NO STRINGS ATTACHED:
PUBLIC DEBT AND THE TRANSFORMATION OF EDUCATIONAL POLICY IN NOVA SCOTIA, 1993-1997

By

Karl Williams TURNER

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INTRODUCTION

THESIS STATEMENT AND RESEARCH QUESTIONS

This thesis will examine the history of Nova Scotia's public debt and will attempt to argue that the money it borrowed (and continues to borrow) from the bond market comes with conditions that not only supersede our societal interests, but the democratic institutions citizens trust to protect them. It will be argued that over the last fifty years globalization has empowered the lending market to mature its practices and expand its base of influence to the point where it now exerts unprecedented control over borrowers. As one writer described it, bond rating agencies such as Moody's Investors Service, Standard & Poor (S&P) and Fitch Rating have developed an arsenal of economic weapons that is almost occult in nature for their operations are "largely invisible to all but a few most of the time."[1] Accordingly, this thesis will argue that the process governments use to borrow money is designed to both obfuscate these lenders and their economic priorities –priorities that are often in conflict with society's best interest.[2]

There is no such thing as a debt without conditions. Therefore, it should go without saying that the title of this thesis, *No Strings Attached*, is used in jest. Since there is not enough room in the pages that follow to provide a comprehensive evaluation of the influence the bond market exerts over governments, it instead focuses on *two* educational policy changes that took place under *one* government between the years 1993 and 1997. In other words, this thesis delves *deeply* into a specific set of decisions made during a period of extreme economic duress that

[1] New York Times. http://www.nytimes.com/1995/02/22/opinion/foreign-affairs-don-t-mess-with-moody-s.html. (Accessed 4 December 2012).
[2] WGBH Forum, Yanis Varoufakis: "Is Capitalism Devouring Democracy?" *YouTube*, 1:48:08, 17 May 2018. In Varoufakis' speech he relates the story that Wolfgang Schäuble, the German Finance Minister, said to him at a Eurogroup meeting that, "Elections cannot be allowed to change economic policy."

supports the claim made in the above statement, namely that the process a province must use to borrow money has the power to override priorities set by democratically elected governments. The process I use to establish this is quite simple. I begin by looking at how the lending system works. From here I explore the history of Nova Scotia's borrowing practices. Finally, I conclude by looking at two educational-policy changes that took place during this period, which are as follows:

1. *The Nova Scotia's government's retreat from its financial commitment to its universities during the 1990 rationalization negotiations; and,*
2. *The reprioritization of funding towards skills training during this same period.*[3]

Either of these changes looked at in isolation could produce a compelling, stand-alone narrative worthy of a doctoral dissertation. As I learned from my master's thesis, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia in the 1990s*, the 'boots on the ground' negotiations needed to bring about any sort of policy shift produces an overwhelming amount of primary source material.[4] Therefore I need to be clear that the goal of this thesis is not to provide a blow-by-blow account of *how* these shifts unfolded, but, rather, it is to establish a causal link between the shift that took place in Nova Scotia's higher education priorities and the process an indebted government must use to borrow money. Although there are points in this thesis where I provide some historical context into specific sets of negotiations, it is only done when I feel a general reader might need a better understanding of either the economic or the political conditions leading up to these decisions. I stress this point because,

[3] Since the P to 12 system influences both systems, some attention is paid to changes that have taken place in this sector.
[4] The rationalization discussions produced well over 50 bankers' boxes of correspondence. The material is stored at various university archives throughout the Halifax Regional Municipality (HRM). The government records are housed at the Public Archives of Nova Scotia (PANS).

again, my goal is not to write the history of how the above-mentioned policy changes unfolded. Instead, it is to establish a link between our debt and the decisions to adjust these policies.

Of course, this goal raises important questions. For example:

- Who exactly is it that lends us money?
- How much does the Nova Scotia government owe?
- What role do rating agencies play in the borrowing process?
- What administrative mechanisms do governments employ when they decide to borrow money?
- Have the priorities of lenders changed over time?
- What soft and hard power do these lenders have over elected officials?
- Do governments use indebtedness as a tool to avoid public debate related to its responsibilities and possibly even advance unrelated priorities?
- What happens to a government when it defaults on its loans?

These questions and more are addressed in the pages that follow. Indeed, the structure of this thesis was designed so that there would be a logical place for each of them to be answered in a manner that advances my argument that the mechanism used to borrow money supersedes the public priorities sought by elected governments.

THE THESIS STRUCTURE

This thesis is divided into three parts. The first part contains the housekeeping items required in every doctoral dissertation, namely a chapter dedicated to a literature review as well as one outlining my research methodology.

The second part contains three chapters. The first, *Theory of Money and Debt*, grounds this dissertation within a specific theory about currency. I do not use any of the commonly held definitions of currency touted within economics and echoed by the news media. It is worth noting that John Maynard Keynes – arguably the most famous economist in the world – failed to discover the origins of money. He described this period in his life as a “Babylonian Madness” that cost him several years of lost labour during which he poured over records reaching all the way back to ancient Mesopotamia. Interestingly, the definition used in this thesis predates Keynes’ research. It is one that went unnoticed during most of the 20th century primarily because it was not embraced by economists. Instead, it was put forward around the turn of the century by historians and anthropologists, who had performed a careful analysis of ancient material artifacts that was subsequently cross referenced against the historical record. It is a definition of currency that has regained traction in the last twenty years across numerous disciplines primarily because it provides us with a deeper understanding of how money works.

The second chapter, *The New Masters of Capital*, provides an overview of how borrowing practices have developed and matured during the latter half of the 20th century. Specifically, it pays close attention to how the balance of power has shifted to the lenders during the latter half of the 20th century.

The final chapter in this section, *The History of Nova Scotia’s Descent into Debt*, looks at the root causes of the debt crisis the Savage Liberals inherited upon defeating the Progressive Conservatives in the spring of 1993. This crisis defined their four years in office, shifting them from a ‘tax and spend’ government to one singularly focused on austerity. The goal of this chapter is to act as a bridge between the second and third parts of this thesis. When we understand how the global lending market has changed, and when we are able to see in clear detail Nova Scotia’s connection to it through its debt, we are better positioned to both understand and accept the argument that the need to borrow money has played a previously unrecognized role in shaping post-secondary educational policy.

The third section of this thesis contains two chapters dedicated to the policy areas I mentioned earlier in this introduction. The first chapter, *A Broken Promise – Defunding Nova Scotia's Universities* – looks at the Nova Scotia government's retreat from its financial commitment to the university system, which they believed had failed to deliver on its promise in the 1960s to be the engine for the new economy. The last chapter, *Skills Training – A Return on Investment*, investigates the reprioritization of skills training vis-à-vis a massive capital investment (followed by increased annual funding) to the Nova Scotia Community College, which both the bond market and NS Government decided was a better return on their investment.

THE RESEARCH FRAMEWORK

Money, debt, and education are broad subjects with strong currents and perilous undertows. Each one of these subjects has the power to drown a capable researcher in a riptide of detail. Although it may not be obvious to the reader, my thesis statement contains within it a subtle reminder (to me at least) that it is naïve for us to believe that public debt lacks the same conditions as personal debt. I accept that they are not comparable on a point-by-point basis. They use different structures to sustain themselves and employ distinctly different mechanisms to collect on loans. But debt is debt. And what I hope this thesis will bear out for the reader is that a loan – be it public or private – comes with conditions. Indeed, the primary condition on every loan ever made is that the lender receive some guarantee that their money will be returned, preferably with interest. It therefore follows that, if my thesis statement was the compass-bearing I set for myself in relation to the interlinking subjects of money, debt, and education, then my research frame is the narrow band of water – complete with riptides and undertows – I swam across.

This is not the first time I have employed the research framework I am about to describe. Many years ago, while working on my master's thesis, I came across what proved to be a controversial statement made in 1964 by John W. Gardner, former Carnegie Corporation President and then American Secretary of Health, Welfare and Education under the Johnson Administration. It went as follows:

> (a) Present government-university dealings are part of a far-reaching and profoundly significant trend in the relationship between the governmental and non-governmental sectors of our society.
> (b) Both government and the universities are being changed by the relationship. Neither will ever be the same again.
> (c) University people should concern themselves not only with what this means for their own institutions, but about what it means for the government. It is their government too.[5]

I paused for a long time after reading this, mainly because it articulated a concern that, up to that point, I had been unable to put into words. As one can see, it starts by announcing that a significant change has taken place in the relationship between government and the non-governmental sectors, before going on to say that neither will ever be the same again. But it is the last point that gave me pause – the call for researchers to pay attention to this, not because of what it means to their institution, but because of what it means to *our* government.

Again, in its day, Gardner's statement was highly controversial, so much so that two years later York University invited three academics and a politician to weigh in on it at the prestigious Frank Gerstein Lecture. By this point there was little doubt that universities had been changed by their new association with government. Heralded as the engine of the new economy, money poured in. Buildings went up at a furious rate as campuses grew to meet the demands of

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[5] William Mansfield Cooper, William G. Davis, Alphonse-Marie Parent, and Thomas R. McConnell. *Governments and the University*, (Toronto: MacMillan Company of Canada, 1966), ix; Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 30.

an expanding population wanting to tap into the prosperity a degree offered. By the mid-sixties, the physical transformation alone at Canada's universities would have made it impossible to argue otherwise. Naturally, all four lecturers agreed that a fundamental change had taken place within the university sector. What proved difficult to pin down, though, was the change within government.[6]

In the broadest terms *this* is the question that sits at the centre of my graduate research: How – and more specifically why – has government changed over the last fifty years? But, as mentioned earlier in this introduction, the scope of this question is far too broad for either a master's or a doctoral thesis. As Laura Linney so aptly put it during one of my graduate seminars, do not mistake your life's work for your thesis. Nevertheless, I share this question because it is the source of inspiration for my research frame – the route I used to cross three perilously broad and interlinking topics: money, debt, and education.

I relate all of this because, while researching my master's thesis, it became clear to me that by the 1990s governments across the Western world had run out of money.[7] If we jump back to the 1960s, the period when Gardner first observed a change taking place between government and the non-governmental sectors, the opposite was true. Governments, including Nova Scotia, were knocking vigorously upon the doors of dusty, forlorn colleges to ask that they *expand* their role in society. More importantly they arrived with suitcases of money they were willing to hand over in order to achieve these goals.[8] In simple terms, the relationship a

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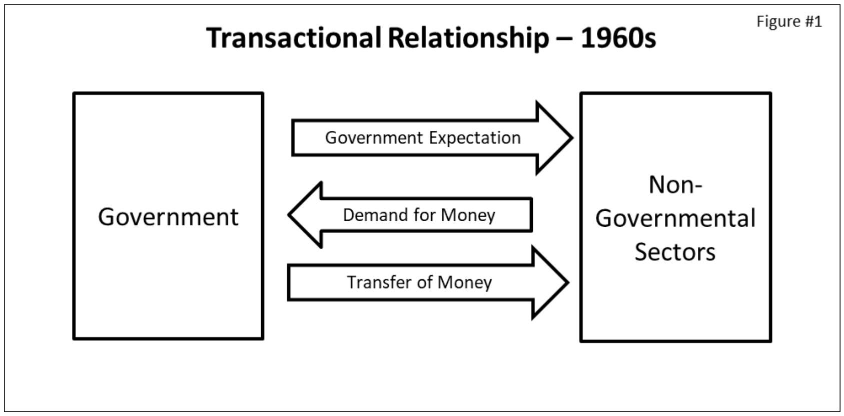
[6] Ibid.

[7] PANS, 2004/010/002, Nova Scotia Council on Higher Education Meeting Minutes, 22 & 23 March 1995; Howard Clark, *Growth and Governance of Canadian Universities: An Insider's View,* (Vancouver: University of British Columbia Press, 2003), 11; Cathy Shaw, "The Courtship: Universities play hard to get in face of Dalhousie's merger proposal," *Chronicle Herald*, 14 January 1995, 5.

[8] For further reading on this topic, I suggest Stephen Peachiness' report to The Council of Ministers of Education. Paul Axelrod, Professor Emeritus within the Faculty of Education at York University, looks at the wider implications of this report in his book, *Scholars and Dollars*. This can be found at: Paul Axelrod, *Scholars and*

government – and right now I am referring to pretty much any Western democratic government – and its non-governmental sectors looked as depicted in figure #1:

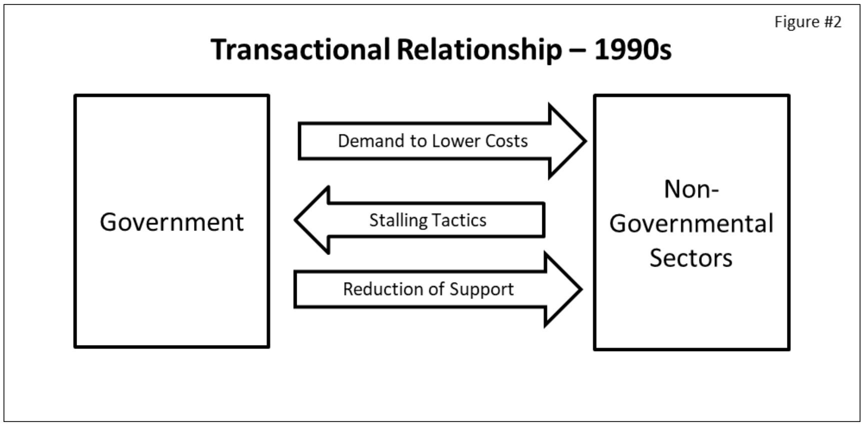


In the first transaction government articulates its expectation. From here, the non-governmental sector negotiates the cost it will need to incur to meet this expectation. Once this has been agreed upon, the government transfers the money to the non-governmental sector to cover the costs. Again, this is an oversimplification, but I believe it captures the spirit of what are obviously very complex financial interactions.

By the 1990s, the period I was looking at for my master's thesis, the nature of transactional priorities changed. As we see in Figure #2, money, specifically government's demands to reduce costs, replaced 'societal expectation' as the primary reason for interacting with non-governmental sectors.[9]

Dollars, (Toronto: University of Toronto Press. 1982), 142-142.

[9] Saint Mary's University Archives (SMUA), Author's interview with John MacEachern, 28 April 2007; SMUA, Author's interview with Bernard Boudreau, December 2009; Jeffery J. MacLeod, *Clientelism in Practice: An Analysis of Nova Scotia Politics, Patronage and John Savage* (Doctoral thesis, University of Western Ontario, 2002), 169-70. It is also worth noting that shortly after being appointed Finance Minister, Bernard Boudreau was given a Price Waterhouse report that had been commissioned by the previous government. The report concluded spending for the first quarter of the 1993-94 fiscal year was up $46 million, thereby projecting a record-breaking operating deficit of $650 million.

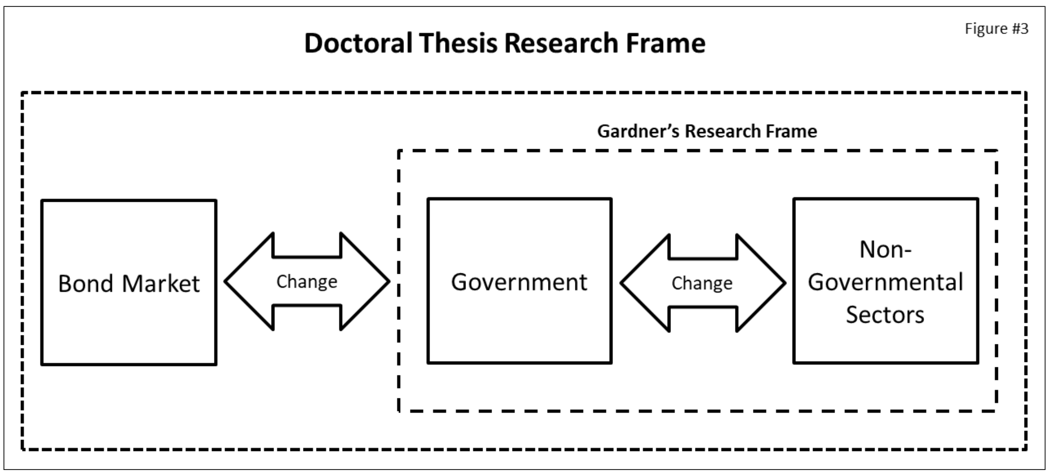


On paper this may appear to be a simple change in transactional priorities. But what I learned from my master's research is that this change had far reaching political implications. In the case of Nova Scotia's universities, these institutions had restructured themselves to meet the expanded role government wanted them to fulfill. Or, as Gardner pointed out in the 1960s, both government and its non-governmental sectors were changed irrevocably by this new relationship. As I learned from writing about the rationalization negotiations in the mid-1990s, going back to some earlier, less expensive version was not an option for Nova Scotia's universities.[10]

As I said before, Gardner's statement not only resonated with me, but it also helped me formulate a question that up to that point I had not quite been able to put into words. In doing so I also realized that his call to researchers was not properly framed. Gardner wanted us to look at the relationship shared *between* government and non-governmental sectors. His reasoning was that something had changed within this relationship, and that by looking at it we would be able to figure out what happened *within* government. But what became obvious during the research that went into *Silos & Stovepipes* was that the Nova Scotia government did not willingly decide to

[10] SMUA, Author's interview with Allan Shaw, 21 October 2009; SMUA, Author's interview with W.A. MacKay, 12 June 2008; SMUA, Author's interview with Kenneth Ozmon, 30 April 2007. Former Dalhousie President, Howard Clark, provides an interesting analysis of the problem in his book, *Growth and Governance of Canadian Universities: An Insider's View*. See also University of King's College Archives (UKCA), Box 2, CJS President – 93/03, Files Regarding Metro University Consortium, "Is There a System," essay by Colin Starnes, 30 November 1994.

change its transactional priorities with the university sector.[11] In fact, if we take Gardner's challenge seriously, there is nothing to be gained from looking at these transactions in isolation. By maintaining such a strict focus, the only thing we learn is that the transactional priorities change abruptly in the 1990s. But if we pull back and assume some other force was at play outside of Gardner's research frame, we quickly realize it is connected to the borrowing structure an indebted government must use to access capital to fund social priorities such as education.



As we can see in Figure #3, the research frame I use in this doctoral thesis pulls back from Gardner's to include the transactional relationship between the Nova Scotia government and the bond market. In the 1960s, when Gardner made his statement, Western governments held the upper hand. By the mid-1990s, though, the power balance had shifted dramatically in favour of the bond market.[12] This is important to note because, as we will learn in the chapters that follow, when we understand the transformations that have taken place within this sector, we are well positioned to *see* how our government's decision to retreat from its financial

[11] SMUA, Author's interview with Gerald McCarthy, 13 December 2008; SMUA, Author's interview with Joseph Clarke, May 2008.
[12] Timothy J Sinclair, *The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness*, (Ithaca: Cornell University Press, 2008), xi.

commitment to its universities in favour of skills training mirrors the economic priorities held by the global lending market.

In my experience, most of the research, policy papers and, for that matter, general commentary on education is too narrow. We hold too tightly to a naïve and reverential assumption that governments have the final say on their policy decisions. I cannot stress enough the importance of pulling back our research lens so that we can see the influence the bond market now exerts over political decisions. During the mid-1990s, the Liberal government under Premier John Savage was under extreme economic duress. Accordingly, they made numerous policy changes that impacted on a multitude of sectors. They were decisions that had repercussions that continue to play out to this day. This thesis explores two policy changes in detail. What I hope to prove in the pages that follow is that final word on how an indebted government structures its education system no longer rests in the hands of the people we elect, but rather with the people those politicians must convince to lend them the money to make up for our economic shortfall. It is my hope that this thesis will remind us of a simple yet forgotten truth: all debt comes with strings attached.

PART ONE

“The purpose of scholastic education is the exercise of faculties, and the acquisition of factual knowledge, without which scientific insight and skill are impossible.”

Wilhelm von Humboldt

CHAPTER TWO:

LITERATURE REVIEW

CHAPTER OVERVIEW

Three research themes braid together to form the foundation of this dissertation:

1. The History of Higher Education;
2. Debt; and
3. Standardization.

Accordingly, this chapter is divided into three sections. Each one delves into the salient pieces of literature I have drawn upon to development my argument.

In the first section, *Humboldt's Ghost*, I cover research that reveals how the Western system of education came to be structured and financed. This is important because in the third part of this thesis it will be argued that lenders believe the primary goal of education, specifically higher education, is to prepare citizens to enter the workforce to become taxpayers.

The second section, *Debt and our Evolutional Edge*, looks at a broad range of research related to debt – everything from psychology to anthropology. Again, this is important because debt plays a significant role in shaping social interactions that scale upwards into the creation of lending institutions that define how broader societal relationships are framed.

The final section, *Whitworth's Thread,* looks at standardization. In this section I argue standardization is the primary driver behind globalization, and that this is what underpins seemingly incongruent institutions such as the bond market to our system of education.

SECTION I: HUMBOLDT'S GHOST

The story goes that in 1809, not long after the defeat of the Prussian Empire by the Napoleonic forces at the Battle of Jena-Auerstedt, King Frederick Wilhelm III wrote to Wilhelm von Humboldt instructing him to resign his diplomatic post at the Vatican and return immediately to Berlin where he was to assume control of Ecclesiastic Affairs and Education within the Ministry of the Interior. Humboldt's directive was to restructure the German system of education for the defeat had been so complete there was little hope Prussia would be able to climb out from under this loss with force. Therefore, it was decided to redirect what little strength they had towards what at the time appeared to be an innocuous concession on the part of the French, namely Prussian control of its education system. The unstated goal for the Prussians was to entrench German language and culture in such a way that, in the short term at least, they would be able to holdfast against the pressures of assimilation. In the long term, the idea was that this new system would create a linguistic and cultural identity that in the distant future might inspire the people to either rise-up or subvert France's superior military forces.[13]

Humboldt's philosophy of education proved surprisingly simple: everyone from pauper to prince should receive the same level of state-funded education. Moreover, according to him, there were only three stages of human development with which the state should be concerned: elementary, scholastic, and academic. As a result, the proposed structure needed to have an elementary level lasting about six years, during which students would be nurtured in an almost maternal way. Scholastic education would have two levels: middle school followed by high school, both of equal length. Upon completion of this program, most students would be directed

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[13] The European Graduate School. http://www.egs.edu/library/wilhelm-von-humboldt/biography/ (accessed 2 December 2012); Ludwig von Mises Institute. http://mises.org/daily/4591 (accessed 2 December 2012).

towards the trades. However, the 'best of the best' would be channeled towards university. But this was not to be just any university. This university was one that would adhere to meritorious principles, that would be autonomous from state influence, yet at the same time receive generous and consistent financial support. As a result, students would not so much study under a professor as stand shoulder-to-shoulder with them in an environment dedicated solely to the pursuit of scholarship.[14]

I share this 'story' because of a lesson I learned when I was close to finishing my master's thesis. The second last draft had a paragraph in it that referenced a section from Peter Waite's institutional biography of Dalhousie University. In it, Waite argued that Dalhousie had been inspired by the 'Democratic' tradition, which had transformed the University of Edinburgh thereby sparking the Scottish Enlightenment; and that it was Lord Dalhousie's hope that a similar, albeit smaller, awakening would take place following the creation of his institution.[15] While doing final edits, my thesis advisor, Dr. John Reid, wrote to tell me that this section needed to be changed and instructed me to read *Education and Opportunity in Victorian Scotland* by R.D. Anderson. I must admit it bothered me to have to amend this section. Not only did the Scottish Democratic tradition tie up a lot of loose ends, but it was also a compelling narrative, one that fit nicely with several points I was trying to carry throughout my thesis. When I read Anderson's book, though, I realized that it was just that, a compelling story, for the educational reality in Victorian Scotland was far more complicated than I – or Dr. Waite for that matter – had given it credit. Naturally, I changed this section to accommodate this new research, but my thesis no longer flowed as well as it did before. The truth nestled itself in a rather

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[14] Ibid.
[15] Peter Waite, *The Lives of Dalhousie University 1 Vols.*, (Montreal: McGill-Queen's, 1998), 18-20.

cumbersome way in my argument.[16] But what I took from this experience was the realization that educational myths, particularly ones that are well told, possess more power to inspire change than the truth.

The story of Wilhelm von Humboldt is a perfect example of this. A quick survey of the internet will bring up similar versions of the narrative I related at the beginning of this section. Certain points within it may differ, but the story remains more or less the same in all its versions. Of course, one only needs to hear this story once to understand that Humboldt was attempting to pull together the architectural frame that now supports the entire Western model of education. But even a cursory level of research into Humboldt's influence shows that the transformation of the German system of education during the 19th century was far more complicated than this story relates. Nevertheless, we should not underestimate the role Humboldt played in bringing about real change for several points in the story are in fact true. As his biographer, Paul Sweet, points out, following the collapse of the Prussian Empire, Humboldt was directed to abandon his diplomatic position at the Vatican, and for sixteen months, he was responsible for directing changes with the division responsible for Ecclesiastic Affairs and Education.[17] But Humboldt was not appointed by the King. Instead, he was selected for the position by his close friend, Karl von Stein, who, according to Brian Vick in his essay "Of Basques, Greeks and Germans: Liberalism, Nationalism, and the Ancient Republican Tradition in the Thought of Wilhelm von Humboldt", was interested in bringing about a type of liberal reform that came to dominate German institutional structures for most of the 19th century.[18] Some aspects of Humboldt's

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[16] Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 12-13.
[17] Paul R. Sweet. *Wilhelm von Humboldt: A Biography (Vol. 2)*. (Columbus: Ohio State, 1980) 3-7.
[18] Brian Vick. "Of Basques, Greeks and Germans: Liberalism, Nationalism, and the Ancient Republican Tradition in the Thought of Wilhelm von Humboldt." (*Central European History*. 40, 2007): 653-654.

educational philosophy are also true. Two memoranda from this period – *School Plans*: one for Königsberg and one for Prussian Lithuania – are considered by some to be classic pronouncements on the application of Humboldt's ideal of *Bildung* into education.[19] In one of these memoranda he writes:

> Elementary education should merely enable the child to understand and express thoughts, to read and write, and merely to overcome the difficulties involved in the major ways of describing things. It is not so much education, as it is preparation for education, and is what first makes the latter possible. Therefore, it is really concerned only with linguistic, numerical, and physical relations, and—because it is indifferent to the species of what is described—it always remains in the mother language.[20]

By the time Humboldt arrived in Berlin to assume his position within the Ministry of the Interior, early childhood education had been in place in Germany for almost sixty years. But most of these schools were managed by various faith groups, and as a result, there was no uniform curriculum.[21] Humboldt's appointment marked the first time someone was given central authority to *standardize* education, an important concept that we will look at in more detail in the third section of this chapter. Moreover, it was a secular appointment, and these memoranda represent requests for clarity from personnel within his division on matters of how the policies governing these systems should be executed. Indeed, in this same memorandum he goes on to describe what he believes should take place in middle and high school.

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[19] Christoph Lüth, "On Wilhelm von Humboldt's Theory of Bildung." (*Journal of Curriculum Studies*, 30, 1, 1998): 54-55. Bildung is a difficult concept to translate into English. In the most basic sense of the term, it means education. But it is clear from Humboldt's writing that his definition was far more aspirational. Bildung was the end state of a person's intellectual and emotional development upon completing their formal education. The goal of the educational system was to help a student realize their potential to become a fully contributing citizen.

[20] Wilhelm von Humboldt, *Gesammelte Schrifen: Ausgabe Der Preussischen Akademie Der Wissenschaften*, (Berlin: I-XIII, 1903-1936) 276; (Translation accessed http://www.schillerinstitute.org/fid_91-96/962_humboldt_education.html.)

[21] Gert Geissler. "The Interrelationship Between the State and the Local Community in the German School Tradition." *European Education*. 37, 1 (Spring 2005): 63-64.

> The purpose of scholastic education is the exercise of faculties, and the acquisition of factual knowledge, without which scientific insight and skill are impossible. It should prepare the young student for both of these, enabling him to collect the material which must always accompany his creative work—some of which he collects right away, and some in the future, at his convenience—and to cultivate his intellectual-mechanical powers. He therefore has a twofold concern: first, with learning itself, and second, with learning how to learn.[22]

What we have here is an early snapshot of the development of the world's first policies governing the delivery of state-directed education. But as most researchers attest – and this would include his biographer, Paul Sweet – Humboldt's crowning achievement was the revitalization of the university system into secular institutions directed towards scientific research. In effect, within eighteen months, Humboldt laid the foundation for what we now commonly refer to as the modern research university.

