

## **Crises and Austerity: The Political Economy of Post-Crisis Alternatives in Canada**

Alicja Paulina Krubnik<sup>1</sup> and Stephen McBride<sup>2</sup>

**ABSTRACT:** The neoliberal era is increasingly crisis prone but the prospects for crisis-induced paradigm change remain remote. Two crises in particular, the global finance crisis (GFC) and the Covid-19 pandemic, challenged neoliberal fiscal orthodoxy and especially austerity. In 2008, as in 2020, the initial crisis response was one of fiscal stimulus to prevent economic meltdown. In 2010, this was followed by austerity policies attempting to restore neoliberal normality which had been in place since the mid-1990s. Will the same be true in the post-pandemic period? This article contrasts views of resiliency of neoliberal austerity with those who consider current crises might trigger significant policy and even paradigmatic change. We argue that demands for change have encountered an entrenched form of state austerity and concerted effort on the part of political and economic elites to return as soon as possible to neoliberal normality. Though recent crises have presented opportunities for a collapse of austerity policy systems, transformation has been limited by ideational promotion of austerity and institutionalised democratic isolation. Recent crises have been used to re-embed austerity responses as normal, once the immediate crisis is over.

**KEYWORDS:** Federal and provincial fiscal austerity, Social policy, Redistributive retrenchment, Political discourses, Post-crisis paradigm maintenance, Democratic deficit.

### **Introduction**

The neoliberal era is becoming increasingly crisis prone but the prospects for crisis-induced paradigm change remain remote. Two crises in particular, the global finance crisis (GFC) of 2008, and the more recent Covid-19 pandemic, have challenged the neoliberal fiscal policy orthodoxy, in which austerity is a key component. In 2008, the initial crisis response was one of major fiscal stimulus to prevent economic meltdown. This was quickly followed by austerity policies aimed at restoring neoliberal normality which had been in place for decades.

Canada was a pioneer in implementing austerity and has been an exemplar of an austerity “polity”, in which conjunctural austerity policies, and an enduring or permanent politics of austerity, became institutionalised (Jessop, 2016). This guarantees a concerted effort on the part of political and economic elites to return as soon as possible to neoliberal normality. However, the Covid-19 pandemic produced pressures on the social needs of Canadians on a scale not seen during the last 30-odd years of austerity and there has been an upward drift of government spending at the federal level. This is exacerbated by compounding crises, like rising inflation, the effects of the war in Ukraine and associated western sanctions, disruptions to critical goods supplies, housing shortages, energy issues, mounting environmental pressures, and the demographic impact of an aging society. We briefly review the long-term trajectory of austerity in Canada before turning to the issue of whether post-pandemic measures and parliamentary discourse provide any indication

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that the severity of the pandemic crisis might lead to radical change or whether, on the contrary, resilience remains the appropriate descriptor.

The austerity agenda built upon Canadian federal and provincial measures in the 1980s that featured spending restraint, deficit elimination and state retrenchment. From the beginning it was associated with growing income inequality (Lewis, 2003, 152-153), a trend that has continued (StatCan, 2024a,b). Recipients of government social assistance are particularly hard-hit by the effects of recurrent crises, especially when governments do not adjust benefits to inflationary pressures, as most do not (Kneebone and Wilkins, 2022a).

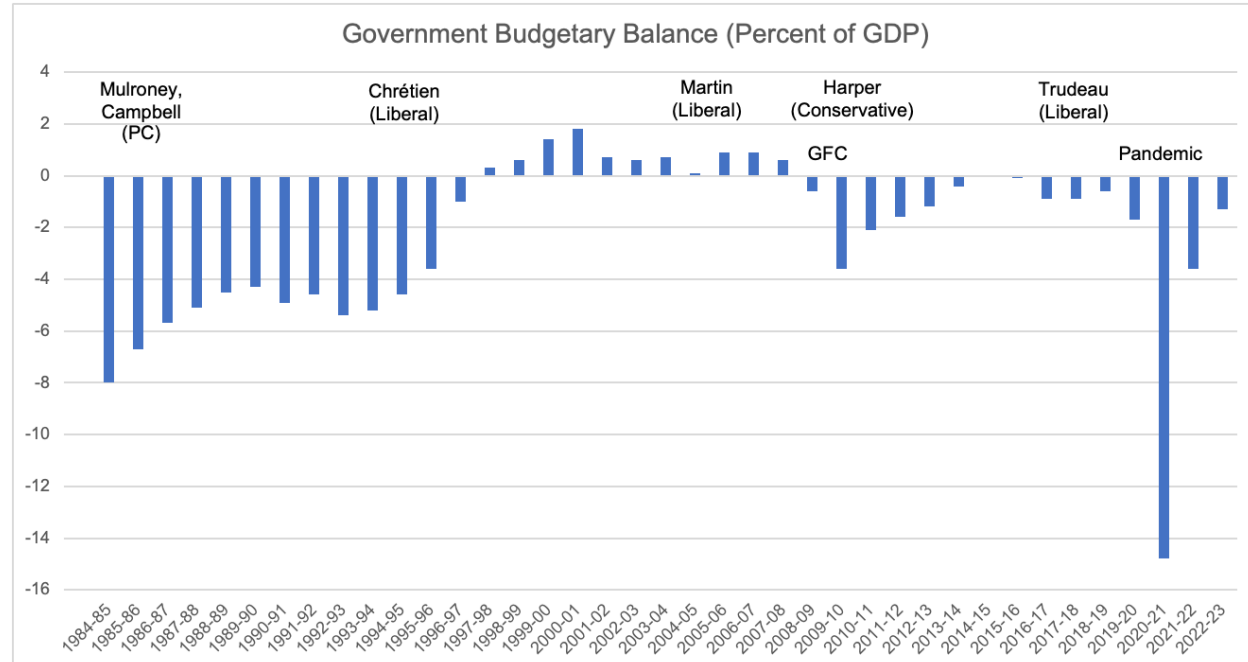
Recognising that the immediate impact of the most recent pandemic crisis was one of significant government activity including fiscal stimulus, and that its after-effects are still being navigated, we ask two questions. First: what does an austerity polity entail with respect to fiscal policy and material welfare? Second: to what extent do discernible policies, official projections of future policies, and policy discourses indicate a reversion to austerity or departure from austerity toward a more just political economy?

In answering these questions, we examine the context of austerity in Canada over successive crises and argue that it reflects a “polity” of austerity (Jessop, 2016). Given the highly decentralized federal system in Canada we incorporate some selected provincial data whilst recognising that a fuller exploration of provincial data is needed to supplement the federal picture. An analysis of past spending data is provided to establish baselines of austerity. We explain austerity’s impacts on social policy and socio-economic well-being. We then analyze future fiscal and social policy projections by federal and select provincial governments, and the associated parliamentary discourse.

