

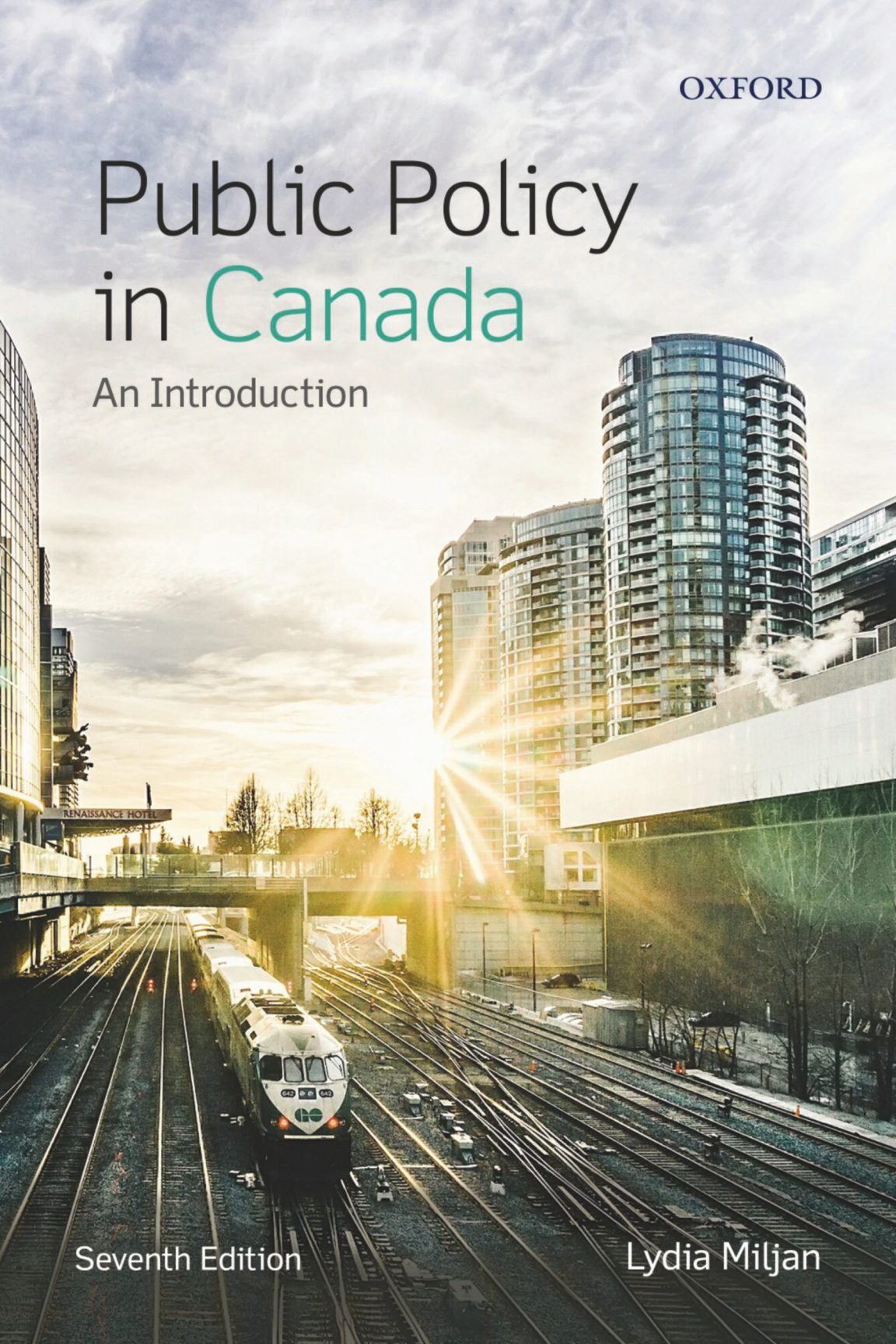
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Public Policy in Canada

An Introduction

Seventh Edition

Lydia Miljan



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Preface

The first edition of this book, by Stephen Brooks, was published in 1985. Since then it has undergone several revisions, updates, and additions. In 2002 Stephen asked me to update the fourth edition, and since the fifth edition I have taken full responsibility for the text. I would like to thank Stephen for his generosity not only in providing me with the opportunity but in giving me *carte blanche* to make the changes I wanted.

The speed of change in the major policy issues confronting Canadians over the past two decades has been amazing. Unease about inflation and unemployment in the 1980s was replaced in the 1990s by concern with pressing debt and deficit issues. A few years ago the most pressing public policy issue was what to do with the budgetary surpluses that the federal and many provincial governments had posted. Since the global recession started in 2008, governments moved back to posting deficits as a response to the financial crisis. Between 2007 and 2012 the Canadian dollar was within parity of the United States' greenback—something economists thought impossible only a few years earlier. Yet, since mid-2012 the Canadian dollar has declined to levels not seen since 2002.

The political environment has also changed over the years. During the 1980s and 1990s Canadians enjoyed stable majority governments first under the Mulroney Conservatives and then under the Chrétien Liberals. The range of political parties has expanded and retracted with the creation of the Reform Party, its transformation into the Canadian Alliance, and finally the merger between the old Progressive Conservatives and the Alliance to create the Conservative Party of Canada. Meanwhile, the Bloc Québécois, formed in the early 1990s, became the official opposition, and its strength in Quebec gave rise to serious concerns over the possibility of separation. From 2004 to 2010 we moved to minority parliaments, first with the Liberals and then with two back-to-back Conservative minority governments in 2006 and 2008. This pattern wasn't broken until 2011, when the Harper Conservatives achieved majority status, prompting *Maclean's* magazine to declare Canada was "A nation turned upside down" (*Maclean's*, 16 May 2011). Not only was there a majority Conservative government, but the Bloc Québécois was reduced to four seats and the NDP—for the first time in its history—formed the official opposition. While the 2015 campaign had pundits predicting some form of minority government, the Canadian public surprised everyone by electing a Liberal majority government.

The ebb and flow of the various parties' fortunes have had an impact on the policy choices and issues that confront Canadians. During the time when the Bloc held the majority of federal seats in Quebec the prospect of separation seemed very real. However, as the Conservative Party—to the shock of some and the dismay of others—increased its support in the province, separation faded somewhat as a policy concern. With three federalist parties holding seats in Quebec, it will be interesting to see how Quebec–Canada relations continue for the next four years.

This book introduces the basic issues in the study of public policy in Canada. Six of its 12 chapters are devoted to the examination of particular policy fields. This approach reflects my belief that public policy is best introduced through the study of what governments actually do and the consequences of their actions. To this end, the text surveys a range of policy fields, from fiscal policy to the environment. The selection will not satisfy all tastes, but instructors can easily supplement this book with additional readings on any matters that they believe require a fuller treatment.

Professors in Canada have a number of options when it comes to public policy textbooks. This book examines public policy from both a theoretical and practical standpoint. In addition to examining specific policy fields, each chapter attempts to bring real-world policy-making into consideration. Each chapter provides a break-out box that provides a specific policy issue or event that highlights the message of the text. In some cases I present specific government policy or reports; in other cases, I use news stories to highlight the relevance of public policy to our daily lives. In addition to the information boxes, each chapter provides some questions for discussion and further reflection for students. Other features of the book include end-of-chapter definitions of the key terms used and a list of websites to aid in the examination of public policy issues.

Although the principal emphasis of this seventh edition is on policy fields, the more general matters that must be a part of any introduction to public policy are addressed in Part I. Chapter 1 examines some of the fundamental concepts in the study of public policy. Chapter 2 is devoted to theoretical frameworks used to explain policy, in particular, the pluralist, public choice, and class analysis models. Chapter 3 analyzes the context of policy-making, focusing on the ways in which core values, Canada's ties to the United States, regional divisions, and especially globalization affect policy-making. This edition marks the introduction of a new chapter, Chapter 4, on agenda setting and policy formation. Policy implementation—the stage of the policy process that reminds us of Murphy's Law ("If anything can go wrong it will")—is the subject of Chapter 5. Policy evaluation is described in Chapter 6 looking at how the government approaches evaluation and examines how this work is undertaken.

In Part II of this seventh edition, the chapters on macroeconomic policy, social policy, health care, family policy, Indigenous policy, and environmental policy have all been updated.

It has again been a pleasure working with Oxford University Press. This edition has seen changes on the editorial as well as the authorial front. Lauren Wing moved the book from review through development, and Wendy Yano undertook the painstaking job of editing the text. Even so, all mistakes or errors remain mine.

Lydia Miljan
Kingsville, Ontario
February 2017

Part I

Understanding Public Policy

Chapter 1

Basic Concepts in the Study of Public Policy

Introduction

Canadians are used to thinking of their country as the world's best. Indeed, politicians—or at least those in power—regularly boast that this is so, and as evidence they point to the fact that Canada frequently ranks in the top five of the United Nations Human Development Index. Canadians swelled with pride after hosting the Winter Olympics in Vancouver, where Canadian athletes broke the record for the most gold medals won at home.

Of course, it is flattering to anyone's ego to hear that he or she is the best. Canadians can hardly be blamed if, after being told countless times that they are the envy of the world, many accept the claim at face value. But is complacent pride justified? It depends on whom you ask. A Quebec separatist would answer no. So too would many in Canada's Indigenous community. Union leaders are likely to complain that working people have seen their rights diminished in many provinces and their incomes and job security eroded across the country. Many environmentalists worry that, after several years of declining commitment on the part of government, it will take a significant effort just to slow the pace of environmental degradation. Spokespersons for the feminist movement argue that complacency is far from justified when so much remains to be done to eliminate gender inequality. And anti-poverty activists insist that the extent of poverty in Canada is reason for shame, not pride.

Canada has so often been described as a society of whiners that many will dismiss criticisms such as these as the predictable bellyaching of special interest groups and professional malcontents. Moreover, it must be admitted that by any comparative standard rooted in the real world—as opposed to some utopia—Canada is a pretty good place to live. In economic terms, Canada probably fared the best of any industrialized nation during the 2008–9 recession.¹ Not only was the recession short-lived in Canada (officially lasting only two quarters), it was less intense than in many other countries that faced enormous contractions in their housing sectors and sustained almost catastrophic losses in employment.

Canada is not perfect, however, and those who dare to question the “best-country-in-the-world” boast should not be written off as ill-mannered party-poopers. Consider the following:

- As of 2012, Canadians earn on average about 84 per cent of what Americans do. Since the early 1980s Canada’s productivity and real income growth have lagged behind the United States’ by an average of 1 percentage point a year. This means that the income gap between Canada and the United States is double what it was in 1984. Real per capita incomes in Canada are \$7,000 below those in the United States.²
- Despite the cutbacks of the early 1990s and consistent surpluses from 1997 to 2008, the federal government is carrying a debt of more than \$692 billion, much of which is owed to foreigners. The debts of provinces and municipalities add another \$592 billion to this total. Debt-servicing costs for all Canadian governments is \$60.8 billion a year—the equivalent to the total spending on public education for the country.³
- Canadians requiring some form of elective surgery—hip replacement or cataract removal, for example—frequently have to wait several months. In some communities it can take a year or longer to see certain specialists. Although governments have begun to address this problem, much remains to be done if wait times are to be reduced to clinically acceptable levels.
- On a per capita basis, Canada is one of the world’s top spenders on education. The results of that investment are mixed: In 2003, an international comparison of students’ scores on math, science, and reading tests showed improvement over the 1999 scores. In 2009, Canada was ranked sixth in the areas of reading, mathematics, and science, well above many other Western nations. However, in 2012, Canadian students saw a slight reduction in its score in mathematics, reading, and science. While Canada is still above the Organisation for Economic Co-operation and Development (OECD) average, its ranks has slipped to 13th.⁴

Like every other country, Canada has problems. That these problems are minor alongside those of Bangladesh or Afghanistan does not make them any less urgent for those whose lives they affect. Public policies are the actions taken by governments and their agents to that end, and they are the subject of this book.

What Is Public Policy?

One of the most frequently cited definitions of public policy is that given by American political scientist Thomas Dye. According to Dye, public policy is “whatever governments choose to do or not to do.”⁵ Policy, then, involves conscious choices that lead to deliberate action—the passage of a law, the spending of money, an official speech or gesture, or some other observable act—or inaction. No one would disagree that a concrete act like the passage of a law counts as policy. But can inaction reasonably be described as policy? The answer depends on the circumstances in which the failure to act takes place

and whether the situation that action would have addressed is regarded as problematic. In some respects we must distinguish between a failure to act and a choice not to act.

Consider, for example, the case of toxic chemicals. For decades carcinogenic polychlorinated biphenyls (PCBs) were used, stored, and disposed of with little care for safety. There was no public policy on the handling of these deadly chemicals until it was realized that there was reason for concern. Clearly, this was an example of government failure to act as opposed to a choice not to act. When the public became aware of the cancer-causing properties of PCBs, their use, transportation, and elimination became policy issues. Government inaction before then obviously had health consequences for those who were exposed to PCBs and allowed for the accumulation of stockpiles of PCBs, which are regarded today as the most widely known and feared of toxic chemicals. But this was not deliberate inaction. There was no public policy on PCBs, just as there was no policy on the production and handling of many other industrial chemicals, because there was no significant public awareness that a problem existed. It makes no sense to speak of policy when an issue has not yet been formulated in problematic terms. Once it has, however, inaction by policy-makers becomes a deliberate policy choice.

In the case of PCBs, the risks to human health are not disputed, and once they became known to the public and policy-makers the question was not whether a problem requiring government action actually existed, but what measures were appropriate to deal with it. It often happens, however, that there is no agreement on the need for government action. Consider the case of income differences between male- and female-dominated occupations. Until a few decades ago it was considered quite normal that secretaries, receptionists, nurses, and child-care workers were generally paid less than men working in occupations demanding fewer skills, qualifications, and responsibilities. Such disparities were understood to be simply the product of voluntary occupational choices and the laws of supply and demand at work in labour markets. But as feminist theory developed during the 1960s and 1970s, inequalities in the workplace became contested terrain. Differences that previously had been either overlooked or explained away as normal and inevitable were interpreted by feminist critics as evidence of systemic discrimination and gender bias in labour markets. These critics proposed that governments step in and close the earnings gap by introducing pay equity policies that would require employers to pay employees in female-dominated occupations wages equal to those earned in male-dominated occupations characterized by similar skill requirements, qualifications, and responsibilities. Across North America, many governments have enacted such policies for their public-sector workforces; a few have extended these policies to cover private-sector employers.

In this case, unlike that of PCBs, no consensus exists that the problem is one that warrants government intervention. Nevertheless, the widespread awareness of gender-based pay differences, and the controversy surrounding them, marks a significant change from the situation a few decades ago. Today, when a government resists demands to adopt or extend pay equity policies, its resistance must be viewed as a deliberate choice. This was not the case in the days before the gender gap in remuneration was conceptualized as a problem.