So why are these issues important to the discussion at hand? Well, as mentioned earlier, it is very easy for us to see *our* structure of education within the story I related at the beginning of this section. More to the point, there is a considerable amount of historical literature pointing to the fact that the debate to structure our system of education began within American colleges and universities during the latter half of the 19th century.[23] On that point it is important to note that prior to 1860 American colleges had yet to produce a single doctoral student. During the second half of that century, though, graduate students, who would have gone to English universities, began to consider German schools as well. As Richard Hofstadter and Walter P. Metzger point out in their research into the fight to establish academic freedom, during the 1880s

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[22] Humboldt, *Gesammelte Schrifen, 276.*

[23] Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 6-32. Another source worth referencing is: Ellen Condliffe Lagemann, *Private Power for Public Good: A History of the Carnegie Foundation for the Advancement of Teaching*. (Middleton: Wesleyan University, 1983).

alone over 2000 Americans were awarded doctoral degrees from German universities. And when most of these academics returned to faith-based colleges to teach, they exerted tremendous pressure on their institutions to restructure along German lines.[24]

There is little doubt that the German system of education entered a period of transformation under Humboldt's command. The problem, though, is that Humboldt's writing on education was never published during his lifetime and only began to surface towards the end of the 19th century, a period that Mitchell Ash argues was when the system had entered a state of crisis.[25] More to the point, it was the same period when American advocates calling for change needed a good a story, one that tied up lots of loose ends.[26] Right up to the start of the Second World War, American advocates calling for change were unabashed promoters of the German system of education. In fact, one of the hotbeds calling for reform along German lines was the very organization that John W. Gardner (who I referenced in the introduction of this thesis) led before entering government, the Carnegie philanthropic trust.

The scholar who performed the most exhaustive research into the role that these trusts have played in lobbying for educational change is Ellen Condliffe Lagemann, the former Dean of Harvard University's Graduate School of Education. In her books *The Politics of Knowledge: The Carnegie Corporation, Philanthropy, and Public Policy* and *Private Power for Public Good: A History of the Carnegie Foundation for the Advancement of Teaching* she looks in detail at how the trusts, particularly the Carnegie Foundation for the Advancement of Teaching, used its money at the turn of the 20th century to promote a shift from small faith-based colleges towards a

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[24] Richard Hofstadter and Walter P. Metzger. *The Development of Academic Freedom in the United States.* (New York: Columbia, 1955), 378. (From the 1890s to the First World War most of the leaders in academic-freedom cases had studied in Germany. Indeed, eight of the thirteen signers of the 1915 "Report on Academic Freedom" by the American Association of University Professors had studied there.)
[25] Ash, Mitchell G. "Bachelor of What? Master of Whom? The Humboldt Myth and Historical Transformations of Higher Education in German-Speaking Europe and the US." *European Journal of Education*. (41, 2 2006), 248.
[26] Ibid., 249.

secular research model inspired by the German education system. In fact, in one section of her book, *Private Power for Public Good*, she dedicates a considerable amount of time detailing how the administrative elite of several American universities successfully wooed Andrew Carnegie into their sphere of influence, and then convinced him, against his judgement, to sponsor work that would both secularize and centralize educational resources. One of these people was Henry Pritchett, president of the Massachusetts Institute of Technology (MIT), who left his position to head what became the Carnegie Foundation for the Advancement of Teaching (CFAT).[27]

To a certain extent, administrators, such as Henry Pritchett, who, for a while, headed both CFAT and the Carnegie Corporation, were extremely successful in bringing about what I would describe as 'Humboldt-inspired' structural change. In *Private Power for Public Good* Lagemann reveals that Pritchett financed Abraham Flexner, a well-known proponent of German education, to engage in a two-year research project that led to a report on the state of medical education in America. The report's conclusions were so withering that it pretty much leveled half of the medical education sector. Of the 155 medical schools in North America, almost 70 were forced to close.[28] In my own research, I unearthed documentation that revealed Dalhousie President, A. Stanley Mackenzie, had attempted to contact Pritchett on numerous occasions in the hopes of securing both financial and political support to marry Dalhousie's medical school with the local hospital so that it could begin delivering medical education along the same line as Johns Hopkins University, another German-inspired research institution that Flexner celebrated in his report as the ideal.[29]

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[27] Ellen Condliffe Lagemann, *Private Power for Public Good: A History of the Carnegie Foundation for the Advancement of Teaching*, (Middleton: Wesleyan University, 1983), 30-46; Turner, *Silos & Stovepipes*, 21-32.
[28] Turner, *Silos & Stovepipes*, 29.
[29] Mackenzie, A. Stanley to Andrew Carnegie, 11 December 1917, Dalhousie University Archives, Dalhousie – Pres. Off: Carnegie Corporation of New York, 1918 – 1922. (UA-3; 260;6); Karl Turner. *Faith, Democracy &*

Of course, the most crucial partner needed to bring about this structural reform was government. John Reid, James Cameron, and Peter Waite have all dedicated a considerable portion of the respective institutional histories on Mount Allison, St. Francis Xavier (St.F.X.), and Dalhousie to the failed attempt by the Carnegie Corporation to create a central research university at Dalhousie.[30] This was a side project Pritchett had sponsored during the waning years of his career. We will look at this in some detail in Chapter Seven, but for now, suffice it to say, that Pritchett's interest in the scheme was to create a new institutional paradigm that a provincial or state government would be willing to financially support on a consistent basis. The idea was to relocate denominational colleges under the umbrella of a secular university.[31] For Pritchett, the central obstacle preventing the development of higher education in North America was that the majority of the existing institutions had taken root under the patronage of various religious denominations that were reluctant to sever their ties with these institutions even though they were no longer capable of financially supporting them to the extent that the American educational elite believed was needed.

As the historian John Reid points out in his two-volume history of Mount Allison University, it was not until the launch of Sputnik I that true educational reform began to take root.[32] Of course, by this point it was no longer acceptable for reformers to speak so glowingly of Humboldt and the German system of education. As Mitchell Ash points out in his essay "Bachelor of What? Master of Whom? The Humboldt Myth and Historical Transformations of Higher Education in German-Speaking Europe and the US" this is the period when the Humboldt

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Higher Education. (Halifax: unpublished essay, 2009), 20.

[30] James D. Cameron, *For the People: A History of St Francis Xavier University*. Montreal. (McGill-Queen's University Press, 1996) 179-196; John G. Reid, *Mount Allison University: A History to 1963 (Vol. 2)*. (Toronto: University of Toronto Press, 1984). 203-221; Peter Waite, *The Lives of Dalhousie University (Vol. 1).* (Montreal: McGill-Queen's University Press, 1998) 258-281.

[31] Ibid., 26-38.

[32] Reid, *Mount Allison University* (Vol 2), 203.

myth begins to recede from the public discourse.[33] But that is not to say that the people calling for change had lost site of the merits of the German system of education. Indeed, the scholar who performed probably the most exhaustive investigation into the Canadian negotiations to secure continuous, secure funding is Gwendoline Pilkington. Her master's thesis, *Speaking with One Voice: Universities in Dialogue with Government* documents the funding negotiations between Canada's universities and the federal government that ran from the 1920s through to the 1960s.

Paul Axelrod, the Canadian academic who writes more broadly about these issues provides solid companion research.[34] Whereas Pilkington's research is focused on the narrow band of political conversations and lobbying efforts by the universities and trails off at the high-water mark when universities had achieved more than they ever dreamed possible, Axelrod's investigation is wider and reaches past this period of success. It looks closely at what some might argue is the point when provincial governments began to question whether universities really were the engine of the new economy, as they had promised.

From the beginning, the ghost of Wilhelm von Humboldt has haunted almost every discussion into how our system of education should be structured. Even after the war, when it was no longer politically advantageous to use Germany as a model for anything, his vision remained intact. Of course, it would be logical for us to assume that its implementation evolved from the ground up. In other words, provincial governments started off by establishing a rudimentary P-12 system that matured in such a way that a university system eventually arose out of it. But almost all the research cited in this section indicates the opposite is true. North

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[33] Ash, "Bachelor of What?", 1-26.
[34] See Paul Axelrod, *Scholars and Dollars*. (Toronto: University of Toronto Press, 1982).

American universities were the first on the scene, and the stakeholders of these institutions lobbied hard for a Humboldt-inspired system of education that would feed into them.

Of course, this begs the question how the vocational system (which later transformed into the Nova Scotia Community College) came about. Probably the most comprehensive piece of research into its development was done by Janet Rey Guildford, a retired historian who worked for most of her career at Mount Saint Vincent University. Guildford's master's thesis looks at the history of vocational training in Nova Scotia and begins with progressive legislation passed by the provincial government during 1880s.[35] This was brought about by the province's mining industry, which had reason to believe there was a large amount of gold on the Eastern Shore. But since the veins were less accessible than the ones found in California and the Yukon, they knew they would need a skilled workforce to access it. Unfortunately, the industry collapsed before the educational infrastructure could be put in place to develop the provincial workforce. But Guildford documents the various ways skills training was provided during the ensuing years and caps off her research during the 1960s when Premier Robert Stanfield, a graduate of Dalhousie's Economics and Political Science department, founded what became the Vocational and Institute system through a policy envelope he had secured from Ottawa.

The second piece of research worth reading – a work that dovetails perfectly into Guildford's – is a doctoral dissertation by William J. MacLeod, who for approximately thirty years worked as a member of faculty at the Akerley Vocational School, which later became the School of Business for the Nova Scotia Community College. MacLeod's thesis looks in detail at the political struggle behind the founding of the Vocational School system.[36] He follows its

[35] See Janet Vey Guilford, *Technical Education in Nova Scotia, 1880-1930*. (Master's Thesis: Dalhousie University, 1983).
[36] See William J. MacLeod, *Technology Triumphant: The Promise of a Community College for Nova Scotia*

progress through the 1970s when it began to sputter and stall from patronage, policy tampering and neglect. The thesis flows right into the 1980s when renewed interest in skills training was ignited by the release in 1988 by the Royal Commission on Higher Education. The companion piece to the latter half of this thesis is Joseph Clarke's *Foundation for the Future: A White Paper on a Community College System for Nova Scotians*.[37]

Although this thesis does not touch upon issues related to the development of the P-12 system, it was important for me to familiarize myself with it. I learned that the best place to start was A.H. MacKay's *History of Education in Nova Scotia and Prince Edward Island*.[38] What is significant about this book is that MacKay goes back to the turn of the 19th century when public education was first being negotiated. He covers the period leading up to the passing of the Free School Acts in 1864, 1865 and 1866. This was the moment when government decided once and for all that education was not just a right, but one that should be accessible. This was a hard-fought battle for, at the time, citizens who did not have children (or who had paid for their education out of pocket) rejected the notion that their tax dollars should subsidize this.[39] Interestingly, the idea that a basic level of education be provided as a public service was strenuously argued by none other than Joseph Howe, who did not just take equity into his argument, but economics as well. His position is suspiciously similar to one made by Henry Pritchett a generation later in the Symonds College commencement address, namely that education was a necessary requirement for a citizen to reach their highest level of progress.[40]

(Doctoral Thesis). (Halifax: Dalhousie University, 1995).
[37] SMUA, Author's interview with Joseph Clarke, May 2008.
[38] See Alexander Howard MacKay, *History of Education in Nova Scotia and Prince Edward Island*.
[39] Vincent Pottier, *Report of the Royal Commission on Public School Finance in Nova Scotia*, (Halifax: Nova Scotia Provincial Government, 1954) 1-7.
[40] Ibid., 84.

It is interesting to note that almost as soon as public education was successfully declared a right, Nova Scotia struggled with how to pay for it. For almost a century, from 1864 straight through to 1955, the province did not have a policy framework that guaranteed equal access for all citizens. But once it did, the question then focused on cost. Indeed, the document that puts this problem into perspective is the Right Honourable Vincent Pottier's *Report of the Royal Commission on Public School Finance in Nova Scotia* released in 1955. In many ways this report enabled teaching once and for all to finally stand as a profession equal in status to that of lawyers and doctors.[41] In it, Pottier puts forward proposals that not only set out to raise teacher qualifications, but to finance the infrastructure to support it. (It even has a short chapter on the burgeoning vocational school system.) Of course, this document needs to be read in combination with *The Nova Scotia Royal Commission on Education, Public Services and Provincial-Municipal Relations*, or what later came to be known as the Graham Commission. Both documents are significant for a variety of reasons, but arguably the most important issue was the role municipalities should play in both financing and governing the delivery of education in their jurisdiction.

The Graham Commission was initially met with incredible resistance by the government of the day. Its sin was not just envisioning how education should be restructured, but public services as well. It was a radical departure from the status quo. So much so that it upset the very politicians who had commissioned it. As a result, it was dismissed. The normal protocol with royal commissions is for there to be a short period of debate following their release that is quickly followed by legislation that implements the recommendations. But this was not the case

[41] Saint Mary's University Archives (SMUA), author's interview with Gerald McCarthy, 13 December 2008.

with the Graham commission.[42] This exhaustive report – it comes in at 10 volumes – was quietly set aside. Over the next twenty years, though, the Nova Scotia government returned to it time and again to enact its recommendations in a piecemeal fashion.[43]

The most important thing to remember when reading anything related to the history of education is that it is rooted in an ideal – a story – that can be traced all the way back to the 19th century Germany. And though the story is simple, it contains an ideal towards which we still strive. The voices who moved us towards that vision were as diverse as they were disruptive. As Paul Axelrod argues, it was only by the late 1950s that the system most people assumed had been around forever finally fell into place. And the reason for this was because full membership to the developed world required a system of education that resembled Humboldt's ideal. As I pointed out in the introduction to this thesis, by the 1960s most Western governments were flush with cash and therefore eager to develop this system. But, as will be argued in the third part of this thesis, the moment the Nova Scotia government committed itself to this model of education it began to second guess itself as politicians struggled with ballooning costs and competing social priorities.

SECTION II: DEBT AND OUR EVOLUTIONARY EDGE

In 2008, the Canadian novelist, Margaret Atwood, delivered the annual Massey Lecture titled *Payback: Debt and the Shadow Side of Wealth*. Near the beginning of the first of her five talks, she addressed the elephant in the room, namely what possible contribution could a novelist make to the world of global finance. Her response to this question was short and to the point: any

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[42] Ibid.
[43] SMUA, Author's interview with Robert Bérard, 7 April 2009.

piece of fiction worth reading – everything from *A Christmas Carol* to *Anna Karenina* – is an exploration of debt.[44]

When I began my own investigation into the topic, I started with business books and essays on economics. It did not take long for me to realize I was barely scratching the surface, that the concept goes far beyond finance. As Atwood pointed out, debt is elemental to the human condition.[45] Long before we cross the threshold of a bank to take out our first loan, we already owe a long list of people. First in line would be the people who raised us. Coming a close second are the friends who have been there for us in times of trouble. And, of course, we cannot forget the mentors and teachers who imbued us with important lessons. Some argue – quite strenuously I might add – that our most important debt is to God. Without him (or her) we would not exist. Whatever method we use to line up our creditors, one thing is clear: what we owe is intangible. There is no application on our phone that can break down these relationships into individual accounts; and even if there was, there is no numerical quantifier that will ever be able to measure how much we owe. But just because we can never quantify these debts it does not mean we do not feel them. Indeed, our ability to *feel* debt is the whole point of this section.

As mentioned in the *Introduction*, the second part of this thesis looks at debt through an economic lens. Chapter four, *Theory of Money & Debt*, breaks these two concepts into smaller constituent parts that enables us to see how they were scaled upwards into a global system of finance. In chapter five, *The New Master's of Capital*, I do the same thing again only this time I focus on the bond market. Specifically, I look at how it expanded its base of power during the

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[44] Margaret Atwood, 2008 CBC Massey Lecture, episode 1, posted 6 November 2008, https://www.cbc.ca/radio/ideas/the-2008-cbc-massey-lectures-payback-debt-and-the-shadow-side-of-wealth-1.2946880; Margaret Atwood, *Payback: Debt and the Shadow Side of Wealth,* (Toronto: Anansi, 2008) 12-14. In this lecture, Atwood argues that debt is a human construct that "mirrors and magnifies both voracious human desire and ferocious human fear."

[45] Atwood, 2008 CBC Massey Lecture, episode 5, posted 6 November 2008, https://www.cbc.ca/radio/ideas/the-2008-cbc-massey-lectures-payback-debt-and-the-shadow-side-of-wealth-1.2946880; Atwood, *Payback*, 162-165.

second half of the 20th century. Finally, in chapter six, *The History of Nova Scotia's Descent into Debt*, I pull all of this together to show that our political decision makers operate within a global economic system driven by debt. There are rules they must follow and there are severe penalties for breaking them. In these chapters I am quite clear as to what theories and research I draw upon to build my argument. (For that matter, I delve just as deeply into competing theories and research.) As a result, there is no need for me to highlight in this section the literature linked to the economics of debt. What I do believe is important, though, is to highlight the uncited literature that underpins our financial notion of debt. Again, as Atwood pointed out, debt is elemental to the human condition. If we did not *feel* that we owed something to our family and friends, then there would be no point going to a bank to take out a loan. Why? Because the economic system I take great care to describe in the second part of this thesis harnesses and quantifies that strange feeling of guilt that we should probably go to church or maybe visit our parents more often.

With this in mind, Atwood made a second (and equally important) point early on in her Massey lecture. Shortly after stating that any piece of fiction worth reading is always an exploration of debt, she went on to argue that, if we hope to look past financial transactions to see debt for what it really is, then we need to remember one thing: fair is not the same as equal.[46]

Every parent knows that the need to be treated fairly manifests itself in children before they are even able to speak. When my youngest daughter, Adelaide, was two years old, she saw my wife giving her older sister some apple slices at supper. She let out a scream, wiped the vegetables off her tray with the back of her arm, and then refused to eat. In 2003, *Nature*

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[46] Margaret Atwood, 2008 CBC Massey Lecture, episode 1, posted 6 November 2008, https://www.cbc.ca/radio/ideas/the-2008-cbc-massey-lectures-payback-debt-and-the-shadow-side-of-wealth-1.2946880; Atwood, *Payback*,12-14.

published an article titled "Monkeys Reject Unequal Pay" in which researchers observed similar behavior in capuchins. In their work, the Dutch primatologist, Frans de Waal, and the American Psychologist, Sarah Brosnan, taught these monkeys to exchange plastic tokens for cucumber slices. The exchange proceeded in a normal manner so long as they continued to reward cucumbers for tokens. But if they substituted a grape for a cucumber – something capuchin monkeys' value *more* than cucumbers – in about half the trials "the short-changed capuchin either refused to hand over their token or rejected the reward. Some threw both the token and the cucumber clear out of the cage."[47] This number jumped to almost 80% when a monkey was given a grape for no reason. In the article, Brosnan speculates this behavior evolved out of their need "to live in large, complex groups."[48]

Science has not arrived at the point where it can place its finger on the exact location in the human brain where our notion of debt lives. But that does not mean it is not there. We know from studying the brains of psychopaths that the neural connections that run between the ventromedial prefrontal cortex (vmPFC) and the amygdala are deficient. The vmPFC is where guilt and empathy reside, whereas the amygdala mediates fear and anxiety.[49] When any of these qualities go unregulated it becomes almost impossible for a person to function within a group. It is worth considering that what we register as 'debt' – the idea that we owe something to someone – might not have a physical location. In other words, there is probably no bundle of cells we will one day be able to point to and say *this* is the calculator a brain uses to calculate what one owes. Instead, our notion of debt is probably bundled into the same neural network that mediates our

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[47] Frans De Waal and S. F. Brosnan, "Monkeys Reject Unequal Pay," (*Nature,* 2003) 425.
[48] Ibid.
[49] "Psychopaths' Brains Show Difference in Structure and Function," School of Medicine and Public Health. University of Wisconsin-Madison, last modified, November 7, 2017, https://www.med.wisc.edu/news-and-events/2011/november/psychopaths-brains-differences-structure-function/.

sense of fear and empathy. As we know, psychopaths, whose connections are deficient along this route, are extremely disruptive to group dynamics. Simply put, they don't care. They are not afraid to take things for no reason. Nor do they feel guilty for doing so.[50] But as we saw from Brosnan's research into capuchins – as well as my own experience raising children – primates appear hardwired to work cooperatively.[51] And as we will see in a moment, there is a very important reason why.

Of all the apes, humans are the best at living in large, complex groups. But if we took our queues from popular culture, we might see it the other way around. In a now famous scene from Oliver Stone's film *Wall Street*, Gordon Gekko addresses a group of stockholders saying, "Greed is good."[52] Although the film was a cautionary tale, those words have since become a mantra within the financial sector.[53] Of course, this is not a new idea. Survival of the fittest dominates western thought. One can find it in everything from movies to first-year business textbooks. In fact, when Charles Darwin's Theory of Evolution was first published in the United States, it quickly framed pre-Civil War debates on topics ranging from slavery to inter-state commerce.[54] But what the primate research cited above indicates – as well as a growing body of scientific research published in academic journals over the last forty years – is that competition

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[50] Robert Hare, "Predators: The Disturbing World of the Psychopaths among Us," *Psychology Today*, 27 (1994): 54-61.
[51] De Waal and Brosnan, "Monkeys Reject Unequal Pay," 425.
[52] Wall Street, "Gordon Gekko "Greed is Good" Full Speech, YouTube Video, posted 2012, https://www.youtube.com/watch?v=PF_iorX_MAw&t=11s.
[53] The Dan Patrick Show, "Michael Douglas Doesn't Get Why Fans See Gordon Gekko as a Hero, YouTube Video, posted June 27, 2018, https://www.youtube.com/watch?v=I8ruk8wjhuQ. Wall Street traders often stop him on the streets in New York to say he is the reason they got into their business.
[54] See: Randall Fuller, *The Book that Changed America: How Darwin's Theory of Evolution Ignited a Nation*. New York: Viking, 2017; Also see: Andrea DenHoed, "The Forgotten Lessons of the American Eugenics Movement," *The New Yorker*, 27 April 2016. In the article, DenHoed writes, "A sloppy reading of Gregor Mendel's pea pods and Charles Darwin's theories gave a scientific veneer to the conclusion that many social ills were caused by the proliferation of the wrong sort of people and that they could be neatly nipped in the bud with the intervention of eugenics – a term coined, in 1883, by Darwin's half cousin Francis Galton, who declared it 'a virile creed, full of hopefulness.'"; It is worth noting that even Darwin had trouble with the notion that the ends justifying the means.

plays a much smaller role in our development than we acknowledge.[55] Yes, we compete. And, yes, that competition can be at times fierce. But within any successful grouping – be it a modern city, a multinational corporation, or a gathering of primates – one needs cooperation. And for cooperation to work properly, people need to both see and feel that they and everyone around is engaged in fair, open exchange.[56]

In chapter four, we look at the role Adam Smith, the father of modern economics, played in the development of currency. For many, Smith is the architect of capitalism, and by extension, the harbinger of Gordon Gekko. What his critics often forget is that the first book he wrote – his companion piece to *The Wealth of Nations* – was *The Theory of Moral Sentiments*. In it he advanced arguments about the importance of benevolence, justice, and sympathy, arguing that social responsibility must be firmly established within a society before any sort of free market economy can take hold.[57] Of course, this dovetails into the exact same point Atwood was making when she said that, if we want to understand the true nature of debt, fair is not the same as equal.[58] Fairness, it seems, is so elemental to exchange that both capuchins and human children throw tantrums when it is violated. These outbursts might appear to be psychologically motivated, but there is a growing body of scientific research to indicate that they are rooted in biological principle that drills straight down to the cellular level.

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[55] See: de Waal, Frans. *Chimpanzee Politics: Power and Sex among Apes*. Baltimore: John Hopkins University Press, 2000; Wilson, Michael L. and Richard W. Wrangham. "Intergroup relations in Chimpanzees," *Annual Review of Anthropology*, 2003; Boinsky, Sue and Paul A. Garber, ed. *On the Move: How and Why Animals Travel in Groups*. Chicago: University of Chicago Press, 2000; and Wohlleben, Peter. *The Hidden Life of Trees: What They Feel, How They Communicate*. Vancouver: Greystone Books, 2015.

[56] CBC Radio One; CBC Halifax, author's interview with Matt Ridley, October 2010.

[57] See: Smith, Adam. *Theory of Moral Sentiments*. New York: Penguin Classics, 2010.

[58] Margaret Atwood, 2008 CBC Massey Lecture, episode 1, posted 6 November 2008, https://www.cbc.ca/radio/ideas/the-2008-cbc-massey-lectures-payback-debt-and-the-shadow-side-of-wealth-1.2946880; Atwood, *Payback*, 10-15.

A few years ago, Giulia Enders, a German medical doctor, wrote a compelling book called, *Gut*: *The Inside Story of our Body's Most Underrated Organ*. In it, she pulled together some of the research she had come across during her studies to produce a compelling narrative about how our digestive system works.[59] Most of us are under the impression that when we bite into a sandwich, our body breaks it down. What Enders reveals – and it is worth noting that researchers only discovered this within the last twenty years – is that our digestive track is coated with over 100 trillion microbes.[60] There are so many of them that, if we took them out and placed them on a scale, they would weigh the same as a human brain.[61] In fact, as we learn more about why they are there and what they do, some scientists have begun to theorize that our gut biome functions like a second brain.[62] Whereas the one in our head regulates how we physically navigate through the world, the gut biome – a legion of foreign single cell lifeforms – is tasked with maintaining the biological equilibrium of the entire human system.[63]

It is worth noting that the Western diet has not been kind to our gut buddies. It is quite possible that pesticides, alcohol, and processed foods has wiped out about 60% of its biodiversity.[64] Also, the overconsumption of sugar has upended its constitution causing certain microbes to flourish at the expense of others.[65]

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[59] See: Enders, Giulia. *Gut: The Inside Story of Our Body's Most Underrated Organ*. Vancouver: Greystone Books, 2014
[60] Enders, *Gut*, 22.
[61] Ibid.
[62] Deep Shukla, "Scientists investigate how our 'second brain' may influence gut disorders," *MedicalNewsToday*, October 12, 2021, https://www.medicalnewstoday.com/articles/scientists-investigate-how-our-second-brain-may-influence-gut-disorders; Enders, *Gut*, 22.
[63] Enders, Gut, 22.
[64] Federica Giambò, Michele Teodoro, Chiara Costa, and Concettina Fenga, "Toxicology and Microbiota: How Do Pesticides Influence Gut Microbiota? A Review," *International Journal of Environmental Research and Public Health*, May 21, 2021, doi: 10.3390/ijerph18115510.
[65] The most publicly accessible scientist looking at the role the microbiome plays in health is British medical doctor, Tim Spector. Spector is professor of genetic epidemiology and director of the TwinsUK registry at King's College London. He has written several books on the subject. See: Spector, Tim. *Spoon Fed: Why Almost Everything We Have Been Told about Food is Wrong*. London: Jonathan Cape, 2020.

Why is this relevant? And, more importantly, what does it have to do with a doctoral thesis on debt? To answer that question, we need to go back about two million years. *Homo Erectus* – literally translated as *upright man* – is a direct ancestor that has been extinct for 110,000 years. Like us, it developed in Africa and spread to almost every corner of the earth. It survived for over two million years, and when one considers that *Homo Sapiens* have only been around 300,000 years, there is a strong argument to be made that it will go down in history as the most successful human species to walk this planet.[66] The only fossil evidence of its organizational structure comes from four sites outside of Ilert, Kenya, where 97 footprints were made by approximately 20 individuals.[67] One of these trackways is thought to be comprised entirely of males, which if true, indicates a sexual division of labour that would allow us to infer those males were possibly responsible for things such as hunting, foraging or maybe even protection of the central group.[68] That is an important point we will come back to in a moment. Before we do, though, let us focus on one of the other things we know about this ancient ancestor of ours.

We know from the size of the brain and body of *Homo Erectus* that, like us, it was an omnivore. The primary reason it was able to migrate from Southern Africa and then spread to almost every corner of the earth was because it had developed a highly sophisticated way of extracting energy from its food.[69] Instead of *Homo Erectus* evolving its guts' ability to break

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[66] Yuval Noah Harari, *Sapiens: A Brief History of Human Kind*, (Toronto: Signal McClelland & Stewart, 2014) 6; Melvyn Bragg, "Homo Erectus" In Our Time BBC Radio 4, posted April 14, 2022, https://www.bbc.co.uk/programmes/m00168lg.

[67] Hatala KG, Roach NT, Ostrofsky KR, Wunderlich RE, Dingwall HL, Villmoare BA, et al. "Footprints reveal direct evidence of group behavior and locomotion in Homo erectus," *Scientific Reports*, July 12, 2016, doi: 10.1038/srep28766.

[68] Ibid.

