
Francisco Olvera / La Jornada.
Brian Mulroney.

From Mulroney to Chrétien: more of the same?


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On October 25, 1993, it was "payback time" for the Canadian electorate.

After enduring nine years of disappointing Conservative rule —accompanied by economic deterioration, record unemployment, excessive taxation, and a highly unpopular Canada-U.S. Free Trade Agreement— Canadians finally had their chance to "get even." The Progressive Conservative Party was virtually annihilated: whereas in 1988 it won a comfortable majority of 169 seats, it managed to capture just two in 1993.

On the other hand, the Liberal Party, under the leadership of Trudeau-era veteran Jean Chrétien, won a handsome majority: 178 out of the 295 seats in the House of Commons. The issue on everyone's mind was whether Chrétien's new government represented a genuinely new direction for the country, or just "more of the same" from the Mulroney era.

During the Mulroney years (1984-1993) and the brief tenure of his successor, Kim Campbell (June-November 1993), Canada took a visibly pro-business, market-oriented course. While large corporations represented by the elite Business Council on National Issues benefitted from a close working relationship with the Canadian government, conditions for ordinary Canadians declined dramatically.

The Canadian business community profited from "Tory" policies of privatization, deregulation and the North American Free Trade Agreement, but Canadians were subject to record taxes, excessive mortgage and interest rates, declining social benefits and unprecedented job losses and plant closures.

During the election campaign of 1993, Jean Chrétien and the Liberal Party promised a significant departure from the previous Tory policies and record. Among the Liberals' most prominent pledges were to "renegotiate" the North American Free Trade Agreement more to Canada's liking, to review and take action on a controversial Tory plan to privatize two out of the three terminals of Lester B. Pearson International Airport in Toronto, and to shelve the Tories' commitment to purchase $4.8 billion worth of new EH-101 military helicopters.

The overall Liberal strategy was released during September 1993 in a 112-page document entitled *Creating Opportunity*. The Liberal "Red Book," as the document is more commonly known, is a mix of campaign vows, twenty new governmental programs, and a general overview of the philosophy the Liberals would follow once in office.

Among its highlights were promises to cut federal spending to the tune of $7.1 billion by 1998, reduce the federal deficit to three percent of Gross Domestic Product within three years, undertake $5.3 billion worth of job-creating programs over four years, replace the despised Goods and Services Tax (GST), and ease the Bank of Canada's "tight money" policy. The Liberals pledged new programs including a "Canada Investment Fund" to channel funds to small firms and new apprenticeship and work programs for Canada's unemployed youth.

Overall, the image projected by the Liberals in their "Red Book" and during the course of the election campaign was one of a government that would be prepared to make difficult decisions but with much more concern than the Conservatives about their impact on the Canadian public. While clearly a far cry from Trudeau's brand of interventionism, it seemed that Chrétien's campaign platform was also far from the Tory brand of "neo-liberalism."

Jean Chrétien's government has managed to follow through on several of its campaign promises since the

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elections. The order to purchase new helicopters for the military has been canceled, as has the Conservative plan to privatize the greater part of Pearson Airport in Toronto.

With the appointment of Gordon Thiessen as the new Bank of Canada governor, the Liberals have further signalled their intention to depart from their predecessors' policies. Thiessen's selection symbolizes the Liberals' desire to shift monetary policy from the zero-inflation extremes of ex-governor John Crow to a more pragmatic and flexible future course. It also seems that they intend to make good on their vow to reduce the influence of powerful lobbies that grew fat during the Mulroney era.

For all the promising signs, there are also indications that things will probably not change a great deal under the Liberals. For starters, pro-free traders control economic policy within the Liberal cabinet: Paul Martin Jr. is Minister of Finance, Roy MacLaren is Minister of International Trade, and André Ouellet is Minister of External Affairs.

As for the Liberals' promise to "renegotiate" the North American Free Trade Agreement, Chrétien and company gained nothing from the Americans last December. Canadian concerns about American exploitation of the energy sector and water resources, as well as on the need for concrete definitions of subsidies and dumping, remain unresolved. Consequently, Canada will go ahead with the same weak agreement negotiated by the previous Conservative government.

A number of serious structural constraints face the Liberal regime. Soon after taking office, the new finance minister, Paul Martin Jr., discovered that the country's federal deficit was far in excess of the estimate of his Conservative predecessor, Don Mazankowski: it is currently estimated at $46 billion. The federal debt now stands at roughly $511 billion, with combined federal-provincial debt standing at some $630 billion.

The record deficit and debt load not only throw the Liberal plan to cut the deficit to three percent of Gross Domestic Product out the window, but also seriously constrains plans outlined in the "Red Book" for new job creation and training programs, as well as spending on research and technology.

A steadily eroding tax base also seriously impedes the implementation of the Liberal agenda. Government tax revenues have been hit hard by national unemployment, which stands at 11.5 percent, and the rapid growth of an underground economy in Canada. The latter has become the prime form of passive resistance by the public to excessive taxation.

During the election campaign, the Liberals pledged to replace the hated Goods and Services Tax. On the one hand it makes a lot of economic sense to replace the GST, given that it has contributed greatly to the growth of the underground economy. On the other hand, the government will be hard put to find a source of revenue to make up for the more than $15 billion raised annually by the GST.

The Liberals' loyalty to NAFTA represents one of the greatest impediments to pursuing their policy agenda. In spirit and word, NAFTA represents a "conditioning framework" for the activities of business and government. With respect to government, the treaty is clearly biased against market intervention. Yet at the same time that the Liberals support the accord, they have paying at least "lip service" to the notion of a national industrial policy, including high-tech job training, and research and development activities. This clearly represents a policy contradiction for the Liberals, one which will not likely be overcome through a victory by proponents of a national industrial policy.

The realities of Canada's debt, economic recession, eroding tax base, and the North American Free Trade Agreement place serious constraints on the Liberals' capacity to pursue a new policy direction. It is more likely, therefore, that Canadians will continue to witness more of the same policies prevalent during the Mulroney era, whether we like it or not