

Public Policy and the Moment of Crisis in New Brunswick: An Interview with Donald Savoie

Tony Tremblay

Abstract

Université de Moncton professor Donald Savoie is well known to New Brunswickers. He has been a voice for fiscal responsibility, and he has made a career of thinking outside the confines of our much-cherished programs of distributive federalism—programs that have favoured central Canada at the expense of the regions. This interview with Professor Savoie picks up from an essay he wrote in the first issue of the Journal of New Brunswick Studies/Revue d'études sur le Nouveau-Brunswick. That essay urged New Brunswickers to make the most of the fiscal crisis we are now in, calling on us to act decisively to get our fiscal house in order before calamity (in the form of economic collapse) does it for us. Because of the interest in Professor Savoie's essay and the importance of his message in a province searching for alternatives to deficit spending and increasingly tight-fisted federalism, we thought it wise to continue the discussion.

Résumé

Bien connu des Néo-Brunswickoises et des Néo-Brunswickois, Donald Savoie est professeur à l'Université de Moncton. Il s'est fait le défenseur de la responsabilité financière et, depuis le début de sa carrière, ne cesse pas de penser au-delà des formules consacrées de nos programmes de fédéralisme distributif – programmes qui ont favorisé le centre du Canada aux dépens des régions. La présente entrevue avec M. Savoie se veut la suite de l'article qu'il a contribué au premier numéro de la Revue d'études sur le Nouveau-Brunswick. Dans ce premier article, il encourage les gens du Nouveau-Brunswick à tirer parti de la crise financière dans laquelle ils se trouvent à l'heure actuelle et d'agir de manière résolue afin d'assainir les dépenses publiques avant que calamité (sous la forme d'effondrement économique) s'en occupe. Compte tenu de l'intérêt qu'a suscité l'article précédant de M. Savoie et de l'importance de son message dans une province qui est à la recherche de solutions de rechange afin de mettre fin au déficit actif et du fédéralisme de plus en plus avare, nous avons cru bon de poursuivre la discussion.

Introduction

Université de Moncton professor Donald Savoie has figured prominently in administrative and governance discussions in New Brunswick and Canada in the last three decades. The de facto architect of the Atlantic Canada Opportunities Agency, the self-sufficiency direction (though not the execution) of the McKenna and Graham governments in New Brunswick, and the recent economic restructuring of Nova Scotia under Darrell Dexter's NDP government, he has become in recent years a vocal proponent of fiscal responsibility—of governments exercising restraint in the always-difficult process of balancing revenues and expenditures. In that regard he has been consistently bipartisan in his criticism of Liberal and Conservative governments alike. When each jettisoned good financial management for election or partisan graft, he spoke against them, always (seemingly) the spoiler in the wild bacchanals of New Brunswick electioneering.

An advocate of living within one's means, especially for custodians of the public purse, he has been referred to by more than one observer as Cassandra-like in his forecast of the consequences of deficit living. Importantly, however, he has balanced that view with the scholar's deeply contextualized analysis of uneven economic development, arguing forcefully and convincingly that the Atlantic region's "have-less" status is a structural consequence of national policies

that deliberately altered historical trade and investment patterns to favour the development of central Canada *at the expense of* the regions. Toward that end he has reminded us repeatedly that economies and markets are neither naturally occurring nor resistant to ecological law. Rather, political decisions create markets, and when new market elements enter economies, those economies, as ecological systems, change. When, for example, automation entered New Brunswick's resource-based economy, the result was not the old economy plus automation, but an entirely different economy. So it was with technology and globalization, foreign elements that have fundamentally and rapidly altered our economy.