[69] Melvyn Bragg, "Homo Erectus" In Our Time BBC Radio 4, posted April 14, 2022, https://www.bbc.co.uk/programmes/m00168lg.

down food through natural selection, it formed an alliance with single cell microbes. This was probably the most important gift our forgotten ancestor handed to us. By maximizing its ability to extract energy from diverse environments it was able to develop a brain much larger than it would have otherwise.[70]

Humanoids have been involved in symbiotic relationships with about 1,000 genetically unique single cell organisms for over two million years. It is a relationship we have had a long time to mature into. Indeed, we are only just beginning to discover just how dependent we are upon 'the bugs' living in our gut. As my grandmother used to say: food is mood. Well, recent research appears to indicate she was closer to the truth than any of us realized. Approximately 90% of the serotonin in our body is produced by our gut biome.[71] Researchers now have a clear link between the epidemic rise in depression and a critical loss of specific bacteria in our gut biome due to pesticides.[72] Obesity has also been linked to bacteria loss. In fact, one study discovered something that was downright alarming. If an obese person is injected with a small sample of stool from a healthy person, they lose weight![73] It appears that the prevalence of certain bacteria regulates through chemical communication how much fat a person should store in their body.[74] It should come as no surprise that pharmaceutical companies are now racing to develop *crapsules*, suppositories filled with so called 'good' bacteria.[75]

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[70] Ibid.
[71] Catharine Paddock, "Gut microbes important for serotonin production," *MedicalNewsToday*, April 21, 2015, https://www.medicalnewstoday.com/articles/292693.
[72] Clare Wilson, "People with depression are less likely to have certain gut bacteria," *NewScientist*, February 4, 2019, https://www.newscientist.com/article/2192558-people-with-depression-are-less-likely-to-have-certain-gut-bacteria/; Federica Giambò, Michele Teodoro, Chiara Costa, and Concettina Fenga, "Toxicology and Microbiota: How Do Pesticides Influence Gut Microbiota? A Review," *International Journal of Environmental Research and Public Health*, May 21, 2021, doi: 10.3390/ijerph18115510.
[73] Enders, *Gut*, 22.
[74] Ibid.
[75] Linda Geddes, "Keep taking the crapsules: how I became a faecal transplant donor," *The Guardian*, March 20, 2023, https://www.theguardian.com/lifeandstyle/2023/mar/20/faecal-transplant-donor-healthy-gut.

So, what principle is at play here? There must be some rule governing exchange that rewards two seemingly incongruous entities for cooperating. This is not just happening in our gut. Cooperative relationships are showing up all over the place now.[76] Moreover, this rule appears to have the ability to scale upwards into complex human relationships.

A few years ago, I did a documentary on standardization for IDEAS on CBC Radio One. The piece took approximately two years to research, during which time I interviewed the British writer, Matthew Ridley. Ridley is an interesting figure. On the one hand he holds a doctoral degree in biology from Magdalen College, Oxford. On the other, he is a journalist and businessman who served for thirteen years on the board of Northern Rock, a British bank centered in Newcastle upon Tyne. During one of our conversations, Ridley pointed out to me that economics shares a somewhat lopsided relationship with the natural sciences in that economists often 'lift' scientific discoveries, which they later incorporate into their work. This makes sense because they are attempting to rationalize a thin sliver of human behavior. But, as Ridley pointed out, rarely does this relationship run the other way. In other words, scientists do not mine economic textbooks for creative insights into how the natural world works. It is for this reason scientists joke that David Ricardo's Law of Comparative Advantage is the only theory to emerge from the Arts that is both "surprising and true."[77]

It is worth noting that Darwin and Ricardo were contemporaries. Ricardo's book, *The Principles of Political Economy and Taxation,* was published 14 years prior to Darwin

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[76] In *The Hidden Life of Trees*, Peter Wohlleben argues that trees are a superorganism made up of individual trees. Moreover, this superorganism is networked through a mycorrhizal comprised of the fine, hairlike roots that attach to microscopic fungal filaments. This network not only allows them to communicate, but to exchange energy and nutrients. See: Peter Wohlleben, *The Hidden Life of Trees: What They Feel, How They Communicate,* (Vancouver: Greystone Books, 2015,) 2-5; Richard Grant, "Do Trees Talk to Each Other? A controversial German forester says yes, and his ideas are shaking up the scientific world," *Smithsonian Magazine*, March 2018, https://www.smithsonianmag.com/science-nature/the-whispering-trees-180968084/.

[77] Karl Turner, *The Screw that Changed the World,* CBC Radio One, October 2011, https://www.cbc.ca/player/play/2315594692.

embarking on his five-year voyage around the world as a gentleman naturalist abord the HMS Beagle. We know from his notes that Darwin drew widely for inspiration as he developed his theory of evolution. (In 1838 he read the economist Thomas Malthus's book *An Essay on the Principle of Population.*) [78] But there is no evidence he read Ricardo, which is unfortunate, because, if he had, he may have come to a different set of conclusions with regards to evolution. Why? Because there is a section in Ricardo's book where he explains the mechanism behind why fair, but unequal exchange – be it corporate or microbial – is advantageous to both parties.[79] The best way to understand this mechanism is to start by looking at fair *and* equal exchange.

If Ted and Janet both have a dozen apples, and if they exchange them, this would be fair and equal exchange. We can apply this to currency as well. Let us say Janet had a quarter and Ted had five nickels. If they exchanged them, both would start and end the transaction with twenty-five cents. In both examples, neither party gains anything from this transaction. But with fair and *unequal* exchange the opposite is true: both parties gain more from the exchange than what they started with.

To get our head about this, this time let us imagine Janet has twelve apples and Ted has twelve oranges. If she exchanges six of her apples for six of Ted's oranges, both parties walk away with a mix of apples and oranges. Variety being the spice of life, most of us would agree that a mix of fruits is better than a bag of one type. This exchange is fair because both Janet and Ted are happy with the deal. It is also unequal because the objects they traded were not the same.[80]

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[78] Charles Darwin's Notes, *University of Cambridge Digital Library*, https://cudl.lib.cam.ac.uk/view/MS-DAR-00121/1.
[79] David Ricardo, *The Principles of Political Economy and Taxation*, (Mineola: Dover, 2004,) 77-93.
[80] Turner, *Screw*, October 2011, https://www.cbc.ca/player/play/2315594692.

Ricardo's law pulled back the curtain on the reward system for cooperative relationships. And not just for commerce, but the natural world as well. The relationship we share with the foreign microbes in our gut is similar to an apples-for-oranges exchange. When these microbes proved to be more effective at breaking down our food, we stopped doing it. And what did they get in return? A stable and hospitable living environment that our body needed to create anyway.

If we return to the only clue we have as to the organizational structure of *Homo Erectus* – the 97 fossilized footprints found in four sites outside of Ilert, Kenya – we have a tantalizing glimpse of ancient humanoids acting cooperatively. Again, we cannot point to a location in our brain where our notion of debt resides. But if those footprints indicate what we think, then it is clear this concept emerged a long time ago. Why? Because debt is a conceptual extension of fair and unequal exchange. A capuchin that hands a plastic token to researcher Sarah Brosnan expects to get a cucumber slice right away. If she gave the monkey a promissory note that said she planned to give him two cucumber slices tomorrow, it would freak out. The idea of a bigger reward a day later is beyond its ability to conceptualize. But if it is true that these fossilized footsteps indicate a sexual division of labour, it means *Homo Erectus* not only engaged in fair and unequal exchange, it understood debt.[81]

It is worth noting again that *Homo Sapiens* appeared about 300,000 years ago. For approximately 200,000 years, the only major difference between us and *Homo Erectus* was that we had less testosterone, which suggests there was less reactive violence within our social groupings. During this period, we coexisted with five other hominids all of which operated within niche environments. But somewhere between 60 to 70 thousand years ago, a newer

[81] Melvyn Bragg, "Homo Erectus" In Our Time BBC Radio 4, posted April 14, 2022, https://www.bbc.co.uk/programmes/m00168lg.

version of us emerged, one that Professor Mark Maslin of the University College London describes as *Homo Sapiens* 2.0. Whenever and wherever this updated version of *Homo Sapiens* appears in the fossil record, major changes occur. One of the most significant is that the other human species suddenly went extinct.[82] We do not know if this was because of our ability to out-compete them for resources by branching into their niche environment or whether it was murder. Likely it was a combination of the two. Either way Darwin was right. We compete; and at times that competition is fierce. But the other, and arguably more significant change that took place is linked to Ricardo's Law of Comparative Advantage. *Homo Sapiens* 2.0 became a super predator capable of hunting in groups far larger than *Homo Erectus*. As a result, we were able to take down species that up to that point had posed a threat to us. And as we spread throughout the world, we not only demonstrated an ability to carve out a niche for ourselves in harsh environments we began to physically alter the landscapes to our advantage.[83]

The history of human civilization begins with the emergence of this updated version of *Homo Sapiens* approximately 70,000 years ago. If we were to distill our story down to its essence, it is a series of milestones in which we continue to excel at operating within larger, more cooperative groups. Indeed, when archeologists deciphered 4000-year-old cuneiform tablets from Ancient Mesopotamia – the same ones John Maynard Keynes pored over to no avail – there were no biblical words of wisdom chiseled into them. Instead, we learned that these stones were public documents used to record debt between common citizens. As we will learn in Chapter Four of this thesis, money is a human invention that both extends and quantifies a notion of debt that appeared within our species approximately 70,000 years ago. Without question,

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[82] Ibid.
[83] Ibid.

Homo Sapiens are the exemplification of David Ricardo's Law of Comparative Advantage writ large upon the world.

SECTION III: WHITWORTH'S THREAD

In 1993, the German Linguist, Uwe Pöerksen, did a documentary for IDEAS on CBC Radio One called *Plastic Words*. The piece was based on a book he had written in 1988 that was later translated into English under the title, *Plastic Words: The Tyranny of Modular Language*. The idea for the book came to him after he attended an academic conference in Latin America. For some reason, his university required him to attend even though the papers being presented were in Spanish, a language Pöerksen does not speak. But to his surprise, Pöerksen understood more than he expected primarily because he recognized words that were close to his language, words such as *económico*, *financiero*, and *socialism*. They were peppered throughout the presentations; and as a result, he was able to tease out the central thesis of each paper without actually understanding the language it was delivered in. After he returned home, he marveled at this. But later, upon further reflection, he wondered if anyone, including the presenters, knew what was being said.[84]

In both the documentary and the book, Poerksen argues that Western languages have become tyrannized by 'context autonomous' words.[85] These are words with definitions so malleable that any hope of sincere communication is lost. But instead of abandoning them, we use them more frequently. Pöerksen compares them to Lego blocks for they can be inserted into pretty much any sentence one wants. Worse, they have transformed education because its goal

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[84] IDEAS, CBC Radio. http://www.cbc.ca/ideas/IDEAS-Catalog.pdf ; Uwe Poerksen, *Plastic Words: The Tyranny of Modular Language*. (University Park: Pennsylvania State University, 1995).
[85] Ibid.

has shifted from one where teachers and academics worked with students to *seek* meaning to one where they reward them for shaping words into constructs that *appear* to have meaning. In his documentary Pöerksen illustrates this point by challenging his listeners to glue twelve plastic words onto a set of dice. An educated person, he argues, can roll them indefinitely formulating 'meaningful' sentences out of whatever combination that lands face up.[86]

I share this because *globalization* is by Pöerksen's definition a plastic word. The last time I did a *Novanet* search it pulled up over 400,000 peer-reviewed journal articles linked to globalization. During the research phase of this thesis, I considered not using it. With time, though, I realized it would be impossible to talk about the economic changes that have taken place within the 20th century without referring to it. I therefore decided to ground this 'context autonomous' word with a concrete definition, preferably one formulated by a reputable academic whose work had been rigorously scrutinized and widely acknowledged. After a long search I settled on the English sociologist, Anthony Giddens, who defined globalization in his 1991 book *The Consequences of Modernity* as follows:

> Globalization can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa.[87]

One of the reasons I like this definition – outside of its inherent simplicity – is that Giddens tries to avoid the dangers of postmodernism. In this thesis I use historiography as my research methodology, which I discuss in detail in the next chapter.[88] By adopting Giddens' definition, I

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[86] Ibid.
[87] Anthony Giddens, *The Consequences of Modernity,* (Cambridge: Polity Press, 1991) 61.
[88] I define history as the examination of source material that can be synthesized into a narrative structure capable of withstanding a rigorous critical examination.

am able to locate myself, methodologically-speaking, within a research silo that has undergone sustained critical investigation.

One of the ways Giddens avoids postmodernism is by placing us in a ‘late modern’ period that he argues contains three defining features:

1) a set of attitudes best exemplified by the notion that the world is open to transformation through human intervention;
2) a period in possession of complex economic institutions, especially ones linked to a market economy and industrial production; and,
3) a range of political institutions dominated by mass democracy within the framework of nation-states.[89]

Giddens goes on to describe modernity as being “vastly more dynamic than any previous type of social order. It is a society – more technically, a complex of institutions – which, unlike any preceding culture, lives in the future, rather than the past.”[90] Postmodernists would argue that there is no such thing as *late* modernity. To their thinking, we are well past the grand claims and ‘meta-narratives’ tied to a traditional and certain past, and that the rate of change and increasing interconnectedness of our world is evidence that society has moved into a new and postmodern era. But Giddens disputes this claim and instead divides the periods into pre, modern, and late, or what is sometimes referred to as high or radical modernity.[91]

It is worth noting that the English sociologist, Margaret Archer, expanded upon Giddens’ research to develop a theory that addresses the impact rapid change has had on educational policy. For over ten years Archer partnered with the Independent Social Research Foundation (ISRF), a public benefit foundation funded by private philanthropists interested in promoting

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[89] Giddens, Anthony and Christopher Pierson, *Conversations with Anthony Giddens: Making Sense of Modernity*, (Stanford: Stanford University, 1998), 94.
[90] Ibid.
[91] Ibid.

new modes of inquiry, in a project that investigated the role reflexivity plays in mediating between structure and agency. Archer argues that we have entered what she describes as nascent morphogenesis, a period within late modernity where society is undergoing such rapid change that it amplifies the rate of further change. Of course, this is just another way of saying the same thing Alvin and Heidi Toffler said in their book, *Future Shock*, that we live in an era where there is "too much change in too short a period of time."[92] Nevertheless, Archer argues that educational practitioners need to consider the speed of societal change because it is now *imperative* for everyone to undergo a period of *reflexivity* if they are to have any hope of navigating their way through life. For Archer reflexivity is: "(t)he regular exercise of the mental ability, shared by all normal people, to consider themselves in relation to their (social) contexts and vice versa."[93] She goes on to say that the "imperative to engage in reflexive deliberations (which may also involve interpersonal as well as intra-subjective exchanges) derives, quite simply, from the absence of social guidelines indicating what to do in novel situations."[94]

If we bring these arguments back to Giddens' definition of globalization – the intensification of worldwide social relations linking distant localities – we can see that educational institutions now play a crucial role in facilitating the type of reflexive conversations that Archer argues are now imperative. Of course, a simpler way of saying all this would be to state that a hundred years ago a son or daughter born on a farm did not need to think about what they were going to do for a living. Why? Because it was assumed they would become farmers just like their parents. But with the world going through a period of such rapid transformation, it is essential for governments to provide some sort of structural support to help citizens not only

[92] Alvin Toffler, *Future Shock*, (New York: Bantam Books, 1970,) 2.
[93] Margaret Archer, *The Reflexive Imperative in Late Modernity*, (Cambridge: Cambridge University, 2007), 1.
[94] Ibid., 1-2.

find a means to make a living that matches their abilities, but to also provide them with the skills they will need to navigate through an economy that has become more interconnected and complex. Later in this thesis I argue that a government's capacity to do this is calculated into its bond market rating. With this in mind, one can begin to see why it is important for us to have a clear definition of globalization. The central problem every government must address when it goes with cap in hand to borrow money is its ability to help people to respond to a rapidly changing work environment. Anyone who fails to transition into the job market – or for that matter move from a waning industry to an emerging one – is a net draw on a state's coffers.

All of this is important to keep in mind as we move forward. But labelling the intensification of worldwide social relations as globalization is one thing. Understanding its root cause is something completely different. When pressed on this point most people argue that the rapid changes in our world are linked to the increased wide-spread use of communication technology. Things such as email and social media have had an obvious impact. But, despite their widespread use, they do not sufficiently explain disruptive changes that have occurred simultaneously within a multitude of sectors including finance and education. Nor does communication technology explain the slow yet escalating rate of change within a multitude of industries, changes that started sometime around the turn of the 20th century, changes that quite literally crashed over us at the turn of this century leaving organizations once thought to be 'too big to fail' in ruin. No, though globalization as Giddens defined it does a tremendous job of capturing the scope of the phenomenon, it does not reveal what is driving the exponential rate of change nor the interconnectedness accompanying it.

If we take this question seriously and look at it through an historic lens, we cannot help but conclude two things. The first is that whatever is responsible for our 'globalized' world has been at play for much longer than we realize for it is cumulative in nature. In other words, it acts in much the same way as a surge tide, rising-up and getting bigger as it pushes forward. The second thing we can conclude is that it must be so obvious as to appear innocuous. It is, quite literally, right there under our nose.

In my CBC documentary, *The Screw that Changed the World*, I argued that the driver behind globalization was standardization.[95] In the piece, which took about two years to research and write, I looked at how our global economy transformed since the Industrial Revolution. More specifically, I looked at how standardization has come to both support and frame global economic transactions while at the same time increasing their frequency. As Giddens points out, globalization is the "intensification of worldwide social relations" that occur in such a way that local happenings are now "shaped by events occurring many miles away and vice versa." In more practical terms this is just another way of saying that Nova Scotians can now buy fresh bananas in December.

In the piece I challenged the idea that our global economy is dominated by competition, something I explored in the previous section.[96] If this were true, bananas would never make it to Nova Scotia. Why? Because a *truly* competitive supply line, one ruled by the Darwinian notion of survival of the fittest, would be unpredictable to say the least. Anything moving along it could be diverted from its intended destination at a moment's notice. But, as we know, this is not the case. Supply lines have attained a level of speed, accountability, and accuracy unprecedented in human history. Bananas picked green from trees in the tropics arrive in time for them to turn yellow on our grocery store shelf. This feat of both coordination and cooperation is almost beyond our ability to comprehend. Everything, and I quite literally mean

[95] Turner, *Screw*, October 2011, https://www.cbc.ca/player/play/2315594692.
[96] Ibid.

everything, along that supply line must move in symphony if those bananas are to arrive on time. And our ability to repeat this over again in such a way that consumers no longer think about it is testament to Giddens' definition of globalization, namely the intensification of worldwide social relations linking us to distant localities. Nova Scotia is unquestionably connected to the countries that grow bananas. We have them on our shelves year-round. And anything that happens in those countries will impact our shopping experience at the grocery store. But, as I said earlier, we make a critical error in judgement when we use the label to describe the phenomena of interconnectedness (globalization) with the mechanism driving it (standardization).

In my documentary I attempted to illustrate this point by opening the piece with a story about the British engineer, Joseph Whitworth – arguably the father of modern standards. Around the middle of the 19th century, he noticed that the trains broken down on the tracks near his office in Manchester were usually there for an extend period. When he asked the engineers why they were there so long, he discovered they were often waiting for a set of screws.[97] Anyone who has ever worked on an engine knows it is almost impossible to take one apart without stripping at least one fastener. In the modern world that is an easy problem to fix: one just goes to the hardware store and gets a new one. But during the first half of the Industrial Revolution, screws were proprietary. This was complicated by the fact that the individual components that made up a train were manufactured at different locations all over the country. Therefore, each partner in that enterprise determined the length and pitch on the screws that fastened their component into place. As a result, an engineer working in the middle of the 19th century needed to track down the manufacturer of that part to get their screws needed to hold it in place. When Whitworth

[97] Ibid.

learned this, he concluded that some things in life are not worth fighting over. He returned to his shop and designed a set of screws that he argued would be suitable for all industries, the world's *first* industrial standard.[98] The result was the first step towards a world where 'local happenings are shaped by events occurring many miles away'.

Probably the most intriguing thing about standardization is that governments do not play a role in their creation or regulation.[99] There is no law anywhere in the world forcing a company to assemble a product with standardized screws. Quite the opposite, they are regulated by consumer demand. Companies are free to develop products that are held together by a unique set of screws. But, if the consumer is somehow inconvenienced by this, they will avoid purchasing that product in the future.[100] Another interesting thing about standardization is that anyone can show up in Geneva, Switzerland, the headquarters for the International Organization for Standardization (ISO), to voice their opinion during the development of a standard.[101] And what is even more interesting than this is the fact that the only way to close these negotiations is for consensus amongst all participants at the table.[102]

The husband-and-wife research team, Craig Murphy and JoAanne Yates, have looked more closely at standardization than anyone. Indeed, they argue that standardization is a social movement akin to Women's Liberation and Black Lives Matter. But this movement took hold at

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[98] Whitworth formally proposed the idea in 1841 at the Institution of Civil Engineers in 1841. See: Joseph Whitworth, "On an Uniform System of Screw Threads," Wikisource.org, October 6, 2023, https://en.wikisource.org/wiki/Miscellaneous_Papers_on_Mechanical_Subjects/A_Paper_on_an_Uniform_System_of_Screw_Threads.

[99] CBC Halifax, Author's interview with Craig Murphy, May 2010; CBC Halifax, Author's interview with JoAnne Yates, May 2010; Turner, *Screw*, October 2011, https://www.cbc.ca/player/play/2315594692.

[100] CBC Halifax, Author's interview with Matt Ridley, October 2010; Turner, *Screw*, October 2011, https://www.cbc.ca/player/play/2315594692.

[101] CBC Halifax, Author's interview with Craig Murphy, May 2010; Turner, *Screw*, October 2011, https://www.cbc.ca/player/play/2315594692.

[102] Ibid. See: Murphy, Craig N. and JoAnne Yates. *The International Organization for Standardization (ISO)*. Manchester: Routledge, 2009.

the turn of the 20th century and was led by technicians and innovators, people we would now describe as engineers. Moreover, these people were heavily influenced by utopianism for they thought seriously about the importance of how international trade could better the human condition. Their work culminated with the creation of the ISO by the United Nations at the end of World War II, which institutionalized this process in such a way that it concealed the changes that were leading to increased interconnectedness.[103]

One of the best pieces of research to illustrate the complexity of these relationships is a book by Marc Levinson called *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger*. While researching my documentary, I interviewed Levinson in New York, where he was Senior Fellow for International Business for the Council on Foreign Relations, a nonprofit think tank specializing in international affairs. During our conversation he shared with me how Malcom McLean, the owner of a small trucking company in New York during the 1950s, came up with a novel idea. Instead of hundreds of stevedores loading and unloading cargo, why not figure out a way to separate the box from a truck trailer so that it could be hoisted by a crane onto the deck of a ship. McLean's idea took a few years to perfect, but once he worked out the details he not only sped up the time it took to move products along the Eastern Seaboard of the United States, he slashed the cost as well.[104] Shipping one ton of goods dropped from $5.86 to 16 cents.[105] Of course, the idea was met with a lot of skepticism, but it eventually caught the attention of the American Military, who contracted him to move supplies from San Francisco to Vietnam, where they were engaged in a war in South East Asia. Since

[103] CBC Halifax, Author's interview with Craig Murphy, May 2010; CBC Halifax, Author's interview with JoAnne Yates, May 2010.
[104] CBC Halifax, Author's interview with Marc Levinson, May 2010; Turner, *Screw,* October 2011, https://www.cbc.ca/player/play/2315594692.
[105] Turner, *Screw,* October 2011, https://www.cbc.ca/player/play/2315594692. See: Levinson. Marc. *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger*. Princeton: Princeton University Press, 2006.

these containers were empty on the return voyage, McLean tasked the board of his company with reaching out to Japanese firms such as Sony, Mitsubishi, and Honda to see if they had anything they wanted shipped to the United States.[106] Almost overnight the American market was flooded with Japanese products. Levinson argued in both his book and our interview that this intensified the demand for a set of global standards that ultimately led to containerization, the process that enables consumers to purchase pretty much anything they want any time of the year.

What is interesting about this story is that McLean, who owned the patent on the most important mechanism needed for this process, gave away for free intellectual property worth millions of dollars to establish a set of global shipping standards.[107] Again, we need to ask why would someone do this? When viewed through a Darwinian lens, this behavior makes no sense. Companies have vital interests they need to protect and therefore should never do anything to jeopardize their competitive advantage. For this behavior to make sense, we need to view McLean through a Ricardian lens, where fair, but unequal exchange has the power to benefit to both parties.[108]

When McLean opened his containers in San Francisco in the early 1970s, Ricardo's law bore fruit. The American market was suddenly flooded with Japanese products. Up to that point, the United States manufacturing industry pretty much created everything the country needed. Moreover, its products were of superior quality to the ones coming from Japan. Within a short period of time these two economies became deeply integrated. Or, to paraphrase Giddens, the United States and Japan intensified their social relations to the point where events

[106] CBC Halifax, Author's interview with Marc Levinson, May 2010; Turner, *Screw*, October 2011, https://www.cbc.ca/player/play/2315594692.
[107] Ibid.
[108] CBC Halifax, author's interview with Matt Ridley, October 2010; Turner, *Screw*, October 2011, https://www.cbc.ca/player/play/2315594692.

in Asia now impacted North America and vice versa. The mechanism that facilitated all this was standardization.

On the surface, standards are a phenomenon that appear to be limited to the manufacturing sector; but, as I learned while researching my documentary, standards reach far beyond the development of a global supply chain. At one point while interviewing Matt Ridley, I asked him if there was anything he wanted to say about standards. “Yes,” he answered. And then, after a long pause, he said something that left me dumbstruck: “*Life* is a standard.”[109] In the documentary, Ridley explains that genetic research points to the fact that at some point early in the development of life on this planet single cell creatures came to a consensus similar to the one consumers made in the 1980s when they choose VHS over Betamax. These cells chose deoxyribonucleic acid, or DNA, as the building blocks for life. And with the exception of a few ciliates located around volcanic vents at the bottom of the ocean – proof that a choice had been made – DNA became the standard for all life on this planet.[110]

Ridley’s argument that standards are not just limited to commercial transactions forced me to consider that maybe they were showing up in other human negotiations, such as the development of educational policy. Indeed, Murphy and Yates raised similar points in their work, going so far as to describe standardization as a social movement.[111] When I went back through the extensive notes I kept while researching my master’s degree, I discovered numerous examples of what can only be described as standard setting exercises during the period government attempted to rationalize its university sector. For example, in the early 1990s, one of the very first things the provincial government mandated the Nova Scotia universities to do was

[109] Turner, *Screw*, October 2011, https://www.cbc.ca/player/play/2315594692.
[110] Ibid.
[111] CBC Halifax, Author’s interview with Craig Murphy, May 2010; CBC Halifax, Author’s interview with JoAnne Yates, May 2010.

develop a strategy to address transfer credits.[112] As we all know, transfer credits are courses that a student moves from one institution to another. The plan the presidents put forward effectively standardized the curriculum for the first two years of a bachelor's degree. In other words, an Introduction to Philosophy course taken at Saint Mary's was deemed equivalent to a similarly titled course at Dalhousie. Of course, these rationalization negotiations led to even more standardization. One of the biggest complaints the Nova Scotia government had was that the universities did not comply with common corporate accounting practices. Intense pressure was brought to bear on the universities to conform to standardized accounting.[113] In fact, the Nova Scotian government threatened to withhold provincial funding support from any university that did not comply.[114] Towards the end of the negotiations the Nova Scotia universities tabled a proposal that they share a centrally managed student information system.[115] Initially it was to be fused with the Datatel-Colleague system that the New Brunswick universities planned to purchase. Had the project not collapsed during the implementation phase (long after the rationalization negotiations closed), any institutional transaction in both Nova Scotia and New Brunswick – be it student, financial or related to human resource management – would have been externally managed.

Without question standardization has revolutionized the world. Malcolm McLean's box allows bananas to arrive in December ripe and reasonably priced. But, as I mentioned at the

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[112] Cathy Shaw, "Giving Credit where Credit is Due: First-, Second-Year Credits Now Transferable in N.S. Universities," *The Chronicle-Herald/The Mail-Star*, 18 June 1993, A6; SMUA, Author's interview with Janet Halliwell, February 2007.

[113] Saint Mary's University Archives (SMUA), author's interview with Parr-Johnston interview, 12 September 2007; SMUA, author's interview with Halliwell interview, February 2007.

