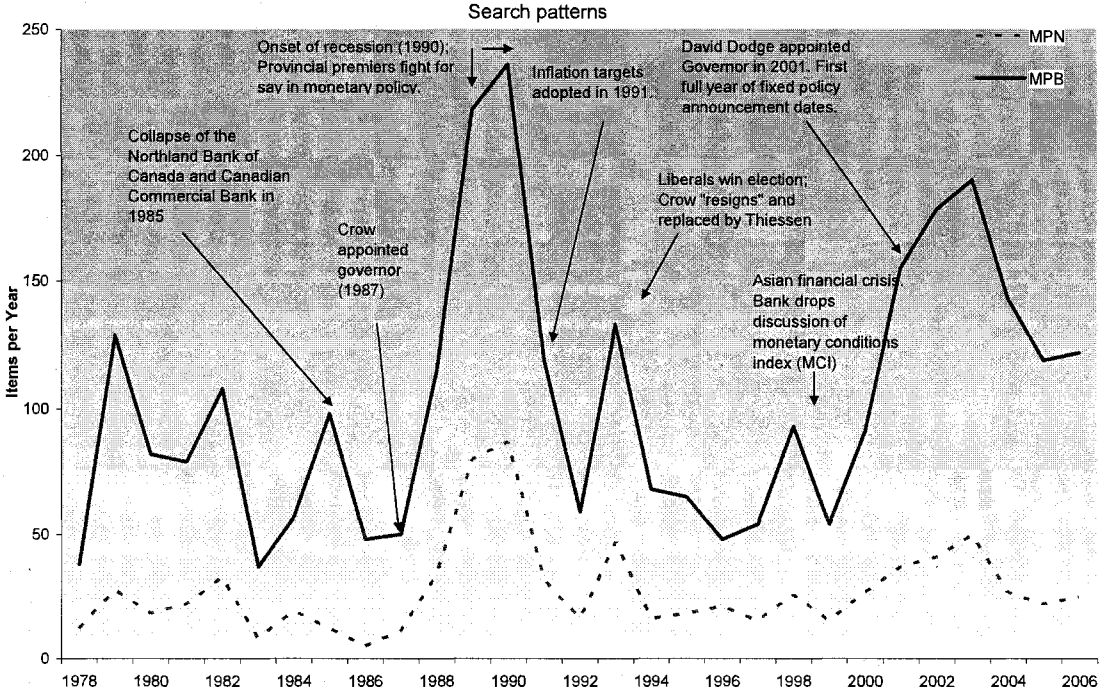



**Figure 6-2**
Frequency of Globe and Mail Coverage of Monetary Policy Matters, Narrow (MPN) and Broad (MPB) Search patterns




As the Figures show, the time-series patterns, both broad and narrow, *are* well-behaved in the sense that they accord remarkably well with the historical record. The

fiscal policy search patterns in 6-1 for example show spikes in the number of items in 1984-85, 1989 and 1993-95, periods which correlate precisely with the federal government's three major anti-deficit rhetorical and policy drives. As I discussed at length in Chapter 4, the 1984-85 drive took place immediately after the massive Progressive Conservative electoral victory but was short lived because of controversy over a proposal to partially de-index old age security payments for the elderly. The issue was dramatically revived ahead of the 1989 budget and then again in the 1993 through to 1995 period. In the latter period especially, the issue's salience was driven by a number of coincidental events, including an influential W-5 documentary on the CTV television network about New Zealand's flirtation with the "debt wall,"[150] a federal election where fiscal policy was a major theme thanks in no small part to the Reform Party, and finally sustained criticism of Ontario's NDP government over what was perceived as its meagre attempts to obey the strictures of fiscal conservatism. As Lewis recounts (2003), these events created significant media momentum going into 1994 and 1995, and the newly-elected Liberal government capitalized on this momentum through a concerted, sustained and deliberate attempt to build a national consensus or at least elite consensus on the need for dramatic deficit reduction largely through spending cuts. The chart shows that the latter period, as expected, constituted the high-water mark in terms of policy and media interest in the issue. Subsequently, the issue declined to lows not seen over the entire sample period, the only subsequent spike worthy of mention being the 2003 period when the history of deficits was invoked as part of an entirely different discourse, namely criticism of the federal government's chronic inability to accurate forecast its ballooning surpluses.

The evidence in Figure 6-2 similarly fits the historical record, showing sharp increases in the number of monetary policy items for the period 1979 through to 1982 as the Bank of Canada, following the U.S. Federal Reserve, helped drive domestic mortgage rates to near 20%. The *Globe*'s coverage subsequently subsided, spiking briefly in 1985 owing largely to the Bank's role in its unsuccessful attempt to forestall the collapse of

[150] In the piece, journalist Eric Malling goes to great lengths to draw parallels between New Zealand's situation and that of Canada. According to McQuaig (McQuaig 1995), the documentary was tremendously influential for both the broader public and in the senior ranks of the civil service, where copies of the broadcast were circulated (in tape form) widely. Several of my interviewees confirmed this fact.

two Alberta-based banks, namely the Northland Bank of Canada and Canadian Commercial Bank. Coverage increases again beginning in 1988, a year after Crow took over as governor and made it clear he intended to direct monetary policy towards an ill-defined price stability objective despite fears of a looming recession. Coverage peaked in 1990, as the Bank of Canada's price stability target increasingly became the target of elite infighting, with provincial premiers, elements of the business community, labour and even some former academic supporters lining up against the Bank's vague price stability objective. Then in 1991, coverage fell almost as sharply as the Bank of Canada, with the Department of Finance's imprimatur, adopted an inflation-targeting regime that aimed to reduce inflation to 2% by 1995 and "below" 2% thereafter. Armed with this explicit federal government support, we can almost quite literally see a tentative elite consensus begin to form in 1991. With the important exceptions of 1993 and 1998,[151] the broad monetary policy search pattern shows the *Globe*'s coverage levelling off at about 50 items per year for the rest of the decade, while the narrow pattern levels off at about 20 items per year. Finally, we see a spike in the number of items beginning in 2001, a period that coincided with four major events. First, David Dodge took over as governor and dramatically increased the volume of the governor's public presentations. Second, the Bank of Canada renewed its inflation-targeting regime for a five-year period. Third, the Bank of Canada was called upon to react to the financial and economic consequences of 9-11. Fourth and finally, 2001 was the first full-year of fixed dates for Bank of Canada policy decisions, a move designed to concentrate media attention on events in Canada by reducing speculation about the Bank's reaction to changes in U.S. monetary policy. The 2001 – 2006 period appears to show a sustained increase in coverage perhaps due to the enactment of the fixed policy-announcement dates, although only time will tell whether this pattern holds.

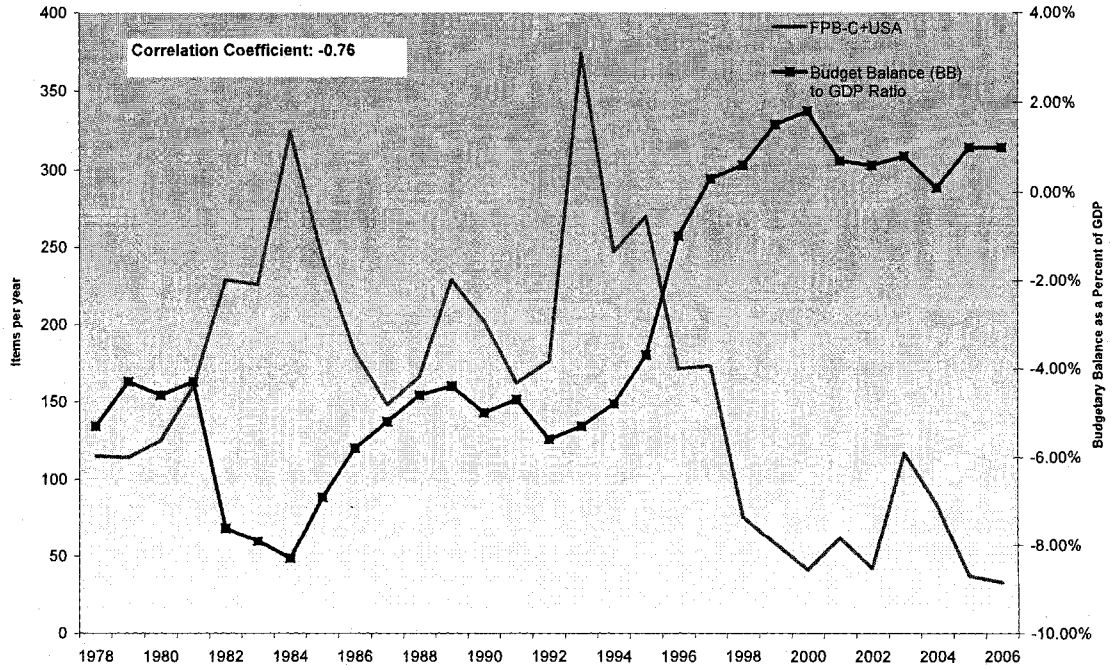
### *Globe* Coverage and the Real World

In the lore of Canada's turn to fiscal conservatism, a narrative has emerged which says that in the mid-1990s, objective reality finally poked through veils of ignorance. The

[151] Monetary policy discussions in 1993 were largely dominated by speculation over whether the newly elected Liberal government would retain John Crow as governor. The small spike in items for 1998 is a function of two events, namely the 1997-98 Asian and then Russian financial crises and second, confusion over the Bank's interpretation of the monetary conditions index (MCI) in light of these events.

citizenry were no longer able to deny that the banks were about to repossess the emperor's clothes. The facts spoke for themselves. In response to this growing realization among the citizenry, the political class acted decisively. As I noted in Chapter 1, Lewis calls this, the "objectivist" perspective. The next two figures help put the effect of these "real-world" events in some context by comparing the volume of *Globe* coverage for each discourse field relative to the pertinent underlying economic variable. Figure 6-1(b) for example depicts the relationship between the *Globe*'s fiscal policy coverage and the budgetary balance to gross domestic product (GDP) ratio (BB/GDP), a measure frequently used to gauge government finances. The chart reveals a strong negative correlation of -0.76 between the two series: the *Globe*'s fiscal policy coverage did indeed tend to increase as the budgetary balance moved deeper into negative terrain, while coverage tapered off as the budgetary balance moved towards surplus. In other words, this relatively strong negative correlation between the two series seems to support the objectivist argument, namely that a worsening fiscal picture *caused* an awakening in the journalistic community (and eventually in the broader public).

**Figure 6-1(b)**
Frequency of Globe and Mail Coverage of Fiscal Policy Matters Relative to the Budgetary Balance/GDP Ratio




The relatively strong correlation may also however speak to the tremendous symbolic power of a summary statistic like the budget balance to GDP ratio to motivate

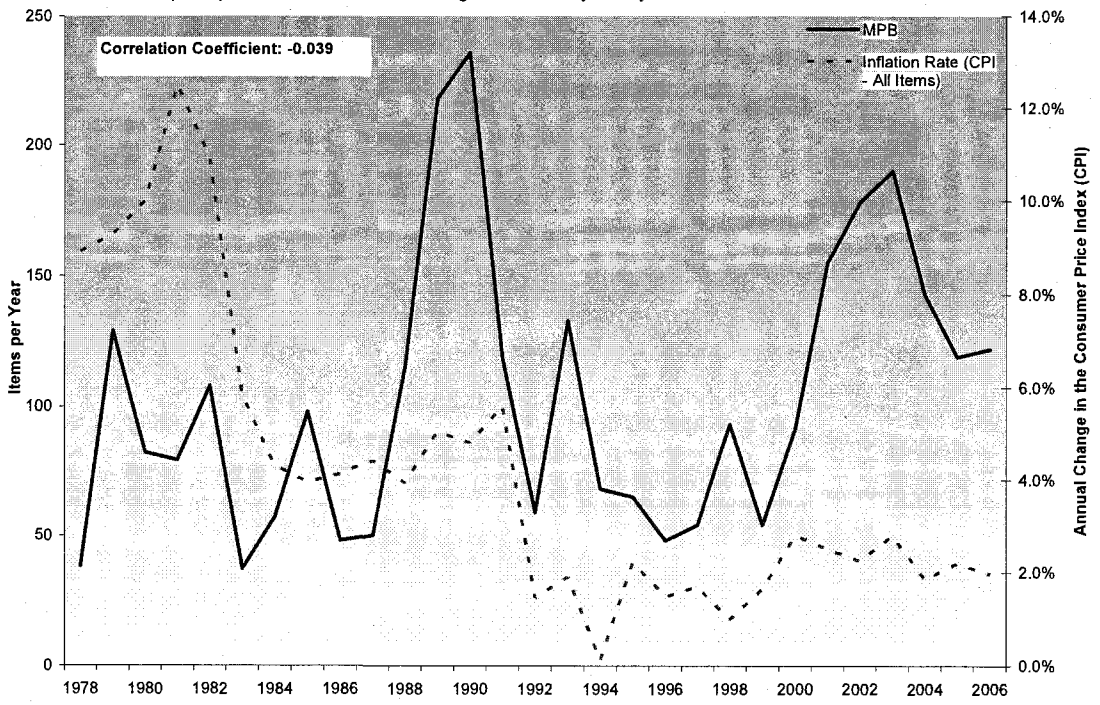
attention and media coverage. Despite the fact that those "in the know," if pushed, might concede to its technical limitations, the symbol seems to have had communicative force in and of itself, with every decline associated with a "bad" and every increase with a "good." Bad news generates coverage; good news does not. This of course just emphasizes the importance of remembering that the budget balance to GDP ratio is a statistic built from data that are themselves representations constructed quite consciously around theories of accounting, finance and economics. In other words, the data *do not* speak for themselves, at least initially, but require considerable and usually sustained interpretive work for them to acquire meaning in the minds of journalists, the policy community and the public. There is *technically* no reason, for example, to be any more alarmed by a deficit-to-GDP ratio of -1% than a deficit-to-GDP ratio of -2% or -3% *unless* of course everyone around you says these changes are meaningful and, moreover, manages to convince others of their importance at the same time (i.e., as gauged by opinion polling research). As discussed below and elsewhere in this study, there was in fact a large, vocal and relatively cohesive group of professional "budgetary watchers" who repeatedly sounded the fiscal alarms in newspapers, on television and through in-house publications based on the evolution of statistics such as the budget-balance-to-GDP ratio.

What the objectivist argument also seems to forget is that the citizenry (outside of elite circles) has to get its information about the deficit and debt from somewhere and the media are the main institutional mechanism for doing so. In other words, the media play a key filtering and vulgarization role (Hall 1988). That said, even if we assume that proponents of the "reality changes views" understand the media's role, there is a second often un-stated assumption at work here, namely that while the media may occasionally miss or lag important stories, they eventually get things right. In other words, the "reality changes views" implies (a) that reality eventually "gets through" to journalists, columnists and other media personnel; and (b) these media personnel eventually "get through" to the citizenry. This chapter is, of course, aimed largely at exploring (a) while the public opinion polling chapters (9 and 10) are largely aimed at exploring (b)

In the monetary policy realm, there is by contrast much less evidence for the influence of "real-world" events on the quantity of the *Globe*'s coverage. As shown in

Figure 6-2(b) below, there was barely any (-0.039) correlation over the 1978 – 2006 period between the *Globe*'s coverage of monetary policy matters and the inflation rate as measured by the all-item consumer price index (CPI). Rather, *Globe* coverage seems much more influenced by the historical and institutional evidence discussed earlier and especially John Crow's ascent to power in 1987 and the subsequent divisiveness over monetary policy among the elite community which I explore below. That said, the chart does depict some periods of stronger correlation, namely in the early 1980s (0.51% from 1978 – 1984), when inflation was near record highs, and again in the early 1990s (0.76%

**Figure 6-2 (b)**
Frequency of Globe and Mail Coverage of Monetary Policy Matters Relative to Inflation Rates




from 1989 – 1997) when the inflation rate fell sharply and threatened to become deflation.

**Who Had Voice?**

The analysis in this section of the chapter is aimed at providing some measure of the extent to which different factions in the fiscal and monetary policy debates of the 1980s and early 1990s had "voice," i.e., the extent to which these different voices were used as sources in the *Globe*'s coverage of fiscal and monetary policy matters. In critical theory and CDA, the concept of "voice" is important, with analysts urged to attend to

which voices are represented and *how* they are represented. Finally, as discussed in the next chapter, different voices tend to employ different metaphors. If a narrow range of voices predominate, we would expect a relatively narrow range of metaphors. Roughly speaking, we can identify two main categories of sources in the fiscal and monetary policy discourses, namely *Hawks* – roughly identical to the objectivists – and the *Doves* – roughly identical to the subjectivists. I discuss a third, residual category called the "Centres" in a moment. Table 6-3 below outlines these two major species of arguments.

**Table 6-3 : Comparing the Arguments – The *Hawks* versus the *Doves***

| | ***Hawks*** | ***Doves*** |
|---|---|---|
| **General Argument** | Inflation is costly, leads to a mis-allocation of resources and consequently slows economic growth. Deficit reduction is a matter of urgent necessity, both economic and mathematical, and not ideology. The unforgiving effects of compound interest rates on a substantial accumulated deficit means that any delay in reducing the deficit and stabilizing the debt could cause foreign investors to push Canada into an abyss from which it might never recover and moreover, would threaten the social programs cherished by the *Doves*. | Those who argue for deficit and inflation reduction do so for ideological or class-based reasons, consciously or unconsciously, rather than for the technocratic concerns (mathematical imperatives and so on) they espouse publicly. Economic analysis underlying these debates is fraught with unacknowledged ideological content. |
| **Underlying Principles (Facts of the World)** | ☐ History of humanity is the history of steady progress;<br>☐ Widespread patriarchal consciousness;<br>☐ Reality and constraints of personal finances;<br>☐ Spending and consumption are sins. | ☐ Societies have control over their destinies;<br>☐ Egalitarian, avoidance of gendered words;<br>☐ Federal finances are not equivalent to household finances; and<br>☐ Spending and consumption are positive. |
| **Related Arguments** | ☐ **Deficits and Crowding Out:** Deficits "crowd out" private investment by eating into a limited supply of savings and thereby driving up borrowing costs.<br>☐ **Deficits and Consumption:** Government spending needs to be retrenched and refocused away from consumption towards investment. The government spends too much on health care, education, cultural subsidies and so on that do little to increase the country's physical capacity to produce more goods.<br>☐ **Deficits and Distortion:** Government spending is inefficient and ineffective. The taxes used to pay for the deficit gum up the smooth functioning of the market. Since the deficit is symptomatic of excessive government spending and the cause of harmfully high taxes, it needed to be reigned in for efficiency purposes. The government needs to stop distorting market pricing signals.<br>☐ **Deficits as Moral Hazard:** Government deficits encouraged moral hazard. By electing politicians who promise gain (spending) without pain (taxes), Canadians encourage | ☐ **The (Keynesian) Deficit Paradox:** The government *needs to increase* spending in order to reduce the deficit. Spending stimulates economic growth and reduce unemployment, resulting in higher tax revenue and lower deficits *ceteris paribus*;<br>☐ **Deficits and the Bank of Canada:** The Bank of Canada is needlessly obsessed with "price stability." The resulting interest rate increases were driving deficits higher and throwing government fiscal forecasts off the mark;<br>☐ **Deficits and Spending:** If necessary, the government could freeze (but not cut) spending until the effects of lower interest rates (assuming a more amenable Bank of Canada) worked their way through the economy to the government's revenue and expenditures.<br>☐ **Deficits and Taxes:** If necessary, the government could increase taxes on corporations and/or high-earners to balance the budget. |

politicians to make ever-more-extravagant promises that obscure the fact that a deficit today meant higher taxes tomorrow. The government should therefore protect the citizens from their own short-sightedness by adopting a balanced-budget rule.

- ☐ **Deficits and Inflation:** Government deficits raise the risk that the government will resort to "printing money" to finance its excessive spending. This risk translates into an interest rate premium on Canadian debt, which worsens the fiscal situation. This spiral can only be arrested through dramatic spending reductions (not tax increases – Canadians are over-taxed); the Bank of Canada plays a largely passive role here, defending the currency and Canada's financial interests by pre-emptively raising interest rates to forestall even higher rates in the future.
- ☐ **Deficits and Investment:** Deficits do not crowd out private borrowing. There is no empirical evidence to support this claim and the theoretical argument is weak.
- ☐ **Deficits and Sovereignty:** Sovereign nations cannot "go broke." Provided they price their debt (resulting from the deficit) in their own currencies, sovereign nations always have the means, by definition, to meet their debt obligations (Bellan 1993). Debt priced in foreign currencies, however, may pose more of a short-term risk and should be retired as soon as possible.
- ☐ **Deficits and Debt:** The deficit is not a serious problem since most of the resulting debt is owed to ourselves. The deficit and debt are redistributive devices.

With these categories in mind, I want to briefly discuss the procedures used to identify, classify and then count sources. Source names and their institutional affiliation were generated by reading several thousand *Globe and Mail* and *Toronto Star* news and editorial items drawn from samples that differ slightly from the samples used so far in this chapter. The precise nature of these differences is explained in the next chapter.

Generally speaking, I categorized sources into "*Doves*" and "*Hawks*" based on the extent to which their institutional affiliation would be expected to compel them towards producing hawkish or dovish statements.[152] By default, this meant that with only one exception, sources working for Canada's financial institutions were classified as *Hawks*. Similarly, union sources were by default classified as *Doves*. At the "think tank" level, sources from the Fraser Institute and C.D. Institute were classified as *Hawks*, while sources from the Canadian Centre for Policy Alternatives (CCPA) and the now-defunct Canadian Institute for Economic Policy were classified as *Doves*. Despite the seemingly

[152] The *Globe* and *Toronto Star* coverage was almost universally devoid of voices from "everyday Canadians," i.e., the people who bear the brunt of changes in fiscal and monetary policy. We do not hear for example from bankrupt homeowners, unemployed factory workers, overworked nurses, financially-strapped students, struggling retirees, and so on. Rather, the voices cited are almost universally those of professionals, the elite who make a living by either monitoring fiscal and monetary policy events for their employers (i.e., economists and analysts in the financial services sector and think tanks) or who represent well-off wealthy segments of society who feel the effects of these policies in some relatively direct way (the business sector as represented by the Canadian Chamber of Commerce and workers as represented by unions, especially in the manufacturing sector). We also hear from politicians but I do not analyze their influence here.

clear categorization lines implied by this institutional approach, there were some grey zones. Researchers with the University of Toronto's Institute for Policy Analysis, for example, arguably fall into this grey zone because in the early 1980s, they published a major study which seemed to back arguments in favour of *more* deficit spending. By the early 1990s however, the Institute had moved firmly into the hawk camp, arguing strongly for restraint measures. To account for these "grey zones," I created a category called "centre," which might be thought of as a barometer for the shifting forces of convention.

Given these categorizations, the next step was to count the number of times sources from each category were quoted over the period stretching from 1979 to 2006 and then do the same on a yearly basis. Word-counts were obtained using a program called Yoshikoder, a free software package developed by Will Lowe, a researcher at University of Nottingham's Methods and Data Institute. Lowe designed Yoshikoder to treat each word as a data point in order to easily calculate probabilities. For example, the probability of the word "fiscal" in a sample of texts can be calculated by dividing the number of occurrences of a given term by the total number of data points (words) in the sample. This feature imposes however a major limitation: search-terms must be limited to a single word or hyphenated terms. Yoshikoder simply ignores compound search terms such as "Fraser Institute" or "Canadian Centre for Policy Alternative." To get around this limitation, the Hawk, Dove and Centre categories were constructed using last names rather than institutional affiliation. For example, the search term for John McCallum, former chief economist at RBC, would be "McCallum" instead of "John McCallum." For some names, this approach was problematic. By conducting a concordance analysis over several thousand items, I found for example that Peter Martin, an analyst with McLeod Young Weir in the 1980s,[153] yielded hundreds of "hits" but most of these were for *Paul* Martin, the Member of Parliament, future Minister of Finance and future Prime Minister. To avoid this kind of bias, I omitted his name from the Hawk category. In some other cases, it was possible to substitute the first for the last name. Walter Gordon (formerly of the Canadian Institute for Public Policy) for example has a

[153] McLeod Young Weir was acquired by the Bank of Nova Scotia as part of a mergers and acquisitions wave in the early 1990s.

relatively common last name but a relatively unusual first name relative. I therefore directed Yoshikoder to count occurrences of the name "Walter" instead of "Gordon." Again, concordance analysis was used to verify the accuracy of all names, including these kinds of substitutions.

**Sourcing and Uniformity**

Despite the supposed lingering influence of Keynesian ideas, there was and is a remarkable unity of opinion about the risks and dangers of deficit financing and large public sector debts among the business community, including of course the financial services sector. As a result, and unlike for monetary policy (discussed next), sources in the *Globe's* fiscal policy corpus divide neatly, with a few exceptions, into the Dove and Hawk camps. The reader is invited to consult Appendix C, Table 1, to see who and what institutions were classified according to these categories. Clearly, the list of sources in the "Hawk" category (163) is much longer than in the "Dove" category (23 sources) and, of course, the Centre category (3). The ratio of *Hawks* to *Doves* is approximately 7:1 and the ratio of *Hawks* to (*Doves* + Centre) is roughly 6:1. Table 6-4 (below) shows the resulting number of occurrences for each source category in the corpus. Hawks again overwhelmingly dominate the content. To some extent, these findings probably reflect the pre- and post-financial services sector consolidation process that took place in the late 1980s and early 1990s. There were simply a great many more financial services sector sources (as measured by financial institutions) to chose from in the 1980s. At the same time, we also

**Table 6-4:** Occurrences of Source Last Names by Category in the *Globe*'s Fiscal Policy Discourse, 1978 – 2006

| | Occurrences of Source's Last Name | Percent of total occurrences, all names |
|---|---|---|
| **Category** | | |
| Dove | 145 | 11.89% |
| Centre | 36 | 2.95% |
| Dove + Centre | 181 | 14.84% |
| Hawk | 1039 | 85.16% |
| Total | 1220 | 100.00% |

**Source:** Author's calculations

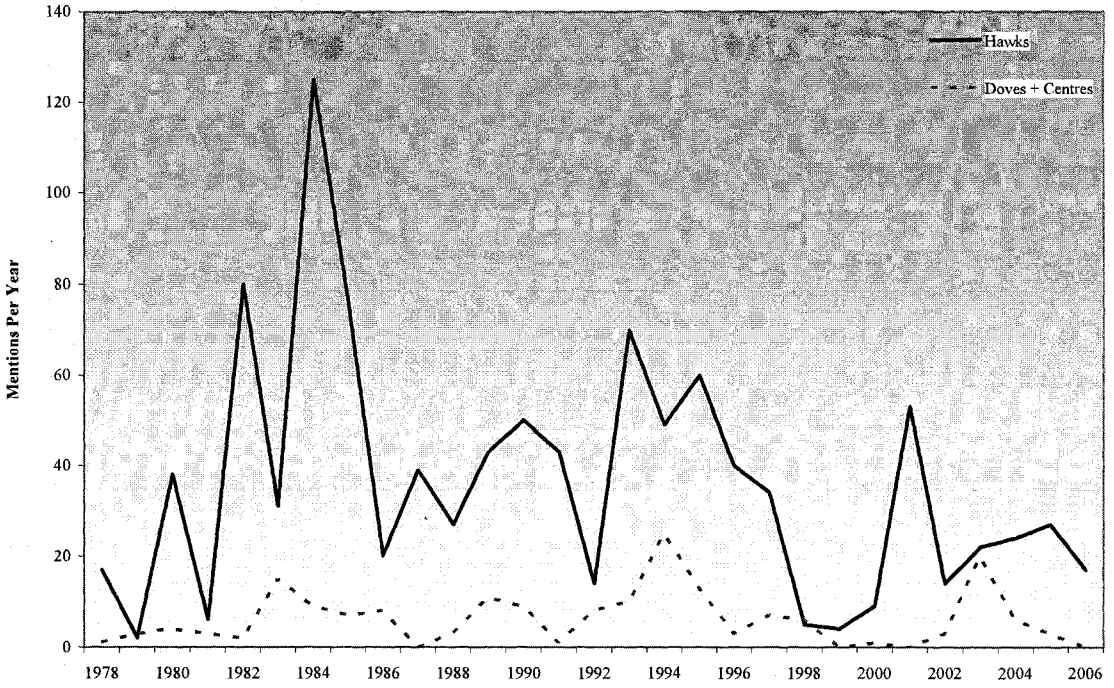
know that the business community has the resources necessary to dedicate employees to answering journalists questions and/or being proactive in terms of generating research

material and press releases that journalists can use to meet their daily production requirements on deadline. When I was a financial sector journalist for Bloomberg Business News, we referred to these as "dial-a-quote" sources because they could reliably be reached on deadline to produce a quotation around which to construct a news story on the latest stock market gyrations or government budgetary figures. By contrast, efforts to reach sources who might have a more critical perspective on fiscal policy matters, people such as university professors for example, often end(ed) in frustration because of their relatively erratic schedules or lack of familiarity with the latest news – even when they could be reached, these sources rarely had the time, energy, resources, inclination or ability to provide off-the-cuff answers in response to questions about an event they may have been unaware of until the phone call.

Depicting the "occurrences" data in Table 6-4 on a yearly basis does little to change the overall picture. Figure 6-3 (below) shows that with only three exceptions, [154] "Hawk" mentions dominate "Dove plus Centre" mentions throughout the sample period by a wide margin. Figure 6-3 is more interesting however for what it tells us about the ebbs and flows of the *Globe*'s sourcing practices. For example, the high-water mark in terms of citations from "Hawk" sources was achieved in 1984, the year the Progressive Conservative Party was elected to government and first made it clear that deficit reduction would be one of its top priorities. The high-water mark for "*Doves* + Centres"

[154] The exceptions are in 1979, 1998 and 2003. It is not clear why Dove + Centre mentions would exceed Hawk mentions in these years.

**Figure 6-3**
Hawks Versus Doves + Centres in Fiscal Policy Discourse: Mentions by Category, 1978 - 2006




by contrast was achieved in 1994, or just after the Liberal Party was elected to government on a platform of jobs and only modest deficit reduction and when there was still a lack of consensus on the proper way forward within the party. In both cases, the number of citations falls off dramatically over the subsequent two years, although likely for different reasons. By 1986 for example, the deficit issue had faded from the Progressive Conservative policy agenda, whereas by 1995, it was abundantly clear that the Liberals intended to introduce a tough anti-deficit budget. From an agenda-setting perspective therefore, we might offer the tentative conclusion that the willingness to seek out sources, whether *Hawks*, *Doves* or something else, is *also* a function of the broader government policy agenda, especially in and around election periods where the line between rhetoric and what a government intends to do is unclear.

In the realm of monetary policy debates, we see an entirely different dynamic in the *Globe*'s sourcing practices that can be traced back to monetary policy's search for a policy pivot ("place to stand") following the end of Bretton Woods in the early 1970s and the stagflation that ensued. Out of this economic volatility and policy uncertainty, a vigorous debate arose *within the business community* about what constituted appropriate

monetary policy.[155] For the purposes of categorizing sources, the schism within business can be depicted as a debate between "Bay Street" (*Hawks*) and "Main Street" (small and medium sized businesses plus manufacturing, roughly akin to "Centre" as discussed earlier), with Bay Street *generally* supporting the Bank of Canada, even in its pursuit of such an ill-defined concept as "price stability," and "Main Street" *generally* critical of the Bank's pursuit of low inflation and price stability but rarely offering a compelling theoretically-based alternative. Above all, Main Street simply wanted the pain of high interest rates to stop. Outside of these circles, we can identify a third group of sources we can call "Heterodox" sources (roughly akin to the *Doves* as discussed earlier) because they offered a theoretically-grounded alternative to the "monetarist" views of Bay Street and the pragmatic views of Main Street.

Using these categorizations, Appendix C, Table 2 shows that these camps were more evenly split than in the fiscal policy realm, although again the Hawk community (i.e,. Bay Street) dominated by a fairly wide margin. In all, there were 140 "Bay Street" sources versus 26 "Main Street" sources and 19 "Heterodox" sources. The ratio of Bay Street to Main Street is therefore about 5:1 and the ratio of Bay Street to (Main Street plus Heterodox) about 3:1. Table 6-6 shows the same pattern when we look at the number of occurrences by category, suggesting, again, a more balanced debate within the pages of the *Globe* on monetary policy issues.

Table 6-6: Occurrences of Source Last Names by Category in Monetary Policy Discourse, 1978 – 2006

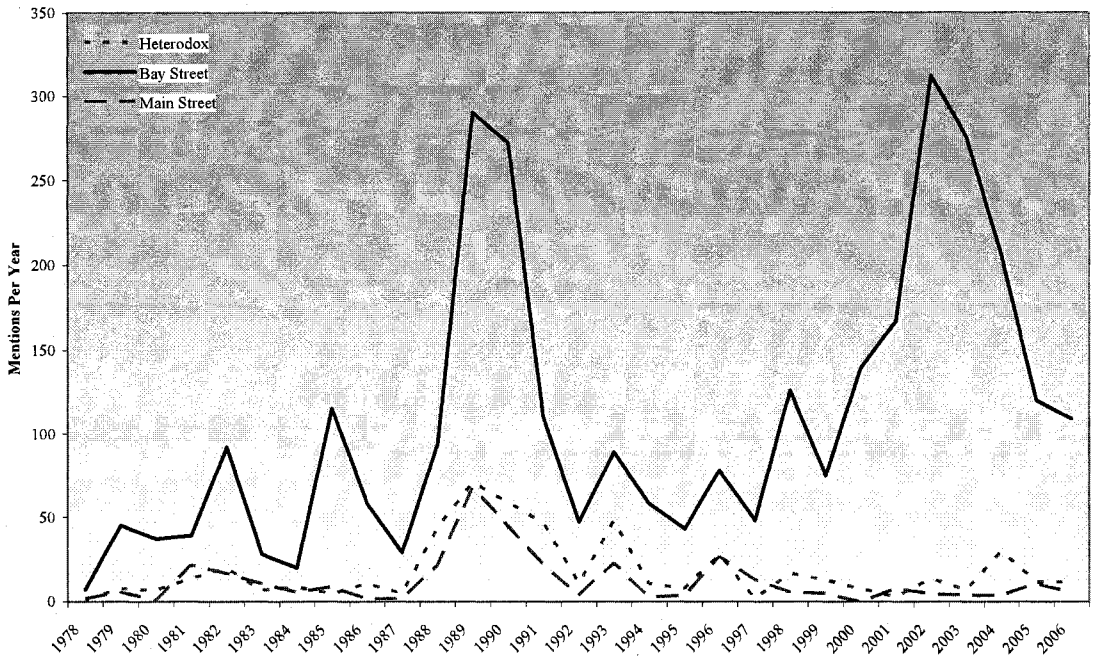
| | Occurrences of Source's Last Name | Percent of total occurrences, all names |
|---|---|---|
| **Category** | | |
| Heterodox | 532 | 13.24% |
| Main Street | 358 | 8.91% |
| Bay Street | 3129 | 77.86% |
| Total | 4019 | 100.00% |

**Source:** Author's calculations

[155] In a recent column (Corcoran 2007), *National Post* editor Terence Corcoran echoes this view, noting that Canada's "now-sacrosanct inflation targets" were not always popular among business leaders. Corcoran quotes Catherine Swift, head of the Canadian Federation of Independent Business (CFIB), as praising Dodge upon his retirement for taking "the punch bowl away just as the party was getting good and everybody was starting to have a good time" (a common metaphor used to describe inflation-targeting monetary policy) and contrasts this quotation with what she had said in the early 1990s, when she accused Crow of instituting a policy that "guaranteed that domestic business will be crippled" and noted that "When you kill an economy, one of the things you kill is inflation."

The time-series evidence depicted in Figure 6-4 supports this conclusion. It shows that Bay Street sources were consistently cited more frequently by the *Globe* than Main Street and Heterodox sources (separately and combined) but that the gaps in mentions were relatively small over the period through to 1997. Similarly, the figures show a rather strong correlation between the incidence of Bay Street citations versus

**Figure 6-4**
Bay Street Versus Main Street and Heterodox Views in Monetary Policy Discourse : Mentions by Category, 1978 - 2006




Main Street and Heterodox citations from about 1987, which is when John Crow became governor at the Bank of Canada and the number of citations for all categories spikes higher, through to 1996 and 1997, when economist Pierre Fortin[156] used his position as head of the Canadian Economics Association to argue (unsuccessfully) for a more inflation-tolerant view at the Bank of Canada.

In the late 1990s and especially after 1990s, the charts also show sharp increases in citations from Bay Street sources which I believe speaks to the depoliticization of monetary policy as a discretionary policy tool. By this point in time, alternative critical voices had been sidelined while "within convention" voices had plenty to talk about given the Asian financial crisis in 1997-1998, dollarization debates in the 1999 and 2000

[156] I classified Fortin as a "heterodox" viewpoint although many would argue he falls into the Main Street position.

period, the move to fixed announcment dates in late 2000, David Dodge's appointment as governor in 2001, and finally, the currency gyrations from 2001 through to today.

**CONCLUSION**

From this empirical analysis, we can identify several conclusions. First, we find strong evidence that the *Globe and Mail* has consciously targeted an increasingly elite, high-income audience. Second, we find some evidence that in the fiscal policy realm, the media agenda, with the *Globe* as a proxy, was largely set by government, another "elite" institution. The three major spikes in the *Globe*'s coverage correspond to the federal government's three major efforts, in rhetoric if not in substance, to eliminate the deficit. The period of tranquility following the 1995 budget however demonstrates how the real-world of *actual* deficit outcomes can exert considerable influence over the quantum of coverage, at least to the extent that the policy community and media use the appropriate (and I would argue, alarmist and inaccurate) interpretive lens. In other words, it appears that the policy community and the media are *at the ready* to sound the alarm over fiscal matters (and therefore buttress any government-lead campaign) whenever the broad fiscal trend shifts towards increasing deficits and rising debt-to-GDP ratios. In the 1980s and early 1990s, the broad trend was upwards despite a short reprieve in the mid-1980s. After 1995, the broad fiscal trend was downward and the media were correspondingly quiescent.

Turning to monetary policy, the media agenda seems again to be mostly a function of communicative efforts on the part of the Bank of Canada (with the Department of Finance playing a background role) with the "real-world" exerting influence only at extremes, i.e., periods of very high and very low inflation. The Bank of Canada's explicit and unrelenting pursuit of an ill-defined price stability target beginning in 1987, combined with Crow's acerbic personality, helped make inflation more of an issue than it otherwise would have been, a contention supported by the dissensus among elites over the zero inflation target and the corresponding increase in media attention. In the early going, the Bank was simply a "bad" communicator in the sense that its utterances or lack thereof created rather than dissipated negative media attention. The 1991 inflation-targeting regimes, combined with a fortuitous drop in inflation and nominal interest rates, almost immediately stitched together a tentative consensus, which

was briefly challenged in 1993 when the Liberal Party failed to re-appoint Crow as governor. Thiessen's clear signs of fealty to the inflation-targeting regime combined with his laid-back personality and a dramatically different political context smoothed over this difficult period and put the consensus on a firm footing in the form of convention. The seemingly sharp and somewhat permanent increase in coverage beginning in 2001 was due in part to the force of governor Dodge's personality and his considerable communicative abilities, in part to the permissiveness of "in-convention" debates.

That said, the worth of the sourcing evidence discussed in this section hinges, obviously, on the accuracy of sampling procedure employed to derive the corpus, the method used to identify the sources, and the always-subjective categorization rules used thereafter. Nevertheless, I think the evidence is compelling and intriguing for several reasons. First, the conspicuous absence of "everyday Canadian" voices speaks to the specialized nature of these discourses. They target a relatively narrow audience of Canadians who have the leisure time and interest to follow relatively difficult subject matters. These two discourse fields have been *largely* (but not altogether) immune to the human-interest stories that have come to dominate so much of the mainstream media's news coverage.

Second, it is also abundantly clear that "Hawk" voices in both fiscal and monetary policy ("Bay Street") dominated the *Globe*'s sourcing practices, a reflection I believe not only of the *Globe*'s economically conservative outlook but also of pragmatic day-to-day constraints imposed on journalists. With tight deadline pressures, day-to-day news reporting often means getting who you can when you can even if the resulting output is a good deal distant from what anyone might term "balanced." Given these constraints, I would expect, for example, that even though there might be some differences in the sourcing practices of a more left-leaning newspaper such as the *Toronto Star*, we would still observe a tendency for Hawk sources (as defined here) to dominate coverage relative to Dove and Centre sources.

The sourcing analysis also reveals some intriguing differences in the degree of consensus and dissensus on the issues of fiscal and monetary policy and the implications this had for the openness of the two discourses. In the fiscal policy realm, there was

virtual unanimity of opinion about the need for deficit reduction within the business community, leaving little rhetorical room for alternative Dove-based views. In monetary policy discourse however, opinion was more evenly (but far from perfectly) divided along Bay Street and Main Street lines, which in turn encouraged journalists to seek out alternative voices and in so doing, open up more rhetorical room for heterodox views. In some sense, we might say that "heterodox" views were able to piggy-back onto the schism within the business community.

On this last point, I think the sourcing evidence also suggests the crucial role played by political leadership. In the fiscal policy realm, the thrust of the agenda-setting pressure came from a mix of leadership voices in business, the Department of Finance, and some politicians (Michael Wilson in the Mulroney era; Paul Martin in the Chrétien era). In monetary policy, however, the thrust of the agenda-setting process emanated more singularly from the Bank of Canada, with governor John Crow driving the agenda forward with some assistance from Bay Street voices.

# CHAPTER 7: THE METAPHORS OF CONVENTION

In this chapter, I look at the metaphorical resources employed by *Globe* writers and their sources to drive home the paper's economically conservative agenda. The effects of this coverage are gauged in the next section of the study. The main argument in this chapter is that the metaphors employed by the *Globe* were an important rhetorical vehicle for creating and then sustaining support for Canada's fiscal and monetary policy conventions first among an elite class and then later and to a lesser extent, among the broader the Canadian public. Specifically, consensus and then convention was secured in part because the metaphors *highlighted* certain features and consequences of fiscal and monetary policy and downplayed others. In so doing, they also helped cement support for these policy conventions by making them conditions for appurtenance to an *elite* group comprised largely of men.

Along the way, I also find some evidence for two important and measurable hypotheses drawn from my brief review of Koller's work in Chapter 2. First, as Fairclough notes, dominant metaphors construct domains "in a way which helps to marginalize other constructions from the perspective of oppositional groups"(Fairclough 1995, pp. 71-72) We can therefore hypothesize a relative paucity of competing or alternative metaphors *and*, crucially, a relative paucity of news sources who might be inclined to use these alternative metaphors in the convention-forming process. Second, metaphoric activity is, according to Koller, an important indication of struggle over meaning. Quoting Kress, an important CDA theorist, she writes that "..metaphorical activity occurs at sites of difference, in struggles over power, ...whenever an attempt is made to assimilate an event into one ideological system rather than another" (Koller 2004, p. 28). From this, we can hypothesize that metaphoric activity in fiscal and monetary policy discourses should roughly correspond to the degree of consensus and dissensus over these issues.

A note on taxonomy before we go on. Following Koller and others, I use UPPERCASE notation when describing key generative (or productive) metaphoric concepts and *italics* to represent specific realizations of these metaphors (a lexeme).[157]

[157] In Koller's work and in this literature more generally, a distinction is often made between a lexeme and a lemma. The OED defines a lexeme as "a word-like grammatical form intermediate between morpheme

To illustrate, I find that MONETARY POLICY IS WAR is an important generative metaphor in my corpus. A specific realization of this metaphoric category from the *Globe and Mail* (Stewart-Patterson 1984) would be, for example, "Gerald Bouey has left no doubt that inflation is still the bank's No. 1 *enemy*."

**The Place of Economic Metaphors**

For the most part, the modern-day economics discipline holds firmly to a positivist methodology, one that ostensibly eschews any discussion or use of metaphors except in heuristic situations. Not surprisingly then, the field is rife with ill-understood and rarely acknowledged metaphors (McCloskey 1986, Gramm, 1996 #388) that exert a great deal of influence not only within the discipline but in the discipline's interactions with the polity, policy and media fields. In his study of economic metaphors, Gramm (1996, p. 147) provides some immediately recognizable examples: "*Invisible Hand*," *the marketplace of ideas," "the free lunch," "the safety net, " "the golden parachute," "the glass ceiling."* More generally, however, Gramm argues that we can identify four "political gradations" of economic metaphors, namely : (1) *Non or Apolitical metaphors* such as pie charts, accounting terminology, circular flow diagrams and the like; (2) *Politically indeterminate metaphors* such as the Wizard of Oz story for children (metaphor for Industrial East versus Agricultural West in the United States); (3) *Politically Direct metaphors* such as "trickle-down," "free lunch," and "war on inflation."; and (4) *Politically indirect metaphors*, of which there are two types, namely Primary (mechanical and 19th century Physics-based metaphors) and Secondary metaphors (organic metaphors).

Like Gramm, I want to focus most of my discussion on these last two categories, namely Politically Direct and Politically Indirect economic metaphors. Gramm argues that most politically direct metaphors relate in some way to what Ritchie (2003) might call a "superordinate" category of metaphors about conflicts over economic distribution and the government's role in the economy. These include for example metaphors such as "trickle-down, free lunch, and all-encompassing free market." According to Gramm, this superordinate class of distributional metaphors "... illustrate the use of economic

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and utterance, often identical with a word occurrence; while it deinfes a LEMMA as "a lexical item as it is presented, usu. in a standardized form, in a dictionary entry." I use the term lexeme exclusively.

metaphor as political apologetics, for the essence of these changes is reinforcement of the desirability (necessity, inevitability) of great inequality in income and wealth and the undesirability of government action in restraint of business" (Gramm 1996, p. 151). The MONETARY POLICY IS WAR category of metaphors explored below for example falls well within this larger superordinate category of metaphors, it being one of many that in the 1980s became, according to Gramm, substitutes "for action that would ameliorate the fundamental causes of these elements of social crises" (Gramm 1996, p. 152).[158]

Turning to politically indirect economic metaphors, Gramm points to another broad category of metaphors this time *within* the discourse of the economics discipline. Gramm calls this the "market equilibrium" category of metaphors and says it is an extension of one element of Smith's "INVISIBLE HAND" metaphors. For our purposes, the important point to retain is that, like politically direct economic metaphors, equilibrium metaphors are notable for their "disguised (subtle) apologetic role; their political-ideological function is overlaid with the prestigious aura of science" (Gramm 1996, p. 153). This category of metaphors includes for example metaphors about economic activity such as economic turning points, cycles, crises, depressions and stagflation, all of which tend to suggest that economic outcomes – who gets what and how – are "natural" occurrences beyond the ken of man and best studied by economists working in the positivist ("objectivist") tradition with the appropriate *long run* perspective. Short-run concerns about unemployment, poverty and inequality are just that – short run and best ignored lest attempts to "do good" lead to "bad" unintended consequences. By leaning on these equilibrium models, economists also however covertly import into the polity a functionalist, anti-lifeworld approach to thinking of human beings. As Gramm notes, "everyone and everything must have commodity status, must be a private good or service for sale in a market," a fact familiar to anyone who has had to speak in the fashionable language of "human capital" (1996, p. 153).

Contra these equilibrium metaphors, economists sometimes employ metaphors derived from the organic world but in a very peculiar way. To illustrate, in standard

[158] As an aside, notice how Gramm's argument reminds us of Habermas' argument in Legitimation Crisis (Gramm even uses the term "social crises" explicitly). From this perspective, we might even say that metaphoric language in the economic sphere is one of the tools used by the elite to secure consent from the governed or, from the more critical perspective of Abercrombie *et al*, to secure consent and cohesion within a potentially fractured elite class.

economic growth theory and, for that matter, in most labour economic theory, workers – truckers, professors, carpenters, the whole gamut of human professions, for example are treated as undifferentiated and divisible labour with the same supply and demand curves similar in principle to those of commodities such as gold, silver, wheat and so on. One unit of labour here is the same as one unit of labour there, just as one ounce of gold in Vancouver is the same as one ounce of gold in Halifax. In monetary policy, economists talk about the "natural" rate of unemployment as a fixed constant, as if human societies were some static entity. And so on. In other words, organic metaphors are almost never organic in a fulsome, evolutionary sense of the term. Economists use them because they have to. The language is unavoidable. At the same time, the use of these organic terms, like supposedly "dead metaphors," carry some convenient often apologetic baggage. To all but those most immersed in the discipline, "Labour" or "L" conjures up images of truckers, plumbers, factory workers and the like even if the *theory* and the mathematical applications derived thereby demand otherwise. To all but those most deeply immersed in the profession, the notion of "natural" does not imply a fixed any*thing* but rather an evolving, breathing, growing, system of often unpredictable inter-relationships. In using these terms in discourse, we carry around these *other* more intuitively appealing and grounded meanings even if in practice, in actual policy (and theory) applications, these other meanings are often lost from sight with devastating consequences: a natural rate of unemployment becomes a hard and fast boundary that monetary policy must respect instead of a flexible shifting target that policy can influence. Lastly, I would argue that in some cases, the use of organic metaphors in economics, especially those relating to the human body and the medical profession, suggest a degree of control and understanding about the economy that is at best fantasy at worst, policy prescription. As I show below, the metaphoric category "INFLATION IS A DISEASE" fits well with this category.

Coming at the question of metaphors in economics from the perspective of Canada's turn to fiscal restraint, Thomas Workman argues that the fiscal policy discourse rendered the discourse "sensible" by employing language that drew on three features of our shared cultural heritage, namely that (a) *History is the story of steady progress*: The dominant fiscal discourse, which drew heavily on disease metaphors, suggested the deficit/debt discourse represented a setback to this progress; (b) *Patriarchal*

*consciousness:*[159] The dominant fiscal discourse leaned heavily on ideas of (i) courage; (ii) fear about the loss of control; (iii) abstract representations of fiscal policy and productive life; (iv) ideas of reasonableness and (v) the voice of authority; and (c) *Personal finance constraints:* The dominant fiscal discourse drew heavily (and inappropriately) on ideas of self-reliance and especially the individual's experience with debt through mortgages and credit cards.

**The Process of Identifying Metaphor Categories**

With these points in mind, the metaphor categories and lexemes discussed below were initially identified by carefully reading through more than 2300 articles drawn from ***a different and earlier*** set of samples than the ones discussed in the previous chapter. These earlier samples differ in four ways, each of which merits a brief discussion. First, the earlier samples were put together using keyword searches of both *Globe* **and** *Toronto Star* content.[160] Second, they separated out editorial and non-editorial content by using different sets of keyword combinations. As indicated in the previous chapter, I eventually abandoned this effort because I became convinced that it was the *combined* effect of all content that matters in terms of achieving consensus and then convention. Third, these earlier samples imposed restrictions on the size of items yielded by the search terms. Specifically, they only yielded monetary policy news items with more than 500 words and editorials items with more than 75 words. The purpose of this criterion was to focus the search on the most relevant content and avoid short mentions in news indices and so on.

Fourth and finally, the earlier fiscal policy samples were derived using searches that included the term "fiscal policy" because I believed at the time that it was important to strive for symmetry between fiscal and monetary policy search terms. I subsequently

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[159] In her detailed analysis of business news coverage, Koller similarly identifies a strong *patriarchal* undercurrent.

[160] The *Toronto Star* was included in these earlier sampling efforts for two reasons. First, I wanted to see if there were any substantial differences in coverage between the economically-conservative *Globe and Mail* and the *Toronto Star*, which has traditionally been a more liberal (big "L" and in many respects small "l) newspaper. Second, if any such differences existed I wanted to observe how and if they changed over time in parallel with the Liberal Party's move to economic conservatism in the mid-1990s. While I still think such an analysis would be useful, I had to abandon this work because of problems with *Factiva*'s *Toronto Star* content (the first paragraph of every item in the *Factiva* database over a period from roughly 1986 through to the mid 1990s was missing). As of the December 2007, *Factiva* had yet to fix the problem.

abandoned this effort in light of the evidence, discussed in the previous chapter, which showed how the term "fiscal policy" fell out of favour over time. On this point, while the inclusion of the term "fiscal policy" alters the results relative to those discussed in the previous chapter, it is also important to recognize that (a) these earlier searches were only used to identify key metaphoric categories, not for empirical analysis *per se*; and (b) apart from the word count criterion, the monetary policy searches are essentially identical to the narrow and broad searches discussed in the previous chapter. Table 8-1 shows the keyword searches and results from these earlier samples.

**Table 8-1:** Search Strings Used to Derive Sample for Identifying Metaphoric Categories and Sources

| | Search String | Globe Hits | Star Hits |
|---|---|---|---|
| Monetary Policy News | rst=xxx not ns=NEDI and "monetary policy" and "Bank of Canada" and interest rate* and ("Gerald Bouey" or "John Crow or "Gordon Thiessen" or "David Dodge") and wc > 500 | 607 | 300 |
| Monetary Policy Editorials | rst=xxxx and ns= NEDI and ("Gerald Bouey" or "John Crow" or "Gordon Thiessen" or "David Dodge") and governor and wc > 75 | 95 | 62 |
| Fiscal Policy News | rst=xxx not ns=NEDI and "fiscal policy" and (federal or ottawa) and (deficit* or surplus*) | 801 | 211 |
| Fiscal Policy Editorials | rst=xxx and ns=nedi and HD=(deficit* or debt*) | 146 | 86 |

***Notes***

1. Data searches begin on November 14, 1977 for the *Globe and Mail*; January 1, 1986 for the *Toronto Star;* and extend through to December 30, 2006.
2. RST is the command used to specify the source. For the *Globe and Mail*, the code is GLOB; for the *Toronto Star*, the code is TOR.
3. NEDI refers to editorials; by adding the logical operator "NOT," editorials are excluded from the sample.

## The Process of Visually Depicting Metaphor Categories

After having identified several important categories of metaphor and their respective lexemes, the next challenge was to depict these data in an efficient way. To accomplish this task, I constructed "concept maps" for each of the main categories of metaphors (see Appendix D). These maps are based on the same cognitive theory of human learning that underpins Koller's marriage of cognitive theory and CDA. In other words, they start from the premise that certain "concepts" are more firmly rooted in the human mind than others and that the creative process is one which often involves using these more firmly-rooted concepts as "input" for the production (blending) of new metaphoric sets to make new fields of discourse meaningful and intelligible. Concept

maps are designed to "depict" these input and output spaces efficiently, thereby easing the learning process.

The maps were constructed using shareware software called CmapTools. This program comes with ample documentation which, among other things, advises the user to come up with a key orienting question. For each set of metaphoric categories therefore, the question I used answered to the following question: "What *key* metaphoric concepts were used to describe the metaphoric category MONETARY POLICY IS X or FISCAL POLICY IS X. " In the case of WAR metaphors for example, the orienting question for monetary policy is : "What key metaphoric concepts were used to describe the metaphoric category MONETARY POLICY IS WAR." In order to pack as much information into each map as possible, I employed several techniques that should be understood before attempting to read these maps:

- ☐ **Colour coding:** The lexemes for each metaphor category are in purple unless otherwise indicated; the target domain, i.e., key orienting but non-metaphoric concepts, are in pale blue; oppositional metaphors, those used by economic policy Doves for example, are in dark blue.
- ☐ **Arrowheads Direction:** arrowheads are used *almost* exclusively when abutting on a lexeme. The only time they are used on a linking phrase is when the linking concept is the verb form (lexeme) of a metaphor ;
- ☐ **Line type:** different line types denote the frequency of the metaphor as quantified using the NARROW samples discussed in the previous chapter. Generally speaking, metaphor usage is "bunched" at quite small frequencies and very large frequencies. Metaphors with fewer than 10 mentions across the narrow sample are indicated by thin doted lines; Metaphors with between 10 and 50 mentions are indicated by thin solid lines. Metaphors with between 50 and 100 mentions are indicated by a thick dotted line, while metaphors with 100 or more mentions are indicated by a thick solid line. To keep the task manageable, the maps are generally constructed using only the most frequent metaphors although in some instances, low-frequency metaphors are included if they are strongly suggestive of the underlying conceptual model.
- ☐ **Typical Usage**: unless otherwise noted here in the body of the text, the linking phrases are designed to illustrate the most *typical* or meaningful uses of the metaphors, not the variegate uses of the metaphor which actually abound in the corpus. The focus on typical usage is based simply on efficiency considerations – the maps would quickly become cluttered if all the usages were mapped. Again, the overall purpose is to provide a *sense* of the frequency and overall structure of the concept map, not to depict with 100% fidelity the underlying data.

**The Metaphors of Monetary Policy**

Monetary policy is an inherently difficult subject to grasp let alone communicate. It is no exaggeration to say that academics have devoted careers to defining money and explaining the intricacies of monetary policy. The journalist's communications task is therefore a difficult one and all the more so because modern monetary policy is less about managing pieces of coin and bits of paper than it is about setting the price of money (i.e., interest rates), a distinction that very few journalists and a good deal of academics failed to appreciate until relatively recently.

Examination of the *Globe*'s monetary policy content suggests that journalists have leaned on a relatively narrow range of metaphors to communicate the "essence" of monetary policy, at least as popularly, if sometimes erroneously, understood. Specifically, I have identified five broad categories of metaphors which following Koller, we may call a *cluster* because they often interact either implicitly or explicitly.

**i. MONETARY POLICY IS WAR: The Language of Class Warfare (1)**

The concept map for MONETARY POLICY IS WAR can be read as comprising two pieces. The first piece, flowing down and slightly sideways from the orienting term "Bank of Canada" depicts some of the war metaphors used to describe (a) the *disposition* of the Bank of Canada towards inflation; (b) the *nature* of the Bank's main policy tool (effective control over short-term interest rates); and (c) the *consequences* of monetary policy in "wartime." The second piece, flowing down from the orienting concept "Inflation," depicts some of the war metaphors used to describe inflation.

The picture painted by this concept map is a violent one: The Bank of Canada *targets, combats, fights, battles* and *defends* against inflation which is perceived as an *entrenched enemy* and a *threat* that must be *tackled, defeated, beaten, vanquished*, and *resisted* using interest rates as an *arsenal, weapon*, and *unguided missile* despite the potential for *casualties* and a *body count*. Fortunately, the Bank was *victorious* in its *campaign* against inflation in the early 1990s, leaving it more room to *manoeuvre* in the years to come.

What are we to make of the use of war metaphors in the monetary policy discourse? Koller's work suggests we should not be overly surprised by the presence of war metaphors in a discourse that falls under the category of "business news" and whose audience therefore tends to be overwhelmingly male. According to Koller, one of the

most important effects of war metaphors is to build cohesion among this predominantly male business audience while implicitly excluding women who, she argues, tend to favour more consensus-oriented metaphors built around concepts such as *marriage, relationships, negotiation* or *dancing*:

> Following the view that metaphor influences perception, using a well-established dominant metaphor helps to cement accepted models that are usually in the interest of a dominant group. The WAR metaphor proves this point: since war has long been, and still is to a large extent a male activity, the metaphoric view of business as war is highly masculinised and, when used in discourse, helps maintain business as a male-dominated domain, thus building relationships between members of an in-group while at the same time excluding members of the respective out-group (Koller 2004, p. 32).

That said, it strikes me that the use of WAR metaphors in monetary policy discourse is more readily understood from a class perspective. The gender perspective fits more neatly with disciplinary metaphors, which are discussed in a moment. While there are several competing theories of inflation, one of the most popular and enduring attributes inflation to excessive wage demands from workers and unions in particular. Even in today's environment of strategic central bank communications, the Bank of Canada's main theory of inflation is one that ultimately places a great deal of weight on workers, with inflation attributed to economic growth in excess of capacity and where the unemployment rate and hence labour bargaining power over the distribution of income are used implicitly and explicitly as measures of capacity. The Bank's reticence to talk about the unemployment side of its measure of "capacity" is one indication of its rhetorical importance – the Bank understands the political risks of talking about some kind of hard and fast floor for the unemployment rate but at the same time, its models are constructed at least in part on precisely this kind of reasoning. From this perspective, we might say that "inflation" is a euphemism for the word "labour," "workers" or "unions." Substituting any of these words for inflation in the concept map is revealing: we see for example that the Bank of Canada was *victorious* in its *war* against workers in the early 1990s. Labour was the *enemy*. Unions were *entrenched*. The Bank had to *defend* against worker demands for wage increases. Interest rates were the main *weapon* in this *fight* against labour and unions.

For the most part of course, *Globe* writers and sources do not explicitly talk about workers and labour in this way – one of the attributes of war metaphors is that they provide ready-made euphemisms that can be used to talk about victims in a relatively muted way, i.e., without encouraging too much imageability and concreteness. We are familiar for example with the use of terms such as "collateral damage," "casualties," and "targets" as euphemisms for civilian death. We find examples of these euphemistic metaphors, albeit not in great abundance, in the monetary policy corpus. In a 2001 column about a recent Bank of Canada's decision to lower its target for the overnight rate for example, *Globe* columnist Brian Milner quotes Sherry Cooper, chief economist with BMO Nesbitt Burns and a frequent contributor to economic debates, as describing the central bank's action as "an effort to minimize collateral damage to Canada's expansion," by which she means of course job losses and declining economic activity (Milner 2001). Going back 20 years to 1981, in the midst of a recession and high interest rates, another Globe columnist, Ronald Anderson, urged then governor Gerald Bouey to stay the course on monetary policy because "the bank cannot allow sympathy for the *casualties* of high interest rates to lead it into adopting policies that, in the end, would do more harm than good" (Anderson 1981). Anderson of course never paints a fulsome picture of these "accidents of war." We never learn their names, see their faces, or hear their stories. We do learn, however, that their interests and ours are best served by some short term pain in the name of long-term gain ("...in the end"), an example of how the larger politically indirect "equilibrium" metaphor from the economics discipline works its way into less academic forms of economic discourse.

The WAR category of metaphor can *also* however provide dramatic, highly imageable metaphors that have the potential to destabilize any consensus *cum* convention process. These alternative uncontested uses, however, appear infrequently in the corpus and in any case, are usually somehow neutralized. Consider the following example. In July 1990, about a year before the Bank formerly adopted inflation targeting, *Globe* reporter James Rusk wrote a feature published on the front page of the *Globe*'s business section that looked at academic arguments for and against the Bank of Canada's pursuit of price stability. Characteristically for that period, the story personalized monetary policy by focusing largely on then-governor John Crow rather

than on the Bank *per se*. Rusk writes that if the gains from low inflation do not outweigh the hardships imposed, history will judge then-governor Crow as a man who raised "the *body count* on whole sections of the economy in a futile effort to win a *war* with a misguided *strategy*." The *body count* metaphor is of course a fairly vivid one that is seemingly buttressed by the feature's two opening paragraphs, which set up the story explicitly in terms of another potentially vivid and now familiar set of WAR metaphors around the Vietnam War:

> To John Crow's supporters, the Bank of Canada governor is a lonely warrior standing between Canada and economic madness. But to a vocal band of critics, many of them professional economists, he is fighting inflation as U.S. General William Westmoreland fought the North Vietnamese. Just as Gen. Westmoreland's tactics, based on a military strategy learned in Korea and Europe, failed in different terrain against a different enemy, so Mr. Crow is waging war with a battle plan from earlier conflicts, the critics say (Rusk 1990).

These potentially powerful metaphors – *body counts* and *Vietnam* – however are not exploited, at least not in any critical way. We learn nothing of the *people* who *are* the *body count* and who *are* roughly analogous to the civilians who died in Vietnam. Rather, Rusk uses the war metaphor as a way into a discussion about strategy and tactics among competing economic theorists. Whereas the metaphors offer the *potential* to reveal one important dimension of monetary policy (distributional struggles), they end up reinforcing the anonymity of the war's victims. We need not worry so much about the *body count per se* as much as we need worry about the war as an event and the best way to fight it.

In short, the MONETARY POLICY IS WAR category of metaphors works roughly the way Gramm suggested, namely as apologetics for the ills caused by the actions of policymakers, in this case the Bank of Canada. This category of metaphor is a crucial resource in the depoliticization of monetary policy and, as we will see, fiscal policy. When combined with the disciplinary discourse of INFLATION IS A SIREN'S SONG, it also however, helps account for some of the group cohesion among elite men that we find in the opinion polling data analyzed in a later chapter.

