

## “Up is down, right is left” in Atlantic Canada

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Private school vouchers, publicly funded privately delivered knee replacements and publicly funded privately delivered for-profit daycare. Is this small-c conservative nirvana? Maybe, but it is also NDP-governed Nova Scotia. This is where the tuition support program and publicly funded vouchers for special needs kids were just confirmed as a permanent part of the public education system. It is where Scotia Surgery, a private, for-profit medical clinic, just had its contract with the publicly funded provincial health insurer renewed. It is also where portable daycare spots (read government funded vouchers covering at least part of the cost) are now allowed to be used in for-profit daycare centres.

Why is that? Well, to channel James Carville (the democratic campaign guru for Clinton), for a second, it's the economy, stupid. Or to be more academic, public choice theorists (recall for example Nobel Laureate James Buchanan;

people act rationally and rational people act in their own self interest) have it right: incentives matter.

In this piece I review, in remarkable abbreviation, the history of Atlantic Canada, the resulting economic realities and collective self-interest that led, I submit, to an inevitable political culture and the resulting public policy environment. More to the interest of the advocate of classic-liberal theology, we will end with a discussion of how the self interest of Atlantic Canadians today offers some hope for the first truly sustained presence of classical liberalism in the region, ever (yes, ever).

When I began researching this article, the proposed topic was the retreat of small-c or provincial conservatism in Atlantic Canada. My response was immediate and unequivocal. To have a retreat one would have to have had an advance in the first place, and there is little evidence of that on the ground here in Atlantic Canada. And that trend started early.

Consider my home province of Nova Scotia. Halifax, circa 1749, was founded as a military counterweight to Louisbourg (the French colonial fortress built on Cape Breton Island to guard the entrance to the St. Lawrence River). Settlers, commerce and trade were secondary considerations, but necessary for a sustainable garrison and nice for long-term geopolitical interests, but the focus was, and remained, military. Louisbourg was settled, not to promote trade and commerce in Acadia, but to protect trade and commerce in the interior of Canada, and to guard the all-important St. Lawrence trade route, not to take advantage of it. With British conquest came more government, which included governors, administrators, tax collectors and their secretaries, staff and support structures. Multiple world wars did little to change the early pattern. In fact, the pattern was cemented and expanded. Commerce was about government. This meant expanding and investing in commercial services that had a reliable client base, known as the navy. Trade did occur in areas such as forestry, fishing and agriculture, but all in the context of global geopolitics and always with the most secure, most predictable and generally most profitable enterprises being focused on feeding the beast that was the Crown and its machinations.

New Brunswick, our neighbour to the west, is not much better. Starting this time in the early 1600s, the exciting history of the commercial empire of the de la Tours (Google Charles de Saint-Étienne de la Tour, or his second wife Marie, then tell me Canadian history has no swashbucklers), begins and ends with the granting of a seigneury and the holding of the title of Governor of Acadia. Commerce as government or government as commerce, either way it made for a level of dependence

and a focus on geopolitics and the politics of the Court that far outweighed the questions on the ground. Connection to the Crown was cemented, not diluted, with the arrival of the Loyalists. Fleeing the hurly-burly of the American Revolution, came a flood of new settlers, many of whom were, for good or ill, used to having connections to or employment in government, and that is how they rebuilt their lives in their new northern home.

Prince Edward Island, before it anglicized its name, was perhaps an Atlantic exception. Small communities focused almost exclusively on the commercial exploitation of nature's bounty (fish, in the early days, and then farming of the deep rich soil and virtually ready to plow fields quickly thereafter). British conquest and the parceling up and parceling out of the land erased much of this early "conservative" free market, free range, self-sufficient and largely independent reality. With many of its primary landowners being both absentee and tied to government patrons or government specifically (retired soldiers and sailors), PEI has, like its maritime brethren, never seen a sustained period of government decline. Public choice theorists would tell us that in the absence of government decline or disinterest, those who have some of their wealth as a result of government largesse or government activity are not likely to undermine their own self-interest by advocating for small-c conservative values such as smaller government and a focus on individual versus collective rights.

Newfoundland and Labrador – the "Atlantic Canadian" connection – shares many of the traits of PEI (for those who are unclear, the Maritimes consist of only Nova Scotia, New Brunswick and Prince Edward Island. The

Maritimes plus Newfoundland and Labrador equal Atlantic Canada). Newfoundland and Labrador, like Prince Edward Island, is home to many generally isolated, uniquely proud and individualistic communities, each with a strong heritage of self-reliance and thrift. Here, the conservative tradition should be deeply bred, but again something got in the way.

That something starts once more with the British Crown but also leads through Washington and Ottawa. It turns out that Newfoundland and Labrador has a couple of things global powers like: space and strategic position. Newfoundlanders and Labradorians discovered early, like their brethren in the rest of Atlantic Canada, that governments from away were willing to pay. Being alert to a bargain, who were they to argue if some official in Washington or Ottawa wanted to lavish other people's money on them for the pleasure of having a fort in St. John's or an air base in Gander, Newfoundland. If one looks objectively at the overall success that Newfoundland and Labrador has had in building an economy with other people's money, one realizes that its predilection for big government is not a political ideology but a commercial reality. Big government is simply, at least in the historical context, its core business enterprise.