[114] SMUA, Author's interview with Elizabeth Parr-Johnston interview, 12 September 2007; SMUA, Author's interview with Janet Halliwell, February 2007.

[115] When I managed the Admissions & Recruitment Office at MSVU, one of my projects was to integrate unused Datatel functionality, the MSVU student information system, into our processes. As a result, I had to review all of the historical documents related to the system.

beginning, there is a sinister side to this. Containerized shipping led to the loss of hundreds of thousands of jobs around the world. Stevedores became redundant as the shipping industry fell into the control of a few major players who either went bankrupt or bought up smaller, less competitive companies. As JoAnne Yates argues in her book, *Control Through Communication: The Rise of System in American Management*, standards centralize power into a few people's hands.[116] Indeed, the creation of the Nova Scotia Community College in the early 1990s out of over twenty independent, board-governed vocational schools and institutes was an exercise in standardization. It harmonized disparate curriculums into a model with centralized program delivery controlled by a small group of people located in Halifax.[117] PowerSchool – a centrally managed information database – has had the same impact on the P-12 system. Moreover, this change empowered the Liberals under Premier Stephen McNeil to abolish the provincial school boards.[118]

As we can see from the literature covered in this section, standardization is not something we think about. To the contrary, we are distracted by globalization, a word that has long ago become context autonomous. But if we shift our focus and ask, "What is it that has caused the intensification of worldwide social relations in such a way that distant localities are now shaped by events occurring on the other side of the world?" the answer is clear. And when we understand how standards are negotiated and work, we can see they are no longer limited to the manufacturing sector.[119] They are present in every corner of our modern world. They facilitate

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[116] CBC Halifax, Author's interview with JoAnne Yates, May 2010.
[117] NSCC, Author's interview with Jack Buckley, May 2012.
[118] *Raise the Bar: A Coherent and Responsive Education Administrative System for Nova Scotia*, (Halifax: Nova Scotia Department of Education, January 2018); Jean Laroche, "Nova Scotia to dissolve elected school boards in favour of advisory council," *CBC.CA*, 24 January 2018.
[119] CBC Halifax, Author's interview with Craig Murphy, May 2010. In this interview, Murphy listed for me some of the unusual things the ISO has standardized. One of the most surprising was a standard for how to make a proper cup of tea.

everything from the flow of fresh bananas to the transfer of money from one end of the world to the other in the blink of an eye. What I argue later in this thesis is that the bond market has been transformed by standardization in the same way as containerized shipping. And the result is that power is now centralized into three economic centers – New York, London, and Tokyo. Within these financial districts a few thousand people now control the conditions around which most of the money in this world moves. And any government dependent upon this market must comply with its conditions. Moreover, education is of vital importance to this sector because it provides the most crucial metric needed to predict the economic potential of a borrower: the potential of its people.

SUMMARY

As I said at the beginning of this chapter, three research themes braid through this doctoral thesis. Each of them in their own way plays a hand in both framing and supporting my argument that the expectation of the bond market influences educational policy more than we realize.

The first theme relates to how our system of education came to be structured and financed. Most people assume there is something innate about this system, that the educational structure we passed through has been around forever. To a certain extent, that is true. However, it is important to keep in mind – especially in relation to the arguments put forward in this thesis – that the genesis of our system is rooted in a specific time and place, and that it was designed to serve precise needs of the state. As we can see from the literature reviewed in the first section of this chapter, there is an overwhelming amount of peer-reviewed research to support this position.

The second theme that braids through this thesis is that debt is a crucial ingredient in social cohesion. Simply put, this seemingly abstract notion that we 'owe something' to the people around us is the glue that holds our increasingly complex societal relations together. Moreover, these collaborative relationships, when viewed through a Ricardian lens, are what have propelled us forward as a species. Not only is it gaining traction within scientific research, but it is also the driving mechanism behind complex financial transactions that span the globe.

Finally, the third research theme is standardization. In the second part of this thesis, it would be easy for me to fall back onto some glib, baseless definition of globalization. But, for clarity, I believe it is important for us to recognize the real force at play in our world, the one that is driving the increased interconnectedness that is changing our lives. It is as much a driver behind our Humboldt-inspired system of education as it is with our global system of finance. Money, after all, is a standard.

"The Past is a foreign country: they do things differently there."

L. P. Hartley
The Go-Between, 1953

Chapter Three:

Research Methodology

Chapter Overview

The goal of this chapter is to answer the methodological questions connected to this doctoral thesis. The chapter is divided into five sections, each of which addresses a set of associated questions related to how I conducted my research.

In the first section, *Topics & Antecedents*, I review the processes used to define both my research question and theoretical lens. The second section, *Methodological Orientation*, looks at paradigmatic questions linked to historical research, as well as the 'problematics' that impinge upon any researcher using historiography. The third section, *Methods & Epistemology*, explains how I conducted this research and looks briefly at what my methods enabled me to discover. In the fourth section, *Positionality & Reflexiveness*, I reflect on my relationship with my research topic. And finally, in the last section, *Research Ethics*, I summarize my responsibilities to the participants, our scholarly community, and society.

At the beginning of each section, I have listed in italics the associated questions I am attempting to answer. These are questions that frequently came up during my doctoral course work; and while organizing this chapter, I thought it best to state them directly. Although there is some overlap, I have done my best to isolate my answers to the appropriate section.

Section I: Topics & Antecedents

What is your research question? What is your research framework? And what is your theoretical lens?

A few months before I submitted my master's thesis for final edits to my advisor, Dr. John Reid, I interviewed Bernard Boudreau, the Minster of Finance for Nova Scotia Liberals under John Savage. I assumed Boudreau would be one of the most important people I would speak to. After all, the Rationalization negotiations were driven entirely by the need to cut costs; and since Boudreau held the province's purse strings, I believed that he would be the driving force behind these negotiations. But, as I dug deeper, this proved not to be the case. Yes, he was responsible for establishing the overall budget for the province, but it was the individual cabinet ministers who negotiated the cuts. Boudreau was helpful in that he corroborated a number of important points others had made, but on the whole, the interview was not as productive as I hoped. As I was coiling up the cables of my digital recorder, though, he shared a piece of information that proved crucial in the formulation of the research question for this doctoral thesis. Bernard Boudreau told me how to borrow three quarters of a billion dollars.[1]

Before I explain why this was important, I first need to talk about another person I interviewed before him. Four years before I sat down with Boudreau, I met with three senior government administrators to request access to the provincial files related to the Rationalization talks. I thought I was going to need to submit freedom of information requests; but, during this meeting, I learned the files I needed had already been submitted to the Public Archives of Nova Scotia (PANS). As I thanked them for their time, a woman who had joined the meeting pulled me aside. She handed me an armful of government reports; and then, after the three government

[1] SMUA. Author's interview with Bernard Boudreau, December 2009.

officials left, she told me I needed to speak to Gerald McCarthy, the Deputy Minister of Education in the 1980s who had worked primarily under the Progressive Conservatives. She informed me that she had been his secretary and that he had worked extensively on the university file under Premier John Buchanan. She warned me he was quite old, and that I should do it sooner rather than later. I was not quite in a position to start conducting interviews, but, based on what she told me, I thought that I should reach out to him.

Anyone who has written about politics will know the futility of trying to ply information from a deputy minister. Even the ones who have long since retired remain adept at saying a lot of things that add up to nothing. But McCarthy was unlike any senior government official I had ever met. He was a teacher by training and had worked his way up through the ranks to become a superintendent before Buchanan appointed him Deputy Minister of Education. When I met him, he was extremely frail. He had a form of Parkinson's disease, which at times caused his hands to shake uncontrollably. But his memory was razor sharp. He easily recalled the dates of important meetings, who attended, and could even tell me where people sat in the room. Five minutes into our conversation, I knew this was going to be one of the most important interviews for my master's thesis. The problem was that McCarthy did not want to go on the record.

"Karl, let's get to know each other," he said, pushing my digital recorder away.

I tucked it out of sight thinking he might allow me to record our conversation once he got comfortable. But every time I suggested we record some of the things we were talking about he just shook his head. Sensing how frustrated I was, he placed his trembling hand on my shoulder and said, "Karl, you need a friend."

"No, what I *need* is for you to go on the record."

McCarthy found this hysterical. He laughed until he had to wipe the tears from his eyes, and then he shook his head with disappointment. “Karl, there is nothing to record. Based on your questions, you are not even close to what happened. What I am doing for you is better than a formal interview. I’m gonna walk you through everything – quite literally everything – from beginning to end. I will outline the political position government took on rationalization, as well as the individual positions of the universities. I’ll even fill you in on the backroom skirmishes during the leadup to the talks.”

“But it will all be off the record,” I said, looking at my digital recorder.

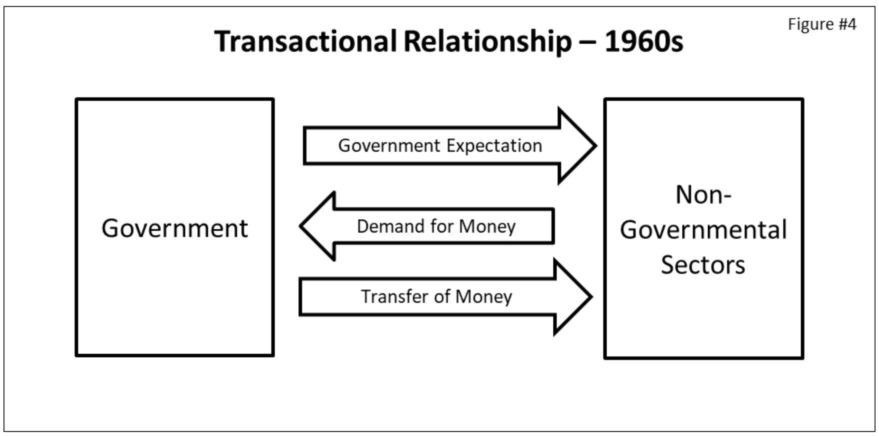
“For now,” he said, nodding his head. “But, at the end of this conversation, you will have everything you need to write your thesis. You will know what documents to look for. You will understand the subtext in the memos, letters, and reports. And I promise that when we sit down the next time, once you are done your archival work, you can record me. I will answer any question you pose so long as you have a document for me to respond to. I will not volunteer information. But I will respond honestly to every question backed by documentation.”[2]

Every researcher should have a *friend* like Gerald McCarthy. He was true to his word. We talked for close to four hours and there was not a question he would not answer. When we parted ways, as I slipped my arm under his to help him into his cab, I feared this would be the last time I would see him. Over the next three years, we spoke on the phone a few times. He was helpful, but not nearly as dynamic as he was in person. When we finally did sit down face-

[2] Since Gerald McCarthy had not agreed to be interviewed at this time, there is no recording of our conversation. Accordingly, in this section, I have paraphrased our conversation. It is based on the notes I took both during and after our conversation. As well, we reference this first conversation during the formal interview. See: SMUA, author's interview with Gerald McCarthy, 13 December 2008.

to-face, it was one of the best interviews I have ever conducted. It lasted five hours and might have gone longer if the building we were in did not need to close for the night.[3]

In my Introduction, I wrote at length about the research frame I used for my master's thesis. In fact, at one point, I provided the diagram depicted in figure #4 to illustrate the transactional nature of the relationship a province shares with its non-governmental sectors, such as universities:



Although an oversimplification, I believe it captures the spirit of the relationship. What I did not share was how deeply my conversations with Gerald McCarthy influenced the development of that research frame. He taught me the difference between power and influence. He explained how political decisions get made and financed. He described the limitations 'individual personalities' can play in elected politics as well as within the bureaucracies that serve them. He also explained just how far a 'personality' can realistically act within a specific position. But probably the most important thing McCarthy taught me was that elected officials do not, as a rule, *take* anything from voters. Civil servants are free to dream up all kinds of 'logical' plans. But, if their plan requires a politician to remove something from the public – such as shutting down a ferry, closing a highway, or amalgamating two universities – the answer will almost

[3] SMUA, author's interview with Gerald McCarthy, 13 December 2008.

always be no. The reason, McCarthy explained, was simple: One does not win votes by *taking* something from someone.[4]

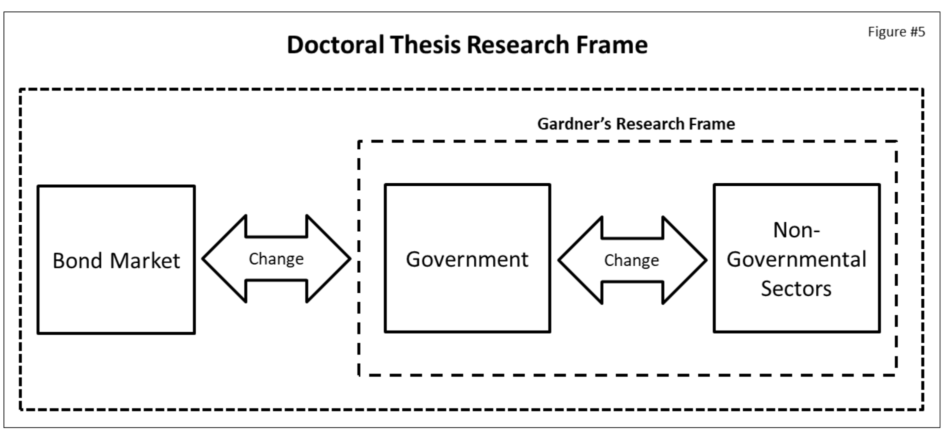
With this in mind, let us come back to my conversation with Bernard Boudreau. As I said, not much came from the interview itself. The only surprising piece of information was related to their re-election plan. He and his colleagues were aware that the budget cuts would result in a loss of services. But Boudreau went on to explain that, by balancing the provincial budget within their first four years in office, they hoped they might be able to convince the electorate to grant them a second term. They knew the cuts would be deep and that it would probably lead to their defeat, but they believed it was the right thing to do. And in doing it, they might convince Nova Scotians they were good financial stewards worthy of being a minority or a maybe even a reduced majority government. What they did not expect was for the Nova Scotia Liberal Party to yank its support out from underneath them before they even had a chance to present their platform to voters.[5]

I share this because my interview with Boudreau was the first time I pulled back from the McCarthy-inspired research frame I was using for my master's thesis. Up to that point I had not considered that one of the factors influencing the Savage Liberals decision making process was the tremendous pressure being placed on them by the lending markets. Indeed, they were swept into power on a platform where they promised to expand services.[6] But when Boudreau was forced to go with cap in hand to the bond market to borrow three quarters of a billion dollars, he

[4] Again, there is no recording of these conversations. These are drawn from my personal notes. However, some of topics come up in my formal interview with McCarthy. See: SMUA, author's interview with Gerald McCarthy, 13 December 2008.
[5] SMUA. Author's interview with Bernard Boudreau, December 2009.
[6] Jeffery J. MacLeod, *Clientelism in Practice: An Analysis of Nova Scotia Politics, Patronage and John Savage* (Doctoral thesis, University of Western Ontario, 2002), 104-16.

realized just how dire things had become.[7] Although each member of Savage's cabinet did their job effectively, all of the material artifacts uncovered during my research confirmed that they did so reluctantly.[8] As McCarthy warned, politicians loath to remove services from the electorate. And it was for that reason – after my formal interview with Boudreau was over, as I was coiling up the cables to my digital recorder – I asked him how exactly a province such as Nova Scotia borrows three quarters of a billion dollars.

In the sixth chapter of this thesis, I cover that borrowing process. There is no reason to iterate here what I will cover in far greater detail later. What I will say, though, is Boudreau's answer made it clear to me that the process an indebted government uses to borrow money from the bond market exerts more pressure than I had previously considered. In fact, it was this information that directly informed my PhD thesis statement: *This thesis will examine the history of Nova Scotia's public debt and will attempt to argue that the money we borrowed (and continue to borrow) from the bond market comes with conditions that not only supersede our societal interests but the democratic institutions we trust to protect them.* It also influenced the development of my expanded research frame depicted in figure #5:



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[7] Ibid. 146-53.

[8] SMUA. Author's interview with Bernard Boudreau, December 2009; SMUA, MacEachern interview, 28 April 2007.

What I have covered up to this point provides a deeper context into the first two questions posed at the beginning of this section; namely, what is my research question and framework? But what about the third question? What is my theoretical lens?

Traditionally historians have defined themselves by the period in which their research takes place. In other words, it is common for a researcher to describe themselves as a *19^{th} century historian*. They sometimes drill a bit deeper through the use of geography. For example, there is difference between a 19^{th} century *Canadian* historian and a 19^{th} century *British* historian. Without question, time and place are effective mechanisms to divide up the pie. But, over the last thirty years, more novel approaches have emerged. We have *feminist* and *post-colonial* historians, as well as *Afrocentric* and *Indigenous* ones. Moreover, I would argue these self-ascribed terms give us a pretty good indication as to what theoretical lens these researchers are using. Since most professional history produced during the 20^{th} century was written by white, middle-class males, the dominant theoretical lens was based on time and geography. But the recent inclusion of members from previously marginalized groups has resulted in dramatic new perspectives on how we view the past. For this reason, professional history has never been more exciting than it is now.

With the above in mind, I would categorize myself as an *economic* historian. For the most part the scope of my work has been focused on how systems of education came to be financed. This is, in a manner of speaking, the theoretical lens through which I view my work. In other words, the dominant, yet unstated bias running throughout pretty much everything I have written is that money informs priorities. Indeed, I would go so far as to say that the PANS is brimming with what I would describe as value laden documents. These are letters, memos, and reports in which the author, most often a politician, expresses ‘concern’ about a particular issue. Often these documents are produced in reaction to some event taking place within the public sphere. For example, I remember noting that a drought in Africa had resulted in a series of news articles that eventually swung the public focus back to the fact that 20% of Nova Scotians experience food insecurity.[9] This type of media coverage is problematic for politicians because it requires a response. When they do respond to it, it often results in a value-laden document in which a government expresses *concern* about food security in Nova Scotia without revealing that government's true priorities.[10] Through my theoretical lens, true priorities are actions and decisions a government chooses to finance. Everything else is clutter.

When I reflect upon my life, I realize I have always viewed things through a financial lens. I think the primary reason for this was because, as a boy, I had a very close relationship with my grandparents. Both sets grew up during the Depression, came of age during the Second World War, and then experienced first-hand the economic growth that occurred afterwards. Many of our conversations centered upon what it was like 'back in the Olden Days' as I used to call it when I was a boy. The one thing I never understood, though, was how they survived the Depression for both sets described it much the same way. In their words, "Money disappeared overnight." For me, this made no sense. Money is needed for everything. We use it to buy food and keep a roof over our head. Without money, how does one cover their basic needs? Interestingly, both sets of grandparents answered this question the same way: "We found a way to survive."

Of course, my grandparents used these conversations to steer me towards what they believed to be an important lesson: the need for me to listen to my teachers. For them education

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[9] This observation was noted in the margins of the book I used to keep notes while reviewing the government files at PANS.
[10] Ibid.

was the promise of prosperity. Education was the route to a well-paying job. When I asked what school was like for them, they told me there were very few educational opportunities back then. In fact, my maternal grandfather was unique to his generation in that not only did he acquire a high school diploma, but he was also offered a full scholarship to Dalhousie University. When I asked him why he did not go, he said no one in his family cared either way. In the end, he decided to work in his father's sawmill. To my thinking, some sort of cataclysmic divide separated my world from the one my grandparents grew up in. I could not imagine my family failing to encourage me to go to university. As L. P. Hartley wrote in his 1953 novel, *The Go-Between*, "The past is a foreign country: they do things differently there."[11]

As luck would have it, I did my undergraduate degree at Dalhousie University. Technically, I graduated with a Combined Honours in Philosophy and International Development Studies, but, because of the interdisciplinary nature of Dalhousie's course offerings, approximately half of my classes were in economics. As a result, I was exposed to a wide range of economic thinkers, everyone from Adam Smith to Joseph Schumpeter. But the writer who inspired me most was the economic historian James Frost.

During my undergraduate degree, I quite literally stumbled upon *Acadiensis*, the scholarly journal devoted to the history of Atlantic Canada. It quickly became a diversion from the tasks and deadlines in front of me. Whenever I grew tired of whatever paper I was working on, I would head to the third floor of the Killam Library, pull one of the volumes off the shelf, peruse the index for an interesting title, and then plunk myself down on the floor to read it. The articles were short and only ever took about fifteen to twenty minutes to read. One day I

[11] L. P. Hartley, *The Go-Between*, (New York: Penguin Books, 1997), 17.

stumbled upon an article that caught my attention: "The Nationalization of the Bank of Nova Scotia".

By this point I had read a lot of books by economists. In fact, I would argue that any serious economist must at some point in their career turn their attention to the past. What I learned that afternoon while sitting cross-legged on the floor of the Killam Library was that there is a fundamental difference between the way an economist and an historian approach the past. In retrospect, I realize the thing that always made me uncomfortable with economists is the way they use the past to support their argument. For example, when attempting to explain the origins of money, Adam Smith quite famously made it up.[12] John Maynard Keynes, in his own words, wasted two years of his life in what he described as his 'Babylonian Madness' only to give up, probably because the past refused to conform with how he believed money *should* have evolved.[13] What struck me about Frost's approach, though, was that here was a piece of writing that looked broadly at the past to *reveal* an economic pattern. Whereas economists begin with an argument, and then mine the past for evidence to support it, an historian goes about it the other way around. They review the material evidence to come up with the argument. In the case of "The Nationalization of the Bank of Nova Scotia", Frost reveals through evidence dramatic changes to the banking system in the Maritimes from the period of 1880 to 1910 that created a pipeline for capital to exit the region leading to its impoverishment.[14]

As I said, history has never been more exciting. We no longer need to parcel it up by eras and geography. An historian with an Afrocentric theoretical lens is free to cross continents

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[12] Adam Smith, *The Wealth of Nations,* (New York: Modern Library, 2000), 27.
[13] John Maynard Keynes, *The General Theory of Employment, Interest, and Money*, (New York: Harvest Book, 1964); While the term 'Babylonian Madness' does not appear anywhere in Keynes' General Theory, in a letter that Keynes wrote to Lydia Lopokova on 18 January 1924, he referred to the work that went into sections of his book as a 'Babylonian Madness'
[14] James D. Frost, "The 'Nationalization' of the Bank of Nova Scotia," *Acadiensis.* XII, 1, (Autumn 1982): 3-38.

and vast stretches of time to reveal the patterns that emerged from colonialism, patterns a 19th century British historian might not see. As can be seen in the pages that follow, I believe the same to be true when we look at historical events through a financial lens.

SECTION II: METHODOLOGICAL ORIENTATION

Why study history? What is historiography? And what are the paradigmatic questions that both impinge and inform it?

In 1952, the English historian, Arnold Toynbee, wrote an article for *Women's Home Companion,* a popular American magazine that spanned the first half of the 20th century. At the time, Toynbee was one of the most widely read academics in the world. His twelve-volume set, *A Study of History* – a three-million-word analysis of the rise and fall of 26 civilizations published incrementally between 1934 to 1961 – was both a commercial and academic phenomenon. In his article titled "You Can Pack Up Your Troubles," Toynbee attempted to impart some wisdom upon American 'homemakers' that he had gleaned from his expansive study of human history. His message distilled down to the observation that, when one looks at the world through an historical lens, "one can see that in almost every age in almost every part of the world, human beings have had to live their normal lives and do their normal business under conditions of uncertainty, danger and distress." In short, Toynbee argued that "Life was just one damned thing after another," and the best thing for us to do is to 'pack up our troubles' and get on with it.[15]

It was a surprising piece of advice, especially coming from an historian of his stature. But it is worth considering that he wrote this a few years after the war, a period when families were still struggling with the aftermath of a cataclysmic world event. Nevertheless, it is advice

[15] Arnold Toynbee, "You Can Pack Up Your Troubles," *Woman's Home Companion*, 79, 1-4, (1952), 6.

worth considering at any age, for humans have survived all kinds of arduous situations and will no doubt endure many more in the future. All this begs the question why not do as he suggests, why not just leave the past in the past and get on with our lives? Before we answer this question, though, it is worth considering Toynbee's place in an unstudied past.

In his day, he was an academic superstar, a scholar whose books were so influential and widely read that he was featured on the cover of *Time* magazine in 1947. Sadly, he lived long enough to see everything he ever wrote dismissed and forgotten. In fact, the few words to survive out of the millions he wrote – "*History* is just one damned thing after another" – is a misquote from a throw-away article he published in a women's magazine at the height of his fame. He never once suggested we abandon the study of history. To the contrary, he dedicated his life to the study of it. But, as we can see, time distorted his life's work into a misquote that has been turned against everything he believed. Toynbee is, therefore, a shining example of why we need to incorporate at least some reflection on the past. We make a critical (and possibly even a fatal) error by ignoring its lessons. But in pursuing it, we need to modify our thinking. History is not the study of the *past* as we so often categorize it. Instead, it is the study of *time*.

In the introduction to his book *Civilization: The West and the Rest*, the Scottish economic historian Niall Ferguson wrote, "There is no such thing as the future, singular; only futures, plural."[16] Every moment we are alive, we stand at a critical crossroad where we have the power to make decisions. Some will argue that most of our choices are domestic in nature and are therefore insignificant in the grand scheme of things. Some might even go so far as to say that there are only a handful of decisions made by a chosen few that are truly important. But I think they are wrong. It is the sum of *all* human choices that delineates which of our *possible* futures

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[16] Niall Ferguson, *Civilization: The West and the Rest*, (New York: Penguin, 2012), xix.

manifests itself in our present. And, of course, as soon as it arrives, it is gone in the blink of an eye, transformed into a *singular* past stretched long and wide behind us. Moreover, this past is unknowable in its totality. Although it is impossible for us to consider (let alone comprehend) all the decisions both big and small that selected that future from the others, this does not mean the past cannot (or should not) be studied. In fact, one of the most curious aspects of the knowable past is that it exists in the present. Indeed, it is important for us to pause for a moment to consider what I just said: the knowable past can ***only*** exist in the present.

On the surface, this may appear counterintuitive. How can the past live in the present? But let us consider the following: My master's thesis relied heavily on conversations that took place between Premier John Savage and his Minister of Education, John MacEachern. These conversations led to decisions that impacted – and continue to impact – the lives of Nova Scotians. I spent close to five years researching that thesis; and to my knowledge, no recordings exist anywhere of these two men talking to each other. If we go to the PANS, we can find memos, letters, and meeting minutes. There are even recordings of these men telling interviewers about conversations they had with each other. But, as for an audio record of the conversations they had with each other, there is nothing. Those conversations are lost to that expansive, unknowable past. As for the above-mentioned letters, memos, and individual interviews, they still exist. They exist in the present and will remain there so long as we preserve them.

Now, if, as I said, the past is unknowable in its totality, and if the knowable past is just traces of that past that survive in our present, then it goes without saying there must be room – quite a lot of it actually – for speculation in historical analysis. There is an expression I quite like: One can have all the facts in front of them and still come to the wrong conclusion. If this is true, then history is a discipline built upon the premise that its conclusions are made in the absence of all relevant facts. I have no idea how many conversations took place between Savage and MacEachern; there are just letters, memos, and meeting minutes. But it would be a mistake to dismiss these surviving artifacts as insignificant for we have more than enough information to infer what was decided during those conversations.

Now, if history was just a collection of inferences made from surviving artifacts, it would not be worth much. In other words, figuring out what Savage and MacEachern decided when no one was around, is of no value in and of itself. But, when we broaden our view on the impact of how those decisions played out over time, we can see the utility of historical enquiry. Yes, our analysis could be wrong. But it could also be illuminatingly correct. More to the point, though, two historians working with the same material artifacts but employing different theoretical lens could come to completely different conclusions that are both correct. In effect, history is not just one damned thing after another; it is a debate about time that has the power to inform the decisions we need to make in the present. The more historical analysis we have in front of us – and better still if that history is generated through a multitude of theoretical lens – the better equipped we are to make intelligent decisions about which of the possible futures we hope to experience.

It is worth noting that historians do not spend a lot of time talking about their methodology. We talk endlessly about methods and their application; but, as for methodology, very little gets said. In fact, when I applied for this doctoral program, I discovered to my chagrin that I needed to dedicate a considerable portion of the application to explaining and justifying my proposed methodology. To put this problem into context, I had spent the previous five years researching a master's thesis under John Reid, a fellow of the Royal Society of Canada and one of our country's most respected historians, and never once discussed methodology. While preparing my doctoral application, I reached out to him to schedule what I was sure would be an uncomfortable conversation. On the day we met I jokingly asked: "Did I miss a memo?"