### ii. INFLATION IS A SIREN'S SONG : The Language of Discipline

The concept map for INFLATION IS A SIREN'S SONG is built around the "Bank of Canada" as the orienting concept. It shows a mostly uniform layer of

disciplinary lexemes but unlike MONETARY POLICY IS WAR, some of these are critical in nature, a signal to the sometimes contentious nature of monetary policy within the elite community. Generally speaking, the map shows how the Bank is called upon to resist the Sirens' song by *staying the course* despite the entrancing allure of inflation as sung by the Bank's critics in the manufacturing sector, the labour unions and certain elements of the political class, especially provincial politicians. The Bank must *show resolve* and turn a *blind eye* to its victims. It must demonstrate *perseverance, determination, steadfastness, firmness* while being *tough*, *strict*, and *tight-fisted* with its control over the money supply. The Bank, it is said, must not *waver* or *let up* in its efforts to *restrict* the money supply. It must do all this lest it, like the fabled sailors in the allegory, be lead (and lead others) to its demise.

It is noteworthy that in all these instances, the language of discipline is used approvingly. There is no trace of irony, doubt, or note of concern about the language of discipline in the application of this metaphor. In fact, in most instances, the disciplinary language of INFLATION IS A SIREN'S SONG is used in a way that strikes the (critically minded) reader as lacking any self-conscious understanding at all. It seems very much like a case where language speaks through the writer rather than emerging through some form of conscious human agency. Consider this example from a 1981 column by *Globe* columnist Ronald Anderson (lexemes in italics, as usual):

> There should be little doubt, after his blunt comments in Moose Jaw on Wednesday, about the *determination* of Bank of Canada governor Gerald Bouey to wage a *hard* and *unrelenting* fight against inflation (Anderson 1981).

Or this news story from April 1991, just after the Bank and the Department of Finance formally agreed to specific inflation targets:

> Yesterday, Mr. Crow repeatedly hammered home his *determination* not to *waver* from the inflation targets he announced in the wake of the February federal budget: a CPI increase of 3 per cent by the end of 1992, 2.5 per cent by mid-1994 and 2 per cent by the end of 1995 (Lush 1991).

The muscular language, the "maleness" of waging a determined, hard and unrelenting fight, jumps off the page. The writers in both cases, one male (the 1981 piece), one female (the 1991 piece), seem to be channelling Mr. Crow's well-known penchant for

tough combative language, a penchant that will become more obvious in a moment when I look at some of the adjectives used to describe him and his governorship.

Of course, as with MONETARY POLICY IS WAR, this un-self conscious use of the INFLATION IS A SIREN'S SONG metaphor is sometimes used in a quite self-conscious way, a practice that signals its pervasiveness in the discourse. We might even say that the self-conscious use of the metaphor is ironic in the sense that it plays off an underlying feature of the discourse that is latent but often not recognized, much like the comic plays off what we all know to be true but rarely verbalize. Consider the following example of a more self-conscious use of the Siren metaphor. It is March 1990, the economy is slipping into a recession and a protracted period of slow growth. Bank of Canada governor John Crow is enduring sharp criticism from labour, many in the political class but also elements of the business community that would normally be on side. The *Globe* editorial board pens an editorial titled "Lashed to the economic mast" whose opening paragraph gives the INFLATION IS A SIREN'S SONG metaphor a workout:

> The siren voices sing of easier ways, but John Crow will not be lured off-course. As governor of the Bank of Canada for the past three years, he is familiar with the songbook of painless policies, easy money and fast fixes, and he knows the lyrics to be romantically appealing(Globe and Mail Editorial 1990).

This explicit use of the Siren's song metaphor makes clear the link between discipline and gender. After all, the *Odyssey*'s Sirens are female figures and the sailors are men who must *resist* (a key lexeme in this class of metaphor) the entrancing emotive music played by the temptresses in the provincial capitals, the labour unions and squeamish sectors of the business sector. As Workman (Workman 1996, p. 56) notes in the context of fiscal policy:

> A series of simple dichotomies corresponding to human qualities or traits were assigned over time in the West and elsewhere to the ideas of man and woman. Man became associated with mind, woman with body; man with reason, woman with emotion, man with thought; woman with intuition; masculinity with the public sphere, femininity with the private sphere; the masculine with the political, the feminine with the personal, and so on.

What Workman says of fiscal discourse is also true of monetary policy discourse: the language of discipline (*courage, resolve, steadfastness, control, fortitude*) speaks to the masculine side of this dichotomy.

As I suggested earlier, the INFLATION IS A SIREN'S SONG also has ties to the MONETARY POLICY IS WAR category of metaphors because the Bank of Canada's job can be likened to that of a general who must set aside feelings for the daily tragedies of WAR while keeping a firm and steady eye on the larger strategic, long-run picture. The Anderson citation from a moment ago ("*...determination* of Bank of Canada governor Gerald Bouey to wage a hard and unrelenting *fight* against inflation : *determination* → *fight*) explicitly links these two classes of metaphor together. As I show next, this same disciplinary approach is also evident in MONETARY VARIABLES ARE LIQUIDS, a class of metaphors that perhaps incidentally, perhaps not, plays well with the naval theme implicit in the INFLATION IS A SIREN'S SONG metaphors.

Finally, it is important to remember that there are instances where the category of disciplinary metaphors turns on itself, as the dark blue concepts in the map show. In the late 1980s, there were few more staunch or reliable supporters of John Crow's vague price stability objective and disciplinarian ways than *Globe* columnist Peter Cook. In December 1989, for example, he wrote sympathetically that "no one should doubt the governor's *determination* to hold firm and *stay the course*," placing the blame for Canada's weakening economy, currency gyrations and signs of inflation on profligate fiscal policy ("The real debate should not be about the Crow credit squeeze, but about the level of government this country can afford") (Cook 1989). In early 1990, however, as it became increasingly clear to everyone that Canada was either in or about to enter a recession, Cook wrote that the debate about monetary policy "is not one of arrogance. It is whether, under present circumstances, the bank is guilty of blind arrogance" (Cook 1990). A year later, *determination to stay the course* had morphed into *inflexibility*:

> Recessions are a colossal waste. They are also unavoidable. Few economists would dispute the general appropriateness of Bank of Canada policy (even if they despair at the inappropriateness of federal and provincial fiscal policy). But this appropriateness could have been applied in a way that made the recession less colossally wasteful. On that score, an *inflexible* central bank has a lot to answer for (Cook 1991).

It is perhaps not altogether surprising that a writer such as Cook, for so long a staunch supporter of Crow and himself a *muscular* user of Siren Song (and war) metaphors, is one of the more effective at turning the metaphor around and using it in an altogether critical way.

### iii. MONETARY VARIABLES ARE LIQUIDS: The Language of Theory

Liquidity metaphors dominate technical discussions of monetary policy. Keynes, for example, made *liquidity* preference, i.e., the desire to hoard fungible money in times of economic difficulty and fundamental uncertainty, a cornerstone of his theoretical work. The Bank of Canada is believed to exercise control over the *taps* which control the supply of *liquidity* (money) and economic textbooks routinely use *bath-tub* analogies and circular *flow* diagrams to explain the *flow* of money through the economy. The concept map for this class of metaphor shows a range of liquid-based metaphors that are immediately familiar to anyone who follows monetary policy discourse: the Bank of Canada increases the money supply by *injecting liquidity* into the market; inflation is *wrung* or *squeezed* out of the economy; inflation can *evaporate*; exchange rates *float* in the international market; interest rates and the exchange rate can *dive, plunge* or *drift*, all because of the sudden movement of animal spirits (another popular economic metaphor); interest rates can *shore up* or *dampen* the economy and/or inflation. For the most part, these metaphors are utilitarian, doing their scientific duty and little else.[161]

The consensus and convention building effects of this class of metaphor only really occur when writers inflect these metaphors with a more disciplinary focus. Thus, as the right-hand side of the concept map shows, the governor is likened to a *pilot* said to be at the *helm* of the Bank of Canada which is characterized as a *ship* that must *stay the course* with its price stability and inflation targeting objectives. The over-riding effect is to create the impression of a Bank of Canada that is more or less *in control*, that understands the flighty nature of animal spirits and their tendency to create *stormy seas* of liquidity that *slosh* around global markets. Crucially, it achieves its policy objectives by *anchoring* expectations – where animal spirits express themselves – to its inflation target,

[161] Even heterodox economists tend to rely on liquidity metaphors to discuss exchange rates and flows of money, although arguably this metaphor class does a disservice to the important analytical insights of endogenous monetary theorists who emphasize the *ex nihilo* creation and destruction of money (how does one create water *ex nihilo* and, moreover, how does one *destroy* or *erase* water?).

a metaphor that speaks explicitly to the Bank's communicative function and which can be loosely translated as: "the Bank's job is to persuade everyone that it exercises the control that it claims it does." We are, in other words, very much in *Wizard of Oz* territory and the liquid *cum* navigation metaphors are, to stretch my own analogy, the yellow brick road.[162]

### iv. MONETARY POLICY IS LIKE DRIVING A CAR: The Language of Technocratic Control

In the metaphor category MONETARY POLICY IS LIKE DRIVING A CAR, the Bank of Canada governor is likened to a *driver* with deputy governors *in the back seat* and equipped with an *accelerator*, *gas pedal,* and *brake* which he can *hit, pump, slam, take his food off of, step on, stomp, pull back on, sometimes push too hard,* and *sometimes not find* as he tries to *steer* the *car* (i.e., economy – more on this in a moment). The *car* is preferably in *neutral* but sometime *overheats*, *stalls*, *decelerates*, and *malfunctions*, especially when the driver is using an *inaccurate speedometer, defective windshield*, or *driving* through *the rear-view mirror*. The currency is characterized as a *shock absorber*, which cushions the economy from the worst effects of global economic change, while the governor is also likened to a mechanic who has the capacity to *grease* the *wheels* or *lubricate* the car with monetary liquidity.

At first glance, the MONETARY POLICY IS LIKE DRIVING A CAR class of metaphors seems to suggest that the Bank can dictate any economic outcome it wants, i.e., drive the car down whichever road it chooses. This understanding however is at odds with the fact that automotive metaphors were favoured by both Crow and Thiessen and yet neither wanted anyone to think that the Bank could "dial in" any economic outcome it wanted. In fact, the Bank worked hard to limit the natural inclination to draw a link between "car" and "the economy," preferring instead to liken the "car" to "inflation." They also played up the imprecision of their instrument panel, using qualifiers such as *inaccurate* to describe the *speedometer*, *defective* to describe the *windshield* and *rear-view mirror* to describe the way the Bank works from history to predict the future. In May 1989, for example, the Canadian Press filed a story published

[162] I use this analogy advisedly because as Gramm points out, the Wizard of Oz is an allegory for 19th century debates about the appropriate (gold or silver) monetary standard. "Oz" for example is short for ounce as in "gold ounce." "Yellow brick" road draws from the same metaphoric well.

in the *Globe* which lead off as follows: "John Crow, governor of the Bank of Canada, likens setting monetary policy to 'driving in a rainstorm with defective windshield wipers. It can be done, but only very carefully,' Mr. Crow said..." (Canadian Press 1989) During his tenure, Thiessen also frequently employed the same metaphor, as in this example from a 1994 speech reproduced in part in the *Globe*:

> I liken inflation control to steering a car. Just because you are pleased with your progress and the direction you are heading does not mean you can stop steering the car and divert your attention elsewhere. In other words, we must continue to build confidence by keeping inflation inside our inflation-control targets and remaining constant in our commitment to the achievement of price stability (Thiessen 1994).

Or this example from 1999:

> 'It's (monetary policy is) like driving a car,' Mr. Thiessen said. 'If you drive really rapidly, you may get to where you want to go more quickly but you may also have an accident. And so it is much better to drive at a safe speed, get to where you want to go and make sure you continue to drive tomorrow,' Mr. Thiessen told a news conference (McCarthy and Stinson 1999).

If, as many have pointed out, cars have come to symbolize a sense of control and freedom in Western society, why risk using this powerful metaphor? After all, caveats and hedging would hardly seem to dispel the influence of this deep cultural legacy. For the answer, I think we need to remember that the main audience for monetary policy news is a relatively small segment of the population, i.e., the *elite*. In this audience, we find various communities – policy makers, politicians, some journalists but also, crucially, the Bay Street and Main Street divide I spoke of in the previous chapter. The automotive metaphor, appropriately hedged, *speaks* to both audiences. To see why, it is important to recognize that Business reporting is rife with car metaphors and, for the most part, these relate to economic activity, not inflation: "exports drive economic growth," "wages fuel consumption," "economies overheat, decelerate, and stall," the currency acts a "shock absorber" for the economy, and so on. These commonplace usages of the car metaphor bleed into the MONETARY POLICY IS LIKE DRIVING A CAR category of metaphors, carrying with them the same car = economy relationship that is so important to the Main Street audience. The Bay Street audience, for its part, is placated by the Bank's assurances that actually, the metaphor is intended to be interpreted

as car = inflation. Meanwhile, both audiences are placated with the impression that the Bank of Canada is in *control* but, of course, not too much in control.

### v. INFLATION IS A DISEASE: The Cure for What Ails Convention

The last category of monetary policy metaphor I want to discuss works on two levels. First, like MONETARY POLICY IS WAR, it attributes a "bad" to inflation. Disease is contagious. Disease is dirty. Disease kills. Second, INFLATION IS LIKE A DISEASE metaphors play on both the *traditional* view of medicine and doctors as demi-gods who are emblematic of the steady progress of history and the late modernity scepticism about the actual competency of the medical profession and science more generally.

Reading from the bottom of the concept map, we see that inflation is a *disease* that is *contracted* by the Canadian economy, which as a *sick patient* in the early to mid 1980s was *convalescing* from an inflation *fever*. The Bank of Canada is likened to a doctor that knowledgeably *administers doses* of interest rate policy which are like *medicine* and *tourniquets*. The metaphor even extends to obesity discourse (analogized as a disease), with inflation likened to a *bad habit* and an *addiction* best *cured* not through faddish diets but by changing habits. We even enter the realm of communications and psychology when the *Globe* writers suggest that calmness and consistency are the best *antidote* to the frenzied financial markets worried about the inflation disease.

Like the other metaphor categories, there is potential for the disease metaphor to be used in a more critical way, playing on some of our late-modernity scepticism about the medical profession. The Bank is accused for example by some detractors of *bloodletting* the manufacturing sector and administering *enemas* to the economy to achieve its inflationary goals. Low inflation is *symptomatic* of a weak Canadian economy. From this vantage point, it is instructive to extend the INFLATION IS A DISEASE metaphor for our own analytical purposes. That is, we might say that like the (late) modern day doctor,[163] the Bank of Canada has since Gordon Thiessen learned the importance of actively listening to its patients (i.e., so-called "stakeholders" in policy

[163] Thompson (Thompson 1996 for example analyzes a doctor-patient exchange using Functional Grammar from this perspective) for example analyzes a doctor-patient exchange using Functional Grammar from this perspective.

circles or "clients" in the new medical discourse) both for the patient's sense of agency in the medical process but also because the act of listening can play a role in "curing" a patient (the Canadian economy) of their ills, a sort of placebo effect if you will.

### vi. The Governors Speak: The Signs of Convention

I want to very briefly discuss a concept map which shows some of the adjectives used to describe the last three governors of the Bank of Canada. The most striking aspect of the map is of course the very large number of disciplinary and gendered (male) adjectives used to describe John Crow. John Crow was the medical doctor of yore: sure of himself, impatient with ill-informed questions from his patients, and not much into chit-chat. He was a "real" man, with *cojones*, a *disciplined, austere,* and *aloof autocrat.* It is hard to find anyone with a nice thing to say about Mr. Crow in the corpus but one gets the sense that Mr. Crow did not want to be liked so much as admired and on that count, he was largely successful, at least in the business community.

By contrast, Gordon Thiessen appears almost meek not only because of the relative paucity of vigorous adjectives attributed to his name but also because the few there were tended to emphasize his folksy, smiling and friendly demeanour, a tribute to his reputation as a good Saskatchewan boy but also I would argue his emphasis on making the Bank more friendly and open to the world and the growing power of the underlying convention. He was the new face of medicine.

David Dodge looks to be somewhere between these two extremes, frequently depicted a *jedi master* and *voluble* man of policy who is like a *coach* to the government's economic team, espousing opinions on topics that seem relatively distant from the concerns of monetary policy proper. He is also depicted frequently as someone who has risen through the bureaucratic ranks in a most unusual way by being a *refreshingly candid straight-talker.* David Dodge is the man who built on Thiessen's legacy, nailing down the Bank's independence, the inflation-targeting convention and carving a larger role for the Bank in the Ottawa policy constellation.

How can we interpret this sharp decline in metaphoric and adjectival activity around the figure of the central bank governor? In the era of central bank secrecy, journalists were left to their own devices to interpret central bank actions. More often then not, especially if they were aiming their writing at a general audience, they tended to

personalize monetary policy, focusing attention on the Bank of Canada governor as the embodiment of all that was right or wrong with monetary policy and the economy more generally; detailed coverage of the actual practice of monetary policy, when it occurred, was relegated to the thickets of the business page.

By the late 1990s, monetary policy had become so depoliticized that the governor was rarely acclaimed or blamed for economic outcomes; the focus being squarely on the direction of the latest change (or non-change) in the target for the overnight interest rate. The "Bank of Canada" had replaced "the governor" as the agent of change and the debate had been narrowed to one focused purely on assessing the pros and cons of the latest interest rate adjustment, not the overall aims of monetary policy. This outcome was precisely the one aimed for when the Bank moved decision making powers to a committee of deputy governors and away from the sole discretion of the governor.

**vii. Technologization of Discourse Metaphors**

Turning finally to a concept map I have entitled COMMUNICATIONS METAPHORS, I have identified some of the metaphors that were used to describe what is known as the "old bank," prior to Gordon Thiessen. In this period, the Bank was described as a *cloistered, prudent, staid, esoteric, secretive and mysterious* institution, a reflection of course of the Bank's quite purposeful non-communication. Next, we see the Thiessen-era "new bank" described in opposite terms as *transparent, open, powerful, vigilant, prudent, tight-knit, trendsetting, and steady*, all adjectives that have come be strongly associated with the Bank's shift to a more open communicative stance. The node furthest to the left is called the "metaphysical Bank of Canada" because it depicts some of the metaphors used to describe how the Bank analyzes the economy and communicates with the outside world. Thus, the Bank is said to analyze the economy by *gazing into its crystal ball, using magic and ouji boards* or *reading the economy's entrails*. In so doing, the bank is described as a *wizard, an oracle, Delphic, powerful,* and *enigmatic*.

Finally, the Bank communicates its findings and predictions using *riddles, clues, hints, signals, drums, spotlights* and *via telegraph*, means of communications that relate back to Winkler's point that in the final analysis, monetary policy is as much art as

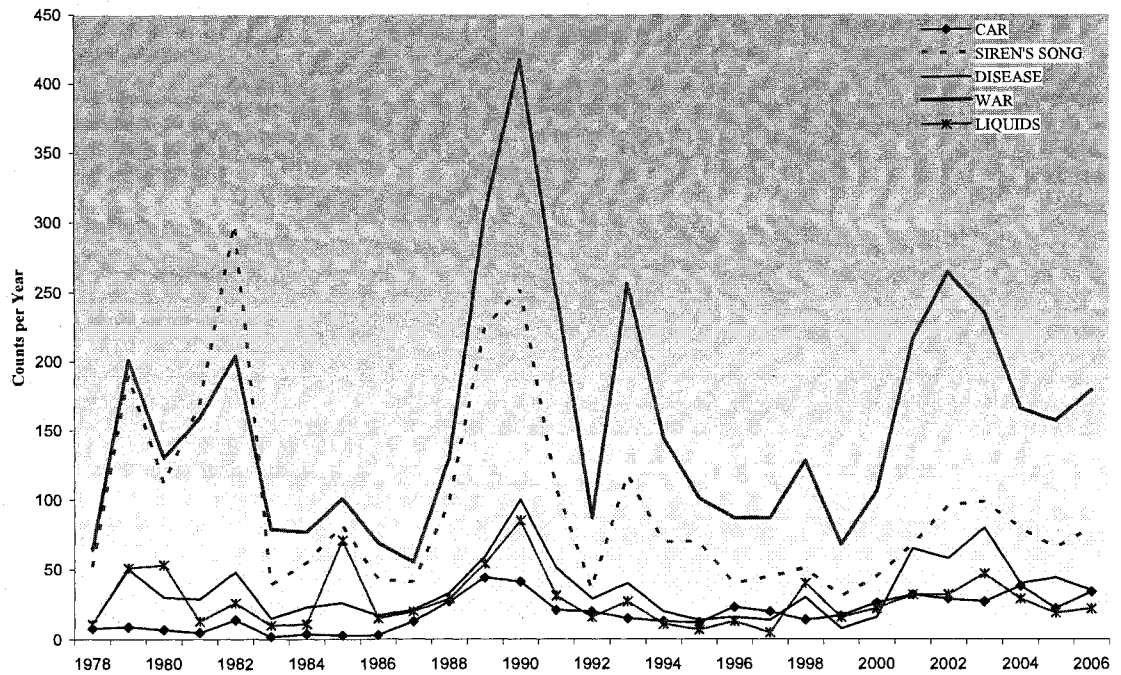
science and that no central bank practitioner can give a full account of how they understand the economy and translate that understanding into a policy decision.

**Quantifying Monetary Policy Metaphors**

I want to conclude this discussion of monetary policy metaphors by looking at the frequency of their usage through time, bearing in mind that the *effect* of a metaphor is also a function of the *quality* of the metaphor (concreteness and imageability). That said, repeated use must surely give some idea of the reach of a given metaphor and account for some share of its influence given the important role repeated exposure plays in memory retention. The next two figures depict the same broad categories of metaphors for the period 1978 to 2006. Starting with Figure 7-1, which depicts the metaphor data in absolute terms, we see that the patterns conform largely to what was discussed in the previous chapter, i.e., metaphor counts for most categories tend to rise when coverage increased and fall when coverage tailed off. Figure 7-1 also shows how the WAR and SIREN SONG metaphor categories are the most prevalent in the corpus, with SIREN SONG metaphors exceeding WAR metaphors only once (in 1982), in the midst of a serious recession and widespread pressure for an easing of interest rates (see earlier chapter). Generally speaking, we might say that Figure 7-1 provides *some* circumstantial evidence for the proposition that metaphoric activity tends to increase in periods of crisis

and with dissensus among elites.

**Figure 7-1**
Major Metaphoric Categories for Monetary Policy - Counts Per Year
1978 - 2006



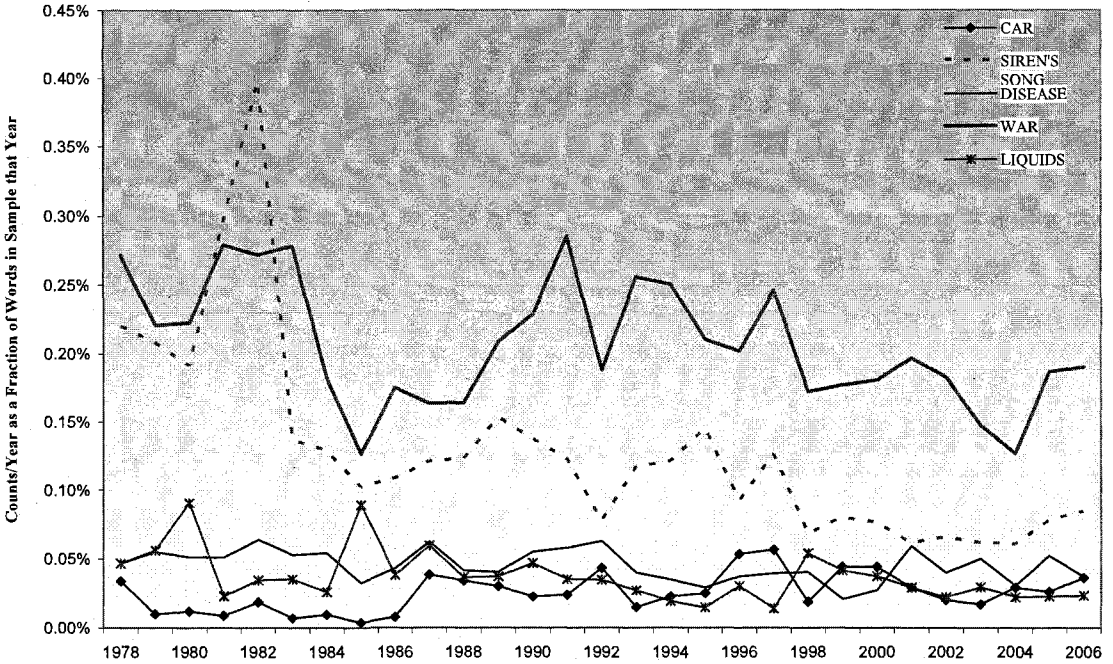

To be sure, it is important to bear in mind that there is *no necessary* or simple relationship between quantity of coverage and the prevalence of a given metaphor. Careful examination of Figure 7-1 reveals two examples of how the use of some metaphoric categories can increase out of proportion to the change in overall quantity of coverage. Consider the spike in the presence of LIQUID metaphors in 1985. Overall, monetary policy coverage increased 72% that year (from 1984) while use of the LIQUID category of metaphor increased almost *seven times* (from 11 in 1984 to 71 in 1985), a fact that can be traced back to the collapse of Canadian Commercial Bank and the Northland Bank and the corresponding need to ensure that financial markets were fully provisioned with sufficient "liquidity" (i.e., credit) to make it through the crisis. We see the same pattern with the spike in DISEASE metaphors in 2003. Coverage increased about 7% while the use of DISEASE metaphors increased 38%, a fact largely attributable to the discovery of Mad Cow disease (bovine spongiform encephalopathy) and the outbreak of SARS (severe acute respiratory syndrome) which took place that year. The WAR category of metaphors illustrates another risk of thinking only in terms of quantity of coverage = quantity of relevant metaphors. The spike in the frequency of WAR

metaphors in 1990-91 and again in 2001-03 reflects to some extent the non-metaphoric usage associated with the first and second Gulf (Iraq) wars.

There is no easy way to disentangle the influence of these kinds of events and, arguably, there is no reason to. First, the use of LIQUID, DISEASE and WAR metaphors around monetary policy are surely reinforced by actual events. In a 1990 column for example, *Globe* columnist Terrence Corcoran wrote that "By now, the majority of Canadians believe the Bank of Canada is the economic equivalent of Iraq and governor John Crow the Saddam Hussein of the Canadian economy" (Corcoran 1990). Second, it is important to bear in mind other elements of the larger context. For example, the influence of the Gulf Wars on the non-metaphoric presence of WAR lexemes in the corpus also needs to be set in the context of the more generalized increase in the use of other monetary policy metaphor categories in both these instances, i.e., the DISEASE, LIQUID, and CAR metaphors. While the Iraq wars may have exerted some influence on the count of lexemes in MONETARY POLICY IS WAR, there were other things going on in both these periods that help account for the increased metaphoric activity as measured by simple word counts, including John Crow's confrontational style, a recession in the 1990-91 period, the economic uncertainty created by the events of September 11, 2001 and the subsequent built up to the war in Iraq in the 2001-03 period. Dramatic real world events such as wars, epidemic outbreaks, and recessions which can drive media coverage are also the same events that tend to create instability around the conventional views of fiscal and monetary policy – it should come as no surprise therefore that for the most part, coverage and metaphoric activity tend to go hand in hand even if sometimes the particular features of a given event (a bank failure, mad cow disease, war) sometimes produce spikes in the (metaphoric and non-metaphoric) use of lexemes from certain categories of metaphors.

Turning now Figure 7-2, the left axis puts the use of metaphoric activity in the

**Figure 7-2**
Major Metaphor Categories for Monetary Policy, Counts/year as a Fraction of Words in Sample, 1978 - 2006




context of the total corpus (for a given year) instead of raw counts. The resulting frequencies are quite low, with the highest ratio achieved in 1982 (where SIREN SONG metaphors account for 0.4% of the total corpus that year).[164] The overall picture differs in some important respects from Figure 7-1. The most striking thing about Figure 7-2 is the broad long-term stability in the relative use of all the major metaphor categories *except* the SIREN SONG metaphors and CAR metaphors, which I will discuss in a moment. The stability of the WAR metaphor is especially intriguing, although there is an important dip in metaphoric activity in the mid 1980s and a slight downward trend that begins from the 1991 peak. The broad trend however is relatively flat, suggesting that WAR metaphors are a permanent feature of the monetary policy landscape in Canada. With some exceptions, the DISEASE and LIQUID metaphors are similarly stable through time, again suggestive of their deeply embedded (but less pervasive) nature in the discourse.

[164] These small ratios are not at all surprising: Zipf's law states the majority of words appear very infrequently compared with highly used words such as 'the' and 'be' and 'of' and so on (Lowe 2003).

The SIREN SONG metaphors by contrast trend lower through time, a fact that is probably attributable to (a) the absence of any dramatic interest rate events like those of the early 1990s; (b) relatively stable inflation; and (c) the absence of the kind of divisive leadership exemplified by John Crow. As for CAR metaphors, Figure 7-2 shows a permanent increase in their usage beginning in 1987, the year John Crow took over as a governor and actively leaned on these metaphors in interviews with the media. Gordon Thiessen and to a lesser extent David Dodge, carried on the (new) tradition.

**The Metaphors of Fiscal Policy**

Like monetary policy, fiscal policy is often a difficult subject to communicate, especially for journalists who may have taken up the profession because of an aversion to mathematics. Unlike monetary policy however, the rudiments of fiscal policy under Canada's balanced-budget convention can be roughly understood using everyday home economic metaphors. *Given a commitment to balancing budgets* and conventional understandings of fiscal policy, the federal government's budgetary problem is in many ways like that of a household. It must match the flow of money into its "coffers" with the flow of money out of its coffers. It must "live within its means" and must "watch its pennies" and it can no more use fiscal policy to affect economic outcomes than could a credit-constrained household.[165]

Journalists covering fiscal policy enjoy one other major advantage over those who follow monetary policy, namely the much more intimate link between fiscal policy and the political process. The two fields intersect in numerous ways. Until relatively recently for example, political parties differentiated themselves largely on economic grounds, with parties on the right favouring less activist fiscal policy and those on the left favouring more. One of the major consequences of the balanced budget orthodoxy has been to shrink this political distance (Lewis 2003). Nevertheless, it is still true that budgetary measures (the legislative material on which fiscal policy is based) are, by convention, considered confidence votes in the House of Commons. A lost vote can and has triggered election campaigns. As a rule then, it is generally much easier to tell a

[165] This statement exaggerates but only somewhat. Given a balanced-budget constraint, the federal government does not *inject* new spending into the economy so much as redistribute income. This redistributive function may, however, generate additional economic growth *to the extent* that it moves income from households with a high propensity to save (i.e., high income households) to those with a low propensity to save (i.e., low income households).

political story through fiscal policy than it is to tell a political story through monetary policy.

As with monetary policy, detailed examination of the *Globe*'s fiscal policy coverage suggests that its journalists have tended to rely on a relatively narrow range of metaphors and/ or descriptive language to communicate the "essence" of fiscal policy. Specifically, I have identified four broad categories of metaphors, three of which are familiar from the monetary policy discourse:

1. DEFICIT REDUCTION IS WAR
2. DEFICITS ARE A DISEASE
3. DEFICITS ARE A SIREN'S SONG
4. GOVERNMENTS ARE LIKE HOUSEHOLDS : FINANCIALLY CONSTRAINED AND SPENDTHRIFT

As before, each of these metaphoric categories is mapped using the C-MAP program and discussed accordingly. Given the metaphorical overlap between fiscal and monetary policy, however, the discussion will be somewhat abbreviated.

**i. DEFICIT REDUCTION IS WAR: The Language of Class Warfare (2)**

In the concept maps for fiscal policy, there are typically two major orienting concepts, namely governments and deficit(s). The DEFICIT REDUCTION IS WAR map can be read along these two lines. First, governments are described as waging or declaring *a war* and using its *weapons* to *attack, slash, shoot, kill, battle, fight* and *assault* to reduce the deficit. The unemployed bear the brunt of this *war*, with those on the left tending to describe them as *cannon fodder* for government policy.

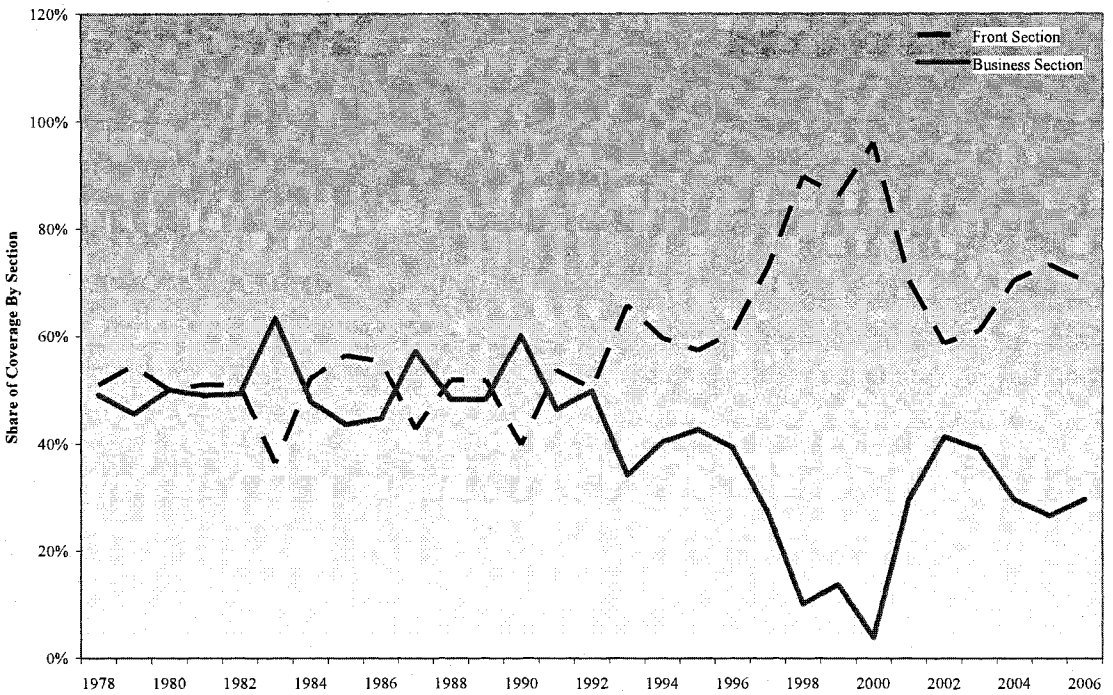
Bureaucrats were another *target* of the *war*, with governments described as *drawing blood* from their workers who are asked to *surrender* their wage demands in the name of federal fiscal restraint. Meanwhile, the business community is described as *up in arms* about deficits and in that sense, stood four-square behind the federal government, especially after the 1984 election of the Progressive Conservative Party. Meanwhile, governments *bombarded* the Canadian public with dire predictions of spending cuts in the late 1980s that never really materialized. Tax increases, for their part, could *backfire* on any government foolish enough to take that route towards deficit reduction.

Turning now to the second orienting concept, deficits (bottom half of map), we see that these are described as : a *target* for fiscal policy, a *killer* of jobs and economic

recovery, a *battle-cry* for the business sector, a *demon* that threatens social stability, a *political weapon* for those who favour smaller government, and an *enemy* of governments everywhere, especially those who want *room to manoeuvre* in the event of an economic downturn. Deficit reduction has consequences of course, including *casualties* (i.e., the unemployed, bureaucrats, the poor), *brutal* program review exercises, and bloody *trench warfare*. Relative to the MONETARY POLICY IS WAR concept map, the DEFICIT REDUCTION IS WAR concept map suggests that it was more readily understood and in some quarters accepted, that deficit reduction entailed sacrifices on the part of certain easily identifiable groups, namely the unemployed (largely via employment insurance reform), bureaucrats (wage freezes, layoffs and program review), and the poor (reductions in generosity of social policy). Workman (1996, p. 37) calls this the "disciplining of labour" function of deficit reduction and suggests that it played an important role in more firmly integrating the Canadian economy into the global market. By contrast, the concept map shows that it was generally felt that tax increases could *backfire*, a legacy surely of the disastrous 1981 budget and its efforts to reduce the deficit largely through tax measures aimed at higher income individuals.

This greater degree of transparency about the *class* interests at stake here should not come as a great surprise : as I suggested a moment ago, there is much more natural affinity between fiscal policy coverage and the political process, especially given the Herculean efforts central banks the world over have made to render monetary policy independent from the political process. We would expect fiscal policy coverage, therefore, to be less tethered to the business section than monetary policy and more apt to involve discussions about the distributive outcomes of policy measures, especially to the extent that the federal political spectrum runs from the left to the right. There is some circumstantial evidence to this effect. Figures 7-3 and 7-4 show the share of fiscal and monetary policy coverage found in the *Globe*'s front (mostly political) section ("A" pages) versus its business section ("B" pages). Until the early 1990s, fiscal policy news was as likely to end up on the pages of the front section as it was in the pages of the

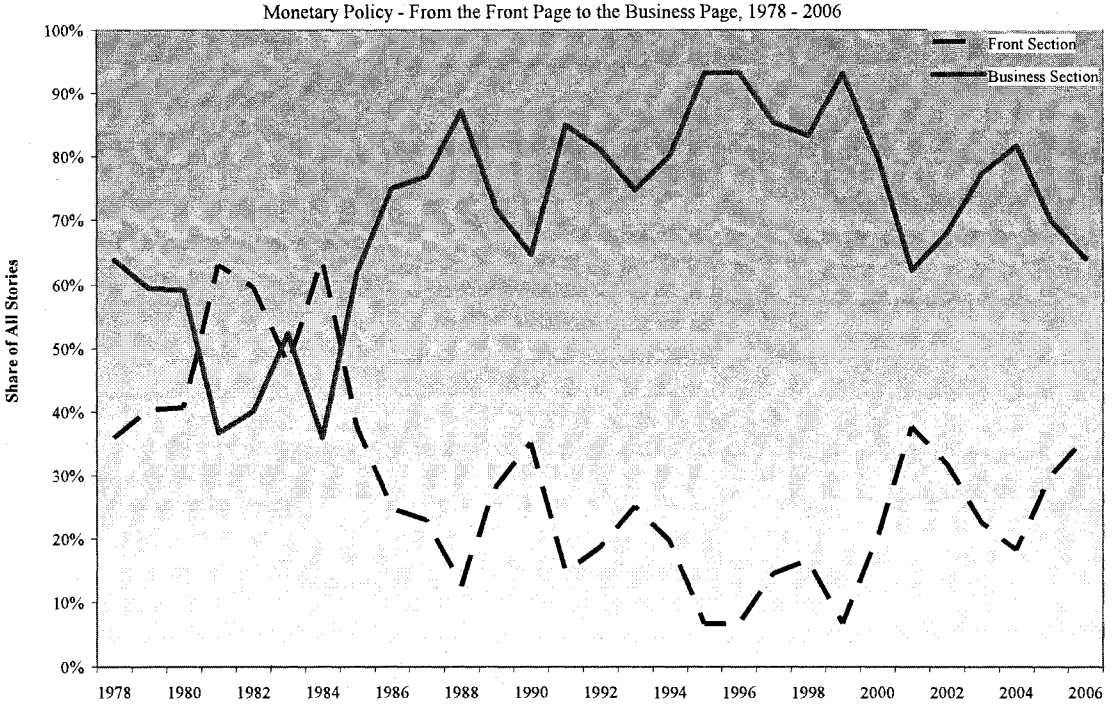
**Figure 7-3**
Fiscal Policy - From the Business Page to the Front Page, 1978 - 2006




business section. With the move to the balanced budget convention, however, the fraction of coverage on the front section increased dramatically. The converse is true in monetary policy. Here, coverage was roughly equally dispersed between the two sections until 1985, when, with the exception of the 1989 – 1990 period, coverage began to move

decisively out of the front section and into the business pages.

**Figure 7-4**
Monetary Policy - From the Front Page to the Business Page, 1978 - 2006




The WAR category of fiscal policy metaphors differ from their monetary policy equivalents in another important respect, namely the role played in motivating action on the part of the political class. Whereas with monetary policy, the Bank of Canada acted and the media, pundits and business groups reacted by using the metaphoric language of war, the inverse was largely true in fiscal policy: here, journalists, pundits, business groups and some politicians used DEFICIT REDUCTION IS WAR metaphors to *compel* recalcitrant elements of government and provide *encouragement* for fiscally conservative factions of government to act, a point which relates suggests that the fiscal policy convention *within* government, especially in the Department of Finance, was in some sense buttressed and abetted by an increasingly strong elite consensus *outside* of government.

### ii. DEFICITS ARE A DISEASE: The Language of the Madman

In the fiscal policy corpus, the lexemes of disease metaphors tended to be of three types, namely bodily, psychological and those that span the two. In terms of the lexemes of bodily metaphors, governments are said to be *enfeebled* by the deficit *disease* and urged to use *budgetary surgery* to *cure, remedy*, and *break the back* of the deficit even if

this meant spilling or *drawing blood* from bureaucrats and the spending side of the government ledger. The consequence of inaction would be a *deterioration* of the government's *fiscal health*. For the most part, these metaphors suggest that the government is *afflicted* with a *disease* over which it has little control. The *cure* is simply an application of standard *fiscal medicine* available from any accountant: make *painful* cuts to spending and increase revenue, bearing in mind that higher taxes are a tough *pill to swallow* and should not, therefore, be countenanced.

This sense that the federal government is not responsible for the deficit disease is muted however by the more psychologically oriented metaphors. Here, the blame for the deficit *disease* is placed squarely on governments, who are said to be *addicted* to deficits and have a *habit* of program spending and making expenditures that run away *like mad*. To *restore fiscal sanity*, the federal government must engage in program review *exercises* and withstand the pleadings of special interests who seek additional spending. Any suggestion of purposely increasing deficits is *crazy talk*.

Finally, deficits, whether imposed or self-imposed, are understood to be a *chronic affliction* that has *ill effects* on the economy by eating away at the economy's limited savings and crowding out of private-sector investment. Deficits are, in short, a *disease* of the mind and the body – as the broad conventional narrative would have it, they start out as a useful curative to rid the economy of an unemployment headache but become an addiction that eventually assumes a physical form (i.e., the emergence of large debt loads) which defies in large measure any act of self-control.

From this, we can see that the DEFICITS ARE A DISEASE category of metaphors is different from INFLATION IS A DISEASE metaphors in one crucial respect. Whereas the Bank of Canada is likened to a doctor forced to administer tough medicine to the Canadian economy for its own good, the federal government and the political leadership are likened to madmen with just enough self-control to stubbornly resist taking medication even though they clearly have the capacity to *swallow the pill* and *administer the surgery* necessary to *cure* themselves of their *habits*. The Bank of Canada forcibly addressed a problem not of its making whereas the federal government eventually and reluctantly took action to dress a self-inflicted wound. Again, the use of this metaphoric category suggests that the consensus *cum* convention-forming process on

fiscal policy matters began largely *outside* of government, with this outside language strengthening the hand of those *inside* government who believed that deficits needed to be *cured*.

### iii. DEFICITS ARE A SIREN'S SONG: Deficits are a Temptress

The lexemes from DEFICITS ARE A SIREN'S SONG are similar to the ones described in the discussion about INFLATION IS A SIREN'S SONG metaphors and therefore entail many of the same consequences in terms of fashioning group cohesion among the *Globe*'s male audience while excluding women from this important financial discourse. As the map shows, faced with *stern warnings* from credit rating agencies, political leaders are urged to *show resolve* and *determination* in their struggle to reduce the deficit. They *must take a stand*, *show some spine*, and make *tough choices,* usually involving *unpopular* cuts to spending in order to reduce the deficit. Moreover, they have to ask Canadians to *make sacrifices* in the form of lower expectations about what governments can and should do, a clear instance of Lewis' general argument that the broad shift in fiscal policy that took place in the 1980s and 1990s was part and parcel of a shift from embedded to neo-liberalism, from a discourse about what the state could do for you to a discourse about what you could do for the state. Deficit cuts must be *bold* and *tough* which also means they will be *difficult, hard,* and *painful* on Canadians. In the end however, the effort will be worthwhile as the deficit is made *manageable*, i.e., brought under control.

The gender effects of this class of metaphor is nowhere more pronounced however then when Kim Campbell briefly assumed leadership of the Progressive Conservative party. As the concept map for DEFICITS ARE SIREN'S SONGS shows, her tenure as leader was marked by the suggestion that she did not *have the guts* to explain her plan on deficit reduction, even though she, far more than Liberal leader Jean Chrétien or many of her competitors for the leadership of the party, made deficit reduction central to her political identity.

Despite the many similarities between DEFICITS ARE A SIREN'S SONG and INFLATION IS A SIREN'S SONG, the two categories differ in one major respect, namely that there is little in the way of self-conscious use of this metaphor in the fiscal policy corpus. There is no analog in other words to the *Globe* editorial which likened

John Crow to a sailor resisting the Siren's Song of weak-kneed Doves and Main Street business types and nor could there be – with the notable exceptions of Ralph Klein and Mike Harris, Canada has never had a politician as unambiguously committed to hard-nosed fiscal conservatism as John Crow was to inflation targeting. Even Paul Martin was frequently suspected of being a closet "big spender" despite his professed and demonstrable fealty to fiscal conservatism. Even today, under the Harper government, Canada's fiscal conservatives are forever vigilant, watching carefully for any signs that the political class will succumb to special interest pleadings and drink once again from the poisoned chalice of deficit financing.

### iv. GOVERNMENTS ARE LIKE HOUSEHOLDS: The Language of Fiscal Constraint

From all accounts(Workman 1996 and interviews with author), the most potent metaphors in the fiscal policy discourse were those that related government finances to household finances and brought the murky terrain of government finances into the familiar terrain of balancing, or rather failing to balance, a chequebook. The language is indeed frightening for anyone who has had to live within a limited budget, a demographic that not coincidentally grew rapidly in the recessionary and slow-growth period of the early to mid 1990s, a point stressed by Lewis (Lewis 2003) in his explanation of the public's apparent support for fiscally conservative policies in the mid 1990s.

Governments, it was said, were *strapped* for cash, *mired* in debt, *overextended,* and *sliding into the red.* The resulting debt is said to be like an unchecked *credit card* or *mortgage*, with compound interest rates creating the risk of a debt *spiral* that could lead to *bankruptcy* or *hitting the wall.* Forever vigilant about sovereign debt, credit rating agencies routinely put the federal government "on watch" and "under review" and in the early to mid 1990s, "downgraded" the federal government's foreign-denominated debt.[166] To address this situation, governments needed to *tighten their belts*, *live within their means*, *cut up their credit card*, *be frugal*, *show restraint*, *pay down the mortgage* and

[166] The great willingness of credit rating agencies to monitor and publicize the federal government's "debt problem" in the late 1980s and early 1990s is very much at odds with its failure to alert investors of the much more real and immediate risks of asset-backed commercial paper (ABCP in the literature). This example is yet another indication of the important role played by the media and elites in highlighting issues for the public agenda – with no elite attention on the ABCP market *in the public sphere* and with the assurances of free-market fundamentalism, the ABCP market was left to its own devices, with devastating consequences for hundreds of investors, both big and small.

above all, *get their fiscal house in order*. Inaction would surely cause the federal government to court *financial disaster*. What brought governments to the edge of this financial precipice? The household category of metaphors suggests that the answer was to be found largely in the DISEASE and SIREN SONG metaphors discussed a moment ago, namely the government's propensity for *mismanagement* of its financial affairs, its *spendthrift* ways, its *carelessness* and *irresponsibility* with taxpayer money and of course, the simple *excess* of spending over revenue.

Despite their well-known limitations (see below), household financial constraint metaphors were used consciously by fiscal conservatives for the pragmatic reason that people have personal experience with financial constraints. As one former high ranking official at the Department of Finance noted (Confidential interview 2006):

> The ordinary Canadian uses a false analogy but it's one that, that was kind of at the guts of the thing, and the ordinary Canadians says I can't go on increasing the mortgage on my house for ever and ever, the government can't go on increasing the mortgage on … so there was, I think there's a greater degree of fiscal conservatism in the public, and a greater degree of support for a government that runs a balanced budget then politicians gave credit for at the time.

The Mulroney and Chretien governments routinely drew analogies between federal government and household finances despite knowing full well that these analogies were imperfect if not outright misleading. The following extract, from a speech by Michael Wilson upon release of his 1984 *Economic Statement and Fiscal Update*, is illustrative:

> I know that economists will tell me this is not a perfect analogy, but I want to express the problem in its simplest terms. Many of us have taken on heavy debts in the form of a mortgage or personal loan. But we have so because we believed our future incomes would increase faster than the costs of carrying that debt. If our debts and our interest payments continue, year after year, to grow faster than our incomes, we know we have a problem. If we reach the point where we must start borrowing money just to pay the interest on our debts, we know we have a serious problem. But this is the situation in which the Government of Canada finds itself today (Wilson 1984, p. 4).

Eight years later, his successor Donald Mazankowski told a news conference that "Some people refer to this as reaching your limit on the *credit card*. There comes a time when you have to *retrench* and everybody is going to be affected (Freeman 1992)." Former Finance Minister Paul Martin borrowed from this metaphor in equal proportion even though he too knew full well that it was misleading. Elly Alboim, a consultant during

Martin's tenure as Finance minister, for example described the "personal finance" metaphor as "imperfect" but of great assistance in getting the essential point across (Alboim 2006).

Meanwhile, in the business community, Thomas D'Aquino, president of what was known as the Business Council on National Issues (BCNI), an organization whose membership is restricted to the chief executive officers of Canada's major corporations Canadian, told *Globe* columnist Ronald Anderson that he supported Finance Minister Michael Wilson's tough stance on the deficit in the government's November 1984 *Economic and Fiscal Statement.* Anderson seamlessly blends SIREN SONG and HOUSEHOLD CONSTRAINT metaphors to convey D'Aquino's point: "In language that reflected both realism and determination, the minister made it clear that the Mulroney Government would give top priority to putting Canada's fiscal house in order. ..." (Anderson 1985).

The language of household financial constraints also permeates the historical narrative of what went wrong with Canada's fiscal situation. Writing in early February 1995, just ahead of the Paul Martin's major deficit-reduction budget, Jeffrey Simpson wrote words that are now familiar to any student of Canada's fiscal history: " Think back to the Liberal years of the 1980s, grossly *spendthrift* years during which money was showered on programs and public-sector employees. The David Peterson Liberals literally *squandered* Ontario's last boom. Recall the first NDP year in office: spending up by 12.5 per cent (Simpson 1995)."

By getting to the "guts of the thing," the personal finance metaphor helped Canadians see the fiscal dilemma through the eyes of the politicians, a practice that Peter Donollo (2006) says he used routinely in his background briefings with journalists:

> My experience was that when you talk to people on background for example, I always tried to kind of bring them in on what the process that was taking place within government, within cabinet the factors that were being weighted so that if they could explain that to the readers then readers would usually come to the same conclusions that government did so they can understand, the more they can empathize with government. I always thought it was better to prepare people. If they go through the same processes that you do they're more likely to come out with the same conclusions right? And so generally I found that approach worked pretty well.

From this, we can draw a link to some of the ideas explored in Habermas' *Legitimation Crisis*. Consider, for example, the following claim that "The motive for readiness to conform to a decision making power still indeterminate in content is the expectation that this power will be exercised in accord with legitimate norms of action. The ultimate motive for readiness to follow is the citizen's conviction that he could be discursively convinced in case of doubt" (Habermas 1979, p. 43). That is, citizens do not abide by rules merely because they are rules. They do not abide by decisions merely because they are made by those with political power. At some level, and usually I would argue, in the consensus stage, rules and decisions must be anchored in either, at a minimum, the expectation that they could be explained or the existence of substantive explanations somewhere. The upshot is that balancing the budget needed to be justified in some tangible way that would resonate with the public, hence the very strong tendency to draw analogies between the deficit and household finances despite their imperfect nature.

Critics of this metaphoric link between government and household finances have argued that these metaphors draw on even more deeply ingrained features of western culture over and above their pragmatic function. Dostaler (2005) for example shows that Keynes believed that Western society, or at least British society, was overly bound up in a Victorian attitude which said that savings (budget surpluses) were delayed gratification and were therefore good while hedonistic accommodation (spending) was evil. For Keynes, this fixation with delayed gratification was absurd and ultimately futile because it restrained governments from taking the action necessary to alleviate unemployment and poverty:

> The "purposive" man is always trying to secure a spurious and delusive immortality for his acts by pushing his interest in them forward into time. He does not love his cat, but his cat's kittens; nor, in truth, the kittens, but only the kittens' kittens, and so on forward forever to the end of cat-dom. For him jam is not jam unless it is a case of jam to-morrow and never jam to-day. Thus by pushing his jam always forward into the future, he strives to secure for his act of boiling it an immortality (Keynes 1963, p. 372).

Echoing Keynes many years later, Hotson (1993, p. 178) writes similarly that:

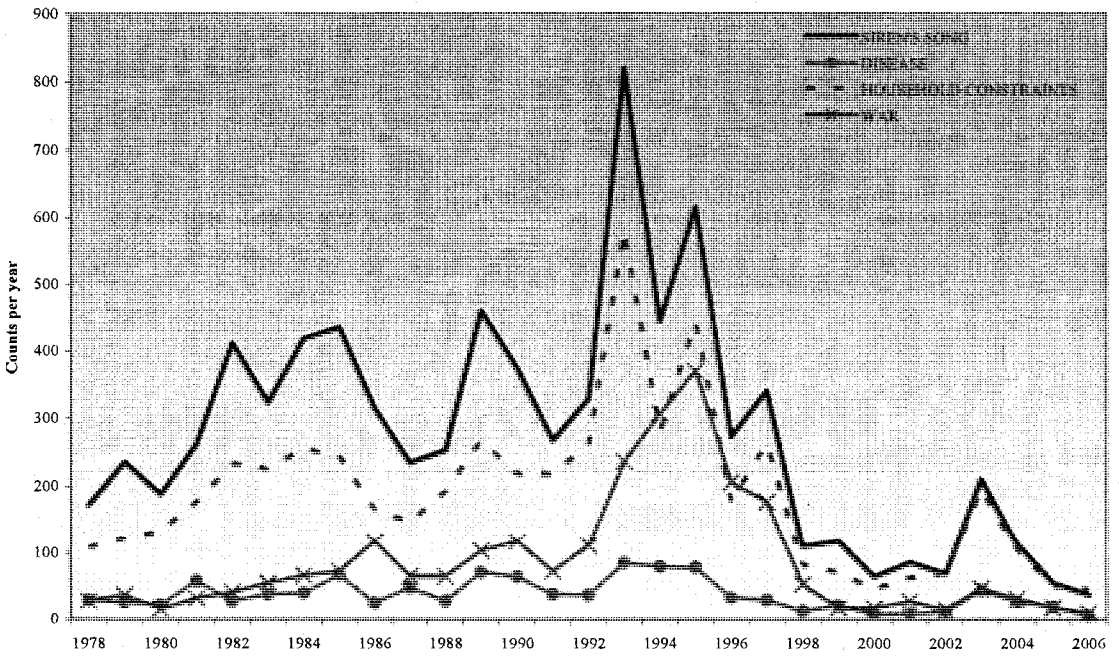
> Nous savons tous, viscéralement, que l'endettement est un péché, qu'il faut éviter de contracter des dettes ou, si nous ne pouvons faire autrement, qu'il faut vite les régler, que l'endettement est quelque chose qui peut causer des ennuis et engendrer beaucoup d'insécurité.

To summarize then, the household constraint metaphor "gets to the guts of the thing" on many levels, colouring the target domain (fiscal policy) with pragmatic considerations and some strongly ingrained features of western culture. Pragmatically, it draws an analogy between the household and government finances, one that obscures[167] the federal government's sovereign status, its ability to generate the revenue it desires, the otherwise cyclical nature of its revenue, its influence over the Bank of Canada and hence monetary policy, its important influence over, and responsibility for, economic outcomes and of course, its longevity – sovereign nations exist in perpetuity, unlike the individuals who comprise a household. From the standpoint of culture, this metaphoric category colours the target domain with a deeply ingrained belief in the sinful nature of debt and the virtue of abstinence.

**Quantifying the Fiscal Policy Metaphors**

As with Figures 7-1 and 7-2, Figures 7-5 and 7-6 depict the usage of fiscal policy metaphors over time from two perspectives, namely in absolute and relative terms.

**Figure 7-5**
Major Metaphoric Categories for Fiscal Policy: Counts Per Year
1978-2006



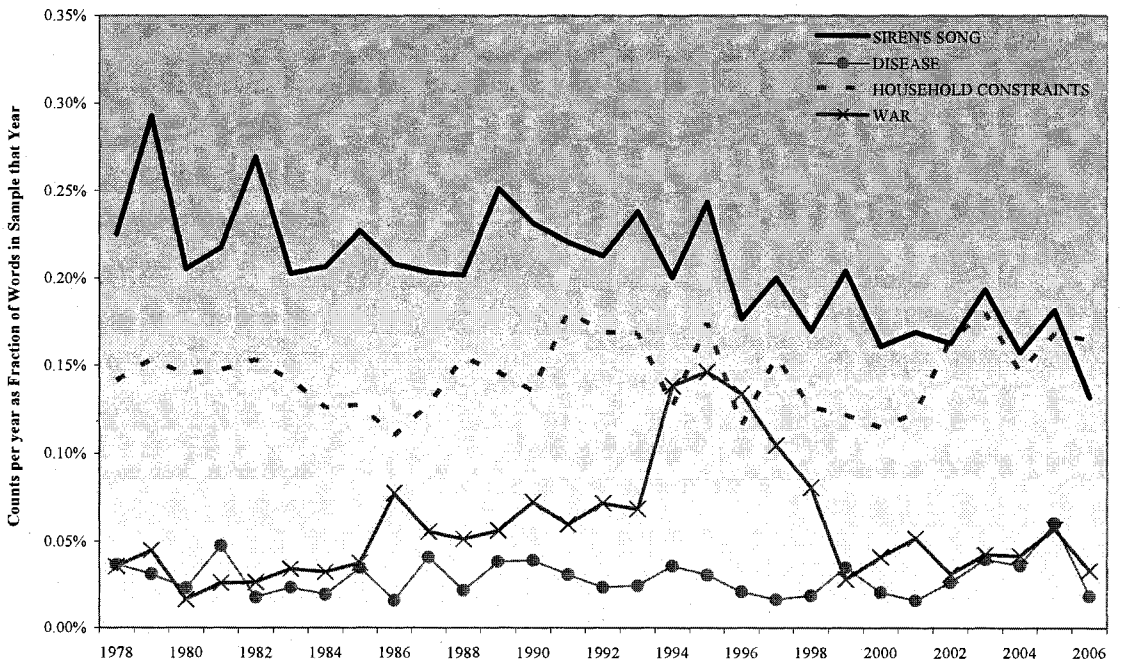

Beginning with Figure 7-5, we see that for the two dominant metaphor categories

[167] Workman (1996, p. 78) calls these finance analogies "groundless."

(DEFICITS ARE A SIREN'S SONG and GOVERNMENTS ARE LIKE HOUSEHOLDS), the patterns conform largely to what we know about the overall incidence of fiscal policy coverage, rising in 1984 and 1985 with the election of the Mulroney Progressive Conservative government, slumping in the 1986-1988 period as Free Trade and other issues took over the agenda, rising again in 1989 and 1990 with the renewed emphasis on reducing the deficit, falling briefly as the economic slump took up the spotlight in 1991-1992, then rising sharply in 1993 with the federal election campaign. There is a slight decline in metaphoric activity in 1994 as the Liberal government converts to the fiscal faith and a resumption of activity in 1995 with the lead-up and aftermath of that year's famous budget. Thereafter, activity across the four categories of metaphors declines sharply, with lexemes from the INFLATION IS A DISEASE category of metaphors virtually disappearing from the corpus altogether (albeit from a relatively low count to begin with). What is most striking about Figure 7-5 however is the rather dramatic increase in the use of DEFICIT REDUCTION IS WAR metaphors that takes place beginning in 1993, the year in which of course the federal Liberals were elected and the Reform Party supplanted the Progressive Conservative Party in Western Canada. This increase suggests a major and unprecedented rhetorical offensive on the need for deficit and debt reduction, one that not coincidentally peaks in 1995. It also suggests that WAR metaphors in the fiscal policy realm are a relatively transient feature of the discourse, brought into use only at critical moments in the consensus and convention forming process.

Figure 7-6 lends some weight to this conjecture, showing how DEFICIT REDUCTION IS WAR metaphors *increase* as a share of the corpus in the 1993-1998 period even as the dominant metaphoric categories (SIREN'S SONG AND HOUSEHOLD) are relatively stable through time. This stability suggests that they are relatively permanent features of the fiscal policy discourse (at least during the period under investigation), although there is some indication of a slight downward trend in the

**Figure 7-6**
Major Metaphoric Categories for Fiscal Policy: Counts/Year as a Fraction of Words in Sample
1978-2006




incidence of SIREN SONG metaphors from about 1995. In interviews with key policy and communications practitioners at the Department of Finance, there was a general sense that the popular support (as measured by polling data) for the Liberal government's turn to fiscal conservatism owed much to the ground clearing work of the former Mulroney government. Elly Alboim (2006) for example argued that the Progressive Conservatives had done a lot of the necessary "preconditioning" to move public opinion. Peter Daniels, the head of Paul Martin's communications team, made a similar point noting "the language had been around since 84-85 but they didn't do anything about it really. Well they did some things but they didn't really attack it" (Daniels 2006). The data in figures 7-5 and 7-6 tend to support the general view but with one important caveat alluded to by Peter Daniels, namely the Progressive Conservative government's failure to *attack* the deficit forcefully. The increased incidence of WAR related metaphors that begin in 1993, both in absolute terms and as a share of the total corpus, speaks to this important difference in the rhetoric of fiscal policy during this period.

## CONCLUSION

Metaphors are crucial rhetorical tools, so much so that McCloskey in her work on the way economists talk devotes most of her time to exploring metaphors at the expense

of the other three tropes that characterize the art of rhetoric. As rhetoricians have long understood and as cognitive psychology is beginning to understand, metaphors help reveal, conceal and colour features of the target domain but they also, crucially, can be used as a rough gauge for the extent of elite consensus or dissensus – increased use of metaphoric categories suggests dissensus, tame or relatively even use suggests consensus and convention. From a cognitive theory perspective, metaphors enhance memory retention and some metaphor categories are probably more "grounded" and for that reason, persuasive, than others. Metaphors also make it difficult to imagine or posit counter-examples.

In terms of the metaphoric categories discussed here, both the monetary and fiscal policy discourses draw on two well-grounded categories of metaphors frequently discussed in the cognitive literature, namely metaphors built around restraint and constraint (we learn, at a very early age, that we cannot have everything), what I have called SIREN SONG and HOUSEHOLD CONSTRAINT metaphors, and those built around violence and aggression, what I have labelled WAR metaphors. DISEASE, CAR and LIQUID metaphors are probably less grounded in the sense that for the most part, they do not bear on our early childhood development to the same universal extent or in the same manner.

Empirically, the analysis shows that certain metaphoric categories seem to be semi-permanent features of monetary and fiscal discourses. WAR metaphors are constant through time in monetary policy, while SIREN SONG and HOUSEHOLD CONSTRAINT metaphors are relatively stable in the fiscal policy realm. The former suggests that central banks very much view inflation as an *enemy* that must be terminated or at least contained by monetary policy regardless of the cost. The price of inflationary peace is an eternal war footing. The latter suggests that for all intents and purposes, the policy community conceptualizes government finances in terms of HOUSEHOLD CONSTRAINT metaphors even when they acknowledge the limitations of the metaphor. For them, the price of budgetary peace is eternal vigilance over the family purse.