### **Defining Austerity in the Context of Neoliberalism**

Austerity is a multidimensional concept that includes balanced budgets and debt limits, marketization of the public service to enhance efficiency, and labour market reform to achieve “competitiveness” (Whiteside et al., 2021 as cited in McBride & Schnittker, 2021, 127). Fiscal and monetary decision making is centralised and empowered to increase precarity in social and labour market programming (and increased inequality). Here, we focus on fiscal austerity and some of its effects on social policies. In Canada, Whiteside has argued that austerity is an epiphenomenon of “structural budget reforms” and “discursive shifts and ideological conviction” (2018, 409). An underlying orientation towards austerity has shifted into ideologies and discourse within the state. Canada has been a strong proponent of austerity since the 1980s, a stance that was consolidated decisively by the 1995 federal budget. This represented a clear break from the more Keynesian-oriented political economy in place since World War II. The Chrétien government implemented a sweeping package of austerity reforms in the 1995 budget. These have continued, with the exception of periods of global crisis, after which fiscal consolidation is again pursued, and finds expression in the drive to balance budgets (see Figure 1). We can note a trend towards normality, as represented by the base line, in the final years covered in the figure.

**Figure 1: Deficits as a Percentage of Gross Domestic Product (GDP), Over Time and Governments**

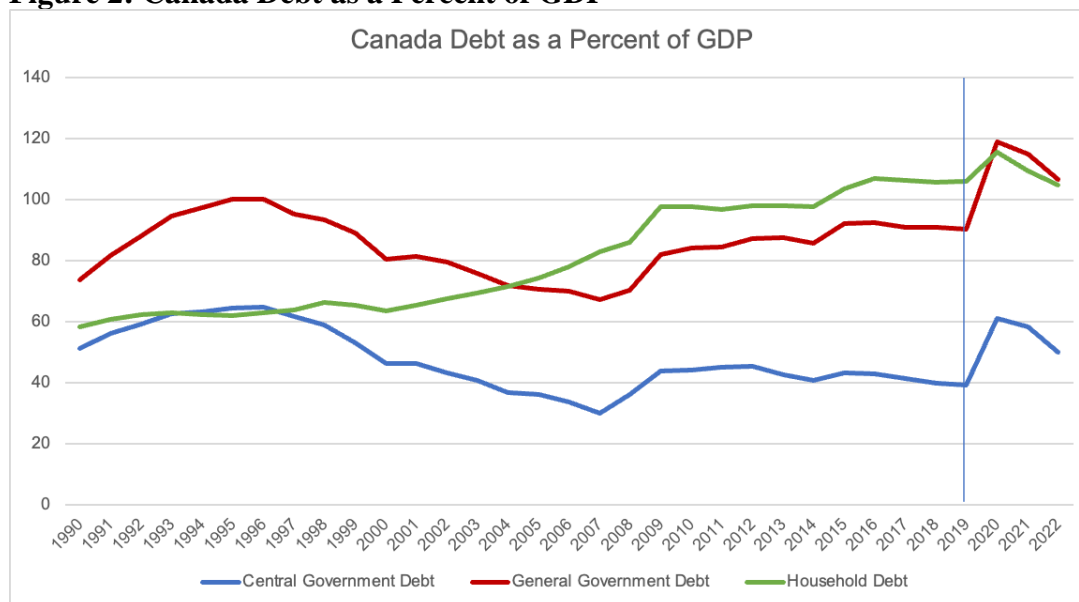


(Calculated from: Public Accounts of Canada and StatCan, 2023)

Balancing budgets has always meant attacking social programs. The first to be hard hit was employment insurance (EI)—formerly unemployment insurance. It was under pressure from the late 1970s (McBride, 1992). To justify attacks on the EI system, the Department of Finance depicted EI as a cause of higher unemployment—the so-called ‘work disincentive’ thesis (see McBride, 1992 for a critique).

By the 1995 budget, the scope of social security cuts had widened; “[o]ver half the cuts (55 percent) ‘in the 1995 Plan was in transfers to persons and other levels of government’” (Sancak et al., 2011 as cited in Henderson, 2022, 41). Later, in response to the 2007-08 global financial crisis, austerity was the policy strategy of choice despite Canada’s crisis being largely ‘notional’ (Whiteside, 2018, 411). It did not suffer the extreme consequences to the banking or real estate sectors that many European countries did. The Harper government’s initial response was one of denial and minimalism that actively opposed urgent action (McBride 2015, 405), but it nevertheless played a supporting role for the austerity agenda. Although Canada did engage in some counter cyclical spending, the underlying approach was based on low taxation and budgets; “cyclical deficits were used [by the national government] to reassert previously established patterns of national austerity, privatisation and marketisation” (Whiteside, 2018, 411).

Controlling public debt, as a percentage of GDP, is central to neoliberal policies, and the spending limits characteristic of austerity are an important means to that end. In Canada, central government debt has been firmly controlled since the mid 1990s (as shown in Figure 2 below), but general government debt and especially household debt indicate significant increases since the GFC. Household credit supports the state’s prioritization of the financial economy at the expense of debt payments and reduced spending capacity for wage-earners with stagnated incomes (Pineault, 2014, 91).

**Figure 2: Canada Debt as a Percent of GDP**

(Calculated from: Public Accounts of Canada & StatCan, 2023)

It is outside our scope to comprehensively analyse developments at the provincial level, but evidence from Ontario and Québec is suggestive of a common pattern albeit with some variation in Québec’s implementation of austerity. In other words, provinces have not acted as a countervailing force against the federal state’s austerity project.

*Ontario.* The Ontario austerity landscape since the mid 1990s reflected an overall electoral shift to the right (Evans & Fanelli, 2018, 142). Similar to the Federal Liberal government, the Conservative Harris government enacted a profusion of austerity measures. Social policies, especially income assistance, bore the brunt. Employability was advanced as a substitute for income supports. The austerity push began with the Conservatives, but there was continuity between political parties, an indication of the entrenchment of the austerity priority beyond mere conjunctural events (see Watson, 2020, 74, 77). In addition, the Liberal government introduced new user fees placing financial burden on the users of various social programs and controlling public sector compensation (which had downward effects on wages more widely).

Rhetorically, austerity was given a new sense of urgency following the GFC. The common strategy of framing debt as a burden that would “tax on future generations,” was amplified to the point where there was a “continued use of framing the political-economic conjuncture as a permanent state of crisis was then used by the Liberals as a strategy of governance” (Watson, 2020, 76). Austerity was also framed as a technocratically legitimate solution, exemplified by the Drummond Commission Report, that Albo deemed “the most comprehensive plan for the neoliberalization of fiscal policy and administrative modes that any government in Canada has yet delivered” (Albo, 2018 as cited in Watson, 2020, 79).