"No, we used historiography," he said with a shrug before going on to explain that methodology is not something we discuss much on our side of the academic house. When I asked him what methodology he thought I should use for my doctoral thesis, he was clear and to the point. "Karl, you are a historian. We use historiography."

In preparing to write this section, I scoured the Library of Parliament database to see what other historians had to say in their methodology chapter. Since most of these dissertations were developed and defended within history departments, none made any reference to their methodology. As Dr. Reid said, historiography is a given amongst its practitioners. What was discussed in tremendous detail, though, were methods and applications, something I delve into in the next section. That said, I should state for the record that the methodology used for this thesis is historiography, and that the commonly held definition amongst historians is that historiography is the study of history. However, since this dissertation resides within an education department, and since methodology is a topic we discuss on this side of the academic house, I will take a few minutes to do something that historians rarely do: I will share some thoughts on the paradigmatic questions that both impinge and inform historiography.

There are several noteworthy books by reputable historians who have taken a deep dive into the philosophical questions raised by the study of history. Of course, every list should begin with Herodotus, the ancient Greek widely considered to be the father of history. *The Histories* covers the rise of the Persian Empire, as well as the events and causes of the Greco-Persian wars that took place in the 5th century BC. What makes Herodotus relevant to this conversation is that he is the first writer in the Western canon to mine the past in an attempt to explain the political and cultural relationship between two states. Although he is sometimes criticized for including myths and legends, he justified his research as both a product of what he saw during his travels and what was told to him while there.[17] That said, a sizeable portion of his work has held up over time for both modern historians and archaeologists continue to uncover evidence that supports many of his claims.[18] Herodotus is therefore a foundational figure in that his approach laid the groundwork for all of us who followed him. But, if Herodotus is the father of history, then I think we should take this a bit further to include Thucydides, a man who I would describe as the parent of histography.

The History of the Peloponnesian War is not the same rollicking good read as *The Histories.* The main reason for this is because it feels more like a modern historical analysis. The two men were contemporaries; and it is quite possible that the popularity of *The Histories* not only inspired Thucydides to write *The Peloponnesian War*, but to develop upon Herodotus' approach, for Thucydides deals directly with the problematics of narrative representation. He does not assemble a long, entertaining story comprised of anecdotes people shared with him. Instead, he triangulates facts from historical events and then assembles them into a narrative in much the same way a modern scholar does. Interestingly, he starts his book by addressing this. It is a section worth quoting in its entirety:

> (A)n examination of the facts will show that (the Peloponnesian War) was much greater than the wars which preceded it … and with reference to the narrative of events, far from permitting myself to derive it from the first source that came to hand, I did not even trust my own impressions, but it rests partly on what I saw myself, partly on what others saw for me, the accuracy of the

[17] Melvyn Bragg, "Herodotus" *In Our Time BBC Radio 4,* posted September 23, 2021, https://www.bbc.co.uk/programmes/m000zv33.
[18] Ibid.

> report being always tried by the most severe and detailed tests possible. My conclusions have cost me some labour from the want of coincidence between accounts of the same occurrences by different eye-witnesses, arising sometimes from imperfect memory, sometimes from undue partiality for one side or the other. The absence of romance in my history will, I fear, detract somewhat from its interest; but if it be judged useful by those inquirers who desire an exact knowledge of the past as an aid to the interpretation of the future, which in the course of human things must resemble if it does not reflect it, I shall be content. In fine, I have written my work, not as an essay which is to win the applause of the moment, but as a possession for all time.[19]

If we consider what I said earlier (that history is a tool to inform the present,) then *The History of the Peloponnesian War* is truly a gift for all time. Not only does it provide the only window we have upon the collapse of Ancient Greece, but it is also the starting point for any discussion on what happens when two political entities become caught in a power struggle from which they cannot extricate themselves.[20] During the Cold War it was required reading for generals and politicians on both sides of the conflict.[21] Although these struggles are separated by time and technology, human nature, which sat at the centre of both struggles, remained the same. Anyone who has read *The Peloponnesian War* knows how easy it is to lay that narrative on top of the one that unfolded during the Cold War. As the American writer Mark Twain is said to have quipped, “History does not repeat itself, but sometimes it rhymes.”[22]

When taken together, *The Histories* and *The History of the Peloponnesian War* lay a solid foundation for the process one must employ to produce something we might credibly label history. But, in the pursuit of history, we need to remember that the document produced is not

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[19] Thucydides, *History of the Peloponnesian War*, (London: Penguin Books, 1954), 87.
[20] Melvyn Bragg, “Thucydides” *In Our Time BBC Radio 4*, posted January 29, 2015, https://www.bbc.co.uk/programmes/b050bcf1.
[21] Ibid.
[22] Although Twain did write ‘History never repeats itself,’ it was the preface to a much longer statement. Likely it was the Austrian psychoanalyst Theodor Reik who wrote the phrase in a 1965 essay titled *The Unreachables*. “It has been said that history repeats itself. This is perhaps not quite correct; it merely rhymes.”

the event studied. *The Histories* is not the Greco-Persian wars. Nor is *The History of the Peloponnesian War* the war itself. This may seem an obvious point to make, but it touches upon a very important philosophical question: Where does history reside? The short answer is that it lives in our imagination. History is a narrative representation that employs tricks and techniques that empower a reader to *imagine* an event in a way that even the people who lived through it could not have experienced it.

In *The Savage Mind,* Claude Lévi-Strauss suggests that historical narratives are comprised of a "fraudulent outline" imposed by the historian upon a body of materials which can only be called "data" in the most extended sense of the term.[23] (Data is of course just another way of referring to material artifacts from the knowable past surviving in the present.) If an historical fact is defined as "what really took place," then the logical question is *where* does anything take place? Keeping the above narrative example in mind, any given historical moment can be resolved into a "multitude of individual psychic moments."[24] In his "Overture to Le Ceu et le cuit," Lévi-Strauss argues that the interpretive aspects of the wide range of work covering the French Revolution are mythical in orientation. In his own words:

> In them, authors do not always make use of the same incidents; when they do, the incidents are revealed in quite different lights. And yet these are variations which have to do with the same country, the same period, and the same events – events whose reality is scattered across every level of a multilayered structure.[25]

This implies that any fact an historian encounters, even though it must operate within a temporal relationship with strict rules about before and after, still needs to be interpreted. These facts when "pursued in isolation" are beyond grasp. In other words, they are void of meaning until

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[23] Claude Lévi-Strauss, *The Savage Mind* (London: George Weidenfeld and Nicolson 1966) 257.
[24] White, *Topics*, 55.
[25] Claude Lévi-Strauss, "Overture to Le Ceu et le cuit," *Structuralism* (New York, 1966) 47-48.

they are prescribed by the writer. As Lévi-Strauss warns, "In spite of worthy and indispensable efforts to bring another moment in history alive and to possess it, a clairvoyant history should admit that it never completely escapes the nature of myth."[26] Indeed, he goes on to say that history "is neither tied to man nor any particular object." History "consists wholly of its method, which experience proves to be indispensable for cataloguing the elements of any given structure whatever, human or non-human, in its entirety."[27] Or, as the historian Hayden White puts it in his essay "Interpretation in History," what the "historian offers as explanations of structures and processes in the past, in the form of narratives, are simply formulizations of those 'fraudulent outlines' which are ultimately mythic nature.[28]

According to White, this is further complicated by the fact that there are a limited number of narrative structures an historian can use to frame their story. Whereas Lévi-Strauss sees historical facts as something in need of interpretation, hence the different versions of the French Revolution, White argues that this does not mean that there are an unlimited number of stories that can be *told* about the French Revolution. Why? Because, according to him there are only three lenses through which narrative is built. The first narrative framing mechanism is the author's orientation towards the material. This is what White refers to as the *Mode of Implication*. According to him, there are only four modes: Anarchist, Conservative, Radical and Liberal. If one views historical facts through a Liberal lens, then they will use and interpret facts accordingly. However, if one views the same facts through a Radical lens, then these same pieces of information will be interpreted differently from that of the Liberal lens. This problem gets compounded when the historian attempts to link these facts or utilize what White refers to as

[26] Ibid.
[27] Ibid.
[28] White, *Topics*, 57.

the *Mode of Explanation*. Again, he limits these to four modes: Idiographic, Organicist, Mechanistic, and Contextualist.

Without going into too much detail, Marx would be an example of a mechanistic writer who sees the world evolve through cause and effect. Therefore, according to Marx, an historian is successful when he has "satisfactorily distinguished between causal agencies and the effects of these agencies' operations."[29] An organistic mode of explanation, though, "strives to identify the 'principles' by which different periods of history can be integrated into a single macrocosmic process of *development*."[30] The final complicating layer of interpretation is what White refers to as the *Mode of Emplotment*. And once again, he limits them to four: Romance, Comedy, Tragedy and Satire.

What we need to keep in mind here is that White is trying to contain and categorize historical writing. As he goes on to say later in the same essay, "It should be noted that the mark of genuine scientization of a given field of study is the establishment in it of a technical terminology, its liberalization from the vagaries of ordinary educated speech."[31] It goes without saying that taking a collection of facts housed in our present, casting them backwards through an interpretive lens that is later transformed into a narrative structure is a layer cake of problems. But, as I stated at the beginning of this section, that does not mean that historical writing is a futile or senseless endeavor. To the contrary, doubters need only to peruse the first chapter of *The History of the Peloponnesian War* to realize that it is an indispensable tool to help us understand the human predicament. As White points out, we just need to keep in mind that "(e)very proper history presupposes a meta-history which is nothing but the web of commitments

[29] White, *Topics*, 66.
[30] White, *Topics*, 65.
[31] Ibid., 71.

which the historian makes in the course of his interpretation on the aesthetic, cognitive, and ethical levels mentioned above."[32]

As one can see, what I have done in this section is capture some of the problematics that both impinge and inform historiography as a methodology. The fact that historians do not engage in robust discussions about their methodology does not mean that there are not problems inherent within it. There are problems built right into the process one uses to shape a story. Probably the easiest way to summarize this would be to say that the problems start with how one chooses to interpret their artifacts, and that these problems get compounded by the way the story is told. That said, I think the final word should go to the writer who has influenced my thinking the most: R.G. Collingwood.

Collingwood's ambition for history was to modernize it by leaving behind the type of 'scissor and paste' analysis in which an academic simply repeats in a different way the same arguments that came before them. Disillusioned by what his colleagues produced in the wake of the First World War, he argued that history should be an organized body of knowledge similar to the sciences. But he differentiated it from the natural sciences for two reasons. The first was that the natural sciences were concerned with the physical world whereas "history is the history of thought."[33] Like Lévi-Strauss, he understood that the process of writing it was an imaginative leap through time where the writer both infers and reenacts the thoughts of the people they are studying. In his words, "Historical knowledge is the re-enactment of a past thought incapsulated in a context of preset thoughts which, by contradicting it, confine it to a plane different from theirs."[34] The second reason history was different from the natural sciences was because there

[32] Ibid.
[33] R.G. Collingwood, *An Autobiography*, (Oxford: Oxford University Press, 1964), 110.
[34] Ferguson, *Civilization*, xxi; Collingwood, *An Autobiography*, 114.

was a fundamental difference between being able to observe something in the present, as one can do with the natural sciences, and knowing history. The thoughts of people who are no longer with us cannot be observed in the same way a scientist can see things in the present. As a result, an historian requires a different set of tools to access the things he is attempting to study. For Collingwood, the true function of history was insight about the present. "True historical problems arise out of practical problems. We study history to see more clearly into the situation in which we are called upon to act."[35]

SECTION III: METHODS & EPISTEMOLOGY

What did you hope to discover? How do you know what you discovered is true? What methods did you use to investigate your thesis question?

Since the mid-1990s, politicians have gotten quite comfortable telling us that we need to tighten our belts. There is no money, they say. As for the journalists whose job it is to question the veracity of these statements, I have yet to come across any sort of penetrative analysis into a government budget let alone the process a government must enter when it experiences a financial shortfall. It is as if the bond market does not exist. I say this because, in retrospect, I realized my failure to expand my theoretical lens to include the people lending us money as contributing factor in my master's thesis was a learned behavior. Governments do not mention it. Journalists never investigate it. And citizens fail to question it. Yet the bond market is where a government must go when in a shortfall.

We need to better educate ourselves about this lending market, the situations when a government must use it, as well as the changes that have taken place within it that have tipped

[35] Collingwood, *An Autobiography*, 114.

the balance of power in its favour. We also need to fix our eye upon the policy changes that have taken place within government since the balance of power shifted. In short, we need to understand the global financial structure the Nova Scotia government operates within, and we need to understand how this system influences its priorities and operations. They are connected whether we realize it or not.

If we believe, as Niall Ferguson suggests, that there are multiple futures in front of us, then History can play an important role in helping us understand the complexities of not just this, but many of the practical problems we are struggling with as a society. History has the power to cobble together the insight and resources needed to empower our decisions; decisions that will hopefully call into the present our best possible future, the one that enables citizens to have agency and lead meaningful lives. But this will never happen so long as we are ignorant of the fact that there is this mysterious entity called a bond market that governments must go to with cap in hand whenever they experience a financial shortfall. The reason it is important to establish an historical link between Nova Scotia's public debt and the changes to our education sector is because the health of that system is vital to our democracy. It has the power to disrupt the social and financial class systems that develop over time by vaulting talented people out of them. Education drills into the human condition, reveals our shortfalls, and encourages us to pursue the collective good. It holds within it the promise of prosperity. But if this system is hamstrung, as this thesis attempts to prove, by an overarching financial structure intent on limiting its capacity, then its ability to do these things will diminish over time. Meritocracy will lose out to privilege. Greed will conquer community. And tyranny will ultimately prevail over democracy.

My hope is that this thesis informs the practical problems we currently face. As a person who believes in the power of education to transform people for the better, it is imperative that this system be as empowering as it is accessible. To paraphrase one of my philosophy professors, the job of education is to disturb the comfortable and comfort the disturbed. My hope is that the arguments I make in this thesis are the starting point for a wider discussion on how society funds social priorities. As stated in the previous section, I used historiography as my methodology. But what about the methods used within historiography?

In this section I take the time to speak in detail about each one. But, before we turn to that, it is important to consider the form to which these methods are applied. In many ways, applying historical methods is similar to the process an investigator uses to reconstruct a plane crash. The pieces of the plane are artifacts – or data as Lévi-Strauss likes to call them – that requires analysis to give them meaning. In studying them one figures out where they fit not just in relation to the physical structure of the plane, but the timeline that it moved through. These broken pieces of the aircraft are often tied to chicken wire molded to match the plane's original structure. Of course, the original plane is lost to us and the one we are attempting to assemble will never be able to fly. It cannot replicate what happened during those final moments before it came apart. Indeed, the one in the hanger is static whereas the original aircraft was a dynamic structure that could physically move through space and time. Nevertheless, this is the *form* to which these artifacts are attached. The fact that this form cannot fly does not mean that the process of piecing it back together is an exercise in futility. To the contrary, we learn a lot by doing so. We can use that structure to figure out what went wrong. We learn what needs to be fixed on real planes if we are to keep them in the air. In short, we study catastrophes to prevent them in the future. In many ways Thucydides did the same thing when he attempted to *reconstruct* the Peloponnesian War. The War was the form upon which he attached the pieces of data. It is the same process all historians use when we write history. We will never recreate the events in the past that we are studying. Like an airplane, the past is far too dynamic to be captured. But we can take the pieces from that past and attach them to a form that enables us to study it and derive meaning.

In many ways the forensic analysis that goes into a plane crash is far less complicated than what goes into writing history. The main reason is that a place crash comes with a form. Writing history is more like investigating multiple plane crashes in the same physical area without the benefit of knowing which of the scattered pieces belongs to which plane. In other words, the eureka moment for every historian is when they find the form – the shape, so to speak – upon which one can attach their artifacts.

When I wrote my master’s thesis, I was overwhelmed by the volume of materials in front of me. I knew that I wanted to know what happened during the rationalization talks, specifically the reasons why some people wanted to amalgamate the Metro universities. But the material artifacts that these negotiations produced was staggering. I suspect if one gathered them all together into one place, they would barely fit on the back of a flatbed truck. To distill the millions of words written by the stakeholders into a 125-page paper was too much. My eureka moment was realizing that this event was driven primarily by the need to save money. That was what gave that thesis its form – the chicken wire for want of a better term. From there I was better positioned to make decisions about where to place the artifacts in front of me. Once I had that form, I could analyze a document and see *how* it was relevant, *what* its relationship was to other artifacts, *where* it fit on the form and *why* it was important.

It is worth noting that the eureka moment for this thesis happened during my interview with Bernard Boudreau during my master's thesis. While sifting through both the presidents' files in the metro university archives and government's files at PANS, I was exposed to a considerable amount of material related to debt and educational policy change. At the time I did not know what I was looking at. I sensed there was something important there, mainly because there was such an overwhelming amount of material there. But it was not until I interviewed Boudreau before I finally understood the significance of what I had been exposed to. In short, I found a had structure upon which to hang these artifacts.

If we continue with this analogy – the idea of a form upon which we pin artifacts to produce meaning – then we can categorize the pieces hanging from it into three types: interviews, primary and secondary sources. The following is a brief explanation of how I placed my artifacts into each category, as well as some of the inherent problems working with these materials.

Secondary Sources:

In a way, *primary* and *secondary* sources are relative terms in that there is considerable room for there to be crossover between the two. For example, at the beginning of my master's thesis, I quote at length a newspaper article written by Cathy Shaw titled, "The Courtship: Universities play hard to get in face of Dalhousie's merger proposal." This two-page spread in the Saturday edition of the *Chronicle Herald* looked in detail at the conflict raging between the Metro university presidents during the most contentious phase of the rationalization discussions.[36] Most historians differentiate between primary and secondary sources by focusing on the origin of

[36] Cathy Shaw, "The Courtship: Universities play hard to get in face of Dalhousie's merger proposal." (*Chronicle Herald*, 14 January 1995); Turner, *Silos*, 1-3.

the artifact.[37] Secondary sources are documents that reference original material, whereas primary sources are "usually the first formal appearance of results in physical, print or electronic format."[38] Therefore, it follows that Shaw's article should be a secondary source because it *refers* to original material – the *original* material being the conflict between the Metro university presidents. But, if one looks at my master's thesis, it is clear from the way I use and refer to this article that I treat it as a primary source. Why? Because I am not using it to refer to the original event. Instead, I reference the article itself as an artifact from that period. With the above in mind, *I define a secondary source as any artifact that refers to original source material that is not itself being used as original material.*

Primary Sources:

If a secondary source is defined as an artifact that refers to original source material that is not itself being used as original material, it therefore follows that a primary source is original data. Of course, original data can take many forms; but, since my research focuses primarily on education, it almost always takes the form of agendas, meeting minutes, letters, emails, and government reports. And this primary source material is for the most part preserved in both public and private archives.

I should note that a considerable amount of the primary source material used for this thesis was never catalogued. In other words, the documents belonging to an individual who held a specific office were simply boxed up and stored at the end of their tenure. When it became clear to me that this was the case, that the material I was working with was never touched by another researcher, I made a point to consider the collection as a single artifact. For example,

[37] Historical Style guide, accessed April 22: http://www.lib.umd.edu/ues/guides/primary-sources#primary
[38] Ibid.

both Colin Starnes and Ken Ozmon's presidential files were never *officially* archived. Upon their retirement, the files generated during their presidency were pulled from the cabinets and stuffed into bankers' boxes. Ozmon's files were placed on a dolly in the basement of the Art & Administration building, whereas Starnes', though shelved in the King's College Archives, were never officially sorted by an archivist. Again, when it was clear to me that I was the first person observing this collection, I considered it a single artifact. Why? Because information can be gleaned by the position of certain documents in relation to others.

Within these boxes certain folders sometimes contained peripheral documents that were quite literally stuffed in there by the president. This is important because these documents shaded the thinking of the person who placed it there. For example, at one point, shortly after Colin Starnes was appointed committee chair for the Metro University Presidents' Council (MUPC) I discovered material tied to an operational association that had been worked out among five universities in Massachusetts.[39] Although this union was never formally raised during the Nova Scotia rationalization discussions, it became clear that this operational association had been discussed in considerable detail within informal circles.[40] In fact, I later learned that the MUPC paid for two vice presidents to visit these campuses on a fact finding mission.[41] This was an important discovery for it meant that the Metro presidents were not as adverse to a union as they appeared. Quite the opposite. Had they found themselves in a position where government was going to force a union, they were prepared to make sure it happened on their terms.

I believe Lévi-Strauss was correct when he said that a piece of historical data in and of itself is beyond our grasp. The historian's job is to gauge whether this artifact is important. But

[39] King's College Archive: President Colin Starnes' files.
[40] SMUA, author's interview with Colin Starnes, 27 July 2007.
[41] Mount Saint Vincent University Archive: President Elizabeth Parr-Johnson files.

since this is sometimes difficult to do in isolation, I took a lot of notes while working with primary-source material. Since I am usually in an archive when I am doing this, I work exclusively with pencils and black hardcover binders. For the most part I assigned a binder to each archive; but sometimes, if there was more than one collection in an archive, I dedicated more than one binder to a specific collection. Although professional archivists provide document-finding tools, they usually do not go into detail about pieces of data within any given file. As a result, I logged in my notebook the following pieces of information for any given artifact:

1) File Location (e.g., FN-1001-SL)
2) Type of item (e.g., Letter, report, meeting minutes)
3) Date on the item
4) Author of item
5) Recipient of item

Finally, I wrote a brief note on each piece of data. In some instances, this note was short. In others, I attempted to glean a quote or two that I might find useful later. If I was certain an item was significant, I logged the item in my book, but I also requested a photocopy of it.

Interviews:

Since I write about recent history, I was able to interview some of the people who participated in the events. Although I did not interview anyone for this thesis, I did reference interviews that were conducted for my master's thesis. As a result, I think it is important to discuss the process I used when I employed this research method.

All my interviews began with a phone call. Moreover, I reached out to them before I began to go through their archived files. I did this as a courtesy. Since these are public artifacts, no one expressed any concern about this. Quite the opposite. Most people I spoke to were very helpful and gave me advice on how to approach their files. For example, during my pre-interview conversation with Ken Ozmon, he urged me to pay close attention to the box containing the information on the negotiations with Dalhousie over the Sobey School of Business.

I should note that, since I only spoke to key stakeholders, my interviews were unstructured. This does not mean I went into these interviews unprepared. Quite the opposite. An intense amount of work went into each one. As mentioned above, I contacted these people prior to going through their files. Accordingly, as I sifted through their documents, I made extensive notes in my archival binders about the types of things I hoped to talk to them about, as well as clarification questions related to the things I had unearthed. During these interviews, I allowed our conversation to flow in whatever direction the subject wanted to take it. Sometimes the interview subject would answer some of my questions without me having to ask them. As this happened, I would check off the question as being answered. I strived to make sure my interview subject was comfortable and that the process felt like a natural conversation. However, towards the end of each interview, I would review my notes to make sure everything I needed to cover had been answered.

Again, since I strived to make these interviews feel as natural as possible, I developed a process that I stuck to throughout. The first thing I did was to try to conduct all the interviews in a private and comfortable location. There are two reasons for this. The first was that, since I digitally recorded these interviews, I wanted the person I was interviewing to feel comfortable. But the second reason was to enhance the quality of the interview. If we were in a public space, such as a restaurant or a café, a microphone sitting on the table between us would draw attention to the experience causing the person to become more reserved. The other thing I did was to avoid asking double-barreled questions. This is when one asks two questions in quick succession. An example of this would be: “Why did you decide to work with Dalhousie on the negotiations? And what was your experience working with Tom Traves?” When one does this the participant can answer the less dangerous of the two questions. If both questions are important, then one needs to make sure to take the time to ask them. And when one asks a question, one should never phrase it so that the subject can answer it with a yes or a no. For example, one should never frame a question like this, “Did you enjoy working with Jane Smith on the MPUC?” The researchers should already know from the primary source material that Jane Smith was a difficult personality. In fact, since most people are inclined to be professionally courteous, it is important to bring an example that forces the interviewee to address the issue one wants them to discuss. If it is suspected that Jane Smith’s attitude was a factor in an event, then one should bring copies of primary source material that clearly shows Jane Smith was a difficult person. This means that the interview subject is not revealing something uncomfortable but rather that they are responding to something in front of them. One needs to respect the fact that a person is within their rights to decline answering any question that makes them uncomfortable. But, in most cases, if they are provided with primary source material that supports the question, they will be more inclined to answer. Why? Because it is better for them to clarify their position than to leave it open to interpretation.

Finally, I should note that, although I explained the ethics review process at the beginning of the interview, I did not get them to sign the consent to release form until the interview was over. I did this for two reasons. The first was that it placed an ethical frame around the entire experience. But the second and more important reason was that it enabled the subject to maintain control over the experience. If one asks them to sign the form at the beginning, they feel as if they have signed everything over before they even said it. But if one waits until the end, they remain in control of the content of the interview.[42]

SECTION IV: POSITIONALITY & REFLEXIVENESS

What is your position in relation to your research? And are you able to reflect upon it? In 1978 the American theoretical physicist, John Wheeler, posed a question: Does a massive quantum particle such as an atom in a double-slit experiment behave differently depending on when it is observed? Thirty years later, the French physicist, Alain Aspect, set up an experiment to try and answer this question and was surprised to discover that, yes, quantum particles do in fact behave differently depending on when they are observed. I have often thought about this experiment in relation to my own research. But I twist the question slightly and ask instead: Does history look different depending on *when* a researcher investigates it? Libraries are filled with books by scholars who have looked at the same event, but from different eras. They often come to different conclusions. Indeed, there is a joke shared amongst historians that goes like this: What is the root cause of the French Revolution? Answer: It is still too soon to tell. This is a humorous way of saying that one's position in relation to the source material (in combination with their ability to reflect upon it) matters more than we sometimes care to acknowledge.

Another question I ask myself is if I might have come to a different conclusion in my master's thesis if the negotiations happened ten years earlier. Most historians agree that it is better to have more material to work with than less. As a rule, the further back in time one goes

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[42] For fifteen years now I have been a contributor to IDEAS on CBC Radio One. Documentarians for this program are assigned a national producer. Whenever one does an interview for a piece a producer listens to it. Afterwards they meet with you to replay key sections, during which they provide feedback on how to better structure questions for the next interview. This section represents a distillation of the most important lessons I learned from those meetings with my producers.

the less material one finds. As Lévi-Strauss pointed out, every document has a history in and of itself. It has passed through numerous hands in its journey to the present, and at each point its custodian has had an opportunity to either modify or destroy it. The fact that any document survives is a miracle. But, for a historian, it is a gift that should be eyed suspiciously because one needs to ask if there were similar and possibly even more important documents associated with this one that were lost along the way. And if they were lost, then we need to know if it was done carelessly or deliberately. And if they were deliberately destroyed, then we need to find out what that person was trying to hide. To paraphrase the former American States Secretary of State, Donald Rumsfeld, this line of questioning only works for 'known unknowns.' As I said in the previous section, historical conclusions are developed with the knowledge that we probably do not have all the relevant facts in front of us. There is no way of knowing what has been lost.

The fact that my master's thesis looked at an event that took place in the mid-1990s meant there was a lot of primary source material. Whenever I got my hands on an important document it was not difficult for me to figure out if there were associated documents. And since there was a lot of correspondence amongst the stakeholders, if I could not find the associated document in the archive I was in, I often found it in one of the others. If there was nothing to be found, I could conclude with a high degree of certainty that what I was looking for probably did not exist. As a result, when I defended my thesis, I was confident my work was as close a representation of what happened as anyone would ever get. Not only was I able to quadruple check my facts, but most of the participants who generated these documents were still alive and were interviewed.

It is important to note that the early to mid-1990s is an historical anomaly in that it is awash with primary-source material. The reason is because email had just been introduced to the workplace, enabling people to communicate with greater ease. People no longer had to have their secretaries negotiate time for either a face-to-face meeting or a phone conversation. Things could be said and read with ease. As a result, almost everything being discussed in relation to the rationalization negotiations was documented in real time by the people saying it. But what made this era unique was that since email was still a new technology, most of the people were worried this correspondence would get lost. As a result, presidents and government officials printed a copy of their emails and placed it in their files. As one can imagine, a complete set of date-stamped dialogues is a rare find for an historian. By the end of negotiations, though, it was clear that people had become more comfortable with this technology because the practice of printing and filing emails had begun to trail off.