# CHAPTER 8: THE RHETORIC OF CONVENTIONS

The analysis in the last two chapters is in some sense partial. It treats words as data and proceeds as if their meaning were largely self-evident. As a number of communications scholars have argued, there are serious problems with this approach, especially if done in isolation from other kinds of analysis. The aim of this chapter is to fill in some of the context that is absent in most quantitative approaches by reading texts carefully, identifying key textual markers that embody this context and watching for signs of the growing consensus over fiscal policy. Because it involves a very close, sentence-by-sentence analytic process, CDA analysis can only focus on a few texts. The challenge then is to critically analyze texts which were either *representative* or played a pivotal role in bringing about the fiscal and monetary policy consensuses and which therefore reveal traces of consensus or dissensus.

In this chapter, I focus on a handful of editorial and opinion pieces chosen either because they have become integral parts of the conventional narrative about Canada's fiscal turn or because they illustrate the solidity of the resulting convention. I move chronologically from a dissection of two *Globe and Mail* editorials that are said to have greatly angered Finance Minister Paul Martin (Greenspon and Wilson-Smith 1996) plus a column that was influential to both editorials, to a 1995 *Wall Street Journal* editorial that has become part of Canadian fiscal lore,[168] then finally, to a discussion of two "post-convention" texts that show just how the convention is sustained in the face of attack even from within. All texts can be found in Appendix E of this study.

**1994 : The Globe and Mail Angers Martin**

The Liberals had been in government for less than half a year when they produced their first budget on February 22, 1994. According to Greenspon and Wilson-Smith (1996), the budget was initially well received by almost everyone except the *Globe and Mail*, which on February 23 published a sharply critical unsigned editorial, which Greenspon and Wilson-Smith tell us was written by Andrew Coyne, plus a similarly critical column by Terence Corcoran, a future *National Post* editor. Two days later, the *Globe* published a follow-up editorial, again unsigned but also by Coyne, which

[168] For two recent examples of how the *Wall Street Journal* articles have become part of the fiscal narrative, see (Bevilacqua 2003; Department of Finance 2003).

reinforced and elaborated on the themes from the earlier pieces. Greenspan and Wilson-Smith say that the editorials, but not the column, greatly incensed Finance Minister Paul Martin and prompted an angry, confrontational outburst at a subsequent editorial-board meeting involving Mr. Martin. An examination of these texts will provide some insight into elite thinking about the deficit issue and in so doing, shed light on why Mr. Martin was so angered by their content and why the elites were the target of so many strategic communication efforts on the road to convention. By and large, the two editorials and column were consistent with the *Globe and Mail*'s critique of government fiscal policy, a position strongly entrenched in the personage of Managing Editor William Thorsell, who Greenspon and Wilson-Smith describe as a "tireless campaigner for rolling back government" (Greenspon and Wilson-Smith 1996, p. 154).

**External Analysis**

From an External analysis point of view, it is useful to begin by emphasizing that editorials and columns represent a distinct genre in the newspaper business. They are defined by an argumentative, polemical style and a rejection of the principle which otherwise governs the news business, that is of presenting "both sides" of a story. Their special status is marked by the fact that they are usually hived off from news reports, confined to the Editorial and Opinion pages and/or marked by a photograph and/or tag line. In keeping with *Globe* practice generally, they address other voices in formal terms, writing "Mr. Martin" instead of simply Martin. The *Globe* has in this sense resisted the conservational style that has permeated other media and has strived to maintain what it deems a respectful degree of social distance between itself, its readers and its sources.[169] In the *Globe and Mail*, the main distinction between its editorials and its columns can be traced back to the practice of not signing editorials. This practice probably reflects, to some extent, the more collaborative nature of the *Globe*'s editorial process (Hayes 1992), a fact which emerges clearly in the contrast (discussed below) between the mostly staid, detached, expository style typically (but not always) found in the editorials and the more creative, emotionally charged styles found in columns. The practice of not signing editorials might also, however, be attributed to the fact that the *Globe* has since its

[169] After introducing a voice, the *Toronto Star*, for example, refers to its sources by their last name, thus diminishing the social distance between the writer, reader and the individual being quoted.

beginning vested itself with a duty, embodied in its editorial page motto to speak the truth in the face of arbitrary (governmental) measures.[170] Access to truth, of course, is not vested in the average person, nor is truth held by any one person. Instead, truth is anonymous. Tagging an editorial with a name undermines the implied claim to privileged access to truth. The result is a tension between the editorial's desire to speak and embody truth and the argumentative style of editorials more generally. By contrast, the Globe's columns are more avowedly "opinion" and "rhetoric," not weighed down by an over-arching objective to speak truth.

Despite these important differences, the editorials and column share a number of features. They are all, as I indicated earlier, concerned with a critical analysis of a "social event" known as the "budget," a document which especially since 1994, represents the end-point in a series of extensive private and public consultations as well as an intensive drafting process involving a number of authors, usually specialists in a given area, from the Department of Finance (Clark 1999). The two editorials and column also rest on a shared set of what we might call "existential" assumptions about the state of the fiscal world. These include implicit and explicit claims that:

- ☐ Canada found itself in "the worst fiscal crisis" of its history – a "debt crisis" in Corcoran's column – which "locked" Canadians into the existing "tax-and-spend regimes" and imposed a lower standard of living;
- ☐ The federal government's estimated $46 billion (1993-94) deficit was a "disaster;"
- ☐ The federal government's 75% debt-to-GDP ratio was too high;
- ☐ Canada's marginal tax rates were "punishingly high" and undermined the nation's competitiveness;
- ☐ Fiscal 1993-94 was a "Conservative" fiscal year instead of a hybrid Conservative-Liberal fiscal year; and
- ☐ The deficit/debt are the result of over-spending not monetary policy.

In all three texts, the critical analysis has the same objective, namely to cast doubt on the sincerity of the Liberal government's adhesion to fiscal conservatism and its willingness to recognize a fiscal crisis. For the *Globe*, the problem crudely stated was that the Liberal rhetoric and budgetary practices in the 1994 budget were *too much* like those of the previous Conservative government. There was every reason to believe that the Liberals would, like the Conservatives before them, fail to reduce the deficit or

[170] The implication being that news stories, in their efforts to present at least two sides of the story, often do a disservice to truth. This is of course a familiar media-studies criticism of the "objective" reporting style.

stabilize the debt and that this failure would have dramatic consequences because the fiscal situation had only worsened since the Conservatives took power.

Perhaps not surprisingly given their shared focus on the 1994 budget, the editorials and columns all incorporate a very narrow range of voices. That is, they are explicitly oriented towards a dialogue with the Liberal government, Finance Minister Paul Martin, and the 1994 Budget documents. The texts employ a mixture of direct (quotations) and indirect speech (paraphrase) but in every instance, the "Liberal voice" is framed in a critical way. In some cases, the Liberal voice is retranslated (see P1:S1[171] of the February 23 editorial), in others it is framed in a way that invites scepticism about the validity claim (see P6:S3 of Corcoran's column).

More generally, we can say that all three texts are engaged in "accentuating differences, conflict and polemic and struggling over meaning, norms and power"[172] rather than, for example, seeking a consensus with the Liberal perspective or perhaps simply recognizing that the Liberal fiscal numbers might be perfectly valid. Instead, these two options, and others, are ruled out because the three texts juxtapose Liberal deceit against truth and reality rather than against the views of a definable group in society such as Bay Street, Main Street or Labour. It is also important to note that the three texts also exclude those who explicitly disagreed with the premise that the deficit and debt were "problems" and that a "crisis" was at hand, i.e., the doves and heterodox economists discussed in Chapter 6.

**Internal Analysis**

Moving now to internal analysis of the three texts, we can see how some of these external features are realized in tangible grammatical and semantic features of the texts. The internal analysis will also reveal some features of the texts that are somewhat less obvious from a superficial reading or external analysis. I will proceed by treating the two editorials as a single piece: in both CDA and Functional Grammar terms, we might say that the February 25 editorial is an Elaboration of the February 23 editorial. Corcoran's

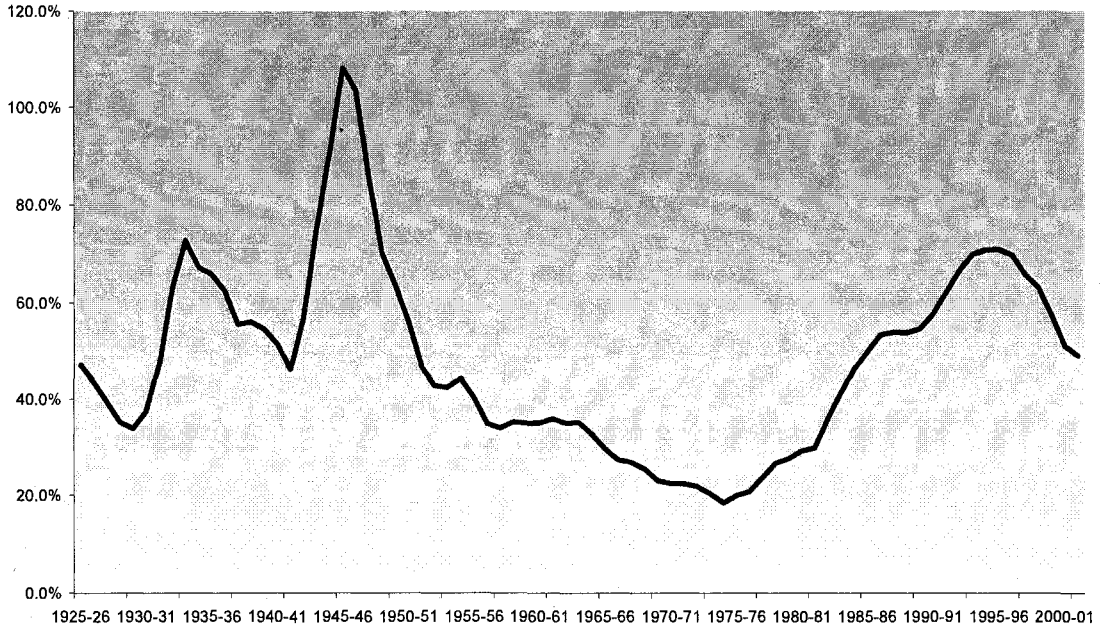
[171] Px: Sy = Paragraph x: Sentence y.

[172] I have adjusted the phrasing somewhat to fit with the grammatical structure of the paragraph. The original wording is : "an accentuation of difference, conflict, polemic, a struggle over meaning, norms and power"(Fairclough 2003, p. 42)

column, by contrast, is more of an Addition to the *Globe*'s coverage. All three texts plus related news stories are part of a genre chain.

Starting with Corcoran's text, perhaps the most striking semantic feature is the use of the "mountain" metaphor to describe the debt, a metaphor that clearly conveys a sense of size, solidity and importance.[173] He introduces the metaphor in the first clause of P1:S1 and the message is strongly reinforced by the accompanying chart, reproduced from Budget 1994, which depicts the evolution of federal net debt as a percentage of gross domestic product. The chart clearly shows the contour of a mountain, just as Corcoran suggested. The scaling and the time frame are crucial however in this depiction. The Y-axis begins at a debt-to-GDP ratio of 40% instead of 0%. In so doing, it accentuates the increases. The time frame, from 1984 through to projections for 1997, is a truncated historical picture that leaves out the World War II era,

**Figure 8-1**
The Debt Sine Wave?
Net Public Debt as a Percent of Gross Domestic Product, 1925-26 to 2000-01




Source: Department of Finance, *Fiscal Reference Tables*

when the debt-to-GDP ratio exceeded 100% before falling to under 20% by the early 1970s through no particularly dramatic action on the part of the federal government.

[173] In Chapter 8, I briefly alluded to this category of metaphor when I described the federal government as at the edge of a fiscal precipice.

Figure 8-1 shows a different, more historical depiction of the same data from Corcoran's chart. Corcoran's mountain is now a hill.

The rest of Corcoran's text fills out the mountain metaphor. In clause 2 of P1:S1 for example, we learn that the mountain is a "huge landfill" – the term "landfill" being a relatively transparent metaphor for waste as in "government waste," that was "built" by successive Liberal and Tory governments (the ordering is important because the Hawk narrative traces the problem back to the Trudeau era). In P1:S2, we are told that that Martin's deficit will "throw" another $100 million onto the mountain. In P4:S3, P5:S1, P11:S2, Corcoran describes the top of the mountain as a "peak." Finally, in P12, he tells us that a privileged perch atop this mountain – presumably his – shows that the mountain is only likely to grow.

Curiously, despite the fact that the column is very clearly attributed to Terrence Corcoran (his picture appears next to the column), the author never identifies himself explicitly. Instead, he adopts the third-person voice, reinforcing the notion that Corcoran is a detached almost professorial observer equipped with the universal tools of economics who, standing aloft debt mountain and for the benefit of the less enlightened (i.e., the readers), maps out the very dangerous fiscal terrain below (and, presumably, above). The result is a column heavily flavoured with passive phrasings that omit explicit mention of an Actor,[174] beginning in the very first sentence ("Your attention is drawn..."). The Actor in many of these passively phrased clauses is relatively transparent, either our detached narrator Mr. Corcoran or the duplicitous Liberal government, as in the dominant clause of P2:S1 ("This is being hailed as a victory"). In other instances, however, the Actor is less obvious, as in P4:S2 ("Stopping the growth in the debt as a percentage of the total economy is considered a bare minimum crisis-avoidance target"). From our discussion in Chapter 6, we can surmise that the Actor Corcoran has in mind is the Hawks, that relatively cohesive group of economists, policymakers, market participants and pundits who emphasized the corrosive effects of compound interest on the national debt and the mathematical relationship between the economic growth rate and the interest rate. In a

[174] In Functional Grammar, the term Actor is reserved for participants involved in material processes. I use the term more generically here to cover participants in the range of relevant process types, i.e., material, mental, behavioural, and verbal. It is also important to distinguish between Actors and Subjects, the latter being the term Functional Grammar uses to describe what the sentence is about in interpersonal terms. Often, the Subject and Actor are one in the same but not always.

more critical vein, we might also include in this group debt holders, or anyone else for that matter, who stood to gain from any sustained effort to eliminate the deficit and reduce the debt.

Corcoran's column is comprised overwhelmingly of relatively simple declarative statements that merely reinforce his role as a dispassionate observer of the fiscal landscape. There are also, however, elements characteristic of what Fairclough calls the conversationalization of discourse, namely:

- ☐ the final two sentences in P2 ("Stop the presses! Federal debt-GDP ratio to fall 0.5 per cent three years from now!");
- ☐ the interrogatives at the beginning of P5 (So is this going to be the peak ... ? And even if it is... ?) and the almost jarring rhetorical interrogatives (exclamative in effect) in P6 ("Whaaa? Who has? We?"); and
- ☐ the colourful use of adjectives ("rhetorical blarney") and rhythmic phrasing (" "budgetary fiddles and statistical jumbles").

Together, they help render a rather abstract discourse more entertaining and serve to temper Corcoran's professorial airs but in a peculiar way. As in a lot of New Right popular discourse, they seem aimed at establishing Corcoran's credentials as someone who wants to distance himself, paradoxically, from stuffy, pompous elite small-l liberal post-modernist thinkers who in their detachment, fail to understand the harsh reality of hard numbers. Corcoran positions himself as someone who is simply better at explaining what his readers already know: that the Liberals are deceitful and fail to understand elementary budgetary logic.

The column, like most Corcoran columns,[175] uses modality sparingly and selectively in a way that tends to reinforce Corcoran's authority and cast doubt on the trustworthiness of Liberal opinions. When discussing fiscal data for example, Corcoran rarely modalizes statements about what is or what might be. In some instances, this is understandable. There is, for example, little reason to modalize the claim (P1:S2) that the debt at the time equalled about 70% of GDP (P1:S2).[176] In P5:S3 however, Corcoran

[175] One of the hazards of being an economist with a strong policy focus is that one is often called upon to rebut or at least wrestle with Corcoran's arguments, which are widely circulated among the elite as defined in this study.

[176] One *could* be picky and make the point that the term "federal debt" is itself contentions in that when most people think debt, they think of something equivalent to a mortgage or car loan whereas in fiscal policy discussions, the term refers to an accounting identity that equals the difference between assets and liabilities.

unequivocally says the debt *will* reach $608 billion by 1997, a claim based on an earlier sentence (P2:S2) which attributes the figure to the Department of Finance but fails to note that this figure is the end result of notoriously unreliable *projections*.[177] We might attribute Corcoran's confidence "in the numbers" to his faith in the fiscally conservative bureaucrats at the Department of Finance as distinct from the politicians who every now and then drop in to run the place.

Turning to nominalizations, Corcoran uses these sparingly despite the pronounced use of passive phrasing (the two often go together). In some cases, the nominalization process omit the Actor but only in a trivial sense. In P9 for example, the nominalizations ("reform" and "cuts") elide the Actor but the context makes it clear that the Liberals are the ones *reforming* unemployment insurance and *cutting* the military. In other instances, the nominalizations are more meaningful. In P5:S3, we see the nominalization of the verb "costing" into "costs." This is quite common in fiscal discourse and it elides *who* imposes these costs, an effect only enhanced by this clause's passive phrasing. This sentence might have been phrased for example as "Once the debt hits $608-billion in 1997, foreign bond traders will demand interest payments *costing* more than $40 billion a year." The only other nominalization of note occurs in Corcoran's descriptions of Liberal actions. In nominalizing their behaviour, he suggests that Liberal perfidity, and perhaps government perfidity more generally, is timeless. The nominalizations also avoid making a perhaps too-direct assault on Liberal integrity. For example "Budget fiddles and statistical jumbles" from P8 could have been written as "As the Liberals fiddle with the budget and jiggle the statistics ... ," a translation that situates the action in the present and suggests that only *today's* Liberals (rather than past Liberals or governments more generally) engage in these practices.

Finally, from a thematic perspective (in the Functional Grammar sense), this column is about something more than simply orienting the reader towards distrusting the Liberal commitment to fiscal restraint. Consider P10, where Corcoran discusses UI reform and concludes by asking "This is the New Economy?" It is difficult to make

[177] Projections "project" existing trends into the future and take no account of potential policy or other changes. They are almost always heavily modalized in serious academic work.

sense of this rather jarring unannounced intrusion.[178] What is the New Economy in Corcoran's mind and what is its link to fiscal restraint and Liberal perfidity? In the 1994 budgetary documents, the term is used in its usual way, to describe the notion that "Ideas are the new natural resources"(Martin 1994, p. 6) or the idea that the economy is based "increasingly on information, technology and research"(Department of Finance 1994, p. 12). Corcoran however appears to identify the New Economy with an economy where market forces hold greater sway, thus his displeasure with the fact that Unemployment Insurance, an old-economy invention (later renamed in a New Economy sort of way as "Employment Insurance"), will continue to disburse money to (presumably undeserving) "men and women who have newborn babies to look after."

From this discussion, I think we can think of Corcoran's column as an instance of how the genre of columnists concerned with fiscal matters might have contributed to the process of creating the fiscal policy convention. Corcoran presents the debt as an immovable mountain and not just any mountain, but a mountain of *garbage* built up from years of Liberal *then* Tory waste, waste being a keyword in a lot of right-wing discourses and polling questions at the time. Other columnists probably achieved the same objective with a different set of metaphors and grammar but the end-result would have been the same. The Bank of Canada's role in the debt process, or anyone else's for that matter, is simply not discussed, a common omission from the popular discourse. Corcoran assumes that the level of the debt represented a crisis situation and that the only way to avoid a worsening of the crisis was to level off the debt-to-GDP ratio. By 1995, this "crisis" assumption was pervasive (see Figure 9-2, next chapter). Corcoran's use of the third person seems strategic, aimed at projecting three kinds of identities onto his readers and in so doing, strengthening the hold of the (eventual) balanced-budget convention, namely: (1) the reader as pupil who already knows "in their gut" that the deficit and debt are serious problems but want some help in refining their arguments; (2) the reader who wants a trusted source to guide them through the thickets of Liberal rhetoric; (3) the reader who thinks they already understands the basic deficit/debt dynamics but want reassurance, mixed with a bit of entertainment, that they are on the right track.

[178] Corcoran may be making an oblique reference to the New Economy at the beginning of P2 when he talks about the "*wired*" word of federal fiscal policy but this could also be interpreted in the colloquial sense of "getting drunk" as in "I got wired last night."

If we can say that Corcoran's column has the almost playful bemused air of a seasoned columnist about it, the *Globe* editorials are written as if from the vantage point of a betrayed, albeit intelligent, young lover. The two headlines say it all: "Martin cowers before debt mountain" (February 23), a clear play on Corcoran's column, and "Cheap tricks for tawdry ends" (February 25). These are clearly frontal un-modalized attack on Mr. Martin integrity, labelling him both a coward and tawdry. We get a better sense for the reasons behind this anger towards the end of the first editorial, when Coyne ties in the fiscal theme to a larger issue of inter-generation equity (P8 – "This generation of Canadians ... is imposing a lower standard of living on the next generation..."), namely the presumed wasteful and selfish behaviour of the boomer generation relative to what became known as Generation X, people like myself and the editorial writer who entered the workforce while the country found itself in a recession that seemed to linger into the late 1990s.[179] Whereas Corcoran arguably pulls his punches (see the "budget fiddles and statistical jumbles" example above), Coyne feel no such need. In that sense, the two editorials depart somewhat from the normally dispassionate and analytical style which characterizes *Globe* editorials. On the other hand, Coyne engages in an ambitious, arcane and abstract analytical exercise of challenging the government's accounting practices, an area that few dare to tread or, for that matter, bother reading.

Perhaps to add some element of readability to an otherwise dry discussion, Coyne consistently makes explicit reference to his readers as "you" while he carefully reconstructs his reasoning process in the February 25 editorial. At the end of P2 in this editorial, he uses two interrogative sentences to urge the reader along in their shared effort to uncover lies in government accounting practices. In P3, he writes in the imperative that we, the reader, must : "Understand what this means." In P5:S2 ("So let's **(us)** reconstruct the numbers"), he resumes his imperative tone but this time appears to include himself as Actor (Senser), thereby inviting the reader to metaphorically "sit" inside his mind and follow-him along as he unmasks Liberal treachery. The use of mental verbs such as "understand" (P3:S3) and "know" (P5:S1) reinforces this interpretation. We might even say that the overarching genre of the February 25 editorial

[179] In his text, Workman (1996) explores the way in which the fiscal policy discourse exploited this generational angst, an angst that I would argue was very much related to the weak economic performance.

is that of a puzzle or mystery with Inspector Coyne as our forensic accountant, inviting the reader along in his efforts to navigate the rhetoric and confusion laid down by the guilty Party.[180]

While the February 23 editorial also refers to "you" and "us," the references are infrequent and more characteristic of an impersonal, almost professorial style. While Coyne still explains the grounds for scepticism, the effort is less sustained and consistent. Towards the end of the piece especially, he introduces themes ("As for spending" in P5 for example) which seem to come out of nowhere and almost assume a basic familiarity with the idea that budgets involve deficits, taxation *and* spending. We can also see this in the way he ties in supposed budget trickery to larger issues such as the importance of the debt (as opposed to the deficit) and its relation to intergenerational equity. The February 23 editorial, in order words, has the feel of something written under duress, namely the time pressures imposed by a tight deadline on budget day, hence the need for a more focused and sustained and elaborative follow-up piece.

In CDA terms, we might summarize Coyne's approach in both editorials as explanatory rather than descriptive, although the first is less so than the second. Coyne is not in other words engaged in the increasingly common practice of writing what Fairclough calls a "Hortatory Report" (i.e., the Logic of Appearance), a kind of Grammatical Metaphor where simple Declarative sentences and Additive clauses are strung together to create the impression of description when in fact the effect and intent is a call to action, either to buy some good or attract some investment or motivate some other behaviour. Coyne's editorials by contrast strive for some sort of reasoned conversation or at least they play on that theme (see below). They do not appear to be strongly "instrumental" in a Habermasian sense.

This interpretation is supported by several grammatical clues. First, Coyne is careful to use repetition in his Themes either explicitly or through pronouns,[181] something we tend to see in textbooks and other texts aimed at walking a reader through

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[180] The wording in P9:S2 suggests either that Coyne considered himself a budding forensic accountant or at least had the services of one to wade through the numbers. In either case, the forensic accountant needed some remedial training, as I argue later.

[181] The term Theme in Functional Grammar is defined as the first *existential* constituent of the clause. We analyze Theme to study cohesion and implied coherence, to uncover the extent to which the author feels the need to make thematic links explicit or implicit.

difficult material (Thompson 1996). In P6 of the February 25 editorial for example, he is careful to guide the reader along by writing "The same applies .." instead of "This applies." The pronoun "same" enhances the cohesion between this sentence and the previous one. At the beginning of paragraph 7, he writes "Mr. Martin added a further ...", a kind of redundancy that again enhances the link between it and the previous paragraph. In the February 23 editorial, we see a similar use of pronouns and repetition but, as I suggested earlier, it is not quite as sustained. Nevertheless, in P4:S3 of the February 23 editorial for example, Coyne repeats the theme from the previous sentence, writing "But taxes were indeed raised..." The second grammatical clue is that Coyne makes extensive use of what are called Circumstantial Adjuncts to unfold his story in time, manner, and space, a strong indicator of an underlying explanatory (logic) approach. In the first paragraph of the February 23 editorial, for example, he takes the reader back to the period "immediately after the election" and then brings them forward to the "period just ending." In P2 of the February 25 editorial, he tells us that "Only now, with the release of Mr. Martin's own budget, is the answer clear..." The rest of the editorial builds his argument step-by-step until he gets to the conclusion. The third grammatical clue is the strong presence of causal relationships between clauses and sentences in the February 25 editorial (less so in the February 23 editorial), which against suggests an effort at explanation. P3 and P8 in the February 25 editorial are long causal arguments. In P3, the argument is that Mr. Martin used his exaggerated budget estimates to "justify" broken promises and claims about cutting the deficit. In P8, Coyne walks us through the causal consequence ("That means...") of all the supposed budgetary fudging. Coyne is not always as explicit as he could be in his causal clauses and sentences. The reader in both editorials may feel they have to "do the math" and see if Coyne's numbers "add up" in P2 and P3 of the February 23 editorial and even in P8 of the February 25 editorial (they do) but there is little doubt that the thrust of the texts are causal of the form: because the Liberals counted (or didn't count) "x" in period "y", the deficit is really "z."

Grammatically, the striking thing about these texts is the prevalence of relational processes which are used both to tell the reader about the Liberal government's budgetary claims and then to challenge them. This is not altogether surprising because Coyne is ultimately criticizing the government's accounting practices and accounting practices are

about categorization. We would *expect* pronounced use of relational verbs. To illustrate, consider the first sentence of the February 23 editorial, where the Token is "the Liberal government's approach to deficit reduction" and the Value is "do not be seen to try, and you will not be seen to fail." Later in P2:S1, we see how Coyne attaches positive evaluative meaning to his own calculations by using a relational verb (is) to equate "the best estimate" (as Value) with a deficit figure of $40 billion (the Token). The broader thematic focus on accounting practices is obvious in another sense: many of the nominalizations are frequently used accounting or budgetary categories such as "program spending" or "stabilization claims" or "non-recurring factors." These are not editorials for those who have difficulty balancing a chequebook.

The two editorials also use a lot of material-process verbs to describe what the government did, is doing or will do the budget balance (i.e., the deficit) and debt or, more abstractly, what these "entities" have "done" to themselves. We are told for example that the Liberals "cut" spending, that Mr. Martin "stuffed" extra spending into the 1993-94 budget and "bumped" revenues into the 1994-95 budget. Meanwhile, spending is said to "edge up" or "leap." This use of material verbs to describe budgetary categories (deficit, debt, spending, revenue) is very much in keeping with the much broader fiscal discourse and clearly contributes to the sense that these are *real* entities with all the same properties as any physical object. The editorials may not have adopted Corcoran's mountain metaphor lexically[182] but they certainly captured it in spirit.

There is of course nothing wrong, at least from a critical realist perspective, with describing purely-human creations such as accounting conventions as "real." They have a certain inertia and they are well supported and relatively immutable compared to say, fashion trends. The real problem arises when the use of material verbs to describe human constructs is combined with passive phrasing that elides human agency altogether. As with Corcoran's column, Coyne's editorials are chock full of passive phrasing, a by-product no doubt of the *Globe*'s practice of not signing its editorial and in so doing, projecting an air of detached authority. The editorials' nominalizations of course have the same effect. Consider again the following sentence from the February 23 editorial

[182] The only exception of course is the headline for the February 23 editorial, which clearly ties back to Corcoran's column. Of course, editorial headlines like headlines more generally, are rarely written by the author of the accompanying text.

(P2:S1): "The best estimate of the deficit for 1993-94 to begin is not $45-billion, but $40 billion." The nominalization of the verb "estimate" begs the question: "Whose estimate and how do we know it is the best?" The phrase could easily have been written, in keeping with *Globe* editorial style, as "We estimate ..." Instead, the reader is left to assume that either the *Globe* is an authority on budget estimates or it has canvassed a sufficient range of experts that it can make this statement confidently.

In terms of modality, the striking thing is perhaps Coyne's absolute (but ultimately misplaced) certainty about his analysis of Liberal government's presumed budgetary deceit in the February 25 editorial and his only slightly more guarded certainty in the February 23 editorial. Consider the first three sentences in P2, which I quote in full to help in the discussion:

> The best estimate of the deficit for 1993-94, to begin, is not $45- billion, but $40-billion. The Liberals added fully $5-billion in "non- recurring factors," mostly accounting adjustments. Perhaps some of these should be laid at the Tories' feet, perhaps not: but how much and how fast to add them to the books was indisputably at the present government's discretion.

The first sentence expresses no doubt about what constitutes "the best estimate" or whose it is (i.e., Coyne's). The second sentence is a simple declarative statement. The third sentence appears to modalize responsibility for these accounting adjustments – the adverb "perhaps" constituting clearly part of the Mood in Functional Grammar terms. The third sentence however wipes away any remaining doubt. Even if the underlying "non-recurring factors" could be traced back to the Conservative, the Liberals could have booked them differently, no harm, no foul. Or consider this passage, from P4:S3 in his February 25 editorial: "In sum, faced with the worst fiscal crisis in our history, the Grits have done worse than nothing: they've added to it (the deficit)" before going on, seemingly, to destroy the Liberal's credibility by arguing that each of these non-recurring items – here we see clearly why the February 25 editorial elaborates on the February 23 editorial, *should* have logically been booked in 1994-95 instead of 1993-94.

Contrary to Coyne's strong assertions however, there are in fact good reasons to think that the Liberals actually followed conventional budgetary practices. These practices outline *rules* which govern "how much and how fast" governments *should* book these kinds of "accounting adjustments." In other words, governments *do not* have the

discretion to willy-nilly assign spending and taxation where and when they like because if they do, the Auditor General will almost invariably find out and write a scathing report which the *Globe* will certainly cover and its Editorial writers will certainly laud. To see just how badly Coyne misunderstands these rules, consider Coyne assertion in P5 of the February 25 editorial that the cost of cancelling the EH-101 helicopter and closing military bases should have been born in 1994-95 rather than 1993-94. Under the *modified* accrual accounting rules which governed the federal government accounting practices at the time, the rule was to count capital expenditures in the fiscal year in which they were announced. Under present-day *full accrual accounting rules*, in place since 2003,[183] the accounting practices would have more in keeping with Coyne's analysis: the expenditures would have been booked in the fiscal year in which they were incurred. Consider also Coyne's suggestion in P7 that the Liberals purposely and quite underhandedly accelerated income tax refunds to balloon the 1993-94 deficit and shrink the 1994-95 deficit. Coyne omits the government's explanation for this acceleration: "Processing of personal income tax refunds during the February-March period in 1994 is planned to be faster than in the same period last year *due to the increased use of electronic filing and the introduction of new single-sheet returns*."(Department of Finance 1994, p. 12). There is little reason to doubt this explanation and there is certainly no reason to omit it entirely unless one is engaged in a purely rhetorical exercise. Finally, it is worth noting that the Office of the Auditor General of Canada found nothing wrong with the federal government's 1993-94 or 1994-95 accounting practices, writing that

> In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 1995 and the results of its operations, the changes in its financial position and its financial requirements for the year then ended, in accordance with the stated accounting policies of the Government of Canada as set out in Note 1 of the financial statements. As required by section 6 of the *Auditor General Act*, I also report that, in my opinion, these stated accounting policies have been applied, in all material respects, on a basis consistent with that of the preceding year (Auditor General of Canada 1994, p. 1.5).

Coyne had (and may still have) a weak grasp of federal accounting practices yet his writing showed little if any evidence of this disfluency.

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[183] For a discussion, see Budget 2003 (Department of Finance 2003), Annex 6 .

Coyne's confusion, whether deliberate or not, is even more profound than this. His February 25 editorial repeatedly refers to "last year" when talking about fiscal 1993-94 when in fact, the federal government's fiscal year ends March 31. In other words, fiscal 1993-94 was not over when Coyne was writing his editorial. Consider this quite strange sentence (P7:S1) from the February 25 editorial: "Mr. Martin added a further $1.2 billion to last year's deficit by accelerating income tax refunds, normally paid out after the fiscal year has ended, into February and March, thus depressing last year's revenues and inflating this year's by an equal amount." On the one hand, Coyne recognizes that the fiscal year ends in March (the refunds were accelerated into February and March, before the fiscal year ends) but on the other hand, subsequently refers to this year (i.e., 1993-94) as "last year." We can better understand this confusing use of "last year" and "this year" if we recognize that Coyne equates the "last year" period with the Conservatives and "this year" with the Liberals. In the February 23 editorial for example, he writes that the fiscal year "just ending" (i.e., 1993-94) is the "last on the Tories' watch." This equation, however, is simply wrong. The Liberals could rightfully claim to have held power for five of the 12 months (November 1993 – March 1994), or almost half of the 1993-94 fiscal year. Granted, the Liberals may have rhetorically played games by implying that they inherited a $44 or $46 billion deficit, but Budget 1994 makes no mention of this and the fact remains that the Liberals were perfectly entitled to behave as any government would and make spending and taxation decisions which necessarily affect the government's budgetary balance.

Where does this analysis take us? First, it is important to remember that the *Globe* is an influential newspaper, the pre-eminent opinion leader in Canadian news circles. It influences elites in part because it influences other news organizations, including radio and television stations, other newspapers, Blogs and online news sources. It is certainly *perceived* to be sufficiently influential as to provoke an angry outburst by a Finance Minister very much concerned about his reputation among this class of person – it is hard to imagine Mr. Martin working up a similar head of steam because of the writings of an obscure editorialist at the *Pembroke Observer*. As I believe my analysis has shown, the editorials were more than frontal attacks on Mr. Martin's integrity. They were also more than frontal attacks on Mr. Martin's allegiance to the cause of deficit and

debt reduction. They were frontal attacks on Mr. Martin's allegiance *to his class* and, therefore, on his identity.

The analysis also shows that the *Globe* is reflexively aware of its importance. We can identify this awareness by looking at some of the grammatical clues discussed earlier – the positioning of the reader, the use of the third person, the unsigned editorials, the professorial tone, the absence of modality when expressing conclusions, and so on. In addition to contributing to its importance, these stylistic features increase the chance an opinion – or mistake – in the *Globe* will circulate as conventional opinion. If the *Globe* misunderstands basic budgetary accounting, chances are a lot of others will too. If the *Globe* uses its influential podium to suggest that the debt is mountain of government waste, chances are a lot of others will too. If the *Globe* alleges that (a) the Liberals are not serious about the deficit; and (b) their budgetary fiddles and statistical jiggles are proof to that effect, then chances are others might be sceptical as well, which is precisely what Greenspon and Wilson-Smith imply in their work. Indeed, the initially positive response to the 1994 Budget soured shortly after the *Globe* editorials. The result was more sustained pressure on the Liberals to go further down the deficit-reduction road. In short, we can see how a sustained effort on the part of the *Globe* to preach fiscal conservatism, of which these three texts are but a piece, could have an impact over the long-term on these debates.

**1995 : The Wall Street Journal Sounds the Alarm**

On January 12, 1995, the *Wall Street Journal* (WSJ) published an editorial with the headline "Bankrupt Canada?" It argued that Canada ought to be considered an "honorary member of the third world" because of the "unmanageability of its debt problem." The article provoked a strong reaction in Canada and plays a pivotal role in the country's fiscal narrative. Donald J. Savoie, a well-known academic who specializes in regional economic development policy and governance issues, argues for example that the editorial "had a major effect on those in the cabinet still hesitant to accept the general expenditure stance advocated by finance; indeed, the deputy minister of finance, David Dodge, later described as a 'seminal event' in the politics of the 1995 budget..."(Savoie 2006, p. 172).

The media quickly picked up on the article's salience, with the *Globe and Mail* and *Toronto Star* reprinting the article in full the next day, the Globe under the heading "How Others See Us" and the *Star* under the heading "From an editorial in the Wall Street Journal." Many other large Canadian newspapers reported on the event, as did Canadian and foreign wire services and even other American newspapers such as the *Washington Times (Beichman 1995)*. The article also provoked a response from the Prime Minister. The following day, the Canadian Press reported that Prime Minister Jean Chrétien told reporters that Canada is "a very healthy country" and that "the Monday-morning quarterbacks, you know, they write articles; they don't run a government" (Canadian Press 1995). With no small amount of irony, the Liberals would in later years use the WSJ editorial and the phrase "honorary member of the third world" to illustrate the federal government fiscal progress. The phrase is also very much in use outside of Liberal discourses. A *Factiva* search yielded more than 100 "hits" since 1995,[184] with one of the more recent mentions occurring in 2006, after Paul Martin's electoral defeat and retreat from politics. The editorial, and this phrase in particular, are now part of official Canadian history, for better or for worse.

The WSJ editorial was ostensibly triggered by the newspaper's January 11 news story (see Appendix A-6) about Canada's currency and debt problems. The story was itself a scathing critique for what was, ostensibly, a straight news story, albeit one written by a team of two reporters that included at least one native Canadian, Suzanne McGee, who worked for the WSJ as a *Dow Jones* wire reporter based in Toronto.[185] In its reprint, the *Globe* included an excerpt from the January 11 WSJ article as if to emphasize that this was in fact the source of the editorial. Revealingly, the news article did not initially attract the attention of anyone north of the border, or financial commentators for that matter, until it was referenced in the follow day's editorial, an indication of how editorials can sometimes be more influential than news stories or at least play a complementary role. In any event, the WSJ editorial writer, which we now know was a person by the name of John Fund, was inspired to write the editorial for reasons above

[184] The search term was, in quotations, "honorary member of the third world." The search was done August 21, 2007.
[185] As a Bloomberg reporter in the early 1990s, I got to know Ms. McGee in her capacity as a *Wall Street Journal* reporter.

and beyond those found in the January 11 story. In a February 1995 edition of the Fraser Institute publication *Fraser Forum,* then-president Michael Walker claimed credit for the editorial, referred to as an article in this excerpt:

> The article was the result of the participation by John Fund in the Fraser Institute conference, "Hitting the Wall--Is Canada Bankrupt?" held in Toronto on November 30 and December 1, 1994. At this conference Mr. Fund was exposed to the most thorough-going examination of this topic ever undertaken. It is not surprising that he came away from the conference with a deep foreboding about Canada's problems. It is unfortunate that the Prime Minister has not availed himself of some of the same information (Walker 1995).

We learn from *Toronto Star* column Dalton Camp, however, that Fund told CBC radio that he had a second source, namely Andrew Coyne, the *Globe and Mail* editorial writer who so angered Mr. Martin (Camp 1995) with his February 1994 editorials.[186] Indeed, the *Globe* ran an editorial the same day it reprinted the WSJ editorial, elaborating on the same theme and making explicit reference to the WSJ piece.

In short, the WSJ editorial did not emerge from "nowhere." It was not the work of a disinterested observer watching debt numbers and suddenly discovering the precariousness of Canada's fiscal situation. It probably was not even the work of an editorial writer paying close attention to the work of staff reporters based in Canada. Rather, it was in large part the result of a quite conscious effort on the part of persons *in* Canada to exert influence on other people *in* Canada through discourse *outside* Canada. The actual text, as we will see, does not betray its origins in any obvious way, although more careful analysis shows clear signs of the Fraser Institute's facilitative role and, it should be added, the author's tenuous grasp of fiscal terminology.

**External Analysis**

In CDA terms, we can see that the editorial was part of a chain of social events that included, at a general level, the ongoing debate in Canada about what to do with the deficit and the link between that debate and Mexico's financial travails. More concretely, the chain of social events included the Fraser Institute's "Hitting the Wall" conference co-sponsored by the Society of Financial Analysts, which *Globe and Mail* columnist

[186] I attempted to get in touch with Mr. Fund to confirm these details. While he initially proved receptive to my (email) entreaties, he never followed through with his promise to call me despite repeated email reminders on my behalf.

Peter Cook described with no hint of irony as "filled with citizens concerned enough to pay 220 bucks to the organizers"(Cook 1994).[187] The conference presenters consisted of a who's who of the financial world and included a representative from the International Monetary Fund, there to explain what would happen were it called in to "rescue" Canada from a foreign exchange crisis. The conference generated media attention from the wire services, the major Canadian newspapers, as well as American news services such as the business magazine *Barron's* and the *Christian Science Monitor.*

In terms of genre, WSJ editorials, like those at the *Globe*, are unsigned. According to its Wikipedia entry, the WSJ describes its editorial philosophy as favouring "free markets and free people" in keeping with its audience, comprised of people interested in financial and business news, many of whom are participants in these two worlds. With its large daily circulation,[188] combined with overseas editions in Europe and Asia as well as its *Dow Jones* news service, the WSJ exerts considerable influence over elite opinion in the United States and outside of the country, especially among financial market participants. As with the *Globe* editorial, there is a great deal of "social distance" between the editorial and its readers which is in part a function of the technology employed : the newspaper industry is a "mass medium," where one person communicates "with many" across time and space. The technology contributes to the social effect of the editorial, which is analogous to a minister or priest at the pulpit with a captive audience.

Pulpits can of course be used in different ways. The social distance does not guarantee any particular discursive style, although it does exert a tendency of projecting a role onto the editorialist as one who spreads the received word to the attentive flock. In this instance, Fund used his editorial in a peculiar manner, namely to both *inform* his target audience in the manner of a news story and to admonish recalcitrant Canada for its laxity with respect to fiscal matters. Since the WSJ had (and has) a relatively small Canadian audience, however, Fund "sent" his message to Canadians and their political leaders in what might best be described as a third order mediation: first, his argument was

[187] The not-so-subtle implication being that the room was full of everyday people from all walks of life. I attended said conference as a Bloomberg reporter. There were no "everyday" people at the conference, just a lot of people in expensive suits who probably had their employer cover the cost of the conference.
[188] According to its Wikipedia entry, the WSJ had the largest daily circulation in the United States until 2003.

mediated by the form (the newspaper) and *then* his argument was mediated by the target audience (financial market participants and Canadian editorialists, *viz.* Andrew Coyne) who, using this form and others (radio, television), disseminated the article to Canadian politicians, the elites and the public.

Intertextualy, the editorial includes a narrow range of voices – the McGee and Sesit's January 11 article, RBC economist Ed Neufeld, Ralph Klein and the Fraser Institute, all of whom shared the same basic conviction that Canada was on the verge of a fiscal crisis. The report excluded a range of voices, including anyone critical of the contention that Canada was on the verge of a fiscal crisis.[189] It also, quite pointedly, excluded comments from anyone who might have suffered the consequences of fiscal retrenchment, including the nurses, doctors and patients affected by the closure of "marginal rural hospitals" in Saskatchewan and the 40,000 welfare recipients "removed from the rolls" in Alberta. These potential voices are depicted instead as abstract entities, evidence of their respective provincial government's willingness to accept the "reality" of the crisis atmosphere and ultimately, evidence of their fealty to the contractual obligations of their debt agreements as opposed to their democratic obligations to their citizens. These features emerge sharply in the internal analysis, to which I now turn.

**Internal Analysis**

Thematically, the curious thing about this editorial is its quasi-newspaper style. The text is chock full of what Fairclough calls Additive clauses and sentences and even paragraphs. These are clauses and sentences that *add* to the text and are characterized by the fact that they could easily have been placed somewhere else without doing violence to the text's overall meaning. In other words, the ordering of the clauses and sentences is not so important as their mere presence, a feature characteristic of texts such as news stories seeking to inform rather than to explain. This way of writing is also characteristic of texts which rely on the reader to impart some of the coherence to the overall theme. Consider the first sentence: "Mexico isn't the only U.S. neighbour flirting with disaster."

[189] Fund could have easily located such voices because at least one was at the Fraser Institute conference. William Krehm, a noted critic of the Bank of Canada, was on hand as an attendee and, as I recall, stood up in the question and answer portion of one session to challenge the basic assumption of Canada being on the verge of a fiscal crisis. His contribution was met with a deadening silence and was not reported on by anyone, including this reporter (shamefully!).

It assumes an audience familiar with Mexico's financial problems[190] and is Additive in the sense that it have been left out altogether. P2:S2 is another example of an Additive sentence, explicitly signalled by the adverb "Additionally." It assumes a reader who understands that having a "high ratio of debt to GDP" is symptomatic of a country on the verge of a fiscal crisis. In fact, most of the paragraphs in their entirety are Additive in the sense that they could easily have been moved around or omitted altogether to accommodate space constraints. P3 is additive in this way, as is P7, P8, and P9. Even P4, which introduces the provincial theme, might be considered Additive. Certainly, the second and third sentences in P4 are Additive and could have been omitted by removing the conjunctive "But" from the first sentence of P5.

We can also see elements of a news reporting genre in the way the editorial attributes direct reporting. In both instances where he quotes sources directly, Fund lets the speaker address the audience first and then adds a perfunctory "he says." In Carleton's journalism school, I was taught to favour the "he says, she says" way of quoting a source as more neutral and objective than, for example, framing the reported speech by writing "Neufeld believes/insists/worries ..." In using this seemingly neutral attribution style however, Fund reinforces the overall sense that he is a detached observer who in Act 1 draws the reader's attention to the problems of an otherwise nondescript country (Canada), in Act 2 reports on some salient happenings and facts, and in Act 3, concludes by reinforcing the message in Act 1 by adding a prescriptive element of what must be done. Compared with the *Globe* editorials, the WSJ editorial has very few conversational markers, another indication that it is attempting to do something more than merely opine on Canada's fiscal situation – it also wants to report on the happenings for an audience otherwise unfamiliar with the country. The only reference to the reader occurs in the second sentence of the first paragraph, where Fund calls out imperatively to the reader to cast her gaze northward to Canada.

Despite the absence of explicit audience markers, we can get a strong sense of the (main) targeted audience, and their interests, by identifying the main Subjects (interpersonal analysis) and Actors (process analysis) in the text. At the interpersonal

[190] The McGee and Sesit January 11 article adopts a similar disposition, referring simply to "Mexico's currency woes..." in the second paragraph.

level, the editorial is about Subjects that are of interest to readers who invest or do business internationally. These Subjects include a range of jurisdictional entities, namely Mexico, Canada, Britain, New Zealand, Italy, Canada's 10 provinces, Saskatchewan, New Brunswick, Alberta, the Ontario Conservative Party, and indirectly, through Klein, the United States. These jurisdictional entities, as Subjects, are treated as Actors that "do" things or are affected by events just like people. We learn for example that Canada ran a balance-of-payment deficit and that some of the provinces show it is possible to get out of the "tax and debt trap." In Functional Grammar terms, we would say that the Subject position is "unmarked" because it coincides closely with the Actor function.

The editorial also introduces a range of abstract economic and national accounting concepts, presumably familiar to the average WSJ reader, that also play the role of Subject and are therefore anthropomorphised as Actors much like the jurisdictional entities: the Canadian dollar, the national and provincial debt, the economy, unemployment, and "massive savings" all engage in processes normally associated with humans. The only real humans with any kind of agency in the editorial are RBC economist Ed Neufeld, political leader Ralph Klein, two WSJ reporters, and crucially Canada's *foreign borrowers* who are told they "should worry about that 35 per cent of all federal revenues (that) now go to service the debt." These foreign borrowers, not coincidentally, are the only ones with the power to trigger the crisis foretold by the WSJ. They are also the international audience targeted by the editorial, an intuition reinforced by the thematic focus on Canada's foreign debt in P2. Similarly, the editorial makes no mention of the size of the federal government or combined federal-provincial debt in nominal terms even though these were almost perfunctory elements of the fiscal discourse in Canada. Foreign investors are of course uninterested in these nominal values because they are (a) meaningless on their own, hence the depiction of Canada's debt relative to its output in P2; and (b) not terribly impressive to people accustomed to making million or billion dollar trades on a daily basis.

In Functional Grammar, Interpersonal analysis also involves looking at what is called the Finite, which is essentially the main auxiliary verb. This kind of analysis also includes a discussion of Modality and feeds naturally into Experiential analysis of processes, i.e., the Material, Mental, Relational, and other verb types used by the author.

In terms of Finite analysis, we see that there are relatively few instances of modality. Most of the clauses are stated as fact and are therefore only narrowly open to negotiation, again in keeping with the descriptive approach of the journalistic genre. The first sentence states unequivocally for example that Canada is flirting with the financial abyss, just like Mexico. In P2:S2, Canada is said to have the second-highest ratio of debt to GDP.[191] In P8:S1, Fund states knowingly that "there are dozens of budgetary white elephants long overdue for a diet ... ," surely a contentious claim. Similarly in P8:S3, he writes that "there are massive savings to be had," another politically charged claim. In P9:S1, readers are told that Canada "can no longer dawdle" over its debt and tax burdens, yet a number of countries, including the U.S., have continued do do just that and have not faced anything near a fiscal crisis. In P9:S2, Canada is told it "cannot assume" that lenders will be willing to refinance its growing debt forever, which is also patently false as the U.S., Japan, all of Europe and even Canada have illustrated many times over. The use of the verb "can" is especially interesting because it carries with it a tone of authority – only people with power tell others what they can or cannot do, the implication being that Fund speaks on behalf of foreign borrowers and, therefore, on behalf of power. In two of the examples just cited (P8:S1 and P8:S3), the Finite plays an existential role. That is, the author simply decrees that something exists, eliding his agency in the process of creating this "fact" altogether.

Fund only resorts to modal operators – verbs such as should, must, and so on, when making predictions or urging action on the part of foreign investors (see the last sentence of P2) or the federal government in Canada (last sentence of P9). He achieves a similar effect, however, through the use of relational verbs. In the second sentence of P1 for example, Fund uses a form of grammatical metaphor to disguise what is ultimately an opinion by tagging the Attribute "not inconceivable" to the Carrier (and Subject) "Canada could hit the debt wall = it." This sentence could have been written more congruently as: "I believe there's a very good chance Canada could hit the debt wall" but of course this would clearly identify the author's responsibility for the claim and thereby undermine the general tone of the editorial, not to mention WSJ editorial practices. In Functional

[191] In fact, the cross-country figures were not directly comparable because of the different ways that different nations accounted for their pension plans (for example) and other idiosyncrasies that could sometimes have large effects.

Grammar terms, we can say that Fund is "objectivizing" the point of view ("not inconceivable") by making it appear to be a quality of the thing ("Canada hitting the debt wall") itself. His use of "it," which in this instance is, in Functional Grammer terms, a "placeholder" for "Canada hitting the debt wall," accentuates this process because it helps disguise the fact that it is Fund, or perhaps the people who fed Fund his information, who are making this probabilistic evaluation. Fund achieves precisely the same effect in P4:S1 when he objectivizes and elides the fact that it is *his* assessment that it is possible for governments to get out of the tax and debt trap and survive politically.

Before concluding, I want to discuss four other features of the editorial that I think are illuminating. First, Fund uses "cutting" metaphors to describe what must be done to the deficit. In P5 for example he writes that Klein "slashed" government spending and that Alberta's provincial debt has been "cut" by 80%. In P3, he writes that Martin has made noises about a "radical pruning." In P5 , he writes that the Ontario Conservative Party planned to "cut" the top rate of income tax. In P8, he writes that there are savings to be had by "trimming" other federal programs. This use of "cut" metaphors is quite familiar to fiscal discourses generally. It reinforces the notion that government's are out of control, hence the need for pruning, trimming, and cutting and more violently still, slashing. We might also link his use of the "cutting" metaphors to the quite explicit "DISEASE" metaphor in P6 ("The economy there has responded well to the medicine"). Surgeons for example "cut" open patients to remove tumours and we might even describe the medieval practice of bloodletting, which is perhaps a more apt metaphor for deficit reduction, as "slashing." The only other pronounced metaphor in the text is Fund's use of "white elephants" to describe many federal programs. This is of course a familiar metaphor for extravagant and wasteful government projects such as roads that go nowhere or dams that cannot produce electricity.

Second, the editorial is relatively free of nominalizations. I could only identify three such instances, two of which involved the relatively common nominalization of "government spending" and the third being the "radical pruning" nominal group cited above. The editorial, I believe, achieves many of the same effects of nominalization (abstraction of processes, omission of Actors, and so on) in some of the ways I discussed earlier. Third, the editorial grafts a tax discourse onto the debt and deficit issue in a

revealing way. The topic is never introduced as a specific Theme (in the Functional Grammar sense) but rather "added on" rather awkwardly in P6:S3, P7:S2 and especially in P9:S1, where it is simply assumed that Canadians labour under the yoke of an oppressive tax burden. There is of course no necessary correlation between "high taxes" and deficits/high debts but the reader is clearly expected to make this inferential leap and conclude that Canada is a high tax, high deficit, high debt nation with a bloated government. Of course, if anything the correlation probably runs the other way. Countries that cut their taxes (and fail to reduce spending) such as the United States are more likely to be "saddled" with deficits and rising debt loads.

Fourth, and finally, the editorial makes a basic category error. In P5:S4, Fund writes that the "provincial debt has been cut by 80 per cent." This is incorrect. In fiscal 1993-94, the last year for which Fund would have access to data, Alberta's debt *increased* by $1.4 billion, which was of course the size of the deficit (Department of Finance 1996, p. 33; Government of Alberta 2006-07, p. 19). The *deficit* for 1993-94 had however, fallen by about 60% from the year previous. Even in the as-of-yet unfinished 1994-95 fiscal year, when Fund was writing, Alberta produced only a small surplus of $938 million, yielding an 11.5% reduction in its net debt. The implication is clear: Fund meant to write "deficit" where he wrote "debt" and moreover, his math was off by 20 percentage points or more. This confusion between deficit and debt is so elementary, and the mathematical mistake so jarring, that it suggests a degree of what Fairclough calls "Disfluency" with fiscal matters and only underscores that the editorial is best seen as a rhetorical exercise. Fund felt compelled to use strong, unequivocal and unmodalized declarative clauses and sentences despite his discomfort with basic fiscal concepts, not to mention his basic lack of familiarity with Canada (Camp 1995). In that light, it is worth reflecting on the reprints that appeared in both the *Globe* and *Star* without any kind of correction. Perhaps staff at the papers were unaware of the mistake, blinded by the editorial's confident tone and its WSJ providence or simply their own zeal to promote the crisis story. One thing is certain: flagging this kind of elementary error would surely have diminished the editorial's credibility.

The foregoing analysis provides some insight into why the WSJ provoked such a sharp response in Canada and became part of the nation's mythology. The editorial's

importance is a function of five facts. First, the editorial was published in a reputable, well-known high-circulation daily read by influential readers – bond holders, mutual fund managers, and so on, the same people who owned much of Canada's foreign debt. Second, the editorial clearly signalled that these investors were its targeted audience through its use of Subjects and processes. Third, the editorial asserted its claims with authority, resorting to modality only when making its rather bold predictions and even then, the assessments were often framed in such a way as to paint them as seemingly objective assessments. Fourth and finally, the editorial's importance is also a function of efforts by highly motivated individuals to flog the story to the WSJ and then to ensure its reproduction in the Canadian media. Fifth, and finally, the editorial's influence ultimately rests on the willingness of the Canadian media to reproduce and report on it as an event worthy of note, this despite a glaring error that should have triggered some scepticism.

**1997: The Fiscal Convention Acquires A Narrative**

By late 1996 and early 1997, it was becoming increasingly apparent that the federal government would soon produce a balanced budget, if not a surplus. The only question was when. In 1996-97, the federal government had generated a small surplus in its financial requirements, an account that measures cash-in versus cash-out and includes income from what are known as non-budgetary transactions.[192]

On February 11, 1997, seven days before Budget day, the *Globe and Mail* published an editorial trumpeting the imminent arrival of balanced budgets at the federal level with the headline: "When the deficit war was over," clearly playing on the DEFICIT REDUCTION IS WAR category of metaphors. The editorial is fascinating for a number of reasons, the most important being, for my purposes, its rather transparent attempt to stitch together an historical narrative about the political struggle over Canada's transition from fiscal sin to fiscal virtue. We can think of it as an attempt to consolidate and add coherence to a still-fragile convention and, in so doing, to silence any remaining

[192] The "financial requirements" concept includes "none-budgetary" revenues from items such as employee pension funds and the Canadian Pension Plan. Since these are held in trust, they are *excluded* from the "budgetary balance," which is the conventional and most-widely used accounting concept in Canada. In the U.S. by contrast, these "non-budgetary" transactions are *included* in the overall budget balance numbers, hence endless discussions about how the U.S. federal government "raids" its pension plans or the need to create "lock boxes" around these funds. This difference underscores a common error in comparing U.S. and Canadian budgetary figures. Canada's budgetary deficits are always over stated and its surpluses under-stated relative to those in the United States.

dissent. Before I show just how the editorial achieves this aim, I want to attend to the "external" features of the editorial.

**External Analysis**

The *Globe* editorial is clearly aimed at representing a "social event" called a "balanced budget" but is cautious about predicting exactly when the federal government would produce its first balanced budget, saying only that the "deficit will be no more by 2000." There was good reason for its cautiousness. In a February 3 column, the *Globe*'s senior business columnist Bruce Little(Little 1997) discussed the ins-and-outs of predicting budgetary balances and concluded that the process was more educated guess than precise science. He contrasted for example the federal government's 1996 deficit forecast of $24.3 billion with private-sector forecasts of between $17 billion and $19 billion and with the most recent up-to-date fiscal data from the Department of Finance's November 1996 edition of the *Fiscal Monitor*, which showed a budgetary deficit of $8.2 billion for the first 8 months of the fiscal year, down by more than half from $19.3 billion a year earlier but still a long way from zero.

So why produce an editorial about balanced budgets if they are potentially so far off in the uncertain future? As it turns out, the editorial was published a mere seven days ahead of another event called "budget day," when the federal government (accurately) estimated its 1996-97 deficit at $8.9 billion, and boldly forecasted a balanced budget for 1997-98, when in fact it produced a $3.5 billion surplus. It would require a relatively well-informed reader to link these two events (since the editorial does not), creating a kind of "stand-alone," almost detached quality to the editorial, as if it could just have easily been published six months earlier.

I have already discussed the genre or practice of editorial writing at the *Globe* extensively and will not revisit that theme in any great detail. Suffice it to say, the *Globe* sees itself as the purveyor of received wisdom and this editorial is a classic example of an editorial board confident in its assertions and intent in its objective to quiet dissent and put the deficit debate to bed permanently. In that sense, we can say in CDA terms that the editorial moves in three stages consistent with its narrative focus: bracketing differences and focusing on commonality in the immediate post-war period, accentuating

differences and highlighting conflict in the 1970s and 1980s, and seeking to rebuild a "consensus" and to suppress differences in the 1990s and into the future.

One of the more curious things about the text is the absence of any explicit Intertextuality. There are no instances of direct or indirect reporting, no human agents to quote or paraphrase, features which reinforce the impression that the editorial is only faintly tethered to any concrete social happening of the day. The Theme of balanced budgets was clearly "in the air," the budget was clearly looming and there were the habitual budgetary predictions emanating from Bay Street (not to mention Bruce Little's column), but the editorial chose not to represent any of these voices or social events explicitly. It also chose to omit any explicit mention of voices calling for more government spending, tax cuts or some combination of the two in the February 18 budget, as well as voices from those who may have suffered from the consequences of fiscal conservatism.

To be sure, the editorial *implicitly* invokes some of these voices, partly through its caricature of Left and Right. In Clause 8 for example, it predicts a promised land where Left and Right will again resume their civil discussion over spending versus tax cuts, safe in the knowledge that they all agree on the need to balance budgets. The catch is, of course, that they must wait for that fateful day to happen and, by the editorial's reckoning, that day won't happen in 1996-97 or even the year after. The message seems to be : "hold your spending or tax cut requests in abeyance until that exalted day of balanced budgets." Similarly, we can interpret the claim that budgets will be balanced by 2000 as an oblique nod or reference to Bay Street budgetary predictions and possibly even Little's column. In short, this text is, despite appearances, representing a very real social event and engaging in a social debate but it accomplishes these objectives in a very peculiar way, which I will explore next in my Internal analysis of the text.

**Internal Analysis**

The striking feature of this text, from an Internal analysis perspective, is of course the fact that it is constructed as an historical narrative. We might even say the text is as an "original sin" parable where, in the "Eden" of the immediate post-war period, Left and Right understood the importance of resisting the temptations of deficit spending (the SIREN'S CALL). Then, in the early 1970s, the Left succumbed to temptation, bit into the

apple (supported deficit spending), and adopted a "reactionary, preservationist creed." Left and Right descended into a pointless, futile war of words that only exasperated fiscal matters. In the early 1990s, Canadian citizens got religion and were rewarded with the promise of a future where peace would again reign and fiscal matters could again be debated sensibly. Alternatively, from the perspective of Weinroth's analysis(2004), we might in fact understand this parable in nationalist terms, with the deficit discourse moving from pathos (the fiscal crisis), to terror (the silencing of dissenting voices and imposition of conformity) before settling into catharsis (the leader, Paul Martin, successfully guiding his flock through the crisis into fiscal salvation).

There are several grammatical features which signal the narrative/parable features of the editorial, one of the more obvious being the way the author(s) choose Circumstantial Adjuncts as Theme distinct from the clause's Subject. Sentence 1 is illustrative: the Theme is "About 25 years ago," which plays the same role as "Once upon a time" might in a children's story, while the Subject is the nominal group "a funny thing." In Functional Grammar terms, we would say that the Theme is *somewhat* marked in the sense that Themes normally overlaps with Subject as in the second sentence of P1, although it is not altogether uncommon, especially in narrative texts, to place a Circumstantial Adjunct as Theme. These somewhat marked Themes tend to occur at pivotal points in texts and are associated with what CDA calls temporal clauses or sentences. The editorial is no exception. In P3 for example, the author switches from a discussion of the Eden era to a discussion of when and why the Left adopted a reactionary and preservationist creed, a transition made clear in S1 where the Theme is "And then" while the Subject is "that funny thing." Note how the Theme ties into the first sentence of the editorial and situates the reader in time, hence its Temporal role. In P6:S3, the author again signals a temporal transition, this time to the present day, choosing as his Theme "For the first time in a generation," while the Subject is "our public accounts." Finally, in P7:S5, the sentence transitions clearly into the future Eden by choosing as its Theme "By the end of the century" and as its Subject "federal and provincial governments alike." These same transitions and the same driving sense of parable are marked by verb tense. The first five paragraphs are situated in the past. In

paragraph 6, we move to the present and in paragraph 7, we move decidedly into the future. The text is telling us something about what was, what is, and what will be.

The Eden parable is a cautionary one. It warns against succumbing to desire, passion and all that is of the moment. The same can be said of the editorial. It suggests that the Left succumbed to its reactionary and preservationist instincts and in so doing, failed to understand the "inescapable logic of arithmetic" or that deficits are like diseases[193] and cannot be left to fester. The Left also failed to appreciate the consequences of its numeric illiteracy and its condescending attitude, namely that Canadians rewarded those who paid head to the hard-headed reality of arithmetic in the form of electoral victory (reality speaks transparently to the Canadian people). Finally, the Left failed to appreciate the promise embedded in adhering to fiscal conservatism, namely the potential to judge spending or tax measures on their merits rather than by, presumably, their consequences on the deficit.