Conscious choice, therefore, must be a part of any definition of public policy. But is policy necessarily what policy-makers say it is? In other words, if we want to determine

what public policy is on some issue, should we direct our attention to official government pronouncements, or to the actual record of what has and has not been achieved?

In politics, as in life generally, no statement should be taken at face value. Vagueness and ambiguity are often deliberate and are always part of the recipe for political longevity in democratic political systems. To determine what actually constitutes public policy in some field we need to look carefully at both official claims and concrete actions, and we must remember that actions often speak louder than words.

At the same time it is important to keep in mind that even a government's more sincere efforts can misfire; sometimes policy fails to achieve the intended goal, and may even aggravate the situation it was intended to improve. Consider rent-control policies. Critics have long argued that, in practice, such policies hurt the lower-income groups they are intended to benefit because they discourage developers and investors from building new rental accommodations for the low end of the market. With rent control, housing is kept affordable by government regulations that limit what a landlord can charge. Without the possibility of charging more, however, there is no incentive to invest in new housing. In addition, landlords soon find it too costly to maintain their buildings properly. As a consequence, the supply of housing units does not keep pace with demand, and low-income earners may not be able to find a place to live. In a market not limited by government regulations, the dwindling of supply would result in price increases, which in turn would lead property developers and investors to create more housing. As more housing became available, prices would be adjusted to suit both low- and high-income earners. In a rent-control situation, however, the dwindling supply does not lead to rent increases. As a consequence, buildings are not kept in good repair, and tenants must either make improvements on their own or live in run-down accommodation. Under these circumstances, are we justified in saying that government housing policy favours the less affluent?

Even more common than policy misfires are cases in which government action simply fails to accomplish its intended goals. In fact, a program, law, or regulation hardly ever "solves" a problem in the sense of eliminating the conditions that inspired demands for action in the first place. When a problem does disappear, the reason often has less to do with government action than with changing societal conditions—including the emergence of new problems that push old ones below the surface of public consciousness. We have mentioned the case of official pronouncements that do not coincide with the observable actions of government, or that bear little resemblance to the facts of whatever situation they ostensibly address. When this happens (and it frequently does), we should not jump to the cynical conclusion that policy is just "sound and fury signifying nothing." Gestures, symbols, and words are important components of the political process. They are often valued in their own right, and their capacity both to reconcile and to divide should not be underestimated.

Since the ill-fated Meech Lake Accord (1987), which proposed the constitutional recognition of Quebec as a "distinct society," the question of whether and how Quebec's distinctive character should be recognized has been a source of division in Canadian politics. This division resurfaced around the failed Charlottetown Accord (1992) and remained a subject of debate, prompting Ottawa and some of the provincial governments

to continue searching for a constitutional formula that would satisfy French-speaking Quebecers' demands for recognition without offending the majority of Canadians who insisted on a single Canada and equal status for all provinces and citizens. The problem was not so much that non-Quebecers believed constitutional recognition of Quebec as a distinct society would have material consequences for which the rest of Canada would have to pay. Rather, they rejected the idea of distinct-society status for Quebec and the recognition of this special status in the Constitution. As in the material world, satisfying the aspirations of one group may mean denying those of another in the realm of what Raymond Breton calls the "symbolic order".

The question of Quebec's constitutional status became a subject of policy debate in the months leading up to the 2006 federal Liberal leadership contest. Michael Ignatieff, the front-runner, had thought that the party needed to decide on a policy to deal with the challenges coming from the separatist Bloc Québécois, and told the media that in his view "Quebec is a nation." The issue threatened to divide the Liberal Party when the Bloc served notice that it would submit for debate a motion stating that "Quebecers form a nation."⁶ Before that debate could take place, however, Conservative Prime Minister Stephen Harper amended the motion, proposing instead "that this House recognize that the Québécois form a nation within a united Canada."⁷ This new motion passed, and Quebecers were given a form of symbolic recognition without any constitutional change. While the question of Quebec's nationhood is far from closed, this episode showed some desire on the part of parliamentarians to provide the symbolic recognition that had been lacking in the past. Yet, symbolic recognition can go only so far. Both the federal Conservatives and Liberals were severely rebuked by the Quebec electorate in the 2011 election, with the NDP picking up the vast majority of seats. That the Liberals were able to secure 40 seats in the 2015 campaign shows the volatility of the electorate and the challenge for the new government to keep Quebec in confederation. Some of that pressure had been seen in early decisions of the government to continue to subsidize Bombardier (see Box 1.1).

The Agenda and Discourse of Public Policy

There is also a more general sense in which the symbols, gestures, and words manipulated by policy-makers are important. They constitute the **political agenda**, defining what is relevant in public life, how issues are understood, whose views should be taken seriously, and what sort of "solutions" are tenable. A statement by a political leader, a law, or the media's coverage of a situation, event, or policy demand all serve to affirm the relevance of a problem and the values and conflicts associated with it. Political issues and policy problems are not inevitable and inherent; rather, they are constructed out of the conflicting values and terminologies that different groups put forward when they are competing for something that cannot be shared to satisfy all of them fully. These issues and problems are "constructed" in the sense that they do not exist apart from the words and symbols used to describe them. Whether we even recognize them as political issues and policy problems, and what comes to mind when they are presented to our attention, depends on the particular forces that shape the political agenda in a given society.

These forces change over time, and so, therefore, does the political agenda. As American political scientist Murray Edelman observes, “conditions accepted as inevitable or unproblematic may come to be seen as problems; and damaging conditions may not be defined as political issues at all.”⁸ Once we accept that the political agenda is not an inevitable product of social and economic conditions, we are confronted with the question of why some of these conditions come to be formulated as problems and others do not. To answer that question we need to look at the various agents of cultural learning—family, schools, mass media, the workplace—that together generate the ideological parameters of our society. To understand the practical importance of cultural learning, consider the following examples:

- In liberal democratic societies like Canada and the United States, we (most of us, anyway) are taught that achievement and opportunities are relatively open to those with ability and a willingness to work hard. Consequently, most of us are not seriously troubled by the fact that the bottom 20 per cent of Canada’s population accounts for about half of 1 per cent of the country’s wealth, while the richest 20 per cent controls some 70 per cent of the wealth.⁹ In a different ideological setting, however, such inequality might be perceived as a problem.
- Similarly, until a couple of decades ago the existence of extensive and profound differences in the career opportunities, incomes, and social roles of men and women were not generally seen to be a problem. As cultural attitudes have changed, the unequal social conditions of males and females have become a prominent item on the political agendas of virtually all industrialized democracies. Gender politics and the policy debates that surround issues such as abortion, pay equity, affirmative action for women, pornography, publicly subsidized daycare, and sexual harassment are constructed out of the arguments, claims, and demands for action put forward by women’s organizations and their spokespersons, and the counterarguments, claims, and demands of others who feel compelled to respond to their definition of the problem. The same can be said of any policy issue. What emerges from such exchanges is a **policy discourse**—an unfolding tapestry of words and symbols that structures thinking and action—constructed out of the multiple definitions (or denials) of the problem.

The capacity to influence this discourse is more than half the battle, as every group, organization, and individual with any political acumen knows. Hence, the first line of attack is often through the mass media. Governments have a distinct advantage in the struggle to shape the contours of policy discourse. Not only do they have virtually guaranteed access to the public through mass media coverage of official statements, press conferences, and other orchestrated efforts to communicate a particular message (and influence public opinion), but they also are able to tell their story through paid advertisements (the federal government has for years been the largest advertiser in Canada) and through government information services directed at households and organizations. This advantage may be reduced in the future as the traditional blurring of the lines between

the political party that forms the government and the government itself comes under increasing scrutiny. In January 2006, Ontario adopted new legislation that prevents the use of government advertising to promote the partisan interests of the political party in power. The Government Advertising Act, 2004, requires that all paid government advertising go through the auditor general's office to ensure that individual members of provincial parliament (MPPs) or cabinet ministers are not promoted in government ads and that those ads cannot be used to criticize other groups or political parties.

Box 1.1 Bombardier's Been a Sound Partner for Canadian Governments and Taxpayers

Sylvain Lévesque

Sylvain Lévesque is vice-president of corporate strategy at Bombardier Inc.

If you want to spark an animated discussion around Canadian dinner tables these days, all you have to do is raise the topic of government investment in Bombardier. Few subjects are more polarizing than government funding for private enterprise. That's because most people fall squarely on one side or the other of the ideological divide on this issue.

As a member of Bombardier's leadership team, I am completely at ease with this debate. In truth, I encourage it. The only caveat? Let's stick to the facts.

Bombardier, like many technology and aerospace companies in Canada, has benefited from government investment and we're grateful for the support. It has helped Bombardier become one of the world's largest train and airplane manufacturers. Many Canadians share my pride in knowing that our sons, daughters, and neighbours build the products that connect the world in commerce and make global travel more efficient.

Unfortunately, when the debate turns to the numbers (How much has already been invested in Bombardier and what has been returned to taxpayers?), too much misinformation has been injected into the conversation. So, let's set the record straight.

Following the acquisitions of Canadair (1986) and de Havilland (1992), Bombardier received a total investment of \$586 million, excluding the C Series, from the federal, Quebec, and Ontario governments. This investment supported the development of innovative new aircraft, mainly the CRJ regional jets, the Global Express business jet, and the Q400 turboprop aircraft. Thanks to the success of these programs, Bombardier has returned \$733 million, 125 per cent of the original investment, to its government investors. This number will continue to grow as Bombardier delivers additional aircraft into service in coming years.

We anticipate a similar repayment profile on the \$467 million the governments have invested in the C Series, with payments beginning later this year when the aircraft enters into service.

The wisdom of additional C Series investment is currently the subject of much heated debate. An important yet often overlooked aspect of this debate is the more than \$16 billion of tax payments generated since the initial Canadair investment. This includes corporate, property, dividend, and employee taxes.

Combining the direct program repayments and taxes paid, Bombardier has been the source of almost \$17 billion in government revenue, a very favourable return for the total \$1 billion combined investments including the C Series. The return is even greater when you include the billions of dollars of taxes paid by the thousands of Canadian suppliers who support our activities.

Another fact often lost in the debate is that 93 per cent of Bombardier's consolidated revenue, and therefore its government tax payments, are generated outside Canada. In other words, Bombardier injects significant foreign money into the Canadian economy, which creates jobs and helps to fund government spending programs.

Again, we welcome debate on future government investment. When having this debate, however, let's be honest about the economic impact of past investments on the Canadian economy. In this case, the facts speak for themselves. Over the past three decades, Bombardier has proven to be a sound partner for governments and taxpayers alike.

Source: Sylvain Lévesque, Vice president of corporate strategy of Bombardier Inc.—Levesque, "Bombardier's Been a Sound Partner for Canadian Governments and Taxpayers," *Globe and Mail*, 12 April 2016, www.theglobeandmail.com/report-on-business/rob-commentary/bombardiers-been-a-sound-partner-for-canadian-governments-and-taxpayers/article29587501

The messages that governments communicate, particularly when they touch on controversial issues, are often greeted with cynicism by the media and the public. But they receive a hearing all the same. One reason for this is the official authority of their source. Even if a governmental message is not considered credible, the government's capacity to influence the outcome of an issue means that the information it disseminates is not likely to be ignored. Cynicism, vocal opposition, and unsympathetic media coverage are not enough to close off the channels that the government can use to influence policy discourse. The 1989 introduction of the widely unpopular goods and services tax (GST) was followed by an extensive campaign of paid advertising and information, sent directly to businesses and households, intended to increase public acceptance of the GST. Only a couple of years earlier Ottawa had spent tens of millions of dollars on brochures and other information distributed to households "explaining" the benefits that the Free Trade Agreement (FTA) with the United States would bring to Canada. The federal government spent \$27 million to promote the economic action plan prior to the 2011 federal election campaign.¹⁰ More recently Health Canada spent \$1 million on an advertising campaign to prevent the illicit use of marijuana, and the Public Health Agency of Canada spent additional \$3.5 million on vaccination awareness.¹¹ It is never easy to determine exactly what impact these policy advocacy campaigns have on public opinion. But the very fact that such campaigns are conducted means that the information and arguments they convey automatically become part of the policy discourse on an issue.

Despite the formidable information and financial resources at their disposal, governments are a long way from being able to control either the policy agenda or the policy discourse that develops around a particular issue. Indeed, much of the time governments are on the defensive, reacting to the claims, demands, and interpretations put forward by opposition political parties, societal groups, and the media. Whose “problems” reach the political agenda, and whose arguments, interpretations, and proposals are taken seriously in the policy-making process, is largely determined by the social power of those advancing them. In fact, the capacity to influence policy discourse would seem to be one barometer by which the power of different interests can be measured.

On the other hand, governments can also use the demands of societal groups to help them put forward policies and positions to the public. The emergence of the National Action Committee on the Status of Women (NAC), for instance, can be traced directly to government funding programs. In the 1970s, Pierre Trudeau’s Liberal government wanted to pursue the agenda of a “just society”. One policy plank of the just society was the equality of women. But Canadian women at the time had not organized into a cohesive lobby. Therefore, Ottawa helped to create and fund the NAC, which used the resources provided by the federal government to lobby that same government for women’s equality and eventually led the fight to ensure that women were specifically enumerated in the 1982 Charter of Rights and Freedoms. This is a classic example of how a government can establish and sustain a lobby group for the specific purpose of lending credibility to its own policy agenda by creating a favourable climate of public opinion.

This kind of manipulation notwithstanding, politics in the capitalist democracies is open-ended enough that ideas and reforms clearly not favoured by the powerful have often been woven into the fabric of policy discourse and institutionalized through public policies. One would be hard-pressed to explain the policy successes of the women’s movement, and the acceptance of arguments associated with gender-based differences in such matters as employment and pay, from the standpoint of dominant-class interests. Or consider the entry of Indigenous people, people from visible minorities, and people with disabilities into modern political discourse. Even though these groups operate far from the centres of social and economic power, they have been able to influence the political agenda and the actions of governments. Moreover, some policy issues can reach the public agenda without the backing of powerful social and economic interests. For example, therapies for treating the mentally ill or approaches for dealing with criminals and victims are policy domains in which scientific expertise may carry greater weight than usual because the issues involved do not capture the sustained attention of the public. We should not assume, therefore, an automatic and perfect correspondence between the pecking order of social and economic interests in society and the ideas that make it onto the political agenda and find expression in state actions.