If the rationalization negotiations had fallen on either side of that five-year window, I would have had a fraction of the material to work with. Prior to 1990, stakeholders either met in person or arranged a time to talk over the phone. After 1995, they would have exchanged emails. But because they were now more comfortable with the technology, no one made a hard copy. And since none of the Metro archives has initiated measures to preserve digitized correspondence, almost everything from 1995 to the present has been lost. If we bring this back to my initial question, does history look different depending on *when* a researcher investigates it, the answer is most certainly yes. As a rule, one's ability to access the documents and artifacts one needs to write history diminishes the further back one goes. For my master's degree, though, I blundered upon a windfall of material that meant my research topic was as clear and as transparent as one could ever hope for it to be.

With the above in mind, I had three concerns about my position in relation to the subject material during the research that went into this doctoral thesis. The first was that I needed to consider the time frames that spilled onto either side of that five-year window when people printed and filed their emails. As a result, there is more room in this thesis for both interpretation and speculation than there was in my master's thesis. The second concern was that I did not have access to all the primary source material. The rationalization negotiations took place between the provincial government and the Nova Scotian universities. Both are required by law to provide fair and reasonable access to researchers. But bond rating agencies are private corporations located in another country that, as a rule, practice every means possible to keep their business transactions secret. As a result, the primary location for most of the source material that went into this thesis was the Provincial Archive of Nova Scotia. My third and final concern was that the material artifacts were spread over more time and a wider territory. In other words, I was limited in my ability to *sense* if there were important supporting documents that may have been destroyed. As mentioned before, when one has an abundance of source material, it is easier to verify the existence of documents one thinks might exist.

I am more hesitant about what I present in this doctoral thesis than I was with my master's degree. But having concerns is not a reason to avoid tackling a research topic. There are lots of reputable historical works where researchers have had very little to work with. In this case, there was a lot of source material, just not as much as I am used to. If anything, I think it is better to start a research career with an abundance of source material rather than it being the other way around. The reason I say this is because there is an inverse relationship between positionality and reflexiveness. When one has a lot of material it is more difficult to insert one's personal biases into the work. I realize now that when I started my master's degree, I was heavily biased. I was an undergraduate student during the rationalization negotiations and had been indoctrinated by both the media and my faculty to see amalgamation as a conspiracy in which Dalhousie and the provincial government were using a budget crisis to force an unwanted union amongst the Metro universities. The moment I began working with the artifacts, the material evidence indicated that this was only partially true. Yes, Dalhousie wanted a union and made no secret of this. But, as for the provincial government, they saw amalgamation as a political hot potato to be avoided at all costs.[43] Watching one's bias dissolve in the face of hard evidence is an interesting process. It forces the researcher to acknowledge they have one. If one cares about the importance of impartiality, then one must reflect hard upon who they are and where they come from, otherwise these things will slip into their work and make it weaker.

Unsettling History: Archiving and Narrating in Historiography is a collection of essays that argues that the cataloguing, preserving and narration of history is far more subjective than most scholars care to acknowledge. In Sheila Fitzpatrick's essay, she shares that while studying at Cambridge, the historian Jonathan Steinberg, "once ran a seminar in which each week a distinguished historian would talk about the subtext of one of his seminal works."[44] When I was working on my first documentary for IDEAS, I relied quite heavily on a book on the bagpipes by Anthony Baines. By this point Baines had passed away, so I was not able to interview him. But, several months later, I flew to England where I interviewed his protégé, Helen LaRue, the curator of the Pitt Rivers Museum. While she was showing me around the museum, I asked her why Baines had chosen the bagpipes as his research focus. They had quite a large collection of bagpipes, but it was not as big nor as interesting as some of the other collections in the museum. LaRue stopped dead in her tracks. Her face lit up as she blurted, "Anthony was *mad* about the

[43] Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 59-63; SMUA, Author's interview with Janet Halliwell, February 2007; SMUA, Author's interview with Gerald McCarthy, 13 December 2008.
[44] Sebastian Jobs and Alf Ludtke (eds.), *Unsettling History: Archiving and Narrating in Historiography*, (Frankfurt: Campus Verlag, 2010), 187.

bagpipes!" This took me by surprise because, by this point, I had read his book cover to cover numerous times. There was not even a hint of passion in it. To the contrary, it was cold, clear, and clinical. When I asked her how Baines had come to be so passionate about the pipes, she told me he had spent two years as a German prisoner of war. At one point he escaped and spent nine months living as a peasant in the Italian Alps. It was during this period, while hiding from the Nazis, that he learned to play the Italian Zampogna, a regional version of the bagpipes played by shepherds attending their flocks. After the war, he returned to his job at Oxford; but his experience during the war changed his perspective on the handful of bagpipes contained in the Pitt Rivers collection. Indeed, Baines spent the rest of his career gathering more pipes from around the world. This was the collection that eventually became the source material for his book.

I share this because I believe all research comes from a passionate place. In fact, I will go a step further and argue that the sustained focus needed to complete a doctoral degree requires a source of motivation that separates one from others in society. Simply put, most people do not want to invest the hours, weeks, and months away from their family and friends poring over source material to figure out why something happened in a particular way in the distant past. This is a special kind of madness. One needs to be obsessed to do this. Earlier in this section, I discussed my position in relation to this research topic. More specifically, I outlined my concerns about the amount of source material I had to work with. I think the more important question, though, is whether I was able to reflect without bias on the material I did access. In other words, was I able to rein in the passion motivating this research so that I could view the artifacts with impartiality?

The American Psychologist, Abraham Maslow, once said: "If all you have is a hammer, everything looks like a nail." To a certain extent this might apply to me because I am fixated upon debt. I do not grow tired of reading about it. I can spend hours scouring through obscure research papers hunting for clues as to how it spills over into seemingly unrelated research domains such as psychology and biology. For me, debt should not be a subject relegated to economics or business. As we learned from the second section in the previous chapter, it is both the foundation and the frame for all our societal relationships. That said, being aware of my passion and having had an experience during my master's degree where I watched my bias dissolve before my eyes has taught me to be aware of the other tools in my toolbox. I have done my best to model the good example set for me by Anthony Baines. I have done my best to harness this passion, to use it as a motivating force, but to also view it with some suspicion. As I said at several points so far in this thesis, history is the study of time. Moreover, it is a discipline in which our conclusions are forged with the awareness that might not have all the relevant facts in front of us. Accordingly, I have learned that a degree of humility is required when presenting an argument.

SECTION V: RESEARCH ETHICS

What is your responsibility to your research participants? And what is your responsibility to the scholarly community? What is your responsibility to the larger community?

The questions above came up frequently during my doctoral course work. What I noticed much later, and found interesting, was that they were almost always discussed in the order listed. We started our discussions by talking about our responsibility to the research participants. From here it moved to the scholarly community. And then we always concluded with our ethical responsibility to society. At the time I did not notice the order. In fact, it was not until I went back though my notes that I realized that this order appeared fixed, which caused me to wonder if maybe our ethical responsibilities resemble the ripples that expand outwards in a circle when one drops a pebble into a pond. This makes sense for this is the order of contact most researchers have with the world. Early on we interview people. From here we reach out to members of our scholarly community as we develop our thoughts. Finally, we produce a thesis that is accessible to the public. I do not intend to dispute this line of accountability. But I do want to tweak it slightly because I believe there is a step that is missing: our ethical responsibilities begins not with our research participants, but with ourselves.

So how exactly do researchers have an ethical responsibility to themselves? In the previous sections, I provided some details with regards to my relationship with my research topic. Clearly, debt is something that I care about. It is arguably the first step in a long sequence of experiences that led me to academia's doorstep with a question I hoped to answer. And it was not a simple everyday question such as when will the next Ferry to Dartmouth be leaving the terminal? Mine strikes at the heart of how our social priorities are funded. It is a question that has the power to rankle certain political gatekeepers. But just because a question is difficult does not mean one should avoid asking it. Indeed, I think there is a point when one knows enough about a subject – especially a complex one that can be missed by others – that it becomes a moral responsibility to ask it. Therefore, when I say our ethical responsibility begins with ourselves, I am speaking directly to the duty that informed people have to pose questions that are sometimes easier left unsaid.

It is dangerous for us to explain away our questions or assume someone in a position of authority has done their due diligence. As a doctoral researcher, I am in a privileged position in that we possess a lens on the world that has been informed by the countless books and articles we have poured over late into the night, that has been polished by countless hours of debate with colleagues, by the papers we have toiled to produce. There is no need for us to be mean-spirited or accusatory because I have learned that a simple, well-phrased question is the most powerful weapon in this world. The strength of a free society rests on the shared assumption that we are allowed to ask questions. Freedom is often misconstrued with a right to do whatever we want, and to a certain extent that is true. In the West we are free to act without the fear of some authoritarian figure monitoring us. But, when one digs deeper into what it means to be a citizen within a free society, it tilts towards the fact that anyone, no matter what their station in life, is allowed to hold others accountable through questions. We can choose not to answer them, especially if it is directed towards something we deem to be private. But silence in the face of well-phrased, respectful questions aimed towards the collective good is suspicious. Questions are what keep us honest.

The question that drove this thesis was the desire to know *if Nova Scotia's public debt comes with conditions that not only supersede our societal interests but the democratic institutions we trust to protect those interests.* To answer it, I needed to pore over countless documents. I had to unearth everything from memos and meeting minutes to reports and government proposals. And when I had familiarized myself with everything, I had to pull together an answer that is born from those material artifacts.

There was nothing stopping me from asking my question outside of the realm of a doctoral program. I am sure I could have found a publisher and chosen to write a book. Or, in this digital age, I could have created a blog and become a web-based journalist. Obviously, I chose not to go that route. I applied to this doctoral program because I believe that the process one must go through to write a thesis brings extra weight to the result. Simply put, it is harder for society to dismiss conclusions put forward in a doctoral dissertation than it is any other form of writing. Why? Because the bar is so much higher. Before I can even ask my question, I must complete graduate level course work. Once finished, I need to both develop and defend a portfolio that demonstrates I have read and understand a wide body of knowledge. I then need to write and defend a thesis proposal. And then, after all this is done, I need to write a thesis that abides by commonly accepted practices within academia. Indeed, the ethical responsibility to everyone from our interview subjects through to the scholarly community is hardwired into the process one must move through to achieve a doctoral degree.

Some might argue that one's ethical responsibility ends with the successful defense of a doctoral thesis, the point when one's question and answer is nicely bound and placed on a shelf that is accessible to the public. But I believe this is the beginning of a much longer moral journey. We need to continue to share what we have learned. We need to exercise our right to ask informed questions. And we need to hold people in authority accountable by asking in a respectful manner why they made certain choices, especially if they made decisions in public office. And, of course, the last and most important thing is that we need to mentor anyone who elects to follow this same path.

SUMMARY

Most of the points covered in this chapter would never have been raised if this thesis was being defended within a history department. But, since it was written for a department of education, part of the process is to probe the tacit assumptions that lay at the heart of any intellectual enquiry. In short, knowing how we learn is part of the journey.

The questions that formed the foundation of this chapter were all raised during the course work phase of my doctoral program. The first section, *Topics & Antecedents*, began with an overview of the events (and thoughts) that went into the formulation of my thesis statement. From there we delved into the paradigmatic problems at the heart of historical enquiry before, in the next section, delving into mechanistic issues related to historiography. In turn, this led to a brief discussion about my positionality in relation to the subject material before concluding with a discussion of our ethical responsibility as researchers.

Again, none of the points raised in these five sections would have come up in a thesis submitted to a history department. Historians would be more inclined to just get straight to the point. However, I think that all that was discussed in this chapter is important, not just because it offers an epistemological glimpse into my learning process, but because it provides important context into the motivations and challenges that I had to overcome to produce it.

As I argued in section two, history is more than one damned thing after another. We study it because there are multiple futures in front of us. Moreover, the best way to understand the problems we face in the present is to learn from the mistakes we have made in the past. As can be seen in the pages that follow, the financial support that props up our systems of education is not a given. We need to understand how it works in relation to broader financial structures.

PART TWO

“Elections cannot be allowed to change economic policy.”

Wolfgang Schäuble
German Finance Minister to the Eurogroup

UNIT SUMMARY:

OVERVIEW OF PART II

The second part of this thesis is divided into three chapters. The first chapter, *A Brief History of Money & Debt*, explores the origins of money and the relationship it shares with debt, and ends with a definition of both concepts rooted in the historical record.

The second chapter, *A Brief History of the Bond Market*, looks at the evolution of this lending market over the course of the 20th century. In particular, we look at how the balance of power tipped to its favour following President Richard Nixon's abandonment of the gold standard in 1972. This change in policy not only financialized the American economy but expanded the reach of the lending markets to a global level.

The final chapter, *The History of Nova Scotia's Descent into Debt*, pulls together what is covered in the previous two. When we understand the evolution, architecture, and location of Nova Scotia within the global system of finance, we are better positioned to accept what will be argued in the third part of this thesis, namely that the bond market exerted tremendous influence over the Savage Liberal government's ability to maneuver during the 1990s recession.

"Money is more difficult to understand than God."

Anonymous

CHAPTER FOUR:

THEORY OF MONEY & DEBT

CHAPTER OVERVIEW

By exploring the origins money and its close relationship with debt, as well as providing the architecture national currencies operate within, we are better positioned to understand how the global lending market can exert such tremendous power over borrowers such as the Nova government.

Accordingly, this chapter is divided into three sections. The first, *Money: Problem, Definition & Purpose,* looks at how Adam Smith's definition of money came to dominate our modern discourse even though it ignored both conventional wisdom and the historical record. In this section an alternate definition is put forward, one that is rooted in historical and anthropological research.

The second section, *Temples to Banks: The Centre of the System*, traces the evolution of money from a simple accounting tool used in ancient Mesopotamian temples to it being the foundation of a global trade.

The final section, *Gold & Globalization*, pulls together the material covered in the previous two sections to create an architecture within which the Canadian monetary system operates in association with other national currencies.

MONEY: PROBLEM, DEFINITION & PURPOSE

There should be no reason for us to define something as ubiquitous as money. We *know* what it is. Money is what we receive in exchange for our labour and the only real problem is that we never seem to have enough of it. It is the reason most of us wake up each morning and go to work. Mortgage, car, food, phone. There is a seemingly endless list of bills that need to be paid. As the saying goes, money makes the world go round. The problem is that money is not what we think it is. Yes, we use it every day.

[164] But just because something is familiar does not mean we understand its true nature. The commonly held definition – the one put forward in first-year economics textbooks – is patently wrong. Now, before we put forward an alternate (and anthropologically correct) definition, we should first turn our attention to the source of the confusion. Not only do we need to know why that definition of money is wrong, we should know how it came to be so widely accepted.

Let us start by looking at how money is described in a typical first-year university textbook. In *Economics*, its authors describe money as a *medium of exchange* that grew out of the barter system. In their words:

> Money is vital to the working of a market economy. Imagine what life would be like without it. The alternative to a monetary society is barter, people exchanging goods and services for other goods and services directly instead of exchanging via the medium of money.
>
> How does the barter system work? Suppose you want croissants, eggs, and orange juice for breakfast. Instead of going to the grocer's and buying these things with money, you would have to

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[164] Cumulative personal income in the United States reached $21 trillion in 2021. (Lohit Sarma, "Understanding Money Movement and its Impact on Workers," *Forbes Magazine*, 27 September 2022, https://www.forbes.com/sites/forbestechcouncil/2022/09/27/understanding-money-movement-and-its-impact-on-workers/.) This figure includes all forms of personal income, including wages, earnings, and investments. In 1990, that figure was $5 trillion. This means there is four times as much money around us now than there was thirty years ago.

> find someone who has these items and is willing to trade them. You would also have to have something the baker, the orange juice purveyor and the egg vendor want. Having pencils to trade will do you no good if the baker and the orange juice and egg sellers do not want pencils.
>
> A barter system requires a double coincidence of wants for trade to take place. That is, to effect a trade, I need not only have someone who has what I want, but the person must also want what I have. Where the range of goods is small, as it is in relatively unsophisticated economies, it is not difficult to find someone to trade with, and barter is often used.[165]

As we can see, the authors have painted a picture of a difficult problem. For most of human history our ability to exchange has been hindered by a double coincidence of wants. Or, more simply put, for barter to work one needs two people who both have something the other wants. (Complicating matters is the fact that both people also need to be willing to give up what they have to get what they want.) We can see why a society built around this system – be it primitive or advanced – is almost impossible to coordinate. Why? Because exchange scenarios where two or more people can consistently overcome a double coincidence of wants are rare. Even in a small band of hunter-gatherers, where there are fewer objects to exchange, this would be difficult. Therefore, it should come as no surprise that there is no anthropological evidence anywhere in the human record to support the argument put forward by the authors of *Economics*. Ancient and primitive societies did not organize themselves around barter.[166]

The English economist and logician, William Stanley Jevons, was the person who coined the phrase double coincidence of wants.[167] But the idea goes back much further than his view.

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[165] Karl E. Case et al. *Economics*, (London: Pretense Hall, 1996,) 564; David Graeber, *Debt: The First 5000 Years*, (Brooklyn: Melville House,) 22-23.

[166] Graeber, *Debt*, 23-28

[167] William Stanley Jevons, *Money and the Mechanism of Exchange*, (New York: Appleton, 1875,) 2. In the book Jevons says: "The first difficulty in barter is to find two persons whose disposable possessions mutually suit each other's wants. There may be many people wanting, and many possessing those things wanted; but to allow of an act of barter, there must be a double coincidence, which will rarely happen."

Barter societies are one of the founding myths of economics and can be traced all the way back to Adam Smith, who, near the near the beginning of his book, *The Wealth of Nations*, dedicated an entire chapter to how the invention of currency solved a problem that had plagued less sophisticated economies for millennia. In Smith's words:

> When the division of labour has been once and thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply. He supplies a far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.[168]

If this idea sounds familiar it is because the British political economist David Ricardo used it as the basis for his Theory of Comparative Advantage, the idea that two countries can benefit from fair, but unequal exchange even if one country produces marginally higher quality goods than the other.[169] But, in this section of his book, Smith was not describing national-level exchange. Instead, he was focused on exchange taking place between individuals. He believed that simple, unencumbered trade was a mechanism that, if scaled broadly, had the power to transform problematic economies into powerful commercial societies.[170]

> (W)hen the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them.[171]

[168] Smith, *Wealth*, 24.
[169] David Ricardo, *The Principles of Political Economy and Taxation*, (Mineola: Dover, 2004,) #.
[170] Smith, *Wealth*, 24-32.
[171] Ibid.

According to Smith, the invention of money was what vaulted us out of barter, an embryonic economic state of exchange.[172]

The primary reason why Smith's theory of currency came to be universally accepted is because it makes intuitive sense. There is an evolutionary element to it that reinforces the idea that humans have progressed from a primitive (and problematic) economy to a more sophisticated one. Simply put, we like the idea that we are more evolved than our ancestors. But, as I said at the beginning of this section, there is no anthropological evidence anywhere in the human record suggesting that primitive (or even ancient) societies bartered. But, before we delve into the system they did use, let us take a moment to consider why Adam Smith created a problem in need of a solution.

Smith was both a product and full-participating member of the Scottish Enlightenment, an era during which an almost unstoppable flow of progressive ideas came to influence the course of world events. *The Wealth of Nations* was published at a critical point in western development. Like other celebrated works that flowed from this era, his book was a reaction to the volatilities inherent within this period. The union of the Scottish and British parliaments in 1707 – sixteen years before Smith's birth – underscored a tremendous power imbalance between the two nations. England had five times the population and 36 times the wealth.[173] Many Scots feared they would be subsumed by their southern neighbor. This led to political uprisings during the early part of that century, which culminated in 1745 with the Battle of Culloden. Although Scotland would go on to prosper from its parliamentary union with England, there was an enormous amount of religious, political, and economic disharmony during Smith's lifetime.

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172 Smith, *Wealth*, 24-32.
173 R. H. Campbell, "The Anglo-Scottish Union of 1707. II: The Economic Consequences," *Economic History Review*, XVI, III, (April 1964) 1-10.

Smith's primary reason for writing the book was to both categorize and define the history of commercial activity. His hope was that by doing so he would map a path towards a more peaceful future. Smith believed the key to this was through fostering greater freedom and economic interaction amongst individuals. In short, he believed that England and Scotland needed to become a cohesive commercial society.[174]

So, what is a commercial society?

The short answer to that question is to say that we live in a commercial society. As pointed out in the second chapter of this thesis, I defined globalization as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa.[175] These intensified social relations are for the most part commercial in nature. More to the point, globalization operates within the same economic framework Smith laid out in his book. But instead of limiting it to two countries, it is now writ large upon the world. A commercial society is one where people are both free to develop economic relationships and, to an extent, be *selfishly* rewarded for them. It is important to remember that although Smith envisioned such a world, he did not live in one. The idea he is most harshly criticized for is the one where he argues that society benefits when citizens are free to pursue personal interests.[176] As he famously put it: "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest."[177]

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[174] James Buchan, *The Authentic Adam Smith: His Life and Ideas*, (New York: Atlas Books, 2006) 29-51.
[175] Anthony Giddens, *The Consequences of Modernity*, (Cambridge: Polity Press, 1991) 61.
[176] John, McMurray, "Capitalism's 'Founding Father' Often Quoted, Frequently Misconstrued," *Investor's Business Daily*, 19 July 2021, https://www.investors.com/news/management/leaders-and-success/capitalisms-founding-father-often-quoted-frequently-misconstrued/.
[177] Smith, *Wealth*, 15.

This was not an idea that Smith came up with on his own. Quite the opposite, it had been percolating ever since the Anglo-Dutch physician and philosopher, Bernard Mandeville, wrote about it in a controversial book titled, *The Fable of the Bees: or, Private Vices, Publik Benefits*. Printed in 1714, the book contained a satirical poem Mandeville had published many years earlier called *The Grumbling Hive*.[178] In the poem, he describes a colony that thrives until the bees abandon their desire for personal gain and instead decide to live by honesty and virtue, causing it to collapse.[179] The book flouted Christian values. Therefore, it should come as no surprise that it was violently condemned. It was burned in France and its English publisher was taken to court.[180] Despite the controversy, *The Fable of the Bees* proved immensely influential. Voltaire, Rousseau, Marx, Darwin, Freud, Keynes – the list goes on – all admitted to being influenced by Mandeville's argument, namely that humans are not motivated by lofty notions such as virtue and honour but are instead driven by self-interest.[181]

It is worth noting that the primary reason Mandeville's ideas were slow to be accepted was because he took great pleasure in provoking people. At times he went out of his way to make inflammatory statements in support of his argument when innocuous ones would do. For example, he was once asked, if a child falls into a fire, and if we know it is going to burn to death, why do we leap forward to rescue them. Obviously, the questioner was trying to get him to admit that in some circumstances humans do act in a virtuous manner. But Mandeville

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[178] Bernard Mandeville, *The Fable of the Bees: or, Private Vices, Publik Benefits*, (Edinburgh: Mundel and Son, 1807) 1.
[179] Ibid., 1-12.
[180] Melvyn Bragg, "The Fable of the Bees" In Our Time BBC Radio 4, posted October 25, 2018, https://www.bbc.co.uk/programmes/m0000t3y.
[181] Ibid.

refused to be cornered and replied that it was not out of respect for human life, but was, instead, because no one wants to *hear* a child screaming or *smell* its burning flesh.[182]

By the mid-1700s, when Smith was pulling together the material that would eventually become *The Wealth of Nations*, Mandeville was one of the most notorious literary figures in Europe, not the type of person with whom one wanted one's work to be associated. Accordingly, when he published *A Theory of Moral Sentiments*, the precursor and companion piece to *The Wealth of Nations*, Smith attacked Mandeville in a section called *Of Licentious Systems.*[183] This was a veiled attempt to put some distance between their positions. The problem Smith ultimately had to contend with, though, was that he – along with a host of other important thinkers to emerge in the 18th and 19th century – agreed with Mandeville.[184] In the aforementioned butcher comment, it is clear Smith not only believed that self-interest was the primary motivating force behind most human interactions, but that these selfish actions benefited society as a whole.[185] His challenge was to find a way to put forward Mandeville's argument in a less provocative way.

To an extent, David Hume – Smith's contemporary and close friend – paved the way for Smith's success. In Hume's book, *An Enquiry Concerning the Principals of Morals*, he argued that justice was a false notion, and that usefulness – a slightly milder version of Mandeville's position – was the driving force behind human actions.[186] He also argued that, when left to their own devices, humans pursue adjoining principles such as fidelity and truthfulness, not because

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[182] Ibid.
[183] Adam Smith, *The Theory of Moral Sentiments,* (New York: Penguin Classics, 2009) 360-369.
[184] Melvyn Bragg, "The Fable of the Bees" In Our Time BBC Radio 4, posted October 25, 2018, https://www.bbc.co.uk/programmes/m0000t3y; Melvyn Bragg, "The Wealth of Nations" In Our Time BBC Radio 4, posted February 19, 2015, https://www.bbc.co.uk/programmes/b052ln55.
[185] Ibid.; Ibid.
[186] Ibid.; Ibid.; Melvyn Bragg, "David Hume" In Our Time BBC Radio 4, posted October 6, 2011, https://www.bbc.co.uk/programmes/b015cpfp. In *Morals* Hume says: "It is only from the selfishness and confined generosity of men, along with the scanty provision nature has made for his wants, that justice derives its origins."

they are moral, but because these principles are *useful*.[187] The controversy that followed its publication was only slightly less harsh than it had been for Mandeville. Nevertheless, Hume succeeded in creating some traction for what, up to that point, had been a highly controversial idea. When *The Wealth of Nations* was released a few years later, the public response was overwhelmingly positive.[188]

What Smith accomplished cannot be overstated. The influence of his book extended long after his death and, arguably, framed the course of Western economic development.[189] At the most basic level, Smith's book is a history of exchange relationships.[190] But, as we saw from some of the quotations I drew from it, his book subtly lobbies for the type of society where citizens are encouraged to excel at producing an overabundance of a specific commodity. This surplus, he argued, was to be traded to meet the producer's material needs. Smith was convinced that if moralizing politicians would just 'get out of the way' people would very quickly start producing an abundance of tradable commodities that would cast a complex web of interconnectedness across England and Scotland, a web that would not just bring peace and economic stability, but wealth to all.[191] But the biggest obstacle to creating a commercial society was money. Why? Because for this complex web of interconnectedness to take hold the

[187] Melvyn Bragg, "David Hume" In Our Time BBC Radio 4, posted October 6, 2011, https://www.bbc.co.uk/programmes/b015cpfp; Melvyn Bragg, "The Wealth of Nations" In Our Time BBC Radio 4, posted February 19, 2015, https://www.bbc.co.uk/programmes/b052ln55.
[188] Melvyn Bragg, "The Wealth of Nations" In Our Time BBC Radio 4, posted February 19, 2015, https://www.bbc.co.uk/programmes/b052ln55.
[189] Interestingly, the controversy and vilification came two centuries later from people who were born and raised within commercial societies.
[190] Melvyn Bragg, "The Wealth of Nations" In Our Time BBC Radio 4, posted February 19, 2015, https://www.bbc.co.uk/programmes/b052ln55.
[191] Melvyn Bragg, "The Wealth of Nations" In Our Time BBC Radio 4, posted February 19, 2015, https://www.bbc.co.uk/programmes/b052ln55.

government needed to step in and impose one very important factor. It needed to create and police a medium of exchange under which the whole system would operate.[192]

At the time, Scotland was an agrarian society. As a result, people employed a host of sophisticated economic mechanisms to bypass this so-called double coincidence of wants.[193] Smith knew full well the Jacobites did not rise before the Battle of Culloden in search of someone with whom they might exchange a cup of pencils for something to eat. On the contrary, there were successful exchange relationships taking place all around him. But for Smith these alternate systems were what was blocking England and Scotland from transitioning into a commercial society.[194] Whereas most of *The Wealth of Nations* is an accurate analysis of how individual exchange operated throughout history, when it came to money, Smith quite literally made it up.[195]

As we saw from the definition taken from the first-year economics textbook, Smith's break from the truth 250 years ago now forms the foundation for the dominant (and highly inaccurate) ideology surrounding the origins of money. Indeed, this false narrative is so inextricably wound about our psyche that it is almost impossible for us to imagine the alternate systems of exchange that existed in our distant past. Worse, Smith's narrative falsely lumps ancient and indigenous systems of exchange under barter and then places them on the 'less evolved' end of an evolutionary scale.[196] In short, he renders these systems as being unworthy of consideration when compared to the sophisticated and successful mechanisms at work within a

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[192] Graeber, *Debt*, 24-25.
[193] Ibid., 52-62.
[194] Melvyn Bragg, "The Wealth of Nations" In Our Time BBC Radio 4, posted February 19, 2015, https://www.bbc.co.uk/programmes/b052ln55.
[195] Ibid.; Graeber, *Debt*, 24-25.
[196] David Graeber and David Wengrow, *The Dawn of Everything: A New History of Humanity*, (Toronto: Signal, 2021) 11-13.

commercialized society. Of course, this begs the question: how did these other exchange relations work?