Earlier, I suggested that the editorial moved from bracketing differences and focusing on commonality in the immediate post-war period, accentuating differences and highlighting conflict in the 1970s and 1980s, and seeking to rebuild a "consensus" and to suppress differences in the 1990s and into the future. This is also characteristic of the way parable moves in what Northrope Frye (1990) called a "U" pattern, where unity is followed by a fall which is followed by a renewed quest for unity. We can see the text moving through this pattern by paying attention to the mental processes employed at each crucial step along the way. In P1, the mental processes point to consensus: the left and right "agreed" on the basic rules of the game and on the arithmetic. In paragraph 3, the mental processes are conflictual and contradictory. The Right "thought" that deficits were bad and the Left "assumed" they were good. Finally, in paragraph 8, we return to paradise where balanced budgets and responsible debt management "are accepted" and everyone "will be able to judge" the merits of new spending and tax proposals on their merits. The study of fables and parables is often associated with the study of Myth. Ricoeur (1967) says that the *purpose* of Myth is to tell the reader something important about the society he or she lives in rather than to engage in an attempt to represent history

[193] In Functional Grammar terms, we can say that the clause employs an Identifying process whereby the "token" is deficit and the category is "disease."

accurately. There are several indicators that the editorial is engaged in myth-making in this manner. Most transparently, the editorial gets several historical facts wrong in its *realis* statements, imposes several contentious assumptions, and makes some grievous logical errors. Of course, in Myth none of this matters and that is precisely the point, as I discuss in a moment. Less transparently, the editorial uses existential processes to get the story off the ground and keep it moving and employs a number of what are called *irrealis* – essentially predicative statements, to point to the promised land. I will deal with each of these in turn.

P2 is characterized by a lot of what are called *Realis* statements – statements about facts, about what is or was or has been. Many of these facts are wrong and often un-modalized. In P2:S1 for example, the editorial states that the federal government paid down its "huge" (an Evaluation) debt following the second world war. This is not so. Net public debt peaked at $13 billion in 1945-46, fell to a low of $10.4 billion in 1951-52 and then doubled to $20.3 billion at the end of the golden age in 1970-71. In the 20 years from 1950 to 1970, the federal government generated exactly five very small surpluses, hence the doubling of the net debt. Budgets were not therefore "normally kept in balance" as stated in P2:S2. The editorial writer could easily have caught these mistakes by checking the Department of Finance's *Fiscal Reference Tables*, which are available electronically via the Internet. In P2:S3, the editorial says these post-war policy discussions took place in an atmosphere of acceptance about the arithmetic of public spending. There is no small amount of irony in this statement because, as the reader may recall, there was in fact a great deal of controversy over fiscal matters in the 1950s (for example) and it was the Progressive Conservatives – the political Right – who were publicly castigated by Bank of Governor Coyne for their profligacy. As I discuss in the chapter on polling, the controversy reached such a pitch that it generated a number of public opinion surveys on the fiscal question.

The last half of P2 is peculiar, almost illogical and gives the impression of random elements of the fiscal discourse strung together to project some kind of authority. Consider the clause complex immediately after the colon: "Debts can be accumulated but mustn't overwhelm current income." It is difficult to make sense of this clause complex because it is hard to understand how debts can overwhelm current income. In economic

terms, debts are a stock whereas income is a flow. Interest costs on the debt can of course overwhelm current income but this is not what is written. In any case, even at the peak of its "fiscal crisis," in 1994-95, the federal government's debt payments were 36% of its current income, a long way from overwhelming income which, in any event, is a discretionary variable. The next clause: "a deficit only adds to the debt" has the feeling of a *non-sequitur*. It is true by definition but jarring in the context. The last clause ("in the long run, the ledger must maintain a certain proportion") is an assumption smuggled in as a statement of fact with a strong degree of modalized commitment ("must"). When is the long run? Why *must* the ledger maintain a certain proportion? What is the appropriate proportion? Charitably, we could interpret the last half of P3 as an attempt to explain the "inescapable arithmetic" of the deficit and debt and lean on an academic debate, which showed how the debt level would "explode" (in economic parlance) were the real interest rate to exceed the real growth rate for any length of time. Charitably.

In P3, the editorial says that the Right called for "something to be done" in the 1970s and 1980s. This is only partly true. Until they took power in 1979, a significant portion of the political "Right" was engaged in "one-upping" the other parties by promising to spend more and tax less. In other words, the "something to be done" was to increase the size of the deficit, not shrink it. The Liberal government, at least in rhetoric was in some ways more fiscally conservative than the Progressive Conservatives. The business community, for its part, was relatively consistent across the board in its rhetorical insistence on the need for deficit reduction. In P4, "balancing the books" is equated with the Copernican revolution, a claim that amounts to an assumption that there was some sort of incontrovertible scientific consensus on what is and what is not sustainable fiscal policy. There is in fact a vigorous economic debate over this matter *even within* the mainstream of the profession. The linkage between fiscal conservatism and the Copernican revolution also amounts to the unjustified claim that the "reality" of fiscal matters is of the same quality as the reality of celestial movement where, of course, human agency has no bearing, at least not yet.

In P5, the editorial suggests that the electoral success of the Liberals federally, the Tories in Alberta, the NDP in Saskatchewan, the Parti Quebecois in Quebec, and the Progressive Conservatives in Ontario was due to each party's commitment to fiscal

conservatism. This assumption rests in turn on two others, namely that Canadians "can add" and that they had "come to appreciate" the deficit's consequences. The first assumption is arguably true,[194] the second is unsupported (as I show in the next chapter). We also know that people vote for a candidate or party for a variety of reasons, with strategic and personality considerations often touted by the media as being pre-eminent. The only place where the editorial's claim is probably true is in Alberta, where there was and is a pronounced strain of fiscal conservatism. In any event, popular lore has it that the Liberals were elected on a jobs platform in 1993, not a deficit-reduction strategy. The same popular lore says they suffered deep losses in the 1997 election because they cut unemployment insurance benefits in the name of deficit reduction. The Saskatchewan NDP benefited from a thoroughly discredited and scandal-ridden Progressive Conservative Party. The Parti Québecois always benefits from a guaranteed block of pro-sovereignty supporters and the Ontario NDP were forced to call an election in the midst of a weak economy, which the evidence suggests is the only variable that can predict electoral results with *some* success.

In P8, the editorial says that the federal debt will be halved if the budget is balanced over the next 15 years. This is arithmetically incorrect. Balancing the budget over 5, 10, 15 or 1000 years would have no effect on the total debt. Charitably, the only way this statement could be true is if the author meant to write "the federal debt as a proportion of GDP will be halved" if the budget is balanced over 15 years. The same interpretation salvages the historical claim in P2. However, even this claim requires a set of unspecified and dubious assumptions about economic growth and interest rates. This erroneous claim is especially remarkable because it is also un-modalized. The editorial does not say "could be halved." It says "*will* be halved."

Finally, in P9:S3, the editorial suggests that once balanced budgets are reality, Canadians will be able to judge spending and tax cut proposals "on their merits," the implication being that in a deficit environment, proposals are always measured to some extent by their budgetary consequences rather than purely on their merits. Surely, however, the *Globe* would agree that the "merit" of any proposal is at least partly a function of its cost and its presumed benefits. A consensus on balanced budgets in no

[194] We know that many Canadians are functionally illiterate both in their reading and in their numeracy.

way *does away* with cost and benefit considerations. If anything, it accentuates them because of the *fear* of violating the balanced-budget rule. This latter scenario is precisely what has unfolded since 1997-98, as I discuss in detail below.

Turning now to the use of existential processes, the editorial "gets off the ground" in a sense by simply positing in P1 that "a funny thing happened in Canada" about 25 years ago. It keeps the story moving by doing so again in the first sentences of P3 and P8. The effect is to place the parable in a somewhat abstract time ("*about* 25 years ago") instead of identifying *precisely* when and where the Left-Right rupture began and when it will be healed. The heavy use of un-modalized *irrealis* (predictive) statements beginning in the second half of P6 and increasingly in P7 and P8 accentuates the Mythological properties of the narrative: together, they hold out the *certain* promise of a future paradise if only budgets are consistently balanced and Canadians keep the faith.

There are other properties in the text that contribute either to its mythological properties or to the elision of agency but I will limit my discussion to simply mentioning them. Consistent with its narrative and Mythological aims but less consistent with its editorial style, the text is comprised largely of Active clauses. The Actors – the Left, the Right, Governments, Canada and Canadians, the various political parties, are frequently posited as *doing* or *thinking* something just like they would in a fable. The absence of an Actor in many of the *realis* statements contributes to the impression that they are solid, immutable truths. In P5, the third-person editorial voice simply states that "deficits matter" but does not tell us precisely to *whom* or precisely *how* they matter (see above). We are told that the Left must adhere to the "inescapable logic of arithmetic," as if the terms of a debt contract – the maturity, the interest costs, the convertibility, and so on, were simply beyond human power to change, as if "arithmetic" were a force with its own power and not imposed or applied by human beings, especially those of the bondholder persuasion. Finally, the Bank of Canada's role in the debt buildup process is perfunctorily ignored.

If the editorial is myth, and myth has a deeper sociological function, what is the editorial trying to tell us? On one level, I have said that it is trying to warn the reader against the dangers of deficit spending and point them towards the virtues of balanced budgets and sound debt management. It is also trying to build an historical narrative or

parable that distils this warning into an easy-to-remember format, using the familiar (from the previous chapter) war metaphor to describe the "battle" that has been waged and won and the promised "dividend" that awaits. On another level, however, I believe the editorial is also trying to tell us something about the importance of social order and harmony, insisting these can only happen when the Left and Labour accepts the social order as it is, not as it would like it to be. Keeping the budget in balance is a metaphor for keeping the social order in balance.

**In Defence of The Fiscal Convention**

The last *Globe and Mail* editorial I want to discuss was published in June 2005. It emerged in the context of a vigorous debate about the government's missed budgetary forecasts. Since 1997-98, the federal government had consistently *underestimated* the size of its surpluses. Since almost everyone believed then and believes now that unanticipated surpluses were and are "automatically" used to pay down the federal debt, and since the federal government was and is not interested in disabusing people of this belief, the effect was and is to impose an additional constraint over and above the balanced budget rule on the amount of discretionary funds that could and can be used for spending or tax reductions.[195] It was one of those rare issues that seemed to unite Right and Left.

In any case, the forecasting gaps have been often substantial, measuring as much as $20 billion depending on which government forecast was used as a reference point.[196] Partly as a result of this, partly because of considerable political pressure from the opposition parties, the Federal Government late in 2004 commissioned a study by a former, and as the Globe editorial insists, "respected" Bay Street economist named Tim O'Neill. After studying the data and interviewing several of the chief protagonists in the debate – mostly economists but also some non-economist bureaucrats and political

[195] In fact, as both I (Pigeon 2005)and the Office of the Auditor General of Canada (Auditor General of Canada 2002) have argued, there is and was no accounting rule or law that required unanticipated surpluses to be used for debt repayment.

[196] In its budgetary documents, the federal government consistently forecast a budgetary balance of zero. In Budget 2000 for example, which was released in February of that year, the federal government forecast a budgetary balance for 2000-01 (the year in progress) of zero after accounting for set-asides of $3 billion for a contingency reserve and $1 billion for economic prudence. In the end, the federal government produced a budgetary surplus of $19.8 billion in 2000-01 suggesting an (almost) $20 billion gap using the zero forecast as the baseline or a $16 billion gap using $4 billion as a baseline.

figures, O'Neill reported back in mid 2005. He concluded that the federal government had not deliberately arranged to underestimate its surpluses but rather, unanticipated surpluses were the by-product of a surfeit of caution based on the fear of incurring a budgetary deficit. O'Neill made 13 recommendations, but only two were discussed at any length in the media and will be addressed here, namely the recommendation that the federal government abandon its no-deficit rule and instead target a budgetary surplus on average over the economic cycle. If the federal government insisted on adhering to the no-deficit rule, O'Neill recommended that it provide in each Budget "contingent allocations of surplus surprises among tax cuts, spending initiatives and debt reduction (O'Neill 2005, p. 103)" O'Neill's report was not well received, either by the federal government, the official opposition or four fifths of the editorialist/columnists who wrote about his report. The day after the report's release, the *Globe* ran a front-page story which quoted then-Finance Minister Ralph Goodale as saying: "Frankly, it's not an approach that commends itself to me from a public policy point of view because once you deviate from the strict principle, then I believe you are very rapidly on a slippery slope." (Chase 2005).

The normally restrained (relatively speaking) Monte Solberg, finance critic for the federal Conservative party was more blunt: "It's crazy talk. The last thing that federal politicians need is an excuse to go ahead and blow the budget." Peter Donolo, the former communications director for prime minister Jean Chrétien and now executive vice-president of market research firm The Strategic Counsel in Toronto, told the *Globe* that O'Neill's proposal made sense economically but not politically: "We have the zeal of converts. It's been the quiet revolution of the last 10 years in Canadian politics."

Of the five editorialists or columnists who addressed O'Neill's report in the days following its release, four – the *Globe and Mail, Calgary Herald, National Post* and *Montreal Gazette,* came out strongly against his recommendation to relax the balanced-budget rule. Only the *Toronto Star*, a late and reluctant convert to the balanced-budget faith, wrote an editorial which could be interpreted as supporting O'Neill's recommendation, although even there, the support was muted because while the editorial framed O'Neill's conclusions in a positive light, it did not explicitly advocate a relaxation of the balanced budget rule.

**External and Internal Analysis**

In contrast to my previous analysis, I will blend External and Internal analysis rather than distinguish sharply between the two. This editorial text appears to be oriented towards what Fairclough calls "an openness to, acceptance of, recognition of difference, an exploration of difference, as in 'dialogue' in the richest sense of the word." That is, we can interpret the editorial as a relatively fulsome dialogue between the *Globe* editorial board and its interlocutor, Tim O'Neill. The structure of the text is suggestive of turn-taking, a defining feature of dialogues among equals: P1 is the *Globe's* voice; P2 is O'Neill's, P3 is the Globe; P4 is O'Neill; P5 is the *Globe* and P6 concludes by blending the two voices, with the *Globe* approving of some of O'Neill's other recommendations but insisting on the sanctity of balanced budgets. I would not want to over-state the claim that we are witnessing a dialogue of equals. The *Globe* editorial writer are still empowered to recontextualize O'Neill's argument and in so doing, frame it in a particular way. Similarly, the *Globe* exerts full control over who gets to say what where. The editorial is after all not a faithful reproduction of a real dialogue but rather an imagined one between the editorial writer and O'Neill. That said, it is qualitatively different than the imagined dialogue between the *Globe* and Paul Martin from the mid-1990s editorials and this difference is, I suggest, revealing.

The *Globe* opens the discussion in P1 by situating the debate historically and castigating the federal government for its forecasting "imprudence." It then signals the main Theme of the editorial, namely that it is about to engage in a disagreement with "respected Bay Street economist" Tim O'Neill. The Modal Adjunct "Unfortunately" suggests that it will be a *polite* debate between members of a shared community, namely the Elite in general or the policy elite in particular. The editorial could have taken a much sharper tone by stating for example something like: "Clearly, Mr. O'Neill is wrongheaded." In P2, the editorial employs a mix of direct and indirect reported speech to represent O'Neill's argument, opting for the relatively neutral verbal process "says" instead of "claims" or "believes." The seemingly neutral "says" tells us that the writer has a high opinion of his source as a respected Bay Street economist, although this effect may be muted somewhat if the reader interprets the quotations around "overly cautious" as scare quotes (in fact, the quotation is lifted from the *Globe*'s news coverage of

O'Neill's report the previous day on June 21, 2005 (Chase 2005)). The sentence in other words blends direct and indirect reporting, although the former is not as clearly indicated as it could be. P2 is also a blend of *realis* and *irrealis* statements – O'Neil is permitted, without much in the way of framing, to make factual statements about what is fact and also about also the predicted consequences ("Mr. O'Neill concludes...") of these budgeting practices, i.e., the bias towards budgetary surprises. This is a right rarely accorded to lesser voices.

In P3, the *Globe* further burnishes O'Neill's credibility by emphasizing the risks posed by bigger-than-forecast surpluses. Borrowing from the DISEASE category of metaphors, the *Globe* says in Evaluative terms that these surpluses are "not benign," the implication being that O'Neill's study is a valid and welcome contribution to an important debate. The *Globe* goes on to say, again in strongly Evaluative terms, that the problem with unanticipated surpluses is that Canadians "rightly feel they must be paying too much in taxes." The *Globe* has clearly abandoned any pretence of caring about those who might want to see the "post-deficit war dividend" used for additional spending despite what was writing in the previously discussed 1997 editorial, where the *Globe* promised that in an era of balanced-budgets, Canadians "would be able to judge new *spending* or tax cuts on their merits (emphasis added)."

In P4, O'Neill is allowed to elaborate on his argument. The familiar DISEASE category of metaphor ("*proposed cure*") is again invoked to introduce O'Neill's comments, while O'Neill pays his respects to the disciplinary discourse around fiscal matters ("fiscal discipline") before going on to suggest that maybe the emperor is half naked. On the face of it, the essential threads in O'Neill's argument against the no-deficit rule appear to be reproduced more or less faithfully. The *Globe*'s representation, however, sets aside two of his more important supporting arguments. First, adhesion to the balanced-budget faith could as Keynes and his followers have long argued, exasperate a recession. The government should have the discretion to spend as needed in a recession even if that means a deficit. Second, the federal government's *other* commitment to reducing and then stabilizing the debt-to-GDP ratio at 25% by 2014 or at some other target (O'Neill even suggests 15%) *necessarily* implies that the federal government *must* eventually target a deficit else the debt-to-GDP ratio will quickly approach zero, a

prospect few economists would advocate.[197] This is a crucial point but perhaps too difficult for the average editor to understand. It was completely ignored in subsequent comments, even by William Robson, the economist who penned the *National Post* critique of O'Neill's relax-the-balanced-budget rule recommendation.

In P5, we get to the heart of the argument. The reason why the no-deficit rule must not be breached is because we cannot trust the politicians to use deficits wisely. They might "regularly" succumb to "pressing spending needs" or fall prey to the unseemly pressures of democracy by giving the people what they want but otherwise do not get unless there is an election campaign. The temptation of the SIREN SONG must be resisted. The editorial seems to be echoing Donolo, implying that Mr. O'Neill may understand economics but does not understand politics or for that matter, social theory: to paraphrase one of the economists I cited earlier, the purpose of a balanced budget rule, legislated or otherwise, is to constrain a government in a socially useful way. It has little to do with economic logic (however misguided) and everything to do with preserving the social order via elite cohesion.

Finally, in P6, the editorial concedes some ground to O'Neill, presumably to assuage any hurt feelings over the "unfortunate" disagreement. The concession is important. The *Globe* could have omitted any positive comments on O'Neill's report, which is the approach taken by, for example, the *Calgary Herald*. Instead, it chose to characterize other aspects of the report as helpful. As it turns out, the *Globe* had little reason to worry about offending O'Neill: he was never heard from again on this question. He did not write impassioned editorials. He did not engage in rounds of television or radio interviews. He did not rewrite his work for a journal or present it before a Committee. Instead, he faded away. The epilogue is that happily, about a week after his report was published, Mr. O'Neill was named Special Advisor to Ontario's Ministry of Finance, where a press release said he would provide "objective" advice to a province which, interestingly and with no small amount of irony, had experienced several deficits in the post-1995 period notwithstanding the generalized adhesion to the balanced-

[197] As the Department of Finance itself notes (Department of Finance 2007), the smooth-functioning of debt markets *depends* on a large pool of government debt. This government debt serves two major functions in capital markets: first, it provides a pool of liquidity in times of crisis – someone is always willing to buy and sell government debt because of its safe-haven properties; second, government debt provides a "risk-free" reference point in pricing other non-government and sub-national government debt.

budget rule (Ontario Ministry of Finance 2005).[198] Later in 2007, Mr. O'Neill's name was touted as a possible replacement for Bank of Canada Governor Dodge when he retired at the beginning of 2008 (Quinn and Deslongchamps 2007).

**CONCLUSION**

In this chapter, I have attempted to illustrate in a detailed – but even then not thoroughly exhaustive way, how the *Globe* represented the budgetary question through time. In 1994, the convention was still fragile. The *Globe* thundered in its insistence on the importance of deficit reductions and balanced budgets. The language was sharp, angry and predicated on a belief that the battle over ideas was still not won. In early 1995, the political class had clearly been won over as had large segments of the population. The WSJ editorial, the result of diligent efforts on the part of certain players in Canada, put the final nail in the coffin. By 1997, the debate had quieted down despite persistently high unemployment rates and high real interest rates. The move to fiscal probity had yet to yield its promised fruits. In that context, the *Globe* felt compelled to make the case, to narrate a myth that would embody the fiscal struggles of the past, the gains of the present and the hopes for the future. In 2005, after years of larger-than-expected surpluses, the government's budgetary practices were again under attack. The issue had somehow become repoliticized but from a radically different vantage point. The end result was the same: the balanced-budget rule was threatened but not for long. The *Globe* and its peers, with the possible exception of the *Toronto Star*, made the case for sticking to the conventional rule.

[198] This is of course perverse because provinces are far more constrained financially than the federal government as sovereign could ever be. In other words, the balanced-budget rule is far more sensible, but still debatable, at a provincial or municipal level than at a federal level.

# CHAPTER 9 : THE PUBLIC'S CONVENTIONAL VIEW

The vast majority of the academic literature on Canada's turn to fiscal conservatism takes the available polling evidence at face value and assumes that the Canadian public eventually endorsed the fiscal restraint imposed by the federal government and moreover, that public opinion polling data played a decisive role in creating the political will to engage in serious budgetary restraint.[199] On this, objectivists and subjectivists agree, the only difference being that the former ostensibly assume a great deal of rationality on the part of the public, while the latter ostensibly assume a great deal of stupidity.

The purpose of this chapter and the next is to challenge the underlying assumption that the polling data accurately reflected the views of Canadians by first, critically examining the polling data on its own terms, i.e., as if the data provided an accurate representation of what the public believes, and second, in the next chapter, by problematizing the *technology* of polling in a way consistent with the critical approach outlined in Chapter 2. As an outcome of these efforts, we will see how the polling industry played a crucial role in the formation of Canada's balanced budget convention but not quite in the way described by objectivists or subjectivists.

**The Existing Research**

It is helpful to frame our examination of the polling data by first reviewing the relevant agenda-setting literature, beginning first with a 1987 *Public Opinion Quarterly* article in which economists Andre and Franco Modigliani (1987)[200] propose to solve an intriguing puzzle, namely how can the explosion of deficit financing in the 1980s be reconciled with the U.S. public's longstanding fiscal conservatism? The authors' first task is to show that fiscal conservatism is in fact well entrenched in the U.S. psyche. Drawing on public opinion polling data dating back to the 1940s, the authors show that U.S. citizens have consistently: (a) opposed deficit financing and supported balanced budgets; (b) rejected tax increases as a means of balancing the budget; (c) supported spending cuts as the preferred means of balancing the budget; (d) rejected tax cuts if it

[199] As indicated in Chapter 2, there is little in the way of polling data on monetary policy issues.
[200] Franco Modigliani was awarded the "The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel" prize for economics in 1985 (most often referred to, somewhat inaccurately, as the "Nobel prize").

meant going further debt (bigger deficits); (e) supported proposals for balanced budget constitutional amendments; (f) supported using surpluses to reduce debt rather than introduce new cut taxes; and (g) chosen unemployment and inflation in response to open-ended so-called "most important problem" (MIP) questions (see below), well ahead of the deficit which rarely garnered more than 3% support.

The authors then go on to propose a solution to this puzzle by arguing that Reagan broke a long-standing (implicit) compact between the American people and their rulers. During most of the post-war period, governments respected the American public's fiscal conservatism by balancing budgets over the economic cycle. Reagan broke the post-war compact in two ways. First, he assumed a supply-side, Laffer-curve type economy where tax cuts would pay for themselves. Initially, the promulgation of this theory helped temper fears about ballooning budget deficits. Second, while Reagan supported the idea of reducing spending to balance the budget, he was unable to achieve this goal because he refused to cut military expenditures and because both Congress and the Senate were controlled by the Democrats who resisted cuts to other kinds of program spending. Finally, the Modiglianis suggest that while Americans may have been relatively unaware of the (supposedly) negative consequences of the deficit, they "probably tended to assess the effects of the deficit by using the two indicators most commonly utilized in recent years to judge the performance of the economy: inflation and unemployment. In other words, they assumed that if the deficit was really bad for the economy, both these indicators should increase." With the relative prosperity of the mid to late 1980s, the deficit issue simply did not suggest itself as a major problem.

The Modiglianis' paper suggests that concern about something abstract like the deficit/debt can, under the right circumstances, act as a barometer for concern about more pressing issues such as unemployment and inflation, an argument found in Timothy Lewis' book about the demise of Keynesianism. Similarly, when these pressing issues subside, interest and concern about the deficit may diminish in lockstep. This analysis makes two assumptions however, one sensible, the other somewhat less so. Sensibly, the Modiglianis implicitly assume the objectivist position that real-world problems "bubble up" into our consciousness one way or another. We *experience* unemployment first or second hand and we therefore think of unemployment as a major problem. The second,

less reasonable assumption is that individuals can somehow rationally connect real-world issues to more abstract issues like government deficits and debt. In short, the Modiglianis assume that individuals have in mind some sort of simple but reasonably good economic model that helps them tell a story about how concrete things like unemployment and inflation relate to abstract things like deficits and debt. For an economist, this model is rooted, ultimately, in survival: those who lack this model invariably are "eliminated" in some kind of Darwinian fashion, their flawed model causing them to make bad decisions such that they are eventually superseded by better model-builders. The problem with this second assumption, of course, is that it assumes *too much* about human agency in a world where many are preoccupied with daily life and therefore constrained in their ability (or willingness) to devote leisure hours to model building. The evidence is strongly the other way, namely that most of our day-to-day activities are governed by cognitively efficient – but sometimes faulty – heuristics (Earl 1990; Harvey 1998; Rabin 1998).

Three years after the Modigliani paper, Yagade and Dozier (1990) came up with a taxonomy that refined the Modigliani approach. They began by defining some terms. "Obtrusiveness" is the "degree to which an issue forces itself into the direct experiences of individuals." Issues that are directly experienced (say, unemployment) by an individual are obtrusive and are consequently relatively immune to media agenda-setting forces. Direct experience overwhelms any influence from media coverage. Issues that are not directly experienced by individuals and that do not force themselves into their experiences are *unobstrusive* and are more likely to be affected by media agenda-setting effects. The authors next define *abstractness* as the degree to which an issue is difficult to conceptualize or make sensible. The more abstract an issue, the less likely it will warrant media coverage which in turn means that the public will typically lack the cognitive material needed to conceptualize the issue and move it to the top of their priority list: "individuals find it difficult to attach salience to something they don't comprehend"(Yagade and Dozier 1990, p.5). *Concrete* issues on the other hand may be subject to agenda-setting effects because they can be conceptualized as a set of events, similar in nature and small in number. They require less cognitive work and possess less inertia.

Equipped with this taxonomy, we can see how the deficit/debt issue is at once susceptible to media-influence in that it is unobtrusive and yet resistant in that it is also abstract. Yagade and Dozier add however that the media "may limit their own agenda-setting power by the manner in which they construct an issue as abstract or concrete." In short, the media's narrative can help elevate or downplay an issue as abstract or concrete. Returning to the Modiglianis' analysis, we can say that the *Globe and Mail* played an important role in tying deficit/debt reduction to obtrusive and concrete issues like unemployment, inflation and of course, and household finances through the volume and content of its fiscal policy coverage.

In an important 1998 article on agenda setting as it relates to the deficit issue in the United States, Jasperson *et al*, (1998) produce research that supports this hypothesis. Specifically, the authors demonstrate the importance of going beyond "first level" agenda-setting analysis, the kind that compares the quantum of news coverage to polling evidence, to include a second-level analysis that looks at how the media *frame* the news and help individuals construct the narratives that the Modiglianis' assume are rationally derived through observation and deduction. In order to test for purely first level effects, the authors quantify news coverage of the U.S. budget deficit in the mid 1990s with particular attention paid to the events surrounding some key money votes late in 1995. Based on these quantity measures, they predict the outcome of public opinion. In order to test for second level effects, the authors identify four frames (talk, fight, impasse, crisis) and then categorize all relevant content (by paragraph) within these four frames. These frames are then used to predict public opinion. They next compare the predicted public opinion data with the actual and find that the simple, quantitative model predicts about 85% of the true results whereas the more nuanced, two-level model predicts 92%. Interestingly, the authors couch their findings in terms of elites setting the agenda. They write, for example, that the agenda-setting approach suggests that "(m)edia serve as the primary mechanism by which elite opinion is communicated to the public" (1998, p. 205) and that "(w)hen an issue is important enough to cause fighting among elites, it salience will be heightened. Therefore, the cues presented to the public by political elites play an important role in influencing public opinion," (1998, p. 219) an argument that is familiar by now, especially with respect to monetary policy.

In Canada, Stuart Soroka (Soroka 2002) has built on these efforts in a study of agenda-setting effects across eight important policy issues, including the deficit/debt. His work is in many ways a distillation of previous quantitative agenda-setting research applied to the Canadian context but it also expands our understanding of the research as it relates to the deficit/debt issue in two important ways. First, he explicitly hypothesizes that agenda setting can originate from the broader public and the policy process, not just the media. In other words, there are three potential sites for agenda setting influences as measured by the most important problem (MIP) question found in many polls (see below), namely the media, the public and the government. Sometimes the media exerts decisive influence over the public, sometimes it is the government and sometimes, the public has a mind of its own. Second, by recasting the various combinations of issue obtrusiveness and issue abstractness into three categories, Soroka comes up with a taxonomy of "issue types" that make use of these three possible sources of agenda setting:[201]

2. **Prominent issues** are issues where the real world is the primary driver. These issues are easy to understand because they are obtrusive and concrete. Examples include unemployment and inflation.
3. **Sensational issues** are issues where the media have the greatest capacity to shape the agenda and the real world plays a backseat. These issues are unobtrusive and concrete, which gives them the greatest potential for agenda-setting by the media. Examples include AIDS, crime and international issues.
4. **Government issues** are issues which do not affect people directly and which are difficult to understand. They are unobtrusive and abstract. These are policy-driven issues where the media act primarily as a conduit. They are, in that sense, secondarily important, as is public opinion.

With this taxonomy established, Soroka classifies the deficit/debt issue as a "government issue," meaning that the media played an important role in channelling elite views to the broad public where it could be registered with polling technology. With these theories in mind, I now turn to the available evidence.

**The Data: Policy Agendas, Legitimation Themes and Government Finances**

[201] Soroka is careful to note that a given issue can encompass more than one category.

The oldest polling company in Canada is the Canadian Institute of Public Opinion (CIPO), a Gallup-affiliated organization that published The Gallup Poll of Canada.[202] Gallup has been conducting polls in Canada since the 1940s and extensive, although often piecemeal, collections of the press releases that flowed from these surveys are available (the underlying micro-data appear to be unavailable). It is important to stress that these press releases do not necessarily represent a full picture of the underlying survey. They only depict that portion of the survey which the polling company felt was most newsworthy and relevant. A careful look through these press release archives reveals several important trends both in terms of the types of questions posed on fiscal (and sometimes monetary) matters and the responses elicited from Canadians.

Given the focus of my research, I concentrated my archival work on three broad categories of polls, namely polls dealing with matters related to **The Policy Agenda**, polls related to **Legitimation** themes, and polls related to **Government Finances**. Within these three broad areas of interest, I identified the sub-categories outlined in Table 9-1:

**Table 9-1:** Polling Themes and Subcategories

| The Policy Agenda: Questions about the: | Legitimation Themes: Questions about the: | Government Finances: Questions about the: |
|---|---|---|
| ☐ Most important problem (MIP) facing the nation;<br>☐ The top policy priority for Parliamentarians; and<br>☐ Inflation-Unemployment Tradeoffs. | ☐ State of the nation;<br>☐ Economic management skills of government;<br>☐ Biggest threat (government labor or business); and<br>☐ Support for socialism | ☐ Deficit;<br>☐ Government waste;<br>☐ Taxation; and<br>☐ Inflation. |

Under the **Policy Agenda** heading, we see a category of questions called the Most important problem, which is best known in the agenda setting literature by its acronym MIP because it asks respondents to identify what they believe is the **m**ost **i**mportant **p**roblem facing the nation. The MIP question is attractive to researchers and polling firms for a number of reasons, not least because it compels respondents to distil their concerns into one major problem, a fact much appreciated by politicians besieged by requests from all manner of interest group. Second, the MIP question is open-ended in the sense that the interviewer does not suggest a list of alternatives. The response to the question is relatively uninflected by its wording. Third, the MIP question has remained roughly constant over time. In the 1940s, Gallup phrased the question as "What do you think is

[202] For the purposes of simplicity, clarity and familiarity, I will use the name "Gallup Canada" instead of CIPO throughout the remainder of this chapter because CIPO eventually became Gallup Canada Inc.

the single greatest problem facing the country at the present time?" In the 1950s and 1960s, the question was reworded slightly to "What do you feel is the greatest single problem facing Canada today?" By the 1970s and 1980s, the question had become: "What do you think is the most important problem facing this country today?" Fourth, data on the MIP question are available in one form or another from the 1940s through to today. Fifth and finally, the MIP question tends to get asked regardless of the political context. It is therefore less susceptible to registering the pollsters' sense of the agenda.

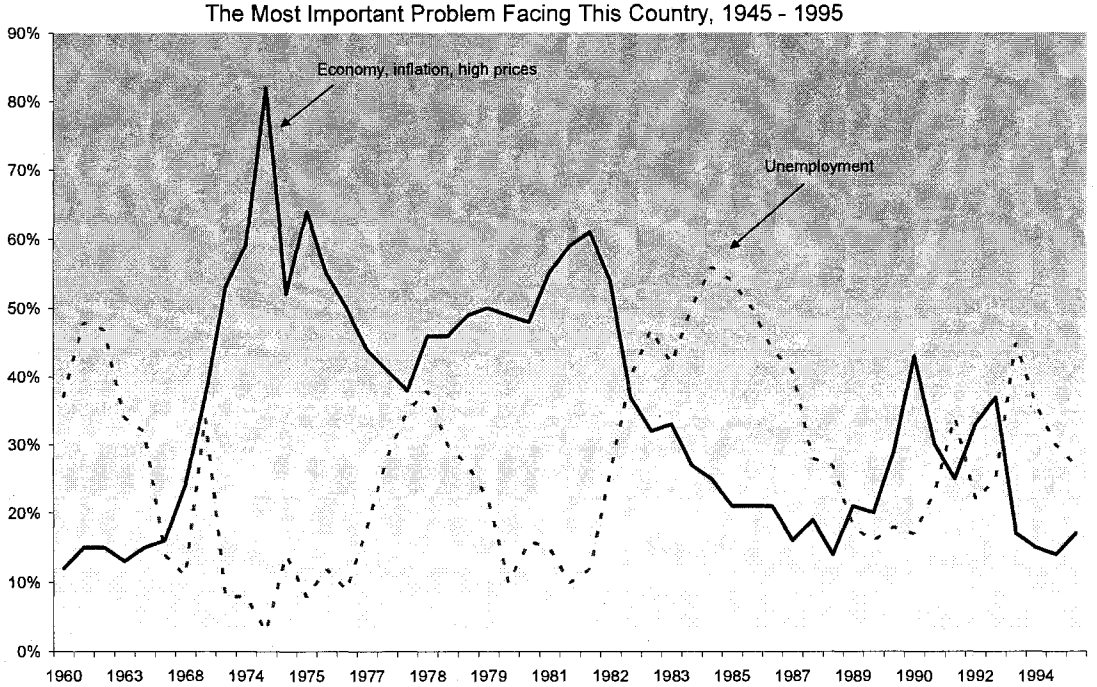
Unfortunately, the coding practices for the MIP question are not consistent through time. In the 1950s and early 1960s, general concerns about the "economy" for example were sometimes grouped with concerns about the cost of living. In other years, concerns about government finances were added to this category. In still other years, Gallup reported results for a category called "rising cost of living; high taxes" distinct from another called "economy of country; unbalanced budget"(Gallup 1964). Given the unavailability of the underlying survey data, it is impossible to build consistent categories through time. Fortunately, a 1979 study of post-war polling data by Fletcher and Drummond (Fletcher and Drummond 1979) suggests that these authors had access to the survey data because they constructed what appear to be consistent categories from the early 1960s through to 1978.

Blending these data with consistent post-1978 data, Figure 9-1 depicts a strong inverse relationship between the two issues that dominated the agenda as measured by Gallup's MIP question during most of the post-war period, namely unemployment (the only category consistently reported as such) and the amorphous economy/inflation/high prices category:[203] unemployment topped the list of most important problems throughout the first twenty years of the post-war period, only to be supplanted by the economy/inflation/high price category in the late 1960s through to the 1970s.

[203] Fletcher and Drummon discuss this category as if it were comprised largely of concerns about inflation.

Unemployment then re-asserted itself as the priority in the 1980s and early 1990s.

**Figure 9-1**
The Most Important Problem Facing This Country, 1945 - 1995




**Source**: Gallup Survey data, various years and F.J. Fletcher and R.J. Drummond, Canadian Attitude Trends, Institute for Research on Public Policy Working Paper No. 4, Table 1, p. 9

This inverse relationship is intriguing in light of the belief in a Phillip-curve relationship between unemployment and inflation that pervaded monetary policy thinking throughout much of this period. Gallup Canada has in the past asked questions that get to the heart of this relationship. On the two occasions in which Gallup reported results for these questions in press release form, the firm found strong opposition to any effort to increase or tolerate higher unemployment in the name of inflation fighting, as Table 9-2 shows:

**Table 9-2**: Gallup Canada Public Opinion Polls Related to Monetary Policy

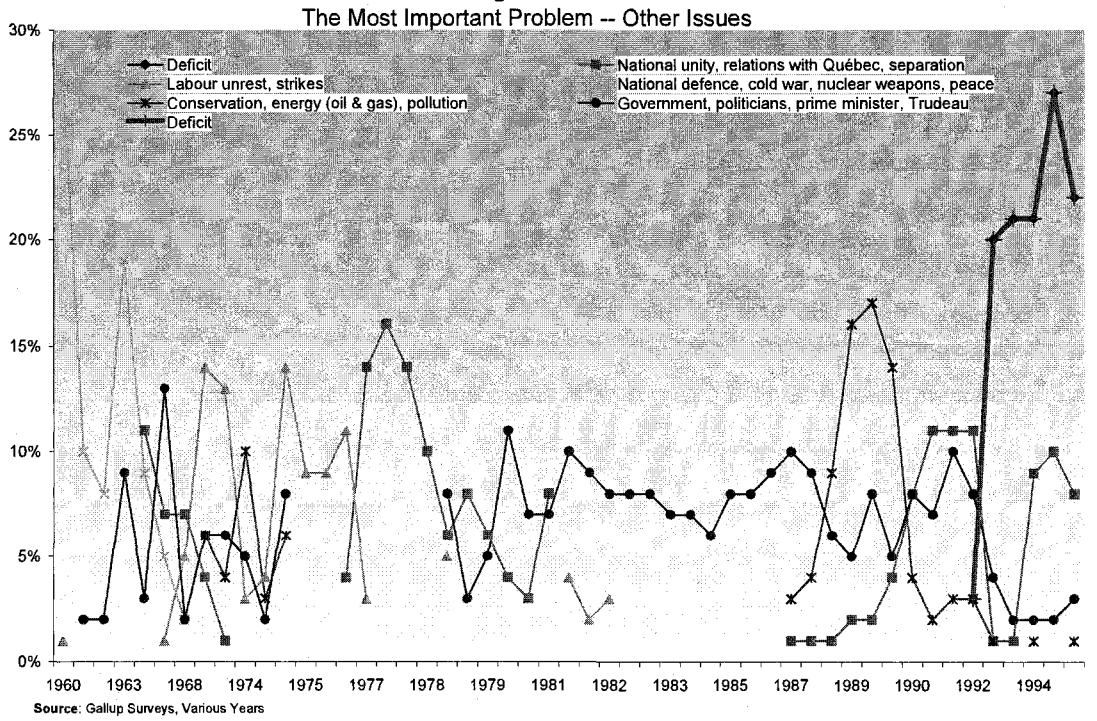
| **Survey Date and Headline** | **Survey Question** | AGREE with Tight Money Policy even if Unemployment Rises | DISAGREE with Tight Money Policy even if Unemployment Rises | Qualified | Undecided |
|---|---|---|---|---|---|
| July 8, 1970: Tight money policies disproved because of unemployment | As you may know, the government has stated that rising unemployment will not stop its uses of tight money policies in the battle against inflation. Do you, yourself agree with this or not? | 33% | 44% | 1% | 22% |

**Table 9-2**: Gallup Canada Public Opinion Polls Related to Monetary Policy

| Survey Date and Headline | Survey Question | AGREE with Tight Money Policy even if Unemployment Rises | DISAGREE with Tight Money Policy even if Unemployment Rises | Qualified | Undecided |
|---|---|---|---|---|---|
| June 16, 1971: Majority deny unemployment need be part of inflation fight | Some people say that a high level of unemployment is necessary to fight inflation. Others disagree. What is your opinion? | 13% | 68% | 19% | |

Despite the preponderance of concern about inflation and unemployment, other issues, including concerns about the federal government's budget deficit and debt, have asserted themselves fleetingly. Figure 9-2 shows that in the 1960s for example, concerns about "security" were heightened in the context of the cold war. In the late 1970s, early

**Figure 9-2**
The Most Important Problem -- Other Issues



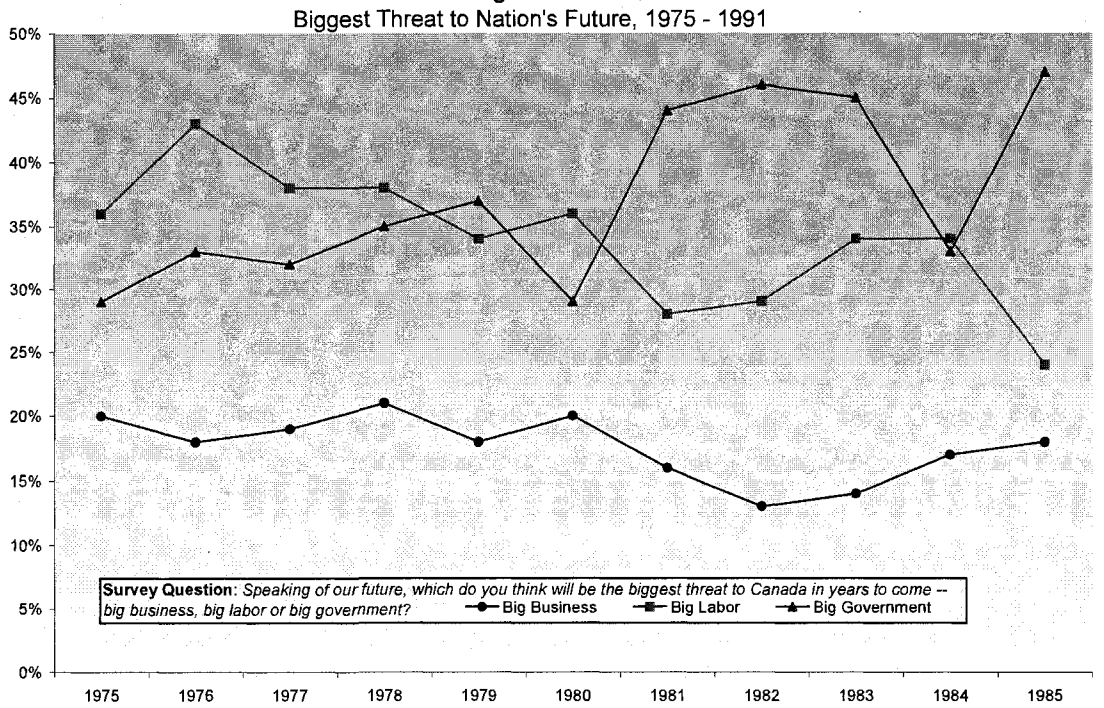

Source: Gallup Surveys, Various Years

1980s, and early 1990s, concerns about national unity also came to the fore in line with major national unity debates beginning with Quebec's looming sovereignty-association referendum in the late 1970s, the repatriation of the constitution in the early 1980s, and the Meech Lake and Charlottetown accords in the late 1980s and early 1990s. Concerns about the environment and labour unrest also asserted themselves sporadically, with

environmental issues coming on to the MIP radar in the early 1970s and again in the late 1980s, two periods of considerable discussion about the sustainability of the earth's human population (the famous Rome report) and second, in the late 1980s, about acid rain.

Moving to what I have dubbed **Legitimation themes**, we see the emergence in the early to mid-1970s of Gallup Canada press releases on survey questions related to the federal government's ability to manage the economy and its influence over daily life. The survey responses suggest a clear trend towards "de-legitimation" of government as a

**Figure 9-3**
Biggest Threat to Nation's Future, 1975 - 1991



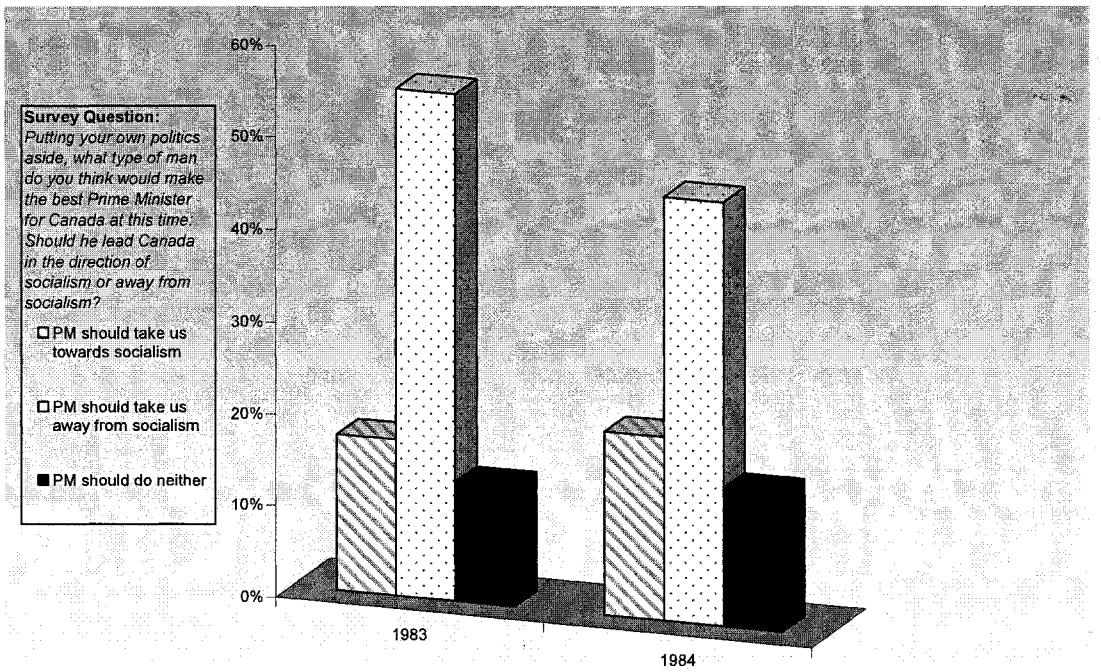

Source: Gallup Surveys, Various Years

competent economic manager and as an agent for income redistribution. Figure 9-3 illustrates this trend by showing how "big government" became increasingly seen as the biggest threat to the nation's future, surpassing "big labour" and "big business" by wide margins in the 1980s. In the late-1970s, we see the emergence of a survey question related to the work ethic and framed as an "attempt to discover the causes of the current economic downturn." In one 1978 survey, Gallup Canada reported that fully 69% of respondents believed that most people were *not* working as hard as they had just 10 years

earlier, a viewpoint that fit well with an increasingly strong discourse at the time about the corrosive influence of government on the work ethic.

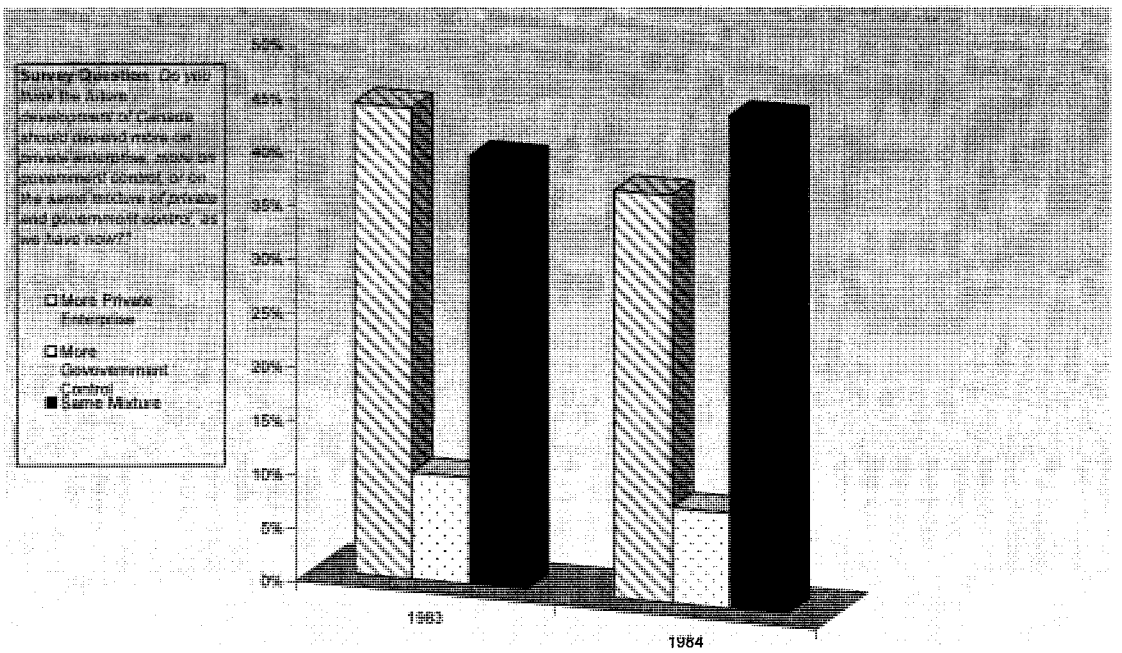
In the midst of a sharp recession and activist government in the early 1980s, Gallup Canada published another series of press releases, this time based on survey questions about socialism, the appropriate role of government in the economy and government spending on jobs, all of which only seemed to reinforce conclusions drawn from the first series of Legitimation questions. That is, they seem to suggest a clear break from any lingering enchantment with government activism and a concomitant belief in

**Figure 9-4a**
Surveying Attitudes Towards Socialism Ahead of the 1984 Election




the need for a stronger, more active private sector. Figure 9-4a and 9-4b are illustrative, showing strong opposition to any move towards socialism and a willingness to see a reduction in government's role in the economy in an era when Margaret Thatcher and Ronald Reagan were exerting a decisive influence over political-economy in the Anglo-Saxon world.

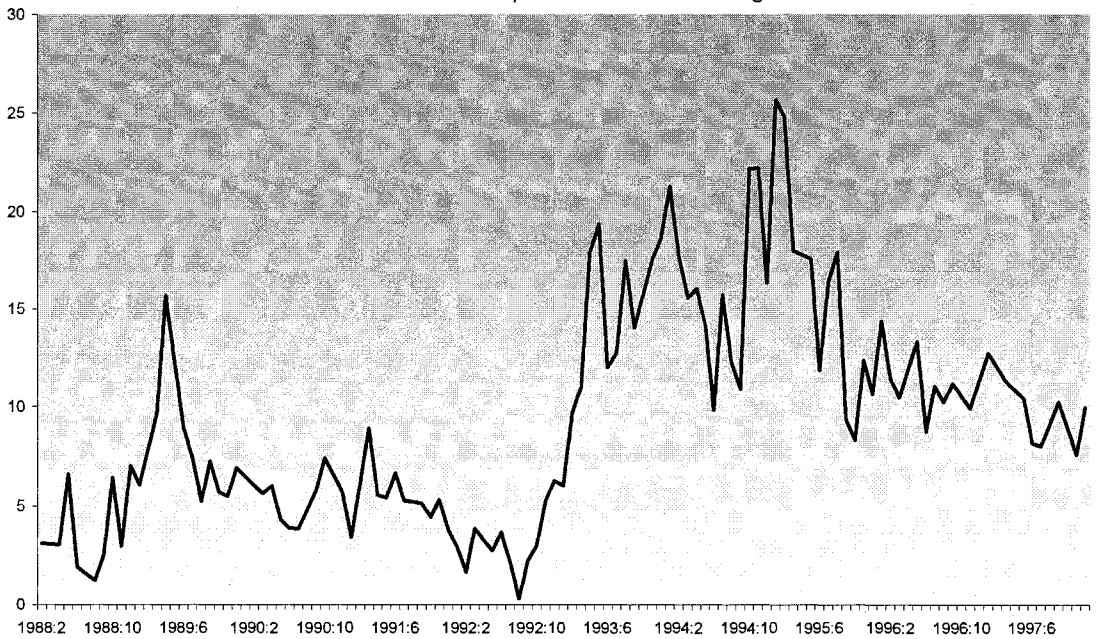
**Figure 9-4b**
Attitudes Towards the Appropriate Share of Private versus Public Sector Involvement in the Economy




Turning to **Financial Themes**, we find two striking results. First, the budget deficit issue only emerged as a distinct and *significant* MIP category in Gallup Canada press releases from the late 1980s. For most of the post-war period, the issue failed to register as its own distinct MIP category despite the occasional bout of intense media interest. Moreover, the issue failed to register as its own distinct MIP category throughout the 1970s and into the mid 1980s despite growing media coverage and disenchantment with the federal government's activist role, an activism that is greatly facilitated by a willingness to countenance deficit spending. In other words, the federal deficit and debt were not top-of-mind concerns for significant segments of the population until 1993, when for a brief period the media discourse became saturated with stories about Canada's looming fiscal crisis. Subsequent to the 1995 budget, the issue quickly became less salient as shown in Figure 9-5 (next page), which replicates Soroka's (2002) effort to fuse MIP data from a number of different polling firms.

The second most striking conclusion we can draw from a review of the polling data on financial matters is, seemingly, at odds with the first. When asked explicitly about their opinion of the government's fiscal positions by Gallup Canada, Canadians have consistently responded in a way that is best described as fiscally conservative.

**Figure 9-5**
Deficit/Debt as the Most Important Problems Facing the Nation




**Source:** Data supplied by Stuart Soroka, author of "Agenda Setting in Canada." Data based on a fusion of response to most important problem-type questions by a number of different polling firms.

Since the 1940s, they have, like their American counterparts, *overwhelmingly* opined in favour of tax cuts, supported balanced budgets and rejected deficit spending, demanded lower taxes, supported a Proposition-13 like referendum, resisted tax increases, and believed that the government was wasteful. Consider the following Gallup Canada survey results. For example:

- ☐ In 1959, 59% of those surveyed objected to the idea of deficit spending;
- ☐ In another 1959 poll, 67% respondents who were forced to chose between tax increases and spending cuts to balance the budget chose tax increases;
- ☐ In 1962, 52% of respondents approved of the federal government's "austerity program" despite miniscule deficits, historically speaking;
- ☐ In 1975, 81% of respondents said there were "areas where savings should be made" to help control inflation, citing welfare, unemployment insurance, foreign aid and defence as the top programs to cut;
- ☐ In 1977, 61% of those polled said that balancing the budget was "very important" and another 26% said it was "fairly" important;
- ☐ In 1978, 68% of respondents favoured a Proposition-13 like referendum in Canada; 72% said they would support a proposal to limit the extent of taxation;
- ☐ In the 1980s and again in the 1990s, respondents consistently estimated that 37 to 38 cents out of each tax dollar was "wasted." In 1993, the estimate jumped to 47 cents. Gallup polls from the 1940s and 1950s similarly identified widespread belief in government wastefulness or extravagance.

- ☐ In 1981, 65% of those surveyed approved "severe reductions in government spending" analogous to those (ostensibly) taking place in the United States under Ronald Reagan;
- ☐ In 1983, 85% of survey respondents said the government should "introduce economy measures" (i.e., cut spending) to deal with the growing deficit while only 3% chose raising taxes as their first choice for dealing with the deficit;
- ☐ In 1993, 70% of respondents said the federal government should cut spending to reduce the deficit rather than increase spending to stimulate the economy out of its slump;
- ☐ In 1994, 69% of those surveyed said they were in favour of the federal government reducing the deficit by reducing defence spending; 69% said they were in favour of higher corporate taxes, while 54% opposed lower RRSP contribution limits and 87% opposed increases in personal income taxes'
- ☐ In 1995, 80% of the public supported the idea of reducing the civil service to achieve deficit reduction; another 75% supported cuts to foreign aid; 74% supported higher corporate taxes; 70% supported reduced defence spending, 59% supported reduced welfare spending and 51% supported reduced UI spending.

In private polling conducted for the Department of Finance during the 1990s, we find additional polling support for these results as well as some important interpretative twists. In a survey conducted in December 1991, in the midst of a recession, Decima Research for example found that Canadians blamed the deficit for the country's economic difficulties and rejected "the traditional (Keynesian) solutions of government to stimulating the economy to pull it out of the recession." Table 9-3 illustrates the results of these Finance Department sponsored survey questions over time (emphasis as in original).

**TABLE 9-3** : Polling Responses to Keynesian Question from Department of Finance Polling Data

| Survey Date | Survey Question | Increase Spending to Stimulate Economy / Spend on Creating Jobs | Keep Spending under control / Get rid of deficit |
|---|---|---|---|
| December, 1991 | Some people say that when the economy is weak, the government should keep spending under control because increased spending during a recession would drive up the deficit, which could make matters worse. Other people say that the government should increase spending during a recession regardless of the deficit because the spending would stimulate the economy and help pull the country out of recession. Thinking of these points of view, which one comes closest to your own? | 32% | 65% |

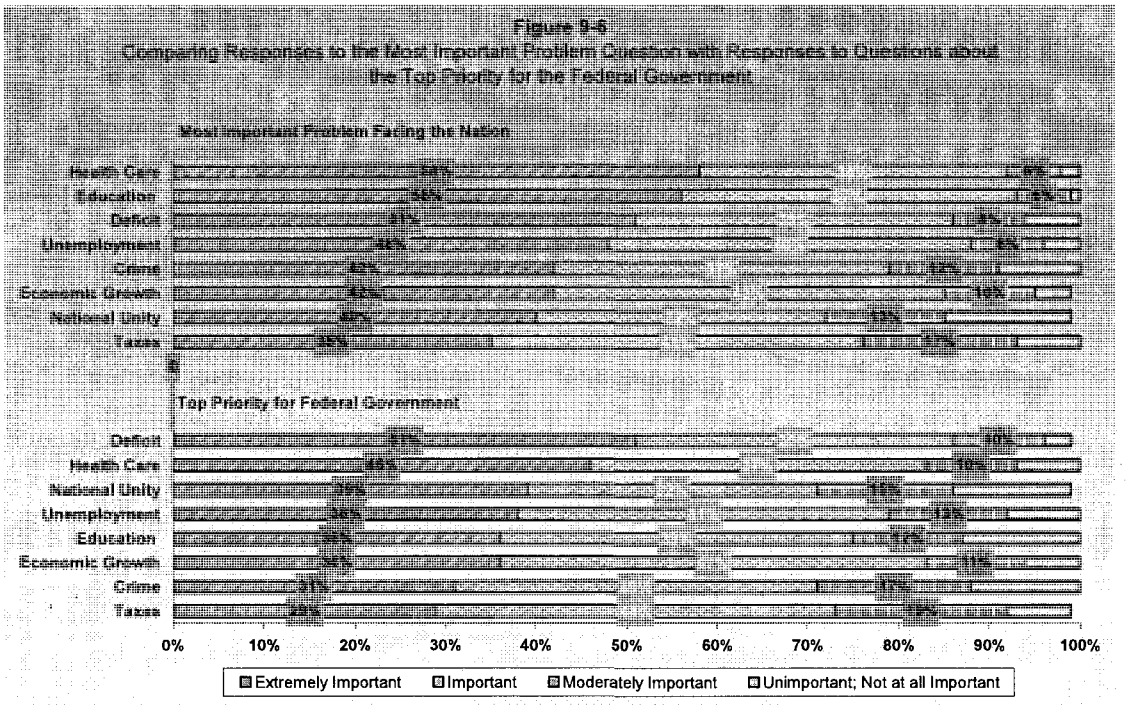
**TABLE 9-3** : Polling Responses to Keynesian Question from Department of Finance Polling Data

| Survey Date | Survey Question | Increase Spending to Stimulate Economy / Spend on Creating Jobs | Keep Spending under control / Get rid of deficit |
|---|---|---|---|
| November, 1995 | Some people think the federal government is TOO CONCERNED ABOUT THE DEFICIT and should be spending money to create jobs instead of reducing spending to eliminate the deficit. They also feel that the best way to reduce the deficit is to maintain government spending to make sure that as many people as possible are working and paying taxes. Other people say that Canada CAN'T HAVE A REALLY STRONG ECONOMY again UNTIL WE GET RID OF THE DEFICIT, because the deficit makes foreign lenders avoid investing in Canada, drives down the value of the dollar, and forces up interest rates. These people believe that the best way to make sure our economy grows stronger in the future is to take strong action now which will reassure investors, start interest rates coming down again, and lead to more jobs. Which of those two views is closer to yours? | 44% | 61% |
| November - December 1996 | Some people think the federal government is TOO CONCERNED ABOUT THE DEFICIT and should be spending money to create jobs instead of reducing spending to eliminate the deficit. They also feel that the best way to reduce the deficit is to maintain government spending to make sure that as many people as possible are working and paying taxes. Other people say that Canada CAN'T HAVE A REALLY STRONG ECONOMY again UNTIL WE GET RID OF THE DEFICIT, because the deficit makes foreign lenders avoid investing in Canada, drives down the value of the dollar, and forces up interest rates. These people believe that the best way to make sure our economy grows stronger in the future is to take strong action now which will reassure investors, start interest rates coming down again, and lead to more jobs. Which of those two views is closer to yours? | 40% | 55% |

According to Earnscliffe, these and other survey results showed that for many Canadians, deficits had become a marker for all that was wrong with the economy and especially with government's mismanagement of economic affairs. A deficit was not a tool to stimulate growth but rather an encumbrance that needed to be eliminated for economic and job growth to happen: "After years of missed targets, most people had come to see the deficit as an intractable problem and a *symbol* (emphasis added) of the ineffectiveness of government. Renewed credibility in this area is central to rebuilding confidence in government"(Earnscliffe 1996, p. 14). So strong was this symbolic linkage

that both the general sense of optimism about the economic future as well as political support for the government were closely tied to the government's ability to control the deficit and meet its targets (Earnscliffe 1995).

In interpreting its polling data, Earnscliffe attempted to reconcile these results with the relatively low priority accorded to deficit reduction in MIP-type questions.[204] As discussed, jobs and inflation always seemed to dominate the agenda in these kinds of questions despite seemingly high degrees of concern about the deficit in polling which raised the issue in the body of the question. To understand this result, Earnscliffe argued that it was important to distinguish between, on the one hand, issues of pressing concern for the nation and, on the other, issues that Canadians believed the government *should* (a normative evaluation) or *could* (a positive or functional evaluation) address (Earnscliffe 1996). In other words, just because an issue is important does not necessarily mean that the federal government *should* address it or that it is best placed to address it in a productive way. Earnscliffe derived this conclusion by looking at responses to a MIP-like question which asked respondents to rate the importance of eight major issues. It




[204] Earnscliffe's MIP was not open-ended like the Gallup Canada question. Rather, it presented a list of options from which respondents were required to choose one and only one priority for the country.

compared the results of this question to responses from questions about priorities for the upcoming federal budget. Figure 9-6 (above) illustrates the results from one of these comparisons. Whereas health care and education topped the list of most important issues in the former, the deficit was the top *policy* priority for the federal government in the latter.