Behind Professor Savoie's thinking has been his intuition that central Canada and the increasingly affluent west are positioning themselves to turn off the subsidy tap, so to speak. The rampant neoliberal logic of globalization and militant American republicanism (the view that no government is the best government and that individuals must fend for themselves, regardless of structural inequities), together with the quite fundamental change in Canadian federalism (the sudden obsolescence of the century-old Laurentian consensus between Ontario and Quebec—that consensus now between Ontario and Alberta), suggests that he is correct, that the tolerance for distributive federalism is in rapid decline. Despite the fact that three generations of Maritimers have laboured in the mines and now oil sands of the west, New Brunswick is much farther from Alberta than it ever was from Quebec, both literally and ideologically. Professor Savoie's message has been to take heed, to get ready, and to imagine new governance and revenue-generation models for have-less provinces such as New Brunswick. He has gone as far as suggesting a near-secessionist alliance among the four Atlantic provinces. As much as we may want to ignore his warnings, living happily in the halcyon folk traditions that others have authored for us, we do so at our peril.

Indeed, the theme of one of his latest essays—the essay that launched the *Journal of New Brunswick Studies/Revue d'études sur le Nouveau-Brunswick*—was not to waste the moment of fiscal crisis that grips New Brunswick. Out of crises, he argued, come rare opportunities for change, the implication being that without crises, the status quo is maintained: change can only be incremental. (See “New Brunswick: Let's Not Waste a Crisis” <http://journals.hil.unb.ca/index.php/JNBS/article/view/18191>.)

Professor Savoie's sobering essay figured prominently in the September 2010 provincial election in New Brunswick, eliciting repeated editorial comment and citizen response. Readers of *JNBS/RÉNB* wrote to say that the essay was just the wake-up that the province and its politicians needed. Thrift and frugality thereafter became the buzzwords of David Alward's new Conservative government. New Brunswick appears to be entering a new era.

Because of the interest in Professor Savoie's essay and the importance of his message in a province searching for alternatives to deficit spending and increasingly tight-fisted federalism, I thought it wise to continue the discussion. In early 2011, with funding from the University of New Brunswick as part of its Changing New Brunswick series of public conversations, I produced a short documentary film about Donald Savoie's ideas. Entitled “The Challenges We Face in Governing New Brunswick,” the film was shown to an audience of 200 New Brunswick citizens, government officials, and policy makers on 12 April 2011. Here is the link to that film:

<http://www.youtube.com/watch?v=MUDJQTDqgMw>

I am grateful to UNB for allowing *JNBS/RÉNB* to include it here.

Tony Tremblay: Dalton Camp, one of our most astute political commentators (and your colleague in setting up ACOA), wrote often about the peculiarities of governing New Brunswick, specifically of the disconnect between provincial revenues and responsibilities. One observation he made is particularly salient to our situation in the province today. He wrote, “[W]hile New Brunswick [holds] title to sovereign responsibilities under the constitution, providence [has] not provided for the means to discharge them. New Brunswick [is] becoming, for all purposes save only in the empty language of the constitution, a ward of the federal state” (27). He wrote that in 1970 when the provincial debt was a fraction of what it is today and when the taxation infrastructure was still in its infancy. Camp's contention then, and it only gains resonance today, is that while New Brunswick may be governable, it may not ever be solvent—in effect, that all manner of needs and services far outstrip resources. Is that true, and if so what if anything can be done about it?

Donald Savoie: Providence has been a factor only to the extent that it has endowed three or four provinces with rich oil and gas reserves (e.g., Alberta and Newfoundland and Labrador). One can speculate that if it were not for providence, Alberta's economic development prospects may well resemble those in New Brunswick.

National policies explain the geographical location of economic activities to a greater extent than it is generally believed, notably in central Canada. Here, I point to the work of noted historians, including Ernest Forbes and Margaret Conrad at the University of New Brunswick, who have made a substantial contribution over the years in shedding light on the impact that national policies have had and continue to have on our region.

Since Camp wrote those words, the federal government has put in place even more generous transfer payments to fund equalization, regional development, health care, and official languages. New Brunswick has been able to make progress on several fronts because of these transfers, what I have termed "guilt money from Ottawa." Starting early in the last century, a number of royal commissions recognized that national policies were in some measure responsible for our region's lack of economic development activities when compared with central Canada—hence the flow of guilt money from Ottawa.