When *The Wealth of Nations* was first published in 1776, Europeans had been exploring Africa, the Americas, and the Pacific for close to three hundred years.[197] During this period, a staggeringly rich account of the financial operations of these societies was published by the explorers who travelled there.[198] After all, the whole point of exploration was to develop trade relations. The problem Smith faced was that none – absolutely none – of the missionaries, adventurers, and colonial administrators who fanned out across the globe returned with an account of the fabled 'barter society' he described in *The Wealth of Nations*.[199]

It is worth considering that in 1851, Louis Henry Morgan, the American ethnologist and principal founder of scientific anthropology, did an exhaustive survey of Native American culture and history. In a widely published treatise titled *League of the Ho-de-no-sau-nee*, he described in detail the economic operations of the Six Nations of the Iroquois. It was not a barter system, as Smith described seventy-five years earlier.[200] Instead, it was comprised of longhouses where members of that society stockpiled goods that were deemed important to the collective good, everything from food to tools. The governing body was a women's council who presided over the distribution of anything placed inside it.[201] This point is crucial to remember because it identifies a pattern for successful exchange that has played out across human history. In every

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[197] David Hackett Fisher, *Champlain's Dream*, (Toronto: Vintage Canada, 2009) 112-123. By the time Samuel de Champlain arrived in North America in 1602, there had been sustained commercial contact with Europe for at least 200 years.
[198] Samuel de Champlain's diaries of his thirty years in Canada contain an astonishingly rich account of how trade operated not just with Europeans, but amongst First Nations.
[199] Smith, *Wealth*, 186.
[200] Louis Henry Morgan, *League of the Ho-de-no-sau-nee*, (Secaucus: Citidal Press, 1851) 51-74; Graeber, *Debt*, 29, 395.
[201] Ibid.

human grouping – be it large, small, ancient, or indigenous – there is a central institution responsible for managing exchange within that society.[202]

But let us go back a little further.

Though it is hard to tease out the day-to-day economic operations of older civilizations, Ancient Mesopotamia, the oldest, is surprisingly well documented. The reason is because most of the cuneiform tablets unearthed in archaeological digs were financial in nature.[203] One such artifact, dating from the reign of King Ammi-Ditana (1683 to 1647 BC), states that the holder of this tablet should receive a specific amount of barley come harvest.[204] It does not say who the person is or why they should get the barley, but it does log that an exchange took place as well as guarantee that the holder of the token receive barley in return. Another artifact, this one from the reign of Ammi-Ditana's successor, King Ammi-Saduqa, goes further by stating the holder is eligible for a specific amount of silver at the end of a journey.[205] For the modern eye, silver is money. Therefore, we are quick to infer that whoever had this token was going to get money in return. But the wider material record indicates that this was not the case. What they probably got was an equivalent amount of barley.[206]

We know from the surviving relics and artifacts that the Sumerian economy was dominated by vast temples and palace complexes staffed with thousands of people. There were priests, officials, craftspeople, farmers, and shepherds who worked on large estates. We also know that ancient Sumer was divided into many independent city-states, and that sometime around 3500 BC, the temple administrators developed a single, uniform system of accountancy

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[202] As we will see in the next two chapters, capitalism also requires central institutions to manage exchanges within a society.
[203] Graeber, *Debt*, 38.
[204] Naill Ferguson, *The Ascent of Money: A Financial History of the World*, (New York: Penguin Books, 2008) 27-29.
[205] Ibid.
[206] Ibid., 30-32.

that united all of them.[207] The base monetary unit for this economy was the shekel – a specifically weighted piece of silver. The shekel was equivalent to one gur, what we would now classify as a bushel of barley. Although the shekel was the base unit, it was further subdivided into 60 minas with each mina corresponding to one portion of barley. This is important to keep in mind because this portion was based on the principle that there were 30 days in a month, and that temple workers were to receive two rations of barley every day. It therefore follows that one silver shekel was equivalent to a gur, the amount of food a person would eat in a month.[208]

If silver was being used in the modern sense, then Sumerian kings would have mass produced the shekel and then circulated it throughout the economy. But there is no evidence that these 'rude bars,' as Smith described them in *The Wealth of Nations,* ever left the temple or palace treasuries.[209] Instead, we believe they were an accounting tool used by "bureaucrats to keep track of resources moving back and forth between departments."[210] It therefore follows that the temple system was a central economic hub – similar to the one presided over by the Iroquois women's council – where resources were stored and the debts against them were logged. And though a debt was calculated in silver, anything could be used to pay it off. (More often than not, it was probably settled in barley.) The role of the state was to standardize exchanges against a shared commodity, in this case barley. Within this accounting system, silver became the more physically manageable unit to *represent* barley being held in stores.

So where does all this lead?

In 1914, the British diplomat, A. Mitchell Inness, wrote an essay for *The Banking Law Journal* titled "What is Money?" In the article, Innes addresses Smith's argument head on.

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[207] Ibid., 27-32.
[208] Graeber, *Debt*, 39.
[209] Smith, *Wealth*, 25-27.
[210] Graeber, *Debt*, 39.

Money was not invented to solve the double coincidence. The historical record was clear: There were no barter societies. Credit alone is money. In other words, money, as we understand it, is created when someone owes something to someone.[211] As Mitchell-Innes states in his essay:

> It is only when we understand and accept the credit theory (of money), that we see how perfectly science harmonizes with the known facts of everyday life.
>
> Shorty. The Credit Theory is this: that a sale and purchase is the exchange of a commodity for credit. From this main theory springs the sub-theory that the value of credit or money does not depend on the value of any metal or metals, but on the right which the creditor acquires to "payment," that is to say, to the satisfaction for the credit, and on the obligation of the debtor to "pay" his debt and conversely on the right of the debtor to release himself from his debt by the tender of an equivalent debt owed by the creditor, and the obligation of the creditor to accept this tender in the satisfaction of his credit.[212]

In the next section, I will delve more deeply into how the credit theory of money operates in practice. We will also look at how the management of credit-based exchanges – the mechanism that creates money – shifted from temples to our modern banking system. But let us be clear, the credit theory of money is not a concept that is easy for us to get our head around. It is not because the idea is hard to understand. On the contrary, as A. Mitchell-Inness wrote, it is one that harmonizes perfectly with known facts of everyday life. The problem is that it runs counter to everything we have been told. As we will see in the next two sections, there is a lot riding on us believing that the money in our pocket is *worth* something. The global system of finance depends on it. The reality, however, is that, if one has money in their pocket, it is because someone walked into a bank and took out a loan.

Simply put, money is debt.

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[211] A. Mitchell-Inness, "What is Money," *Banking Law Journal*, (January 1914) 377-408.
[212] Ibid., 398.

TEMPLES TO BANKS: THE CENTRE OF THE SYSTEM

Jesus Christ was born during the reign of Caesar Augustus. This was the early years of the Roman Principate, roughly between 27 BC and 14 AD. He also happened to be around during the tail end of Herod the Great's life. Although the tension between these two political dynasties created the political backdrop for the Gospels, it is not something we hold in sharp focus when we think about Christ's teachings. Time has elevated these lessons to a universal level that stands high above the politics of his day. Sadly, it is our loss. Why? Because Christ and his followers labored under a system that created a crushing debt load comprised of "taxes, tributes, tithes and religious dues, land rents, as well as 'borrowed money'."[213] When viewed through an historical lens, Christ had a lot of practical things to say about debt.

In his book *Economic Background*, F. C. Grant argues that, during this period, two competing taxation systems – the Judean and the Roman – placed an almost intolerable burden on first century farmers in the region.[214] The plight of anyone who defaulted hinged on whether they owned land. If they did, they were forced to sell it. If they did not, they were imprisoned or sold into slavery. For this reason, the Gospels are full of descriptions of people – beggars, prostitutes, and tax collectors – who were either landless or on the cusp.[215] All of them would have understood the profound expression of aims articulated in the Lord's Prayer.[216] As K. C. Hanson writes in the forward to Douglas E. Oakman's book, *Jesus, Debt, and the Lord's Prayer*:

> Jesus was not crucified because he taught pious platitudes – who would have cared? He was not crucified because he had a different take on traditional Israelite law – lots of Judean teachers of his day and later had major disagreements on these issues. He was crucified because what he had to say was perceived as a

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[213] Douglas E. Oakman, *Jesus, Debt, and the Lord's Prayer*, (Eugene: Cascade Books, 2014) 18.
[214] Frederick C. Grant, *The Economic Background of the Gospels*, (New York: Russell & Russell, 1973) 89.
[215] Oakman, *Jesus*, 40.
[216] Ibid.

> fundamental challenge to the status quo, and that included his comments on debt and taxation.[217]

As we learned in the previous section, Ancient Mesopotamian society was built around a set of temple complexes that acted as regional centers for commercial activity. Ancient Palestine was no different. As Oakman states, "Debts were probably more effective at provincial control than the Roman legions!"[218] The Romans used the financial system housed within the temples of defeated regions as a means of control. They encouraged loans and developed provincial mints to create layers of indebtedness within social relations.[219] To modern eyes, Christ overturning the money lending tables was a moral act in which he rejected commerce taking place within the confines of the church.[220] The historical reality is that Jesus would not have known any other system and was instead protesting the widening gulf between rich and poor. We do not think of a church (or a temple) as a place where we would go to mediate a loan, but for most of human history that was one of its primary functions. The problem is that if we succeed in driving the money lenders from the temple – a formal separation between church and state – another institution would need to fill the void.[221]

In 2018, Yanis Varoufakis, the economist and former Finance minister of Greece, gave a lecture for the Cambridge Forum, a program founded in 1967 by the First Parish of the Unitarian

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[217] Oakman, *Jesus*, x.
[218] Oakman, *Jesus*, xii.
[219] "And he saith unto them, Whose is this image and superscription? They say unto him, Caesar's. Then saith he unto them, Render therefore unto Caesar the things which are Caesar's; and unto God the things that are God's. When they had heard these words, they marveled, and left him, and went their way." Matthew 22:20-22.
[220] "In the temple courts he found people selling cattle, sheep and doves, and others sitting at tables exchanging money. So he made a whip out of cords, and drove all from the temple courts, both sheep and cattle; he scattered the coins of the money changers and overturned their tables." John 2:14-15
[221] The 'wall between church and state' was coined by Thomas Jefferson in 1802. In a letter to the Danbury, Connecticut, Baptist Association he described the First Amendment as erecting a 'wall of separation between church and state.' That phrase became popular in 1947 when Supreme Court Justice Hugo Black included it in his opinion in Everson v. Board of Education, a case holding that state funded transportation of all students to and from their schools, including parochial schools, was constitutional.

Universalist Church. During his talk – *Is Capitalism Devouring Democracy?* – he described the role banks now play in our exchange relationships.

"There is a common fallacy in popular culture," he said near the beginning of his lecture, "that banks operate like vaults. You and I put our savings in and somebody else goes to the bank and borrows money that comes from our savings."[222] In other words, bankers make a profit via the different interest rates. A person depositing money is *paid* 2% whereas a person borrowing this money is *charged* 5%. It therefore follows that a banker makes a 3% profit by mediating the exchange. But, in his lecture, Varoufakis argues this is not how it works.

> If you go to the bank tomorrow morning and get a loan, the money is going to come out of thin air. The bank will create it out of nothing. It's really very simple. You get $100,000 to buy a house, to buy whatever, to invest in a business. What will happen is that someone is going to type $100,000 – one, zero, zero, zero, zero, zero – into your bank account.
>
> So, it is conjured up!
>
> The ancient Greeks had a word for money – nomisma – which comes from the verb nomos, which means to imagine … the hope of the banker is that you are going to use this money productively, you are going to earn money from that, and that you will give the money back to the banker that will effectively tie up the loose end with interest …
>
> It is a bit like the banker being the specially gifted magician who has a very long arm; and can push his arm – it is usually a he, so allow me to not say she – through the timeline. He pushes his hand into the future, grabs value that has not been created yet, snatches it from the future and brings it to the present and gives it to you. And hopefully you do productive things that will repay the future.[223]

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[222] WGBH Forum, Yanis Varoufakis: "Is Capitalism Devouring Democracy?" *YouTube*, posted May 17, 2018, https://www.youtube.com/watch?v=gGeevtdp1WQ&t=4s.
[223] Ibid.

A few years ago, ICM Research conducted a poll on behalf of the Cobden Centre. When asked, 33% of the respondents did not think a bank was allowed to use the money located in their savings account. When told banks do use this money, the participants got upset prompting one person to exclaim, "This is wrong – I have not given them my permission to do so."[224] In the same poll, ICM Research also learned that 77% of respondents believed the money in their bank account belonged to them.[225] The reality is that once one hands over the money in the form of a deposit into one of their accounts, it belongs to the bank.[226] Why? So that they cannot be held responsible in a court of law should they lose it.[227] It therefore follows that the real job of a bank is not to protect or grow our money. To the contrary, bankers now perform the same role priests did in temples in ancient Palestine and Mesopotamia.[228]

This raises a number of important questions, the most important of which is related to the mechanics that underpin this system. In other words, how does this work? Well, let us start with the money. Imagine for a moment one spent the afternoon helping a close friend shingle their roof. It is hot and sweaty work, and as they climb down the ladder and are about to return home, they step into their friend's kitchen where they discover a big pot of soup. Hungry and faced with a long trek back to their house, they ask them if they could have a bowl of soup before they go. It goes without saying that a good friend would give it to them for free, after all they spent the whole day in the hot sun fixing their roof. But let us imagine he is expecting people for supper that evening and is worried he might not have enough. In this situation he is not at liberty to give them a bowl of soup. Naturally, he feels bad for having to say no. But instead of letting

[224] Josh Ryan-Collins, Tony Greenham, Richard Werner and Andrew Jackson, *Where does Money Come From,* (London: The Economics Foundation, 2012) 11.
[225] Ibid.
[226] Ibid.
[227] Ibid.
[228] Henry Ford once quipped, "It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning."

them walk away empty handed, let us imagine that he jokingly writes down on a piece of paper that he *owes* them one bowl of hot soup. In other words, he documents his debt to them. Most people would laugh and toss away the piece of paper. But let us imagine that they keep it. And let us also assume that several days later, while walking down the street, they run into a friend of their friend walking with an armload of bread. Since this is a friend of a friend, they are not in a position to ask for a loaf for free. But since they have an IOU in their pocket, they are in a position to offer it to him in exchange for a loaf.[229]

According to the anthropologist David Graeber, this is how money originated. Money is documented debt, an IOU that in turn becomes an exchangeable commodity.[230] Since all three people in the above scenario believe that the piece of paper is worth something, it transforms into an exchangeable commodity. Moreover, this IOU can circulate within that community for as long as it is both redeemable and unredeemed. In other words, it is *tradeable* right up to the point when someone shows up at the friend's house and claims the bowl of soup.

The Cuneiform tablets unearthed in Ancient Mesopotamia were also tradable commodities. These pieces of stone are exactly the same as the piece of paper the friend wrote the IOU on for the bowl of soup. The primary difference is that Mesopotamian tablets documented debt in a common space, where they could be strategically placed for everyone to see. This is why most religions take the idea of debt so seriously. It is the connective tissue between people; and whoever manages these relations assumes a powerful role within that society.

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[229] Graeber, *Debt*, 38-41.
[230] Ryan-Collins, *Money*, 33-38; Richard Werner, "Today's Source of Money Creation," *YouTube*, posted April 23, 2018, https://www.youtube.com/watch?v=IzE038REw2k&t=199s .

Bankers, not priests, are the ones who now manage our credit transactions. And when we look closely at the two systems we can see not much has changed. The primary difference is that in ancient times citizens lent money to each other *through* a temple. Modern banks, on the other hand, search for someone to lend money to on the depositor's behalf. In doing so they require us to do something the ancient world would have found shocking: modern banks assume proprietary rights to any money deposited in their accounts. Of course, they promise to return the money at any time with interest – an idea the Abrahamic faiths were strongly against. The argument is that a bank is in a much better position to find borrowers than the average citizen. But there is also one more important difference. As Varoufakis explained in his lecture, modern banks are allowed to create money out of thin air! Indeed, approximately 97.4 % of the money circulating in a modern economy is created from loans extended to people by commercial banks.[231]

I began this chapter by stating that there should be no reason to define something as ubiquitous as money. We *know* what it is. But, as we can see from the above statement, money is not quite what we think it is. For most people the idea that the vast majority of the money in circulation is created through commercial loans is alarming to say the least. As we will see later in this thesis, this has massive implications for institutions funded though the public purse. Why? Because if money is created by private banks, then the next logical question is how does a government get its money? This question will be answered in detail in a subsequent chapter. In the meantime, let us take a moment to unpack what this means in practice.

When a client walks into a bank to ask for a loan, the bank carefully evaluates the risk of lending money to this person. In other words, a banker makes an educated guess about the

[231] Ryan-Collins, *Money*, 15.

person's potential to not just make that money but pay it back over time. If they think the risk is reasonable, they quite literally type some numbers into that person's account and the money appears out of thin air. There is no physical currency on hand which the banker transfers from one vault to another.[232] Money is, as the Scottish economic historian Naill Ferguson described, "Trust inscribed."[233] When that person walks out of the bank with a loan for $100,000, they *trust* that the money is in their account. They do not think of it as numbers on a screen. They do not ask if the bank has reserves on hand to back it up. They do not even question why they are charged interest. They simply trust that the money is there and are glad to have it. What happens to the money at this point is the exact same thing that happened to the IOU for the bowl of soup we described earlier: It circulates until that debt is paid off.

Let us assume the person who took out the loan is building a house. The first person they will need to meet is a contractor. After all, someone needs to build the house and that is what contractors do. This person will no doubt sit down with them and work out a contract. When they do, a portion of the loan will get handed over. At that point, the contractor takes the money to a building supply company, where they purchase the materials needed to build the house. Wood, nails, gyprock, and concrete. Of course, the manager of the building supply company does not question where the contractor got the money. They do not care that the numbers transferred to them from the contractor's debit card were conjured out of thin air a few hours earlier. As we said, money is trust inscribed. It has value because we *believe* it has value. And that belief is enshrined by a banker who believes that the person who they originally lent it to is capable of paying it back over time. It is a powerful promise that moves quickly through society.

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[232] We will look at fractional reserve banking in the next section.
[233] Ferguson, *Ascent*, 31.

It pays the salaries of the people who work in the hardware store. It covers the cost of the heat and electricity of the building they work in. It is a promise that pays all the suppliers who fill that hardware store with goods. And like the IOU for the bowl of soup, the money generated from the bank loan will circulate in society for as long as that debt remains unpaid.[234]

Another way for us to appreciate just how important this promise is to the successful operation of a modern economy is to consider what happens when people suddenly do not believe that the numbers in their bank account are worth something. Arguably the most well-known incident where this happened was the Great Depression, a world-wide economic event that began in 1929 and ended towards the end of the 1930s. During the first three years of this crisis, world-wide Gross Domestic Product (GDP) – the monetary measurement of all the final goods and services produced during a specified period of time – dropped by 15%.[235] Personal income plummeted. Crop prices collapsed. Tax revenue dried up as both prices and profits fell. It is estimated that international trade dropped by 50% while unemployment in the United States rose to 23%. No corner of the global economy failed to be impacted.

Most people believe the catalyst for this event was Black Tuesday, the stock market crash that occurred on 29 October 1929. This makes sense because upon the sounding of the bell that morning, the market immediately fell 11% in a frenzy of heavy trading. Behind the scenes, though, and a few days earlier, the market had been teetering in such a way that banks and wealthy industrialists were forced to shore things up by purchasing a massive amount of stock.

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[234] It is worth considering that in 1654 forty London and Edinburgh businessmen offered King William III £1,2 million to finance his war with France. The condition on the loan, which was never paid back, was that they be allowed to form a company with a monopoly on the issuance of banknotes. This company went on to become the Bank of England, the central institution at the heart of British monetary policy. If King Charles were to settle the £1,2 million loan, it would resolve the debt that sits at the heart of the British monetary system thereby negating the British Pound.

[235] Roger Lowenstein, "History Repeating," *Wall Street Journal*, 14 Jan 2015, https://www.wsj.com/articles/book-review-hall-of-mirrors-by-barry-eichengreen-1421192283.

Come Black Tuesday, though, things began to slide out of control. Over the course of the day over 16 million shares were sold, the largest amount in US history. Billions of dollars quite literally disappeared as the frenzy forced thousands of investors into bankruptcy. The next day, sales had reached their peak. There were no buyers anymore at any price.[236] Although an inexhaustible amount of research has gone into the study of this event, there are still no conclusive findings. That said, two competing theories emerged to explain what happened.

In his book, *The General Theory of Employment, Interest and Money*, the British economist, John Maynard Keynes, argued that the Great Depression occurred because aggregate spending – the value of all finished goods and services within an economy – had fallen below the national average, which caused both employment and income to drop. In other words, the US economy had slowed to the point where unemployment suddenly spiked.[237] In his book, Keynes famously argued that when this happens it is a government's responsibility to pick up the slack through increased spending and the lowering of taxes. By doing this, it makes up for the shortfall in economic expenditures within the private sector while at the same time encourages citizens to continue to borrow and spend because of the lowered interest rates.[238]

The competing theory comes from the American economist, Milton Friedman, and Anna Schwartz of the National Bureau of Economic Research. In their book, *A Monetary History of the United States, 1867 – 1960*, they laid the blame for the Depression, which they relabeled the Great Contraction, squarely at the feet of the Federal Reserve, the central banking system for the United States. According to them, the Great Depression was a monetary contraction brought

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[236] Richard M. Salsman, "The Cause and Consequences of the Great Depression, Part 1: What Made the Roaring '20s Roar,", *The Intellectual Activist*, June 2004, 16, https://www.richardsalsman.com/wp-content/uploads/pdfs/2005-01-15-The-Cause-and-Consequences-of-the-Great-Depression-TIA.pdf.
[237] John Maynard Keynes, *The General Theory of Employment, Interest, and Money*, (New York: Harcourt, 1991) 256-7.
[238] Ibid.

about by the collapse of one-third of the US banks, which, in turn, caused 35% of the money in the country to, quite literally, disappear.[239]

Mortgage holders could be forgiven for thinking that the sudden closure of their bank is a good thing in that it eliminates their debt. But, as Schwartz and Freidman point out, bank closures destabilize economic relationships within a society. Mortgage holders may be happy to no longer owe any more money on their house, but the contractor, the manager and employees at the building supply centre – quite literally everyone in the long chain of people touched by the money created from a loan – are in trouble. Any sort of banking contraction causes people to remove their savings, which, in turn, causes a domino effect. Banks begin to fall one after the other. And with each closure more money disappears from society. And with less of it in circulation, businesses can no longer secure a new loan or even renew an old one.[240] At this point, companies declare bankruptcy, which causes employment to skyrocket. It is nothing short of a vicious death spiral that begins when people lose faith in the value of their money.

Institutions such as the Bank of England, the Central Bank of Canada, and the US Federal Reserve are tools of the state that act as a bank for a bank. In a fiscal crisis, they are often referred to as a lender of last resort.[241] Citizens cannot borrow from them, but commercial banks can and do. In their book, Schwartz and Freidman argue that, during the Great Depression, the

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[239] Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867 – 1960,* (Princeton: Princeton University Press, 1963) 305-308.
[240] Most businesses – even highly successful ones like Apple – carry debt. It is often used to float their accounts during a slow period in economic cycle.
[241] Sir Francis Baring, *Observations on the Establishment of the Bank of England and on the Paper Circulation of the Country*, (London: Hinerba Press, 1797) 22. Baring was indirectly responsible for coining the phrase 'lender of last resort.' However, in his book he says: "In such cases the Bank are not an intermediate body, or power; there is no resource on their refusal, for they are *dernier* resort."

Federal Reserve stood by and allowed things to go from bad to worse.[242] At the point when it should have been extending loans to commercial banks, it did nothing.

It is worth noting that, during the 2007 Subprime Market Crash – an economic event eerily reminiscent of Black Tuesday – the Federal Reserve under the leadership of Ben Bernanke did exactly what Schwartz and Friedman said should have happened during the Great Depression.[243] Bernanke convinced the US government to pass the Economic Stimulus Act, a $152 billion package designed to slow the country's sharp descent into a full-scale depression. Its primary goal was to inject a massive amount of money into the commercial banks vis-à-vis the Federal Reserve. The goal was to stimulate lending at the very point it was grinding to a halt.[244] In that scenario, key figures were able to reignite trust in the promise of American currency before it had evaporated. Therefore, the question that needs to be asked is what does one do in a situation where faith in that promise has been lost?

On 6 March 1933, two days after his inauguration, President Franklin D Roosevelt called on a nation-wide bank holiday. He understood that trust lay at the very heart of the system and that Americans no longer believed the numbers written on bank statements was worth anything. The bank holiday was strategic. Fears of an even deeper collapse were driving people to withdraw their money from the system, further exacerbating the problem. The four-day holiday was designed to do two things. The first was to give Congress time to act. During this period, they drafted the Emergency Banking Act, which gave the Federal Reserve enough financial

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[242] Friedman, *A Monetary History*, 357-358; The Federal Reserve Act stipulated that it must keep a 40% gold reserve on its loans. During the Crash (or Contraction) it had already reached its limit and was not in a position to extend credit in the way that Friedman and Schwartz and Freidman argue needed to happen.
[243] In 2002, at a conference to celebrate Friedman's 90th birthday, Bernanke quite famously thanked them for their research by saying, "Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve. I would like to say to Milton and Anna: Regarding the Great Depression, you're right. We did it. We're very sorry. But thanks to you, we won't do it again." Ben S. Bernanke, Federal Reserve Board, November 8, 2012, posted: https://www.federalreserve.gov/boarddocs/Speeches/2002/20021108/default.htm.
[244] Frank Freidel, *Franklin D. Roosevelt: Launching the New Deal*, (Boston: Little, Brown & Co, 1973) 213-236.

wiggle room to shore up the commercial banks should their clients insist on their money being handed over. But the other reason was to give the federal government enough time to figure out which banks were worth saving. During the holiday, they pored over the books for every lender in the country to determine which ones were solvent. As for the ones in trouble, some were lucky enough to be 'reorganized', but many were closed.

To assure Americans the system was dependable, FDR gave the first of what would later come to be known as his 'fireside chats'.[245] This was his first speech to the nation as president, during which he explained in an almost paternal way how banks worked with the explicit goal of inspiring trust. In his words:

> I want to talk for a few minutes with the people of the United States about banking -- with the comparatively few who understand the mechanics of banking but more particularly with the overwhelming majority who use banks for the making of deposits and the drawing of checks.
>
> I want to tell you what has been done in the last few days, why it was done, and what the next steps are going to be. I recognize that the many proclamations from State Capitols and from Washington, the legislation, the Treasury regulations, etc., couched for the most part in banking and legal terms should be explained for the benefit of the average citizen.
>
> I owe this in particular because of the fortitude and good temper with which everybody has accepted the inconvenience and hardships of the banking holiday. I know that when you understand what we in Washington have been about I shall continue to have your cooperation as fully as I have had your sympathy and help during the past week.
>
> First of all, let me state the simple fact that when you deposit money in a bank the bank does not put the money into a safe

[245] Stephen Early, Roosevelt's press secretary, coined the phrase fireside chat.' When he learned that the President prepared for these radio addresses by imagining that he was speaking to two or three friends while sitting around a fire in the evening. Roosevelt took these talks so seriously that, when he discovered the microphone was picking up a slight whistle in his speech, he had a removeable bridge built to eliminate it.

> deposit vault. It invests your money in many different forms of credit-bonds, commercial paper, mortgages, and many other kinds of loans.
>
> In other words, the bank puts your money to work to keep the wheels of industry and of agriculture turning around. A comparatively small part of the money you put into the bank is kept in currency -- an amount which in normal times is wholly sufficient to cover the cash needs of the average citizen. In other words, the total amount of all the currency in the country is only a small fraction of the total deposits in all of the banks.

This last part was crucial. FDR needed to convince people to keep their money in the system if he was to stop this financial death spiral. He went on to explain that the audit had revealed there were some banks that were "either incompetent or dishonest in their handling of the people's funds." At the end of this holiday, there were banks that would not reopen, and there were citizens listening to his words that would suffer financial loss. It was the government's job to sort these things out so that the failure of a few did not result in disaster for all. The banks that were about to open their doors, he assured them, were on a solid financial footing. Indeed, he ended his speech on a positive note.