Earnscliffe further argued that Canadians felt strongly that the best way to reduce the deficit was through spending cuts as opposed to tax increases, a sentiment it claimed was closely aligned with a newfound desire to shrink government. In a January 1996 memo to deputy minister David Dodge, consultant David Hearle wrote that Earnscliffe polling data showed that "eight in ten Canadians think that even if the deficit wasn't a problem, the government should still reduce its spending" (Herle 1996, p. 2) The desire to shrink government appears to have been driven by the strongly held belief that governments are inherently wasteful and inefficient. So while other Earnscliffe data showed that Canadians overwhelmingly *supported* spending in "core" areas like health-care and education, they also felt that there was more than enough room to cut to cut spending through the elimination of waste and inefficiencies. In the same January 1996 memo, Herle noted for example that:

> There is particular support for action to reduce the federal deficit and to reduce government spending. Smaller government is a priority in and of itself, de-linked from the deficit issue. *The desire to reduce spending and create a smaller government tends to be driven by a profound belief that governments to be rife with wasteful and inefficient spending as well as by sharply reduced belief in the effectiveness of government programs* (Herle 1996, p. 2)

While the basis for Herle's claim that there was a sharply reduced belief in the effectiveness of government programs is not obvious from the Gallup polling data,[205] it is clear that Earnscliffe was concerned about the tenacity of the association between deficit reduction and the idea that governments were wasteful. In an August 1996 moderator's

[205] Herle's memo appears to be based on survey results from November 1995 as summarized in a December 1995 report to the Department of Finance entitled "Final Report to the Department of Finance: Survey Results." This December report includes both an analysis of the polling data as well as dozens of detailed (cross-tabulation) tables on polling results. There does not appear to be any one question in the report that addresses the issue of "ineffective" government programs in quite the way suggested by Herle's memo, although there may be prior (unavailable) polling data to substantiate this claim. It is also possible that this statement is (loosely) based on responses to questions about the desirability of government efforts to stimulate the economy through either taxation or spending measures, none of which received much support.

guide for a focus group largely on GST-related issues produced by Earnscliffe, the notes indicate that Earnscliffe wanted to compel focus group participants to think of spending cuts *other than* waste and lavish MP's pensions. The relevant focus group question (under the Deficit Reduction heading) and the moderator's instructions are reproduced verbatim.

> Question: What kind of spending cuts do you think might be required to get there? **(PROBE HARD: debunk that waste and MP's pensions will be sufficient)** (Earnscliffe 1996)

This need to "probe hard" appears to be well-grounded. Decima Research polling from 1992-1993 under the Conservative Government found that more than 50% of Canadians believed "that deficits are caused by waste and inefficiency rather than an excess of government programs"(Decima Research 1993, p.8)

We can also assess the salience of the deficit/debt issue historically by looking at the data on contributions to federal and provincial debt servicing and reduction funds, a line-item on federal and some provincial taxation forms that emerged in the 1990s as a way for Canadians to express their concern about the fiscal situation in a real, hands-on way. These line-items can be seen as a kind of "reality" poll, where respondents are asked to put their money where there mouth is. If deficit reduction was the national crisis it was made out to be, surely Canadians would contribute to the cause, much like they had in times of war both through the purchase of victory bonds and through military volunteerism or they typically do when learning of natural disasters at home or abroad. For reasons that are not altogether clear, these data are difficult to obtain but the available information suggests that contributions to these funds were extremely modest. The 1992 budget for example shows that Canadians contributed $375,000 to the fund, or about 10 cents per man woman and child. In Ontario, a similar fund was set up in the mid 1990s with similar results. The available data suggest show that contributions were $7,770 in fiscal 1996-97, $14,825 in 1997-98 and $164,365 in 1998-99. These small amounts suggest that these line-items were *more* rhetorical than pragmatic, designed to emphasize the ever-present danger of "the deficit" rather than provide any meaningful deficit reduction.

Finally, we might enquire about how much the public really understood or knew about government finances and the deficit in particular. The answer appears to be "not much." Pollsters routinely felt compelled to explain basic fiscal concepts in the body of the question rather than risk wild guesses.[206] By 1994, Gallup Canada polling data suggest that Canadians had a "general awareness" of the term based on a question asking them to define the term in one sentence and in their own words, although Gallup seems to have applied a fair amount of interpretational leeway in its coding practices.[207] In one Earnscliffe report from late 1996, more than 10 years after the fiscal debate increased in both volume and tone, the authors concluded that the improvement in public perception of government effectiveness caused by the government's ability to hit its fiscal targets was happening "despite little actual knowledge of the precise level of the deficit – clearly, most people are absorbing the positive reaction and that is shaping their views rather than any precise understanding of the numbers themselves" (Earnscliffe 1996, p. 14). This statement implies that Earnscliffe saw its polling results through some sort of opinion-leader, elite agenda-setting prism: favourable media coverage drives favourable polling results. In other words, a positive media response to targeting is "absorbed" in an impressionistic sense by the populace, perhaps with the aid of the appropriate metaphors, and bounced back to the government through polling data properly interpreted.

**Reviewing the Agenda-Setting Evidence**

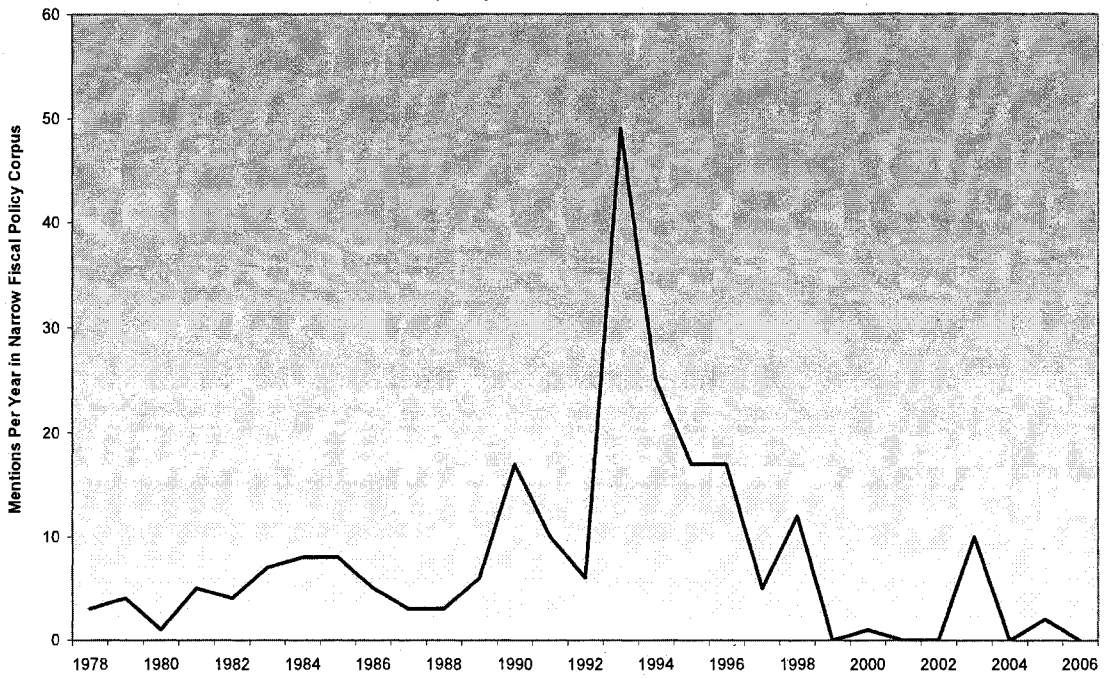
Based on this overview of the Gallup and Finance data, there seems to me a fairly simple way of reconciling the finding that Canadians have *always* been fiscally conservative when asked properly framed questions and Soroka's finding, based on analysis of MIP data, that the deficit/debt are classic "government issues" that only became salient when governments and the media made them so in the 1980s and 1990s. The answer, I suggest, is that changing communications strategies both within and outside of government combined with a concomitant increase in the volume of media coverage and an increasingly alarmist tone around fiscal matters acted as a sort of framing device that replicated in substance the more explicit framing found in Gallup's

[206] See Table 9-4 for some examples.

[207] According to Gallup Canada, some 42% "provided an answer that fit into the category of "expenditures exceed revenues," another 23% defined the concept as analogous to bankruptcy or debt, 7% described it as a hopeless mess and 4% said it was "poor government administration."(Gallup 1994, p. 1)

traditional deficit/debt polling questions. When some 25% of respondents spontaneously chose deficit/debt concerns as their most important problem early in 1995, pollsters were tapping into a deep undercurrent of fiscal conservatism that was brought to the fore by saturation media coverage inspired by a shift in government communications strategy and the growing media attention to the rising debt-to-GDP raio (amongst other real-world variables). Figure 9-7 for example illustrates the occurrences of the word "crisis" over the sample period, showing a sharp spike in activity in and around the 1993-94 period.[208] Similarly,

**Figure 9-7**
Frequency of Word Crisis Per Year




there is considerable anecdotal evidence that television and especially the 1993 W-5 documentary (which was rebroadcast ahead of the 1993 election) played an important role in ratcheting up the level of debate, or at least spreading its influence to a less specialized, less elite audience. In other words, both the "crisis" atmosphere and the intensifying media discourse helped transform an inherently abstract and unobtrusive issue into one that could penetrate an increasingly broad audience, a process greatly

[208] When depicted as a proportion of the total number of words in a given year (not shown), the data shows spikes in the use of the word crisis in 1981 (high inflation), 1990 (economic recession), 1993 (election campaign), 1994 (buildup to 1994 budget), 1996 (unclear) and 1998 (Asian + Russian financial crisis).

facilitated by a weak and rather narrowly-based economic recovery and the metaphoric activity described in Chapter 7.

From the analysis of post-war Gallup data, we might also add that for concrete issues, there may be a considerable inertia between real-world events and polling responses. In other words, polling data may continue to measure concern about concrete issues long after they have ceased to be a major real world problem. Unemployment, for example, was a top concern throughout the 1950s and 1960s despite historically low rates of joblessness, one possible reason being that the Great Depression had marked a generation in a way that made them very sensitive to even slight changes in unemployment rates; another being the tremendous influx of women into the workforce. We observe a similar albeit somewhat less pronounced pattern with respect to inflation. *The converse appears true for abstract issues.* Concern about issues related to government finances has proved fleeting. Absent persistent and saturated media coverage, they need to be teased out by pollsters with suggestive questioning. Outside of the 1993-1995 period, there are exactly four episodes when Gallup Canada polling data, if taken at face value, suggest Canadians were preoccupied with financial issues: the Diefenbaker government's austerity measures in the late 1950s and early 1960s; the Trudeau government's efforts in the 1970s to slow the growth in government spending;[209] the lead-up to the first Mulroney-era budget (i.e., 1984-85) and, finally, the period leading up to the 1989 budget. In each instance, pollsters had to flag the issue first before registering any significant concern among the populace. In each instance, the government, not the populace, led the way by emphasizing the importance of fiscal rectitude. Media coverage ensued and with it, the polling industry's interest in asking fiscally-related questions. With the possible exception of the period leading up to the 1989 budget,[210] Canadians did not register government finances as a most important problem (MIP) in any of these episodes.

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[209] In 1977 for example, shortly after the federal government registered its first significant post-war budget deficit, some 87% of respondents to a Gallup poll said it was "very important" or "fairly important" to balance the budget.

[210] Soroka's (merged) data show a significant spike in concern about the deficit in and around 1989. That said, Gallup Canada polling data do not show the issue registering in any significant way until the 1993-1995 period.

Soroka's argument that the deficit/debt issue is best seen as one where government sets the agenda with media assistance also highlights the relative fragility of the issue relative to more concrete and obtrusive (i.e., prominent) issues like unemployment and inflation. In questions where respondents were asked to prioritize deficit reduction *or* measures to fight unemployment, they consistently prioritized unemployment *except* at the very height of deficit/debt fears in 1995, when an equal number chose unemployment and deficit reduction as shown in Table 9-4.

**Table 9-4 :** Prioritizing Unemployment over Deficit Reduction -- A Review of Canadian Institute of Public Opinion Data

| Year | Press Release Headline | Reducing Unemployment | Balancing the Budget | Don't know | Both | Neither |
|---|---|---|---|---|---|---|
| 1984 | Two-thirds of Canadians give unemployment top priority | 67% | 28% | 5% | | |
| 1985 | Give jobs priority over deficit | 66% | 29% | 5% | | |
| 1993 | | 46% | 33% | 7% | 8% | 6% |
| 1994 | | 51% | 35% | 6% | 6% | 3% |
| 1994 | | 49% | 35% | 5% | 5% | 6% |
| 1995 | Public split on deficit-unemployment tradeoff | 42% | 42% | 7% | 4% | 5% |

**Sources**

Canadian Institute of Public Opinion, *The Gallup Report*, May 28, 1984 and September 23, 1985. Gallup Canada Inc., *The Gallup Poll*, February 27, 1995.

**Notes**

In 1984 and 1985, the survey question was as follows: "There has been a lot of talk recently about both the level of government spending and the level of unemployment. In your opinion, which should Ottawa give priority to -- balancing the budget or reducing unemployment? For the 1993 to 1995 polls, the survey question was as follows: Which of the following two statements most accurately reflects your own opinion? (i) The federal government give top priority to reducing the deficit, even if it means maintaining a high leel of unemployment. (ii) The fedearl government should give top priority to reducing unemployment, even if it means maintaining a high deficit."

## Another Look at the MIP Data

There is one last but often neglected aspect of the debt/deficit issue that I want to attend to, namely *who* were the people that chose the deficit/debt as their most important problem? While there is scant if any data to answer this question from the early Gallup polls,[211] we do have data for the 1994 and 1995 period in which we observe the following

[211] In these early polls, the data is only broken down by region. The only detectable trend here is that western Canada (points west of Ontario) tended to be slightly more concerned about fiscal matters than other regions of the country.

tendency: older, male, better educated and higher income individuals were the most likely to be concerned about the deficit/debt issue. In a 1994 special entitled *Canadians' Views on the Deficit* for example, Gallup Canada found for example that 56% of those surveyed with a university education said they were "very" concerned about the size of the deficit compared with 40% of persons with a grade school education and 46% of those with a high school education. Some 56% of males chose the "very" concerned response compared with 45% of women, while 60% of people aged 50-64 said they were "very" concerned about the deficit compared with 40% of people aged 18-29. In a 1995 poll in which respondents were asked to choose either unemployment or deficit reduction as their top priority, Gallup Canada found more or less consistent results. Some 60% of those earning $70,000 or more a year chose deficit reduction over fighting unemployment compared with only 31% of those earning less than $20,000. Moreover, some 49% of males chose the deficit over unemployment compared with only 35% of women.

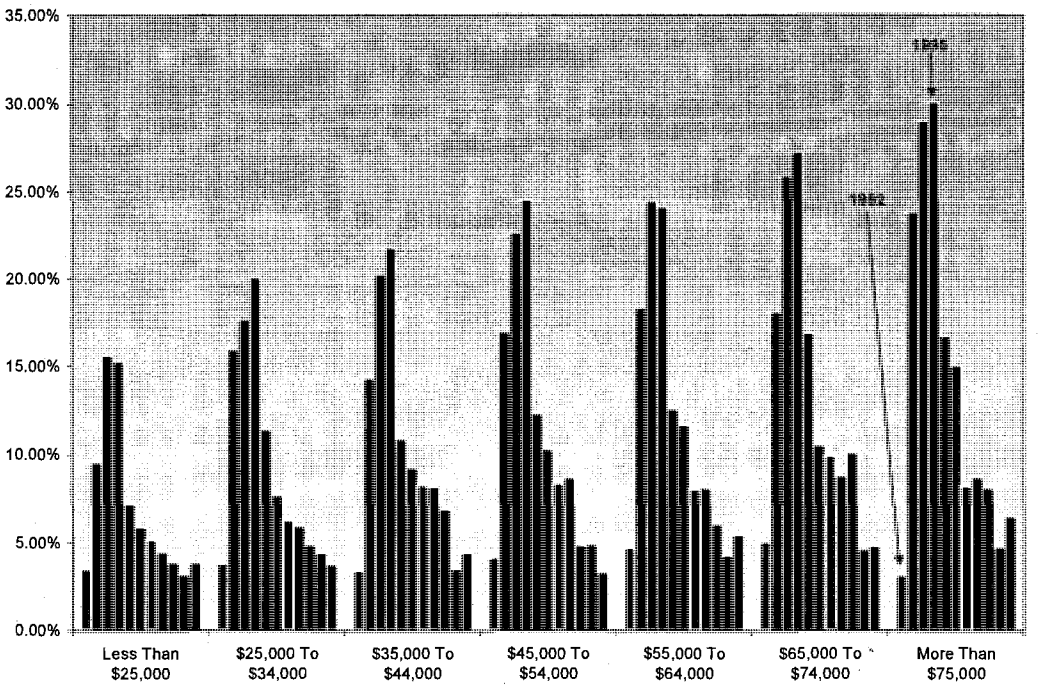
In private polls conducted for the Department of Finance by Earnscliffe Consulting, we observe similar but somewhat more mixed results. In a survey conducted late in 1995 for example,[212] Earnscliffe asked (among other things) respondents to rate the importance of a range of issues including the deficit. Some 50% of persons earning $60,000 or more ("higher income") said the deficit was "extremely important," while 55% of those earning less than $20,000 ("lower income") chose the same answer. Adding "extremely important" to the next category down the list however reverses this result: some 90% of high income individuals rated the deficit as "very" or "extremely" important compared with 85% of lower income individuals. These are still, however, remarkably high results. In a subsequent question from the same survey about the importance of further reducing the deficit in future budgets however, 40% of those with annual incomes of $60,000 or more said it was "extremely important" while 33% of those with incomes of less than $20,000 chose this response (p. 47). Adding the "very important" category only widens the gap, with some 83% of higher income individuals saying that future deficit reduction was "very" or "extremely" important compared with 69% of lower income individuals.

[212] Earlier surveys conducted for the Department of Finance are unfortunately unavailable at either the Library of Parliament or the National Library despite regulatory requirements to the contrary.

While useful, these survey results are not as informative as we might like for the simple reason that the act of flagging an issue in the question suggests that it is both important and a potential problem. Problems or concerns, in turn, are almost always "bad" things worthy of being "very" or "extremely" important. In short, the questions tell us very little about the spontaneous, (relatively) unbiased and immediate concerns of Canadians. They also tell us next to nothing about how the concerned segment of the population changed over time, although as we will see, the Earnscliffe results from late 1995 are suggestive of an important trend.

To paint a fuller, more nuanced picture, it is useful to look at (unweighted)[213] micro-data from Pollara Inc. surveys on the most important problem question from 1992 through to 2002.[214] Figure 9-8(a) depicts the evolution in the percentage of respondents

**Figure 9-8(a)**
Concern about the Deficit/Debt by Income Category, 1992-2002 (Pollara MIP Data)



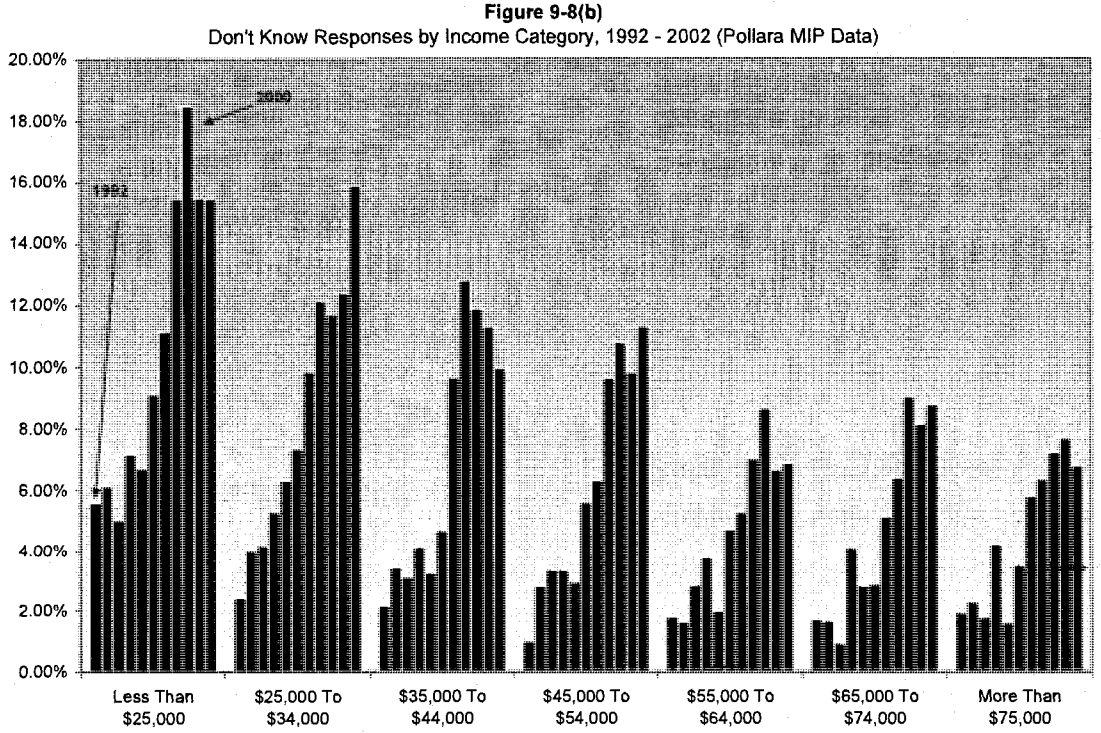

by income class who chose deficit/debt as their most important problem in the Pollara

[213] I used unweighted data because weights were missing from some of the quarterly surveys. The Carleton University Data Resource Centre, which provided the data, was unable to locate the missing weights despite requests from Pollara. Email correspondence available upon request from author.
[214] Earlier micro-data were unavailable. In any case, based on other evidence, we can assume that the pre-1992 data on the deficit/debt issue are similar to data from 1992, the year before the sharp increase in the quantum and tone of media coverage due to the election, increased talk of a fiscal crisis and of course, the federal election.

surveys. It shows a relatively small gap between concern about the deficit between lower and upper-income respondents in 1992, the year before saturation media coverage, the 1993 election and the W-5 documentary. Of those with income below $25,000, only 3.5% rated the deficit/debt as the most important problem compared with 5.1% of respondents who earned $65,000 to $74,000, 4.7% of those who earned $55,000 to $64,000, 4.2% of those who earned $45,000 to $54,000 and 3.9% of those who earned $25,000 to $34,000. Somewhat surprisingly, the two groups that expressed the *least* concern about the deficit were the 3.4% of respondents who chose the deficit/debt as the MIP in the $35,000 to $44,000 range and the 3.2% with incomes in excess of $65,000. After 1992, we see that the sharp spike in concern about the deficit occurs across income categories with the biggest increases occurring at the higher income levels, especially the $75,000 and up income category where concern jumped from 3.2% to 23.8%. After 1995, we see a fairly sharp drop off in concern before it levels off at about 7.5% but again, the issue tends to remain more salient for higher income earners.

These results should not be altogether surprising. Remember that Justin Lewis predicts for example that lower-income, more disenfranchised members of the public are

**Figure 9-8(b)**
Don't Know Responses by Income Category, 1992 - 2002 (Pollara MIP Data)




more apt to answer "don't know" to polling questions because they are least likely to be

familiar with the discourse of polling and the issues which it addresses. Figure 9-8(b) shows the evolution of non-response rates by income category for the MIP question. It appears to support Lewis' hypothesis. We see a marked tendency for lower-income respondents to answer "don't know" in response to the MIP question. In 1992, some 5.6% of respondents with income of less than $25,000 opted to give a "don't know" response, more than double any other income category. After 1992, we see an across-the-board increase in the propensity to answer "don't know," although the increase is most pronounced and sustained in the under $25,000 income and $25,000 to $34,000 categories. In 2000 for example, some 18.5% of low-income respondents chose to answer "don't know" in response to the MIP question, more than two-and-half times the percentage of high-income respondents. To summarize, at the very same time that an increasing share of low-income respondents were choosing the deficit as their most-important problem (albeit less enthusiastically than higher-income respondents), an even larger share of low-income respondents was opting out of the question altogether. We can also surmise, consistent with Abercrombie *et al* and my focus on elites, that the "symbolic" value of the deficit as representative of economic unease and government mismanagement was most pronounced at middle to higher income levels, with low-income members of the public – i.e., those most susceptible to broad economic swings – properly understanding that fiscal retrenchment would likely be harmful to them.

We can get an even more nuanced understanding of the kind of people who chose the deficit/debt as their MIP by conducting a logistic regression where we define a dummy variable equal to "1" if a respondent chose "debt/deficit" as their most important issue and "0" otherwise. Regressing this variable on income, gender and education for a pooled sample of Pollara data from 1992 through to 2002, we find the expected signs (see Table 9-5 below): the odds of a male respondent choosing deficit/government spending as the most important problem were 1.65 times more than for a female respondent. With each move up the education and income ladder, we see a monotonic increase in the odds of choosing the deficit/spending answer with the only exception being respondents with university educations. Interestingly, the "don't know or refused to answer" category in the case of income yielded the lowest odds relative to the baseline "under $25,000" income group, while those who refused to answer or answered "don't know" on the

education level were actually *less likely* to choose the deficit/spending. Again, these results are not surprising in light of our earlier descriptive look at the distribution of responses to this question.

**Table 9-5: Logistic Regression Results from a Pooled Sample of MIP Data; Deficit/Spending = 1**

| | B | S.E. | Wald | df | Sig. | Exp(B) -- Odds Ratio |
|---|---|---|---|---|---|---|
| **Constant** | -2.96 | 0.06 | 2357.70 | 1.00 | 0.00 | 0.05 |
| **Gender** | | | | | | |
| Men | 0.50 | 0.03 | 286.99 | 1.00 | 0.00 | 1.65 |
| **Household Income** | | | | | | |
| Don't know/Refuse to Answer | 0.16 | 0.06 | 7.86 | 1.00 | 0.01 | 1.18 |
| $25,000 To $34,000 | 0.23 | 0.05 | 19.01 | 1.00 | 0.00 | 1.25 |
| $35,000 To $44,000 | 0.31 | 0.05 | 35.33 | 1.00 | 0.00 | 1.37 |
| $45,000 To $54,000 | 0.36 | 0.06 | 43.49 | 1.00 | 0.00 | 1.44 |
| $55,000 To $64,000 | 0.38 | 0.06 | 40.15 | 1.00 | 0.00 | 1.47 |
| $65,000 To $74,000 | 0.45 | 0.07 | 43.59 | 1.00 | 0.00 | 1.56 |
| More Than $75,000 | 0.61 | 0.06 | 114.14 | 1.00 | 0.00 | 1.84 |
| **Education** | | | 27.22 | 5.00 | 0.00 | |
| Don't Know or Refused | -0.41 | 0.21 | 3.91 | 1.00 | 0.05 | 0.66 |
| High school | 0.13 | 0.06 | 5.02 | 1.00 | 0.02 | 1.14 |
| Community College | 0.24 | 0.06 | 14.92 | 1.00 | 0.00 | 1.27 |
| Some University | 0.23 | 0.07 | 11.17 | 1.00 | 0.00 | 1.25 |
| University | 0.17 | 0.06 | 7.40 | 1.00 | 0.01 | 1.19 |

## CONCLUSION

From our analysis, we can draw several important conclusions. First, the very small amount of polling data we have relating directly to monetary policy suggests that Canadians have not expressed any desire to trade-off higher unemployment rates for lower inflation, a result that may help us understand why the Bank of Canada has been reluctant to talk about NAIRU in public and underlines just how effective the Bank has been in moving employment considerations off the agenda of either politicians or polling companies.

Second, with respect to the deficit/debt, the literature suggests that this is a pure government issue because of its unobtrusive and abstract nature. Consequently, the "agenda setting" effect as measured by MIP questions works from government through the media to the public but *only* to the extent that government and the media are able to symbolically link the deficit/debt to economic malaise, government mismanagement of the economy (legitimation themes), household finances and metaphors that lent the issue concreteness and obtrusiveness. In questions that explicitly thematize the deficit/debt however, Canadians have *consistently* shown a strong fiscally conservative streak. The dramatic increase in the volume and substance of fiscal policy content in the 1993-95 period effectively reproduced this frame so that for the first time in Canadian history, the deficit/debt issue registered as *the* top policy agenda item ahead of more traditional, concrete, and obstrusive issues such as unemployment, inflation and health care. The political class finally had the political rationale it needed to aggressively reduce the deficit.

Digging into the polling data a little more carefully further reveals that there is a deep and persistent divide between low income respondents on the one hand, and middle plus upper income individuals, on the other. In MIP polls especially, the former were less likely than the latter to choose deficit/debt as their most important problem. As concern about the deficit/debt intensified, the issue's salience, measured by MIP data, broadened to include a growing number of lower-income households, but never anywhere near the level of concern found in higher-income households. This evidence suggests that the relatively more pronounced concern among higher-income, better educated individuals can be traced back to media exposure. That is, we might argue there were some strong agenda-setting effects by the media over this higher-income, better-educated segment of the population. Lower-income individuals were to some extent sheltered from the barrage of deficit/debt discourse because of a well-known fact, namely that newspaper readership is strongly and positively correlated with income and education: lower income, less educated people do not read newspapers to the same extent as higher income, better educated individuals. Moreover, we also know that traditionally, elite newspapers also tend to be fiscally conservative. We know from earlier discussions, for example, that Canada's national newspaper, *the Globe and Mail*, waged a long and

tireless campaign in favour of fiscal rectitude and that this coverage grew more metaphoric over time. We also know that the *Globe and Mail* became increasingly interested in targeting an upper-middle class, wealthy audience. Finally, we know that a widely-watched series of television documentaries, not to mention endless pre-election televised debate and discussion on deficit/debt issues, aired in 1993 at precisely the moment when the MIP polling data show a broadening of concern about the deficit/debt as the most important problem facing the nation.

In all these ways, the polling evidence discussed here suggests a consensus and then convention-formation process that began in elite circles and spread out to lower-income respondents, although never perfectly or in an entirely predictable way. In the next chapter, I argue that there is also reason to suspect that the polling industry itself, through the timing and wording of its questions and its embeddedness within government institutions, may *also* have contributed to the consensus and convention formation process.

# CHAPTER 10: CHALLENGING CONVENTIONAL OPINION

In the previous chapter, I took the available polling data largely at face value. Even with Soroka's finding that the deficit and debt are "government issues" and therefore influenced largely by government and media activities, the underlying assumption was that polling data, especially of the MIP variety, accurately assess the public's genuine concerns. There are however, more critical ways of thinking about the polling industry and the data it produces. The aim of this chapter is to critically examine the practice of polling relative to fiscal issues. The first part of the chapter looks at some general critiques of polling and Gallup's fiscal questions in particular, while the second part of the chapter offers a detailed critique of Earnscliffe's interpretational work for the Department of Finance. The upshot of this analysis is, consistent with Justin Lewis' argument, that fiscal polling data often reflect and help influence elite preoccupations.

**A General Critique of the Technology of Polling**

Starting from the premise that language is "connotative and suggestive rather than neutral and flat," Lewis (Lewis 2001, p. 13) argues that "even the apparently denotative language of public opinion surveys is full of connotations." He goes on to suggest that the pretence of denotative language merely accentuates whatever persuasive force the polling question may already have. In the context of polling on fiscal matters, I argued in the last chapter that the post-war evidence of a fiscal conservatism streak in the Canadian public owed as much to framing as anything else. We might similarly ask what exactly it means to choose "deficit/debt" as the most important problem (MIP) facing the nation Someone from a more radical economic perspective, for example, could choose this response because they believed the deficit or debt were *too small* given the recessionary environment of the early 1990s. Granted, it is unlikely that there were many heterodox economists in the survey audience at the time. Nevertheless, the fact that we readily *assume* and interpret a deficit/debt response to mean **reduce** the deficit/debt is suggestive of our almost reflexive apprehension with respect to these words. Kingdon's {, 2003 #345} important but easily forgotten distinction between the agenda and the alternatives is important for much the same reason – choosing the deficit/debt as our most important problem tells us nothing about what how we should address the issue. Some might

reasonably say "increase it;" others might say reduce it through tax increases; still others might say reduce it through spending reductions. The only way to address *that* question, of course, is to explicitly frame the issue in some way, which only assumes what needs to be discerned.

Similarly, we might also ask what exactly these MIP questions are measuring in more general terms. While they are worded in a way designed to elicit an answer that reflects the *respondent's* personal, seemingly detached, view about the most important problem facing the nation, it is also possible that they invoke the respondent's sense of what his or her peers feel is the most important problem facing the nation. That is, the respondent may very well assume that the interviewer is looking for his or her assessment of the consensus view about what ails the nation. Moving from the interviewee to the interviewer, we might also ask how responses to the MIP question are coded. What is the underlying methodology used to slot a response into the deficit/debt category instead of, say, the unemployment category, especially if a response to an open-ended MIP-like question elicits a causal link between the two?

Moving up another level, to the point where the polling data are collated and interpreted for popular consumption, we also need to ask about the peculiar language of polling interpretation, which routinely suggests that "Canadians" support this policy idea or "Canadians" reject that policy idea. The abstraction that is "Canadian" of course erases a lot of nuance. Building on this abstraction, pollsters and the media have a habit of interpreting survey results in a way that implies "Canadians" answers questions in a logically coherent or consistent way both within and between surveys. This is odd for a number of reasons. First, it assumes that surveys are internally coherent and coherent from one survey to another. It also assumes interviewees who are fully engaged in the survey process rather than, say, unfamiliar and uninterested in the topic or simply tired, hungry or otherwise occupied. The synthesis approach in discursive psychology, as well as a large body of critically-minded literature (Forgacs 1988; Hall 1988), assumes by contrast that "(p)eople cannot be expected to be consistent; rather, it is to be expected that their texts and talk *vary* as they draw on different discourses in different contexts" (Phillips and Jorgensen 2002, p. 180). In short, any narrative constructed from mixing and matching polling questions from different surveys will be a narrative imposed by the

interpreter, not necessarily the one that an interviewee would necessarily ascribe to their views.

Finally, the evidence reviewed in the last chapter suggests that the *timing* of polling questions is itself suspect. In the realm of fiscal matters, Gallup's polling practices tended to follow rather than proceed elite governmental concerns, a view consistent with Soroka's empirical findings with respect to the MIP data. We might attribute this timing question to the often-overlooked fact that polling is a business. If firms want to generate business, then one thing they can do is raise their profile by producing data and interpretations of interest to potential clients such as government and the media. Table 10-1 illustrates reviews each of Gallup's conspicuously timed polling questions on fiscal matters over the post-war period and, in so doing, explores some of the critiques raised a moment ago.

**Table 10-1** : A Critical Analysis of Gallup Canada Polling Questions Related to Government Finances

| **Press Release Date / Question** | **Analysis and Notes** |
|---|---|
| October 28, 1959<br>Q1 - **"If the time should come when government income cannot pay for all the things in the budget, which would you favour – cutting back on certain things, or increasing taxes?"**<br>Q2 –**Those who said "cut back on certain things" were subsequently asked the following open-ended question: "What economies would you like to see?"** | ☐ Poll perfectly timed with a larger national debate inspired by Diefenbaker about government finances.<br>☐ There are at least two other option ruled out by the question, namely using debt to cover the shortfall or financing the extra spending by "printing money."<br>☐ At the top of the list of "economies," respondents chose "the military budget" followed by three categories that might be categorized as "waste" today, namely: "unnecessary public works, lavish schools and buildings, parks"; "World tours of Government officials, Government entertainment"; and "Waste in all departments, red tape, unnecessary people at the top." These are consistent themes in the fiscal polling data. |
| September 10, 1975<br>Q1: **It has been suggested that we cut down on government spending as one way to help control inflation. Other than a possible improvement in general efficiency, do you think there are or are not specific areas of government spending where savings should be made?**<br>Q2: **If "Yes": "Here are some specific programs or services. In which if any, would you suggest significant cuts in spending?"** | ☐ Poll coincides almost perfectly with heightened media and government emphasis on fiscal probity;<br>☐ Poll rules out "waste" as a major source of savings presumably because as the 1959 (and subsequent) polls suggest, this is the instinctive answer given to these kinds of questions.<br>☐ The list of programs is far from comprehensive (the list includes welfare, unemployment insurance, foreign aid, military, family allowance, environment programs, energy research, medical care, other). It excludes for example a range of "tax expenditures" – tax breaks relative to some normative ideal – that governments increasingly count as "spending." |
| February 19, 1977 | ☐ Poll question assumes respondents did not |

| **Table 10-1** : A Critical Analysis of Gallup Canada Polling Questions Related to Government Finances | |
|---|---|
| **Press Release Date / Question** | **Analysis and Notes** |
| Q1: **Do you happen to know if the federal budget is balanced – that is, does the federal government take in as much as it spends?**<br>Q2: **How important do you think it is to balance the federal budget – very important, fairly important or not so important?** | understand the meaning of deficit. This reasonable assumption casts doubt on the usefulness of the exercise: if my understanding of the term deficit is limited to the notion of "taking in less than one spends," what can I contribute to the exercise other than an un-reflected "impression" based on a false analogy between my own personal circumstances and those of the federal government?<br>☐ Short of being a trained (and quite radical) economist, it is difficult to imagine how someone would answer anything other than "very" or "fairly" important. The act of asking the question assumes to some degree its importance, especially since surveys at the time were (and still are, albeit somewhat less so) extremely expensive endeavours involving personal in-home interviews. |
| May 30, 1981<br>Q1: **President Reagan has initiated severe reductions in government spending, with the objective of reducing inflation and stimulating the U.S. economy. Would you approve or disapprove if the Canadian government adopted such sever reductions in government spending here?** | ☐ The question clearly biases towards a positive response (some 65% of those said they "approve" of similar measures for Canada) because it associates spending cuts with "reducing inflation and stimulating the economy," two outcomes that would have been extremely appealing to any Canadian during a very severe recession. |
| May 12, 1984<br>Q1 **As you may know, the current federal deficit is approaching 30 billion dollars. Where do you think the government should look for additional funds – do you think the federal government should raise taxes, should introduce economy measures or should borrow more money abroad?**<br>Q2: **What should be done first?**<br>Q3: **And in second place?** | ☐ The timing of this question is interesting because it precedes by only a few months the 1984 election. While deficits were not the major theme of that election, they played an important role in the first two years of Conservative rule.<br>☐ This question is a slight improvement over the 1959 version because it includes the borrowing option. However, it ignores the possibility of "printing money" and the possibility of borrowing from domestic sources.<br>☐ In the context of the relatively strong nationalism that characterized this period, the idea of "borrowing more abroad" is hardly appealing (it gets only 5% support as a 'first place' choice). |
| February 21, 1994<br>Q1: **I am going to list some suggestions as to how the federal government might reduce the deficit. For each one, please indicate whether you favour or oppose that particular approach to deficit reduction: (a) Lowering the maximum amount that Canadians can contribute to registered retirement savings plans (RRSPs); (b) Reducing spending on national defence; (c) Increasing personal income taxes; (d) Increasing corporate income taxes?** | ☐ Again, the timing of this question is suggestive, coming on the eve of the 1994 budget. Clearly, the poll was not designed to influence the content of the budget so much as to garner news coverage for Gallup Canada with the aim, presumably, of landing future government polling contracts.<br>☐ The question limits the range of options to those actively discussed in the media at the time and which informed the 1994 budget and to a lesser extent the 1995 budget (especially the RRSP question which was actively polled by Earnscliffe). |

**The Earnscliffe Studies**

If, as the analysis in Table 10-1 suggests, polling firms have incentives to demonstrate their competence by conducting surveys likely to be of some use to government officials or at least affect the broader policy agenda, what of the practices of firms who already have lucrative government contracts? To address this issue, I will revisit some of the interpretational work built around internal Department of Finance surveys, paying close attention to the correspondence or lack thereof between the interpretation and the underlying survey. The bulk of my analysis will focus on two surveys designed by Earnscliffe for the Department of Finance and aimed largely at sounding out Canadians on major economic issues, including the deficit.[215] The first polled some 1607 respondents between November 24 and December 2, 1995. The second polled 1,809 respondents between November 20 and December 4, 1996. Results from the surveys were considered accurate to within a margin of error of plus or minus 2.5% and 2.4% respectively, nineteen times out of twenty (i.e., statistically significant at the 5% level).

From a careful reading of these texts, we can identify four patterns or tendencies that support the thrust of Justin Lewis' critique of the polling industry. These are Earnscliffe's tendency of : (a) downplaying conflicting evidence; (b) ignoring strong evidence of class differences; (c) drawing strong conclusions from weak evidence; and (d) using language and implicit models that would appeal to the Department of Finance's fiscally conservative culture. For each of these tendencies, I provide an extract from the Earnscliffe' interpretational work, a discussion where relevant of the underlying question(s) and some critical comments and analysis.

**Downplaying of Conflicting Evidence and The Use of "Waste"**

In both its 1995 and 1996 reports, Earnscliffe downplays evidence that conflicts with the larger narrative about the public's apparent over-arching desire for deficit reduction through spending cuts and the rejection of any kind of tax increase. In its executive summary of the 1995 polling data for example, Earnscliffe notes that resistance

[215] The actual polling work, including sample selection, was subcontracted out to Ekos Research Associates Inc., a major Canadian polling firm. Earnscliffe however wrote and designed the questionnaire.

to the idea of a tax increase used to fund jobs was "...less than might have been expected. Job initiatives were seen to be a better reason to raise taxes than deficit reduction." Respondents were especially willing to consider paying a little more in taxes for job creation programs targeted at youth and were more likely to support spending on infrastructure and other job creation programs if tax revenue came from gasoline taxes.

To dampen the implication of these findings, Earnscliffe noted for example that "...the pitfalls of this kind of approach are quite clear. Fully 75% of respondents said their tax bill was already too high" and that "the argument for tax increases, however, does not fare well in the face of the public belief that there continues to be widespread government waste." Note how whereas Earnscliffe actively worked to disabuse survey participants of the deeply entrenched belief about waste in other contexts (recall the moderator's instructions to **PROBE HARD: debunk that waste and MP's pensions will be sufficient)**, it explicitly leans on this same belief to solve a narrative problem in this instance. At the same time, Earnscliffe does *not* ask how these responses – support for some tax increases and relief in government waste – might in fact be consistent. It is entirely possible, for example, that Canadians could on the one hand believe there is considerable government waste, and on the other hand be quite willing to pay for job creation programs through new taxes. The one does not necessarily obviate the other. The only way Earnscliffe can imply that there is some sort of contradiction in these responses is if *it* (i.e., Earnscliffe) believes that job creation programs are inherently wasteful. The willingness of survey respondents to pay higher taxes in the name of job creation suggests Canadians do not *automatically* assume this type of spending is wasteful.

Similarly, there is no necessary contradiction between support for higher taxes in the name of job creation and the belief that tax bills are too high. First, it is important to ask "too high relative to what?" Surely, at least part of the answer must be "too high relative to the services delivered," especially after more than 10 years of austerity measures let alone rhetoric on the evils of government intrusion into the economy. Second, taxes are probably perceived as too high relative to *wasteful* government activities and not relative to targeted spending. When taxation revenue is clearly linked to spending on desired social end, Canadians choose to pay for good services, a finding not

particular to Canada. Lewis argues that in the United States and the United Kingdom, two countries that have travelled furthest down the path of neo-liberalism, "the attack on the idea of government in general (as wasteful, inefficient, and cumbersome in its size) has not prevented the persistence of majority support for increased public spending on a range of programs"(Lewis 2001, p. 128). Lewis goes on to note that "while media influence on public opinion is far more clearly manifested in abstract political ideas (like "government is wasteful") than in specific areas of policy, the ideological baggage attached to these abstractions *can* be connected to specific policy areas by highly visible public relations campaigns, of which the attack on welfare in a notable example" (*ibid*, p. 129).

In the 1996 survey, we see a similar tendency to dismiss polling evidence that runs against Earnscliffe's carefully constructed narrative. In a question that asked respondents to rate 15 policy proposals for the upcoming 1997 budget on a continuum ranging from "poor idea (scored a '1') to "excellent" (scored a '7'), some 45% of respondents rated "reduce government spending" as an "excellent" idea followed by "increase spending for children in poverty" at 38% and increase spending for programs to create jobs at 33%. The option "increase spending for social programs" garnered the least support as an "excellent idea" at 12%.

The high percentage of people who rated "reduce government spending" as an "excellent idea" ostensibly fits well with the Earnscliffe narrative, although it is also clear from Earnscliffe's own research that the word "spending" was strongly associated with "waste," which in turn suggests that the high rating accorded this response was aimed more at rooting out inefficiencies and abuse than at curbing specific instances of government program spending. Earnscliffe itself implicitly equates "waste" with "spending" in its intepretation, noting for example that "Consistent with the public's view of waste in government and with its overall priority on deficit reduction, the broadest support was generated for further spending reductions" (Earnscliffe 1996, p. 32)

Similarly, the low rating accorded "increased program spending" also fits well with Earnscliffe's narrative goals although here again, a basic question arises: why include this as a distinct category when spending on child poverty, health care, jobs, universities, crime, and even tax cuts all fall under the category of "program spending"?

The answer, I suggest, is twofold. First, Earnscliffe apparently wanted to test the public's response to the words "program spending" as distinct from concrete instances of program spending for the purposes of drafting speeches for the Minister. Second, Earnscliffe's interpretational work, cited below, suggests it may have also included this "policy idea" to help "explain away" specific instances of support for program spending.

Of perhaps even greater interest, however, is Earnscliffe's effort to downplay the second and third policy ideas with the highest "excellent idea" ratings. With respect to "child poverty," Earnscliffe writes that "It is important to note, however, that some of this support is an artifact of the words; the goal of reducing child poverty is a powerful "motherhood" issue" (Earnscliffe 1996, p. 33), as if the word "deficit" is not a powerful "fatherhood" issue. Later, in an appendix to its analysis, Earnscliffe sheds *some* light on this rather peculiar, arguably sexist, dismissal when it discusses the much greater anxiety around economic issues found among female respondents. While never explicitly linking the term "motherhood" to this greater anxiety among women, the implication is clear: "child poverty" is a "soft – motherhood – issue" that can be safely ignored because it fails to accept the hard realities of the nation's fiscal problems. In such an environment, there is no room for compassion regardless of prior political commitments.[216] What is needed is "realism" and indeed, Earnscliffe includes a question where respondents are forced to choose between "caring and compassion" and "hard-headed fiscal realism," as I discuss in greater detail below.

With respect to polling data showing strong support for jobs spending, Earnscliffe writes that this option

> generated a very polarized result. Most Canadians reject it as a mechanism for either creating meaningful jobs or strengthening the economy, and prefer that government focus on improving the underlying fundamentals of the economy like deficit reduction, low interest rates and improved education and training. A minority of Canadians feel that an improved economy may not necessarily generate jobs or lifestyle improvement for them and prefer a more direct role for government in the labor market(Earnscliffe 1996, p. 34).

These attempts to explain away these "excellent idea" findings were clearly not enough because Earnscliffe felt compelled to add that there is a

[216] In 1989, the House of Commons passed an all-party unanimous resolution to work towards eradicating child poverty by 2000.

> potential executional and communications quagmire to consider indicated by both this and other research. For instance, "social programs" – of which child poverty is clearly a subset – are the lowest priority for new spending. Canadians feel bruised and battered; nearly half of them feel their personal financial situation has worsened over the past four years. The current emerging sense of optimism is quite tentative and fragile. And though there is still a general sense of compassion and a desire to help those truly in need, the definition of need is quite restricted and the focus is increasingly personal. It is likely that real support for a program "for other people" may be quite limited. This is nowhere more clear than in the changing perception of "social programs." Once they were a core Canadian value; now there is mixed opinion about them with many people ascribing negative connotation to social programs because of stories of abuse. As other researchers have pointed out, there is an emerging sense of the poor who are "deserving" and those who are not (Earnscliffe 1996, p.33).

This paragraph is interesting for a number of reasons, not least because, as suspected, it invokes the (relatively) low degree of support for the idea of "increased program spending" to help dismiss support for policy ideas that are clearly "program spending." To repeat, the "increased program spending" category helps solve a narrative problem, namely how to reconcile contradictory polling evidence with its larger narrative goal, which is to buttress governmental and elite resolve at staying the course on deficit reduction.

**(Near) Absence of Class-Based Analysis**

While my reading of the Earnscliffe data is certainly inflected by my own biases, it is hard to escape the conclusion that Earnscliffe intentionally omitted discussing its polling data in terms of class (i.e., using income level as a proxy). This omission is glaring because of the significant and dramatic differences in responses between high and low-income individuals in both its 1995 and 1996 surveys. By wide margins, lower income individuals said their financial situation was worse than it had been, were more concerned about the future, and were more supportive of spending on job creation, health care, poverty reduction, and employment insurance benefits. Looking only at the 1996 survey for example, these kind of income differences are more pronounced than gender differences in all but four of 19 questions. Nevertheless, gender differences merit their own special discussion in an appendix to the 1996 survey; while class issues are hardly addressed at all.

To illustrate the general point, Table 10-2 reviews every question from the 1996 survey analysis for which a class and gender analysis is available. The first column numbers the questions to ease the discussion. The second column repeats the question in detail with the answer I want to analyze underlined. The third column shows the percentage point *difference* in support for the underlined answer between high income respondents (persons with more than $75,000 in annual income) and low-income respondents (persons with less than $20,000 in annual income). In all but two cases, this involved subtracting low income responses from high income responses and female responses from male responses. On question 1, for example, some 76% of high respondents said things were going in the "right direction" whereas only 49% low income respondents said the same. The difference is 27 basis points. Because of the nature of the last three questions however, the figures in this column were calculated by subtracting high income responses from low income responses and male responses from female. For example, some 42% of low income respondents opted for more spending on health care (question 16) compared with only 14% of those with income above $75,000 for a difference of 28 basis points. Finally, the fourth column shows the percentage point difference between male and female responses. The fifth column shows the ratio of these last two columns.

**Table 10-2:** Comparing the Income and Gender Differences

| | | **Differences as Measured by Respondents who Chose the Underlined Answer** | | |
|---|---|---|---|---|
| | **Survey Question** | *Income Difference (% points)* | *Gender Difference (% points)* | *Ratio of Income to Gender Difference* |
| 1 | Some people say that, while the country has some problems, Canada is generally headed in the right direction at the current time. Other people say that there are more important things going badly than well in Canada right now and that the country is headed in the wrong direction. Which of these statements come (*sic*) closer to your point of view? RIGHT DIRECTION or wrong direction. | 27 | 10 | 2.7 |
| 2 | In general, how would you describe the state of the economy of Canada today, would you say that it is in a period of strong growth, moderate growth, neither growing nor declining, moderate decline, or strong decline? | 20 | 11 | 1.82 |
| 3 | How would you say your personal financial or economic situation today compares with what it was like four years ago? Would you say that it is in better | 28 | 9 | 3.1 |

| **Table 10-2:** Comparing the Income and Gender Differences | | | | |
|---|---|---|---|---|
| | | **Differences as Measured by Respondents who Chose the Underlined Answer** | | |
| | **Survey Question** | *Income Difference (% points)* | *Gender Difference (% points)* | *Ratio of Income to Gender Difference* |
| | shape than it was then, worse shape than it was then, or that there is no difference? | | | |
| 4 | How do you expect your personal financial or economic situation to be four years from now compared to what it is like today? Do you expect it will be in better shape than it is now, worse shape than it is now, or no difference from now? | 4 | 8 | 0.5 |
| 5 | I would like to ask you a few questions about the current federal government. How would you rate the performance of the federal government overall, on a scale from 1, terrible, to 7, excellent, with 4 being neither good nor bad? | 17 | 0 | Cannot be Calculated |
| 6 | Some people say governments have emphasized deficit reduction long enough and now that the problem seems less serious, it is time to start dealing with other issues. Other people say that, although progress has been made in reducing the deficit, the problem is still serious and government should not change its emphasis until the deficit is eliminated or close to it. Which of these two opinions is closer to your own? | 19 | 11 | 1.73 |
| 7 | Some people say that if the government does better than its deficit target in any year, the government has some 'extra money' that it should think of either spending or cutting taxes. Other people say that, with the deficit and debt as large as they are, it is impossible that the government could have 'extra money' to spend. Which of these two opinions is closer to your own? | 6 | -2 | n/a |
| 8 | The federal deficit next year is projected to be seventeen billion dollars. If the deficit was lower than projected, what would be the best thing for the government to do with the extra money? | 21 | 14 | 1.5 |
| 9 | Should government spend money on creating jobs or continue in its effort to get rid of the deficit? [217] | 23 | 11 | 2.1 |
| 10 | Do you think the budget should look more at long term measures to make the economy stronger in the future or look more at measures that might stimulate the economy right now? | 15 | 13 | 1.15 |
| 11 | Some people say that the federal government, even though it might have done a fair job on reducing the deficit, doesn't have much of a plan for the future. Other people say that the federal government does have a plan that will lead to a stronger economy in the future. Which of those two opinions is closer to your own? | 0 | 4 | n/a |

[217] In the interest of saving space, this is a summary of the question. See Table 8-3, row November – December 1996, for the question in full.

| **Table 10-2:** Comparing the Income and Gender Differences | | | | |
|---|---|---|---|---|
| | | **Differences as Measured by Respondents who Chose the Underlined Answer** | | |
| | **Survey Question** | *Income Difference (% points)* | *Gender Difference (% points)* | *Ratio of Income to Gender Difference* |
| 12 | I want to read you a list of statements that some people might make and I want you to tell me whether you agree or disagree on a scale of 1 to 7, where 1 means you totally disagree, 7 means you totally agree and 4 means you neither agree nor disagree: "I don't believe the federal government can afford to cut taxes in any major way right now?" Agree, Disagree, Neither. | 0 | 2 | n/a |
| 13 | Some people say that it is possible for government to balance the budget and reduce taxes by a large amount without any further cuts in funding for health and education. Other people say that isn't possible and that if government tries to balance the budget and cut taxes at the same time, it will end up cutting health and education. Which of these two opinions is closer to your own? | 1 | 0 | n/a |
| 14 | Some people say that the standard of living for middle class people is declining and the best way to help them is a tax cut. Other people say that the best thing government could do for the middle class is to protect and improve things like health care, education and pensions. Which of those two options is closer to your own? | 7 | 14 | 0.5 |
| 15 | Has the decline in interest rates helped, hurt or made no difference to your personal or your family's finances? | 29 | 11 | 2.63 |
| 16 | Some/other people say having low interest rates saves people more money than any tax cut could. Other/some people say that low interest rates help people who already have money and that most people get more benefit from low taxes than they do from interest rates. Which is closer to your view? | 23 | 5 | 4.6 |
| 17 | Benefits from the EI program are funded by premiums that are paid by businesses and workers. If in any year the premiums collected are more than enough to cover all the costs of the program, what should the government do with the extra? Should the government take the extra money from this program and: Lower EI Premiums; Apply Against the Deficit; Increase EI Benefits. | 7 | 1 | 7 |
| 18 | There are many specific ideas about what ought to be in the next budget. For each idea, could you tell whether it is an excellent idea or a poor idea, using a 1-7 scale where 7 means excellent; 1 means poor and 4 means a fair idea : INCREASED SPENDING FOR HEALTH CARE | 28 | 19 | 1.47 |
| 19 | There are many specific ideas about what ought to be in the next budget. For each idea, could you tell whether it is an excellent idea or a poor idea, using a 1- | 30 | 12 | 2.5 |

| **Table 10-2:** Comparing the Income and Gender Differences | | | | |
|---|---|---|---|---|
| | | **Differences as Measured by Respondents who Chose the Underlined Answer** | | |
| | **Survey Question** | *Income Difference (% points)* | *Gender Difference (% points)* | *Ratio of Income to Gender Difference* |
| | 7 scale where 7 means excellent; 1 means poor and 4 means a fair idea : INCREASED SPENDING FOR POVERTY REDUCTION | | | |
| 20 | There are many specific ideas about what ought to be in the next budget. For each idea, could you tell whether it is an excellent idea or a poor idea, using a 1-7 scale where 7 means excellent; 1 means poor and 4 means a fair idea : INCREASED SPENDING ON SOCIAL PROGRAMS | 13 | 5 | 2.6 |
| **Average Ratio of Income to Gender Differences (excluding n/a):** | | | | 2.4 |

As the final row of Table 10-2 demonstrates, the gap between high and low income individuals / households was almost *two-and-a-half* times greater than the gap between women and male respondents and yet these quite sharp class differences did not merit a special discussion or even much mention in Earnscliffe's interpretation of its survey results. While it is difficult to know for sure why Earnscliffe did not emphasize or even much discuss these income differences, the wording to question 13, with its focus on the middle class, suggests an answer: Earnscliffe understood a basic fact of Canadian electoral politics, namely that low-income individuals are less likely to vote than middle and higher income individuals and in that sense, their opinions are less important. As Lewis notes,

> the way in which questions are phrased can implicate a public sphere in which certain categories of people are excluded. Thus questions about welfare or the rights of immigrants tend to assume that the respondent is *not* an immigrant or a welfare recipient. Immigrants and welfare recipients are thereby signified as a "problem" *for* the public rather than a *part* of the public. So it is that even in the environment of a theoretically universal franchise, the question of who or what is included in the representation of public opinion is a critical political question(Lewis 2001, p. 27).

From this, we can see how Question 13 encourages all respondents, regardless of income, to assume that they too are middle-class. In so doing, it taps into a powerful discourse from that era, and one still powerful today, about how the middle-class bears a disproportionate share of the "tax burden" when in fact, lower-income recipients often pay disproportionately more of their income in taxes (income plus consumption) while

higher-income recipients bear the greatest burden in absolute terms. From this analysis, we can conclude that when Earnscliffe says "Canadians" or the "the public," it really means middle to upper-income Canadians. This is an uncomfortable truth for a polling firm working for a political party that at least in its rhetoric, saw itself as a champion of social spending and the "little guy."

**Strong Conclusions from Weak Evidence**

This "class bias" is only one of the more pronounced instances of a broader tendency in Earnscliffe's interpretational work, namely the tendency to draw forceful conclusions from weak or inconsistent evidence. For example, while much of Earnscliffe's analysis is written in the present tense and ostensibly in a strictly factual way, we see in its 1995 survey (but much less so in the 1996 survey) a marked tendency to adopt phrasing that suggests a kind of teleological order whereby Canadians, having emerged from the darkness about fiscal matters, were suddenly enlightened about the true nature of Canada's fiscal quagmire. In its executive summary of the 1995 polling data for example, Earnscliffe writes that Canadians had "begun" to differentiate between a national priority and what the federal government should and could achieve and "begun" to "acknowledge" the constraints caused by deficits and debt costs(Earnscliffe 1995, p. 2). In its more detailed analysis from the same report, Earnscliffe implies that cynicism about government and doubts about its effectiveness are a new phenomenon, as in the follow extracts (historical narrative features are in italics):

- ☐ *In a time* when people have a strong cynicism about governments and great doubt about their effectiveness… (Earnscliffe 1995, p. 9)
- ☐ *Increasingly*, people think that the government is too large and needs to be pared back (Earnscliffe 1995, p. 11);
- ☐ It is critical to understanding public attitudes and expectations about the economy to understand the limited role most people desire for government at the moment. This is probably the most significant development in public opinion as it relates to public policy *in the last ten years* (Earnscliffe 1995, p. 21).

This kind of teleological ordering is both suspect from a factual perspective and rhetorical from a critical perspective. Factually, there is strong evidence that Canadians like Americans have *always* expressed concern about "unbalanced budgets" (i.e., deficits) when prompted by appropriately framed questions. Only the MIP question registers any

change in attitude towards fiscal matters, and this for only a brief period in time (1993-95). In any case, Earnscliffe explicitly distanced itself from the usefulness or importance of pure (un-prompted) MIP-questions precisely because they almost always lead to unemployment and inflation being placed at the top of the agenda. Instead, Earnscliffe preferred to ask its respondents questions which explicitly framed the deficit as one of a select number of potential answers to the "most important problem" question. Given this framing, the deficit *moved up* the agenda relative to its place in purer MIP questions. Rhetorically, the implied teleological progression from darkness to enlightenment is reminiscent of Workman's (1996) claim that the deficit discourse leaned heavily on a profound and deeply-held cultural value in Western society, namely the belief that history is the story of human progress in both the human condition and human understanding. The implied teleological progression also relates to the objectivists who claim that the federal government's deficits and debt somehow began to speak for themselves, whispering words of crisis and calamity to a suddenly enlightened populace. From both these perspective, the deficit was an aberration in the steady march of progress.

Another example of Earnscliffe's tendency of drawing strong conclusions from weak evidence is its belief, based ostensibly on its interpretation of the polling data, that Canadians were strongly in favour of reducing the government's role in the economy and strengthening the role of the private sector. Consider the following. In attempting to reconcile MIP polls showing job creation as a top concern with its finding that Canadians also want the deficit to be eliminated, Earnscliffe writes in its 1995 report that

> To say that unemployment is one of the most important issues in the country does not mean that people think it ought to be one of the highest priorities of government. Most people believe the unemployment problem will be solved, if it is, by *a strong and vibrant* private sector, not by government. In fact, many people are of the view that most actions the government could take would likely be counter-productive (emphasis added Earnscliffe 1995, p. 12).

This claim is a cornerstone of Earnscliffe argument. Earnscliffe says it is based on "this (1995) survey as well as the extensive other work we have done in this area, both quantitative and qualitative." Given that we do not have access to this "other work," let us see what we can learn by sticking to the 1995 survey and interpretations. The

conclusion seems to be based largely on three questions, the first of which reads as follows:

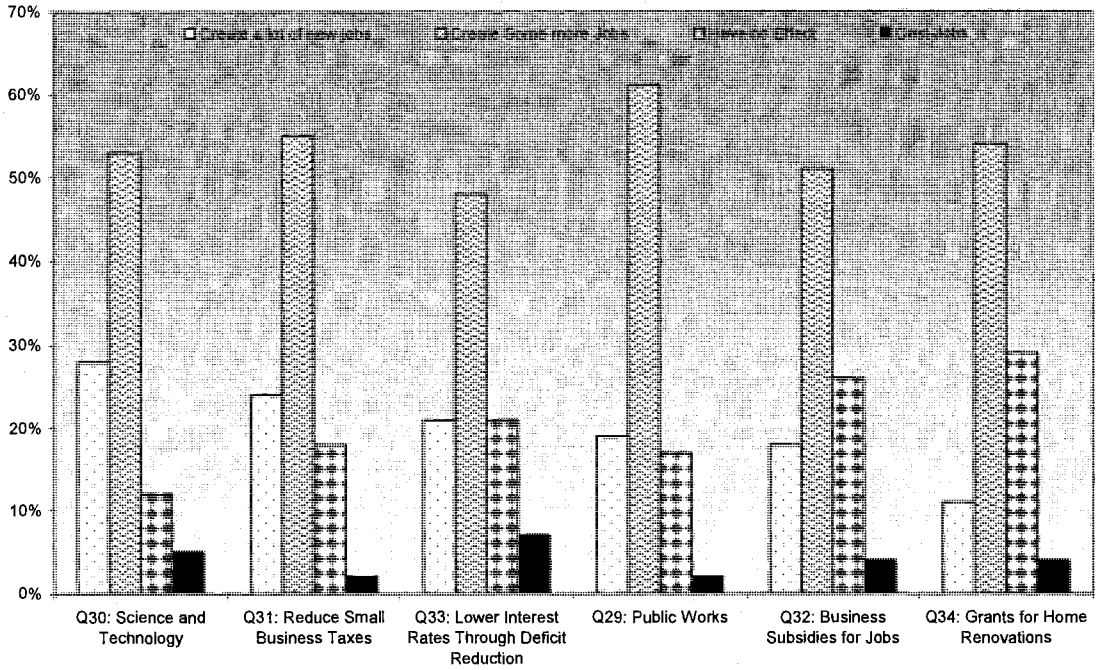
> **PREQ1:** Not all problems are best dealt with by the federal government. Some are best dealt with by provincial governments, business or other non-governmental organizations. Thinking of just the federal government, how much of a priority do you think the federal government should place on the following issues?(Earnscliffe 1996)

The question then goes on to list a range of issues, including the deficit and unemployment. Quite apart from the unusually strong framing suggested by the first two sentences (why were they necessary?), there is another fairly obvious problem with Earnscliffe's interpretation of the response to this and the two other questions. With respect to unemployment, some 38% of respondents said it should be the federal government "highest priority" followed by another 41% who say it should be a "high priority." In other words, some 79% of respondents felt that unemployment should be the high or highest priority for the *federal* government, only slightly less than the 86% who said that the deficit should be the high (35%) or highest priority (51%). This hardly seems like justification for statement such as "most people believe the unemployment problem will be solved, if it is, by a strong and vibrant private sector," or that many see government action as "counter-productive."