*Québec.* In Québec, especially prior to the GFC, partisan differences regarding the welfare state “remained within the bounds of a broad consensus over the welfare state itself, which the two parties contributed to build” (Noël, 2019, 84). As early as 2010, following the G7’s call for

“expansionary austerity”<sup>3</sup>, the Quebec Liberal party (QLP) changed course toward an austere fiscal policy (Pineault, 2014, 91). The Parti Québécois government (2012-2014) continued the drive to austerity, which continued after the Liberals regained office following the 2014 provincial elections. Like Canada and Ontario, the commitments were to rapidly balancing budgets and cutting taxes (Noël, 2019, 84). Whilst there was some reinvestment into some social programs, namely healthcare and education, they were coupled with the “blind, across-the-board budget restrictions [that] contributed significantly to the deterioration of public services [...] necessarily important in healthcare, education, and social services” (Noël, 2019, 84-85). Additionally, there were drastic budgetary restrictions in the operation of these social service agencies in “hospital and public clinic budgets, in home care services and in public health” (Vaillancourt, 2017, 37; Noël, 2019, 86).

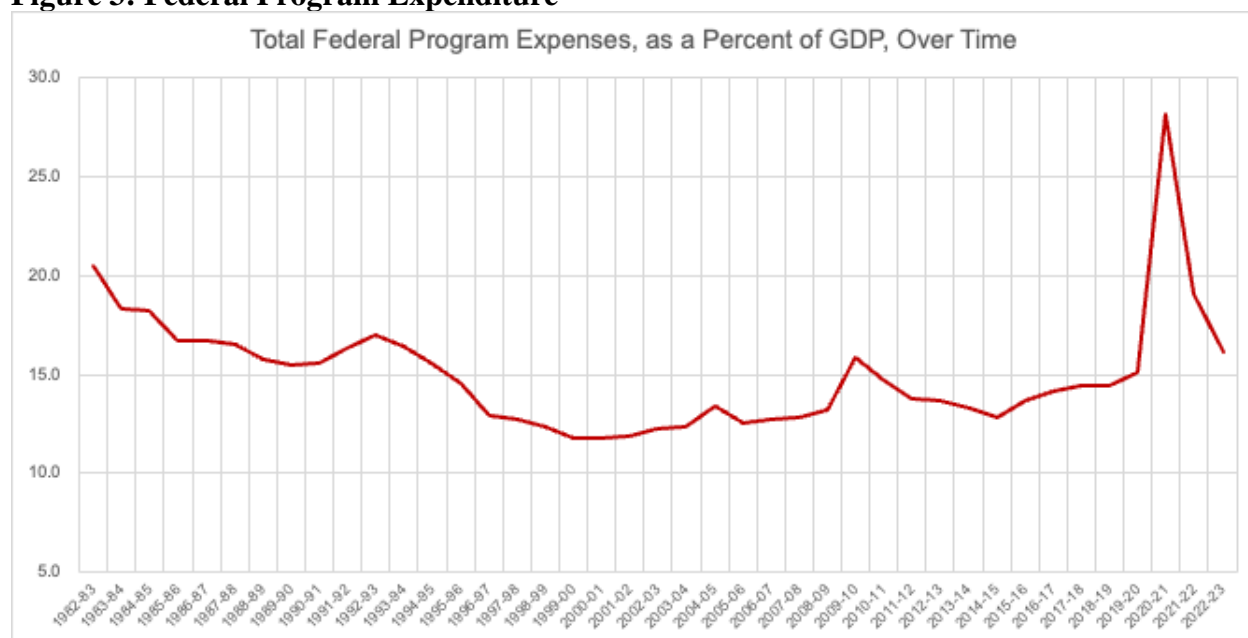
Nevertheless, the regressive effects of austerity on social supports did re-politicize the debate about fiscal approaches in Québec. The 2012 student strike, which also involved women’s movements, and the labour movement, dubbed as the “Maple Spring”, problematized growing social inequalities and the broader neoliberal agenda (Pineault, 2014, 99). However, the recognition of a reduction in the political-economic position of the working class is rarely acknowledged as being result of austerity in orthodox political discourse. The anti-austerity Quebec Solidaire party did enjoy some electoral success but in general austerity’s contradictions have not shifted the dominant discourse. Fiscal policy-making points to the embeddedness of the austerity polity in Québec as in the federal level. So, while “Quebec’s political economy is far more collaborative and statist than Ontario’s” (Haddow, 2015, 37), which is more liberal and market-oriented, these elements are still operating within an austere and “market-oriented political economy” (Haddow, 2015, 53).

### **Responses to the Current Era of Crises: Doubling-Down on Austerity or Breaking Free? Federal and Provincial Trends**

*Canada.* Figure 3 shows a dramatic decline in federal program spending in the mid-1990s and a relatively flat (i.e. austerity maintenance) line until around 2015 (with the exception of the GFC induced stimulus). From around 2015 there is a slight upward drift until the pandemic spike. Increases during the pandemic were reduced afterwards (see Table 1) but, projections for the rest of the 2020s point to anticipated difficulties in making further reductions, possibly due to a minority Liberal government having to contend with parties less enthusiastic about austerity. However, the budgets indicate a fiscal disposition toward maintaining rather than challenging the status quo of austerity. Given the austerity turn from the mid-1980s to the mid-1990s at the federal level, flattened spending is not neutral with respect to austerity. It instead reflects the maintenance of austerity. In other words, it is prudent to remember that Canada is situated within a context of persistent fiscal austerity and, more broadly, an austerity polity.

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<sup>3</sup> The idea that austerity could lead to economic growth—the expansionary fiscal consolidation hypothesis—features widely in rhetoric promoting austerity. It has no empirical merit (see Blyth, 2013, amongst others, for a rebuttal).

**Figure 3: Federal Program Expenditure**

(Calculated from: OECD, 2022; DoF, 2024a;b; StatCan 2024c)

General government data disaggregated by social programs (OECD, 2022) shows that only health and family (child) benefit programs have shown a relative ability to withstand the austerity program. In more recent years, since the end of the GFC, old age spending has also seen some increase. Substantive increases in health expenditure over the past four decades have followed the severe acute respiratory syndrome (SARS) outbreak and GFC (OECD, 2022), which exposed weaknesses in the health care system. An uptake in old age spending was preceded by the GFC (OECD, 2022), when supplementary pensions were hard-hit. Coinciding with this are also demographic factors, namely an aging population. The political context matters to some degree. Such increases as have occurred have tended to coincide with campaigns and the majority/minority status of governments. Notably, a boost to family-related program expenditures—from 1.17 percent of GDP in 2014 to 1.74 in 2016 (OECD, 2022)—were due to the Canada Child Benefit, overlapped with the successful Liberal federal campaign of 2015, featuring a promise to reduce child poverty. New anti-poverty initiatives that made it into Budget 2024, such as the Canadian Dental Care Plan and a boost to the national disability benefit can be attributed to the minority status of the Liberal government and its resulting agreement with the New Democratic Party (NDP).