Policy discourse is not, however, a free-for-all in which every voice has an equal opportunity to be heard. It has become popular to speak of **systemic bias**, a term intended to capture the selectiveness of the policy system. Some points of view, it is claimed, never get articulated, and some policy outcomes are virtually precluded by the biases inherent in the cultural and institutional fabric of society. At one level this

is obviously true. For demographic, historical, and political reasons, language has a prominence in Canadian politics that it does not have in the United States. Conversely, individual rights and freedoms occupy a more significant place in American political discourse than they do in Canada and most other capitalist democracies. Thus, in saying that any political system has particular biases we have not said much—or at least nothing very profound. The more interesting question is what these biases reveal about the sources and distribution of power and the capacity of different social and economic interests to influence the actions of government.

The Pattern of Public Policy

What governments do, how they do it, and what consequences arise are aspects of public policy that have changed dramatically over time. They reflect the scope, means, and distributional dimensions of public policy. Together, they provide the basis for comparing the pattern of public policy and the role of the state in different societies, and for charting and understanding the course of historical change within a society.

1. The Scope of Public Policy

We know that governments do more today than they did in the past. They pass more laws and regulations on a wider range of subjects than before, they spend a larger share of national income, they tax in more ways and at higher levels, and they employ more people to operate the machinery of government. The scope of their activities ranges from municipal bylaws requiring dog owners to “stoop and scoop” when walking their pooch to laws affecting the more vital aspects of our lives.

Back in 1900, the Public Accounts of Canada listed only a couple of dozen separate departments and agencies of government. A century later, the federal public administration consists of 402 departments and agencies that are subject to the Financial Administration Act.¹² To appreciate the scale of government agencies and programs, Figure 1.1 provides an overview of the various agencies and departments. At Confederation, total government expenditure in Canada accounted for a little more than 5 per cent of gross national expenditure (GNE). Today, government spending comes to about 45 per cent of GNE. The chief functions of Western governments in the nineteenth century were maintaining social order, ensuring defence, and facilitating economic development through measures ranging from railroad subsidies to tariffs. By comparison, governments today are involved in a bewildering range of functions that include all of the traditional ones plus education, health care, income support for various segments of the population, broadcasting, and much more. Until the early twentieth century, about three-quarters of government spending was on goods and services—what public finance economists call **exhaustive expenditures**. Today, however, 30 per cent of total government spending involves **transfer payments** to individuals, families, and organizations.¹³ This is money that the government handles, but does not itself spend on goods and services. The growth in transfer payments as a share of total government spending reflects the increasing importance of the government’s redistributive role in society.

The redistributive function of the state is the battleground on which the ideological forces of the left and the right have slugged it out since the nineteenth century. Although it is popular today to argue that debates between the left and the right have lost their relevance, this is simply not true. If the “left” is understood to prefer collectivist solutions to social and economic problems and to believe that individuals achieve dignity from the communal associations that give their lives meaning, while the “right” is understood to prefer market solutions and to believe that personal dignity depends on one’s own efforts, which tend to be undermined by collectivist policies, then the left-versus-right debate is still very much alive. In recent years, the concern shown by governments of virtually all partisan hues toward public-sector deficits and debt and the conversion of most governments to trade liberalism have contributed to the erroneous belief that collectivist (i.e., left-wing) ideology is in eclipse. But the facts—from hard measures of the government’s presence in society, such as the share of national income it spends or the portion of personal income it takes in taxes, to softer measures of state intrusiveness, such as the range of activities that governments regulate—do not support the claim that the collectivist model of the state has gone down in defeat.

On the contrary, it is probably fair to say that the essential premise of the collectivist ethos is widely and uncritically accepted by both the elite and the general populations in Canada and other advanced industrial democracies. This premise is that communal goals, such as redistributing wealth, promoting economic growth, and protecting the weak, should be—in fact, can only be—pursued through the state. There are, quite naturally, differences over the precise character of these goals and how best to achieve them. But the belief that the clock can be turned back to the “night watchman” state of capitalist democracy’s youth has little more than a marginal following even in the United States, the most liberal (in the classical sense of emphasizing market and individual freedoms) of liberal democracies.

The appropriate scope of government activities is largely a matter of personal preference. Take something as mundane as the random stopping of automobiles by police to check for impaired drivers. Some people object to this practice on the grounds that it violates the individual’s freedom—not the freedom to drive while intoxicated, but the freedom from arbitrary detention by the state. Others (probably most Canadians) are willing to tolerate the possibility that innocent people will be pulled over by the police, and perhaps even asked to take a breathalyzer test, as a reasonable infringement on individual freedom that contributes to public safety.

There is no one correct answer to the question of whether random spot checks of motorists are a good thing, just as there is no one correct answer to the question of whether a state that spends 45 per cent of national income is better or worse than one that spends 35 per cent. The answers to such questions depend on the context of the respondent. Someone who believes that the primary duty of government is the promotion of social justice will certainly have a different idea of the appropriate scope of government activities than someone who believes that government’s primary duty is the protection of individual property rights. Where matters become really complicated is in cases where people agree on the goals but disagree on the means for achieving them. If the question of means is essentially a technical one, surely we might expect it to have a

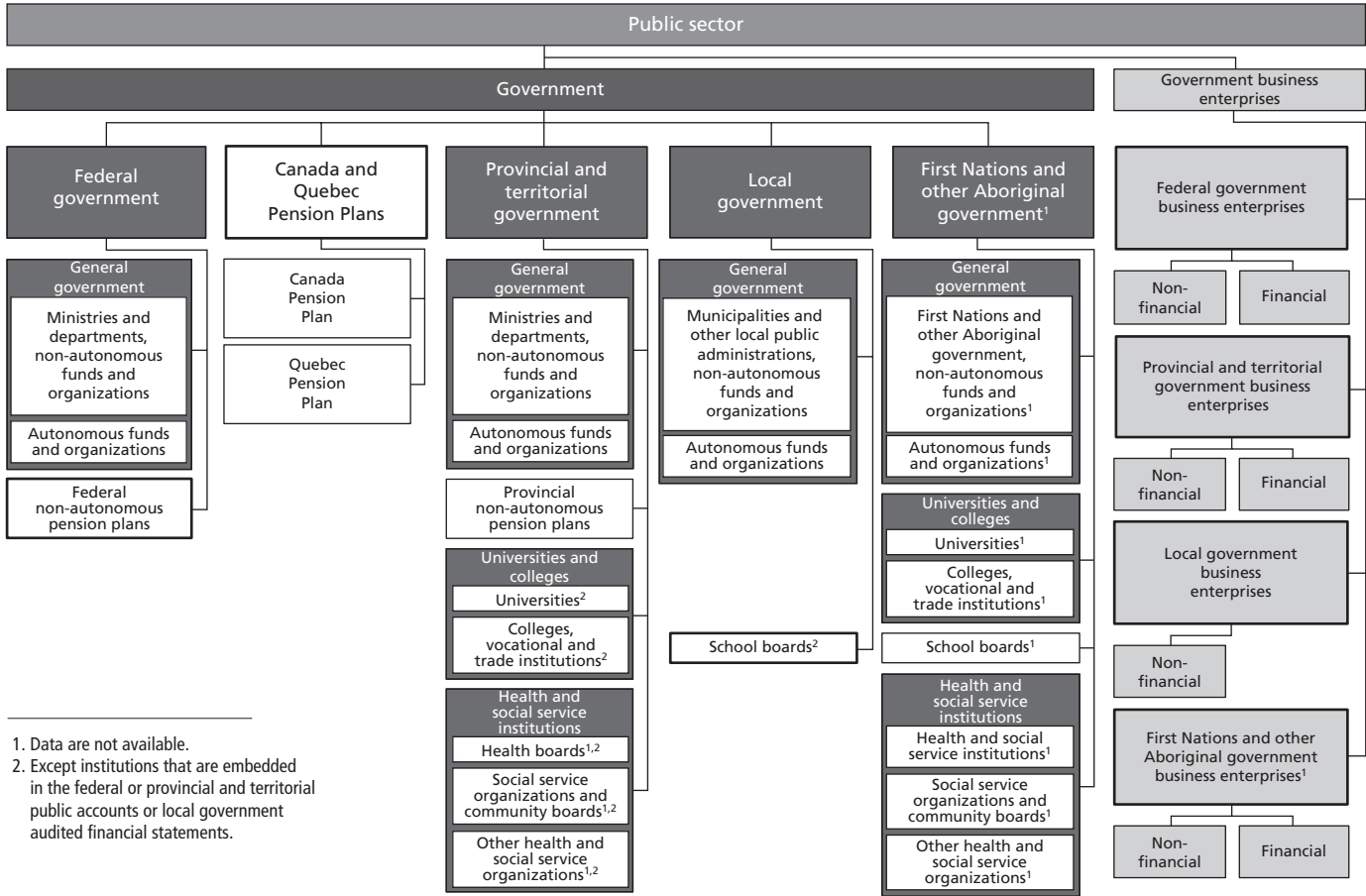


Figure 1.1 Public Sector Flow Chart

Source: Statistics Canada, <<http://www.statcan.gc.ca/nea-cen/about-apropos/govtfnps-spfipubliques-eng.pdf>>

single objective answer. As it happens, however, our views on what means are best suited to achieve an agreed-upon goal are usually influenced by our premises and values.

2. The Choice of Policy Instrument

Ends and means are inseparable. To choose a particular goal requires that a plan of action, the means for achieving that goal, be developed and put into effect. The successful attainment of goals, including the policy objectives of governments, requires that the appropriate instruments be chosen to achieve them. This all sounds very rational and calculated. But in the real world of policy-making, as in other realms of life, the process by which these instruments are chosen is rarely rational. The selection of means is influenced by how things have been done in the past—by vested bureaucratic, political, and societal interests; by chance, including the particular individuals who happen to be involved in the decision; and by ideas and beliefs that may or may not be well founded. In addition, it appears that the means sometimes precede and determine the ends of policy.

Before World War II, for instance, taxes on personal and corporate incomes made up only a small portion of total government revenue: about 15 per cent in 1939.¹⁴ Taxes on consumption and property were more important sources of government revenue. Today, income-based taxes, especially those on personal income, represent the single largest source of revenue for both Ottawa and the provinces. Payroll taxes like employment insurance premiums and Canada and Quebec Pension Plan (CPP/QPP) contributions are also major sources of government revenue. These programs were not initiated until 1940 (unemployment insurance) and 1966 (CPP/QPP). The tax system has become one of the chief instruments for the pursuit of governments' economic, social, and even cultural policy objectives.

Regulation has also increased dramatically. Most federal and provincial regulatory laws have been enacted since 1950.¹⁵ They affect activities from product labelling and the maximum allowable distance between the bars of a crib to Canadian content in television and radio programming and exports of energy. The post-World War II era has also seen an explosion in the number and diversity of government-owned corporations, most of which have been created since 1960.¹⁶ These corporations are involved in activities as diverse as the production of electrical power, the provision of credit, the sale of wine and spirits, and the mining of potash. Although some of these corporations have been privatized since the 1980s, hundreds of enterprises are still owned by Ottawa or the provinces, including such important organizations as Hydro-Québec and the Canadian Broadcasting Corporation (CBC).

In recent years, controversy has surrounded all the most common tools of public policy. Sometimes the point at issue has been whether the goals associated with a particular policy instrument—Canadian culture and the CBC, Canadianization of the petroleum industry and Petro-Canada, telecommunications regulation and the Canadian Radio-television Telecommunications Commission (CRTC)—are worth pursuing. More often, however, debate has centred on whether there is a better, less costly way of achieving a given policy objective. Such debates have been fuelled by

the arguments of economists, political journalists, and business organizations about the alleged inefficiencies of publicly owned businesses and the economic distortions produced by regulations. Taxation, subsidies, and spending programs have also come under heavy criticism for the same reasons—that they do not accomplish the goals they were ostensibly intended to promote. In other instances, they are argued to create new harms or exacerbate existing problems.

Evaluating how well a particular policy instrument achieves what is expected of it is not a simple task. To begin with, the government's goals may not be terribly clear, and may even be confused and contradictory. Even if the goals themselves can be identified with some precision, the only readily available standard for measuring how well they are being achieved is an economic one. It is fine to talk about “justice,” “equity,” “national identity,” “the quality of life,” and other such non-economic values. But these values do not carry price tags—indeed, it is often because the marketplace has no economic incentive to produce them that governments involve themselves in the promotion of these things—which makes it difficult to assess their worth.

The choice of means is not just about effectiveness; it is also about values. Some policy instruments, such as taxes and state-owned companies, are more intrusive than others, such as regulation or exhortation by government. Generally speaking, “carrots” (incentives) are less intrusive than “sticks” (commands and prohibitions) and are more likely to be preferred by those who are predisposed toward smaller governments and greater scope for individual choice.

3. Who Benefits and Who Pays?

Who benefits from public policy and who pays the bill is the subject of another ongoing debate. The very term *welfare state* implies that wealth is to some degree transferred by the state from those who can afford to pay to those in need. And there is no doubt that the various taxation and spending policies of governments affect the distribution of wealth. To what degree these policies affect the distribution of wealth and to whose advantage are disputed issues.

Contrary to popular belief, the Canadian tax system does not redistribute income from society's more affluent classes to its most impoverished ones. The reason lies in the fact that several important taxes—notably sales and property taxes and capped payroll taxes—take a larger share out of the incomes of lower-income earners than they do from those with higher incomes. Although the personal income tax system is progressive (the rate at which one is taxed increases with one's income) and governments typically rebate part of the personal cost of regressive levies like the sales and property taxes to lower-income earners, the regressive impact of total taxation is far from eliminated. On the other hand, the total effect of the money transfers received through income security programs and public spending on education, housing, health care, transportation, and other programs does favour the poor. The bottom fifth of income earners in Canada accounted for 1 per cent of earned income but about 5 per cent when all sources of income were taken into account.¹⁷ The difference can be traced to redistributive transfer payments such as social assistance, GST rebates, and the child tax benefit.

Governments in Canada also act in ways intended to affect the distribution of wealth between regions. These regional subsidies take three main forms:

1. Equalization payments from Ottawa to the less affluent provinces, intended to ensure “that provincial governments have sufficient revenues to provide reasonably comparable levels of public service at reasonably comparable levels of taxation”¹⁸
2. Income transfers from Ottawa to individuals in the form of employment insurance (EI), which is a major source of income in communities where employment opportunities tend to be seasonal
3. Federal and provincial industrial assistance programs that subsidize businesses in economically depressed regions

As in the case of policies geared toward redistributing income between individuals, there is no agreement on the impact of these regionally targeted policies. The \$17.3 billion a year that Ottawa transfers to the economically weaker provinces in the form of equalization payments certainly enable them to finance a level of services that would otherwise be beyond their fiscal means.¹⁹ The fact that certain regions benefit more than others from the EI system reflects regional redistribution. But some have argued that these transfers impose a burden on the national economy without solving the problems responsible for the weak economies of the provinces that benefit from them. Others note that because of the dispersed reach of government, transfers and subsidies actually benefit middle- and high-income earners more than they do low-income earners. Art subsidies, higher education, and health care all benefit middle- and high-income earners disproportionately. Essentially, regional subsidies take money from poor people in rich provinces and give it to rich people in poor provinces. A study by the Atlantic Institute for Market Studies found that, on average, personal income tax is 33 per cent higher in the poorer provinces than in the so-called “have” provinces. This increased tax burden also has the negative consequence of keeping economic activity down.²⁰

Regional industrial assistance programs have come under the same criticism. But one should not jump to the conclusion that Ottawa’s industrial assistance pipeline has flowed only one way, transferring money from the “have” to the “have-not” provinces. Any calculation of the regional impact of all forms of industrial support, from tariffs to government contracts to grants and loans to particular businesses, must certainly conclude that the big winners have been Ontario and Quebec—and that their gains have come at the expense of other regions.

