

# The revolution of the night watchman

## WOONG QUEBEC: JUST FOLLOW THE MONEY

In the 2006 federal election, in an effort to gain more Quebec seats, Stephen Harper campaigned in that province with the promise to “limit the spending power that the Liberals have so badly abused.” Once elected, Prime Minister Harper did not immediately follow up on this promise; however, this campaigning in the federal election opened the door for Quebec Premier Jean Charest, after the rise of Prime Minister Harper, to call for the creation of a Charter to limit the federal spending power.

In contrast, after the February 2007 federal budget and the subsequent provincial election in Quebec, the Conservative government in Ottawa seemed unconcerned about whether federal tax dollars going into equalization payments to Quebec were properly used or not. Finance Minister Jim Flaherty gave Quebec an additional \$2.3 billion in equalization payments for the 2007–8 fiscal year, including \$700 million in equalization adjustment. These payments did not have conditions or other strings attached to them, in contrast to what Harper called the “outrageous spending power” of the Liberals. Equalization payments are primarily intended under s. 36(2) of the *Constitution Act, 1982* to “ensure that provincial governments have sufficient revenues to provide reasonable comparable levels of public services at reasonably comparable levels of taxation.”

## HANDS-OFF EQUALIZATION PAYMENTS

To the astonishment of many, including large parts of the electorate in Quebec, Premier Charest committed these funds to a tax cut if he won re-election, rather than investment in the critical needs of the social services in the province, such as higher education and health care. Such federal acquiescence in the abuse of equalization payments has the poten-

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tial to turn the federal government into a postal service for the transfer of federal funds. One Quebec commentator suggested that this seemed a variation of bribing the electorate with their own money. It was an attempt to bribe them with other people’s (in this case, other provinces’) money.

Indeed, the Harper government’s real agenda may be a slow suffocation of the spending power by making sure that there is not very much money to spend. Proof of this agenda comes from one of Harper’s main ideological mentors. Tom Flanagan, who was the Conservative Party’s campaign chair for the 2004 election and former chief of staff to Harper, is reported as stating that tightening the screws on the federal government would leave more money in the taxpayer’s pocket and make it harder for the federal government to spend.

## DESTROY THE OPPOSITION POLITICS

This silent or hidden agenda has been accomplished through three Conservative budgets. At the same time, the Conservatives are among the most profligate spenders in recent years. This spending has been in key areas that are

crucial to what I call the revolution of the night watchman. Harper has imported this revolution from the United States and the hard-right, Republican “destroy the enemy” politics. The night watchman part is a legacy of the 19th century—what some term “minarchist libertarianism.” Theorists include Herbert Spencer, Friedrich Hayek, Ayn Rand, and modern-day promoters Robert Nozick and Milton Friedman.

The night watchman promotes a minimal role for the state in a free society, which is protecting the liberty of citizens. This would include being seen as rigorously protecting citizens from crime (even if the crime rate is falling—in order to keep voters fearful of crime), and being seen as protecting the citizens from foreign aggression (even if there are no real discernible threats). In this fashion, Harper’s focus on mandatory minimum sentences may seem irrational in light of the falling crime rate and warehouse prisons may seem to hold the potential to become massive schools for crime, but the legislation is very rational in the context of creating the minimal state. In a similar fashion, spending on unnecessary fighter jets also seems irrational. However, it is a critical step on the path to the minimal state where the federal treasury has little capacity beyond the cherished areas of the night watchman.

## THE LONG ARM OF THE REVOLUTION SO FAR

The revolution may be substantially accomplished due to the following actions by the Harper night watchman:

1. Massive military spending—including the possibly unnecessary fighter jets, whose real costs could spiral up to almost \$30 billion, according to the Parliamentary Budget Office. This is almost double the estimate provided by the Harper government.