To this day, national policies cannot accommodate our region's economic circumstances. For example, Ottawa's recent stimulus package was essentially designed to deal with Ontario's economic problems. New Brunswick politicians jumped at the opportunity to cost share stimulus projects with Ottawa at the same time as they were telling New Brunswickers that the province was somewhat immune to the 2008–09 recession. Our politicians could not resist the temptation to build more roads, more hockey arenas, and more buildings, and in the process made a difficult fiscal situation even worse.

There are clear signs that federal transfer payments to New Brunswick will not be as generous in the years ahead: Ottawa is also dealing with a deficit issue; health care transfers (with a current annual growth rate of 6 percent) are to be renegotiated in a year or so; Ottawa has recently decided to shift its transfer payments to the provinces to a per capita basis after strong pressure from the more heavily populated provinces (Ontario and Alberta). In this scenario, Camp may yet be proven right.

We should not, however, point the finger at providence but rather at national political and administrative institutions and at national policies. I know full well that central Canadians—including their senior politicians and public servants—do not want to hear this from the Maritimes. They much prefer to think that their entrepreneurial talents explain their ability to create and pursue economic activities. We, in the Maritimes, know better. That said, we are still confronting an extremely serious challenge.

Tony Tremblay: Is part of that challenge a greater clarity in the language we use? For example, most of the discussions about governance in New Brunswick these days are not really about governance at all, but about finances. Should those two not be separated? And, if so, how do we square the partisan responses to the differences between finances and governance? (Conservatives might well think of governance as superior to finances, while Liberals might reverse that hierarchy). Where is the middle ground there, particularly for a province with such urgent fiscal challenges?

Donald Savoie: Democratic governance has always been and remains, to a large extent, about public finance. The historical battle between the monarch and Parliament in our Westminster-styled parliamentary system was essentially about the control of the public purse. Indeed, over the years, Parliament was able to define its role through the public purse. I fear that over the next several years, however, the state of the province's fiscal position will simply dominate the political and public policy agenda in New Brunswick. The good news is that many now accept that we have a serious challenge ahead. That acknowledgement may provide an opportunity to rethink how we deliver public service, how we organize government, and how citizens and governments interact. The balance—*par la force des choses*—will shift to public finance.

The state of our province's public finance is such that Conservative, Liberal, right-of-centre, or left-of-centre political labels should no longer resonate. At the risk of sounding repetitive, the need to repair our public finances—and precious little else—must drive public policies in New Brunswick for the short and medium terms.

Those who make the case that the need to deal with our fiscal challenges is a right-wing agenda are misguided. Fiscal challenges go to the heart of our political sovereignty. If we reach the point where financial markets in Toronto or New York see the need to intervene to address our fiscal challenge (with, for example, higher interest rates), then the province will have to introduce indiscriminate spending cuts. The poor, the less fortunate, and the smaller communities will then pay a steep price, not the well-heeled or stronger individuals and communities.

Tony Tremblay: In the interest of discussing new models of governance for New Brunswick, and in the aftermath of the September 2010 provincial election—an election that saw the NDP win 10.4 percent of the vote but no seats—I want to ask for your thoughts on proportional representation. Is it a model that could work for our province? And what, specifically, would it add or take away from our current system?

Donald Savoie: Proportional representation (PR) is not without problems. I know that my colleagues in the political science community in our province will be disappointed with my answer, but I am not a proponent of PR. We have had referenda in some Canadian provinces on PR and voters have said no. There is also the age-old question: what impact will PR have on political and administrative stability? New Zealand, for example, saw its public sector reform agenda come to a virtual stop after PR was adopted.

Political stability, an ability to strike decisive decisions, and exerting both strong political leadership and political will are important ingredients in dealing with a demanding fiscal challenge (think of Roy Romanow in Saskatchewan and Chrétien and the Program Review, circa 1995–97). First past the post, our current system, offers the best prospects for the above, notwithstanding its important shortcomings on other fronts.