The government’s impact on the distribution of economic well-being does not stop at individuals and regions. In all industrial societies, Canada included, the state is in the business of protecting a vast range of producer and occupational groups from the unregulated workings of the market. The result is what Canadian economist Thomas Courchene calls the “protected society.”²¹ In such a society, any group with political clout can persuade the state to protect its narrow interests at the public’s expense. Courchene’s concept of the protected society recognizes that both the privileged and the disadvantaged elements in society may be “welfare recipients”. Indeed, a federal government task

force once described Canadian businesses as “program junkies”²² addicted to the billions of dollars’ worth of subsidies that successive governments have been willing to dole out to them. This addiction continues unabated, despite cuts to program spending in recent years. And it is not only business that slurps at the public trough. All manner of special interests are recipients of government largesse. The Public Accounts of Canada include hundreds of pages listing the organizations that have received government money, and their diversity is truly staggering. A recent annual list included such organizations as OpenText, Husky Oil Ltd., Le Groupe ALDO, Le Diamant, E.H. Price Winnipeg, BioAmber Sarnia, National Theatre School of Canada, Les Grands Ballets Canadiens de Montreal, Club Coffee, and McCain Foods.²³ That these groups may be quite deserving of public support (although “deserving” is in the eye of the beholder) is not the point. Rather, the point is that any accounting of the benefits and costs of public policy must include the multitude of subsidies and non-cash forms of support received by a universe of organized interests.

All the distributive effects of policy discussed to this point have involved material benefits and burdens. But as Raymond Breton observes, “public institutions and their authorities are involved in the distribution of symbolic as well as material resources.”²⁴ We need only think of the outraged reaction of anglophone Canadians to the Quebec government’s 1989 decision (in Bill 178) to invoke the notwithstanding clause of the Charter of Rights and Freedoms after the Supreme Court of Canada ruled that Quebec’s restrictions on the language of signs violated the freedom of expression guaranteed in the Charter. Or recall the backlash generated among French-speaking Quebecers by the 1990 failure of the Meech Lake Accord proposals for constitutional reform, a failure they interpreted as proof of English Canada’s rejection of equal status for French Canada. Support for separatism in Quebec reached levels never seen before or since the death of the Meech Lake Accord. When, during the 1997 election campaign, the Reform Party brought attention to the fact that in recent decades Quebec seemed to have had a near hammerlock on the job of prime minister, regardless of whether the Liberal or Progressive Conservative party was in power, it was criticized for anti-Quebec, anti-French bigotry (although its statement of the simple truth appeared to score points with the electorate in English Canada).

All these examples have to do with the politics of recognition. It is normal for people to want to see themselves reflected in the institutions of their society, including its structures of power and its symbolic trappings. In some cases, recognition is achieved through membership in a particular group with which one identifies closely (ethnic, linguistic, regional, gender, etc.); in others, it consists in some form of official status for a group, as in the case of French and English language communities and Indigenous Canadians; and for non-French, non-British Canadians, it may also be achieved through official multiculturalism.

Like all politics, however, the politics of recognition is characterized by scarcity. Recognition for one community may require that the values and aspirations of others be denied or at least diluted. For example, consider the struggle over constitutional recognition of Quebec as a distinct society. Most Francophone Quebecers believe such recognition to be a just expression of their two-nations understanding of Canada.

Most anglophone Canadians have problems with such recognition precisely because they do not share this two-nations understanding of Canada. It simply is not possible to satisfy the symbolic desires of both English and French Canada on the issue of Quebec's constitutional status. Recognition and symbols are necessarily in limited supply. Although it might be tempting to believe that the solution to quarrels over recognition is to recognize all groups, the logical and practical absurdity of this soon becomes apparent. The social-symbolic value of recognition is diluted as it is extended to more and more groups, until it becomes worthless precisely because it is so common. Moreover, demands for recognition are often mutually exclusive. It would take some remarkable magician to reconcile distinct-society status for Quebec with the notion of equality among all 10 provinces.

Government in Retreat?

In recent years it has become commonplace to argue that governments' ability to influence the societies and economies they preside over has declined. This argument has a number of variations, but the unifying thread that runs through all of them is the idea that the forces of globalization have increased all societies' exposure to the world around them while decreasing the ability of domestic policy-makers to control what happens in their backyard. As *The Economist* described the argument in 1995:

The tasks that governments have traditionally regarded as their most important jobs, it is argued, have moved beyond their reach, and thus beyond the reach of voters. Global markets are in charge. No longer able to do big things that matter, governments busy themselves with small things, best done locally or not at all. Economic integration thus explains the political malaise affecting many of the world's big democracies.²⁵

But globalization is not just about markets. It is also about information and culture in a world wired by computers and satellites. The instantaneous sharing of information and images through the Internet and satellite television has reduced the ability of both governments and domestic elites to control the flow of information reaching citizens. Cultural policies that rely on the ability of the state to restrict what its citizens see, hear, and read have become less tenable. Moreover, globalization is about transnational forums (like the United Nations Environment Programme, the annual G7 summits, and the UN Committee on Economic, Social and Cultural Rights), which define and debate policy issues, and about international institutions (like the UN Commission on Human Rights and the World Trade Organization), which establish rules that policy-makers may perceive as binding on them, or at least difficult to ignore. Many of these forums and institutions are market driven (e.g., the bodies that handle trading rules, financial transactions, and production standards). Others are generated by global—if mainly Western—social and political movements, such as environmentalism and feminism. International media and knowledge elites reinforce these forces of globalization.

Globalization is important in explaining the special challenges of governance in the early twenty-first century, but it is not the whole story. Another factor that complicates

the job of policy-makers is what Neil Nevitte has called “the decline of deference”.²⁶ Citizens in many democracies, including Canada, take a more cynical view of public authority than they did in the past and are more likely to perceive themselves as having rights that should take priority over the preferences of state authorities.

Evidence of these developments takes various forms. In Europe, the mass protests that took place in Belgium during 1996, in reaction to what most Belgians believed to be the indifference and lack of responsiveness of their country’s judicial and political system to the disappearance and murder of young girls, became a symbol across Europe for popular rejection of old ways of conducting public business.²⁷ In Canada, the electorate’s rejection of the 1992 Charlottetown Accord on the Constitution—an accord that was supported by most of the country’s political and economic elites—was widely and rightly interpreted as a rejection of the elitist policy-making style that characterized Canadian politics until recent years (and has not disappeared entirely even today). More generally, the explosion—in Canada, the United States, and internationally—of what Mary Ann Glendon calls “rights talk” is said to be a symptom of citizens’ greater assertiveness in the face of the traditional authority of government. This new assertiveness may have roots in the cultural phenomenon known as post-materialism²⁸—a shift away from material preoccupations as matters of lifestyle, identity, and participation assume greater importance.

If modern governments seem less capable of steering the ship of state than their predecessors were, part of the explanation may involve simple hubris. *Hubris* is a Greek word that signifies arrogance arising from pride or passion. In retrospect, much of what came to be expected of governance in the twentieth century may have been a hubristic error. Keynesian economic policy is a major case in point. During the 1940s, governments in the Western industrialized democracies, including Canada, became converts to the belief that they could and should assume responsibility for the maintenance of steady economic growth and full employment. The buoyant economies of the 1950s and 1960s suggested that the policies proposed by the British economist John Maynard Keynes, which were spread throughout the Western world by a generation of economists and policy-makers trained in Keynesian macroeconomics, did what they were supposed to do. Governments quickly became accustomed to taking credit for what went right in the economy, while citizens came to expect policy-makers to promise economic growth, jobs, and rising incomes.

When the bubble burst in the 1970s, the optimistic interventionism on which Keynesian economics was premised came in for some hard scrutiny. And although Keynesian economics and policies still have their defenders, many argue that governments were given too much credit for prosperity that was actually fuelled by market factors. In retrospect, the brave assumptions of Keynesianism appear to have been overly optimistic, and the image of the state as manager of the economy was flawed by hubris. In fact, far from improving the economy, governments’ Keynesian public policy initiatives caused havoc, leading to double-digit unemployment, high inflation, and high interest rates during the 1970s and 1980s. This economic trio of despair contributed to the escalation of public debt and, many argue, put Canada’s most-cherished social programs in jeopardy.

After the financial crisis emanating from the United States in 2008, many argued that the pendulum had swung too far toward markets and that the government was urgently needed to restore the economic system. The OECD responded to the crisis in two ways: first by emphasizing the need to “align regulations and incentives in the financial sector to ensure tighter oversight,” and second by “urge[ing] governments to review and upgrade their national policies . . . to restore the conditions for economic growth.”²⁹ However, the renewed consensus on stimulus spending did not last long, and by the time the G8/G20 conferences were held in June 2010 governments had committed—albeit, in the case of the United States, reluctantly—to reduce deficits by 50 per cent by 2013.³⁰ And yet government spending continued to rise since the great recession. Public debt swelled in rich countries between 2007 and 2012, rising from an average of 53 per cent of the gross domestic product (GDP) to nearly 80 per cent.³¹ Currently Canada’s government debt is 86.5 per cent of GDP, which, while not stellar, is still better than other G7 countries.

Inflated and probably unrealistic expectations for public policy were generated in other quarters as well. The intellectual movements known as **progressivism** in the United States and **Fabian socialism** in the United Kingdom both held high expectations for governments. They believed that the knowledge and insights of trained policy specialists could be used to improve the effectiveness of public policy and ultimately to solve social and economic problems. The **policy sciences movement** that emerged in the United States after World War II had as its goal the application of social scientific knowledge to public policy. Like progressivism and Fabian socialism, the policy sciences saw their own experts as the priesthood of a rational, knowledge-driven approach to resolving policy problems. And like these other intellectual movements, the policy sciences were inherently optimistic about the ability of government to act deliberately and effectively.

All these ideas percolated into Canada, reinforcing the optimistic expectations for state management of society that Keynesianism encouraged in the realm of economics. Pushed to their limit, they encouraged visions of a brave new world whose shape was described by Liberal Prime Minister Pierre Trudeau in the late 1960s: “We . . . are aware that the many techniques of cybernetics, by transforming the control function and the manipulation of information, will transform our whole society. With this knowledge, we are wide awake, alert, capable of action; no longer are we blind, inert pawns of fate.”³²

If the state seems to be in retreat today, one reason is surely the sheer breadth of the expectations held for public policy in the past. But if the scale of these expectations was unrealistic, the fact remains that governments in Canada and elsewhere continue to play an enormous role in society. The share of national wealth today that either is consumed directly by the public sector or passes through the state’s hands in the form of transfers to individuals and organizations is about what it was two decades ago. While the 1990s saw the federal government reduce the public sector, the past decade has seen the growth of the public sector outpace that of the private sector by nearly two to one.³³ As a consequence, the scope of the state’s involvement in society remains vast and, in recent years, has actually increased in certain fields. Human rights is just one example of such expansion: As domestic and international forces have combined to raise the profile of such issues, rights considerations have been injected into entirely new domains.

The Liberal government under Prime Minister Justin Trudeau made increases spending on Indigenous people and the environment key priorities in his first budget.³⁴

It is quite simply wrong, therefore, to suggest that policy-makers have become the helpless pawns of forces over which they have little or no control. The truth is far less dramatic. Big new initiatives of the sort that were common in the 1960s and 1970s have become rare, but the shadow cast by the state is not much shorter today than it was in the past. The chief exception may be in economic policy, where globalization and international trade liberalization have pulled the rug out from under the possibility of an autonomously determined trade or monetary policy.

The Relevance of Studying Public Policy

As the scope of state intervention in Canada has increased and the forms of state action have grown more complex, it has become more difficult for laypersons to understand public policy. Yet the importance of such understanding has never been greater. Today the state really does accompany its citizens from the cradle (if not the womb) to the grave. But it is not always easy to make sense of what governments do and why. Confusion is a natural response to the enormous range of government programs, the Byzantine complications introduced by bureaucracy and multiple layers of government, and the information overload that seems to await anyone intent on sorting out what it all means. Retreat into apathy or uninformed cynicism (not the same as informed cynicism) is a common reaction, though not a helpful one.

Public policy is not, however, something that only specialists can grasp. Those motivated to understand what governments do, why they do it, and the consequences of their actions (or inaction) need not despair. This book is addressed to them. Its modest aim is to bring some meaning to the profusion of information about public policy that is daily conveyed by the mass media. Like a map, it seeks to identify important places that a traveller might wish to visit and to show the connecting routes between them. It does not presume to suggest what destination is most desirable.

Key Terms

exhaustive expenditures Government spending on goods and services.

Fabian socialism A British intellectual movement whose followers believed that gradual, incremental change, based on the insights of policy specialists, could improve public policy and ultimately lead to a fairer and more just society.

policy discourse An unfolding tapestry of words and symbols, constructed out of the multiple definitions (or denials) of a public problem, that structures thinking and action in that issue area.

policy sciences movement A public policy movement that emerged in the United States after World War II with the goal of integrating social scientific knowledge and its application to public policy.

political agenda Defining what is relevant in public life, how issues are defined, whose views should be taken seriously, and what sort of “solutions” are tenable.

progressivism A movement based on the idea that the knowledge and insights of trained policy specialists could be used to improve the effectiveness of public policy and ultimately to solve social and economic problems.

systemic bias A term referring to the selective nature of the policy system—the idea that some points of view never get articulated and that some policy outcomes are virtually precluded by the biases inherent in the cultural and institutional fabric of society.

transfer payments Government spending directed to individuals, families, and organizations. This is money that the government handles but does not itself spend on goods and services.

Discussion Questions

1. Is the reduction of government funding for programs an example of governments choosing not to act?
2. The chapter suggests that it would be impossible for government to retreat from society. It also notes that there can be no single answer to the question of what the optimal level of government is, because such a concept is based on normative principles. Discuss what you believe to be the optimal level of government in Canada. Would that level be different for the United States or other industrialized nations? What might the optimal level be for an underdeveloped nation?
3. Box 1.1 focuses on the question of whether Canadian taxpayers have received value for their dollar for subsidies to Bombardier. What role does government have in supporting specific companies? Should the government intervene in the market to help struggling companies, or should its support be more general in terms of industry support?