There have been significant decreases to EI spending in Canada as a percent of the GD Since the 1996 Employment Insurance Act—which initiated penalizations for repeat usage, reduced average replacement rates, and restricted eligibility—there have not been major expansions to EI benefits (van den Berg et al., 2004, 2 as cited in Béland et al., 2021, 822). EI represents maintenance of the austerity status quo as expenditures have not reached close to what they were in the mid-1980s (OECD, 2022), prior to the period of fiscal consolidation. Interestingly, while spending on unemployment and incapacity related benefits has declined, so too has it fallen for active labour market policies (OECD, 2022). This suggests a lack of government commitment to income replacement for unemployment compounded by a lack of direct policies to encourage employment or even employability.

Increased spending on health and, to a lesser extent, pensions are not anti-neoliberal or anti-austerity. These policies do not stray from the overall maintenance of fiscal conservatism. Other more redistributive policies that impact poverty and inequality to a greater extent tend to bear the burden. Rather, these anti-poverty programs represent what Graefe describes as policies that “flank” the shortcomings of the wider austerity polity and social policies largely formed within a neoliberal ideology (2020). Like spending trends, government projections from the 2024 Federal budget, shown in Table 1, suggest continuity in the austerity strategy in terms of program expenses and transfers to provinces and municipalities, albeit at a higher level than was the case pre-pandemic. Delving into some of the details we find a planned decrease for the Canada Social Transfer and ; “[w]ithin the CST, social assistance is politically and fiscally marginal, overshadowed on the national policy agenda” (Prince, 2023, 124).

**Table 1: Total Federal Program Expenditure Trends and Projections, as a Percent of GDP**

1980	1982	1997	2000	2005	2015	2018	2023	2024	2025	2026	2027	2028
-	-	-	-	-	-	-	-	-	-	-	-	-
1981	1983	1998	2001	2006	2016	2019	2024	2025	2026	2027	2028	2029
17.7	20.5	12.7	11.8	12.5	13.7	14.4	15.6	16.0	15.9	15.7	15.6	15.5

(Calculated from: DOF, 2024b. (2018-2019 and prior); DoF, 2024a, 371, 380 (2023-2024 (expected) and onward (projected)); StatCan 2024c)

Austerity effects are exacerbated for those reliant on income assistance, especially when taking into account inflation (Kneebone and Wilkins, 2022a). Though there was a spike in expenditure during the height of the pandemic years, the cost of living increased significantly for income support recipients, while welfare policies did not fill this need. A telling example is provided by purchasing powers after average food and rent (for one-bedroom apartments) of lone-parents—mostly women—with one child receiving non-disability income support in major cities across Canada throughout the pandemic. It should be noted that this considers families with children, who had access to child-oriented benefits, a significant focus in social welfare policies. The purchasing power deficits range from minus 70 percent in Vancouver, to those in the minus 10 to 40 percent range in other major cities across Canadian provinces (Kneebone & Wilkins, 2022a as cited in Kneebone & Wilkins, 2022b).

Simple legislation by provincial governments to index incomes would have significantly reduced these negative effects. Béland et al. note that “in times of high inflation, social programs that lack an automatic indexation formula can avoid policy drift, as long as a strong political consensus allows for ad hoc social policy expansion capable of offsetting the negative effects of inflations on social benefits” (Béland et al., 2023, 10). However, evidence of such offsetting is weak. The federal government does index some income support contributions, that are now the Canada Child Benefit and the GST rebate (Kneebone & Wilkins, 2022a, 8). But provincially, less than half income supports and percentage of social assistance income is indexed (see Table 2) For people without children, and thus without access to child benefits, the level of indexation tends to be worse.

**Table 2: Percentage of Social Assistance Income Indexed, Across Provinces, as of 2019**

Province	Lone Parent	Single	Single, disabled
British Columbia	34%	3%	2%
Alberta	32%	3%	2%
Saskatchewan	34%	3%	3%
Manitoba	78%	75%	69%
Ontario	45%	10%	7%
Québec	96%	100%	100%
New Brunswick	89%	94%	84%
Nova Scotia	40%	4%	3%
Prince Edward Island	33%	3%	2%
Newfoundland & Labrador	33%	3%	3%

(Laidley & Aldridge, 2020 as cited in Kneebone & Wilkins, 2022a, 10; Kneebone & Wilkins, 2022a, 10)

There is also a lack of consistency across provinces and benefit type; “In most provinces, protection from inflation depends on periodic ad hoc adjustments to income support payments, adjustments that are sometimes separated by many years” (Kneebone & Wilkins, 2022a, 1), with the notable exception of Quebec which has nearly full indexation.

*Ontario.* Despite the dwindling supports from the federal government in social assistances, Ontario has not buffered their effects. During the period of fiscal consolidation at the federal level from approximately 1983 to 1997, it is evident that the province needed to fill much of the necessary gap in social services. However, since then, over the past two decades, fiscal support for more redistributive social programs, which have a greater impact on poverty reduction and inequality, has been consistently low (at or under two percent of Ontario’s GDP), as shown in Table 3. Increases in social program spending are overwhelmingly accounted for by just two categories: health and education, which are less redistributive in nature as they are accessed by most households even in the highest income quintile.

**Table 3: Ontario Fiscal Expenditure as a Percent of GDP**

Expenditure Category	Fiscal Years											
	1980	1982	1997	2000	2005	2015	2018	2023	2024	2025	2026	
	-	-	-	-	-	-	-	-	-	-	-	
	1981	1983	1998	2001	2006	2016	2019	2024	2025	2026	2027	
<b>Health</b>	3.7	4.3	4.7	4.9	5.7	7.0	6.9	7.5	7.3	7.2	7.1	
<b>Education</b>	3.1	3.2	2.4	2.3	2.8	4.6	4.8	4.4	4.2	4.2	4.1	
<b>Social Services</b>	1.2	1.4	2.4	1.6	1.7	2.0	1.9	1.7	1.7	1.7	1.6	
<b>Other Programs</b>	3.6	4.1	2.7	2.3	2.7	2.7	3.1	3.6	3.9	3.9	3.6	
<b>Total Program Expenses</b>	11.5	13.0	12.3	11.2	12.9	16.2	16.7	17.4	17.2	16.9	16.5	

\*Figures have been rounded to the tenth decimal place

\*\* ‘Education’ includes post-secondary, ‘Social Services’ includes ‘Community’ and ‘Children’.