Tony Tremblay: Okay, but let me push the question a bit further into the realm of citizen engagement, which is what PR ultimately addresses. On the issues of engagement and rebuilding the public trust—central, we are told, to remediating governance—what do you make of the following statement in Jacques Poitras’s book on the rise of conservatism in New Brunswick: “The people who’d set out in 1989 on a mission to change politics [in New Brunswick] were discovering what Tories and Liberals had long known: the parliamentary system isn’t just incompatible with grassroots party democracy. It renders it completely irrelevant” (201). If the parliamentary system and its constituents are incompatible, is “engagement” just a bit of political theatre, a puppet show staged for surly voters?

Donald Savoie: There are two institutions that are key to good governance: political institutions (the legislative assembly, cabinet, etc.) and the public service. The question then is how do we connect both institutions to better governance? We have a relatively small population and there is no reason why MLAs could not connect more with citizens. The agenda for the foreseeable future will require difficult decisions. I have a sense that citizens understand the challenges but will look for painless decisions to address those challenges. In that scenario, it will be incumbent on MLAs to speak truth to citizens. The temptation to play partisan politics will be great.

Sadly, there is still evidence of this partisanship every day. Notwithstanding the urgent need to deal with the province’s \$800-million-plus deficit, some leading politicians do not seem to have gotten the message. The interim Liberal party leader, Victor Boudreau, recently called on the government not to cut spending in education. Mike Murphy, former Liberal Minister of Health in Shawn Graham’s government, warned the Alward government not to cut any of the province’s hospitals. He added that, while he was minister, departmental officials put forward recommendations to shut down some hospitals, which he vetoed. Boudreau and Murphy have a responsibility to explain how they would tackle the province’s deficit by outlining which programs they would eliminate or what tax they would increase—a responsibility they have thus far ignored. Their desire to score political points has come to matter more than speaking truth to New Brunswickers. In addition, Murphy should know that it is not appropriate under our Westminster-styled parliamentary system for a minister or a former minister to make public the advice received from public servants. The ability of public servants to offer policy advice on a confidential basis is a fundamental characteristic of a nonpartisan, professional public service.

The point I am making is that our political institutions can cope with the challenges ahead. It remains to be seen, however, if politicians are able to rise to those challenges.

We also need to worry about the state of our provincial public service. New Brunswick could at one time claim to have one of the best public services in Canada. Sadly, this is no longer the case. Yet, in the face of the challenges ahead, the provincial public service will be tested like never before. Time will tell whether it will be up to the task to provide solid policy advice, to restructure government operations, and to deliver services. I think that politicians in recent years—here, I am pointing the finger at both the Tories and Liberals—have played fast and loose with the public service. It is one thing to appoint partisan advisors in the premier’s office or in ministerial offices—I have no quarrel with that. It is quite another, however, to load up the senior ranks of the public service with partisans. I have seen in recent years partisans appointed to senior deputy minister positions without the necessary educational background or skills. Yet, I hear precious few voices in the media or elsewhere speaking out on this issue. It is time that we take note.

Tony Tremblay: Still with engagement, is part of the problem a lack of citizen representation in formal governance structures, whether political/parliamentary institutions or the public service? In other words, that the current structure seems designed not only to recycle the usual suspects (they disappear then resurface as governments rise and fall), but also to reward their longevity? The recent pension and Liberal-friendly consultation fiascos are cases in point. Where are the female, Aboriginal, and youth voices in our government structures?

Donald Savoie: There is no question that New Brunswick would be better served if we had more Aboriginals and more women in our political and public service institutions. I do not have, however, many solutions to suggest. One can only applaud the efforts of Lisa Merrithew and others on this front.

You are quite correct in suggesting that the “usual suspects” invariably surface at election time and in government. Indeed, I am struck by the number of political hangers-on always on the lookout for economic benefits. The slogan of the newly elected mayor of Toronto—“the gravy train must stop”—applies to New Brunswick politics probably more than it does to Toronto politics. I am thinking here of partisans working on election campaigns, then looking for an appointment or consulting contracts after the election. Think of the army of communication consultants and lobbyists with generous per diems always on the lookout for rewards. Think of the number of senior government appointments that are in reality partisan appointments. I find it disturbing, for example, to see deputy ministers at the “public service” level take leaves of absence during election campaigns to work on the campaign and then automatically return to their positions if their party is re-elected or leave government with a financial package if their party loses power. This is simply unacceptable in terms of good governance. This gives rise to cynicism precisely at a time when New Brunswickers will have to accept difficult decisions.