Websites

The following sites provide some interesting statistics and studies as well as information on the scope of government.

Government of Canada

www.canada.ca

This central page offers links to and information on almost every aspect of the federal Canadian government.

Organisation for Economic Co-operation and Development

www.oecd.org

The Organisation for Economic Co-operation and Development (OECD) brings together the governments of countries from around the world that are committed to democracy and the market economy. The website offers research reports and studies on OECD nations.

Policy.ca

www.policy.ca

Operated through the Centre for Cyber Citizenship based at the University of Lethbridge, Policy.ca is a non-partisan public resource for issues in Canadian public policy. Its database includes public policy research publications, policy organizations and institutes, and researchers working in the field of public policy.

Public Policy Forum

www.ppfforum.ca

The Public Policy Forum (PPF) brings together the public, private, and voluntary sectors and encourages open discussion amongst its leaders about governance and public policy.

Institute for Research on Public Policy

www.irpp.org

Seeking to improve public policy in Canada, this independent, national, and bilingual organization generates research on current and emerging policy issues of importance to Canadians and their governments.

Privy Council Office

www.pco-bcp.gc.ca

The Privy Council Office (PCO) provides advice and support to the prime minister and cabinet.

Statistics Canada

www.statcan.gc.ca

Statistics Canada is a federally legislated body required to provide statistics for the whole of Canada and each of the provinces and territories. The website provides statistics that help Canadians better understand their country—its population, resources, economy, society, and culture.

Treasury Board of Canada Secretariat

www.tbs-sct.gc.ca

The Treasury Board Secretariat provides advice and support to the ministers who make up the Treasury Board—the cabinet committee in charge of the government’s spending. It also oversees the financial management functions in federal departments and agencies.

Chapter 2

Theories of Public Policy

Introduction

This chapter explains the importance of theory to the study of public policy. The best place to start our discussion is with a definition. To put it in the simplest terms, a theory is an explanation of why things happen the way they do. The key word here is *why*. A theory is more than an empirical observation or formulation of what we know by experience. For example, to say that the sun appears to rise over the horizon every morning because, so far as we know, it has always done so, is only to state a repeated observation. To elevate this elementary observation to the status of theory it would be necessary to explain the sunrise in terms of the laws of motion that govern bodies moving through space. The theoretical explanation is characterized by *abstract* reasoning on the basis of *empirical* observation.

Theory is especially important to scientific research because it is not limited to explaining a single isolated phenomenon like a sunrise: It can also be generalized to explain events that have not actually been observed. So, for instance, our theory of why the sun appears to rise above Earth's horizon each day should allow us to predict sunrises on other planets without ever having experienced them. The *predictive* nature of theory makes it particularly useful to the scientific understanding of any field of study.

To develop a theory about a phenomenon, it is necessary to describe that thing in symbolic terms. As we have noted above, the nature of theory is abstract. One way to describe the abstract nature of theories is as metaphors for reality.¹ In other words, theories often use the language of analogy, explaining unfamiliar things by drawing comparisons with things that we find easier to understand or relate to. Consider again our example: The sunrise is explained by the "laws" of motion for celestial bodies. Of course there is no celestial parliament to pass such "laws"—the language of "law" is used as an analogy for the reality of why celestial bodies follow certain patterns of motion. At the same time, the "law" metaphor suggests certain characteristics of the motion of celestial bodies, such as permanence, regularity, order, and so on. Because

we easily relate to the characteristics of the metaphor of “law” contained in the theory, it is easier to understand the phenomenon of sunrises. Similarly, theories can also be described as **models** of reality. Theories work as models the same way they work as metaphors—to simplify reality. Referring to theories as models simply invokes a certain visual imagery that helps us understand complex phenomena. For the purposes of our discussion, the terms *theory*, *metaphor*, and *model* will be used interchangeably in this chapter.

Are all theories equally valid? How do we know whether one is better than another? Consider again our sunrise example. In order to explain the sunrise, one theory could argue that Earth is a sphere that rotates on its axis as it orbits around the sun, thus causing the sun to appear to “rise” every 24 hours, which is the length of time it takes Earth to complete one rotation. Another theory could argue that Earth is flat and the sun moves over Earth from one end to the other until it appears again on the other side 24 hours later. Which theory is correct? How can we judge? Remember that theoretical explanation is characterized by abstract reasoning based on empirical observation. The key to judging any theory is to see how well it stands up to the facts of reality as we actually observe them. A good theory can either pass empirical testing or be deduced from the facts of reality, while a bad one cannot. In the case of our example, rational deduction had favoured the round-Earth theory for centuries before photographs of Earth from space provided indisputable evidence refuting the flat-Earth theory.

Of course it is not always the case, even in the physical sciences, that a single theory is accepted as the only plausible one. Nevertheless, some theories are usually considered more plausible than others because they seem to make better sense of the facts. The best theory is always the one that explains the most about a phenomenon in the simplest way. That is, a good theory will tend to be not only consistent with the facts, but also easy to understand in itself. This characteristic of good theory is called *parsimony*. A **parsimonious** theory “explains a lot with a little”—the simplest, most accurate, and consistent explanation is always best. This is not to say that all theories must be rejected completely if they do not fit with more of the facts than another model. For instance, many researchers in the social sciences find it useful to consider a phenomenon from multiple theoretical perspectives because definitive empirical proofs for many theories simply do not exist. Still, the point remains that the value of theoretical explanation lies in its ability to help make complex phenomena simple to understand, and a parsimonious model will be more helpful in this regard.

It is often difficult to remain objective when it comes to theory. Sometimes people will continue to support a theory even when it is not consistent with scientific facts because it serves their interests to do so. If someone or some group of people in society benefits from popular belief in a certain theory, they may strongly resist any effort to revise or move past it even when it is clearly not useful for understanding a phenomenon. In the seventeenth century, the religious establishment rejected Galileo’s theories explaining celestial motion because they contradicted biblical teachings, and any challenge to the credibility of religious doctrine could

have undermined public confidence in religious leaders and their institutions. Thus, instead of revising the traditional theory that Earth was the centre of the universe, religious leaders rejected Galileo.

It is also true that ideology can often be disguised as theory. For example, the Nazis in Germany used theories of racial superiority to justify the persecution and murder of millions of people because they were not of the “superior” Aryan race. Similarly, Communist leaders in the former USSR and other countries around the world used totalitarian Marxist ideology to justify the persecution and murder of millions of people who opposed the imposition of socialist revolution or who were perceived to be of the wrong social class. Other instances in which “theories” were used to justify political oppression include slavery, the subjugation of Indigenous peoples, and the political disenfranchisement of women until the 1920s. These examples underline two essential points: that theory must not be taken lightly, especially when it is applied to politics, and that it is imperative to find some objective way to distinguish good theory from bad.

Objective assessment is particularly difficult when theory is married to the study of politics. One way to make it easier is to identify the nature of the theory in question. For instance, the types of political theories mentioned above should be distinguished from those applied to the study of public policy. The examples above are properly classified as **normative political theories**, since their intent is to justify some sort of action on the grounds of the moral imperatives implied within the theory. For example, Marxism is a normative theory because it analyzes politics as the struggle between classes, describes the exploitation of the working class as morally wrong, and prescribes a political solution through possibly violent revolution.

Normative theories can be contrasted with **positive theories**. Unlike normative theories of politics, positive theories of politics do not prescribe or imply moral imperatives—they simply attempt to explain politics *as it is*, not as it should be. In this sense, positive theories are more scientific in their approach to understanding politics. Positive theories do not have any *explicit* political interest, ideology, or agenda to promote—they are simply intended to help students of public policy better understand the ways politics works.²

Even so, positive theories may support or undermine *implicit* political interests, ideologies, and agendas. According to this argument, analyses of public policy that claim to be value-free simply do not acknowledge the value assumptions that underlie their interpretation of the policy process. The fact that we may be unaware of our value assumptions does not mean that we travel without normative baggage. Indeed, the claims to scientific objectivity and moral neutrality of such theories lend implicit support to the dominant ways of thinking about the public policy process that they accept so uncritically. This debate is a complicated and longstanding one, and interested readers will find no shortage of writing on the subject of how values intrude on social and political analysis. Careful students of public policy should be aware of the potential for “normative” values to creep into “positive” theories.

In conclusion, it is important to note that the nature and purpose of theory are the same across all scientific disciplines, whether the phenomenon to be explained is part of the physical world or the political process that produces public policy. As we shall see in the next section of this chapter, the field of public policy relies heavily on the use of

theoretical concepts and models to understand the way things happen in politics and government. Stated simply, in the field of public policy the purposes of theory are

1. to simplify and clarify our thinking about government and politics;
2. to identify important political forces in society;
3. to communicate relevant knowledge about political life;
4. to direct inquiry into politics; and
5. to suggest explanations for political events and outcomes.³

The main theoretical frameworks associated with the contemporary study of public policy are introduced in this chapter. It is generally agreed that no single or even dominant theory of policy formation exists. There is no agreement, however, on what those main frameworks are. For instance, in an influential article published in 1976, Richard Simeon grouped explanations of public policy under five headings: “policy as a consequence of the *environment*, of the distribution of *power*, of prevailing *ideas*, of *institutional* frameworks, and of the *process* of decision-making.”⁴ Michael Atkinson and Marsha Chandler offer a leaner categorization of approaches, distinguishing between those that start from a *Marxist* view of the state (i.e., one focusing on class struggle) and those that see the state in the context of a competitive political marketplace in which class is only one of the lines of potential conflict. Proponents of this second approach describe it as *pluralist*.⁵ Taking yet another approach, Bruce Doern and Richard Phidd identify four models of the policy process: *rational*, *incremental*, *public choice*, and *class analysis* (or Marxist). In addition, they offer their own approach, an eclectic framework that stresses the interaction of society’s dominant ideas; the structure of government and the private sector, including the individuals who control them; and the processes that characterize the policy process. Their theoretical perspective is fairly described as *liberal-pluralist*.⁶ Finally, in one of the major textbooks on Canadian politics, Robert Jackson and Doreen Jackson distinguish between theories of decision-making (micro-level approaches) and theories of policy formation (macro-level approaches). According to Jackson and Jackson, the second group of theories seeks to identify the broader determinants of state action and includes environmental determinism, pluralism, public choice theory, and neo-Marxist analysis.⁷

In view of the diversity of ways in which writers on public policy have categorized theoretical approaches to the field, one hesitates to develop yet another classification. Classification for its own sake is, after all, no virtue. The purpose should be to explain the different answers that theories give to the fundamental political questions of *why* the state behaves in particular ways and *who benefits*. In this chapter I suggest, for the sake of parsimony, that the theoretical perspectives found in the literature on public policy can be grouped into two very general categories. What the theories in the first category all share is the assumption that the outcome of public policy is largely (though not exclusively) determined by the nature or structure of politics, the bureaucracy, or society. This group can be labelled **structuralist theories**. The main theoretical models that fall under the structuralist label are Marxism, environmental determinism (including globalism, feminism, and culturalism), institutionalism, incrementalism, and systems theory. By contrast, **dynamic theories** see the policy process as open to influence in a

competitive environment. The three theories that see the public policy process as dynamic are pluralism, game theory, and public choice. This way of dividing up and labeling the world of theory has the virtue of identifying the outstanding characteristics of the main contemporary models for understanding public policy and allows distinctions to be drawn and similarities to be highlighted among these frameworks.

Structuralist Theories of the Public Policy Process

The Marxist Model: Class Structures of State and Society Determine Public Policy

The Marxist model of public policy is perhaps the most influential of the structuralist theoretical frameworks and offers the best example of a structuralist view on public policy. The **Marxist theory** of policy formation has four main elements: (1) the *division of society into classes*, with an individual's class position determined by his or her relationship to the means of production; (2) the *pre-eminence of class* as the basis for political and economic conflict; (3) the *inequality of classes*, with society divided into dominant and subordinate classes; and (4) the *bias of the state* in favour of the dominant class(es), which in a capitalist society will be the capitalists or bourgeoisie.

This much of Marxist theory has remained unchanged from the original writings of Karl Marx. Within contemporary Marxist theory (i.e., neo-Marxism), however, there are numerous divisions over some of these points, particularly the relationship of the state to dominant and subordinate classes. The complexities of these debates need not concern us here.⁸ Our chief interest is in identifying how Marxist explanations of policy formation differ from other approaches.

In terms of worldview, the Marxist perspective identifies antagonism between classes as the central fact of politics in all societies. This premise has often been disputed by non-Marxists, who in North America at least are able to point to the absence of electorally strong working-class parties and to the sense of “middle-classness” that attitudinal surveys show to be widely shared in both Canadian and American society. While some students may quibble with the above statement, noting that the NDP became the official opposition in 2010, thus moving the progressive agenda forward, many believe that the NDP's success had more to do with the popularity of the late Jack Layton than with an embrace of the party's policy agenda. Certainly the election of the NDP Alberta in 2015 buoyed the spirits of the NDP and was linked to the strengthening of the NDP federally leading up to the national general election. That in 2016 the federal NDP have moved back to third-party status and the only NDP government in the country is in Alberta has lent credence to the argument that the NDP resurgence was a blip. Moreover, critics of Marxist class analysis maintain that the declining size of the traditional blue-collar working class, the separation of ownership from effective control of the modern corporation (and therefore the declining importance of the individual capitalist), and the expansion of a middle class of relatively affluent professionals have actually weakened the political significance of class. These critics, therefore, dismiss the Marxist insistence on the primacy of class as an expression of ideological preference rather than a useful tool for understanding the public policy process.

Marxists acknowledge that the subjective sense of belonging to a social class is weak in many capitalist societies and that social divisions have become more complicated as a result of changes in the economies of these societies. But they are not prepared to jettison the concept of class. Instead, they argue that capitalism's proven capacity for coping with the challenges posed by periodic economic crises and by the political demands of subordinate classes can be traced to two main factors. One is the role played by a society's dominant ideology. According to Marxists, the subordinate classes in a society develop a *false consciousness* regarding their own best interests. Effectively, the dominance of liberal-capitalist ideology—beliefs about the importance of things like profits and private property, the possibility of upward socioeconomic mobility, and, most important, the effectiveness of the market as the basic organizing principle of the economy—is such that the working classes believe that what is best for a liberal-capitalist democracy must be best for them too. Marxists argue that this ideology—instilled and constantly reinforced by the media, schools, and other institutions of socialization—includes beliefs about the limits of state interference with the economy, which have the effect of blunting fundamental criticism of the existing balance of economic and political power. A government that trespasses beyond the limits set by these widely shared beliefs risks a serious decline in popular support.