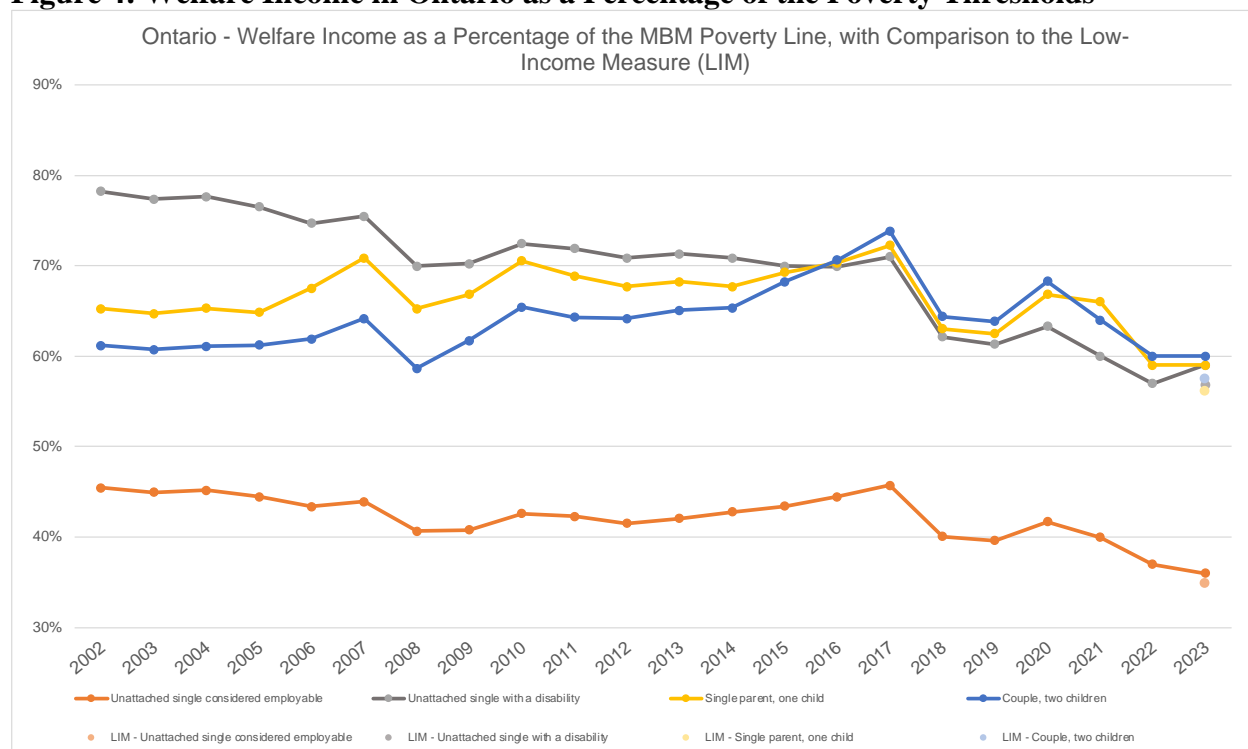
(Calculated from: Kneebone and Wilkins, 2022c (2018-2019 and prior); MoF–Ontario, 2024 (2023-2024 (expected) and after (projected)); StatCan, 2023)



Future projections as represented by the Ontario 2024 Budget show no deviation from the entrenched austerity agenda and spending as a percentage of GDP is projected to return to pre-pandemic levels by 2026-2027.

Welfare income as a percentage the poverty threshold (using the market basket measure (MBM)) shows this trend (Figure 4).

**Figure 4: Welfare Income in Ontario as a Percentage of the Poverty Thresholds**



(Produced from: Laidley & Tabbara, 2024; National Council of Welfare, 2009)

As the government plans for a post-pandemic Ontario, social assistance policies, Ontario Disability Support Program and Ontario Works, have been targeted by austerity. The latter is not adjusted for inflation. Despite the already insufficient income replacement rates, in 2023 average income replacements for single people considered employable, single parents with a child, and couples with two children fell behind inflation (Laidley & Tabbara, 2024).

*Québec.* Like Ontario, Québec has followed an austere approach that has frozen income supports most (Table 4). Leading into the pandemic, this created a destabilizing situation for welfare. Although Québec expanded social services spending at the provincial level while federal social transfers contracted from the mid-1980s to late-1990s, since the turn of the century they have since decreased and remained consistently flat. The fact that current spending proportions are just below those prior to the federal period of fiscal consolidation indicates that Québec does not fill this austerity gap. In the post-pandemic period total program expenditures expanded and projections indicate the role of the Québec state will increase, but this is predominantly related to health and not reflected in the social services envelope.

**Table 4: Québec Fiscal Program Expenditure as a Percent of GDP**

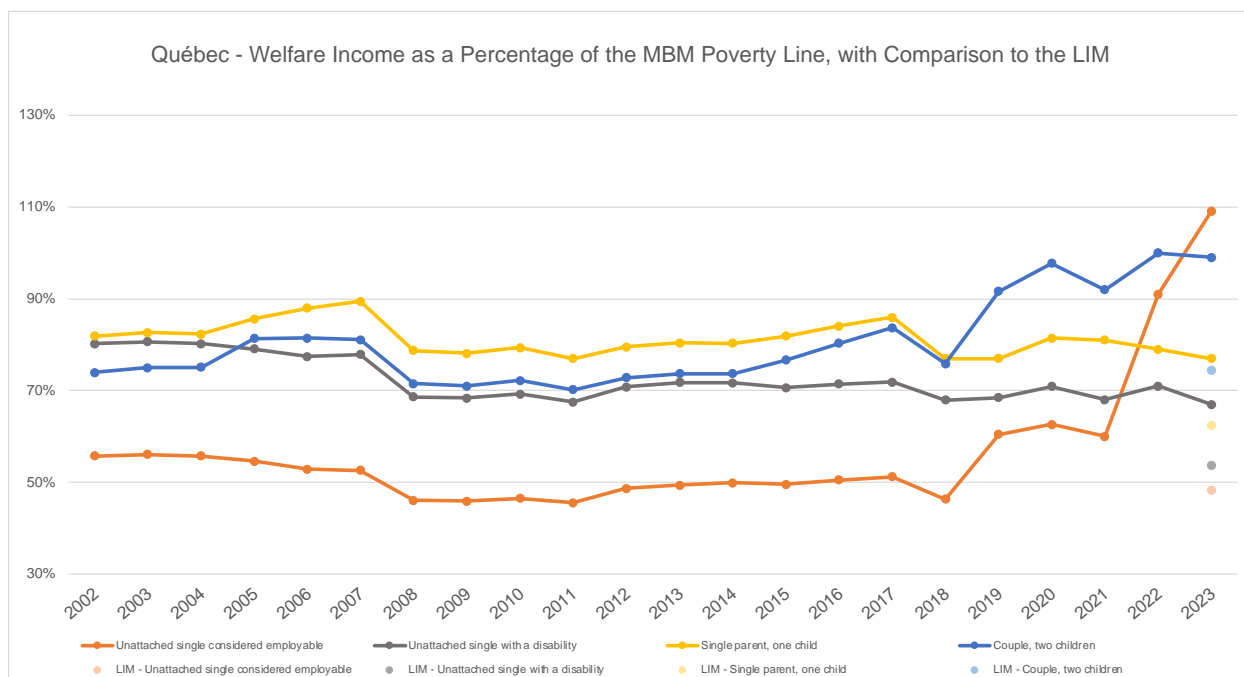
	Fiscal Years									
	1980 - 1981	1982 - 1983	1997 - 1998	2000 - 2001	2005 - 2006	2015 - 2016	2018 - 2019	2022 - 2023	2023- 2024 (Expe cted)	2024- 2025 (Proje cted)
<b>Health</b>	6.1	6.5	6.4	6.7	7.2	8.2	8.4	10.9	11.7	10.8
<b>Social Services</b>	1.9	2.2	2.5	2.3	1.9	1.7	1.5	1.8	1.9	1.7
<b>Education</b>	6.7	6.6	4.7	4.2	4.2	4.2	4.2	5.6	6.1	5.5
<b>Other</b>	5.4	5.5	2.8	2.7	3.3	2.5	2.6	5.4	5.9	6.6
<b>Total Program Expenditure</b>	20.0	21.0	16.4	16.0	16.0	16.4	16.6	25.7	25.6	24.6