Earnscliffe gets around this apparent conundrum by arguing that the public generally *rejects* job creation programs but favours job creation *strategies*, especially long-term strategies such as deficit reduction in the name of lower interest rates. This conclusion appears to be based on two subsequent questions, namely:

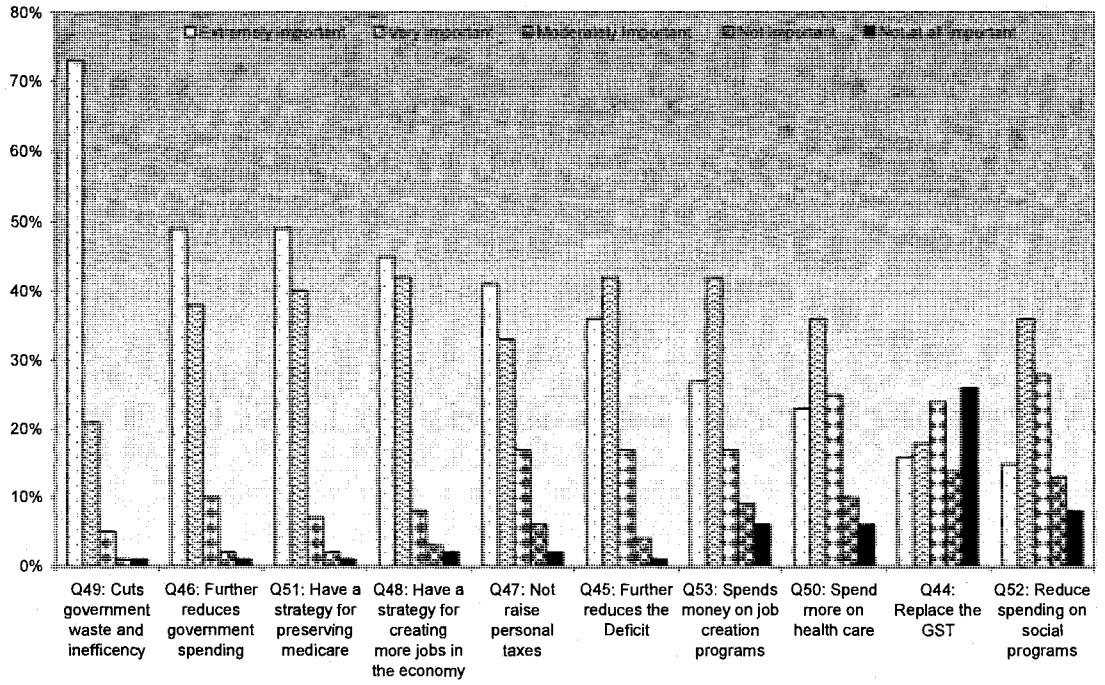
> **P29:** I'm going to read you a list of things that the federal government might do to try to create more jobs in the economy. For each one, I would like you to tell me whether you think it will help to create a lot of new jobs, create some new jobs, not have any effect on the number of jobs in the economy, or cost jobs.
>
> **P44:** Thinking ahead to the next federal budget, I would like you to tell me how important you think it is that the budget do the following things: I would like you to use a scale from 1 to 7 where 1 is not at all important and 7 is extremely important and the midpoint four is moderately important.

**Figure 10-1(a)**
The Public Evaluation of Different Job Creation Strategies




Figures 10-1(a) and (b) show the responses to these questions. The results seem to support the general thrust of Earnscliffe's argument. Figure 10-1(a) shows the Canadians

**Figure 10-1(b)**
Policy Priorities for the Next Budget



expect that strategic spending on science and technology, business tax cuts, and a singular focus on deficit reduction (via the lowering of interest rates that are supposed to follow) will all create "a lot of new jobs" compared with traditional spending measures. Figure 10-1(b) shows again the anger generated by the term "waste" as well as support for "job creation strategy" ahead of "job creation spending." A closer look at these data, however, suggest that we treat Earnscliffe's analysis with caution. With respect to Question P29 for example, pooling the response categories "a lot of new jobs" and "some new jobs" puts traditional job creation (public works) at 80%, only one percentage point behind science and technology and ahead of other options. This pooling exercise can be justified on the basis that the terms "a lot" and "some" are not defined and mean different things to different people. In that light, it makes more sense to collapse the categories into three: create jobs, no effect, and cost jobs.

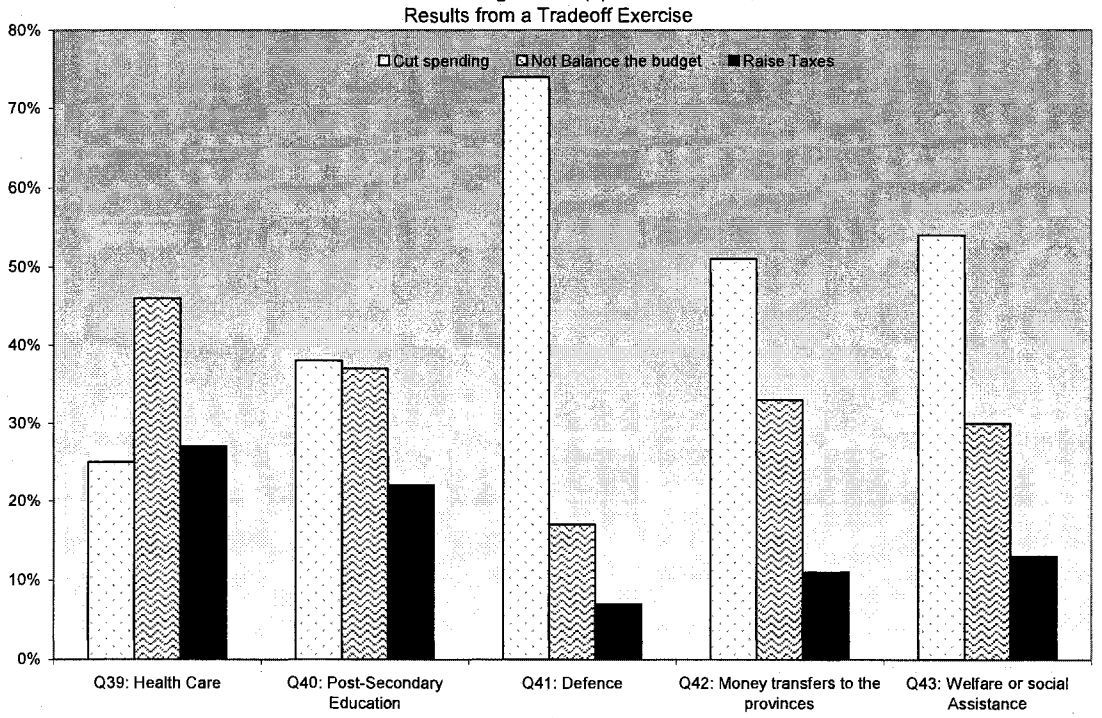
With respect to Question P44, we can similarly ask what a "jobs strategy" means. Surely, the common-sense understanding of the term encompasses more than merely being a "catalyst, partner and rule maker"(Earnscliffe 1995, p. 15) and includes spending, taxation and even deficit reduction measures. In my experience as a policy analyst, this is precisely how governments and lobby groups use the term. Ongoing calls for a "poverty strategy" or a "forestry strategy" or an "environmental strategy" all include spending, taxation (tax expenditures), regulatory, private-public parternship and promotional measures. The "reduce program spending" category is also perplexing for the reasons I suggested earlier: health care/medicare and job creation are almost by definition "social programs." Its inclusion as a separate category can only be to test its use as a potential rhetorical tool. It tells us little about what Canadians "really want."

The evidence from the 1995 Report is not encouraging, nor is the 1996 Report any better (not discussed). As I have shown, it does not support in any compelling way the substantial claims that Canadians rejected government job creation and believed that "a strong, vibrant private sector" was better positioned to deliver the goods. Quite possibly, Earnscliffe other unavailable work tells a more compelling story. There is reason to believe however that we should regard this claim about "other work" with some scepticism. In question P39, Earnscliffe asked respondents to engage in a tradeoff exercise:

**P39:** Assume, a few years into the future, that despite very serious efforts to cut spending the government still had not balanced the budget. At that point, the government could cut spending, raise taxes or leave things as they are and simply not balance the budget. I am going to ask you to think of these options for five different areas and ask you to pick the option you think would work best in each case.

The survey results are depicted in Figure 10-1(c) and show a willingness to

**Figure 10-1(c) :**
Results from a Tradeoff Exercise




endure spending cuts ahead of letting the deficit increase. Earnscliffe trumpets the fact that "balancing the budget won a higher priority than spending in defence, welfare or provincial transfers"(Earnscliffe 1995, p. 16). Leaving aside the fact that the federal role in "welfare" is effected through "provincial transfers," should these results surprise us? Consider the question again. It asks the respondent to assume that the deficit has not been resolved. The deficit has already been described as a "problem" in a number of earlier questions so the respondent is already cued to the idea that it is a significant ongoing issue especially in the context of the crisis atmosphere that pervaded the nation a few months earlier. If the deficit provoked a near crisis then, surely an unvanquished deficit would be an even greater crisis "a few years into the future?"

The surprising result from this question is not that respondents chose to cut spending on defence, welfare or provincial transfers but that they were evenly split between education and balancing the budget and willing to countenance higher taxes to pay for health care. Moreover, as I pointed out earlier, defence has always been a prime target for spending cuts while welfare is another one of those "red flag" words that had become so tainted that it is surprising that 30% were willing to countenance a deficit in its name. It is a bit more difficult to explain the support for spending cuts on provincial transfers since the three biggest transfers are in the areas of health, education and welfare/social assistance, but it is at least reasonable to assume some degree of ignorance on the part of Canadians about the nature of federal-provincial fiscal relations. Again, we see this strange conflation of categories that seems more designed to sound out the rhetorical impact of wording than to increase understanding about any deeper knowledge or even opinions held by Canadians.[218]

**Appealing to Finance**

Finally, Earnscliffe's analysis of its polling data demonstrates a clear tendency for using language that would have appealed to the Department of Finance's fiscally conservative culture. This is not altogether surprising given that "a crucial part of our language ability is knowing how things are typically – or even obligatorily – said in certain contexts" (Thompson 1996, p. 36) but it is of concern because the polling industry claims to present evidence in a factual, unbiased way. As is characteristic of outsider attempts to fuse together language horizons, this sometimes produces awkward, almost jarring, discourse.

In its 1995 report for example, Earnscliffe's claimed that Canada's "unemployment problem will be solved, if it is, by *a strong and vibrant* private sector, not by government." The wording here is of interest because nowhere in any of its survey questions does Earnscliffe describe the private sector as "strong and vibrant" presumably for the very good reason that these words might bias the resulting response. Yet, somehow Earnscliffe felt compelled to add these adjectives to its analysis. The phrase could just have easily been written without these adjectives and, indeed, would

[218] It is interesting to note that the results for "provincial transfers" are very similar to the results for "welfare/social assistance," suggesting that respondents may have understood the linkage between the two.

have been more true to the underlying questions. So why add them? I am suggesting that they reflect both a desire by Earnscliffe to write to its audience and perhaps some evidence of Earnscliffe's own "capture" by a Department where it had carte-blanche access and sat in on virtually every important policy meeting (Alboim 2006).

Consider also Earnscliffe's 1996 report and its use of the term "motherhood issue" to dismiss strong support for more spending on measures to address child poverty. Surely, this dismissal was not written for an audience of feminists. In fact, it was not written for women in general because the upper ranks at the Department of Finance have long been a male sanctuary. Rather, this form of dismissing an important finding would certainly appeal to a macho culture in Finance, one very much emboldened by its control over the government (family?) purse, by its reputation as the hardest-working department in the government, and by its take-no-prisoner approach to deficit reduction.

We can see further evidence of this in the 1996 survey question that pits "compassion and caring" against "hard-headed financial and economic realism." This idea of "hard-headed financial and economic realism" permeated media discourse on financial matters and coloured a great number of related metaphors. The Department of Finance's challenge, and indeed the challenge faced by all deficit "warriors," was to convince the populace that the village needed to be bombed in order to be saved. "True compassion" is a firm, steady hand on the deficit-reduction wheel.

The other way the Earnscliffe research appeals to the Department of Finance's culture of fiscal conservatism is more a result of omission than commission and that is the complete absence of any discussion of monetary policy. While it is true that Canadians are asked about interest rates, the only causal story told is that somehow deficit reduction drives lower interest rates. The Bank of Canada does not figure into the analysis in any way despite its relatively high media profile during this period and the deeply politicized nature of monetary policy only a few short years earlier. The Gallup Canada historical polling data also demonstrate that it is entirely possible to devise questions that address monetary matters in a potentially fruitful way.

**CONCLUSION**

From a critical perspective, the polling industry is anything but a neutral purveyor of information about what the public "really wants." The problems begins, as it were, at

the beginning. A firm or government department, presumably with some larger strategic objective in mind, hires a survey firm to do some research. The survey firm devises survey questions based on its interactions with the client and based on its experience, if any, in the field. The questions may or may not be tested on a sample audience for subsequent revision. Being a for-profit company, the polling company will be sensitive to the biases of its client and this sensitivity will often reflect itself in subtle and not-so-subtle ways in the way the polling questions are worded.

Some clients, including apparently the Department of Finance, may however insist on getting the "straight goods." They may ask, in other words, that the polling company do everything in its power to minimize the potential bias that comes from a polling company trying to ingratiate itself with a client. Even in these instances however, the survey questions invariably emanate from the minds of highly-educated professionals working on questions that reflect the pre-occupations of other highly-educated people at a certain moment in history. These questions *come from somewhere*. They are not spoken "by the facts" but by other humans. At no point in time to my knowledge, for example, has the Department of Finance surveyed Canadians about their views on monetary policy despite the importance of the issue for the Canadian public and despite the Department's ultimate responsibility for this policy issue. The Gallup poll data shows that it *could have* surveyed the public on this question but it chose not to. Earnscliffe *could have* polled Canadians on this question in a fulsome way but it too chose not to.

To be sure, these highly-educated individuals can, within bounds, transcend the social distance between them and their audience but statistical sampling requirements impose limits on the kind of language they can use in their survey questions. For a question to resonate across a broad spectrum of individuals, for men, women, immigrants, rich, poor, rural, and urban citizens alike to "take away" roughly the same meaning from a given question, language needs to be generic in form, leaning on the most widely-shared features of the linguistic landscape, the same linguistic features that we find in newspapers in the form of metaphoric language (for example) and which often carry the most ideological baggage. As Lewis argues, we need to remember that public opinion polling employs a unique, and quite peculiar (relative to day-to-day usage) language, the kind of language that assumes, for example, that there are not too many

heterodox economists in the survey audience willing to interpret a concern with the deficit in an altogether unexpected way.

This points to another potentially troublesome link in the interpretative chain from survey questionnaire to survey analysis, namely the coding procedure employed by the survey firm and the interpretational work required of its employees, many of whom are, as we know, university students who are and will become, members of a relatively elite segment of society. They too bring their own biases to the table. Polling firms of course employ statistical techniques and human procedures (random monitoring) to control for interpretational or employee error but these are only as good as the underlying interpretational work or their enforcement.

Even if the coding procedure is relatively problem free, there is still the matter of interpreting and summarizing the survey results. The task here is to impart *coherence* to survey responses, to assume that respondents have some sort of consistent mental model about the particular issue at hand. In many cases, this coherence is built right into the survey questions themselves, proceeding step-wise and building on answers or non-answers sequentially in a way that can sometimes lead to misleading results.[219] This coherence is less easy to divine, however, when analysts are forced to compare and contrast their own results with the results of surveys by other purveyors, as Earncliffe had to do in the mid 1990s with respect to MIP polling data by other survey firms. In any case, this coherence-imparting exercise is quite obviously *coming from somewhere* and hardly a neutral, dispassionate reading of the evidence.

These moments of interpretational work *from somewhere* are evident in the Earnscliffe work discussed in this chapter. I have shown for example how Earnscliffe systematically downplayed contradictory evidence, derived strong conclusions from weak questions, tended to frame its analysis in terms that were in line with the fiscally-

[219] Anyone who has taken part in a public opinion poll is probably familiar with the feeling that the survey *has an agenda*. I was once surveyed about my views on the pros and cons of competing sources of electrical power in Ontario. It became clear to me early on that the survey was designed to generate results that would demonstrate public support for nuclear power. In one question, for example, I was asked about my views of nuclear energy *given* the fact (established in previous questions) that (a) Ontario depends on nuclear generating stations for x% of its electricity; (b) that nuclear energy was good for the environment; (c) was a proven safe technology. These last two statements of fact are of course contentious, while the first is the result of past policy decisions.

conservative culture at the Department of Finance, and generally ignored class-based analysis that would have been anathema to the culture of the Department of Finance.

These four critiques cast considerable doubt on the four main Earnscliffe arguments, namely that (a) there is a difference between choosing an issue as a priority item and believing that the government can do much to address this issue; (b) Canadians believed fiscal retrenchment was the best and most effective way to create jobs and stimulate economic growth; (c) that Canadians were strongly opposed to more "program spending," and (d) that women were the *main* demographic category concerned about fiscal retrenchment. Of course, we now know that each of these arguments was taken on board in some way, shape or form over the 1990s – the rhetoric of this period is thick with "new economy" discourse where the best government is touted as small government and fiscal retrenchment is promoted as the engine of job creation, where surpluses translated into tax cuts rather than spending increases, and where the Liberal government was (admirably) conscious of gender issues, nominating women to key ridings and playing to gender differences in the population by vilifying the Alliance and Conservatives.

If the Earnscliffe interpretational work is open to question (and to some extent necessarily so), what other purpose could it serve? The following Earnscliffe citation provides an important clue: "**It** is important from the outset to understand that there is a difference between the priorities that people might hold – or even what their hopes are – on one hand and what their expectations of government are on the other"(emphasis added Earnscliffe 1995, p. 21). What does the placeholder "It" stand for? Put differently, who is "it?" Certainly not Canadians because Earnscliffe argues elsewhere that they have already "begun" to make this distinction between the agenda and the alternatives. Who then? The answer can only be obstinate members of the Liberal party. Earnscliffe's work can, therefore, best be interpreted as playing a vital "bandwagon" role, in moving obstinate Liberal Party members over to the fiscally conservative (neo-liberal) position and away from the embedded liberalism which had been the party's calling-card for most of the post-war period. Earnscliffe accomplished this goal primarily by telling a story that appeared to reconcile or downplay contradictory polling evidence and which suggested

moreover that the focus on deficit reduction was both politically popular *and* a key symbol of the Liberal government's economic competence.

There are a number of other clues that support this argument. First, Earnscliffe actively sought to interpret outside and discordant discourses, especially from the polling realm, in a way that supported the thrust of the Department of Finance's fiscally-conservative culture. Earnscliffe devoted for example considerable effort at reconciling results from *outside* MIP questions (such as those from Gallup Canada) with results from its own MIP-like questions. These outside findings forced Earnscliffe to explain why its (inside) polling results fail to yield job creation as a top priority, contrary to virtually every other open-ended MIP poll from that era.[220] Second, Earnscliffe recycled its interpretational work on at least three occasions,[221] including as late as February 12, 1997 when Earnscliffe sent a memo to then Finance Minister David Dodge with the following note:

> Following is an excerpt from the official report to the Department of Finance on last year's [222](1995) survey results. It deals with the public attitudes toward job creation and economic growth and may be interesting to you *as context.*

The fascinating thing about this memo is its timing, coming six days before the budget (February 18 – in time to influence the budget speech) and when it was becoming increasingly apparent that the deficit would disappear much sooner than anyone had anticipated even as unemployment remained stubbornly high. How to reconcile high unemployment with a falling deficit when the latter was supposed to eradicate the former? What to say to those who complained that the deficit-reduction-is-salvation approach was not working? The message, that deficit reduction was the long-term solution to job creation and economic growth, had to be recycled and repeated both internally and externally to quiet dissent. Third and finally, Earnscliffe actively downplayed or ignored class-based interpretation of its own polling data precisely

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[220] Part of the answer, of course, lies in the closed-nature of Earnscliffe's MIP-like question: rather than seeking an unsolicited response, Earnscliffe asks respondents to rate a list of issues that includes the deficit.
[221] I use the words "at least" advisedly because, as indicated earlier, despite my requests to the Library of Parliament and the National Library for a complete accounting of all Earnscliffe polling data and analysis related to the deficit and the economy, both libraries indicated that there were considerable gaps in the available material.
[222] Since the memo is dated February 12, 1997, "last year" should refer to 1996 when in fact, as the memo subsequently makes clear, it refers to 1995.

because such a class-based analysis might, were it to become known, fracture a still-fragile consensus on fiscal conservatism within a Liberal party still unsure of whether its break with tradition was the right thing or, perhaps more importantly, the popular thing.

# CHAPTER 11 : CONCLUSION: THE CONVENTIONAL STORY, SO FAR

In 2007 and at the beginning of 2008, the Canadian economy was buffeted by the kind of pressures that, if history is any guide, could move Canada's fiscal and monetary policy convention up from taken-for-granted tacit and subconscious knowledge to a more discursive plane. In the United States, there was increasing talk of recession as the collapse of the housing market and credit tightening continued to sap consumer confidence and spending (Bank of Canada 2008). In Canada, the engine of national growth, the Ontario economy, similarly found itself on the cusp of a recession, its manufacturing sector enfeebled by the slowdown in the United States and its banking sector skittish because of Canada's own bad-debt problem (Bank of Canada 2008). Globally, the price of energy and food were rising, creating broad-based fear both in the public and among the elite about the potential for these changes to cause social and political instability (Adam 2008). Meanwhile, the Bank of Canada's new governor, Mark Carney, faced the renewed prospect of stagflation and a reluctance on the part of the banking system to extend credit that compelled the Bank to add a couple of clauses to its enabling legislation (*The Bank of Canada Act*) via the *Budget Implementation Act, 2008* (Bill C-50) in order to increase its scope for saving the financial system from itself.

The media, meanwhile, gave voice to a few tentative suggestions that the federal government could incur a budgetary deficit and that maybe, this was not such a bad thing after all (Carmichael 2008). For the first time in recent memory, some of the more radical elements of the economic left strayed vigorously from convention by suggesting that the federal government *should* incur a deficit given the economic context (Lee 2008). Episodic calls for more vigorous reductions in interest rates have also been heard from the manufacturing sector (Canadian Manufacturers & Exporters Association 2007), some provincial premiers (Scoffield 2006), and the left (Weir 2008).

Pointing to the these real world events and their potential to cause convention instability is very different however from saying that they will necessarily throw Canada off a course that it, along among nations, has charted now for the better part of 15 years. In fact, there are good reasons to believe that Canada's fiscal and monetary policy

conventions will hold fast at least for the short to medium term, a testament to the power of an idea once firmly entrenched in convention. There are no signs for example of any political sea change : the governing Conservatives have insisted they will cut whatever amount of spending is necessary to avoid a deficit (Whittington 2008) with nary a critical word from the Liberals or the NDP other than to accuse the Conservatives of being fiscally reckless. Elsewhere, the *Globe and Mail*, its elite agenda-setting influence arguably diminished by an explosion of Internet content and the arrival of the *National Post* in 1998, still thunders against deficits whenever the threat seems imminent, chastising for example Finance Minister Jim Flaherty in late April 2008 for flirting with deficit disaster (Globe and Mail Editorial 2008). Jeffrey Simpson, long an anti-deficit warrior, has similarly stepped into the breach to replay the conventional fiscal narrative, espouse the objectivist view of Canada's fiscal turn and caution against any foolishly loose talk about deficits (Simpson 2008). For good measure, the *National Post* echoed these views for its readers (National Post Editorial 2008).

Meanwhile, despite the bold call for deficits from some elements of the left, on the whole, Canada's left still thinks well within convention. In late 2006 for example, *This Magazine* (2006), long a voice for the radical left in Canada, asked Andrew Coyne, the former *Globe and Mail* columnist who thundered against Paul Martin's 1994 budget, to share his take on a "big idea whose time has come." Triumphantly, Coyne used this as an opportunity to remark and reflect on the relative political tranquility, what he called a broad consensus, that has pervaded the economic field, and fiscal and monetary policy in particular.[223] In a subsequent *Toronto Star* article reflecting on *This Magazine's* transformation from doctrinaire left to playful left, Coyne is quoted as saying: "they're trying to get beyond traditional boundaries of left and right, which are rather stale at this point...There's still room for cultural criticism of capitalism - there are still a lot of excesses - but I don't think they're of a mind that there's an alternative model out there."

In the realm of monetary policy, there were similarly few signs of real movement. The Bank of Canada was busy studying the possibility of adopting price-level targeting, arguably an even more stringent form of inflation targeting, when its current agreement

[223] The irony of Coyne's appearance is doubly rich because in the very same 40th anniversary issue, *This Magazine* reflects wistfully on a 1995 article by Naomi Klein that "took on" some of the leading figures of the new right at the time, including of course Andrew Coyne.

with the Department of Finance expires in 2011 (Decloet 2007; Kamenik et al. 2008). Meanwhile, Mark Carney probably understands more than most the importance of the conventional inflation-targeting narrative because his early careers was shaped by the financial services world (Scoffield 2007) in which he, unlike most of his predecessors, laboured for many years. There is, moreover, every indication that the Bank of Canada, like the U.S. federal reserve, could soon begin a cycle of interest-rate increases.

**The Story So Far**

The purpose of this study has been to explain why and how the *ideas* of balancing the budget and targeting inflation acquired convention status and, in so doing, developed tremendous resilience in the face of the kinds of the economic and discursive challenges that arose in 2007 and 2008. I started by arguing that in order to properly answer this question, we needed to situate the discussion in the appropriate context. To that end, I provided a sketch of events that took place in the 1970s, a pivotal decade in which there was a break in the economic trends that characterized the first post-war period (strong growth, low unemployment and low inflation), the demise of one important post-war convention (the Bretton-Woods monetary order) and the weakening of another (Keynesian demand management), and a broad sense among the elite that workers had grown lazy, unions had grown overly militant and that "big government" had over-stepped its bounds – deficits and rising inflation were widely interpreted as symbols of these broad changes. I next argued that we could profitably interpret these events from the perspective of Habermas's *Legitimation Crisis*, which argues that these types of structural changes caused the state to decouple the economic from the political largely through a depoliticization process. Finally, I suggested that we would expect a society's elite to pursue consensus *cum* convention (*depoliticization*) most vigorously on economic questions such as fiscal and monetary policy.

For most of the 1970s, the federal government responded to outside demands for restraint by mouthing the appropriate rhetoric but doing little to actually alter its behaviour. The defeat of Joe Clark's first and only budget, one that was premised in part on the pursuit of "fiscal responsibility" via a proposed 18% increase in the excise tax on gasoline, plus the resounding communications failure of the 1981 budget, seemed to suggest that neither the public (in the context of the 1979 budget) nor the business

community (in the context of the 1981 budget) was ready for deficit reduction action either. In this "bad news" context of weak economic performance, growing deficits and unclear political calculus around fiscal matters, the fiscally-conservative Department of Finance pioneered a range of "technologization of discourse" practices that signalled the end of more extreme versions of the budgetary secrecy convention and helped avoid the kind of communications failure that marred the 1981 budget. These technologization of discourse practices included assigning a more prominent role to communications staff within the Department, increasing their pay and ranking in the bureaucracy, requiring detailed communications strategies for all new policy proposals, implementing vigorous pre- and post-budget consultation and media-outreach efforts, setting up 1-800 numbers, and increasing the amount of routine background material available to interested outside observers, including documents such as the *Fiscal Monitor*, special mail-outs explaining the deficit concept to the broad public, and quarterly economic overviews to situate the government's fiscal policy in a broader economic context. I also noted that some of the communications staff who pioneered these and other technologization of discourse practices subsequently played an important role in devising the first government-wide *Communications Policy* in 1988 and in spreading related practices to the Bank of Canada, where they would be embraced vigorously in the mid to late 1990s.

From the perspective of the theory of conventions outlined in Chapter 2, we can interpret these institutional changes as having mobilized some of the ideas and language around fiscal policy (and later monetary policy) by providing the media with a steady stream of "information subsidies" that downplayed the essentially *political* (i.e., distributive) features of fiscal policy. By nurturing this outside discourse, the Department of Finance (and to a lesser extent, the Bank of Canada), eventually helped restore its pre-eminent position with the federal bureaucracy, thereby adding to the momentum for fiscal changes that would take place in the 1990s. The Bank of Canada, for its part, was able to shelter itself from outside critical scrutiny and secure the foundations of the inflation-targeting convention in part due to its 1991 policy agreement with the Department of Finance, a fortuitous secular drop in inflation, and its own skilful use of technologization of discourse practices beginning in the second half of the 1990s. In so doing, the Bank of

Canada was also able to minimize the essentially political nature of its actions, especially with respect to its implicit targeting of a certain level of unemployment.

Governments can, of course, talk all they want but in order to reach the broader public and do so with the imprimatur of legitimacy, they typically have to work through the media. For this analysis, I focused my attention on the *Globe and Mail*, a newspaper that according to Soroka (2002), set the agenda on major macro economic issues such as fiscal and monetary policy for other print media and, presumably, electronic media as well. I first traced how the *Globe* targeted an increasing narrow audience of upper-income individuals who are members of what I have called the elite. Then, from the perspective of content, I found evidence to support Soroka's claim that the quantity of the *Globe*'s fiscal-policy coverage, backed by the paper's long-standing fiscal conservatism, was driven largely by the government's agenda. In any case, it is clear that the government's communications practices were successful in *mobilizing* the convention in the sense that they garnered considerable and relatively predictable media attention on fiscal policy issues. In the realm of monetary policy by contrast, I found that media interest (again, with the *Globe* as a proxy) was driven largely by elite dissensus in the late 1980s and poor or non-existent communications practices at the secretive "Old Bank." At no time, however, did this dissensus translate into angry disdainful editorials in the *Globe*, extensive polling, televised town-hall debates or documentaries aimed at showing how Canada might hit some kind of "inflation wall" if the Bank of Canada did not burn the village in order to save it. There were no outside admonitions from the *Wall Street Journal* or the *New York Times* warning Canada of its looming banana-republic status because of inflation. Even general news coverage of monetary policy was scanty, especially after the inflation-targeting agreement with the Department of Finance in 1991. Rather, the Bank of Canada was finally able to successfully mobilize its convention for the reasons discussed a moment ago: monetary policy agreements with the Department of Finance, a secular decline of inflation and the adoption of more savvy communication practices.

The *Globe*'s sourcing practices suggest that its increasingly elite readers were imbibing a relatively narrow range of opinion with respect to fiscal policy matters, a reflection in turn of the much greater degree of elite consensus on this policy issue

throughout the 1980s and 1990s. In the realm of monetary policy by contrast, we see a somewhat greater range of sources, suggesting a greater free-play of ideas and opinion owing to the elite dissensus that prevailed in the late 1980s and, to a lesser extent, the early 1990s. A detailed reading of the *Globe* corpus further suggests that fiscal and monetary policy were discussed using a relatively small number of metaphors that tended to colour the issues (the "target domains") with the taint of war, disease, household financial constraints, and discipline. In using these metaphors, the arguments in favour of balanced budgets and inflation-targeting drew on persistent and deeply-rooted features of our shared culture, namely the often difficult relationship between the classes (war metaphors), the tendency to think of history in terms of steady progress towards enlightenment (disease metaphors), the false analogy between personal and sovereign finances (household constraint metaphors) and stubborn gender biases (siren song metaphors). In all these ways, the discourse made it difficult for critically-minded writers to enter into the discussion just as it made it difficult for readers to think about these complex issues in anything but the prescribed way.

Metaphors were not the only rhetorical device employed to create and maintain these conventions. By next applying a close textual reading of selected items from the *Globe* corpus and a pivotal *Wall Street Journal* editorial, I found strong evidence that these ostensibly truth-seeking opinion leaders elided key facts, made serious interpretational errors, and quite consciously constructed mythological narratives in the interest of securing consensus and conventional opinion on fiscal and monetary policy matters. In some cases, the actors in this drama actively enlisted outside-Canada voices to their cause, the most successful instance being the *Wall Street Journal* editorial from January, 1995.

Turning finally to the polling industry, the limited data on monetary policy suggest that Canadians have always opposed proposals to trade-off higher unemployment for lower inflation, a result that helps us understand why the Bank of Canada has been reluctant to talk about NAIRU in public and which underlines just how effective the Bank has been in moving employment considerations off the agenda since the 1990s. Second, with respect to the deficit/debt, the literature and evidence suggest that this is a pure "government issue" because of its unobtrusive and abstract nature. Consequently, the

agenda setting effect as measured by open-ended "most important problem" questions works from government through the media to the public but *only* to the extent that government and the media are able to symbolically link the deficit/debt to economic malaise, government mismanagement of the economy (legitimation themes) and household finances, a not altogether difficult task given that deficits are often *symptomatic* of underlying economic trouble because of the application of automatic fiscal stabilizers. In questions that explicitly thematized the deficit/debt however, Canadians have *consistently* shown a strong fiscally conservative streak. The dramatic increase in the volume and substance of fiscal policy content in the 1993-95 period effectively reproduced this frame so that for the first time in Canadian history, the deficit/debt issue registered as *the* top policy agenda item on MIP questions ahead of more traditional, concrete, and obstrusive issues such as unemployment, inflation and health care: finally, the political class had the political argument it needed to go ahead with strong fiscal action. The polling data also reveal a deep and persistent divide between low income respondents and the rest of the public, with the former were less likely than the latter to believe the deficit/debt were priority items.

Interpretative work for the Department of Finance in the mid 1990s systematically ignored this important class divide, playing up instead interpretations that accentuated the almost *hyper* rationality of "Canadians" even as it structured its survey questions in a way that seemed to guarantee a set of fiscally-conservative responses. In all these ways, the polling evidence discussed here suggests a consensus and then convention-formation process that began in elite circles and spread out to lower-income respondents, although never perfectly or in an entirely predictable way.

**Assessing the Convention as Ideological**

Broadly speaking, we can evaluate the conventions that resulted from this process as *ideological* in the specific sense defined by Thompson and implied by Habermas' ideal speech situation, namely meaning was used to sustain relations of power and dominance in the form of systematic exclusion of competing ideas. This kind of repression of difference might make *some* sense coming from a federal government elected on a policy agenda of deficit reduction or inflation-targeting but it most certainly is not "fair game" in the context of federal governments, Conservative and Liberal, that tout their efforts to

"open up" the budgetary process or conduct monetary policy in a "transparent" way. In both cases, there is compelling evidence that these "opening up" efforts were, and still are, more rhetorical than real, more designed to enclose and fence-in outside discourse than to open it up to fulsome debate.

Similarly, in the media sphere, the rhetoric of openness and fulsome debate, at least with respect to fiscal and monetary policy, has not been realized. The *Globe*'s sourcing practices clearly demonstrate the way in which these debates were circumscribed, as do its use of metaphors and other rhetorical and grammatical tools in discussions of fiscal and monetary policy. In the realm of public opinion polling, we find a similar infraction of any notion of fair play that should be part and parcel of a technology that purports to scientifically represent the views of the public. Instead, we find an industry that at least on these two issues, tends to choose its polling topics based on the elite agenda and is constantly in danger of falling prey to the temptation to interpret its data in a way that might appeal to the institutions most likely to give it work. In short, the broad public was not so much "hoodwinked" by the rhetoric of fiscal and monetary policy – although clearly that was part of it – so much as they were overwhelmed by its volume, its uniformity and the lack of exposure to competing ideas, theories and beliefs.

**Why *These* Conventions and Did The Debate Have to be Ideological?**

This summary of the analysis should, in no way, be taken to suggest that it was inevitable that Canada would adopt the balanced budget and inflation targeting conventions. Given a slightly different historical trajectory, and different actions on the part of key agents in the institutional, media and polling spheres, we conceivably could have had a *different* set of conventions, perhaps some akin to what we see in the United States, where deficit financing is the norm and until recently, the central bank had to combine inflation-targeting with a full employment objective. That said, I did argue in Chapters 2 and 3 that social stability probably requires *some* degree of consensus and convention at the elite level with respect to key economic issues such as fiscal and monetary policy. From this perspective, it is the *form or fact* of convention that matters more than the *substance* of convention.

Similarly, the debate did not have be ideological in nature. It did not, in other words, have to circumscribe and marginalize competing opinions. We can and should imagine a more open and inclusive debate, one that encourages a vigorous presentation of *other* views around fiscal and monetary policy such as the Post Keynesian claim that central bank can and should chose a target much lower interest rate (Rochon 2007), perhaps even one set at zero (Wray 2007), and that budgetary deficits at the sovereign level may be a *necessary* stabilizing feature of capitalist societies in late modernity (Wray 2007). These arguments, grounded in thorough theoretical and institutional analysis, were and are never given a public airing in academia (another issue altogether) let alone in bureaucratic Ottawa, the media or in our public opinion polls, yet they could quite radically change the way we address a range of policy issues such as the environment, infrastructure, health care, poverty, and even the prospects for long-term economic growth. Is it little wonder then that they sound radical, even a bit "out there," to anyone operating comfortably within convention, to anyone who has forgotten the essential, political, nature of two rules that are apparently so robust that they have become entrenched in the very fabric of Canadian identity, found their way into comedy and earned Canada a global reputation for fiscal and monetary policy virtue.

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# APPENDIX A-1 : CHAPTER 4

## * A TIMELINE OF MAJOR FISCAL EVENTS *

1972

- January 28: John Turner appointed Finance Minister
- May 8: Budget Day

1973

- February 19: Budget Day
- Last Budgetary surplus until 1997-98 based on accounting rules in place at the time.

1974

- May 6: Budget Day No. 1
- November 18: Budget Day No. 2

1975

- June 23: Budget Day
- Business Council on National Issues (BCNI) created in the wake of wage and price controls;
- Bank of Canada adopts inflation targets ("monetary gradualism") in 1975 based on Friedman's resuscitation of the quantity theory of money.
- Friedman praises Bouey's announcement of the targets as "a marvellous speech… It is the best speech I have ever herd a central banker give" (Quoted in McQuaig, p. 237).
- September 10 – 25: Charles Drury – Appointed Acting Minister
- September 25: Donald Macdonald named Finance Minister

1976

- May 25: Budget Day

1977

- March 31 : Budget Day
- September 16 : Jean Chrétien named Finance Minister
-

1978

- June : Proposition 13 passed in California. Considerable media coverage ensues.
- November 16 : Budget Day

1979

- May 22: Election Day
- June 4: John Crosbie named Finance Minister
- December 11: Budget Day. Government introduces several important communications innovations.
- Government publishes first ever analysis of tax expenditures.
- Fraser Institute begins publishing "Tax Facts," a review of the federal government's fiscal situation and how the federal government raises and spends its tax dollars.

1980

- February 18: Election Day
- March 3: Allan MacEachen named Finance Minister
- October 28: Budget Day

1981

- November 12: Budget Day
- November 12: Government publishes an analysis of the cost in foregone tax revenue of special measures targeted at certain individuals.

1982

- June 28: Budget Day
- September 10: Marc Lalonde Appointed Finance Minister

1983

- April 19: Budget Day: Lalonde increases budget deficit after portion of his budget inadvertently revealed.

1984

- February 15: Lalonde's last budget
- September 4: Election Day.
- September 17: Michael Wilson appointed Finance Minister
- November 8 : Wilson releases an *Economic and Fiscal Statement* along with a publication called *A New Direction for Canada: An Agenda for Economic Renewal.*

1985

- May 23: Budget Day

1986

- August: Department of Finance begins publishing the *Fiscal Monitor.*
- September: Department of Finance begins publishing the *Quarterly Economic Review.*
- February 26: Budget Day

1987

- February 18: Budget Day

1988

- Department of Finance releases a booklet called Where Your Tax Dollars Go."
- February 10: Budget Day
- November 21: Election Day

1989

- April : Department of Finance releases a second version of its "Where Your Tax Dollars Go" booklet.
- April 27: Budget Day
- October 24: Department of Finance releases a video called "Where Your Tax Dollars Go."

1990

- February 20: Budget Day

1991

- February 26: Budget Day

- April 21: Donald Mazankowski named Finance Minister
- November : Liberal Party Aylmer Conference. Policy wise, the Liberals shift position from the Walter Gordon-era to a C.D. Howe era.

1992

- February 26: Budget Day

1993

- January 1993: Conference on Canada's debt situation organized by the C.D. Howe Institute.
- February : W5 airs Shooting the Hippo documentary, which attracts 1.7 million views. Makes rounds in Ottawa policy circles.
- April 26 : Budget Day
- June 25: Gilles Loiselle named Finance Minister
- SUMMER : CTV Airs Tough Choices – Focus group of Canadians who decide how to reduce the deficit.
- October 25: Election Day
- November 4: Paul Martin Jr. named Finance Minister
- November : Budget consultation process launched at Université de Montréal
- December: Martin consults with 38 economists at a public meeting. Michael walker tells Martin he had polled his fellow economists and that 23 thought Crow should be reappointed, six did not, nine abstained. Martin said he would conduct a poll to see if Walker should stay on the job (Greenspon & Wilson-Smith, 69).

1994

- January: Goodbye parties for John Crow paid for by Bank of Canada: 115 people attend Montreal party at St. James Club; 135 Toronto's National Club
- February 1: House of Commons Debate on budgetary policy launched.
- February 14: Press Release 94-019 issued announcing appointment of Peter Nicholson as Clifford Clark Visiting Economist.
- February 22: Budget day
- February 23: Department of Finance opens a national telephone hotline for those who want information about the budget.
- June 2: Moody's downgrades Canada's foreign currency debt rating to AA1.
- October xx: Department of Finance releases two documents outlining the
- November 30 – December 1: Fraser Institute hosts a conference called "Hitting the Wall – Is Canada Bankrupt?" John Fund from the Wall Street Journal attends.
- December 20: Beginning of Mexcian Peso crisis.

1995

- January: Tequila effect from Mexican Peso crisis. Canadian dollar falls sharply, interest rates rise.

- January 11-12: Wall Street Journal publishes two editorials about Canada's fiscal situation.
- February 16: Moody's Investors Services places $428 billion worth of Canadian bonds (C$ denominated presumably) under review, putting at risk Canada's AAA credit rating.
- February 27: Budget day

1996

- March 6: Budget Day

1997

- February 18: Budget Day

1998

- February 24: Budget Day

1999

- February 16: Budget Day

2000

- February 28: Budget Day

2001

- December 10: Budget Day

2002

- June 2: John Manley appointed Finance Minister

2003

- February 18: Budget Day
- December 12: Ralph Goodale appointed Finance Minister

2004

- March 23: Budget Day

2005

- February 23: Budget Day

2006

- February 6: Jim Flaherty appointed Finance Minister
- May 2: Budget Day

# APPENDIX A-2: CHAPTER 4

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 1. Income-averaging annuity contracts (IAAC) | "Income-averaging annuity contracts allowed taxpayers to spread out over a number of years the taxation of certain types of incomes, such as the taxable half of capital gains, incomes of athletes and entertainers, employee stock option benefits and other incomes that might otherwise push a taxpayer into a higher tax bracket. ... Taxpayers also received a deduction for the purchase price of an IAAC." | "IAAC benefits go predominantly to higher-income taxpayers. In 1979, some 12,500 tax filers with incomes over $50,000 (roughly $112,000 in today's dollars) made IAAC deductions averaging $55,300 (about $124,000 today). They accounted for 87 per cent of all IAAC deductions made in that year" (p. 16). | **Abolished.** |
| 2. Reserve provisions for capital gains and other properties | The reserve provisions were similar in effect to an IAAC in that they allowed individuals and corporations to defer income tax on capital gains by arranging to receive the sale proceeds over a number of years. | "The deferral available through reserve provisions has primarily benefited higher-income individuals. It is similar to the system of income-averaging annuity contracts, which the budget is also ending" (p. 17). | **Abolished.** |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 3. Tax exemption for certain employee benefits | Employees were entitled to receive a range of tax-free benefits, including employer contributions to private health service and dental plans, the provision of free travel passes or discount rates for transportation, and subsidized room and board and other personal expenses provided by employers. | "The tax-free status of these benefits is inequitable for employees who cannot receive them, and encourages the substitution of these benefits for taxable forms of remuneration for no particular business purpose but at a cost to the federal treasury. The tax exemption for these benefits is also concentrated in the larger corporations since employees in small businesses typically receive most of their remuneration in the form of wages and salaries which are fully taxable" (p. 17). | **Abolished.** |
| 4. Tax exemption for low-interest loans to employees and shareholders | Employees were entitled to $50,000 worth of tax-free zero interest loans or loans with interest rates below prevailing norms from their employers for the purposes of purchasing a house due to relocation. Employees and shareholders were also entitled to this tax-free loan amount for the purchase of company shares. | "These benefits are distributed very unevenly and accrue primarily to higher-income employees." | **Abolished.** |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 5. Retiring allowances and job termination payments | **1.** Employees were able to receive lump-sum retirement packages which they would then roll into an RRSP, claiming a deduction for the full amount of the package. These contributions often exceeded the otherwise applicable limit of $60,000 per year worth of tax-deduction pension contributions.<br>**2.** Employees who received large lump-sum payments on termination of employment were able to avoid taxes by claiming that these payments were damages for wrongful dismissal and hence tax free. | **1.** These retirement packages benefited "senior executives" who sometimes received retirement payments in the hundreds of thousands of dollars.<br>**2.** The attempt to characterize termination payments as based on "wrongful dismissal" was increasingly attempted by "higher-income individuals." | **1. Limits Imposed:** The budget proposed limiting the amount that could be contributed tax-free upon retirement to $3,500 per year of service in which the employee was not covered by the employer's pension plan.<br>**2. Abolished.** |
| 6. Use of company automobiles | Employees with personal use of a car provided by an employer were required to include 12% of the value of the car in their income if owned by the employer or one-third of its lease cost. Budget 1981 argued that these amounts were "far below" the true value of the car to the user. | This measure also tended to benefit higher-income individuals who were more likely to have their employer pay for the use of a personal car. | **Increased Taxable Benefit Amount**: The budget proposed to increase the minimum charge to 2.5 per cent per months or five-sixths of the leasing costs and to apply it in all cases where personal use is made of a company car. |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 7. Incorporated executives and senior employees | Employees were able to obtain a lower-tax rate on their income by incorporating themselves and then providing services to former employers. This also allowed these individuals to engage in income splitting with family members. | The primary beneficiaries of these tax avoidance strategies were "executives and highly-paid employees." | **Increased Taxation Rate**: The budget proposed to increase the federal corporate tax rate on all such individuals to 50%, roughly equivalent to the maximum marginal tax rate applied to income-earning individuals. |
| 8. Deferred profit-sharing plan | **1.** Employers were allowed to deduct up to $3,500 worth of contributions per employee to a deferred profit-sharing plan (DPSP), essentially a share-purchase plan to encourage employees to share in corporate profitability. Income earned by the plan was only taxed when distributions were made to employees.<br>**2.** Unlike beneficiaries of employer-sponsored pension plans, members of DPSPs also retained full access to the maximum annual RRSP contribution amount of $5,500. | **1.** According to the Budget, some 90% of registered DPSPs had no more than three members, who in many cases were principal shareholders of the corporation.<br>**2.** Principal shareholders and any employees who took part in a DPSP plan. | **1. Deductions Disallowed for Principal Shareholders.**<br>**2. Maximum RRSP Contribution Reduced:** The budget proposed to reduce the maximum contribution of employees in DPSP to $3,500, the same maximum available to employees with corporate-sponsored pension plans. |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 9. Tax deferral on interest income | Employees could report interest income for each year it accrued *or* when they received the payment. | According to the Budget, lower-income individuals normally reported income as it accrued in order to use the $1,000 annual exemption for such income. "Higher-income individuals" however tended to defer these payments by as much as 20 or 30 years with all the attendant tax benefits to the individual and costs to the treasury. | **Forced Accrual for Higher-Income Individuals:** The budget proposed to place a three-year limit on the deferral of tax on accrued interest income. |
| 10. Life insurance – taxation of policyholders | **1.** Income earned on funds invested through a life insurance policy were tax free if received on the death of the policyholder. If paid out before death, the income was taxed.<br>**2.** Life insurance policyholders were also able to avoid paying taxes on the amount by which the cash-surrender value of the policy exceeded the investment portion of the premiums because the full amount of the premium was treated as a cost. | **1 and 2.** Both measures benefited life insurance sector (relative to other financial services sectors) and of course life insurance policyholders. In a subsequent press release entitled : The 1981 Budget: Myths and Realities," the government argued that "Most, if not all, lower and middle-income individuals will not be affected by the measure. However, the new rules will eliminate the opportunity for higher-income individuals to defer or eliminate tax on substantial amounts of investment income." | **1. Forced Accrual of Life Insurance Income**: The budget proposed to force policyholders to report accrued investment income every three years with any remaining investment income taxed on termination.<br>**2. Changed Definition of Insurance Policy "Cost":** Budget proposed to define cost as equal only to investment portion of insurance premiums, i.e., excluding any portion of premiums relating to the insurance element of the policy. |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 11. Interest costs on investment income | Investors were entitled to fully deduct the interest cost of loans used to make investments even if these investments only yielded income many years down the road. | According to budget 1981, this "tax preference has mainly benefited higher-income individuals." | **Limited Interest Cost Deductibility:** The budget proposed to limit the annual deduction to an amount equal to the amount of interest income earned in that year. |
| 12. Interest on money borrowed for deferred income plans | Investors were entitled to deduct the interest cost of loans used to invest in RRSPs and other income-deferral plans, allowing a substantial tax deferral in that both the contribution and the interest costs were immediately deductible. | No discussion of the primary beneficiary of the system but we know from Statistics Canada analysis that some 25% to 30% of Canadians, mostly low-income Canadians, do not and cannot contribute to RRSPs. | **Disallowed Deductibility of Interest Costs on RRSP Loans.** |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 13. Dividend Tax Credit | In order to offset "double taxation," the tax system then (and now) required shareholders who received dividends to include in income their cash dividends *plus* an amount representing the corporate tax underlying their dividend. This amount is known as the dividend gross-up. The shareholder pays tax on this full, gross-up amount and then are allowed to claim a federal and provincial tax credit equal to the gross-up. The combined federal-provincial gross-up and credit were set designed to equal 50% of the dividend. However, due to "rounding adjustments" and changes in provincial income tax rates, the credit amount actually equalled 55%. | The budget does not explicitly discuss the beneficiaries of the system as it existed at the time but only a relatively small portion of Canadians receive "dividends" directly as income (an increasing number may receive income indirectly through their pension or retirement investments). | **Lowered Dividend Tax Credit**: The budget proposed to lower the federal portion of the dividend tax credit to 34% from 37.5%, leading to a combined credit equal to 50% as "intended under the system." |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 14. Investment income and pension income deductions | Employees were able to claim a $1,000 dollar deduction on the first $1,000 worth of income even though they continued to work. For an employee, an employee retiring from a job could qualify for his or her pension but continues to work as a consultant. This person could then claim a tax deduction for the first $1,000 worth of pension income received and invest the balance of his or her income in an RRSP. | While there is no explicit discussion of who benefited from this deduction, it is safe to say that it was probably higher-income individuals who had both the capacity, physical and otherwise, and opportunity to work later in life. | **Disallowed Pension Deduction for All Workers:** The budget proposed to tighten the rules so that only retired and non-working individuals could benefit from the $1,000 deduction. |
| 15. Principal resident exemption | Married individuals were able to arrange their affairs such that one spouse owned one family home and the other owned, for example, the family's vacation property so that both properties qualified for the tax exemption on capital gains from the sale of a "principal residence." | The budget document does not explicitly discuss the primary beneficiary of this ability to claim two "principal residences" per family but clearly not everyone can afford to own a home let alone two homes. | **Tightened Principal Residence Rules**: The budget proposed to tighten the rules to prevent the exemption from applying to more than one residence per family. |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|
| 16. Soft costs on building Payments | Investors in rental or commercial developments were able to write-off the "soft-costs" incurred prior to completion of construction. These costs included expenses such as promotion expenses, legal and accounting fees, mortgage fees, interest expenses incurred during construction, and interest and property taxes related to real property. | The budget does not discuss the primary beneficiaries of this ability to fully deduct "soft costs" but clearly we are talking by and large about a group of relatively well-off individuals with the disposable income to invest in major real-estate projects. | **Capitalized "Soft-Costs":** The budget argued that these soft-costs were better understood as "capital in nature" and should be added to the capital cost of the land or building and would therefore be written off (amortized) at the same rate as the building. |
| 17. Non-Resident Dependents | Canadian taxpayers were allowed to deduct payments made to non-resident "dependents." The term "dependents" was apparently interpreted generously and included all manner of family and friends and resulted in a large number of "fictitious relatives and bogus payments." | The budget does not explicitly discuss the primary beneficiaries of this deduction for dependents but higher income individuals tend to have the means and opportunity to avail themselves to tax-specialist services which could appraise them of the benefits of this loosely defined taxation measure. | **Limited Deduction**: The budget proposed to limit the deduction for payments to non-resident dependents to the taxpayer's spouse and children only. |
| 18. Income Not Earned in a Province | Canadian residents living abroad paid a special federal tax of 43% of the regular federal income tax in lieu of provincial income taxes they would otherwise have to pay if they lived in Canada. | The budget does not explicitly discuss the primary beneficiary of this measure although clearly it is targeted at persons living overseas and these will tend to be higher income persons. | **Increased Special Federal Tax Rate for Canadians Living Abroad**: The budget proposed to increase the special tax rate to 47% in order to bring this tax more in line with current provincial tax rates. |

**Budget 1981: Tax Measures Targeted at High Income Earners**

| Measure | Description of Measure Before Proposed Change | Beneficiary of Measure as it Existed Before Proposed Changes | Proposed Policy Change |
|---|---|---|---|

**Source:** This table was constructed based on information in the following documents:

1. Department of Finance, 1981, *Budget 1981, Supplementary information and Notices of Ways and Means Motions on the Budget*, November 12, pp. 16 -31.
2. Department of Finance, 1981, *The 1981 Budget: Myths and Realities*, Press Release, December 18.
3. Department of Finance, 1981, *Notes on Transitional Arrangements and Adjustments Relating to Tax Measures Announced November 12, 1981*, Press Release, December 18.
4. Department of Finance, 1981, *Budget 1981: What it Means for Small Business*, Press Release. No precise date.
5. Department of Finance, 1981, NO OFFICIAL TITLE, Press Release to illustrate examples of the proposed forward-averaging measures, December 18.

**Budget 1981 Corporate Tax Measures**

| Measure | Description of Measure Before Proposed Abolition / Change | Proposed Policy Change |
|---|---|---|
| Capital Cost Allowance – First Year Rate | Corporations were allowed to deduct a full year's worth of depreciation from income even though the asset was purchased only part way through the year or even on the last day of the year, and even though the asset was not used at all in that year. In other words, the system violated an important tax principle in that it allowed costs to be recognized well before the associated revenue stream. The | **Limit CCA Deduction:** The budget proposed to limit the capital cost allowance deduction in the year an asset is acquired to one-half the normal rate of write-off currently provided. |
| Corporate Surtax | Corporations were required to pay a "surtax" of 5%. | **Extended Corporate Surtax**: The surtax was intended to apply only to 1980 and 1981. The budget proposed to extend the surtax to 1982. It would have been reduced to 2.5% in 1983. |

# APPENDIX A-3: CHAPTER 4

# A TIMELINE OF MONETARY POLICY EVENTS

1967

- *Bank of Canada Act* amended to, among other things, spell out what has become known as the "dual responsibility doctrine," which says that monetary policy is normally the responsibility of the Bank of Canada – operational independence – but the Minister of Finance, on behalf of Parliament, has the "final authority" on monetary policy. In the event of a disagreement between the governor and the Minister of Finance, the Minister must issue, then publish, a written directive as to what actions the governor must take; moreover, the document must be both specific in its terms and in effects for a well-defined period of time. If such a situation were to occur, convention – not legal wording – dictates that the governor should resign.
- *Bank of Canada Act* also amended to disallow the Bank of Canada's practice of altering the minimum cash reserve requirements; instead, the Bank is allowed to impose a "secondary reserve requirement" consisting of treasury bills and other liquid assets.
- *Bank Act* amended to remove the interest rate ceiling of 6% on chartered banks, to allow chartered banks to enter conventional mortgage lending, and to impose foreign ownership restrictions.

1968

- Bank of Canada announces its intention to publish staff research and to share its data and modelling with the academic community. Promises to establish communications linkages with universities.

1969

- Bank of Canada research division begins publishing staff work. Summaries of work later appear in the *Bank of Canada Review*.

1970

- June (end of May): Canada abandons fixed-exchange rate regime; lets its currency float.

1971

- December: publication of the first edition of the *Bank of Canada Review*, the Bank's premier, academically-oriented publication.

1972

- Bank of Canada begins planning for its currency museum, which opens in 1980.

1973

- February: Louis Rasminsky retires; replaced by Governor Gerald Bouey.

1974

- Bank of Canada studies possibility of monetary targeting.

1975

- October: Wage and price controls introduced.
- November: Bank of Canada announces a policy of targeting growth in M1, which measures the supply of cash plus checking deposits. Adopts a "gradual" approach to achieving its targets that would later be condemned as wishy-washy.

- In the Overview section of the Bank's Annual Report, the governor begins narrating his discussion in the first person (personal pronoun "I") instead of "we."

1976

- Bank of Canada attacks culture of entitlement in its 1975 Annual Report, arguing that "public and private attitudes in Canada had gone dangerously far towards the belief that Canadian prosperity was automatically assured…"

1977

- Computer Services Department added to the list of the Bank's operating divisions in the Annual Report.

1978

- Wage and price controls terminated.

1979

- February: Prime Minister Pierre Trudeau muses aloud about his desire for Governor Bouey to explain the recent course of monetary policy.
- October: NDP leader Ed Broadbent calls on the government to issue a director to Governor Bouey even if this means his resignation.

1980

- *Bank of Canada Act* amended to lower the (primary, i.e., cash) reserve requirements of major banks and to allow banks to own 100% of their mortgage subsidiaries whose deposits are not reservable.
- *Canadian Payments Association Act* passed into law.
- March: The Bank of Canada decides that henceforth, it will set its bank rate at 25 basis points above the yield established for three-month treasury bills at the regular Thursday auction. This replaced a system whereby Bank made and announced changes to the Bank Rate at much less frequent intervals.
- Repudiation of Gradualism: Bouey tells the House of Commons Standing Committee on Finance, Trade and Economic Affairs in October that the bank should have been less gradualist in its monetary policy.
- December: Opening of the Bank of Canada Currency Museum.

1981

- The prime lending rate at Canada's major chartered banks reaches 22.75%.
- November: Canadian Labour Congress organizes a mass-rally on Parliament Hill against the Bank of Canada's monetary policy. More than 100,000 people march on the Hill.

1982

- September: Bank of Canada abandons monetary targeting. Searches for a new policy objective. Official announcement made in November.

1983

- C.D. Howe Institute publishes a study by Thomas Courchene entitled "No Place to Stand? Abandoning Monetary Targets: An Evaluation." Courchene concludes that while there has been no change in the Bank's determination to control inflation, the "percepts of monetarism will

endure" and the Bank will key its monetary policy to a combination of factors including the foreign exchange rate and the level of real interest rates. Courchene also emphasizes that monetary targeting allowed the Bank to rebut political pressure for looser monetary policy.

1984

- November: The CPA's Automated Clearing Settlement System (ACSS) begins operations, facilitating the settlement of clearing balances and changing the way monetary policy is effected. The media are oblivious to this change.

1985

- Two banks based in Alberta, the Northland Bank of Canada and Canadian Commercial Bank, are declared bankrupt. The failures create serious problems for the payments system.
- Bank of Canada begins using "special" purchase and resale agreements (SPRAs) as a discretionary tool to help firms who carry large inventories of treasury bills meet their daily financing needs. The SPRAs later become an important signalling tool for the Bank of Canada.

1986

- December : John Crow appointed governor.

1987

- April: Bank of Canada announces it will begin releasing minutes of the meetings between the Bank of Canada governor and the Directors of the Bank of Canada. The Bank also says it will publish excerpts of the report on monetary policy provided to the Board. Minutes and excerpts appear in the monthly *Bank of Canada Review*.
- Crow delivers his first public address. The theme of the talk is "price stability."
- Stock market crash compels the bank to take dramatic measures. The bank would later seek to "unwind" the liquidity introduced to attenuate the crash's effects, sparking a long run of interest rates increases.

1988

- January: Eric W. Hanson Memorial Lecture – Crow decrees that henceforth, the Bank's policy objective will be price stability (not then defined) and nothing else. While Crow and previous governors had made similar musings, the Hanson lecture becomes the conventionally accepted starting point for a new policy regime of inflation targeting.

1989

- April: Bank of Canada and John Crow explain that monetary policy is most effective at targeting the overnight rate through its control over government of Canada deposits. The media fail to take note of this important speech.

1990

- C.D. Howe institute releases *Zero Inflation: The Goal of Price Stability* which includes a forward that explicitly endorses John Crow's goal of

zero inflation. The endorsement comes at a time when the governor is facing serious criticism from all sides for continued high interest rates.

- April: Canadian Manufacturers Association (CMA) suggests wage and price control as a means to limit inflation and to encourage the Bank of Canada to ease up on interest rates. The proposal goes nowhere and is roundly criticized.

1991

- February: Department of Finance and the Bank of Canada announce, via the Budget, that the Bank of Canada is adopting inflation reduction targets starting at 3% (as measured by the Consumer Price Index – CPI) at the end of 1992, 2.5% by the middle of 1994 and 2% by the end of 1995, always with a range of plus or minus one percentage point. Thereafter, the Bank will pursue "price stability," defined as inflation clearly below 2%. Canada is only the second country in the world, after New Zealand, to explicitly adopt inflation targeting as its central bank's overriding policy objective.
- March: The Bank of Canada is criticized for granting wage increases in excess of its inflation targets.
- September: The federal government proposes to reword the Bank of Canada's mandate so that the focus is exclusively on inflation as part of a constitutional proposal that would see greater provincial input into monetary policy.
- November: Canadian Chamber of Commerce criticizes Bank for its "harsh" monetary policy; C.D. Howe Institute's David Laidler and William Robson raise questions about the appropriateness of monetary policy given sharp drop in monetary aggregates.
- November: *Bank of Canada Act* amended to phase out chartered bank reserve requirements over two distinct periods (November 18, 1991 – June 1992 and July 1992 through to July 1994); legislation proclaimed in June 1992.

1992

- February: An all-party subcommittee of the House of Commons Standing Committee on Finance releases a report recommending against changing the preamble to the Bank of Canada.
- October: The *Bank of Canada Review* is changed from a monthly to a quarterly publication, while the price of the review is increased threefold to $30 as part of an effort to minimize political criticism about wage increases amongst bank staff. While the number of articles increases, the Bank ceases to publish charts and minutes of the bank's board of directors' meetings. Both are available in separate publications for additional cost.

1993

- February: Governor delivers a speech in Pretoria, South Africa, which emphasizes the ideas of accountability as a tradeoff or *quid pro quo* for central bank independence.
- Bank adds a discussion of monetary policy to each issue of its quarterly *Bank of Canada Review* publication.

- September: Jean Chretien says he would tell Crow to put more emphasis on job creation.
- December: The Bank of Canada announces the appointment of Gordon Thiessen as governor to replace John Crow.

1994

- June : The Bank of Canada switches to system of periodically setting a 50 basis point target range for the overnight rate. The operating band helps divert media and market attention away from small variations in interest rates towards "genuine policy changes"{Laidler, 2004 #62}
- Bank of Canada changes governance structure. Interest rate decisions are made by consensus of members of the monetary policy committee (Governor, senior deputy governor and four deputy governors) rather than by dictate from a governor vested with sole responsibility for interest rate decisions.

1995

- Winter: Bank publishes *1994 Annual Report*. This report marks a broader shift in the Bank communications strategy towards "transparency." Instead of a text-heavy, small font technical document, the new annual report is loaded with photographs, enlarged font, strategically placed white space, and easy-to-understand language.
- Bank begins publishing semi-annual *Monetary Policy Report*. First report notes that monetary policy effects are typically felt over 12 to 24 months.
- Bank requests and receives approval to meet twice annually with the House of Commons Standing Committee on Finance and the Senate Standing Committee on Banking and Finance to discuss the Monetary Policy Report.
- Bank puts up the first version of its website.
- Bank begins to reduce focus on exchange rate and its effects on economic conditions.