Even more important, such a government risks a damaging loss of *business confidence*. This constraint on state action, the second main factor used by Marxists to explain the staying power of capitalism, is virtually identical to what Charles Lindblom calls the “automatic punishing recoil” of the market.⁹ It reinforces the ideological limits on public policy by ensuring that actions that threaten business interests (as defined by those who make investment and other decisions affecting economic activity) are punished.

Why should a government—especially one whose main electoral base strength lies elsewhere, with numerically large subordinate classes—care about the business community's reaction? Marxists argue that a crisis of business confidence would undermine the government's ability to finance state activities through taxation and borrowing. Moreover, an economic downturn is likely to result in reduced popular support for the government and increased support for a rival party whose policies appear more likely to generate business confidence and growth in jobs and incomes. Theoretically, a government could always respond to the economic sanctions of the market by taking over businesses and placing restrictions on the transfer of capital out of the country. In practice, however, the economic ties that link capitalist societies mean that this sort of radical political agenda would be poorly received by foreign investors, currency traders, and creditors as well. Thus, international as well as domestic business confidence serves as a brake on reformist policy.

Marxists argue that there is a tension between the state's responsiveness to popular demands and its structural need and ideological disposition to support the general interests of capital. This tension (or “contradiction,” to use Marxist terminology) surfaces at the level of public policy in two functionally different types of policies: legitimization and accumulation policies.¹⁰ **Legitimation policies** reduce interclass conflict by providing subordinate classes with benefits that reduce their dissatisfaction with the inequalities generated by the capitalist economy. Social welfare policies and labour legislation are examples of state actions that promote social harmony by legitimizing the existing capitalist system in the eyes of those classes who benefit least from its operation. These

policies indirectly support the interests of capital because they maintain the social conditions necessary for profitable business activity. **Accumulation policies**, by contrast, directly support profit-oriented business activity. Examples include grants and tax subsidies to business, tariff and non-tariff protection for industries, state expenditure on public works needed for business activity, and laws that control the cost of labour or reduce the likelihood of work stoppages. Some Marxists have argued that there is an inherent contradiction in capitalist society because state support for social welfare policies has increasingly collided with what the state must do to support capital accumulation. Marxist analysis attributes this contradiction in the policies pursued by governments in capitalist societies to the ascendance of “neo-conservatism” (often synonymous with “neo-liberalism”) and its ideological pressure to cut back on social spending.

Let us pause to take stock. The Marxist theory of policy formation argues that class divisions are the main sources of political conflict, even if many (perhaps most) people in the society do not think in terms of class. The fact that people do not think in class terms demonstrates the strength of the dominant liberal-capitalist ideology supplied by the media, schools, and other agents of socialization. As well, the weakness of a subjective sense of class reflects the fact that many of the demands of subordinate classes—for public education, health care, pensions, and income during unemployment—have been met, reducing the class friction that existed in the past. Failure to recognize the class struggle, however, does not mean that class is irrelevant to an understanding of state action.

When Marxists argue that the state in capitalist societies serves the interests of the dominant economic class, they do not mean that every state action reflects the interests of the business/investment community. Nor are they suggesting that those who control the means of production always agree on what the state should and should not do. The point is that the overall pattern of public policy supports the *general* interests of capital. The reason for this is that policy-makers usually believe such policies to be in the public interest. Also, failure to maintain some minimum level of business confidence leads to economic downturn, the consequences of which are reduced popular support for the government and losses in the state’s ability to finance its activities. This second factor is an important structural constraint on policy-makers in capitalist societies.

Two features of the Marxist model need to be stressed. First, for the state to serve the general interests of capital, it is not necessary that policy-makers be drawn from the dominant class. In fact, some Marxists argue that the fewer the personal ties between the state and the dominant class, the more effective the state will be in maintaining the interests of this class, since the public will more readily accept capitalist domination if it can be persuaded that the government is not controlled by any one class.¹¹ Second, some Marxists believe—contrary to pure Marxist theory—that policy-makers are in fact receptive to the demands of subordinate classes. Their willingness to implement reforms that may be opposed by powerful business interests does not reflect any special vision on their part about what concessions must be made to save the capitalist system from what they believe is the short-sightedness of individual capitalists. Rather, it reflects the fact that governments are subject to popular pressures through elections, and that those who manage the state need to appeal to many different parts of the business community. For this reason they may often be willing to act in ways that offend certain parts of that community. This does

not mean that state managers are more astute about what needs to be done to maintain the capitalist system than are the capitalists themselves. It does mean, however, that their concern for the overall level of economic activity—a factor that influences both the popular support of governments and the capacity of the state to finance its activities—frees policy-makers from the narrower interests of particular parts of the business community. Marxists will argue that rational self-interest looks somewhat different from the standpoint of state managers than it does from the standpoint of individual capitalists. As Fred Block writes, “Unlike the individual capitalists, the state managers do not have to operate on the basis of a narrow profit-maximizing rationality; they are capable of intervening in the economy on the basis of a more general rationality.”¹²

Marxists argue that it would be a mistake to think that policy-makers consciously ask themselves, “What must we do to preserve the capitalist system?” There is no need for them to pose this question consciously because their conception of the “national interest” coincides with the general interest of capital. As Ralph Miliband explains, “if the state acts in ways which are congruent with the interests and purposes of capital, it is not because it is driven out of dire compulsion to do so, but because it wants to do so.”¹³ Ideology reinforces the structural mechanisms described earlier, thereby ensuring that business interests are treated with a respect that is not accorded to mere “interest groups”. At the same time, the ideological dispositions of policy-makers help to explain differences between capitalist societies in the scope of state economic intervention and the extent of the social reforms undertaken by governments in these societies.

The openness of governments to the demands of subordinate classes—demands that may be vigorously opposed by spokespersons for the business community—was mentioned earlier. A couple of qualifications should be added. First, the limits of this openness are set by policy-makers’ perceptions of how much reform the business community will tolerate before the combined responses of individual corporations and investors produce a crippling downturn in economic activity. Second, the concessions made to the demands of subordinate classes are likely to take forms that minimize the burden on the business community. There is strong evidence in support of this second point. As we will see in Chapter 8, on social policy, most of the costs of financing social services—programs that are usually pointed to as evidence of government’s responsiveness to popular pressures—are borne by the middle classes. In a very real sense, the welfare state depends on the middle classes to pay for the services consumed by the middle and lower classes. Redistributive policies have not been pursued at the expense of capitalist interests.

Globalization: The Structure of Global Governance Determines Public Policy

One of the most influential contemporary theoretical models in public policy analysis in recent years has been the **globalization** framework.¹⁴ According to this model, the liberalization of international trade and investment, the rapid advancement and spread of communications technology, and the explosion in global transportation have combined to make the state impotent in many areas of public policy. The globalization model is based on the belief that the policy options available to the governments of individual

states are increasingly limited by (1) large multinational corporations in industries from natural resources (especially oil) to textiles (e.g., Nike) and (2) international institutions such as the United Nations (UN), the Group of Seven (G7) major industrialized countries, the World Trade Organization (WTO), and the International Monetary Fund (IMF).

Globalization theorists argue that the structure of governance institutions such as the UN, G7, and WTO favours the advancement of international capitalism by punishing countries that adopt policies contrary to liberal economics. For instance, opponents of globalization often point to the IMF's rules governing loans to governments. These rules punish governments that refuse to limit the size and scope of their activities and usually require recipient governments to reduce social spending, liberalize investment laws, and introduce tax cuts. Globalization theorists argue that desperately poor governments have no choice but to comply with such demands because of the penalties that international organizations like the IMF can impose on them. Thus, the globalization model assumes that the *structure* of international capitalism and the institutions that support it determine the public policy choices governments can make. This characteristic of the globalization model identifies it with structuralism as an explanatory framework for public policy because it is based on the belief that decisions of the state are determined by the structure of institutions of global governance.

Institutionalism and Incrementalism: The Structure of Institutions or the Nature of Bureaucracy Determines Public Policy

Institutionalism and incrementalism are separate theoretical models of public policy, but both are concerned with how government institutions influence public policy. **Institutionalism** is based on the belief that public policy outcomes are determined by the structural configuration of the state itself. That is, the types of policies that can be adopted by a government largely depend on how that society's political institutions are designed. As Michael Atkinson puts it, institutionalism

involves an assessment of political institutions such as federalism, Parliament, cabinet, and the bureaucracy. These institutions are, of course, influenced by political ideas and economic relationships, but in Canada political institutions have also been treated as important in and of themselves. Federalism for example does not merely replicate the regional character of the country, it reinforces it. Parliament does not simply reflect power relationships in society, it legitimizes them. The courts do more than adjudicate, they define the limits of political action. In this view political institutions, regardless of their origins, make an independent contribution to both the conduct of politics in Canada and to policy outcomes.¹⁵

There are many policy implications that can arise from the structure of the state. To illustrate, consider that Canadian federalism is decentralized in practice. That is, the provincial governments have constitutional control over many areas of public policy, and the federal government is prohibited from involving itself in these areas. For instance, the Constitution gives exclusive authority to the provinces over such policy areas as health care, social

welfare, and education. While it is true that the federal government often intervenes in these areas, it does so only with the tacit permission of the provincial governments. Some institutionalist theories observe that the decentralized nature of Canadian federalism has created a competitive environment among provincial governments that has prevented further expansion of the welfare state.¹⁶ To see how this competition between governments can develop, consider welfare policy. If one province, say Saskatchewan, were to increase its welfare benefits to a level higher than that in other provinces, it would simultaneously have to raise taxes and increase government spending. But if other provinces did not adopt the same policies, then welfare recipients in those other provinces would be tempted to move to Saskatchewan to obtain the higher benefits. This could create an overload of demand on public finances for the Saskatchewan government. Simultaneously, the higher tax levels required to maintain this level of spending in the province would drive out business, investment, and those wishing to escape the burden of high taxes. As a result, Saskatchewan would be faced with both increasing expenses and shrinking revenues. This is surely a recipe for bankruptcy. Therefore, institutionalists argue that if authority for welfare policy were centralized in the federal government, benefits would be the same across the entire country and welfare programs could safely be expanded because taxpayers would have nowhere to go to escape higher levels of taxation; nor would recipients have any incentive to move from one province to another. It is in this sense that the design or structure of political institutions is seen as determining the kinds of policies that can be implemented by governments.¹⁷

Incrementalism is also concerned with how the structure of institutions influences public policy outcomes. However, incremental models analyze the decision-making process of the people who produce public policy within institutions, as opposed to the design of institutions themselves. **Incrementalism** views the public policy process as a matter of slow and small adjustments to past decisions. That is, current policy decisions really represent only incremental changes from existing policies. Incremental theory claims that this is the case because of the uncertainty that surrounds many political decisions and the reluctance of policy-makers to make radical changes in the absence of complete information about the potential outcomes. These factors lead to minor, sometimes insignificant changes to public policy as a safer approach to change. Thus, the nature of bureaucratic decision-making also structures the policy process.¹⁸

Other Structural Models of Public Policy

A number of other theoretical frameworks fall under the broad heading of structuralism. One of them is **environmental determinism**. Before we discuss this model, it is necessary to define what we mean by “environmental” in this context. Environmental determinism is not to be confused with ecological issues like air and water pollution or the protection of natural habitats for wildlife. “Environment” is used here to refer to the circumstances beyond government control that influence the kinds of public policies adopted by the state. These external circumstances can include the nature of the societal culture (**culturalism**) or the distribution of power by gender in society (a focus of concern for **feminism**). In other words, environmental determinism is based on the belief that the public policy

decisions of government are largely *predetermined* or at least heavily influenced by factors that lie outside the control of policy-makers. Environmental determinism sees dominant cultural values like liberalism as reinforcing public policies favourable to capitalism and democracy. It may also see the dependency of a region on trade for its economic growth as another factor reinforcing capitalist policies. Finally, it may see the public policy process as being structured to the advantage of one gender over another. In these senses, the cultural values, economic makeup, and gender distribution of power in a particular political environment predetermine the range of public policy options that a government will consider.

The Marxist model also qualifies as a theory of environmental determinism because it sees the societal environment as structured by class and ideology. The relatively more complex theoretical modelling of Marxism justifies its separate consideration from these other frameworks, which might be seen as branches of the Marxist theoretical approach to public policy. It is interesting to note the obvious similarities between the Marxist framework and the perspectives discussed under the “structuralist” heading. All of them can be described as “structuralist” because they all believe that the *structure* of the environment in which governments make their decisions determines the options available and, therefore, the outcomes of public policy.

Systems Theory: A Bridge between Structural and Dynamic Theories

A theoretical model that borrows from the more dynamic view of pluralism discussed below and yet shares some characteristics with structural theories of public policy is David Easton’s **systems theory**. Systems theory is a pluralist analysis with a functionalist orientation. Functionalist methodologies seek to explain behaviour by identifying the purposes it serves in relation to a social (or economic, or political) system. The behaviour of individuals, groups, or classes is interpreted in light of what the social system requires to maintain itself. That is, behaviour serves to perpetuate the system, and the system reinforces this behaviour. According to Easton’s theory, the public policy system is affected not only by “inputs,” in the form of political demands and support for policies, but also by “outputs,” in the decisions or policies it produces.¹⁹ This model sees the state as passive in the public policy process and the policy process as potentially dynamic because of the interaction of inputs in the system. Yet, as Easton says,

the behaviour of every political system is to some degree imposed upon it by the kind of system it is, that is, by its own structure and internal needs. But its behaviour also reflects the strains occasioned by the specific setting within which the system operates. It may be argued that most of the significant changes within a political system have their origin in shifts among the external variables . . . [yet] if a structured system is to maintain itself, it must provide mechanisms whereby its members are integrated or induced to co-operate in some minimal degree so that they can make authoritative decisions.²⁰

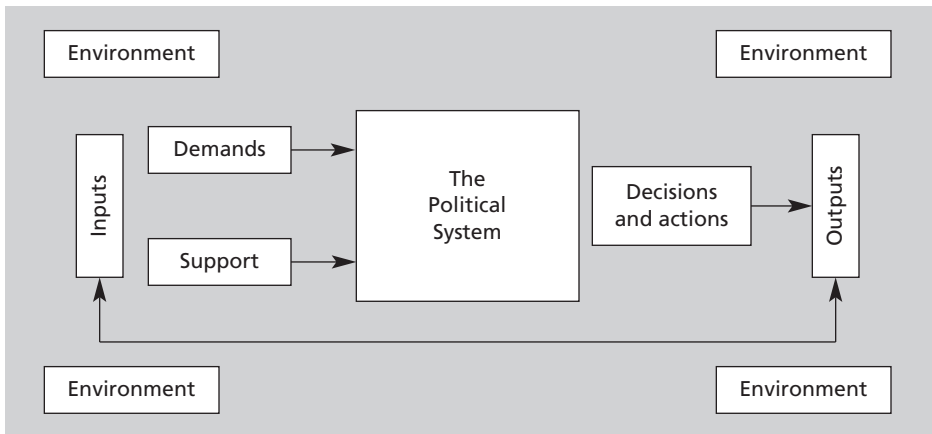


Figure 2.1 David Easton's Simplified Model of the Political System

Source: David Easton, *A Systems Analysis of Political Life* (New York, NY: John Wiley and Sons, 1965), 32, Diagram 2.