So, there you have it, a region of the country with global strategic importance, settled largely by people with direct connections to government or with direct commercial interest in the success of government. Should we agitate for smaller government, especially when we can get others to pick up most of the tab? How stupid do you think we are?

Now you know why the mainline parties are indeed the conservative ones. Conservative not in the neoclassical liberal sense, but in the resistant to change sense. Now you can appreciate why big government conservatism has flourished under the Progressive Conservative banner in Atlantic Canada. You should now better understand the wasteful governments of Danny Williams (NL), Rodney Macdonald (NS), John Buchanan (NS) and Richard Hatfield (NB).

Premier Pat Binns, another Progressive Conservative, this time from PEI, personifies another outcome of this orientation towards profit maximization by being aware of the needs of the customer. Binns spent considerable time and effort building positive relationships in Ottawa. Not as a sign of dependence, but as a conscious market exercise where a willing seller and a willing buyer are just haggling over the price. Of course, the seller, Atlantic Canada, is always looking to sweeten the deal. So would you.

But that brings us to the present excitement of small-c conservatives in Atlantic Canada and the realities of what the incentives look like in 2010 as opposed to 1710. As I said earlier, Atlantic Canada has never seen a sustained period of government decline or withdrawal. This is about to change, the end of big government so boldly predicted by Clinton in 1996 is indeed finally visible over the horizon. With an aging and declining population now reaching retirement, in Atlantic Canada and indeed across the country as a whole, big government will decline, not because it should, or even because the majority of people want it to, but because there will be no-one left to pay big government's bills or fill big government's office towers.

Only the global recession was of sufficient size to redirect this demographic tide forcing us towards smaller government. For proponents of big government solutions to everyday problems, that respite will be short-lived. A new reality is coming and it will even take hold in places where it has never before been seen, such as places like Atlantic Canada. For classical liberals this is the bright sunny day after a long cold winter and like that long awaited spring day we have even had some hints of what it forebodes for Atlantic Canada during a couple of early thaws or false springs, when the size of government faltered, just for a second or two.

For while it is true that a sustained period of government withdrawal has never occurred in Atlantic Canada, we have had periods of relative restraint or, more accurately, client distraction, the most recent being the early to mid 1990s. With the deficit-slaying Paul Martin as federal finance minister under the Liberals, slashing transfers and cutting federal spending, at least in the short term, we saw change agents in Atlantic Canada do some amazing things. Liberals, yes big-L Liberals, in New Brunswick and Nova Scotia privatized ambulance services, experimented with site-based school management, focused on attracting the private sector and the need to be competitive through lower taxes and regulation that is more predictable. We even had a public-private partnership to build the most significant addition to the regional transportation network since the national highway system: Confederation Bridge.

This time around, the pressures are such that even the change agents supposedly to the political left of big-L liberals campaigned on, and so far seem to be pursuing, a conservative

agenda: controlling spending to eliminate deficits and reduce debt, mixed private-public delivery, mixed private-public funding, rightsizing government through attrition or restricting the growth in the public service. Our government talks endlessly about getting Nova Scotia “back to balance”, saying government needs to live within its means and that taxpayers and interest groups must manage their expectations according to the new fiscal realities. The recently ousted Graham government in New Brunswick was pursuing a similar course, which meant aiming for self-sufficiency, lowering debt, lowering costs and moving the risk to the private sector while reducing government’s contribution to that risk through, among other things, lower taxes.

Even the big-C conservatives are finally getting into the act. In New Brunswick, the Conservative Alward government (which replaced the Liberal Graham government) has not abandoned either the objective of self-sufficiency or the language of restraint. The Conservative Binns government in PEI was working closely with private corporations, particularly in the tourism and bio-pharma area, to grow new opportunities, while working to rationalize public service delivery and manage public expectations in health and education. The Ghiz (Liberal) government, which took over from Binns, has continued most of those efforts. The new PC leader in Nova Scotia, Jamie Baillie, seems to be considering truly small-c conservative ideas. He sounds more like the common-sense leader of the Nova Scotia Official Opposition (a Liberal) who likely lost the last election by admitting that they could not cut taxes and increase services at the same time and that Nova Scotia taxes were already too high.

This new political clumping around the centre-right is remarkable, not in that it exists, but in that it started from the left. After all, how can Conservatives afford not to be conservative when the NDP premier of Nova Scotia, Darrell Dexter, publicly and repeatedly describes himself as a “conservative-progressive”?

As a final thought, allow me to recall that a considerably longer taste Atlantic Canadians had of smaller government came in the decades just before Confederation, when the British Crown had other things to do and the government in Ottawa did not exist. Atlantic Canadians discovered that the commercial tools we had developed to profit from British colonialism could equally profit from American expansionism. Indeed, since the world was bigger and the economic pie larger, we could actually profit more on our American “commissions” than we could on the British ones. Finance, trade and manufacturing flourished. Unfortunately, Canada’s new central government elected to change the rules yet again, and we fell back into our old, comfortable habit of taking a cut off the top of a smaller but more reliable government-backed economy.

The question for Atlantic Canadians today is not whether government will recede but when and how far and whether we are ready to take advantage of the opportunity when it does.



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