1996

- February: Bank abandons weekly bank rate setting and instead adopts a 50 basis point "operating band" with the deposit rate at the lower end of the band and the Bank Rate at the upper end.
- June: Pierre Fortin tries to revive the debate about the appropriate inflation targets in his presidential speech to the Canadian Economics Association. The effort fails.
- Bank announces that it will beef up its regional offices to include research officers and personnel who can read the pulse of the local economy and relay that information back to Ottawa. This addresses one of the longstanding criticisms that the bank is too Ottawa-focused.
- Communications Department identified for the first time as a separate department in the Bank's *Annual Report*.
- Bank of Canada sets up a 1-800 number that Canadians can call for information about the Bank and its operations.

1997

- May : Bank institutes practice of providing media briefings prior to the release of the Monetary Policy Report.
- Bank announces it will only broadcast changes in its operating band at 9:00 am. The decision is made in the wake of the LCTM crisis, when the Bank surprised markets by dropping the target for its overnight rate late one afternoon on the heels of a similar move by the U.S. Federal Reserve.
- Bank changes the wording of its "Inflation Control and the Economy" section in the Inflation Control Strategy text box in its *Monetary Policy Report* to emphasize that inflation control is a means to an end, not an end in itself.

1998

- January: Beginning of an academic debate about the merits of moving to a fixed exchange rate or currency union. Debate continues until about 2002.
- February: Government and the Bank of Canada extend the 1% to 3% target range to 2000.
- May: Bank of Canada now says monetary policy works with 18 to 24 month lags instead of 12 to 24 months as original noted;
- May: Bank institutes practice of media lockups;
- September: Bank of Canada abandons practice of buying Canadian dollars whenever the currency falls by a given amount and selling Canadian dollars whenever it rises by a given amount. This "symmetric intervention" strategy fell into disrepute because of large movements in the currency and because traders increasingly anticipated the Bank's actions, thus undermining their effectiveness.
- Bank of Canada creates "special advisor" post, a one-year position for a visiting economist. David Laidler, a long time contributor to debates about monetary policy, is the first recipient of the post.
- Autumn: Bank of Canada begins to de-emphasize importance of the monetary conditions index after clear evidence that it had "failed as a communications device."

1999

- Large Value Transfer System (LVTS) adopted, replacing Automated Clearing and Settlement System.
- Bank of Canada commissions a survey of Canadians about it operations. Survey finds that "familiarity with the Bank is neither widespread, nor deep."

2000

- February: Bank of Canada begins publishing a semi-annual Monetary Policy Report *Update*. There are now four major policy background documents published each year. Each document becomes a focal point for media coverage.

- December: Bank ceases to publish minutes of the meeting between the governor and Directors of the Bank of Canada.
- November: Bank introduces eight fixed announcement dates. The decision is motivated by two communications-related objectives. The first is to focus media and market attention around domestic economic conditions rather than what is going on in the U.S.; the second is to reduce volatility typically associated with the release of Statistics Canada' data. By setting fixed dates, markets can take their time in digesting the latest economic data, assured as they are that the Bank's intentions will become clear at a known point in the future.[224] Media lockups associated with each announcement.

2001

- Gordon Thiessen retires; replaced by David Dodge.
- Government and the Bank of Canada renew the Bank's 2% inflation target mandate with three important changes. First, the agreement runs five years instead of three; second, the bank would henceforth make sure to explain any long-lasting deviations from the 2% target, implying a sharper focus on 2% rather than the 1-3% target range; and third, the bank adopted a slimmer version of its "core CPI" concept to disentangle short-term, fleeting price pressures from more substantial price pressures.
- In line with the bank's tighter focus on the precise 2% inflation target, David Dodge begins to emphasize the "symmetric" nature of monetary policy. By "symmetric," Dodge means simply that the Bank is equally concerned with inflation below 2% as it is with inflation above 2%.
- Bank of Canada begins to emphasize the "target for the overnight rate" instead of the Bank Rate as the focus of its policy action.

2002

- September: Bank is criticized for not communicating clearly its intention to hold its target for the overnight rate steady.

2003

- Bank begins publishing its Business Outlook Survey online.
- July: Bank again criticized for not communicating clearly its intentions, this time to lower the target for the overnight rate steady in the midst of the SARS crisis, Mad Cow outbreak, and other unexpected events.

2004

- Dodge criticized for his tendency to talk about issues that in the past, were largely ignored by Bank of Canada governors.

2005

- Bank creates a day-school for journalists.

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[224] That said, Laidler and Robson {, 2004 #62, p. 128} argue that market participants tend to overweight economic events and data closest to the policy announcement date, a tendency that "policymakers must continually struggle to resist"

2006

- Bank conducts a major overhaul of its website as part of a process to improve the Bank's branding strategy ("corporate identity"). This strategy aims to implement a more standardized "look and feel" through the use of colour, headers and footers, and symbols.
- Bank of Canada's current agreement with the Department of Finance expires.
- Bank of Canada 2% mandate extended to 2011.

# APPENDIX B: CHAPTER 5

## JOHN CROW AND STEVEN LANGDON, FINANCE COMMITTEE MEETING MAY 8, 1990: 21:30

1. **Mr. Langdon**
    1. Thank you, Mr. Crow, for answering the chairman's question.
    2. I would like to go back to a statement you made in answer to an earlier question, in which you asked rhetorically if there was any other goal for monetary policy other than price stability.
    3. I guess I am part of another school, Mr. Crow, that suggests that monetary policy, along with fiscal policy, is concerned with achieving price stability, yes, but also with achieving full employment in our economy.
    4. I wonder, Mr. Crow, if that is not also an important goal to achieve, and a goal that is being attacked directly by the present high interest rates and the high value of the Canadian dollar, which is very, very damaging, one might almost say suicidal for exporters in this country, which is very inequitable as far as regions of this country are concerned.
    5. Is it not part of the policy of the Bank of Canada, in its monetary policy, to seek full employment goals for this economy as well?
2. **Mr. Crow:** Of course, Mr. Langdon.
3. **Mr. Langdon:** What do you consider to be a level of full employment in that case, in terms of the rate of unemployment nationally?
4. **Mr. Crow**
    1. I think, Mr. Langdon, that is the wrong way of looking at the question from the point of view of monetary policy.
    2. We have to ask ourselves, what is the nature of monetary policy?
    3. Monetary policy is, after all—and I believe you have a PhD in economics so you will certainly appreciate this point—a nominal policy.
    4. It has to do with dollar spending in the economy essentially, as essentially does fiscal policy, or broad fiscal policy at least.
    5. From that point of view, you have to ask, yourself, what is the contribution that monetary policy can really make to a strong Canadian economy?
    6. And you have to ask yourself—
5. **Mr. Langdon:** But that is—I am sorry-
6. **Mr. Crow:** —would it really be useful now to follow a market policy-
7. **Mr. Langdon:** —this takes us back to the—
8. **Mr. Crow:** —that destroys the value of the currency and would that help to make the economy take on—
9. **The Chairman:** Mr. Langdon, let the man answer the question, will you?
10. **Mr. Langdon**
    1. But this takes us back to the point which Mr. Young made at the beginning.
    2. For us to have the questions which we put reinterpreted by Mr. Crow is not the purpose of this hearing.
    3. It is quite possible for Mr. Crow to interpret in the various documents and speeches that he makes what he feels are the correct questions to ask.
    4. But in terms of us, as members of this finance committee, it is surely up to us to set what we consider to be the appropriate questions to ask, and to ask, as Mr.

Young has suggested, that either you answer them or you say that you cannot answer them.

5. Now I have asked what you consider to be a level of full employment in this economy.
6. That, after you agreed that seeking full employment was in fact one of the goals which was part of the mandate of the bank.
7. So you must obviously have some kind of target, some kind of figure in mind.
8. And you do not suggest, of course, that this is something we are seeking if in fact you do not have any idea of what it is.
9. So could you please give me a sense of what it is that you consider to be a full employment rate in this economy?

11. **Mr. Crow:** Mr. Chairman, from my point of view, what Mr. Langdon is inviting me to do is to play a game of fallacy of many questions; like when did you leave off beating your wife, give me an answer, yes or no.
12. **Langdon:** It is just one question. It is a very simple question.
13. **Mr. Crow:** I think we have to really understand the question and the implications for the kind of policy. If monetary policy is not what he thinks it is, then I think I am entitled to say so.
14. **The Chairman:** I think we have gone as far on that question as we can.
15. **Mr. Langdon:** With respect, Mr. Chairman—
16. **The Chairman:** Mr. Langdon, I will let you continue on second round.
17. **Mr. Langdon:** Mr. Chairman, I think that having admitted so fullsomely there is in fact a concern for full employment—
18. **The Chairman:** Yes, but there is also—
19. **Mr. Langdon:** —on the part of the bank—
20. **The Chairman:** —a theory called the non-inflationary—
21. **Mr. Langdon**: All right. If that is what Mr. Crow wants to put in front of us, I suggest he do so and tell us what that figure is—
22. **Mr. Dorin** (Edmonton Northwest): They used to have full employment in Russia.
23. **Mr. Langdon:** —in their calculations. I mean, is that what is meant by full employment and, if so, what is that figure with respect to the bank's thinking?
24. **Mr. Crow**
    1. There are various calculations floating around and they would certainly have to be within a range, Mr. Langdon, as regards that concept.
    2. But I really think a more important question is, if one says that unemployment over time or trend is too high in Canada, how do you get it down?
    3. That is the really important question.
25. **Mr. Langdon:** That is an important question, but—
26. **Mr. Crow:** A very important question, and I would suggest—
27. **Mr. Langdon:** —what should you be satisfied with?
28. **Mr. Crow:** As low as we possibly can and we should employ a lot of instruments-
29. **Mr. Langdon**
    1. Okay, but you talked about zero inflation.
    2. You have not been shy about saying how much inflation we should have.
    3. Well, how much unemployment should we have?
30. **Mr. Crow:** Let us challenge-

31. **Mr. Langdon:** Is it zero unemployment?
32. **Mr. Crow**
    1. —ourselves and think what is it that stops us from getting to zero?
    2. Then we can ask the question, is it because we have a monetary policy that does not allow us to get there?
    3. I think once we examine that question, we would see that it is not the issue.
33. **Mr. Langdon:** But you are not answering the question, Mr. Crow.
34. **Mr. Crow**
    1. An economy that was expanding at 1% in total spending and had credit in double digits and money in double digits is not an economy that is short of the wherewithal to spend.
    2. I guess the puzzle is why unemployment did not go down further. There may be some other reasons in this economy, Mr. Langdon, I would suggest..

**GORDON THIESSEN AND LORNE NYSTROM, FINANCE COMMITTEE MEETING 1998-5-28 at 11:17 am**

1. **Mr. Lorne Nystrom (Qu'Appelle, NDP)**
    3. Thank you very much. I want to welcome my fellow Saskatchewanite, Mr. Thiessen, here this morning, and his colleagues.
    4. I want to ask you questions basically on the unemployment side.
    5. The unemployment rate in this country is still hanging stubbornly at a very high level compared with the United States and some other jurisdictions.
    6. I want to ask you what factor this is in terms of your monetary policy decisions and so on.
    7. I specifically want to ask you about what is called a "non-accelerating inflationary rate of unemployment," the NIRU, and what impact and influence that has.
    8. Could you explain that to the committee, and tell us what the target NIRU rate would be?
    9. In addition to this, I also want to say that recently there was a Nesbitt Burns report that estimated that the natural rate of unemployment in this country was 7.5%, from a low of 5.5% in Ontario to a high of 16.5% in Newfoundland.
    10. I guess you'd say then that under those conditions, we'd have full employment in Saskatchewan, Alberta and Manitoba.
    11. What is the natural rate of unemployment?
    12. Do you work with those kinds of models in terms of the Bank of Canada's decision-making process?
    13. Can you tell us what they are?
    14. Can you tell us a bit more about the NIRU, and how these models fit into what you do in terms of policy that affects each and every Canadian?
2. **Mr. Gordon Thiessen**
    1. Well, as I was just explaining, the way we look at the economy is that you have to look at everything in the economy.
    2. What we do is try to make an estimate of what full-capacity utilization is in the economy.
    3. That has to do with every single contributor to the economy, not just the labour force, but also capital, entrepreneurship—the whole works.
    4. We think that is the only sensible way to go about this.
    5. With respect to the non-accelerating inflation rate of unemployment, trying to estimate that is so difficult.
    6. It has such a wide range of error around it.
    7. We just don't use it as an input to policy.
    8. We do not have a target for it.
    9. In fact, I think it would be incredibly bad policy to have a target for it, because if you make a mistake, you can get yourself into either a serious inflation or a serious recession.
    10. Given the difficulty of estimating it, why would you ever run policy that way?
    11. We don't, and we haven't.

12. And I would suggest that if you see any estimates of those kind of calculations, put a really wide band of uncertainty around them.

3. **Mr. Lorne Nystrom**
    13. Yes.
    14. I just wanted to see whether or not you use the models and the estimates.
    15. Could you tell us, first, what full employment would be?
    16. Do you do those kinds of estimates at the bank?
    17. What is full employment, and why is there the big difference between our country and the United States?
    18. If unemployment here were to drop by three or four points in the next year or so, is that inflationary?
    19. Can you enlighten us a bit in terms of the thinking in your institution about that important area?
    20. It is still a very big issue in this country for a lot of Canadians—
4. **Mr. Gordon Thiessen:** Sure.
5. **Mr. Lorne Nystrom:** —outside of some areas where things are going well.
6. **Mr. Gordon Thiessen**
    1. I'm afraid we're going to have to be very agnostic about what kind of unemployment rate we're going to get down to.
    2. There have been so many changes in this economy over the course of the last number of years.
    3. There has been a degree of restructuring in the Canadian economy that is enormous.
    4. There has been an introduction of technology in this economy that has been enormous.
    5. There has been a change in the orientation of Canadian businesses to be more open and oriented to international trade.
    6. These are huge differences, huge changes in our economy.
    7. In those circumstances, I think it is just incredibly difficult to know what kind of an unemployment rate we're going to get down to this time.
    8. Now, the thing that is rather attractive about the policy we follow of keeping the inflation rate low is that it allows you to feel your way, just as the Americans have over the course of the last few years.
    9. When the Americans started on this expansion in their economy, most people thought that the best unemployment rate they were likely to achieve was 6%.
    10. But they just kept their eye on the inflation rate, and as long as the inflation rate was drifting down, it was possible to allow ongoing expansions of demand in that economy, and the unemployment rate now has drifted down to 4.3%.
    11. We don't know if they're going to be able to maintain that over a long period, but I suggest to you that by keeping their eye on the inflation rate, they achieved the best unemployment rate they've had in 25 years.
    12. I'd like to think that this is what what we can do, too.
    13. What rate we're going to get down to, I don't know.
    14. If you'd have asked anybody in the United States three years ago, "Are we likely to get down to 4%?", they would have said, "Not a chance".

7. **Mr. Lorne Nystrom:** You mentioned earlier that in the 1960s we had a very low inflation rate and a low unemployment rate.
8. **Mr. Gordon Thiessen:** Right.
9. **Mr. Lorne Nystrom**
    1. Correct me if I'm wrong, but it seems to me that the objective of the bank then was to have low unemployment and low inflation.
    2. Today the difference is that you're looking at inflation as the really important, primary objective.
    3. You even said that again this morning, that we need a low inflation rate, and you seemed to be forgetting about the employment side.
    4. Isn't that a shift in terms of the central bank in this country over the last 30 years?
    5. Might that not have been the reason that the unemployment rate was lower in the 1960s along with the inflation rate, while today we have the opposite—lower inflation but still very high unemployment?
10. **Mr. Gordon Thiessen**
    6. No, I would suggest to you that it's quite the reverse.
    7. The mistake we made in the late 1960s, and into the early 1970s, was that we took our eye off the inflation rate.
    8. At one point we thought there might be a trade-off there.
    9. In doing so we made a grave mistake, and we ended up with an inflation rate that was substantially higher, and an unemployment rate that wasn't lower.
    10. In fact what we had from the 1970s through to the beginning of the 1990s is both higher inflation and higher unemployment, both of them sort of gradually drifting up to the early 1980s.
    11. So I think when we look back at the 1960s and we say, "Now, what's the lesson we learned from that?", the lesson we learned is that by keeping your eye on the inflation rate, you are likely to have the economic expansion last longer.
    12. Therefore, there's more chance that the unemployment rate is going to come down.
    13. It's very interesting how, as that U.S. expansion has continued, they keep getting gains in the unemployment rate.
    14. The longer you can get that expansion to last, the better off you are.

**DAVID DODGE AND MARIA MINNA, FINANCE COMMITTEE MEETING 2002-10-23 at 17:55**

**T1. Ms. Maria Minna (Beaches—East York, Lib.)**

S1. Thank you, Madam Chair.
S2. One area that has been of interest to me for some time is this.
S3. I know that in the U.S., for instance, they have a policy of full employment, which is defined, I think, at about 4% or 3% unemployment.
S4. I'm not sure what their unemployment rate is at the moment.
S5. In this country unemployment is somewhere around 7%, and there have been interest increases twice now this year.
S6. The economy in the U.S. is on the downturn, so somehow I don't see the positive nature of increasing interest rates and how that would affect our unemployment situation.
S7. My question to you concerns what our policy is.
S8. Does the Bank of Canada use the concept of the non-accelerating inflation rate of unemployment, which, as you know, refers to the theory that the unemployment rate can be pushed down only so far before inflation starts to rise, in its conduct of monetary policies?
S9. Has your nearer estimate changed much over time, and what is it?
S10. I go back to the experiences we had in the 1990s, when interest rates kept rising and unemployment just....
S11. I've listened to many arguments from other colleagues with respect to the fact that as soon as we get to a certain level of inflation, we hike interest rates, and that increases unemployment as well, because it's investment and so on.

**T2. Mr. David Dodge**

S1. We certainly have a concept of capacity, and that's capacity from both the labour side and the machinery and equipment side.
S2. It is absolutely true that as we look forward, we try to judge just how close to capacity we are or will be and try to adjust rates to have inflation neither go way up or go way down because we're not at full capacity.
S3. So the answer is that we do certainly have a concept of capacity, and it does include the labour side.
S4. I'm sure there is much more to capacity on the labour side than simply thinking about unemployment rates in the way we have thought about them.
S5. Levels of employment or employment rates really tell us quite a bit.
S6. During the early part of the 1990s unemployment rose, but not as much as it otherwise would have, because the labour force participation rate dropped.
S7. What we've seen this last year is much stronger employment growth, almost record employment growth.
S8. Labour force participation rates have started to rise and are almost back up to where they were in 1989.
S9. That's part of the reason we on the governing council of the bank have said we think probably there's a little more room to manoeuvre before we hit capacity than the straight econometric estimates we have would say.

S10. So we certainly look at that.
S11. It is also true that labour capacity can be improved if labour markets themselves work better and if individuals can move from one job to another more smoothly, move more smoothly from an area that is contracting to one that is expanding.
S12. So we also put quite strong emphasis on policies that encourage labour market flexibility, including both formal training and the on-the-job training that has to be done at the level of the firm or enterprise.
S13. Obviously, the better the job we do removing impediments in the labour market, the lower one can push unemployment rates before one hits capacity.
S14. The Americans, while they certainly don't do all things right, have been more successful, I think, than almost any other country in ensuring flexible labour markets. American enterprise, for all that we may castigate it for some things, has done better than Canadian enterprise in providing on-the-job training, upgrading, and so on.
S15. So the answer is that we do have a notion of capacity.
S16. That notion changes over time.
S17. It certainly is influenced by both public policy and policies of firms, and it is influenced by social and structural changes and so on that have an impact on participation rates.
S18. It's quite complicated, and boiling it down to a relatively simple number produced by Statistics Canada every month is not terribly helpful.

**T3. Ms. Maria Minna**

S1. Thank you.
S2. I just wanted to understand.
S3. I know it's not an easy concept.

**DAVID DODGE AND MARIA MINNA, FINANCE COMMITTEE MEETING 2004-04-21 at 15:35**

**T1. Hon. Maria Minna:**

S1. Thank you, Mr. Chairman.
S2. I'm going to go back to a question I asked the last time we met, I think.
S3. Some economists believe there is a non-accelerating inflation rate of unemployment, or NAIRU.
S4. Last time we talked about it, as I recall, I think you suggested that the bank uses this concept, although I think you declined to reveal the bank's estimate, or how one even gets to it, if one exists.
S5. You also said that the notion of giving it a bottom line of a NAIRU and actually making it public is complicated, and distilling it to an actual figure that could be announced by Stats Canada or what have you would be quite difficult, if not impossible.
S6. But measuring the core inflation is just as complex, I would think, and yet we do have a range or number that we make public.
S7. What does the Bank of Canada believe to be Canada's NAIRU, if we have one, and is this measure used in setting the overnight interest rates, when they are done?
S8. Wouldn't publicizing the NAIRU--in effect, the amount of unemployment the Bank of Canada believes must be tolerated in order to secure the inflation target--and being able to have that discussion increase the bank's transparency?
S9. I've always felt, and this is also according to some economists I know, that a certain level of unemployment must be tolerated.
S10. If you bring it too low, that then creates a different kind of problem.
S11. So I've always wanted to know what that NAIRU is and how we arrive at it.
S12. Has there ever been any discussion about the wisdom of having it?

**T2. Mr. David Dodge**

S1. First of all, and this very much relates to the previous question, what you'll see is that we talk about potential and we talk about the output gap as being what's really relevant here.
S2. We think that is a more encompassing way to look at the issue of how close we are to capacity than focusing on the unemployment rate per se.
S3. That's for at least three reasons, maybe more.
S4. First of all, we do know that participation rates in the labour force are actually fairly sensitive to economic conditions.
S5. What we're seeing as economic conditions have improved from the mid-1990s is that participation rates have gone back up.
S6. When they got worse after 1989, we saw the participation rates fall.
S7. We've seen an exact repetition of that story in the United States, where the participation rate has been falling steadily now, certainly for the past three years.
S8. It has peaked, I think, since 2000, but it actually fell quite precipitously in the United States.

S9. So there is more flexibility out there than is shown by the straight unemployment rate.
S10. When unemployment rates are high, it underestimates the amount of capacity that's there in the labour force.
S11. When unemployment rates are low, and hence participation rates are really quite high, then you probably have the other twist to it.
S12. So you have to be very careful here in how you use it.
S13. I think it always ought to come with a big sticker on it, "Handle with care", because it's not the best single way to look at it....
S14. Or sorry, it is *a* way.
S15. It is not totally unimportant, but it's only one way to look at it.
S16. The second issue, of course, is whether the structure of demand is matching up fairly well with the structure of the labour force.
S17. We're all too familiar in Canada with the fact that we can have very low unemployment rates in Saskatchewan or in southern Alberta, and you don't have to go very far away, to the interior of B.C., to have very high rates.
S18. Or if you look at the province of Quebec, east of Quebec City and west of Quebec City you would have very different rates.
S19. So the structure here is also important.
S20. Finally, we also have to think about the amount of physical capacity--machinery and equipment, plants, infrastructure.
S21. That is also very much a limiting factor.
S22. So all of those come together in this concept we have of what is potential.

**T3. The Chair: Do you have anything more, Ms. Minna?**
**T4. Hon. Maria Minna:** I think Mr. Jenkins wanted to say something.
**T5. Mr. Paul Jenkins**
S1. Perhaps I could reinforce a couple of points the governor made.
S2. Researchers do try to get a fix on this.
S3. I think if there's one common feature of all the research, and this reinforces the governor's first point, it's that this concept of the NAIRU has an extremely wide confidence band.
S4. When you think about that from a policy perspective, there's not a great deal there that would give you confidence in being able to use that.
S5. For that reason, we tend to factor in much more information in terms of trying to get a measure of this concept of potential output, which includes all factors in the production process.

**T6. Hon. Maria Minna**
S1. But is there a level of unemployment that an economy, in your view, has to tolerate in order to maintain the inflation rates and certain other things?
S2. And are the interest rates affected by the NAIRU, or however one defines it?
**T7. Mr. David Dodge**
S1. Yes, there is.
S2. It's very important to remember that every month, roughly 2% of the labour force changes jobs.

S3. There's a tremendous amount of turnover.
S4. When you're talking about that much turnover, it's hard to think that everything would match up perfectly, that you would leave a job on Friday and start a new one on Monday.
S5. So yes, there obviously is a certain amount.
S6. That amount is affected very much by the structure of the economy.
S7. For example, as we have found ways of extending seasonal work or to keep plants in operation almost year round—even though the wood or fish products, or whatever is being processed, may not necessarily be delivered to the plant year round—we in fact are smoothing out some of that seasonal variation that always contributed to a higher unemployment rate.
S8. So I think we are making some progress.
S9. Nevertheless, it is absolutely clear that even under ideal conditions, the very structure of the Canadian economy would mean that we would run somewhat higher unemployment rates than the Americans would.

# APPENDIX C: CHAPTER 6

# SOURCING CATEGORIES FOR FISCAL AND MONETARY POLICY

**APPENDIX C, Table 1:** Fiscal Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| Alexandre | Craig | TD Bank | | | H |
| Allen | Richard | B.C. Credit Union | Chief economist | | H |
| Amery | Anthony | Du Pont Canada Inc., Cdn Chamber of Commerce | Chief economist | | H |
| Anania | John | Royal Bank of Canada | Assistant Chief Economist | | H |
| Andersen | Peter | Andersen Economic Research Ltd | Economist | | H |
| Angastiniotis | Mario | MMS International | Senior financial analyst | | H |
| Anthony | Nancy Hughes | Canadian Chamber of Commerce | President | **Hughes** | H |
| Atkinson | Sherry | Burns Fry Ltd. | Chief economist | | H |
| Atkinson | Llloyd | BMO/Perigree Investment Counsel | Chief economist | | H |
| Barnes | Martin | Bank Credit Analysts | Managing editor | | H |
| Bartarache | Lise | RBC | | | H |
| Basta | Karim | Merill Lynch & Co | Vice president | | H |
| Beattie | Katherine | Standard & Poor's MMS | Technical analyst | | H |
| Beauchean | Bernard | Laval University | | | H |
| Bederman | Earl | Canada Permanent Mortgage Corp. | Vice president and chief economist | | H |
| Beigie | Carl | C.D. Howe Institute | President | | H |
| Belanger | Michel | National Bank of Canada | Chief executive officer | | H |
| Bellan | Reuben | Institute for Research on Public Policy | Economist / researcher | | D |
| Berry | Michael | Walwyn Stodgell Cochran Murray | Bond analyst | | H |
| Boeckh | Tony | Bank Credit | | | H |

**APPENDIX C, Table 1:** Fiscal Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| | | Analysts | | | |
| Boggs | William | Canadian Manufacturers Association | Chairman | | H |
| Bossons | John | University of Toronto | Professor of economics | | C |
| Bradfield | Michael | Dalhousie University | Professor of economics | | D |
| Browne | Stephen | Sun Life Assurance Co. | Chief economist | | H |
| Burleton | Derek | Toronto-Dominion Bank | Senior economist | | H |
| Cameron | Duncan | Ottawa University | Professor of Political Science | | D |
| Caranci | Beata | Toronto-Dominion Bank | | | H |
| Carmichael | Edward | C.D. Howe Institute / JP Morgan | Vice president | | H |
| Chand | Ranga | Burns Fry Ltd. | | | H |
| Chandler | Mark | Goldman Sachs | Money market economist | | H |
| Cheah | Jeffrey | Standard & Poor's MMS | Market strategist | | H |
| Chorney | Howard | Concordia | Professor of Public Policy and economics | | D |
| Clark | Susan | Greenshields Inc. | Chief economist | **Susan** | H |
| Clendenning | Wayne | Richardson Securities of Canada | Economic advisor | | H |
| Clinkard | John | Canadian Imperial Bank of Commerce | Senior economist | | H |
| Cooper | Sherry | Burns Fry Ltd. | Chief economist | **Sherry** | H |
| Courchene | Thomas | Queen's University | Professor of economics | | H |
| Coxe | Donald | Harris Investment Management Inc. | Professor and chief investment officer | | H |
| Croft | Patti | Canada Trust | Economist | | H |
| de Bever | Leo | Nomura Canada Inc. | Chief economist | | H |

**APPENDIX C, Table 1:** Fiscal Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| Denomme | Robert | Canadian Manufacturers Association | Senior economist | | H |
| Dick | Cheryl | Burns Fry Ltd. | Economist | | H |
| Dobson | Wendy | C.D. Howe Institute | Executive director | | H |
| Donner | Arthur | Individual | Economic consultant | | H |
| Drake | Peter | TD BANK | Vice president economic research | | H |
| Drummond | Don | TD Bank | Chief economist | | H |
| D'Souza | Lauriette | Dominion Securities Ames Ltd. | Economist | | H |
| Dungan | Peter | Institute for Policy Analysis | Professor of economics | | C |
| Dunn | Robert | George Washington University | Economist | | H |
| Dupuy | Francois | Desjardins Group | | | H |
| Ebata | David | Technical Data | Analyst | | H |
| Eckstein | Otto | DRI | Economist | | H |
| Egleton | Rick | BMO | Deputy chief economist | | H |
| Empey | William | Data Resources of Canada | Economist | | H |
| Fairholm | Robert | DRI Canada | Managing economist | | H |
| Farrow | Maureen | Loewen Ondaatje McCutheon Ltd. | Director of economics | | H |
| Ferley | Paul | BMO | Senior economist | | H |
| Fortin | Pierre | University de Quebec a Montreal | Professor of economics | | H |
| Frazee | Rowland | Royal Bank of Canada | Chief executive officer | | H |
| Friedberg | Albert | Friedberg Commodity Management Inc. | Head of Friedberg Commodity Mngt | | H |

**APPENDIX C, Table 1:** Fiscal Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| Gampel | Aron | BNS | Senior economist | | H |
| Georgetti | Ken | CLC | President | | D |
| Gestrin | Bengt | Canadian Imperial Bank of Commerce | Economic advisor | | H |
| Getter | Ruth | TD Bank | Vice president Economic research | | H |
| Gignac | Clement | National Bank of Canada | Chief economist | | H |
| Gomez | Carl | Toronto-Dominion Bank | Economist | | H |
| Gordon | Walter | Canadian Institute for Economic Policy | Chairman | **Walter** | D |
| Grady | Patrick | Former of Finance | consultant | | C |
| Grant | Jordan | Bank of Canada for Canadians | Chairman | | D |
| Grant | John | CIBC | Chief economist | | H |
| Gregory | Michael | RBC | Economist | | H |
| Guatieri | Sal | BMO | Senior economist | | H |
| Hargove | Buzz | Canadian Autoworkers | President | | D |
| Herskowitz | David | A.E. Ames & Co. | Economist | | H |
| Holt | Derek | RBC | Economist | | H |
| Hotson | John | University of Waterloo | Professor of economics | | H |
| Howitt | Peter | University of Western Ontario | Professor of economics | | H |
| Hughes | Sam | Canadian Chamber of Commerce | President | | H |
| Hughes | Graham | Canadian Manufacturers Association | Vice President | | H |
| Hutchinson | Tom | MMS International / Path International | Senior economist | | H |

**APPENDIX C, Table 1:** Fiscal Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| Ip | Irene | Wood Gundy | Assistant vice president | | H |
| Jackson | Andrew | CLC | | | D |
| Jarvis | William | Infometrica ltd. | Chief of macroeconomics | | D |
| Jestin | Warren | BNS | Chief economist | | H |
| Jones | Derek | CIBC | Senior economist | **Derek** | H |
| Joyce | Ben | Burns Fry Ltd. | Economist | | H |
| Kalirai | Harvinder | Idea Inc. | Canadian market analyst | | H |
| Keane | Roger | Midland Doherty Ltd. | Economist | | H |
| Kerton | Robert | University of Waterloo | Professor of economics | | D |
| Kinnear | Scott | MMS International | Analyst | | H |
| Kniewasser | Andrew | Investment Dealers Association | President | | H |
| Kovacs | Paul | Burns Fry Ltd. | Economist | | H |
| Lauria | Anita | Salomon bros. Inc. | Economist | | H |
| Laurie | Nathan | Department of Finance | Advisor | | H |
| Lavoie | Marc | University of Ottawa | Professor of economics | | D |
| Lazar | Fred | York University | Professor of economics | | D |
| Lepine | Vincent | National Bank Financial | | | H |
| Lovely | Warren | CIBC | | | H |
| Luciani | Patrick | Consultant | | | H |
| Ludak | Zubair | TD Securities Inc. | | | H |
| Mackness | William | Pitfield Mackay Ross Ltd. | Economist | | H |
| MacLean | Brian | Laurentian University | Professor of economics | | D |
| Manford | Michael | Merrill Lynch Royal Securities Ltd. | Economist | | H |
| Marion | Stefane | National Bank Financial | Senior economist | **Stefane** | H |
| Marshall | David | CMA & MMS International | Senior economist | | H |

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| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| Maslove | Allan | Carleton University | Director, School of Public Administration | | H |
| Maxwell | Judith | Economic Council of Canada | Chief / President | | H |
| Maxwell | Thomas | Conference Board of Canada | Chief economist | | H |
| McCallum | John | RBC | Chief economist | | H |
| McCormack | T.W. | Data Resources of Canada | Director of Research | | H |
| McCracken | Michael | Infometrica ltd. | President | | D |
| McQueen | David | Glendon College, York University | Economist | | D |
| McQueen | Trina | Canadian Imperial Bank of Commerce | Senior executive | | H |
| Meagher | Marc | Merrill Lynch Canada inc. | | | H |
| Mendelsohn | Joshua | Canadian Imperial Bank of Commerce | | | H |
| Mohr | Patricia | BNS | Economist | | H |
| Morley | Fred | Atlantic Provinces Economic Council | | | H |
| Mulholland | William | Bank of Montreal | Chairman and chief executive | | H |
| Mullins | Mark | Midland Walwyn Capital / Consultant | | | H |
| Myers | Jay | Canadian Manufacturers and Exporters | | | H |
| Naylor | Thomas | McGill University | Professor of economics | | H |
| Neal | George | Bank of Montreal | Executive vice president and treasurer | | H |
| Neufeld | Edward | RBC | Chief economist | | H |
| Nevine | William | Canadian Construction | | | H |

**APPENDIX C, Table 1:** Fiscal Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| | | Association | | | |
| Nicholson | Rodney | Burns Fry Ltd. | Economist | | H |
| Nicholson | Peter | Paul Martin Advisor | Economist | | H |
| O'Hanlan | Michael | Kidder Peabody Securities | | | H |
| O'Neil | Tim | BMO | | | H |
| Orr | Dale | DRI-WEFA | Managing director | | H |
| Osberg | Lars | Dalhousie University | Professor of economics | | D |
| Palombi | Rob | Standard & Poor's MMS | Analyst | | H |
| Parish | John | BMO | Assistant Chief Economist | | H |
| Perry | David | Canadian Tax Foundation | Research associate | | H |
| Peters | Douglas | TD Bank Chief Economist | Senior economist | | D |
| Phillips | Paul | University of Manitoba | Professor of economics | | D |
| Phillips | Roy | Canadian Manufacturers Association | President | | H |
| Porter | Douglas | BMO Nesbitt Burns | Senior economist | | H |
| Powley | Randall | ScotiaMcLeod | Senior economist | | H |
| Purvis | Douglas | Queen's University | Professor of economics | | H |
| Pyle | Andrew | Path International | Senior economist | | H |
| Rabeau | Yves | University de Quebec a Montreal | Professor of economics | | H |
| Rao | Someshwar | Economic Council of Canada | Research economist | | H |
| Reid | Roy | A.E. Ames & Co. + Brault Guy O'Brian Inc. | Research economist | | H |
| Riley | June | Bank of Nova Scotia | Senior economist | | H |
| Ritchie | C.E. | Bank of Nova Scotia | President and chief executive | | H |

**APPENDIX C, Table 1:** Fiscal Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| Robson | William | C.D. Howe Institute | Senior policy analyst | | H |
| Rosenberg | David | BNS | Senior economist | | H |
| Ross | David | Economic Consultant -- Canadian Council on Social Development | | | H |
| Rubbin | Jeffrey | Wood Gundy | | | H |
| Ruddick | Elizabeth | Infometrica ltd. | Chief of macroeconomics | | D |
| Rutley | Todd | CMA | Senior economist | | H |
| Saba | George | Montreal Trustco | Chief of econmics | | H |
| Sargent | John | Department of Finance | Director of Fiscal Policy | | H |
| Schimmelpenninck | David | Midland Doherty Ltd. | Analyst | | H |
| Scotland | Francis | Bank Credit Analysts | | | H |
| Sharpe | Andrew | Centre for Study of Living Standards | President | | D |
| Shenfeld | Avery | CIBC Wood Gundy | Senior economist | | H |
| Skene | Leigh | Burns Fry Ltd. | Economist | | H |
| Slater | David | Economic Council of Canada | Chairman | | H |
| Smart | Angus | Dominion Securities Ames Ltd. | Economic advisor | | H |
| Smith | Alister | CIBC | Deputy chief economist | **Alister** | H |
| Soucy | Gilles | Desjardins Group | Chief economist | | H |
| Soukas | John | RBC Dominion Securities | Economist | | H |
| Spector | Robert | Merill Lynch Canada Inc. | Senior eocnomist | | H |
| Srour | Clem | Canadian Exporters Association | Economist | | H |
| Staines | Nick | WEFA Group | Direcot of economics | | H |

**APPENDIX C, Table 1:** Fiscal Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Yoshi Identifier if Not last Name | Fiscal Policy Hawk(H), Centre (C) or Dove(D)? |
|---|---|---|---|---|---|
| Stanford | Jim | CAW | Economist | | D |
| Stewart | Walter | Former Finance Minister | | **Walter** | D |
| Stokes | Ernest | WEFA Group | Managing director of economics | | H |
| Summerville | Paul | RBC Dominion Securities | Economist | | H |
| Suri | Surinder K. | Moss Lawson & Co. Ltd. | Chief economist | | H |
| Szadyrsju | Wojciech | Global Insight | | | H |
| Takacsy | Nichols | Greenshields Inc. | Senior vice-president | | H |
| Tal | Benny | CIBC Wood Gundy | Senior economist | | H |
| Thadeney | | | | | H |
| Vasic | George | Data Resources of Canada | Senior economist | | H |
| Vasoff | James | Brault Guy O'Brian Inc. | | | H |
| Walker | Michael | Fraser Institute | President | | H |
| Warren | Adrienne | BNS | | | H |
| Watt | David | BMO Nesbitt Burns | | | H |
| Weinberg | Karl | High Frequency Economics | | | H |
| Whitehead | Tim | CIBC | | | H |
| Wilkinson | B.W. | University of Alberta | Economist | | H |
| Winter | J.R. | Acadia University | Professor of economics | **J.R.** | H |
| Wright | Craig | RBC | | | H |
| Wynss | David | DRI-McGraw Hill Ltd. | | | H |
| Yarish | Allan | RBC | Assistant Chief Economist | | H |
| Young | Arthur | Analytic Information Management Inc. | consultant | | H |

| **Source Category** | **Centre** | **Dove** | **Hawk** |
|---|---|---|---|
| **Total Counts** | **3** | **23** | **162** |

**APPENDIX C, Table 2:** Monetary Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| Alexandre | Craig | TD Bank | | N/A |
| Allen | Richard | B.C. Credit Union | Chief economist | Bay Street |
| Amery | Anthony | Du Pont Canada Inc., Cdn Chamber of Commerce | Chief economist | Bay Street |
| Anania | John | Royal Bank of Canada | Assistant Chief Economist | Bay Street |
| Andersen | Peter | Andersen Economic Research Ltd | Economist | Bay Street |
| Angastiniotis | Mario | MMS International | Senior financial analyst | Bay Street |
| Atkinson | Sherry | Burns Fry Ltd. | Chief economist | Bay Street |
| Atkinson | Lloyd | BMO/Perigree Investment Counsel | Chief economist | Bay Street |
| Barnes | Martin | Bank Credit Analysts | Managing editor | Bay Street |
| Bartarache | Lise | RBC | | Bay Street |
| Basta | Karim | Merill Lynch & Co | Vice president | Bay Street |
| Beattie | Katherine | Standard & Poor's MMS | Technical analyst | Bay Street |
| Beauchean | Bernard | Laval University | | N/A |
| Bederman | Earl | Canada Permanent Mortgage Corp. | Vice president and chief economist | Main Street |
| Beigie | Carl | C.D. Howe Institute | President | Bay Street |
| Belanger | Michel | National Bank of Canada | Chief executive officer | Bay Street |
| Bellan | Reuben | Institute for Research on Public Policy | Economist / researcher | Heterodox |
| Berry | Michael | Walwyn Stodgell Cochran Murray | Bond analyst | Bay Street |
| Boeckh | Tony | Bank Credit Analysts | | Bay Street |
| Boggs | William | Canadian Manufacturers Association | Chairman | Main Street |
| Bossons | John | University of Toronto | Professor of economics | Main Street |

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| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| Bradfield | Michael | Dalhousie University | Professor of economics | Heterodox |
| Browne | Stephen | Sun Life Assurance Co. | Chief economist | Bay Street |
| Burleton | Derek | Toronto-Dominion Bank | Senior economist | Bay Street |
| Cameron | Duncan | Ottawa University | Professor of Political Science | Heterodox |
| Caranci | Beata | Toronto-Dominion Bank | | Bay Street |
| Carmichael | Edward | C.D. Howe Institute / JP Morgan | Vice president | Bay Street |
| Chand | Ranga | Burns Fry Ltd. | | Bay Street |
| Chandler | Mark | Goldman Sachs | Money market economist | Bay Street |
| Cheah | Jeffrey | Standard & Poor's MMS | Market strategist | Bay Street |
| Chorney | Howard | Concordia | Professor of Public Policy and economics | Heterodox |
| Clark | Susan | Greenshields Inc. | Chief economist | Bay Street |
| Clendenning | Wayne | Richardson Securities of Canada | Economic advisor | Bay Street |
| Clinkard | John | Canadian Imperial Bank of Commerce | Senior economist | Bay Street |
| Cooper | Sherry | Burns Fry Ltd. | Chief economist | Bay Street |
| Courchene | Thomas | Queen's University | Professor of economics | Bay Street |
| Coxe | Donald | Harris Investment Management Inc. | Professor and chief investment officer | Bay Street |
| Croft | Patti | Canada Trust | Economist | Bay Street |
| de Bever | Leo | Nomura Canada Inc. | Chief economist | Bay Street |
| Denomme | Robert | Canadian Manufacturers Association | Senior economist | Main Street |
| Dick | Cheryl | Burns Fry Ltd. | Economist | Bay Street |
| Dobson | Wendy | C.D. Howe Institute | Executive director | Bay Street |

**APPENDIX C, Table 2:** Monetary Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| Donner | Arthur | Individual | Economic consultant | Main Street |
| Drake | Peter | TD BANK | Vice president economic research | Bay Street |
| Drummond | Don | TD Bank | Chief economist | Bay Street |
| D'Souza | Lauriette | Dominion Securities Ames Ltd. | Economist | Bay Street |
| Dungan | Peter | Institute for Policy Analysis | Professor of economics | Main Street |
| Dunn | Robert | George Washington University | Economist | N/A |
| Dupuy | Francois | Desjardins Group | | Bay Street |
| Ebata | David | Technical Data | Analyst | Bay Street |
| Eckstein | Otto | DRI | Economist | Bay Street |
| Egleton | Rick | BMO | Deputy chief economist | Bay Street |
| Empey | William | Data Resources of Canada | Economist | Bay Street |
| Fairholm | Robert | DRI Canada | Managing economist | Bay Street |
| Farrow | Maureen | Loewen Ondaatje McCutheon Ltd. | Director of economics | Bay Street |
| Ferley | Paul | BMO | Senior economist | Bay Street |
| Fortin | Pierre | University de Quebec a Montreal | Professor of economics | Main Street |
| Frazee | Rowland | Royal Bank of Canada | Chief executive officer | Bay Street |
| Friedberg | Albert | Friedberg Commodity Management Inc. | Head of Friedberg Commodity Mngt | Bay Street |
| Gampel | Aron | BNS | Senior economist | Bay Street |
| Georgetti | Ken | CLC | President | Heterodox |
| Gestrin | Bengt | Canadian Imperial Bank of Commerce | Economic advisor | Bay Street |
| Getter | Ruth | TD Bank | Vice president Economic research | Bay Street |
| Gignac | Clement | National Bank of Canada | Chief economist | Bay |

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| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| | | | | Street |
| Gomez | Carl | Toronto-Dominion Bank | Economist | Bay Street |
| Gordon | Walter | Canadian Institute for Economic Policy | Chairman | Heterodox |
| Grady | Patrick | Former of Finance | consultant | Main Street |
| Grant | John | CIBC | Chief economist | Bay Street |
| Grant | Jordan | Bank of Canada for Canadians | Chairman | Heterodox |
| Gregory | Michael | RBC | Economist | Bay Street |
| Guatieri | Sal | BMO | Senior economist | Bay Street |
| Hargove | Buzz | Canadian Autoworkers | President | Heterodox |
| Herskowitz | David | A.E. Ames & Co. | Economist | Bay Street |
| Holt | Derek | RBC | Economist | Bay Street |
| Hotson | John | University of Waterloo | Professor of economics | Heterodox |
| Howitt | Peter | University of Western Ontario | Professor of economics | Bay Street |
| Hughes | Sam | Canadian Chamber of Commerce | President | Main Street |
| Hughes | Graham | Canadian Manufacturers Association | Vice President | Main Street |
| Hutchinson | Tom | MMS International / Path International | Senior economist | Bay Street |
| Ip | Irene | Wood Gundy | Assistant vice president | Bay Street |
| Jackson | Andrew | CLC | | Heterodox |
| Jarvis | William | Infometrica ltd. | Chief of macroeconomics | Bay Street |
| Jestin | Warren | BNS | Chief economist | Bay Street |
| Jones | Derek | CIBC | Senior economist | Bay Street |
| Joyce | Ben | Burns Fry Ltd. | Economist | Bay Street |
| Kalirai | Harvinder | Idea Inc. | Canadian market analyst | Bay Street |

**APPENDIX C, Table 2:** Monetary Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| Keane | Roger | Midland Doherty Ltd. | Economist | Bay Street |
| Kerton | Robert | University of Waterloo | Professor of economics | Heterodox |
| Kinnear | Scott | MMS International | Analyst | Bay Street |
| Kniewasser | Andrew | Investment Dealers Association | President | Bay Street |
| Kovacs | Paul | Burns Fry Ltd. | Economist | Bay Street |
| Lauria | Anita | Salomon bros. Inc. | Economist | Bay Street |
| Laurie | Nathan | Department of Finance | Advisor | Bay Street |
| Lavoie | Marc | University of Ottawa | Professor of economics | Heterodox |
| Lazar | Fred | York University | Professor of economics | Heterodox |
| Lepine | Vincent | National Bank Financial | | Bay Street |
| Lovely | Warren | CIBC | | Bay Street |
| Luciani | Patrick | Consultant | | Bay Street |
| Ludak | Zubair | TD Securities Inc. | | Bay Street |
| Mackness | William | Pitfield Mackay Ross Ltd. | Economist | Bay Street |
| MacLean | Brian | Laurentian University | Professor of economics | Heterodox |
| Manford | Michael | Merrill Lynch Royal Securities Ltd. | Economist | Bay Street |
| Marion | Stefane | National Bank Financial | Senior economist | Bay Street |
| Marshall | David | CMA & MMS International | Senior economist | Main Street |
| Maslove | Allan | Carleton University | Director, School of Public Administration | Bay Street |
| Maxwell | Judith | Economic Council of Canada | Chief / President | Main Street |
| Maxwell | Thomas | Conference Board of Canada | Chief economist | Main Street |
| McCallum | John | RBC | Chief economist | Bay Street |

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| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| McCormack | T.W. | Data Resources of Canada | Director of Research | Bay Street |
| McCracken | Michael | Infometrica ltd. | President | Heterodox |
| McQueen | Trina | Canadian Imperial Bank of Commerce | Senior executive | Bay Street |
| McQueen | David | Glendon College, York University | Economist | Heterodox |
| Meagher | Marc | Merrill Lynch Canada inc. | | Bay Street |
| Mendelsohn | Joshua | Canadian Imperial Bank of Commerce | | Bay Street |
| Mohr | Patricia | BNS | Economist | Bay Street |
| Morley | Fred | Atlantic Provinces Economic Council | | Main Street |
| Mulholland | William | Bank of Montreal | Chairman and chief executive | Bay Street |
| Mullins | Mark | Midland Walwyn Capital / Consultant | | Bay Street |
| Myers | Jay | Canadian Manufacturers and Exporters | | Bay Street |
| Nancy | Nancy Hughes | Canadian Chamber of Commerce | President | Main Street |
| Naylor | Thomas | McGill University | Professor of economics | Heterodox |
| Neal | George | Bank of Montreal | Executive vice president and treasurer | Bay Street |
| Neufeld | Edward | RBC | Chief economist | Bay Street |
| Nevine | William | Canadian Construction Association | | Main Street |
| Nicholson | Rodney | Burns Fry Ltd. | Economist | Bay Street |
| Nicholson | Peter | Paul Martin Advisor | Economist | Bay Street |
| O'Hanlan | Michael | Kidder Peabody Securities | | Bay Street |
| O'Neil | Tim | BMO | | Bay Street |
| Orr | Dale | DRI-WEFA | Managing director | Bay Street |
| Osberg | Lars | Dalhousie University | Professor of | Heterodox |

**APPENDIX C, Table 2:** Monetary Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| | | | economics | |
| Palombi | Rob | Standard & Poor's MMS | Analyst | Bay Street |
| Parish | John | BMO | Assistant Chief Economist | Bay Street |
| Perry | David | Canadian Tax Foundation | Research associate | Bay Street |
| Peters | Douglas | TD Bank Chief Economist | Senior economist | Heterodox |
| Phillips | Paul | University of Manitoba | Professor of economics | Heterodox |
| Phillips | Roy | Canadian Manufacturers Association | President | Main Street |
| Porter | Douglas | BMO Nesbitt Burns | Senior economist | Bay Street |
| Powley | Randall | ScotiaMcLeod | Senior economist | Bay Street |
| Purvis | Douglas | Queen's University | Professor of economics | Bay Street |
| Pyle | Andrew | Path International | Senior economist | Bay Street |
| Rabeau | Yves | University de Quebec a Montreal | Professor of economics | Bay Street |
| Rao | Someshwar | Economic Council of Canada | Research economist | Bay Street |
| Reid | Roy | A.E. Ames & Co. + Brault Guy O'Brian Inc. | Research economist | Bay Street |
| Reubur | Grant | SPELLING | | Bay Street |
| Riley | June | Bank of Nova Scotia | Senior economist | Bay Street |
| Ritchie | C.E. | Bank of Nova Scotia | President and chief executive | Bay Street |
| Robson | William | C.D. Howe Institute | Senior policy analyst | Bay Street |
| Rosenberg | David | BNS | Senior economist | Bay Street |
| Ross | David | Economic Consultant -- Canadian Council on Social Development | | Heterodox |
| Rubbin | Jeffrey | Wood Gundy | | Bay Street |
| Ruddick | Elizabeth | Infometrica ltd. | Chief of macroeconomics | Heterodox |

**APPENDIX C, Table 2:** Monetary Policy Sources

| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| Rutley | Todd | CMA | Senior economist | Main Street |
| Saba | George | Montreal Trustco | Chief of econmics | Bay Street |
| Sargent | John | Department of Finance | Director of Fiscal Policy | Bay Street |
| Schimmelpenninck | David | Midland Doherty Ltd. | Analyst | Bay Street |
| Scotland | Francis | Bank Credit Analysts | | Bay Street |
| Sharpe | Andrew | Centre for Study of Living Standards | President | Heterodox |
| Shenfeld | Avery | CIBC Wood Gundy | Senior economist | Bay Street |
| Skene | Leigh | Burns Fry Ltd. | Economist | Bay Street |
| Slater | David | Economic Council of Canada | Chairman | Main Street |
| Smart | Angus | Dominion Securities Ames Ltd. | Economic advisor | Bay Street |
| Smith | Alister | CIBC | Deputy chief economist | Bay Street |
| Soucy | Gilles | Desjardins Group | Chief economist | Bay Street |
| Soukas | John | RBC Dominion Securities | Economist | Bay Street |
| Spector | Robert | Merill Lynch Canada Inc. | Senior eocnomist | Bay Street |
| Srour | Clem | Canadian Exporters Association | Economist | Heterodox |
| Staines | Nick | WEFA Group | Direcot of economics | Bay Street |
| Stanford | Jim | CAW | Economist | Heterodox |
| Stewart | Walter | Former Finance Minister | | Heterodox |
| Stokes | Ernest | WEFA Group | Managing director of economics | Bay Street |
| Summerville | Paul | RBC Dominion Securities | Economist | Bay Street |
| Suri | Surinder K. | Moss Lawson & Co. Ltd. | Chief economist | Bay Street |
| Szadyrsju | Wojciech | Global Insight | | Bay Street |
| Takacsy | Nichols | Greenshields Inc. | Senior vice-president | Bay Street |

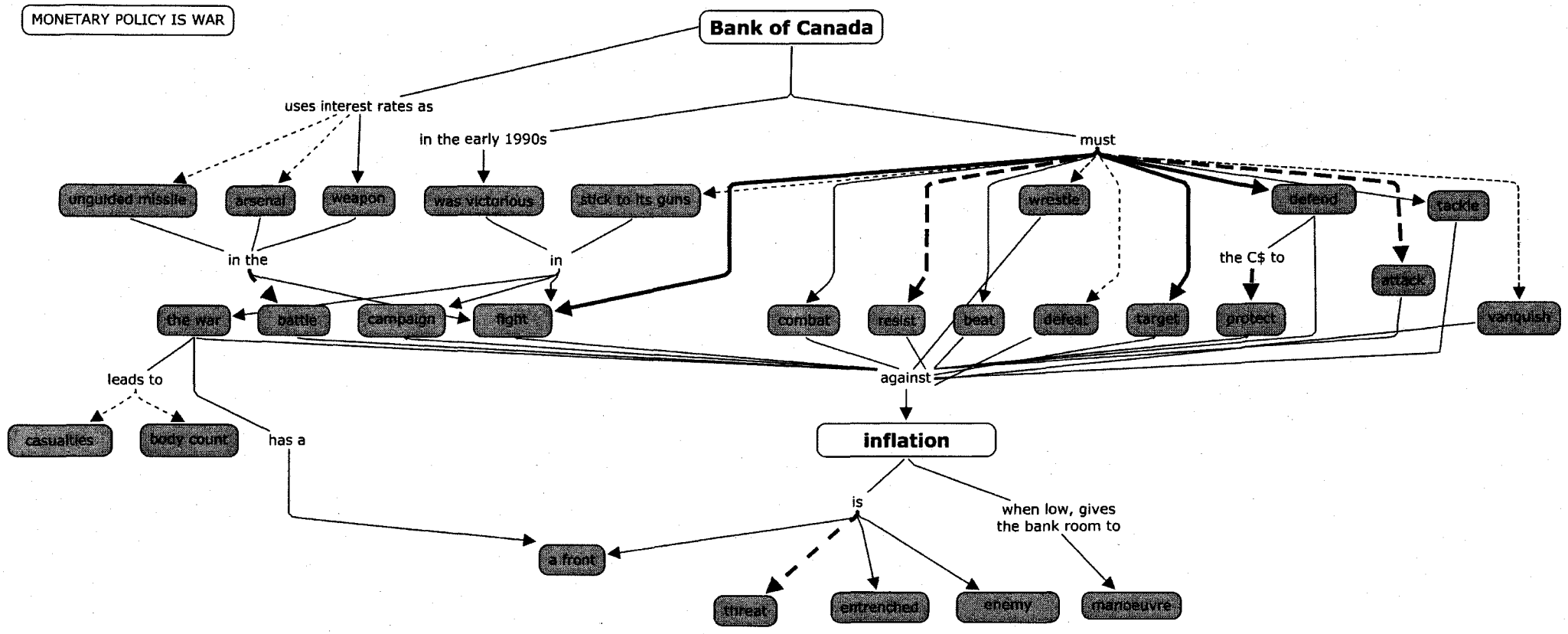
**APPENDIX C, Table 2:** Monetary Policy Sources

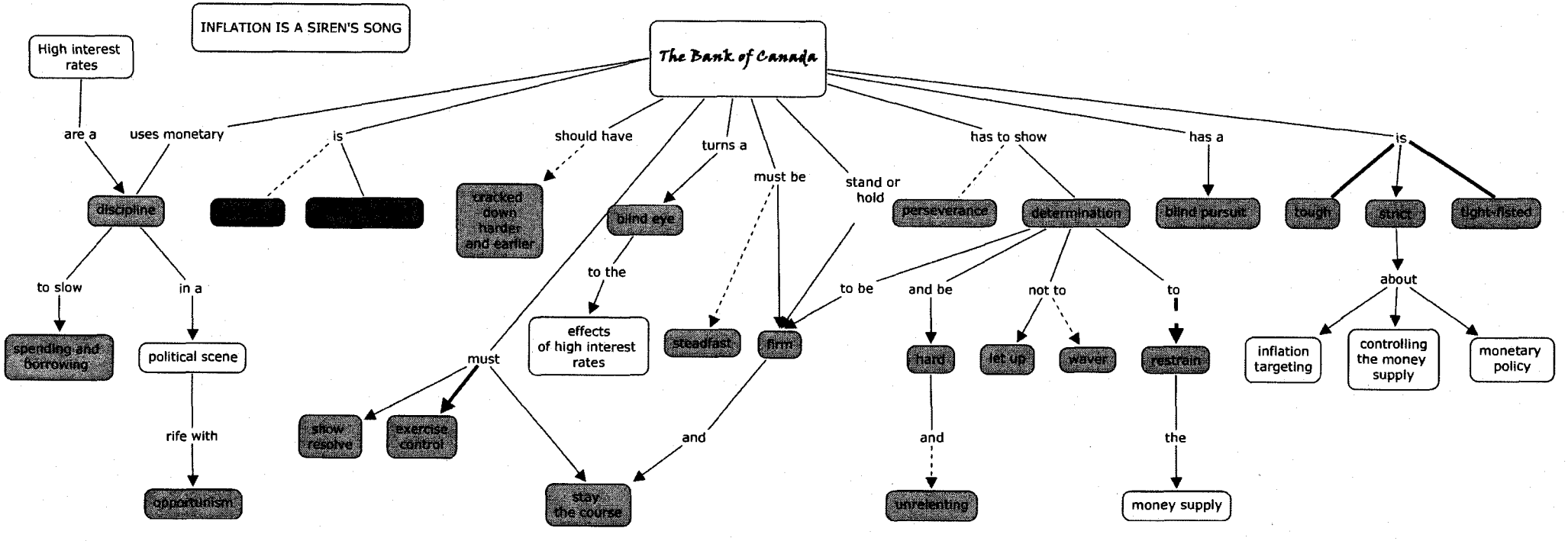
| Yoshikoder Name | First Name | Institution | Title | Monetary Policy Hawk (H), Centre (C), or Dove(D) or Not-in-Sample (N/A) |
|---|---|---|---|---|
| Tal Thadeney | Benny | CIBC Wood Gundy | Senior economist | Bay Street |
| Vasic | George | Data Resources of Canada | Senior economist | Bay Street |
| Vasoff | James | Brault Guy O'Brian Inc. | | Bay Street |
| Walker | Michael | Fraser Institute | President | Bay Street |
| Warren | Adrienne | BNS | | Bay Street |
| Watt | David | BMO Nesbitt Burns | | Bay Street |
| Weinberg | Karl | High Frequency Economics | | Bay Street |
| Whitehead | Tim | CIBC | | Bay Street |
| Wilkinson | B.W. | University of Alberta | Economist | Bay Street |
| Winter | J.R. | Acadia University | Professor of economics | Bay Street |
| Wright | Craig | RBC | | Bay Street |
| Wynss | David | DRI-McGraw Hill Ltd. | | Bay Street |
| Yarish | Allan | RBC | Assistant Chief Economist | Bay Street |
| Young | Arthur | Analytic Information Management Inc. | Consultant | Bay Street |

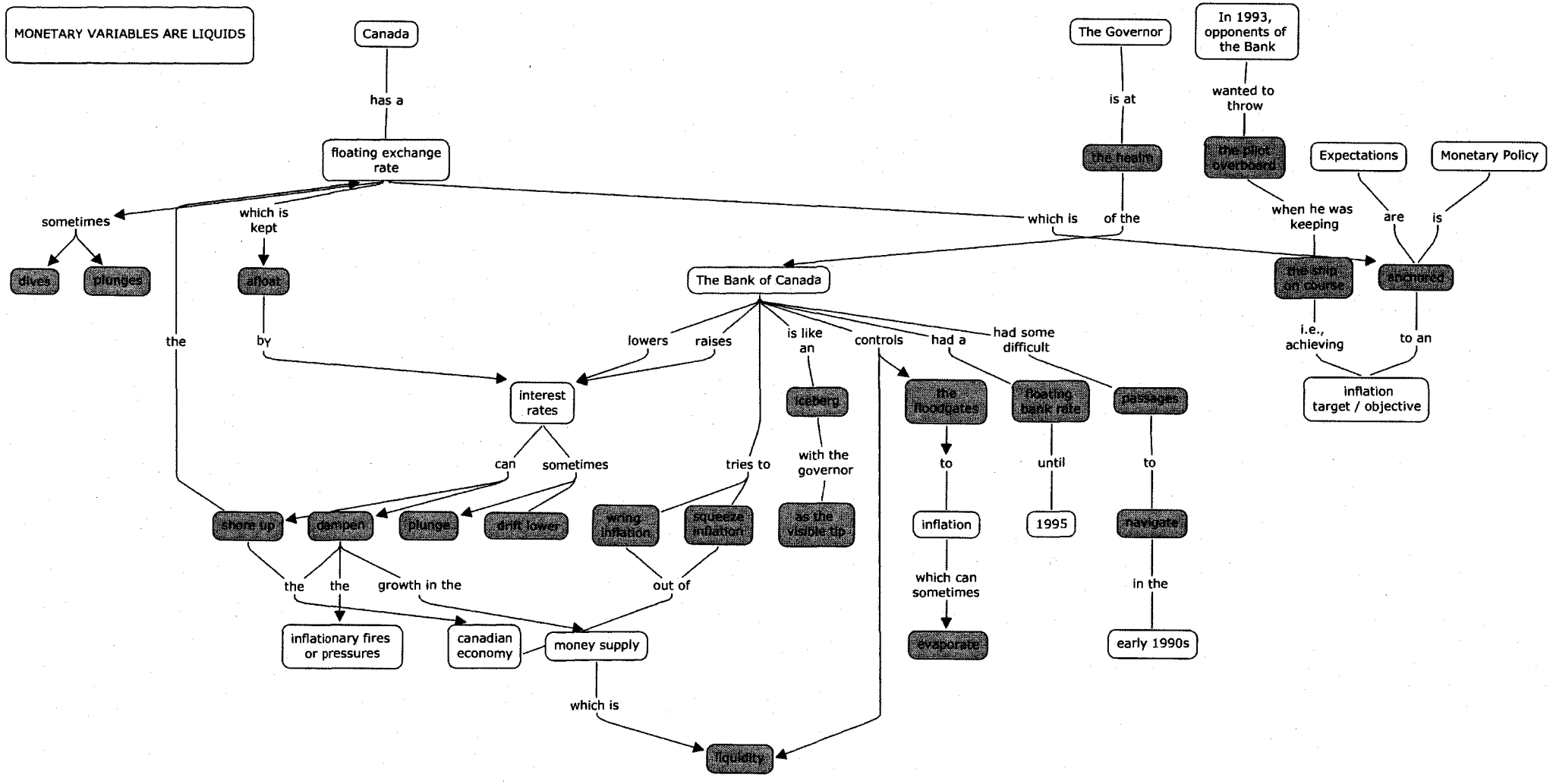
| Source Category | Main Street | Heterodox | Bay Street |
|---|---|---|---|
| **Total Counts** | 19 | 26 | 140 |