A simplified version of Easton's model is portrayed in Figure 2.1. The metaphorical analogy to the way in which a computer or a machine works is obvious.

The systems analysis approach to understanding public policy is both structural and dynamic, depending on which aspect of the model is emphasized. In this sense, Easton's systems theory provides a bridge between structural theories and more dynamic theories of public policy.

Dynamic Models of the Public Policy Process

The Pluralist Model: Group Competition in the Political Marketplace

Pluralism has been one of the most influential theoretical models of public policy. The **pluralist model** is based on the observation that interest groups influence the outcome of government decisions. This theory starts with the realization that society is actually a collection of individuals, each with his or her own specific interests. Yet these individuals, or at least the more perceptive ones, realize that they stand a better chance of achieving their goals if they join with others who have similar goals. Thus, groups form to influence the behaviour of governments. The key feature of the pluralist view of public policy is that it considers the competition among groups to be essentially open: Groups can enter and exit the competition without structural barriers, and influence within the policy process is largely dynamic.

This is a short, and obviously very simplified, explanation of a model of politics that heavily influenced North American political science for much of the twentieth century. Applied to policy formation, it sees state action as the outcome of competition among organized groups that seek to protect or promote the interests of their members. Although different versions of the pluralist model disagree on how "open" this competition is, they share a worldview that distinguishes them from Marxist theories of public policy.

For Marxists, the foremost line of political conflict is the one that divides economic classes. All other lines of conflict—"cleavages," in the jargon of political sociology—are subordinate to and shaped by class struggle. Pluralists, on the other hand, concede that economic factors are important determinants of political conflict, but they view other lines of division, including ethnicity, language, religion, gender, region, and ideology, as having a significance that is not necessarily less than that of class. Moreover, these non-class divisions are not, in the pluralist model, merely class conflicts dressed up in ways that make them more difficult to recognize. As one textbook on Canadian politics puts it, "From the [pluralist] perspective . . . ethnicity, culture, religion, language, occupation, economic sector, region, level of income, gender and ideology are all important determinants of political phenomena, independent of the class structure."²¹

However, the pluralist model of politics does view policy-making in democratic societies as a competition among elites. One of the first to attempt to reconcile the fact that political decision-making is concentrated in the hands of elites with the fundamental democratic premise that all just rule derives from the consent of the governed was Joseph Schumpeter. In *Capitalism, Socialism and Democracy*,²² he argues that the competition for political office is the key feature of democratic politics. Schumpeter likens this competition among elites for the votes of the general population to the operation of an economic market: Voters (like consumers) choose among the policies (products) offered by competing parties (sellers). This reconciliation of elitist decision-making with democratic values proved to be enormously influential. It was reformulated by the American political scientist Robert Dahl in his definition of democracy as *polyarchy*, the rule of multiple minorities.²³ According to Dahl, minority rule takes place against the backdrop of a social consensus on democratic values that serves as a check on undemocratic behaviour by elites.

A number of implications for the theory of policy-making flowed from this work. First, the state was viewed as essentially democratic. Though controlled by elites, governments were compelled to be at least minimally responsive to popular demands because of the risk that they might be replaced by another elite coalition at the next election. Second, individuals and organized groups were the relevant units for policy analysis. Political conflict was seen in terms of shifting constellations of actors that varied from issue to issue, so that opponents on one policy question might find themselves allies on a different question. Third, ideas were viewed as a major determinant of policy. The perceptions and beliefs of individuals were considered crucial to understanding their behaviour and, ultimately, policy outcomes. Major policy trends, such as the emergence of the welfare state, and cross-national differences in policy were explained in terms of national values—if not those of the general population, then those of political elites.²⁴ In summary, classic models of pluralism view the public policy process as dynamic instead of structural in nature.

Some pluralist theorists, however, have noticed that certain groups possess greater resources than others and that some demands tend to receive a more sympathetic hearing from government than others. Moreover, it is difficult to ignore evidence that many individuals are effectively excluded from the competition because they are not organized into groups with representative spokespersons. Thus, some argue that even though

the pluralist model holds organization and power to be theoretically open to all, in reality some parts of society, particularly the poor and less-educated members, are less likely than others to mobilize in a concerted effort to influence state action. In other words, the policy process is characterized by group competition, but the competition is more structural and less dynamic than earlier models of pluralism admit.

Some pluralists have put forward various explanations to account for the dominant position of business in the political marketplace. Robert Heilbroner has suggested that, in America at least, the dominant ideology compels non-business interests to “accommodate their proposals for social change to the limits of adaptability of the prevailing business order.”²⁵ In *Politics and Markets*, Charles Lindblom attributes the “privileged position of business” to a combination of superior financial resources and lobbying organization, greater access than other groups to government officials, and, most importantly, propagandistic activities that reinforce the ideological dominance of business values, both directly through political advertising and indirectly through commercial advertising.²⁶ A somewhat different perspective is offered by Theodore Lowi. He argues that the policy process “is biased not so much in favour of the rich as in favour of the established and organized.”²⁷ While Lowi views political power as something that derives from organization *per se*, he too acknowledges that business interests occupy a privileged position within the policy-making system. According to Lowi, both the state and private business have a fundamental interest in stability. From the government’s side, this means sensitivity toward the conditions necessary to ensure business performance.

Another explanation of the unequal competition of interests to come out of the pluralist theoretical framework is that offered by Lindblom in an article entitled “The Market as Prison.”²⁸ Lindblom argues that policy-making in capitalist societies is imprisoned by the fact that a market economy operates on the basis of inducements. Short of replacing the market system with a centrally directed command economy, businesses cannot be ordered to produce or to invest. They must be persuaded—incentives and disincentives must be used to get them to behave in ways desired by policy-makers. When state action, real or anticipated, is perceived by businesspeople to be harmful to their interests, they react by cutting back on production, deferring or cancelling new investment, and perhaps shifting production to other countries. The reaction is automatic, triggered by a change in the environment in which business operates. And to the extent that it means unemployment and economic slowdown, the reaction is also punishing to the government. Lindblom writes, “When a decline in prosperity and employment is brought about by decisions of corporate and other business executives, it is not they but government officials who consequently are retired from their offices.”²⁹ Hence, the special sensitivity of public officials to business interests. Change is not impossible, but it is greatly constrained by the automatic punishment the market system imposes on governments that trespass beyond the line of business tolerance. None of this would be true were it not for the fact that in capitalist societies the market is a *chose donnée* in our thinking about policy. Interference with it might be desirable. But its elimination is unthinkable. The bars that imprison policy-makers are both structural (the reaction of businesspeople) and ideological.

This explanation of business power has long been familiar to Marxist theorists. What Lindblom calls the “automatic punishing recoil” of the market to reforms

perceived to threaten business interests has been called a “capital strike” by others. But Lindblom’s explanation is not a Marxist one. Though he assigns central importance to economic factors as determinants of policy, he continues to treat business as a societal interest, albeit the most powerful one. The worldview that underpins Lindblom’s theory does not see society in class terms or politics as class struggle. Though he arrives at conclusions quite similar to those of Marxist theorists, his reasoning is still within the pluralist worldview. Nonetheless, Lindblom’s approach leans toward a structural view of pluralist models of public policy.

William D. Coleman and Grace Skogstad offer another theoretical framework, which can more accurately be classified as “structural-pluralist”.³⁰ Like Lindblom and Lowi, these theorists noticed that some groups seem to have privileged access to the policy-making process. In fact, Coleman and Skogstad noticed that this privileged access persisted over time and the groups enjoying these political advantages were able to exclude other groups from the policy-making process in their interest area. Essentially, public policy became divided up into separate policy areas dominated by long-term participant groups with specific policy interests and agendas that were able to prevent new participants from influencing the policy area. These long-term groups formed what Coleman and Skogstad called “policy communities”. In addition, this theoretical model identified the relationships that developed between group interests and policy-makers and other interests within the policy community as “policy networks”. This term suggests the closed and privileged nature of influence within specific policy areas. It also implies that the network’s interest in a particular policy can determine that policy’s success or failure. Within the labour law policy community, for instance, one would typically expect to find politicians, bureaucrats, business, and labour. Groups with a minor interest in labour law (e.g., feminists seeking special provisions for maternity leave or religious minorities seeking exemption from the mandatory payment of union dues) would presumably be less active than those within the inner circle of the policy community. Policy networks need not always be formal, and they can be loosely structured. Recent research using network theory shows the links between different aspects of governance in modern society. The “policy community” model of public policy thus represents an example of the structural side of the normally dynamic nature of pluralist political theory.

There are three assumptions that researchers work with when analyzing policy networks. First is the assumption that modern governance is non-hierarchical. This means that there are few policy solutions that are actually imposed from above. Governance requires give and take between public and private actors, as well as between different groups in society. The second assumption is that the relationships must be disentangled if they are to be understood. Finally, while networks do influence policy, in the end it is government that is responsible for governance.³¹

The Public Choice Model: *Homo Economicus* and *Homo Politicus*

In 1986 American economist James Buchanan was awarded the Nobel Prize in Economic Sciences. The selection jury for this prestigious award cited his application of economic theory to political and constitutional issues as the basis for their choice.

Buchanan is one of the founders of a theoretical approach that in Canada is usually referred to as public choice theory, in the United States as political economy, and in Europe as political economics or the economic theory of politics. His Nobel Prize was a highly visible indication of the growing importance of a theoretical model that has acquired many converts in academe, especially in North America. The formal emergence of public choice as a theoretical framework for the study of public policy came about after World War II. The first works to use an economic analogy to describe the political process were Duncan Black (1948), James Buchanan (1949), and Kenneth Arrow (1950). Their early work inspired a large number of other works in the field, including classics by Anthony Downs (1957), James Buchanan and Gordon Tullock (1962), William Riker (1962), and Mancur Olson (1965).³²

Public choice theory represents the colonization of traditional political science concerns by economics. Proponents of this approach attempt to explain the political behaviour of individuals and interest groups, as well as the policy decisions of governments, in terms of a theory of rational choice developed in microeconomics. The central figure of microeconomic theory is *homo economicus*, or “economic man”. This term is used to describe the behaviour of utility-maximizing individuals—people who seek to maximize their self-interest or personal gain and minimize their losses in any economic situation. This is called “rational” economic behaviour, or *rational choice*. Under the public choice model, *homo politicus*, “political man,” is also assumed to operate on the basis of rational self-interest, seeking to maximize satisfaction at the least cost within the limits imposed by the information at hand. This assumption is based on the common-sense observation that the average person does not have two personalities: The same person who makes economic decisions also has to make political decisions, so why have two different concepts of human behaviour? If the behaviour attributed to economic decision-making is assumed to be empirically sound, then it should apply to political behaviour as well.

The public choice model has some similarities with the pluralist model. We have seen already that the pluralist model views the state as the forum for a multi-levelled competition between conflicting group interests. This competition may be *unequal*; no serious analysis would deny that state organizations sometimes defend and advance their own interests, as opposed to simply mediating the competing demands of societal groups. But the pluralist worldview insists on the competitive nature of politics and on the “group” or “interest” as the basic unit of analysis for understanding the policy process. The public choice model shares the same competitive worldview, as shown by its use of the terms *log-rolling*, *bargaining*, *accommodation*, and *exchange*. In fact, public choice is a revised version of the pluralist model. This is evident in its characterization of the state. In the words of one of the main Canadian contributors to public choice theory, “the role of the State in a modern representative democracy is centrally concerned with mediating interest group conflicts over distributive claims.”³³ Buchanan and Tullock acknowledge the similarity of pluralist and public choice approaches when they write that “[t]hroughout our analysis the word ‘group’ could be substituted for the word ‘individual’ without significantly affecting the results.”³⁴

What is different about the public choice model is its strict insistence on the individual as the basic unit of analysis; Buchanan and Tullock refer to this characteristic as “methodological individualism”.³⁵ The state is viewed in terms of the individual politicians and bureaucrats who occupy particular positions within it, and these people are understood to act on the basis of rational self-interest under conditions of imperfect knowledge. Politicians, bureaucrats, and interest group leaders are “political entrepreneurs”. Politicians seek to be elected and, once elected, to maintain themselves in power (their motivations for seeking office are beside the point). Bureaucrats seek promotion or more control over the environment within which their organization is situated. Expansion, increased budgets, new policy tasks, and capturing chief responsibility for a policy field are all means toward these goals. Based on the assumption that the rational self-interest postulate is at least more plausible than any other explanation of individual behaviour, the public choice model explains policy as the outcome of strategic behaviour within a system of overlapping games that connect the state to society for the purpose of maximizing self-interest.

It is important to keep in mind that none of the sets of participants in the decision-making process acts in a single-minded way. For example, the bureaucracy is divided into “spender” organizations with large budgets, for whom financial restraint means placing limits on the goals that individual bureaucrats pursue, and “savers” who operate under a very different system of incentives for behaviour. The incentive system of individual bureaucrats also varies according to the societal interests that “consume” the services they provide, their regional focus, and their function. These divisions lead to competition and bargaining *within* the bureaucratic game. This is also true of the political game. Behind the facade of unity that typically characterizes the usual single-party government in Canada (coalition governments introduce another level of complexity), the fact that the re-election prospects of individual members of the government are tied to different constituencies (regional, special interest, and ideological) and to the various parts of the state bureaucracy they oversee ensures that they too are involved in this process of bargaining within the state.

The behaviour of those who take part in the bureaucratic and political “games” is influenced by the actual and anticipated behaviour of special interest groups, the media, and various segments of the electorate. Politics involves a continuous and multi-levelled process of bargaining in which power comes from control of resources that can be used as the basis for profitable exchange.