\*Figures are rounded to the nearest tenth decimal place.

\*\*This data is intended solely for illustrative purposes.<sup>4</sup> (Calculated from: Kneebone and Wilkins, 2022c (2000-2001 and prior); Secrétariat, 2024 (2005-2006 and after); StatCan, 2023)

That said, the coverage provided by welfare income relative to poverty thresholds are on average stronger than in Ontario (Figure 5). For this reason, Québec's approach to social policies reflects a more "socially democratic" tradition than other provinces (Van den Berg, 2017, 53). There were significant increases for employable persons without children through active labour market policies in 2019 and again in 2022, which were comparable to Ontario before this. However, employment and social solidarity spending was budgeted to decrease by 36.1 percent in 2023-2024 with marginal reductions thereafter between two and three percent (Secrétariat, 2024).

<sup>4</sup> Data for 2005-2006 fiscal years and after are taken from provincial government Expenditure Budgets, and the categories of program expenditure do not perfectly match those from Kneebone and Wilkins (2022c), though the latter are useful for comparing unconsolidated health and social services spending as well for comparing across provinces. For 2005-2006 and after, 'santé et services sociaux' is counted as health, social services are calculated from 'emploi et solidarité sociale' and 'famille', and education includes 'enseignement supérieur'. Expenditure Budget figures disaggregated by program (Secrétariat, 2024) are planned figures for the respective fiscal year and may thus vary from actual expenditures.

**Figure 5: Welfare Income in Québec as a Percentage of the MBM Poverty Threshold**

(Produced from: Laidley & Tabbara, 2024; National Council of Welfare, 2009)

In the 2024-2025 budget of Québec, a commitment to fiscal balance has unsurprisingly been reinforced, with the goal to achieve this by the 2029-30 fiscal year. Overall, budget expenditures are indicative of a less egregious austerity project than in Ontario, though they show that in Québec too social service expenditures are significantly impacted by the wider austerity project.

### Discourses of Austerity

To provide a sketch of the degree to which austerity discourses are maintained or challenged, we conducted an analysis of parliamentary budget debates in the House of Commons in 2023. Debates<sup>5</sup> were analysed with a search, using key terms such as debt, deficit, spend, afford, cost, social, assistance, service, program, welfare, EI, employ, labour, health, child, age, elder, senior, pension, education, disability, poverty, just, democ (for democracy or democratic), represent, and transparency. A summary of the mentions of austerity related themes is presented here.<sup>6</sup>

As outlined in Table 5, there were 88 mentions of the budget being sufficient on program spending (almost all from the governing Liberal Party); 146 calls for or praise of austerity, describing social supports as wasteful and a cause of poverty, or individualizing responsibility for welfare (almost all from the opposition Conservative Party of Canada (CPC)); 102 mentions of an

<sup>5</sup> Hansards 174, 175, 179, and 180 were analyzed, which totalled 378 speaking turns.

<sup>6</sup> Methodologically, we have used ‘critical discourse analysis’ (CDA) research (Wodak 2013; Smith-Carrier and Lawlor, 2016), to uncover how austerity is situated within the political centre of the austerity polity. CDA enables us to explore how austerity is “enacted, reproduced, legitimated and resisted” within discourse (Van Dijk, 2012 as cited in Wodak, 2013). This reveals insights about how (the narratives and mechanisms) and by whom discourse is used to impact political change (Smith-Carrier and Lawlor, 2016, p. 3).

inequitable budget, or not enough spending on programs or, less often, the contradictions of austerity and austerity polity mechanisms (NDP and Bloc Québécois (BQ) predominantly).

**Table 5: Rhetorical themes in 2023 Parliamentary Budget Debates**

<b>Rank Order of Themes</b>	<b>Party Count</b>
(88) Mentions of the budget being sufficient on program spending	Lib. – 84 NDP – 3 BQ – 1 CPC – 0
(83) Calls for or praise of austerity	CPC – 75 Lib. – 2 BQ – 1 NDP – 0
(3) Calls for permanent austerity	CPC – 3 Lib. – 0 NDP – 0 BQ – 0
(52) Social supports as wasteful, and unfair, and even causing of poverty	CPC – 50 Lib. – 2 NDP – 0 BQ – 0
(2) Mentions of abused social support	CPC – 2 Lib. – 0 NDP – 0 BQ – 0
(6) Mentions of welfare being the responsibility of the individual	CPC – 6 Lib. – 0 NDP – 0 BQ – 0
(84) Mentions of an inequitable budget, or not enough spending on programs <sup>7</sup>	NDP – 41 BQ – 37 Lib – 5 Green – 1 CPC – 1
(18) Mentions pointing out the contradictions of austerity and austerity polity mechanisms	NDP – 9 BQ – 9 Lib – 0 CPC – 0

(Calculated from: Canada, 2023)

If we take the governing Liberal Party as projecting a gradual return to pre-covid levels of spending, and the opposition Conservatives as wanting to get there faster and further, then the picture is one of continuity in austerity discourse. Most BQ and NDP interventions were on matters of adjusting the impact of measures with relatively few interventions targeting the austerity polity as such.

<sup>7</sup> Not including six mentions of not enough spending specifically on defence or oil and gas companies by CPC MPs.