Tony Tremblay: One concern expressed by people on the political left—and shared by many citizens in letters to the editors of the provincial dailies—is about the close relationship between business and government in New Brunswick. Citizens, for example, cite the efforts of recent governments to create business-friendly tax and labour policies as one of the sources of their feeling disenfranchised. They also wonder about the New Brunswick Business Council’s recent economic summit as something of a lobbying effort to extend the leverage that business has placed on governments for years in the province. That summit billed itself as “a need to accelerate competitiveness when other nations are making more rapid progress,” code for government to kick in money or lower corporate taxes. Is there any merit to this citizen concern, or is this feeling an example of our parochialism? And, whether or not the concern is legitimate, how does it figure in efforts to remediate governance?

Donald Savoie: The global economy has been full of surprises and implications. It has also strengthened ties between government and the business community. Leaving aside President Obama, I would think, for example, that Prime Minister Harper would take a call from Bill Gates before any other head of state or government. In striking a balance between economic power and political power, economic power has been in recent years, and continues to be, in the ascendancy. I also think that economic power will continue to have the upper hand at least in certain areas. Even the collapse of financial institutions in 2008 does not seem to have shaken confidence in the private sector. In short, capitalism is alive and well even in communist states, like China, where state capitalism continues to gain ground.

Complicating this is the fact that the public sector is broken and in no position or mood to compete. Bureaucracy has given the public sector a bad reputation in Anglo-American democracies. It still cannot deal with nonperformers. In addition, we have come to recognize that the problem with government is not that it is spending more on new things, but

that it is spending too much on old things. To your question about the recent economic summit in Moncton: because some pressure was applied, the summit was, in the end, fairly representative. Some delegates were from labour, others from poverty groups, others from government, others from academe, and still others from the private sector. I think that it will be very important in the months ahead to break down silos between sectors rather than create barriers. I would compare the task ahead to a war effort.

Tony Tremblay: When Conservative MLA Norm Betts lost his Southwest Miramichi seat in 2003, he observed that “there’s a huge urban-rural thing developing in New Brunswick.” He was echoing comments made by Louis-Philippe McGraw, who also lost his “rural” seat in that election, and who had become very vocal about what was then called “the prosperity gap.” Betts and McGraw both felt that the prosperity gap developing between rural and urban New Brunswickers would become the big concern in the province, replacing language as the new wedge issue. I’d like you to reflect on that bit of political clairvoyance for a moment, particularly in light of the widespread mill closings in rural and northern parts of the province. Has that “gap” between the rich and the poor—the urban south and the rural north—created the conditions for another round of equal opportunity in the province? Or is equality of opportunity now too expensive to ponder in times of fiscal austerity?

Donald Savoie: The task ahead is nothing short of redefining the role of government in society. Accordingly, the potential for conflicts between north, south, rich, poor, English, French, public sector, and nonpublic sector workers will be high. The key, it seems to me, is information, communication, and education. If one accepts the premise that in a democracy citizens are never wrong (leaving aside the protection of minorities in the Charter of Rights and Freedoms), then it is vitally important to provide “all” the information necessary to assess policy options. The Equal Opportunity program has shaped New Brunswick society for nearly fifty years. It has served our province well. The challenge at hand now is to retain the more important elements of Louis Robichaud’s program: the respect between the province’s two language groups, an education system that serves “all” New Brunswick well, and a never-ending fight against poverty.