Thus, as in the economy, power is a *transactional* property pervading the political marketplace. It is expressed in a number of ways (see Figure 2.2 for a graphic illustration):

- the votes of electors;
- the perceived capacity of the media to influence the views held by voters on particular issues and in relation to particular political parties or interests;
- the ability of special interest groups to mobilize supporters and allies for collective action, and to offer inducements or deploy what politicians believe to be credible threats;

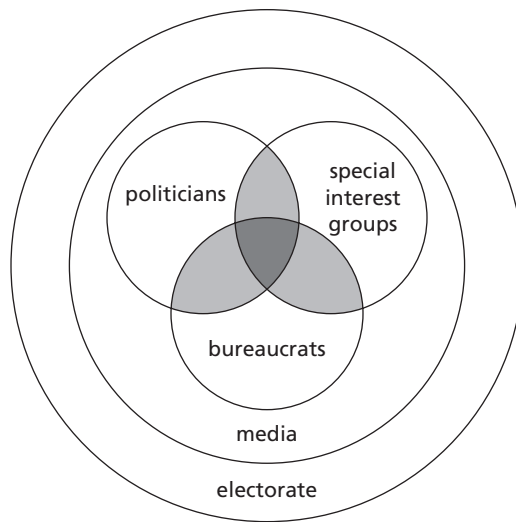


Figure 2.2 The Policy Process Viewed from the Public Choice Perspective: Four Interrelated Games

Notes

1. The darkest area of this figure is the heart of the decision-making process.
2. The lighter shaded areas show the interplay between each pair of policy participants.
3. The media interact with each set of policy participants, as well as being the channel through which the electorate perceives these participants and, to some degree, the channel through which the individual players learn about what is happening in their own and other games.
4. Voters are treated as non-participants in the decision-making process. They are important primarily because they choose the players in the political game.

Source: M.J. Trebilcock et al., *The Choice of Governing Instrument* (Ottawa, ON: Economic Council of Canada, 1982), Figure 2-1, 6–7. Reprinted by permission of the author.

- the control that bureaucrats exercise over the flow of vital information and the delivery of programs; and
- the capacity of governments to manage the public agenda and to confer benefits on voters or special interest groups whose support is up for grabs and to impose costs on those whose support is lost anyway. Where there is no avoiding the imposition of costs on possible supporters, this will be done in ways that soften or hide their impact.

It may sound as though the public choice model portrays policy formation as a wide-open melée—a sort of analytical version of Thomas Hobbes’s state of nature.³⁶

This would be an incorrect conclusion. What keeps competition in the political marketplace from degenerating into a no-holds-barred free-for-all is the existence of rules—that is, the Constitution and laws—that constrain an individual’s choices. Furthermore, as in the economic marketplace, the “wrong” rules will distort the behaviour of individuals, resulting in outcomes that are inefficient from the standpoint of society as a whole. Those who use this theoretical approach acknowledge that the Constitution operates as a constraint on the behaviour of participants in the policy-making process. Indeed, constitutional rules assume major importance in the public choice

model. If one accepts that individuals act on the basis of rational self-interest and that it is unrealistic to assume otherwise, it follows that the way to change policy outcomes is to alter the incentives and constraints that influence individual decisions. To see how the rules of the game can create incentives for individuals, consider the argument that Trebilcock and his colleagues made in *The Choice of Governing Instrument*. They argued that Canada's federal division of powers has sometimes caused governments to select inefficient means for achieving their policy goals. These means have been more costly and have therefore imposed a greater burden on taxpayers than different means would have done, had the Constitution not made them unavailable to that level of government.³⁷

At this point it is useful to draw attention to the game terminology used to describe the public choice models above. The use of the terminology of games is a distinctive element within the public choice framework. Known as **game theory**, this model uses the metaphor of competitive gaming to help us understand public policy and politics. Those familiar with the movie *A Beautiful Mind* will perhaps recognize the name of the character played by Russell Crowe: John Nash. Nash developed a Nobel Prize-winning theory of politics and bargaining based on game theory that was influential in the study of public policy. For the purposes of this chapter it is not necessary to get too far into a discussion of game theory's importance within the public choice framework. However, a brief description of the characteristics of this highly metaphorical approach to public policy is warranted. According to Tom Flanagan,

Game theory is a branch of mathematics involving models of situations in which outcomes are interdependent. That is, no player can determine the result by himself, for the outcome arises from the interplay of the choices made by all the players. A game model requires the following elements: players, rules of the game, strategies, payoffs and a solution (or solutions).³⁸

Game theory models, then, are representations of the realities of the process of politics and public policy, including the elements of competition, strategy, bargaining, and negotiation. Nonetheless, the game analogy seems to fit with the empirical evidence of political activity in many ways. Thus, the framework offered by game theory is a useful tool for public policy theorists within the public choice framework.

The apparent advantage of the public choice framework over other models of public policy is the capacity of the scientific (especially mathematical and quantitative) methods associated with it. Its logical rigour and formally stated assumptions give it an air of moral neutrality. However, some critics have questioned whether the public choice model is as scientific as its proponents claim. Is public choice strictly a positive theoretical model, or does it also have normative dimensions?

One assessment of the ideological disposition of public choice theory is provided by one of its Canadian scholars, Mark Sproule-Jones. He states that the "public choice approach is normative in cast, and is aimed at determining what kinds of institutional arrangements and constitutional arrangements work better for citizens."³⁹ It is clear from the work that has been done within the economics of politics framework that many of its supporters define "better" as that which interferes least with individual choice

and which achieves a given policy outcome at the least cost. The first of these criteria, individual choice, is obviously a liberal value based on the belief that the rights and freedoms of the individual should be the foremost concern of government. The second criterion, economic efficiency, is probably one that people of all ideological stripes can agree on. A third criterion used by public choice theory is that of “institutional fairness”. As Sproule-Jones puts it, “If individuals perceive the institutional and constitutional arrangements as being fair to them as well as to others, then the policy outputs or policy changes can be evaluated as fair.”⁴⁰ This assumption is also grounded in liberal philosophy’s belief in the primacy of the individual. Although the normative aspects of the public choice framework are not the focus of research on public policy under that model, structural approaches quite explicitly focus on linking their theories to specific normative goals.

Many of the conclusions put forward in early formulations of public choice theory also led to formal criticisms of the theoretical assumptions of the public choice approach. One of the most famous of these assumptions is the “invisible hand” theorem. According to this fundamental tenet of economics, competitive markets lead to a distribution of resources that is *Pareto optimal*—that is, equilibrium will be reached where everyone’s individual utility is maximized and any government intervention will serve only to lead to a zero-sum outcome in which some are better off and equal numbers are worse off. But does “Pareto optimality” apply to public policy? In particular, the conclusions drawn from two classic works by Kenneth Arrow and Mancur Olson questioned the assumptions behind a liberal-democratic view of politics in capitalist states. Arrow, for instance, used economic analysis to theorize that no democratic institution could possibly produce an outcome that was Pareto optimal because of the way choices cancel each other out when large groups of people are making decisions among multiple alternatives. Ultimately, Arrow believed that democratic ideals were impossible and that, in reality, all decisions are dictatorial in the sense that some small minority wins approval for what it wants over the preferences of a majority of others. One example of this phenomenon might be the results of our first-past-the-post electoral system. The division of political party choices into more than two options leads voters to elect governments that reflect the preferences of only a minority of voters (a minority of the popular vote) but nevertheless gain majority control of the seats in Parliament because the alternative choices cancel each other out (by splitting the vote). The same thing can occur in any vote taken in any organization where there are at least three voters and three options. Arrow’s observation, known as the *impossibility theorem*, presents a pessimistic view of the potential for democratic institutions.⁴¹

Another pessimistic view of democracy came from the work of Mancur Olson.⁴² He postulated that if individuals were truly motivated by reason they would not participate in interest group activity. For example, if people are rational, they calculate the costs and benefits (or utility) of an action for themselves. If the costs of a certain action exceed the benefits, rational people will forgo that action. If the benefits exceed the costs, then participation is expected. Sounds simple enough, doesn’t it? Well, Olson reasoned that if rational individuals considered the extremely remote *possibility* that their single, individual, personal involvement in an interest group would affect the outcome of public

policy, they would reason that the costs must outweigh the benefits. That is, they could obtain the same policy outcome if they didn't participate as if they did. So why would a rational person waste time, effort, or money (costs) to support interest group activities? Olson concluded that politically active people are not motivated by rational self-interest (in the economic sense), but by altruistic or idealistic goals.

Other authors, such as Donald Green and Ian Shapiro (1994), have applied the same reasoning about rationally consistent behaviour to the act of voting to show that rational people would not vote.⁴³ When they observed empirically that most people do vote, they assumed that the rational-actor model of political behaviour did not explain very much about politics. However, recent modifications to public choice and rational choice theories assume that some individual utility preferences include altruistic (as opposed to self-interested) behaviour. This makes activities such as political participation rational still—but only in a much broader sense. The literature on public choice continues to grow and develop in the contemporary study of public policy, and many revisions to the theory have formally answered some of these criticisms.

The Perspectives Compared

Each of the theoretical perspectives examined in this chapter represents a different lens through which policy may be viewed. They vary in terms of the assumptions they make about the basis of political conflict, the level at which they analyze the policy process, and the methods they tend to use to explain state actions. It would be a mistake, however, to see these perspectives as mutually exclusive. Rather, they may be usefully seen as emphasizing different aspects of the process through which policy is determined. Very different explanations of how an issue reaches the policy agenda and what the influences are that determine the response of policy-makers may appear equally reasonable when viewing isolated aspects of the policy process. Does this mean that the choice of theoretical perspective, like that in clothes, is a matter of taste? And if no single perspective holds a monopoly on insight, is not the best approach to understanding policy one that combines various separate theories?

The answer to both these questions is a qualified no. It *is* reasonable to see each of these theoretical perspectives as providing an incomplete explanation of policy formation. This does not require that they all be considered equally useful. Each perspective has particular strengths on its “home turf”. For example, the Marxist perspective bases its analysis of public policy on the unequal competition between classes that is generated by the capitalist economy. Its home turf involves the limits that the economic system places on the behaviour of the state, and the relationship between the economy and political power. In contrast, the pluralist perspective emphasizes the competitive character of politics, focusing on group interests and the behaviour and motivations of individuals. These features of pluralism are confirmed by the reality of individuals differing over what the state should do—individuals who join forces with others who have similar views or interests to increase their political leverage. Similarly, the home turf of the public choice perspective is the realm of individual decision-making. From the standpoint of actual behaviour, it is undeniable that the individual ultimately makes

decisions and acts on them. Abstract collectivist concepts like “groups,” “classes,” and “the state” cannot be said to have the capability to “act” or “decide” on public policy because they really are only collections of individuals. Thus, the strength of the public choice approach is its treatment of individual choice. The main points of similarity and difference between the perspectives are summarized in Table 2.1.

Table 2.1 Three Theoretical Perspectives on Policy Formation

<i>1. Level of analysis</i>	
Pluralist	Individuals, organized groups
Public Choice	Individuals
Marxist	Societal forces, classes
<i>2. Major features of the perspective's worldview</i>	
Pluralist	a) Voluntaristic: policy outcomes are relatively ‘open’ due to the fact that individuals, alone and collectively, act on the basis of attitudes and perceptions that are changeable b) Politics is competitive, although the competition may not be an equal one
Public Choice	a) Voluntaristic; the individual is the basic unit of social action b) Politics is competitive; power in the political marketplace is determined by control over resources that can be used as the basis of profitable exchange
Marxist	a) Deterministic; the antagonistic relationship between classes determines the course of history b) Politics is not competitive; patterns of domination/subordination derive from a society's mode of production
<i>3. Chief constraints on policy-makers</i>	
Pluralist	Dominant ideology, balance of power between societal interests
Public Choice	The possession by non-state actors of resources that can be used to reward or punish the behaviour of state actors; competition between political and bureaucratic actors within the state and between levels of government
Marxist	The capitalist economic system; this includes a major structural constraint, i.e., the refusal of the business community to invest and its capacity to move production to another jurisdiction, and reinforcing ideological constraint, i.e., the widespread acceptance of values supportive of capitalism
<i>4. How the state is viewed</i>	
Pluralist	a) Reactive, but with a margin of independence from societal interests: the state itself and its component parts have and pursue their own interests in addition to mediating societal ones b) Essentially democratic
Public Choice	a) Active and reactive; in pursuing their own self-interest state actors are compelled to respond to non-state actors, including voters, special interest groups, and media, whom they perceive as having the capacity to influence the attainment of their own goals b) Democratic but also heavily bureaucratic
Marxist	a) Reactive, but with a margin of independence from the narrower interests of individual capitalists; this independence enables the state to respond, within limits, to the demands of subordinate classes and to act in the general interest of capital b) Capitalist

So how does one decide which theoretical perspective or combination of perspectives is *scientifically* the most valid? Ideally, the test should be their ability to provide a convincing explanation of the relationship of “facts”. But the facts are themselves disputed by different theories. For example, a pluralist is likely to see class either as a subjective phenomenon—and therefore to measure it using attitudinal surveys—or as an objective condition that has roughly the same meaning as social status, in which case income or occupational prestige may be used to distinguish between various gradations of class (e.g., lower, middle, and upper). A Marxist will view the facts, in this case the reality of classes, very differently. Individuals’ beliefs about whether classes exist and their self-perception of what class they belong to are considered irrelevant. Nor will classes be considered to be the same as status groups. Class is an objective condition determined by one’s relationship to the mode of production. For Marxists, the facts are that classes exist and that the relationships between classes are the key to understanding politics. These are facts regardless of whether a society’s dominant ideology acknowledges the significance of class. For a public choice theorist, the concept of class is not only artificial but totally misleading. Individuals act on the basis of their perception of personal self-interest, not on the basis of class membership.

Conclusion

Members of different theoretical “camps” have difficulty communicating with one another, largely because they cannot even agree on the “facts”. This communication gap reflects the differences in the worldviews that underlie competing theoretical perspectives. An appeal to the “facts” is unlikely to settle a theoretical dispute when the basic information, let alone its interpretation, is contested. An appeal to “common sense” runs up against the same problem. A theory is like a story—it gives an account of some part of reality. The story will strike each of us as more or less convincing, and thus we can evaluate different theoretical “stories” in terms of the plausibility of each one’s interpretation of experience. This is not a solution to the communication gap, however. It simply shifts the problem from the storytellers to their listeners. If a story’s truth, like beauty, is in the eye of the beholder, then we are left with personal taste as the final judge of the validity of a particular theoretical story. And we are back to the proposition, dismissed earlier in this chapter, that theory is like opinion: a matter of personal preference.

Some differences in interpretation and explanation simply cannot be resolved and must ultimately be ascribed to the personal and social characteristics of the beholders. If two people look at Canadian society, one may see evidence of significant opportunities for upward socioeconomic mobility while the other sees evidence of the barriers to mobility. These two people may even agree on the numbers, but interpret them in very different ways.

Or consider the case of two people trying to explain the growth in social spending by the state in capitalist societies. One person points to a combination of the popular pressures generated by the growth of an urban–industrial society and the extension of voting rights to all adults, along with changing elite and popular views on the appropriate role of the state. The growth in social spending is explained as the product of popular demand and changing social values. A second person agrees that there has been increasing popular demand for social services and that ideas regarding both the scope and areas