The most frequently mentioned theme was that the budget, which we have shown reflects a long-term pattern to maintain austerity, is responsible, prudent, and overall what *should* be reflected in a budget. Where Liberals supported social spending they often focused on the Covid-19 pandemic but supported a later return to the path of fiscal austerity. Though Canadians still struggled with the effects of the pandemic, much discussion was framed around the pandemic and its effects having been in the past and suggesting the government must ‘move forward’. Discourse analysis shows a trend to downplay income support measures. Some groups of “vulnerable” persons are favoured over others. Programs that are intended for a wider recipient base (and are hence less redistributive), especially those that provide benefits more reciprocal with contributions, received the most attention. This suggests an anti-redistributive bias in federal social spending.

Healthcare, particularly dental care, was shown support most often. Apart from healthcare, childcare was the next most genuinely supported social program from the Liberal remarks. Disability and unemployment support significantly lagged behind. Even when old age supports, general support for reducing poverty, and even childcare were expressed, it was more often in reference to provision of limited benefits such as dental care. Seniors, minority groups, women, and the general “poor” were often also claimed to be supported with one-off—and limited—grocery rebates, suggesting no commitment from such remarks toward lasting redistributive measures to counter poverty and inequality. Women and families were also often treated as having been sufficiently addressed in the fiscal plan of the budgets through school food programs.

Another focus in budget debates was dedicated to arguing that the budget has not done enough for hardship or that more program spending was needed. There was also significant effort by the BQ and NDP to employ rhetorical countermeasures against justifications of austerity principles. Such arguments held that austerity was worsening poverty and causing the cost-of-living crisis, and that social program spending, contrary to Conservative and Liberal rhetoric, did not cause inflation. These remarks tended to reflect a more complex and comprehensive view of poverty, recognizing structural constraints causing it, arguing its inequity, and calling for redistribution and social justice. These mechanisms are part of a “redistributionist discourse” (Levitas 2005; Raphael 2020, 13). BQ and NDP discourses opposed austerity, raised its contradictions, and uncovered potential opportunities to assert anti-austerity changes.

Still, our analysis also found in Parliamentary debates as a whole there was nearly as much rhetoric calling for *greater* austerity as there was in justifying or reducing the existing level of austerity in the budgets. When counted together with calls for permanent austerity and institutionalizing austerity, claims that social program spending was wasteful and caused poverty, demonizing social program recipients as abusing benefits, or arguing that social welfare is the responsibility of the individual, this was the most mentioned topic of the budget debates.

Issues of affordability were raised by conservative MPs several times, but they maintained their position on greater expenditures cuts. Instead, rhetoric suggesting “fairness”—in the sense of contributions to Canada’s economy and benefits—and anti-redistributionist mechanisms were used rather than distributional equity and removing structural barriers of poverty and inequality. To summarize, the majority of the 2023 budget debate reinforced austerity; discourse tended to either ignore any issues of austerity, argue that the current fiscal expenditure and distribution was sufficient, or tout furthering austerity measures and/or making them permanent. Although not featured as regularly, there was also pushback against the austerity polity in parliament. That discourse, which raised issues with the effects of austerity and even exposed its contradictions, reveals potential fractures in the systems upholding austerity.

Federal budget debates reflected what Levitas (2005) and Raphael (2020) have termed a “social integrationist discourse” that “has a narrow focus on paid work”, “does not ask why people who are not working are consigned to poverty”, and “obscures issues of inequality among paid workers” (Raphael, 2020, 13). Additionally, demonizing social support recipients reflects an attempt to frame poverty as an individual failure. This echoes the “moral underclass discourse” identified by Levitas (2005) and Raphael (2020), and, in our terms, represents the politics of insinuation in action. It aims to make those living in poverty a socially distinct category, claims their own behaviour causes poverty whilst ignoring the structural constraints of poverty, and views income supports as dependency-creating problems caused by state reinforcement of bad behaviour (Raphael, 2020, 13).

Of course, the ranking of themes in budget discourses is reflective of the opportunity that each party has to speak. The first-past-the-post electoral system limits democratic representation in the House of Commons. Proportionally, the NDP was the most outspoken in terms of a lack of spending to address poverty, affordability, inequities of many kinds (even pointing out intersecting inequities, such as gender, income, and age), and injustice. The BQ followed in critiquing the austerity polity and restated concerns from the Harper years (BQ, 2008), that the pre-budget consultations disregard affected interests. This brings into question the institutionalised role of policy processes and the attempt to insulate them from potential forces that could contest austerity (see Whiteside et al., 2021, 23-6).

### **Explaining Austerity’s Resilience in Canada**

*Austerity Polity: Fiscal and Rhetorical Insulation.* Even such a profound crisis as the pandemic has not led to paradigm change. Canada has an entrenched politics of austerity. Austerity agendas operate through institutionalisation that subsequently insulates austerity policies from displacement (Whiteside et al., 2021). The worst affected in society lack institutionalized voice and power to change the austerity agenda. At the same time, powerful groups in society are insulated from its effects. This enduring politics of austerity has developed into “an austerity state embedded in a political system (polity) that institutionalizes a ‘permanent’ politics of austerity” (Jessop, 2016, 417). Similarly, Capoccia (2016) argues that once cultural categories are consistently institutionalized, they provide a strong interpretive framework for the general public against which political actors with alternative interpretations have a hard time finding resonance.

Even during periods of crisis, denial and minimalism have been deployed. And the Liberal government since the Covid-19 pandemic has downplayed the cost-of-living crisis for economically marginalized Canadians. While the acute effects of the pandemic were given attention in budget debates, the lasting circumstances of multiple and intersecting crises and the impact by the long-term austerity project on these consequences were politically ignored. There was little acknowledgement of austerity’s effects on social programs and the ways in which social welfare assistances are particularly affected by expenditure consolidation. Nor have debates featured a commitment to seriously addressing distributional injustices.

This confirms the role of ‘ideational power’ in neoliberal resilience literature (see: Schmidt & Thatcher, 2013; Schmidt, 2016; Carstensen & Schmidt, 2016; Carstensen & Matthijs, 2018). Just as variegated neoliberalisms (Peck, 2010) are “flexible, adaptable, and resilient” (Jessop, 2016, 417), so too does this phenomenon extend to austerity. It is demonstrated in the Canadian austerity polity by the continued tendency for crises to further embed austerity rationales. Brief pauses to austerity are required during pronounced crises to stabilize and buffer against the effects. However, in ‘recovery’ periods, the benefit of such stabilizers is denied, and orthodoxy falls back

on the rationale of austerity, given priority over social welfare. In fact, a common strategy of adaptation seen in support of austerity across party lines, is to “co-opt many seemingly alternative ideas, stripping them of more progressive political projects that might be at their root” (Joy et al., 2021, 103). In the Canadian context this entails the ‘consolidation’ of social services, the ‘devolution’ of responsibility from the federal to provincial levels, and ‘responsibilization’ that individualizes welfare and frames benefit recipients as irresponsible citizens or burdens (Joy et al., 2021). The budget debates rhetoric can be characterized overall as promoting austerity for the creation of post-pandemic order. Although the rhetorical analysis shows that there were challenges to the austerity imposed, they had a limited effect on fiscal outcomes for social policies. This rhetorical hierarchy works to uphold the austerity polity and demonstrates the limits to representative democratic decision-making