Tony Tremblay: Let me ask the question in a different way, then. As you know from our previous discussions, I’m very wary of the “zero-sum game,” the view that, in recessionary times, what is given in one area in terms of service or stimulus must be taken away from another area in exact proportion. I’m very suspicious of that practice because of pre-existing structural biases that predetermine outcomes in every zero-sum negotiation. In other words, zero-sum politics can only serve to widen prosperity gaps and pit citizens against citizens, and communities against communities. So my question to you is this: are there alternatives to the zero-sum game? That is, alternatives to the thinking that if, say, the Tracadie hospital receives x dollars, so must the same amount be taken away from a Campbellton nursing home?

Donald Savoie: The zero-sum game is a sure recipe for failure. If we pit one community hospital or service against another, and let the one with more political clout win, then we will all lose in the end. We will split the province, create friction, and inhibit economic and social development. I do not think, however, that we can avoid closing some public facilities, including hospitals and schools, rationalizing some university programs, and overhauling some government departments. How, then, do we avoid the zero-sum game? Transparency is the key. Indeed, I would argue that transparency is even more important than consultations. New Brunswickers need to know the extent of the problem, the options, which communities will be impacted, and why.

Tony Tremblay: I have a final two-part question. First, is it likely that the looming prospect of financial calamity will provide the opportunity for us to make substantive structural changes to the way governance is conducted in New Brunswick? Or do existing structural constraints reduce what is possible to the incremental? Second, if it is possible that we can do better than advance by nudge and increment, what are the concrete steps we can take in New Brunswick to become a model for the way that small jurisdictions in larger federations operate in the twenty-first century?

Donald Savoie: Looking back to the 2010 election campaign, it is clear to me that both major political parties were irresponsible in their campaign commitments. The goal was simply to outdo each other in order to win power. Again, this was fuelled by a number of partisans, consultants, political advisors, and communication specialists whose livelihood or business interests were tied to the political fortunes of the party in power. Look at the Liberal-friendly lawyers, consultants, and partisans who served in senior government positions. Indeed, they may be the only ones who became

self-sufficient under former–Premier Graham’s Self-Sufficiency Agenda. I would urge New Brunswickers to keep an eye on similar developments with the newly elected Conservative government. Structural changes are required but will be difficult for New Brunswickers to accept if the “gravy train” for partisans does not stop. New Brunswickers understand the corrosive impact of political patronage. I think that it will be extremely difficult for New Brunswickers to accept a rethink of the public sector if patronage appointments continue to be an important part of the province’s political culture.

Having said that, New Brunswick, it seems to me, is in a strong position to rethink the role of government in society. We are a small province confronting an enormous challenge. Free of large bureaucracies, the provincial government should be able to communicate easily with citizens, explain the challenges, overhaul the machinery of government, and update policies. The most important ingredient required is political will and a strong professional, nonpartisan public service that New Brunswickers can trust to deliver the changes. The Equal Opportunity program, we should remember, was built on this basis.

Let me conclude with these observations. To start, it is hardly possible to overstate the importance of the challenges at hand. Canadian federalism is being redefined by stealth, and the pressure on Ottawa by Ontario and Alberta to slow down the flow of guilt money to our region will continue. Unless we can reform our national political institutions (e.g., reform Senate) to accommodate regional interests, I see no reason to be optimistic that national policies will be able to address our concerns, our economic challenges, and our opportunities.

I am, however, optimistic about the future of our province. History has demonstrated time and again that we are a resilient people. History also reveals that we know how to give one another a helping hand. We are a small province able to introduce change and make it stick when there is no alternative. The challenges may well finally motivate us to join forces with our Maritime neighbours to deliver public services and to promote economic development.

Donald Savoie is Canada Research Chair in Public Administration and Governance at Université de Moncton. His latest book is *Power: Where Is It?* (2010).

Tony Tremblay is Canada Research Chair in New Brunswick Studies at St. Thomas University. He is editor of *JNBS/RÉNB* and the *New Brunswick Literary Encyclopedia*.

Works Cited

Camp, Dalton. *Gentlemen, Players and Politicians*. Toronto: McClelland & Stewart, 1970.

Poitras, Jacques. *The Right Fight: Bernard Lord and the Conservative Dilemma*. Fredericton: Goose Lane, 2004.