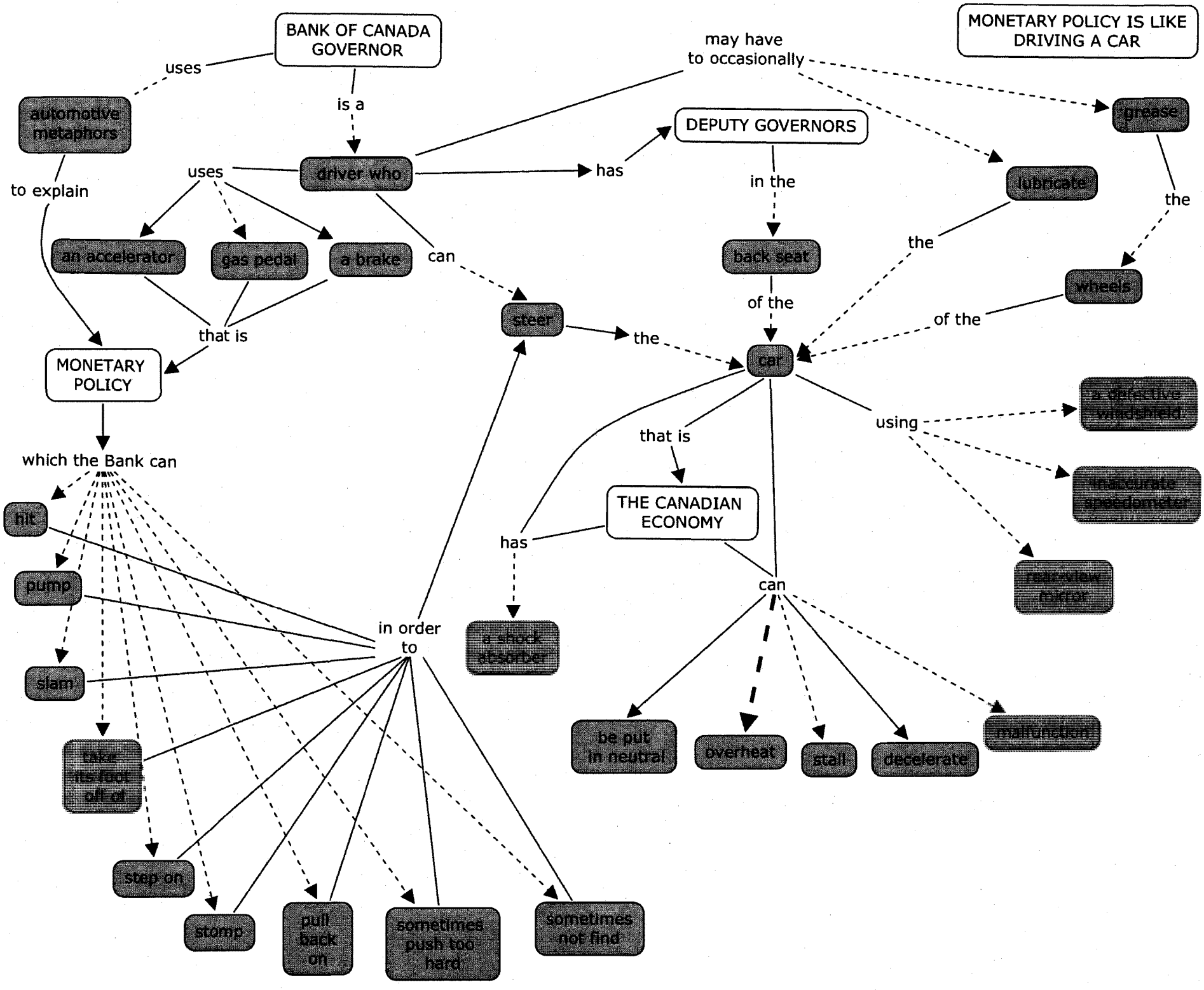
# APPENDIX D: CHAPTER 7

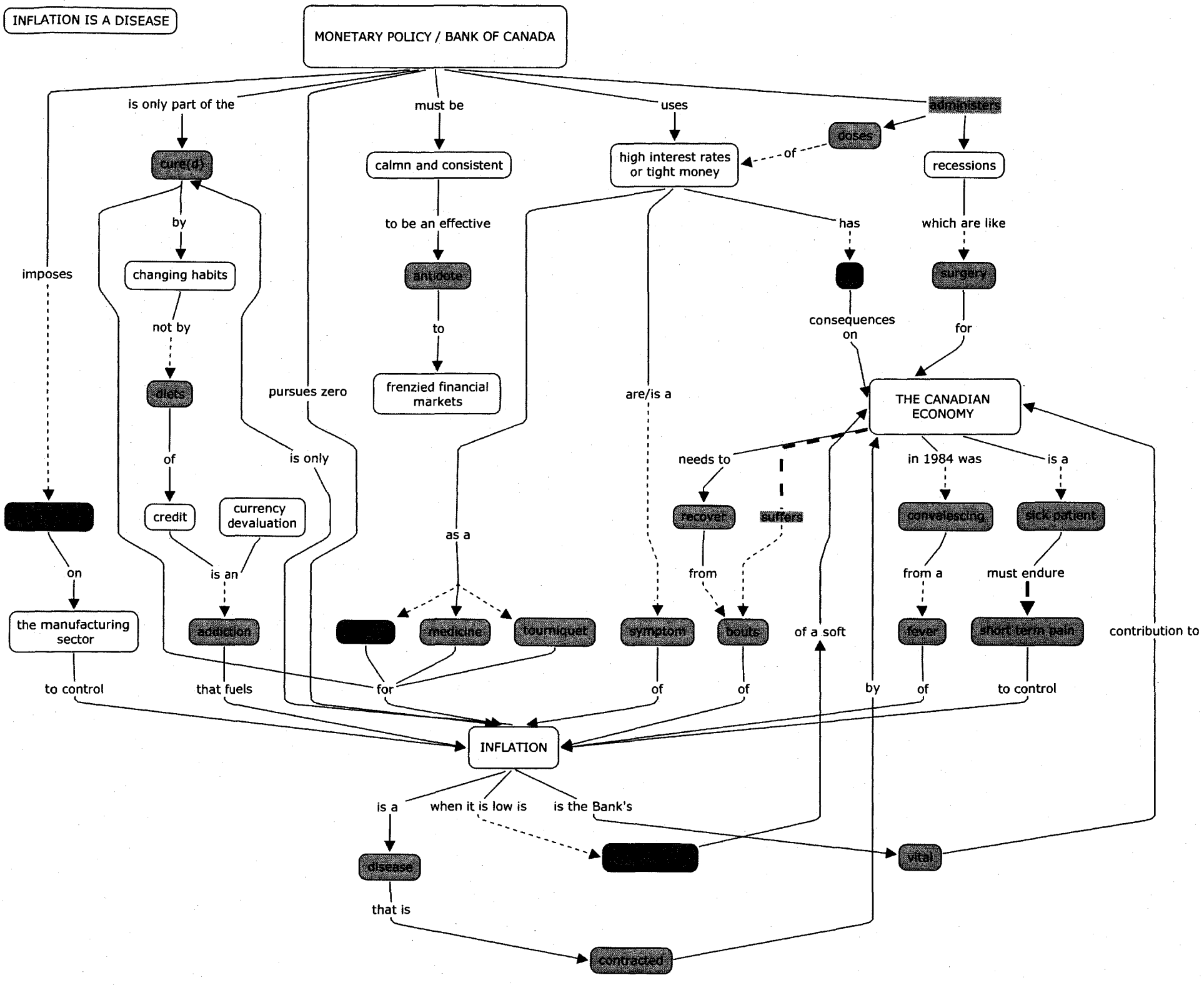
# METAPHOR CATEGORY CONCEPT MAPS


MONETARY POLICY IS WAR
Bank of Canada
uses interest rates as
in the early 1990s
must
unguided missile
arsenal
weapon
was victorious
stick to its guns
wrestle
defend
tackle
in the
in
the C$ to
attack
the war
battle
campaign
fight
combat
resist
beat
defeat
target
protest
vanquish
leads to
against
casualties
body count
has a
inflation
is
when low, gives
the bank room to
a front
threat
entrenched
enemy
manoeuvre

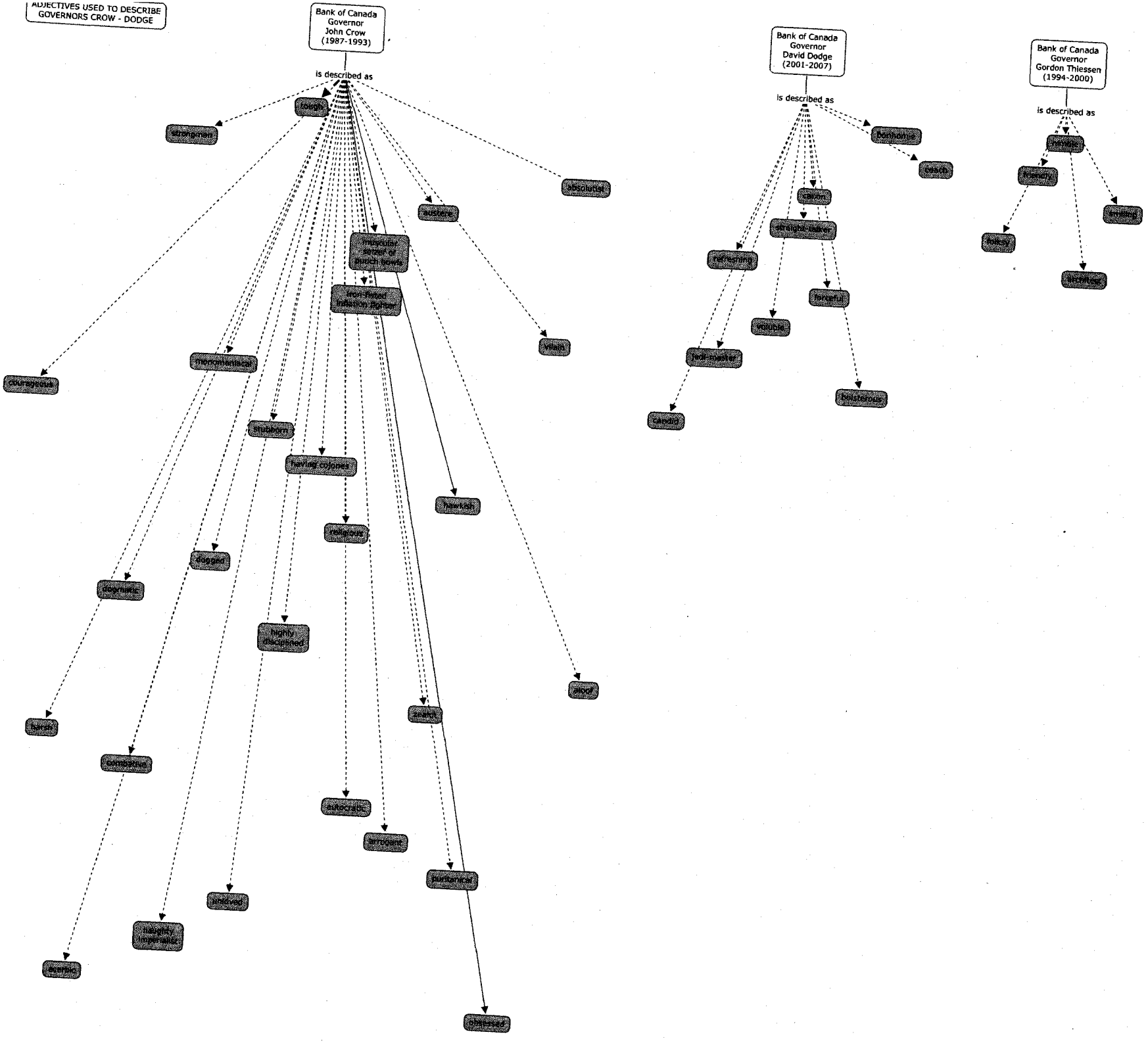

INFLATION IS A SIREN'S SONG
The Bank of Canada
High interest rates
are a
uses monetary
discipline
to slow
spending and borrowing
in a
political scene
rife with
opportunism
is
[redacted]
[redacted]
should have
cracked down harder and earlier
turns a
blind eye
to the
effects of high interest rates
must be
steadfast
firm
stand or hold
to be
must
show resolve
exercise control
and
stay the course
has to show
perseverance
determination
and be
hard
and
unrelenting
not to
let up
waver
to
restrain
the
money supply
has a
blind pursuit
is
tough
strict
tight-fisted
about
inflation targeting
controlling the money supply
monetary policy

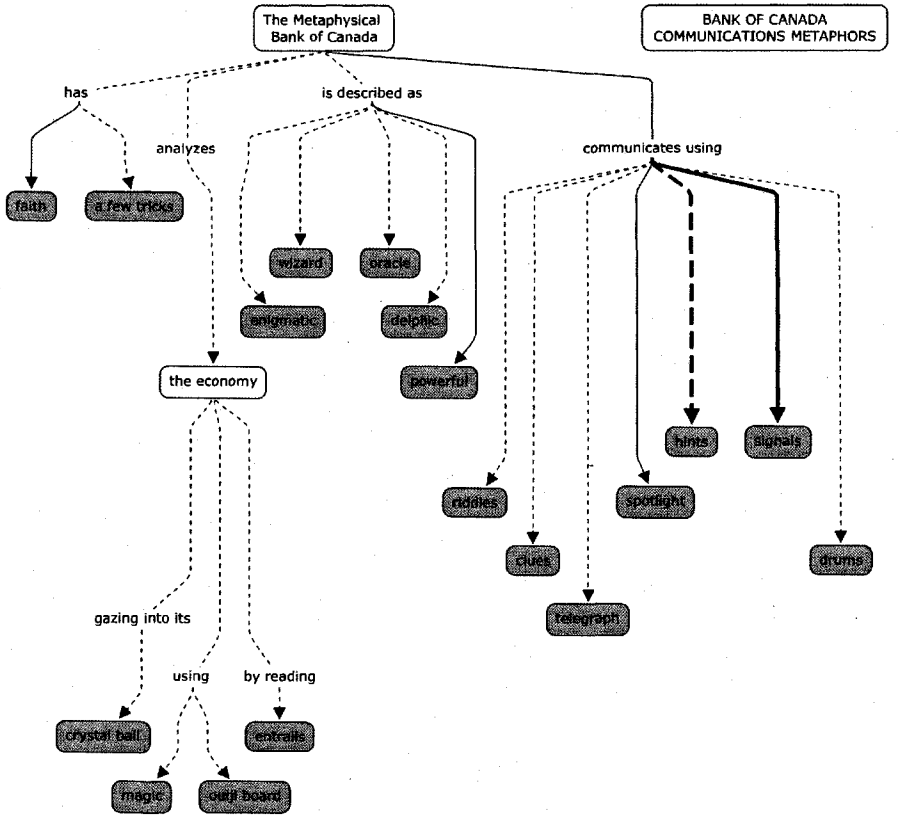

MONETARY VARIABLES ARE LIQUIDS
Canada
has a
floating exchange rate
sometimes
dives
plunges
which is kept
afloat
by
the
interest rates
can
sometimes
shore up
dampen
plunge
drift lower
the
the
growth in the
inflationary fires or pressures
canadian economy
money supply
which is
liquidity
The Bank of Canada
lowers
raises
is like an
iceberg
with the governor
as the visible tip
tries to
wring inflation
squeeze inflation
out of
controls
had a
the floodgates
to
inflation
which can sometimes
evaporate
floating bank rate
until
1995
had some difficult
passages
to
navigate
in the
early 1990s
The Governor
is at
the helm
which is
of the
In 1993, opponents of the Bank
wanted to throw
the pilot overboard
when he was keeping
the ship on course
i.e., achieving
inflation target / objective
Expectations
are
Monetary Policy
is
anchored
to an

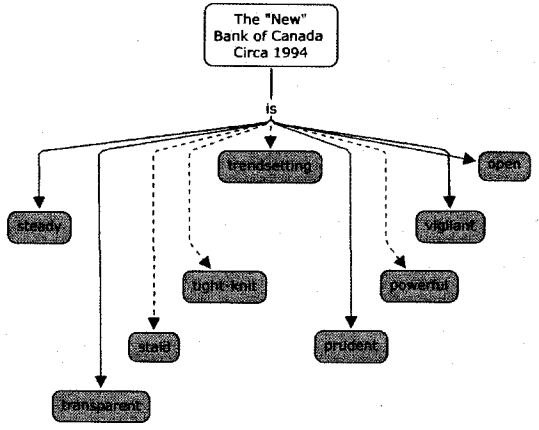

MONETARY POLICY IS LIKE DRIVING A CAR
BANK OF CANADA GOVERNOR
uses
automotive metaphors
to explain
is a
driver who
uses
an accelerator
gas pedal
a brake
that is
MONETARY POLICY
which the Bank can
hit
pump
slam
take its foot off of
step on
stomp
pull back on
sometimes push too hard
sometimes not find
in order to
can
steer
the
car
may have to occasionally
has
DEPUTY GOVERNORS
in the
back seat
of the
grease
lubricate
the
wheels
the
of the
using
a defective windshield
inaccurate speedometer
rear-view mirror
malfunction
that is
THE CANADIAN ECONOMY
has
a shock absorber
can
be put in neutral
overheat
stall
decelerate

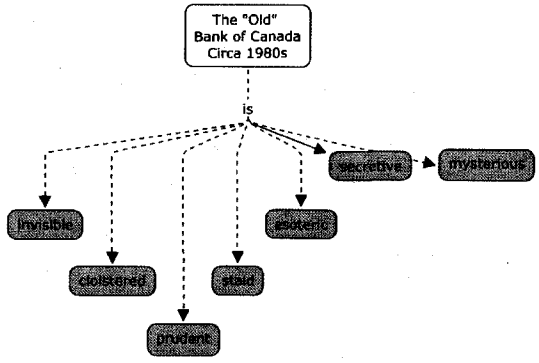

INFLATION IS A DISEASE
MONETARY POLICY / BANK OF CANADA
is only part of the
must be
uses
administers
doses
of
cure(d)
calmn and consistent
high interest rates or tight money
recessions
by
to be an effective
has
which are like
imposes
changing habits
antidote
surgery
not by
to
consequences on
for
diets
pursues zero
frenzied financial markets
are/is a
THE CANADIAN ECONOMY
of
is only
needs to
in 1984 was
is a
credit
currency devaluation
recover
suffers
convalescing
sick patient
as a
on
is an
from
from a
must endure
the manufacturing sector
addiction
medicine
tourniquet
symptom
bouts
of a soft
fever
short term pain
contribution to
to control
that fuels
for
of
of
by
of
to control
INFLATION
is a
when it is low is
is the Bank's
disease
vital
that is
contracted

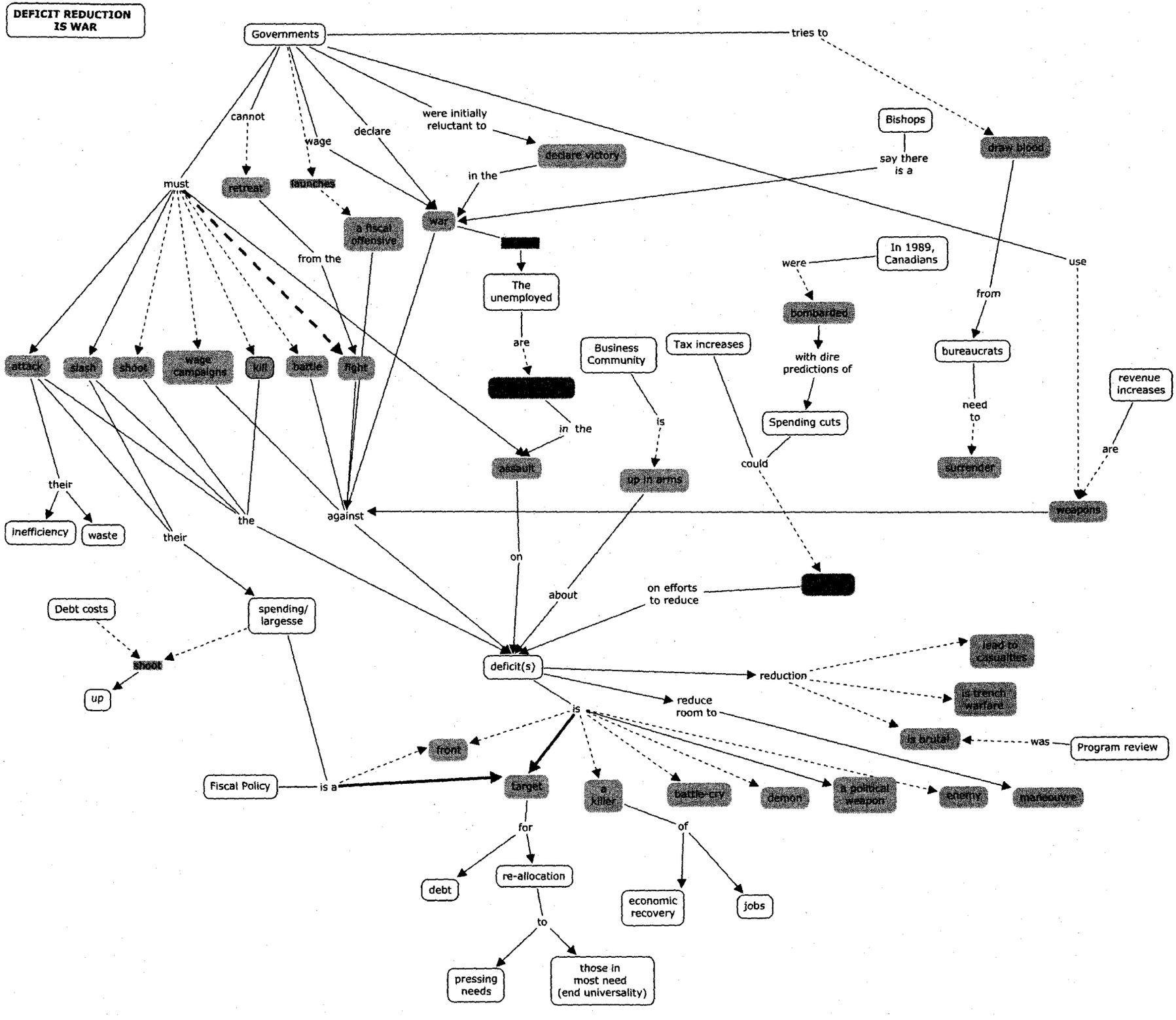
ADJECTIVES USED TO DESCRIBE GOVERNORS CROW - DODGE

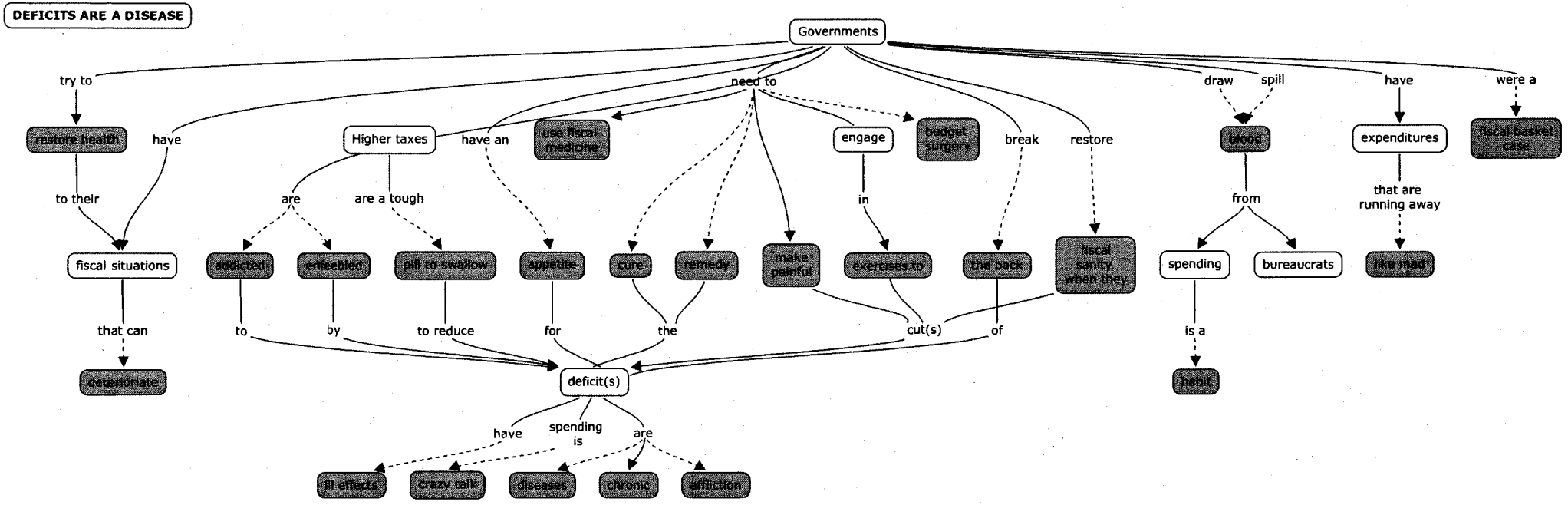


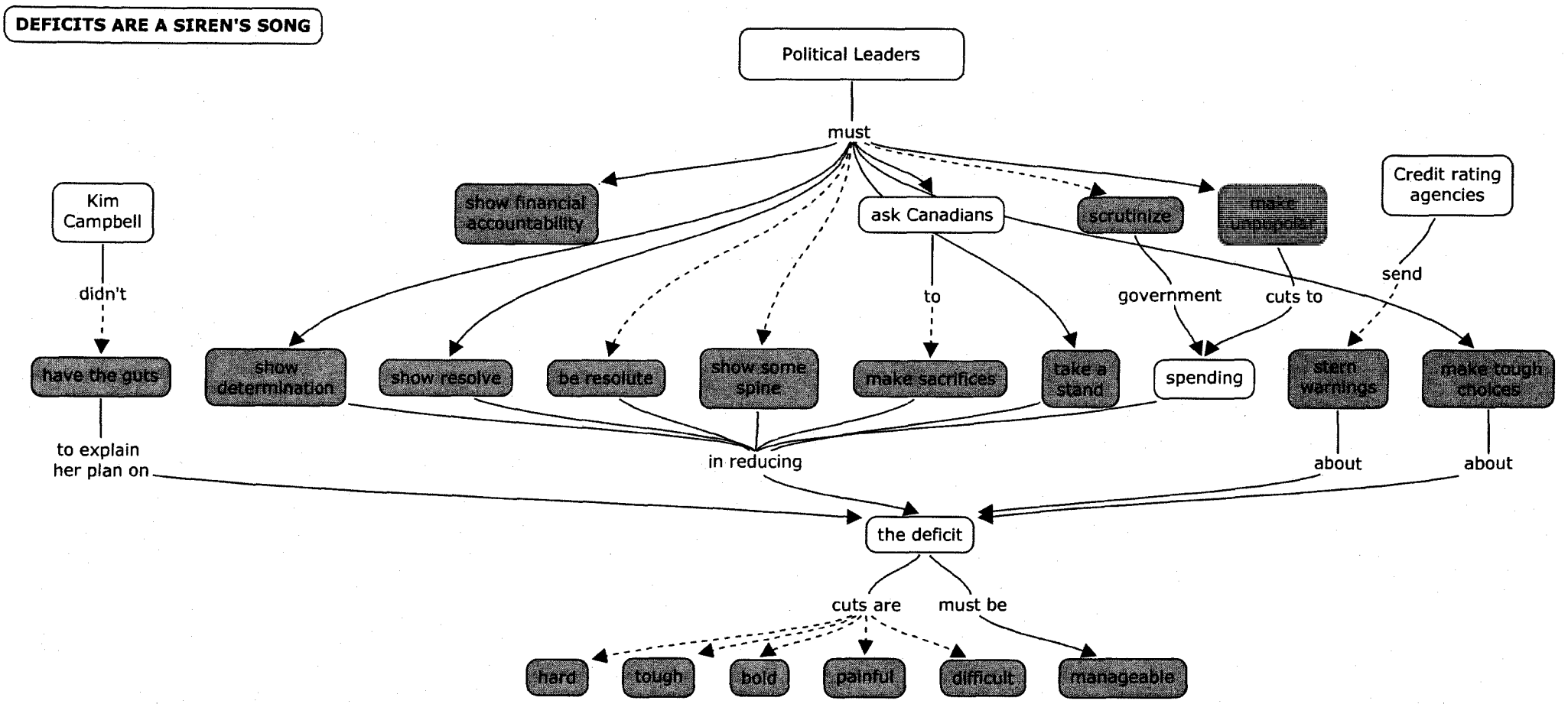

The Metaphysical Bank of Canada
BANK OF CANADA COMMUNICATIONS METAPHORS
has
analyzes
is described as
communicates using
faith
a few tricks
wizard
oracle
enigmatic
delphic
powerful
the economy
hints
signals
riddles
spotlight
clues
drums
telegraph
gazing into its
using
by reading
crystal ball
entrails
magic
ouija board

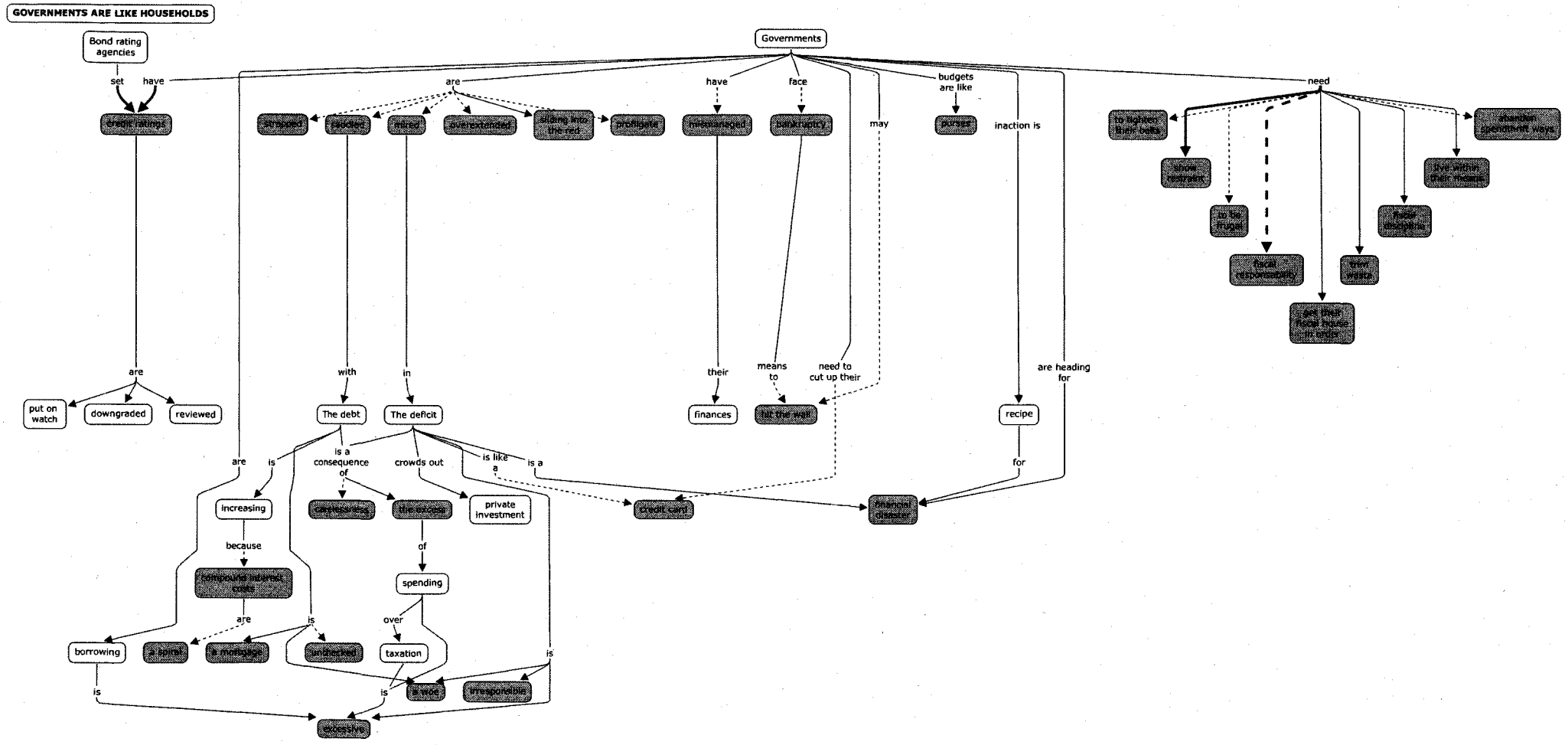

The "New" Bank of Canada Circa 1994
is
trendsetting
open
steady
vigilant
tight-knit
powerful
staid
prudent
transparent


The "Old" Bank of Canada Circa 1980s
is
secretive
mysterious
invisible
secretive
conservative
staid
prudent


DEFICIT REDUCTION IS WAR
Governments
tries to
cannot
wage
declare
were initially reluctant to
Bishops
say there is a
draw blood
retreat
launches
declare victory
in the
must
a fiscal offensive
war
from the
The unemployed
In 1989, Canadians
were
use
from
bombarded
are
Business Community
Tax increases
with dire predictions of
bureaucrats
attack
slash
shoot
wage campaigns
kill
battle
fight
revenue increases
Spending cuts
need to
in the
is
assault
up in arms
could
surrender
are
their
inefficiency
waste
the
against
weapons
their
on
about
on efforts to reduce
Debt costs
spending/ largesse
shoot
up
deficit(s)
reduction
lead to casualties
is trench warfare
reduce room to
is brutal
was
Program review
is
front
Fiscal Policy
is a
target
a killer
battle-cry
demon
a political weapon
enemy
manoeuvre
for
of
debt
re-allocation
economic recovery
jobs
to
pressing needs
those in most need (end universality)


DEFICITS ARE A DISEASE
Governments
try to
need to
draw
spill
have
were a
restore health
have
Higher taxes
have an
use fiscal medicine
engage
budget surgery
break
restore
blood
expenditures
fiscal basket case
to their
are
are a tough
in
from
that are running away
fiscal situations
addicted
enfeebled
pill to swallow
appetite
cure
remedy
make painful
exercises to
the back
fiscal sanity when they
spending
bureaucrats
like mad!
that can
to
by
to reduce
for
the
cut(s)
of
is a
deteriorate
deficit(s)
habit
have
spending is
are
ill effects
crazy talk
diseases
chronic
affliction


DEFICITS ARE A SIREN'S SONG
Political Leaders
must
Kim Campbell
didn't
have the guts
to explain her plan on
show financial accountability
show determination
show resolve
be resolute
show some spine
ask Canadians
to
make sacrifices
take a stand
scrutinize
government
spending
make unpopular
cuts to
Credit rating agencies
send
stern warnings
make tough choices
about
about
in reducing
the deficit
cuts are
must be
hard
tough
bold
painful
difficult
manageable


GOVERNMENTS ARE LIKE HOUSEHOLDS
Bond rating agencies
set
have
credit ratings
are
put on watch
downgraded
reviewed
Governments
are
overspend
reduce
raised
overextended
sliding into the red
profligate
have
mismanaged
their
finances
face
bankruptcy
means to
fall the wall
need to cut up their
may
budgets are like
pursse
recipe
for
inaction is
are heading for
need
to balance their books
show restraint
to be more frugal
fiscal responsibility
show prudence
live within their income
stop borrowing
cut their spending
show prudence
live within their means
with
The debt
in
The deficit
are
is
increasing
because
compound interest rates
are
borrowing
is
a spiral
a mortgage
is
underwater
is a consequence of
crowdsing
the excess
of
spending
over
taxation
crowds out
private investment
is like a
credit card
is a
personal debtor
is
is
a wide
irresponsible
is
excessive

# APPENDIX E: CHAPTER 8

ROB Column

**The $600-billion Debt Mountain**

TERENCE CORCORAN

823 words

23 February 1994

The Globe and Mail

B2; (ILLUS)

English



TERENCE CORCORAN

1. YOUR attention is drawn to the accompanying contour map of **Debt Mountain**, the huge landfill of spending deficits a succession of Liberal and Tory governments have built over the decades. The current federal debt of about $500-billion is equal to 70 per cent of gross domestic product. In his budget yesterday, Finance Minister Paul Martin planned to throw another $100-billion worth of deficits onto the mountain over the next three years, raising the debt-to-GDP ratio to 75 per cent.
2. In the wired world of federal fiscal policy making, where a buck is a buck that belongs to somebody else, this is being hailed as a victory. By the end of 1996-97, according to Finance Department forecasts, the federal debt will be roughly $608-billion or 74.5 per cent of GDP. Stop the presses! Federal debt-GDP ratio to fall 0.5 per cent three years from now!
3. There's no exceptional reason to believe that the forecast will prove wrong, except for the fact that only a couple of years ago, when the deficit was $380-billion, the Tories produced budgets that planned to lower the debt-GDP ratio to 65 per cent.
4. The Liberals have a reasonable chance of achieving their forecast, or at least their chances are no more unreasonable than the Tories' chances were in 1985, 1987, 1991, or 1993. Stopping the growth in the debt as a percentage of the total economy is considered a bare minimum crisis- avoidance target. The Tories appeared to come close to stabilizing debt growth during the 1980s, when the ratio looked like it might peak at 55 per cent, but their forecasts ran off the rails.
5. So is this going to be the peak - at 75 per cent in 1997? And even if it is, what will have been accomplished? Once it hits $608-billion in 1997, annual interest costs on the federal debt will take up more than $40-billion a year, or 25 per cent of spending. As a percentage of revenue, interest costs will consume 32 per cent. These ratios are

identical to those in existence today, which means that Canadians are going to be locked into current tax-and-spend regimes three years from now, with no hope of change in sight.

6. Declaring victory in wars they didn't fight or battles not yet engaged is standard finance minister practice. Mr. Martin, for example, claimed yesterday to have conquered inflation. Building up a head of rhetorical blarney in his speech, the Finance Minister declared that "To succeed we must get monetary and fiscal policy right. We have done the first." Whaaaa? Who has? We? Both Mr. Martin and Prime Minister Jean Chretien have just taken credit for getting rid of John Crow as Governor of the Bank of Canada because they didn't like his monetary policy. Now they're taking credit for having turned Canada into a low-inflation economy.
7. Having showered himself with accolades for something he didn't do, Mr. Martin is now claiming credit for something he has not yet done, control the deficit. To be fair, the Liberals have a hypothetical opportunity to actually get fiscal policy right - as they define it. To achieve their minimum plan of loading another $100-billion in new debt onto the backs of taxpayers, Mr. Martin has some economic wind at his back, as the economy grows amid low inflation and interest rates.
8. Yesterday's budget demonstrates, however, that the Liberals are still not prepared to move ahead of the debt crisis. They merely intend to march along beside it. Behind their blizzard of budgetary fiddles and statistical jumbles, all very busy looking, the annual deficit is still going to be $40-billion next year, about the same as the underlying deficit left behind by the Tories for this year. By 1996-97, the annual deficit will be $25-billion, if all goes according to plan.
9. As for Mr. Martin's tax and spending measures, from unemployment insurance reform to defence cuts, the government clearly sees responsible fiscal management as an exercise in fine-tuning and hedge trimming.
10. The UI reforms, for example, deal with only part of the program's problems. Two years from now, the fund will still be dispensing $17.3- billion a year, including $1-billion or more to subsidize men and women who have newborn babies to look after. This is the New Economy?

11. It is possible that the "social security reform strategy" that Human Resources Minister Lloyd Axworthy is working on will produce more savings before the 1996-97 fiscal year. It is possible the debt will actually come under control, and maybe we are close to the peak.
12. But yesterday, from atop **Debt Mountain**, scanning the horizon, there's no sign of anything coming up the hill - other than another load of landfill.

Editorial
**Martin cowers before Debt Mountain**
1190 words
23 February 1994
The Globe and Mail
A20
English

1. THE Liberal government's approach to deficit reduction may be summarized as follows: do not be seen to try, and you will not be seen to fail. Much effort was expended immediately after the election in massaging the deficit up to $45-billion for the fiscal year just ending, the last on the Tories' watch. Much more was given to inflating expectations for the 1994- 95 deficit up to the $40-billion mark. So when the budget duly delivers a deficit of $39.7-billion, it is in the hope that no one will notice, amid all the congratulations and sighs of relief, that the net effect of Liberal policy in their first year in office is to increase the deficit, not reduce it.
2. The best estimate of the deficit for 1993-94, to begin, is not $45- billion, but $40-billion. The Liberals added fully $5-billion in "non- recurring factors," mostly accounting adjustments. Perhaps some of these should be laid at the Tories' feet, perhaps not: but how much and how fast to add them to the books was indisputably at the present government's discretion. On top of these, the budget adds $700-million in "restructuring charges" to last year's deficit related to changes in defence policy introduced by the Liberals.
3. For 1994-95, the budget papers show the deficit "would have" been $41.2-billion with no change in policy. Even at face value, that means that all the Finance Minister's stretching and groaning would have yielded deficit cuts of just $1.5-billion, on a budget of $164-billion. But $800- million of those cuts are achieved simply by leaving in place Tory policy initiatives announced in the last budget - that is, with no change in policy. They only count as Liberal cuts if you assume the Tories would have revoked their own policies. The "no-change" deficit for this year, then, is really $40.4-billion, a scant $700-million more than the deficit the Liberals have just produced.
4. That glacial progress is understandable, once you look at the timid contents of the budget. We are no doubt expected to be grateful that taxes were not increased as

much as advertised - most notably, that RRSPs were untouched. But taxes were indeed raised: by next year, the budget's "tax base broadening" measures will be yielding $1.4-billion in extra revenues, the equivalent of raising top marginal income tax rates by three or four percentage points. By and large, it should be said, these changes - reducing the business entertainment deduction to 50 per cent, taxing part of employer-paid health insurance premiums, scrapping the capital gains deduction, narrowing eligibility for the small-business rate reduction, taxing back the age credit from well-to-do old people - are good tax policy. But given that federal revenues are already near record levels in real per capita terms, the yield from base-broadening should be used to reduce Canada's punishingly high marginal income tax rates, now in excess of 50 per cent in every province but Alberta.

5. As for spending, let us quote one representative passage from the budget speech. "Together with reductions in tax breaks for business, this budget reduces subsidies to business in excess of the $225-million target contained in Creating Opportunity" - the famous red book of election promises. Read it over carefully; the thing positively glows with deceit. It implies, first, that the cuts should be measured against the lax standards the Grits set for themselves, not against the amount the government actually spends on handouts to business: at least $3.3-billion, on a very narrow definition. More outrageously, it suggests that raising taxes ("reductions in tax breaks") is the same thing as cutting spending: that an increase in taxes, about which the red book said nothing, may be used to support a claim to have met the same red book's promise to cut spending. In point of fact, business subsidies were not reduced by anything like $225-million. At $3.3-billion, they are just $100-million less than last year - and $100-million more than two years ago. Indeed, the Liberals have actually increased business subsidies by $200-million from the figure projected for this year in the Mazankowski budget.
6. The same skepticism should greet claims to have cut spending overall. Total program spending, adjusting for the Defence "restructuring" switcheroo, will increase by about $2-billion this year, to $123-billion. True, we are told it will be frozen at that level next year. We'll see. Certainly most of the spending cuts in the budget, praiseworthy as they seem, are firmly in next-year country: cuts in unemployment insurance

benefits and federal-provincial transfers, of which again the red book said nothing. We are glad to be rid of the KAON project, and should probably rejoice at the "orderly withdrawal" from the International Space Agency, but it is still the case that the Liberals have not yet begun to tackle spending: while a freeze means a reduction in real per capita terms, that only takes it back to mid-1980s latitudes. Like the Tories before them, they are still about nine years behind the loop: this would have been a pretty good budget, in 1985. But much has happened since then, namely about $300-billion in federal debt.

7. Which is to say, the problem isn't the deficit any more: it's the debt. The plain fact is that the Liberals have set us on course for another $100-billion in debt over the next three years. Even if they do meet their deficit target of 3 per cent of GDP, that will only stabilize the debt at 75 per cent of GDP. That means federal finances will continue to be hostage to the cost of interest on that debt. At $41-billion, interest charges already absorb 33 cents of every dollar of revenue, with interest rates at 30-year lows; each additional percentage point in interest rates costs another $2-billion. Once, a spending freeze would have been a major achievement; today, it is simply inadequate.
8. This generation of Canadians, in this Parliament, is imposing a lower standard of living on the next generation through sustained, profligate borrowing. Interest charges of more than $40-billion a year are eating into education and health care, defence, foreign aid, infrastructure and support for the poor. Rising taxes to finance the growing weight of debt are eating into personal incomes and corporate profits, undermining Canada's competitive position and thus the prospect of jobs for its citizens. The national government is turning itself into a large and feeble creature, sapped of the power to take initiatives, presenting a caricature of leadership.
9. A deficit of $40-billion in 1994 - signifying no progress on the status quo - with more such deficits to come, is profoundly dispiriting. This budget makes a mockery of Jean Chretien's promise of a return to the "good old days." In the good old days, the future was not mortgaged to the selfishness and cowardice of the current generation.

Editorial
**Cheap tricks for tawdry ends**
870 words
25 February 1994
The Globe and Mail
A26
English

1. SINCE that black day in November when the new Liberal Finance Minister, Paul Martin, revealed that the deficit for 1993-94 would not be the $32.6- billion projected in the Conservatives' final budget last April, but as high as $46-billion, a lot of people have been left wondering how this disaster could possibly have happened.
2. At the time, Mr. Martin seemed to blame his department, announcing he would call in a team of outside experts to review Finance's forecasting methods. As it turns out, the government did overestimate economic growth - but not by that much. The Mazankowski budget forecast nominal GDP in fiscal 1994 would grow by 4.6 per cent, to $719-billion. In the event it came in at $711-billion. The mystery deepens. How do you get $13-billion more deficit out of $8-billion less economic growth? How could the Tories have got it so wrong?
3. Only now, with the release of Mr. Martin's own budget, is the answer clear: they didn't. Mr. Martin fibbed. At least a third of the overshoot was due to his own efforts. The deficit he inherited was indeed awful, but it was nowhere near the $45.7-billion that is now the official figure. Understand what this means. All of the Liberals' claims to have cut the deficit in this year's budget are measured against that shocking number. All of the specific spending cuts they have made, in the face of explicit election promises that they would not, are justified on the same basis. It rather undermines their case to find it's a pack of lies.
4. Indeed, once you account for the $1.9-billion in extra spending Mr. Martin has stuffed into last year's figures, you find they didn't cut spending overall, didn't even increase it by the small amount claimed: rather, they have raised program spending by $4.6-billion. If, in addition, the $2.1-billion in fiscal 1994 revenues shifted forward onto this year's books were returned to their rightful place, the budget would show a deficit that was rising, not falling. In sum, faced with the worst fiscal crisis in our history, the Grits have done worse than nothing: they've added to it.

5. You'd never know any of this from a quick read of the budget. So let's reconstruct the numbers. Start with that $45.7-billion figure, and work back. The Liberals themselves acknowledge that $700-million of that is their own doing: it's identified in the budget under "restructuring charges." Of that, $250-million is the cost of cancelling the EH-101 helicopter contract, while $450-million is associated with base closings and other Defence cuts. Why should these costs, which have yet to be incurred, be counted as part of last year's spending? Good question.
6. The same applies to the $1.2-billion listed as "stabilization claims." There is no automatic obligation for Ottawa to pay the bearer on demand under this little-used federal program, which offers compensation to provincial governments in cases of extraordinary declines in revenues. The Conservatives took five years to settle with Alberta in the late 1980s; more recently, they gave Ontario a fraction of what it was seeking. Yet not only did Mr. Martin decide to splurge for $1.2-billion, but he merrily chalked it up to the previous government's tab.
7. Mr. Martin added a further $1.2-billion to last year's deficit by accelerating income tax refunds, normally paid out after the fiscal year has ended, into February and March, thus depressing last year's revenues and inflating this year's by an equal amount. The same trick in reverse, delaying tax receipts into next year by converting some taxpayers to annual payments instead of quarterly, bumps another $900-million of revenues into this year's budget, at last year's expense. All told, Mr. Martin has thus shifted $4-billion onto last year's deficit that should reasonably be counted against his own.
8. That means at most - at most -the fiscal 1994 deficit was $41.7- billion, assuming no other fudges. And the deficit for 1994-95? Try $43.7- billion - higher than last year, and higher than it would have been with no change in policy. Spending, instead of edging up from $121.8-billion to $122.6-billion, leaps from $119.9-billion to $124.5-billion: again, exceeding even the $3-billion increase set out in the Mazankowski budget.
9. More than the failure to control spending, what is truly appalling about this performance is its duplicity, though Mr. Martin is not by any means the first finance minister to resort to such tricks. It shouldn't take a forensic accountant to decipher a

public document: budgets are supposed to be about revealing how the people's money is being spent, not concealing it. Or have they forgotten whose money it is?

Features

**Bankrupt Canada? HOW OTHERS SEE US / According to The Wall Street Journal, Canada 'has now become an honorary member of the Third World in the unmanageability of its debt problem'**

713 words

13 January 1995

The Globe and Mail

A21 English

The text of an editorial that appeared yesterday in The Wall Street Journal, under the heading Bankrupt Canada?:

1. MEXICO isn't the only U.S. neighbour flirting with the financial abyss. Turn around and check out Canada, which has now become an **honorary member of the Third World** in the unmanageability of its debt problem. If dramatic action isn't taken in next month's federal budget, it's not inconceivable that Canada could hit the debt wall and, like Britain in the 1970s or New Zealand in the 1980s, have to call in the International Monetary Fund to stabilize its falling currency.
2. The Canadian dollar's problems were finely detailed in the (Wall Street) Journal yesterday by reporters Michael Sesit and Suzanne McGee. (See excerpt below.) Additionally, Canada has the second-highest ratio of debt to GDP of any industrialized economy; only Italy surpasses it. But Italy finances most of its debt through domestic borrowing, while Canada ran a $30-billion balance-of-payments deficit last year. About 40 per cent of Canada's national and provincial debt is held by foreigners. They should worry that 35 per cent of all federal revenues now go to service the debt.
3. Ed Neufeld, who until last year was chief economist for the Royal Bank of Canada, says the moment of truth will come next month when the Liberal government presents its budget. Finance Minister Paul Martin has been making noises about a radical pruning of government expenditures. "We don't have much time," Mr. Neufeld says. "If Canada has to go cap in hand to the IMF, it will represent the worst financial crisis in the country's history."
4. Thankfully, some of Canada's 10 provinces have been showing it's possible for governments to get out of the tax and debt trap and survive politically. Saskatchewan

has closed many marginal rural hospitals. New Brunswick has abolished the school-board bureaucracy and imposed tough workfare requirements.

5. But the most impressive performance is in Alberta, where former Calgary mayor Ralph Klein was elected premier in 1992. He has slashed government spending 20 per cent by simultaneously taking on every special interest from subsidized businesses to health-care providers. Some 40,000 of Alberta's 90,000 welfare recipients have been removed from the rolls or placed in training programs. As a result, Alberta's provincial debt has been cut by 80 per cent at the same time that Mr. Klein's Conservative government has risen to a 61-per-cent approval rating.
6. The economy there has responded well to the medicine. It grew by 4 per cent last year, while unemployment has fallen to 7.4 per cent from 9 per cent. Premier Klein predicts that the provincial government's share of GDP will fall to 14 per cent from today's 18 per cent by 1997. He hints he plans to cut income taxes before the next election.
7. "The U.S. is talking about achieving a balanced budget in 2002," he says. "As a province we plan to be deficit-free long before then, and already paying down our debt." Inspired by Alberta's example, the Ontario Conservative Party recently endorsed a plan to reduce government spending and cut the top rate of income tax in the province to 46 per cent from 52 per cent.
8. On the federal level there are dozens of budgetary white elephants long overdue for a diet if the Liberal government has the proper will. The Fraser Institute, a Vancouver free-market think tank, recommends privatizing the Canadian National Railway and Canada Post along with ending transfer payments to taxpayers with above-average incomes. Short of that, there are massive savings to be had in trimming many other federal programs.
9. What's clear is that Canada can no longer dawdle over its debt and tax burdens. It has lost its triple-A credit rating and can't assume that lenders will be willing to refinance its growing debt forever. Before Canada "hits the wall," it must put on the brakes and take its government in a new direction.

THE WALL STREET JOURNAL.

Foreign Exchange

**Long-Suffering Canadian Dollar Slips to 8 1/2-Year Low**

By Michael R. Sesit and Suzanne McGee
Staff Reporters of The Wall Street Journal

1,161 words
11 January 1995
The Wall Street Journal, p. C1

If you think the Mexican peso is North America's only basket-case currency, look again -- north of the U.S. border.

Yesterday, the Canadian dollar slipped to an eight-and-a-half-year low against the U.S. dollar. And traders and economists warn that, despite being vastly undervalued, Canada's currency could tumble even further before stabilizing.

The "C-dollar" has been weak for several years. But traders say Mexico's current woes have made them even more skittish about holding currencies of countries that, like Mexico, suffer from political turmoil and are dependent on foreign investors to finance their deficits.

"Canada has political uncertainty, large budget deficits" and other structural problems, "which have created some nervousness," says Sherry Cooper, chief economist at Nesbitt Burns Ltd. in Toronto. The risk of further tax increases in the fiscal year beginning April 1 would only worsen the flight of capital from the country, she adds.

In late afternoon New York trading, the Canadian dollar stood at 70.88 U.S. cents, compared with 71 U.S. cents late Monday. The Bank of Canada tried to buoy its beleaguered currency by selling U.S. dollars to sop up Canadian dollars. Such intervention isn't rare, but traders say yesterday's central bank maneuvers were unusually aggressive. Estimating that the central bank spent $200 million to $350 million, the traders add that the intervention could signal increasing resolve to defend the Canadian currency.

The Bank of Canada also raised the rate it charges for overnight loans by half a percentage point to 5.75%. That helped to raise the yield on Canadian three-month Treasury bills to 6.83%, boosting their spread over U.S. T-bills to 1.34 percentage points from about 0.78 percentage point on Monday.

Still, traders and analysts argue that the Canadian interest-rate increases are too little, too late. They note that yields on short-term Australian-dollar and New Zealand-dollar securities are even more attractive, yielding as much as two to three percentage points more than equivalent U.S. securities. Like Canada, Australia and New Zealand have natural-resource-based economies.

Mexico's woes were the catalyst for the Canadian dollar's latest tumble, says Brian Manson, chief foreign-exchange dealer at the Toronto Dominion Bank in Toronto. The difficulty of selling peso-denominated securities in the current market has compelled U.S. international fund managers to sell Canadian securities instead to meet potential redemptions from investors, he notes.

Nonetheless, he and others note that the Canadian dollar's long slide reflects deeper problems. To many economists, the main issue is that Canadians have lived too high on the hog for too long.

Relative to Canada's total economic output, its "current account" -- basically the country's bottom line, consisting of trade in goods and services plus financial flows -- is tied with Australia for having more red ink than any other industrial nation. And Ottawa's debt, relative to Canada's gross domestic product, is the fourth highest. That's "much worse than Mexico, which has a budget surplus," says Ms. Cooper. What's more, roughly 40% of Canada's federal and local government debt is owned by foreigners, who could dump the holdings at any time.

Statistics like these, say economists, reflect persistently high budget deficits, which in

turn reflect big spending on generous social-welfare programs and overly rigid labor markets. Nor does there appear to be much political will to attack these problems. In a report last month, the Organization for Economic Cooperation and Development noted that "to date, a comprehensive and coordinated reform of both unemployment insurance and social assistance has evaded {Canadian} policy makers."

Worries about Canada's fiscal and monetary polities have only increased since Prime Minister Jean Chretien's Liberal government took office in November 1993. Shortly after the changeover, John Crow, the highly respected head of the central bank and a strong advocate of price stability, resigned. Some analysts contend he was forced out by government ministers who opposed Mr. Crow's tough low-inflation targets. And analysts say the new Bank of Canada governor, Gordon Thiessen, has disappointed the market with his relatively lax monetary policy -- especially at a time when other major central banks have been tightening credit.

Canada's other big bugaboo is Quebec. For years, separatist politicians have campaigned for the French-speaking province's independence. Despite the defeat of a past attempt to gain autonomy, separatists have gained clout at the provincial and federal level. On Monday, the Canadian dollar weakened after a poll indicated that 47% of Quebecers support sovereignty, up from 41% in previous surveys.

Canada's dollar faces a big test in late February when the government unveils its budget for the next fiscal year. "Until that budget comes down, there's going to be a lot of volatility and a lot of pressure," says Paul Summerville, chief economist at Richardson Greenshields Inc. in Toronto.

Nesbitt Burns's Ms. Cooper fears the government will rely more on tax increases than on expenditure cuts to reduce the deficit.

"Canadian tax rates are already so high that further increases will only drive more of the economy underground" and aggravate capital flight, she says.

Despite such pressures, some people say the Canadian dollar is a buy at current levels. "For people with a one-year horizon, Canada is very cheap right now," argues Carl Weinberg, New York-based chief economist for High Frequency Economics, an independent economic-consulting firm.

Michael R. Rosenberg, head of international fixed-income research at Merrill Lynch & Co. in New York, is also bullish. Canada's dollar "is 17%-to-18% undervalued against the U.S. dollar, and the U.S. dollar is undervalued against most other currencies," he says. "We like it on pure valuation grounds."

He adds that with Canada's inflation somewhere between zero and 1.5% and its 10-year government bonds yielding 9.3%, "Canada has the highest real long-term interest rates in the world."

Nonetheless, Francis A. Scotland, a partner at economic and financial researchers Bank Credit Analysts Group, in Montreal, remains unconvinced. Between now and the budget presentation in February, he cautions that the Canadian dollar could fall another 4%-to-6%, to 67 or 68 U.S. cents. That would put it below its record low of 69.13 cents, set on Feb. 6, 1986.

Meanwhile, in late afternoon New York trading yesterday, the dollar was at 1.5328 marks, down from 1.5375 marks late Monday, and at 100.05 yen, up from 99.95 yen. Sterling was trading at $1.5618, down from $1.5635. About midday Wednesday in Tokyo, the dollar was trading at 1.5345 marks and at 99.85 yen; sterling was at $1.5625.

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* When the deficit war was over *
11 February 1997
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A14

1. ABOUT 25 five years ago, a funny thing happened in Canada. The Right and the Left had always fought over taxation and spending, with the Right generally wanting less and the Left generally calling for more. But throughout this long-running argument, most agreed on the basic rules of the game. Almost everyone agreed on arithmetic.
2. The huge debt Canadians ran up to fight the Second World War was paid down in the 1950s and 60s. Budgets were normally kept in balance; in some years surpluses were even run to speed up debt retirement. Arguments about the creation of new social programs or the continued funding or expansion of existing ones took place in an atmosphere of acceptance, by both Right and Left, of a common arithmetic of public spending: Debts can be accumulated but mustn't overwhelm current income; a deficit only adds to the debt; in the long run, the ledger must maintain a certain proportion.
3. And then that funny thing happened. As budgets grew ever more out of balance in the 1970s and into the 1980s, the Right called for something to be done -- but large segments of the Left adopted a reactionary, preservationist creed. If the Right thought that deficits were a bad thing, then the Left assumed that they must be good, a sort of contrarian credo holding that the notions my enemy opposes must be worth espousing.
4. The idea the Left adopted, however, was basically nothing more than a rejection of arithmetic. It was like telling people whose credit card balances were already overdue that what they really needed was a good shopping spree. The Left stopped treating Canadians as being smart enough to add, and Canadians eventually stopped taking the Left seriously. The near-disappearance of the Left in Canada in the 1990s was thus largely a disaster of its own creation. In those rare places where the Left accepted the budgetary equivalent of the Copernician discovery that the Earth revolves around the Sun -- this happened notably with the still-strong New Democratic Party in Saskatchewan -- the Left retained its relevance.
5. The Right won the battle over whether chronic deficits matter. They matter, and by the early 1990s, Canadians were convinced. Governments threw themselves against

deficits, and the citizenry applauded: the slow-but-steady Liberals in Ottawa, the brief-pain-for-long-term-gain Tories in Alberta, the NDP in Saskatchewan, even the Parti Quebecois in Quebec. Those who tried to buck the trend, such as the Ontario New Democrats from 1991 to 1995, ran headlong into not only the inescapable logic of arithmetic, but more important a public that had finally come to appreciate its consequences.

6. The deficit is a sort of disease, but the point of treating disease is to get well, not become an obsessive hypochondriac. Canada is starting to get well. For the first time in a generation, our public accounts are improving, not deteriorating. The deficit is coming down smartly at the federal level; if the government stays the course, the deficit will be no more by 2000. The numbers are growing equally positive at the provincial level, with several provinces having already balanced their books.
7. Governments are still carrying enormous debt loads. But if Canada can keep its books balanced -- if everyone can still agree on the primacy of arithmetic -- then the stage is set for another unexpected development. As the economy grows, the debt will fall as a percentage of GDP. At the federal level, for example, if the budget remains in balance for 15 years, the federal debt will be halved. The cost of carrying that debt -- which now eats up a third of federal revenues -- will also fall smartly. By the end of the century, federal and provincial governments alike will be asking Canadians what they want to do with a considerable deficit-fighting dividend. Do they want new social programs? Tax relief? Some balance between the two?
8. It will be, in a sense, a return to the way things used to be: The imperatives of balanced budgets and responsible debt management are accepted, but that still leaves the field open to debate just how to allocate the spoils of a growing economy. Both new spending programs and tax reductions will soon be possible. Once the deficit is zero and the debt load is diminishing, we will be able to judge new spending or tax cuts on their merits: whether their benefits justify their costs. That is Canada's post deficit-war dividend, about which we will have more to say in coming weeks.

**Don't risk undermining the anti-deficit attitude**
472 words
22 June 2005
The Globe and Mail, p. A14

1. It took many years of pain and persuasion for Canadians to accept that it is dangerous and irresponsible for governments to run budget deficits. But it is no less imprudent to run huge annual surpluses, and to chronically underestimate their size, which is what Ottawa has been doing since wrestling the deficit to the ground in 1997. Unfortunately, the respected Bay Street economist assigned to investigate the reasons behind the faulty forecasting has come up with the wrong solution.
2. Former Bank of Montreal chief economist Tim O'Neill says the no-deficit-at-any-cost policy has made Finance Department bureaucrats "overly cautious" in their forecasts, causing them to underestimate tax revenues while overestimating spending requirements and the cost of servicing debt. In this way, they can account for every possible contingency that could turn black ink into red and infuriate their political bosses. This, Mr. O'Neill concludes, "tilts the system to produce not only surpluses, but bigger-than-forecast surpluses."
3. This is not as benign as it might sound. Running high surpluses saps the confidence of Canadians, who rightly feel they must be paying too much in taxes and who are still waiting for more of a return for their sacrifices of the 1990s, when Ottawa made heavy cutbacks to deal with the deficit.
4. Mr. O'Neill's proposed cure? Stop worrying about balancing the books every fiscal year and move to a looser target of achieving an average surplus through a full economic cycle of five to seven years. "You don't have to abandon fiscal discipline; you just make an adjustment to it so that it's more flexible." This change in policy, he says, would encourage more accurate forecasts and enable better planning for future spending, tax cuts or debt repayment.
5. The problem is that once freed from the discipline imposed by a no-deficit policy, governments would be tempted to go over budget regularly to meet pressing spending needs or to grease the public wheels prior to an election. One has only to look at the enormous spending spree launched by Prime Minister Paul Martin in an effort to prop

up his weak minority to imagine what could happen if the government were free to go into deficit now and worry about the consequences later.

6. The Finance Department must produce more realistic forecasts to restore credibility and enable smarter long-term planning. Mr. O'Neill's other suggestions, including an unbreakable rule for dealing with surprise surpluses and more transparency in the forecasting process, could help. But Canadians won't accept even a temporary return to the days of federal budget shortfalls, except in a dire national emergency. What was once regarded as a worthy goal has become a political commandment: Thou shalt not run a deficit.