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2. Crime and justice initiatives that will result in major expenditures on prison expansions, new prisons, and the hiring of thousands of new personnel to staff these warehouses of prisoners. The Parliamentary Budget Officer estimated that these mega-prisons could cost from \$10 to \$13 billion over five years.
3. Wedge politics tax measures designed to bring more of the electorate into the camp of the night watchman. Wedge politics spending deliberately undermines national programs that could be funded by the federal spending power. The classic example is the “universal child care” program. The \$100 per month benefit offers a totally illusory choice to parents in child care; in reality, the payment prevents a national daycare program from being financially feasible. Other examples are the children’s fitness tax credit and the tax-free savings account introduced in the 2008 budget.
4. Perhaps the most devastating action to those who oppose the revolution of the night watchman was the reduction of GST—one of the most important sources of revenue for the federal spending power—from 7 percent to 5 percent. The 2 percent GST cut will reduce the federal purse by over \$76 billion in lost revenue between 2008 and 2013—the budgetary amounts and period that would be needed to establish many shared-cost programs such as the national daycare program.
5. In addition, the most recent cuts to the corporate tax rate—even though compared with those of the United States and Europe, Canada’s corporate tax rates were among the lowest—has meant that the empty federal coffers will be a permanent obstacle to future, national cost-shared programs with the provinces such as daycare or pharmacare. The rates are planned to be reduced to 15 percent from 19 percent in

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2011. This again would result in a cumulative loss of \$60 billion in federal revenues.

Under Harper’s night watchman revolution, the Canadian budget has fallen from a surplus of \$13 billion in 2007 to an estimated deficit of \$39.5 billion for this fiscal year. While much of this deficit was stimulus spending to offset the impact of the global economic crisis, the restraining power on federal spending plays magnificently into the Canadian night watchman’s agenda.

Flanagan has been quoted as stating that through this dismantling of federal revenue capacity, the Harper Conservatives have “gradually re-engineered the system. I’m quite impressed with it. ... They’re boxing in the ability of the federal government to come up with new program ideas. ... The federal government is now more constrained, the provinces have more revenue, and conservatives should be happy.” Flanagan seems particularly proud that the Harper government has achieved this killing of the federal spending power quietly and without any backlash.

### GOVERNMENT ON A CHOKE CHAIN AND THE NEW POLITICAL LANDSCAPE

This quiet death of the federal spending power also places opposition parties in a straitjacket regarding any promises to resurrect federal spending in areas of joint or provincial jurisdiction such as pharmacare, child care, or spending to improve the conditions in First Nations communities (for instance, the Kelowna Accord). This realization has forced the Liberal opposition to take a stand on corporate tax rates and even propose to raise them to pre-night watchman levels.

While Canadians have indeed been bribed with their own money in the areas described above, the night watchman revolution has been camouflaged while Harper has sought to create a greater voting bloc in the goal of attaining the majority, which will finally complete the revolution. The first step is to eliminate the main opposition to the minimalist state agenda; then the Liberal Party of Canada through vicious attack ads, and finally, public funding for all parties. When completed, Canadians may have a completely different country from the one their ancestors contemplated.

A distinguishing feature of Canada since its inception as a federal state has been the concern that while the autonomy of different levels of government is a fundamental principle, the unifying role of federal government to promote a common citizenship is also of paramount importance. This role of the federal government and Parliament—that citizenship means caring about the quality of life and social opportunities of Canadians wherever they may reside in this vast country—became critical in the aftermath of the Great Depression and the period after the Second World War. These fundamental principles and exigencies of Canadian federalism were supposed to bind the country as much as the national railway and other symbols of nationhood. The ability of national governments to utilize a spending power is not foreign to federations around the world. The idea that drives this national ethic of sharing and caring is that, without a social union of citizens, the sustainability of a political and economic union is endangered, as we see in trouble spots around the world. The Harper night watchman assault on the spending power not only could well result in the formal surrender of the federal government’s ability to reinforce the social union for new nationwide shared-cost programs; it could also undermine perhaps the most treasured social union achievement of Canada—the universally administered and accessible health-care system. 