*Institutions as a means of Democratic Insulation.* An entrenched austerity polity can be identified by the “rise of a permanent politics of austerity and a tendential shift to an enduring state of austerity that is characterized by the ‘constitutionalization of austerity’” (McBride, 2016). There has been opposition to austerity measures, of course, but the failure to provide voice to those most adversely affected shows the limits of liberal democratic institutions in Canada. More generally, as Jessop, (2016, 417) has noted, as the scope of austerity increases and material supports for subaltern groups decrease, the austerity state seeks to protect itself from related push-back and closes democratic processes from challenge. Amongst other institutions or organisations, political parties, the voting system, the absence of social partnership institutions (except in Quebec), and an internal administrative hierarchy which privileges financial ministries, and an independent central bank all serve as obstacles to debating and possibly changing the austerity imperative.

None of the political parties espouse a coherent alternative to austerity though some criticize the measures adopted. A conspicuous example of the institutionalisation and subsequent insulation of austerity from challenges (Whiteside et al., 2021), Canada’s voting simple majority system, or “first-past-the-post”, has yet to be reformed. Parliament and cabinets, remain unrepresentative (Raphael, 2020). Similarly, and without exaggerating the influence of social partnership/social dialogue institutions elsewhere, their absence in Canada deprives subordinate social groups of voice in key economic decisions.

The Department of Finance Canada and the Treasury Board have central roles in the management of public finances. Other actors—the Bank of Canada, the Financial Institutions Supervisory Committee, the Superintendent of Financial Institutions, the heads of some provincial securities commissions (Ontario, Québec, Alberta, and British Columbia), and select industry groups (BoC, 2023) — are given privileged access. At the core of the budget processes are exclusively financial actors. The selective invitation of actors in the budget process is justified through the technical nature of fiscal decision making. With austerity focusing on public debt and deficits through expenditure limits, “finance not only achieved greater leverage over state policies through supplying and overseeing state credit and debt in the form of loans and guarantees” (Albo & Fanelli, 2014, 12). But, in the provision of social programs, “[f]inance also attained a fulcrum position to maintain continual pressure on the state for its project of total privatization and commodification of the public sector” (Albo & Fanelli, 2014, 12).

There is evidence that, given the opportunity, public opinion would be receptive to reversing austerity measures. A Broadbent Institute study estimated that, as of 2020, 64% of Canadians did not find it necessary for the government to engage in spending reductions and deficit control following the pandemic (Coletto, 2020, 2). Interestingly, for those who would vote for the governing Liberals, 78% believed the government should spend what is necessary to help those in

need and stimulate the economy (Coletto, 2020, 3). In this way public opinion may contribute to gradualism of projected spending reductions.

However, such sentiments are blocked by the “conflict between democratic accountability and technocratic rule application in which institutions lacking popular accountability (such as executives, bureaucracies, central banks and judiciaries), are seen as gaining strength compared to those more amenable to democratic input (such as legislatures)” (McBride & Schnittker, 2021, 128). The overall insulation of austerity decisions from democratic processes creates a self-reinforcing phenomenon of discouraging future democratic pressure (McBride and Whiteside (2011). For these reasons, the post-pandemic recovery has not produced the transformational change necessary to overcome the austerity project, despite the mounting contradictions it engenders.

### **Conclusion: The Potential for Alternative Futures**

The austerity polity remains entrenched but is not unchallenged. However, the window for austerity and neoliberal reversal, as suggested by institutionalist paradigm change literature (see Hogan, 2019), has yet to materialize. Material deprivations do not interact with ideas in a straightforward way (Baker, 2015). While ‘fissures’ (Schneider, 2022) in the austerity polity are evidenced by the arguments revealing the socioeconomic effects of austerity and even the contradictions of its merits, the more substantial result has been a reinforcing of and even a greater push for austerity.

Recent literature on critical junctures has developed nuanced understandings of their occurrences to argue that existing conditions do not constitute an interregnum. Our argument follows that of Hogan, which circumscribes the realization of paradigmatic change and recognizes that only under particular conditions will critical junctures take place (Hogan, 2019, 11). Given the prominence of ideational formation around austerity in Parliament, our results suggest that there has not been an ideational collapse. Because of the continued primacy afforded to austerity ideas, despite significant counter-austerity ideas present in society, one cannot consider this to be a consolidation around new ideas. By this logic of paradigm change and critical junctures we can expect a continuity of the extant austerity polity, albeit with potential policy adjustments or instruments (Hogan, 2019).

Other developments in policy change literature also support this thesis. Baker argues that crisis timing, policy sequencing, as well as the political and institutional context must be considered simultaneously to determine a paradigmatic shift (2015). Although macroeconomic policy, “is more likely to respond to a slow burning crisis” (Baker, 2015, 361)—of which the intersecting crises that have followed the Covid-19 pandemic are examples—other important indications that a paradigm shift might occur are not present. Policy sequencing to break from austerity has been fleeting and the GFC precedent suggests a post-crisis return to austerity. Similarly, while counter-hegemonic ideas do occur in the centre of the policy process, they have been sidelined. Additionally, institutional structures have been developed as a part of the austerity polity to insulate it from democratic processes and the threat of austerity’s displacement.

Though recent crises created the potential for a collapse of austerity policy systems, transformation has been limited by ideational promotion of austerity and institutionalised democratic isolation. We are thus not in a moment of “moment of frustrated transition” (Welsh, 2019, 59) limited by the absence of a replacement paradigm.



Of course, opportunities to deconstruct austerity logics and to offer counter-hegemonic ideas and even policies should not be discounted. Fissures in the austerity polity do exist. The Covid-19 pandemic and the intersecting crises were leveraged as an “auspicious occasion to promote critical scrutiny of the hegemonic economic paradigm” (Russell, 2019, 39). Our aim is not to downplay such impacts or disillusion resistance. To the contrary, we hold that the endurance of counter-austerity ideas indicates the existence of opportunity for post-austerity futures, but that this requires a more comprehensive paradigm presenting alternatives to austerity, as well as institutional change to democratize fiscal processes. Such pressures are likely to have the most sustainable force when originating from outside of government institutions that support incumbent ideas (Bailey et al., 2017). By understanding the mechanisms operating in the austerity polity, we hope some requirements for challenging austerity are also revealed. They include re-democratising the polity through greater representation of affected groups of actors and dismantling mechanisms of insulation.

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