> (T)here is an element in the readjustment of our financial system more important than currency, more important than gold, and that is the confidence of the people. Confidence and courage are the essentials of success in carrying out our plan. You people must have faith; you must not be stampeded by rumors or guesses. Let us unite in banishing fear. We have provided the machinery to restore our financial system; it is up to you to support and make it work. It is your problem no less than it is mine. Together we cannot fail.[246]

The following day approximately 2,000 American banks failed to open their doors. A significant percentage of the population lost everything. Nevertheless, the country began the

[246] Franklin D Roosevelt, "Fireside Chat on Banking" March 12, 1933. Transcript drawn from: https://www.presidency.ucsb.edu/documents/fireside-chat-banking.

slow process of rebuilding trust in its economy.[247] World War II was just around the corner. It was commitment that did not just rebuild faith in the US dollar. The American greenback would go on to finance the rebuilding of its European allies, as well as the economies of its enemies: Germany and Japan. Indeed, the unwavering faith Americans had in the US dollar would pull most of the world into its financial orbit vaulting the United States from a middling economy to that of a superpower that dominated almost every financial transaction that would take place during the second half of the 20th century. As we will see in the next section, it was a faith so resolute that it empowered the United States to negotiate a global system of currencies backed entirely by the US dollar.

GOLD & GLOBALIZATION

A central bank, as we learned in the previous section, is a lender of last resort. It is the institution a country uses to financially back its commercial banks should they become over extended or experience an economic crisis. In other words, it is a bank's bank. Commercial banks, on the other hand, lend money to *people*. But since the money they lend is quite literally created out of thin air, this raises an important question that relates to another role a central bank must play: Does anything of real value back a nation's currency? Or does the entire system rest on a borrower's promise to pay?

In 1964, Henry Littlefield, an American high school teacher, wrote an essay for the *American Quarterly* – "The Wizard of Oz: Parable on Populism" – that touched upon this very

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[247] In Friedman and Schwartz's book, *A Monetary History of the United States, 1867 – 1960*, they argue there were signs of a monetary contraction long before the crash. A significant portion of commercial banks had already suspended payments. In the year following the crash, 608 banks failed resulting in monetary contraction of approximately $550 million worth of deposits. Between February and August of 1931, there was a second wave of bank failures that wiped out an additional $2.7 billion in deposits. Then, between August 1931 and January 1932, there was a third wave of failures – 1,860 banks – that resulted in another monetary contraction valued at approximately $1.45 billion.

question.[248] During the latter half of the 19th century, long before the stock market crash, the United States was gridlocked in a debate over how to back the American dollar. Almost everyone agreed it needed to be a *physical* object of equivalent value. The obvious choice was gold, but some people argued there was no reason why they could not use silver at a ratio of 16 to 1. Silverites, as they came to be known, believed two metals would stabilize the economy better than one. The debate went back and forth over the course of three presidential elections, culminating in 1896 when the Silverites' most powerful advocate, William Jennings Bryan, was defeated. A gold standard was put in place by William McKinley shortly after he was sworn into office as president.[249]

So how does *The Wonderful Wizard of Oz* come into play?

According to Littlefield, the book was not the children's story it appeared to be but was instead a political allegory. As we know, Dorothy is swept from her Kansas home and transported to Oz by a cyclone. According to Littlefield, this tornado represented the Free Silver movement. Her house, which landed on the Wicked Witch of the East, symbolized bimetallism crushing of the East Coast banking system. Shortly after her arrival, the Good Witch of the North tells Dorothy that to put things straight she will need to follow the yellow brick road – gold, obviously – to Oz, the standard abbreviation for ounce. To help her on this journey, she is given a pair of magical 'silver' slippers.[250] And who are her companions on this journey? A Scarecrow, a Tin Man, and a Lion. And what is it that these three characters seek? Well, the Scarecrow, which Littlefield argued represented the Southern and Midwestern farmers, needed a

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[248] Henry Littlefield, "The Wizard of Oz: Parable on Populism," *American Quarterly*, Vol. 16, 1 (Spring, 1964) 47-58.
[249] Michael Kazin, *A Godly Hero: The Life of William Jennings Bryan*, (New York: Anchor, 2007) 107-108.
[250] L. Frank Baum, *The Wonderful Wizard of Oz*, (New York: HarperCollins, 1987) 25; In the movie, Dorthy's shoes are made of rubies, but in the book they were silver.

brain. Why? Because farmers were caught in a crippling cycle of debt and needed an intelligent monetary policy that would break this cycle. The Tin Man – dehumanized factory workers – needed a heart. With it, they would find the solidarity to work with the farmers to bring about a bimetal policy. The Lion, who is in search of courage, represented the political class which needed to stand its ground against the wealthy industrialists and oil barons represented by the Wicked Witch of the West. According to Littlefield, all four of these characters were on a metaphorical journey to Washington to meet the President of the United States, the wizard behind the *green* curtain.[251]

For a country to make the transition into a commercial society, its citizens need to believe their currency is worth something. It is hard for us to imagine a time when people doubted the strength of the US dollar, but that is exactly what drove the bimetallism debate. Over the course of the 19th century, almost every Western nation struggled with how it should back its currency. Britain was the first country to back its bank notes with gold.[252] In practice this meant anyone could go to the Bank of England – the bank's bank – and exchange their paper currency (usually issued by a commercial bank via a loan) for an equivalent amount of gold. This policy proved to be so successful that the pound sterling quickly became the global currency of choice. England was not the dominant economy at the time, but people's faith in the British pound – good as gold, as it came to be known – vaulted the country's economy forward. By 1873, France and

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[251] Littlefield, "Wizard," 47-58; Littlefield's essay went unnoticed until, in 1977, Gore Vidal mentioned it in an essay he wrote for *The New York Review of Books*. A few years later, Michael Dregni put forward a similar argument in the *Utne Reader* but did not reference Littlefield's essay. In 1994 David B. Parker, an historian at Kennesaw State University, wrote an essay for *The Journal of The Georgia Association of Historians* in which he refuted the idea that the book was a political allegory. Suffice it to say that whether this is true or not it is a charming argument, one that provides an interesting entry point into the genesis of monetary policy.

[252] On 21 September 1717, Sir Isaac Newton, the Warden of the Royal Mint, submitted a report to the Lords Commissioners of His Majesty's Treasury, on the relationship of silver to gold. Three months later a royal proclamation was passed forbidding the exchange of gold guineas for more than 21 silver shillings. This effectively moved Britain to its first gold standard.

Germany fell in line with this monetary policy, thereby creating a standardized monetary trade block in which all three currencies were backed by gold. As a result, it became very easy for people within these countries to exchange goods across borders. When one factors in the colonies under their purview, most of the world now operated under a common monetary policy.[253] As a result, the period between 1870 and 1914 came to be known as the *First* Globalization.[254]

Of course, it made sense for the United States to fall in line with Europe and implement its own gold standard. However, there were practical problems that forced the debate to drag on till the end of the 19th century. The biggest problem was linked to the very thing that made gold a perfect medium of exchange: it is precious. When James Marshall discovered a vein at Sutter's Mill in Coloma, California on 24 January 1848, close to 300,000 people descended upon the state from almost every corner of the world. Fifty years later, when more gold was found in the Klondike region of Yukon, the same thing happened all over again. The search for gold creates a frenzy unlike anything else. And when it is found, it floods the market, just like any other commodity, causing the value to drop. For example, when Spain discovered silver in South America during the 16th century, boatloads of newly minted doubloons brought about a spike in inflation that devalued the country's currency.[255] There would have been a similar spike in inflation following the California and Klondike Gold Rushes, but the central banks in Europe

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[253] Matthias Morys, "The emergence of the Classical Gold Standard" Paper presented at the Seventh Conference of the European Historical Economics Society, July 1st, 2007, posted https://dogmaseenigmas.files.wordpress.com/2012/12/morris2007.pdf

[254] Thomas Piketty, *Capital in the Twenty-First Century*, Cambridge: Belknap Press, 2014) 28.

[255] Ferguson, *Ascent*, 22-27; The conquistadors were mercenaries spurred by the legend of El Dorado. In 1545, Diego Gualpa discovered five seams of silver that changed the course of European history. Between 1556 and 1783, 45,000 tons of pure silver was mined, transformed into bars and coins at Casa de Moneda, and then shipped to Seville, Spain.

and the United States bought almost all of it to back their currencies.[256] It is for this reason that Silverites believed a bimetal policy was more stable.

The other practical problem that drove the debate in the United States was the fact that, even if a central bank could purchase all of the gold supply in the world, there would still be an open market that would cause its value to fluctuate. In effect, the primary role of a central bank was to hoard gold and then issue banknotes to commercial banks that they would in turn give to people whenever they issued a loan. This was the primary mechanism through which a national currency entered into circulation. But what we need to remember is that this banknote – money – is really just a sophisticated IOU that functions the same way as the promissory note given to the friend in lieu of a bowl of soup in the previous section. But, since this IOU is backed with gold (instead of soup), a central bank was obligated to convert the banknotes back into gold whenever the holder of paper currency requested it. It therefore follows that, if the open market valued gold at a price higher than the official value, it made sense for citizens to convert their banknotes into gold, which they would then sell for a higher value on the open market.[257]

As we can see, the attempt to back a nation's currency with something of real value – in this case gold – created a never-ending tension between its legislated value and the one created by the open market. Moreover, this tension locked a country into a specific set of economic rules. Of course, there are different types of gold standards. But the one that first emerged – the classical gold standard – had three hard-fixed rules:

1) Gold must be allowed to move freely in and out of the country;

[256] Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, (Princeton: Princeton University Press, 2019) 7.

[257] During the 16th century, when Spain was flooded with South American gold, it devalued the national currency causing a spike in inflation. This should have happened to England, France, Germany, and the United States during the gold rushes of the late 19th century. But since their economies were growing, they bought most of it to back their gold standards. By locking it away, the legislated value put downward pressure on the market value. During this period citizens of countries with gold standards began to trust their national currency.

2) Gold held in reserve is assigned an official price; and,
3) Any money issued through commercial banks is fixed to the gold in reserve.[258]

This forced a country to operate within a tight money reserve. In other words, it was not allowed to print money during a period of crisis for the simple reason that it needed to hold an equivalent amount of gold in reserve. The obvious benefit of this policy is that currency could easily be fixed to other national currencies following a gold standard. This created what is sometimes referred to as a 'virtuous circle' because the policy promotes both domestic and international trade, which further entrenches the gold standard. In effect, it creates a standardized trading block where multiple currencies can exist in a stable and predictable way. The downside is that this system limits the political options into what is sometimes referred to as the Impossible Trinity. In other words, a government is only able to control two of the following three things at any given time:

1) The exchange rate for its currency against other countries
2) The free movement of capital
3) The country's independent macro-economic policy.[259]

Let us assume for a moment that England is experiencing a recession and wants to help its domestic businesses by lowering interest rates. As soon as this happens, international investors realize they can make money by using the pound sterling to purchase other currencies. This puts a downward pressure on the British pound causing it to flow out of the country. But, if England is committed to the exchange rate and is not allowed to limit the flow of currency out of the country, it has few options left but to raise interest rates back up. In effect, a gold standard locks a country's domestic economic policy into a larger international system.

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[258]Robert Skidelsky, *John Maynard Keynes: Volume Two – The Economist as Savior, 1920-1937*, (London: MacMillan, 1992) 158-160; see also https://www.gold.org/history-gold/the-classical-gold-standard.
[259] James Boughton, "On the Origins of the Fleming-Mundell Model" *IMF Staff Papers*, (50, 1, 2013) 1–3, https://www.imf.org/External/Pubs/FT/staffp/2003/01/PDF/Bough.pdf.

It is important to take a moment to point out that this is the issue that sits at the heart of this thesis. As we can see, the Classical Gold Standard created a globalized economic system that locked elected politicians into an economic set of rules they were in a position to override. It did not matter how smart they were, or if they were attempting to bring about change for the betterment of the people who elected them to office, the overarching financial structure forced these governments to relinquish control of their economy. Nevertheless, there are benefits to being part of this system. It created unprecedented wealth; it led to extraordinary technological innovations; and it, for the most part, improved the quality of life for most people living within this economic structure. The current economic system is no different. And as we will see in subsequent chapters, any government that falls too deeply into debt comes under tremendous financial pressure to realign the operating costs for social priorities such as education and health care. But, before we get into that, we need to follow through on the evolution of the monetary system upon which this economic system currently rests.

As stated, Germany and France came on board with the gold standard in 1873. Not long after this, most of Europe fell in line as well. Then, after a long and bitter debate, the United States adopted a gold standard just before the turn of the 20th century. Again, it is for this reason that the period between 1876 and 1914 is known amongst economists as the First Globalization. The amount of trade flowing around the world was unprecedented. Why? Because the monetary policy linked currencies into predictable exchange rates that in turn created a fertile environment for investment and trade. In his wildest imagination, Adam Smith could never have dreamt of the scope and scale of the First Globalization. This was a commercialized society writ large upon the world. But, as we can see, this era came to an abrupt end. World War I quite literally derailed the whole thing.

In 1914, gold convertibility ceased because countries needed to print large amounts of money to support their war efforts.[260] This resulted in inflation that continued in some countries long after the war was over.[261] Following the war, there was a lot of talk about returning to the same normalcy that had characterized the period before the conflict.[262] The problem was that the war completely shattered the economic equilibrium that framed their old exchange relationships. When they tried to reestablish it, the British pound was overvalued against the American dollar by almost 10%. British exports became too expensive to buy resulting in enormous pressure to reduce wages. The French franc, by contrast, was undervalued. Interestingly, this created a golden age for the arts as people such as Ernest Hemmingway, F. Scott Fitzgerald and Pablo Picasso rushed to Paris where their savings were able to go much further. For the average French citizen, though, it placed tremendous restraints on their ability to purchase anything imported into the country, effectively cutting them off from the rest of the world.[263] But the biggest problem was that there was not enough gold to back these inflated currencies. As a result, a gold *exchange* standard was created that collapsed in 1931.[264] World War II changed the fiscal landscape even more. The European nations, which had dominated global trade during the previous century, were spent. Not even the English, who had emerged victorious at the end of both wars, were in a position to make demands on how a new economic order should be structured. Only one country was in a position to do that, the United States.

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[260] Richard G. Lipsey, *An Introduction to Positive Economics*, (London: Weidenfeld & Nicolson, 1975) 683–702.
[261] Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939,* (New York: Oxford University Press, 1995) 4-12.
[262] Ibid.
[263] Abbott Joseph Liebling was an American journalist who spent most of his career working for *The New Yorker*. He wrote a charming book called *Between Meals: An Appetite for Paris* which documents his time in France from 1926 to 1927. During this period, he underwent une éducation sentimentale in French cuisine. In the book he documents in vivid detail the struggle Parisian restaurant owners underwent following the war.
[264] James Ashley Morrison, "Shocking Intellectual Austerity: The Role of Ideas in the Demise of the Gold Standard in Britain," *International Organization*, 70 (1): 2016, 175–207, posted https://eprints.lse.ac.uk/84613/2/Morrison_ShockingIntellectualAusterity_2017.pdf

Bretton Woods, formally known as the United Nations Monetary and Financial Conference, was probably the most important set of financial negotiations to take place in the 20th century. Sensing the war was about to close and sensing that the last two world conflicts were rooted in fiscal instability, President Roosevelt called together 730 delegates from forty-four allied nations to a quaint resort in the Eastern Appalachians. Interestingly, the idea for the conference came about from discussions between John Maynard Keynes of the British Treasury and Harry Dexter White of the US Treasury Department.[265] Several important agreements were put into place, all dominated by the idea that the world needed to open trade. The cornerstone of these agreements was the creation of the International Monetary Fund whose purpose was to promote stable exchange rates. A direct result of this was the creation of a foreign exchange market rate system pegged to gold. Once again, gold was to sit at the centre of all world currencies. But, instead of each country hoarding its own reserve, global currencies were to be fixed against the American dollar, which would in turn back its currency with gold. One way of looking at this would be to imagine that instead of a German going to their central bank to exchange a bank note for gold, they would instead be given an equivalent amount of American money. The idea was that the American dollar at the centre of the system was now as good as gold.

For the first few years, the system worked well, particularly as the Marshall Plan rebuilt Germany and Japan. That said, it was not until 1958 before the system fully came into effect. At this point countries that participated in the system could convert their currency into American dollars that were pegged at $35 per ounce. Between 1950 and 1969 the global share of the American output dropped from 35% to 27%. Further complicating matters was the fact that a

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[265] Ed Conway, *The Summit: The Biggest Battle of the Second World War - Fought Behind Closed Doors*, (London: Little, Brown Book Group, 2014) 123.

negative balance of payments and growing public debt brought on by the Vietnam War caused the American dollar to become overvalued throughout the 1960s. Complicating matters even further was the resentment that grew against the United States from European nations as World War II faded into history. They began to resent the fact that this system had been built around the Americans during their weakest moment. By 1966, non-American central banks held $14 billion whereas the US only had $13.2 billion of which $3.2 billion was able to cover foreign currency for the rest was tied up in domestic holdings.[266] The system was beginning to collapse under the stress of global growth.

On Friday, 13 August 1971, President Nixon held a secret meeting at Camp David where he and his advisors debated what to do about this problem. In the end, Nixon relied heavily on the advice he received from his incoming Treasury Secretary, John Connally, who strongly believed that the Breton System needed to be broken up. Two days later, Sunday, 15 March 1971, Nixon made a televised announcement:

> We must protect the position of the American dollar as a pillar of monetary stability around the world.
>
> In the past 7 years, there has been an average of one international monetary crisis every year. Now who gains from these crises? Not the workingman; not the investor; not the real producers of wealth. The gainers are the international money speculators. Because they thrive on crises, they help to create them.
>
> In recent weeks, the speculators have been waging an all-out war on the American dollar. The strength of a nation's currency is based on the strength of that nation's economy--and the American economy is by far the strongest in the world. Accordingly, I have directed the Secretary of the Treasury to take the action necessary to defend the dollar against the speculators.

[266] Roger Lowenstein, "The Nixon Shock," *Bloomberg Business Week Magazine*, 11 September 2011, https://www.bloomberg.com/news/articles/2011-08-04/the-nixon-shock.

> I have directed Secretary Connally to suspend temporarily the convertibility of the dollar into gold or other reserve assets, except in amounts and conditions determined to be in the interest of monetary stability and in the best interests of the United States.
>
> Now, what is this action--which is very technical--what does it mean for you?
>
> Let me lay to rest the bugaboo of what is called devaluation.
>
> If you want to buy a foreign car or take a trip abroad, market conditions may cause your dollar to buy slightly less. But if you are among the overwhelming majority of Americans who buy American-made products in America, your dollar will be worth just as much tomorrow as it is today.
>
> The effect of this action, in other words, will be to stabilize the dollar.[267]

It goes without saying that this announcement effectively ended a century-long debate over how the countries of the world should back their currency. There was no need for any universally valued commodity to be held in reserve. The belief in money – in and of itself – was now complete.

[267] Nixon, Richard, "Address to the Nation Outlining a New Economic Policy: 'The Challenge of Peace,'" The American Presidency Project, posted, https://www.presidency.ucsb.edu/documents/address-the-nation-outlining-new-economic-policy-the-challenge-peace.

SUMMARY

Money is a recent phenomenon. Debt, on the other hand, has been around forever.

In the first section of this chapter, *Money: Problem, Definition & Purpose,* we learned how Adam Smith's description of its origins came to both confuse and dominate our modern discourse. We also learned how the humble IOU – the documentation of debt – became a tradable commodity that inspired the creation of physical currency. In the second section, *Temples to Banks: The Centre of the System*, we saw that every successful human grouping required a central institution to document and manage debts between members of that society. Up until recently, temples fulfilled this role. But within the last 150 years, banks have not only nudged out the church but expanded its capacity. In the final section, *Gold & Globalization*, we saw how national currencies and commercial banks came to be integrated into a global system of exchange.

In the next chapter, *The New Masters of Capital*, we will see how the bond market developed almost in tandem with the expansion and standardization of globalized currencies. By understanding the evolution of these systems, as well as how they now operate in practice, we are better positioned to understand how the global lending market can exert such tremendous power over borrowers such as the Nova Scotia provincial government.

“(T)he importance of money essentially flows from it being a link between the present and the future.”

John Maynard Keynes
The Collected Writings (7:293)

CHAPTER FIVE:

THE NEW MASTERS OF CAPITAL

CHAPTER OVERVIEW

The Scottish economic historian, Niall Ferguson, put it best when he said, "After the creation of credit by banks, the birth of the bond was the second greatest revolution in the ascent of money." [268]

In the first section of this chapter, *An Historical Overview of the Bond Market*, we trace the development of this specialized lending tool from its origins in 14th century to its present form. The second section, *The Politics of Creditworthiness*, looks at the how rating agencies, such as Moody's, Standard & Poor, and Fitch, came to be established during the early half of the 20th century and over time repositioned themselves as the gatekeeps for this lending market. In the last section, *Some Conditions May Apply*, we look at events from recent history that reveal just how much power and influence this system now wields over elected governments.

This chapter forms an essential premise in my argument, namely that the bond market and its gatekeepers, the rating agencies, exert far more power over a government's decision-making ability than is acknowledged by politicians or discussed within the media by journalists.

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[268] Ferguson, *Ascent*, 66.

An Historical Overview of the Bond Market

The Italian Wars, also known as Habsburg-Valois Wars, were a series of ferocious military clashes that took place between 1494 to 1559. The cause was a multi-generational dispute between the Valois kings of France and the Habsburg's with most of the battles taking place on the Italian peninsula. Through sheer force of will, the famed patriarch of Medici dynasty, Lorenzo de' Medici, cobbled together a military alliance amongst the feuding districts that now make up modern Italy. The result was a period of economic prosperity that lasted almost forty years, spurring the Italian Renaissance. But when de' Medici died in 1592, the Italic League, as it came to be known, fell apart and the extreme wealth that had amassed in this region (through the successful exploitation of its strategic position on the Mediterranean) came to be eyed enviously by the Valois kings of France. The situation quickly devolved into a brutal conflict, the likes of which the world had never seen. By this point in time, the arsenal that defined medieval conflict – swords, shields, and armour – was replaced with the earliest versions of weapons now used in modern warfare. Rifles, pistols, and cannons changed the way future wars were fought. Although the conflict was interesting, what is fascinating – and far more pertinent to the discussion at hand – is how the Venetians paid for it. [269]

On 15 May 1509, the midway point in the Italian Wars, business in Venice ground to a halt as the French were poised to overtake the region. A month earlier, Louis XII, the King of France, had repositioned his forces onto the Venetian archipelago. To stave off their advance, Venice engaged two noblemen to lead a force tasked with holding off the French. Since their army was outnumbered, these men were urged to avoid direct contact with the French and to use

[269] Randolph Starn, *Contrary Commonwealth: The Theme of Exile in Medieval and Renaissance Italy*, (Berkeley: University of California Press, 1982) 86–90.

instead what we now know as guerilla warfare. For the next four weeks they used their knowledge of the geography to harass the French army. On the fourth week, though, while attempting to move to a better tactical position, they moved their soldiers south towards the Po River. The rough terrain forced them to split their force in two with each man taking control of half of the army. On 14 May 1509, one of them stumbled upon a detachment of French forces near the village of Agnadello. For a while they held their ground by using the sloped terrain of a local vineyard to their advantage. But, when news of the ambush reached Louis XII, he raced his forces into position, surrounding the Venetians on three sides. Over the next three hours, he decimated one half of the Venetian army. When news of the defeat reached Niccolò di Pitigliano, the leader of remaining half of the Venetian forces, it was too late for him to do anything.[270]

A skilled military leader might have used this situation to snatch victory from the jaws of defeat. Pitigliano could have lined up his troops and informed them that their brothers and comrades were dead, and that they died heroes valiantly attempting to fend off a cruel, heartless invader. He could have taken their grief and turned it into a burning rage directed squarely against Louis XII. This was their homeland, and the French were now positioned to rob them of everything. And then, to drive his point home, he could have said that the only thing standing between their mothers and sisters was their willingness to fight till their last breath. A century later, the English playwright, William Shakespeare, mined this history for inspiration for some of his epic dramas.[271] But, as we know, there is no "Battle of Agnadello" in the folios next to

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[270] Spencer Tucker, ed., *A Global Chronology of Conflict: From the Ancient World to the Modern Middle East, Vol. II*, (Goleta: ABC-CLIO, 2010) 479.

[271] The source for most of Shakespeare's English historical dramas – Macbeth and King Lear, for example – was Raphael Holinshed's *Chronicles of English History*. For his Roman histories, he drew from Sir Thomas North's 1579 translation of Plutarch's *Lives of the Noble Grecians and Romans Compared Together*.

"Henry IV". The only artistic flourish comes from Niccolò Machiavelli, who four years later in *The Prince*, tells us that the Venetians "lost in one day what they had acquired with such trouble in eight hundred years."[272] Instead, what happened was that when Pitigliano awoke the next morning, he discovered that the 8,000 men under his command had packed up in the middle of the night and deserted.[273]

This begs the question: What self-respecting man turns tail and runs when a foreign invader is about to steal his homeland? The truth, though, is that none of these men were cowards. To the contrary, Pitigliano's army was comprised of the best soldiers in Europe. In fact, it was for that reason he had been able to hold off the French army for as long as they did. These were mercenaries who the Venetians *paid* to fight on their behalf.[274] And when they learned of the defeat in the village the day before, they quickly concluded that the probability of being paid for future work was close to negligible. It is for this reason that the Battle of Agnadello will never draw the attention of poets and playwrights. That said, the dramatic moment when Pitigliano drew back the curtain of his tent to discover that his army had left in the middle of the night is of profound significance to the narrow band of people interested in economic history. Why? Because the desertion of the Venetian army following the Battle of Agnadello was prompted by the world's first bond market collapse.[275]

War is as much a physical activity as it is financial. A state must concentrate both its physical and economic resources against an enemy doing the same thing. More often than not, the outcome of the physical clash is decided by which country has done a better job of coordinating its resources. During the Italian Wars, the Valois kings of France struggled against

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[272] Niccolò Machiavelli, *The Prince*, (Chicago: University of Chicago Press, 1998), 83.
[273] Michael Mallett and Christine Shaw, *The Italian Wars: 1494–1559*, (London: Pearson, 2012), 89-93.
[274] Ibid.
[275] Ferguson, *Ascent*, 74.

a newly developed financial weapon that was every bit as dangerous as a cannon. Interestingly, it is a tool that now finances the retirement of almost everyone in the Western world. In an attempt to hold off a stronger and better equipped enemy, the Venetians had invented something that almost stopped the French in their tracks: bonds.

As we know, prior to de' Medici cobbling together the Italic League, the Italian city-states were at war with each other. The cost nearly plunged them into financial ruin. As Niall Ferguson writes in *The Ascent of Money,* "You can still see in the records of the Tuscan State Archives how the city's debt burden increased a hundred-fold from 50,000 florins at the beginning of the 14th century to 5 million by 1427."[276] By the 15th century the city's debt was equal to more than half of their annual output.[277] So, how did they turn this around?

The short answer to this question is that they figured out a way to *borrow* the money from themselves. Usually when a government – be it a kingdom or a democracy – is confronted with war it is forced to levy a tax on its citizens to pay for it. But the Florentine oligarchy looked at this problem through an entrepreneurial lens. Citizens, by sheer virtue of the fact that they lived there, were committed to the victory of their city over any aggressor. So, instead of straining economic relations amongst citizens by levying a new tax that would suck momentum from the economy, the oligarchs decided it was better to *obligate* the city's wealthiest citizens to *lend* the government the money it needed to wage these wars. Whereas a tax would have taken money from citizens, a bond, as it is now called, borrowed the money with the promise to repay it later with interest. In effect, the bond piggybacked on the hope that Florentines believed their city would ultimately succeed in this conflict and would come out the other side the stronger for it. This was especially true if one happened to be a wealthy merchant. A tax would have

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[276] Ferguson, *Ascent*, 72..
[277] Ibid.

enraged them. Why? Because that is money they will never see again. But the prolonged nature of the Italian Wars – almost seventy-five years -- required a longer buy-in.[278]

During the Italian Wars, the bonds issued by the city-states paid not only for the weapons, but for the men who used them. As noted above, the Venetian army was comprised almost entirely of mercenaries. This meant the conflicts did not incur a relational cost on citizens. In other words, there were no mothers mourning the loss of their sons in public squares. Indeed, the Italian city-states were able to engage the French in these conflicts with almost no observable cost. In fact, it actually played out the opposite way. Since the merchants were forced to purchase bonds to finance the conflict, they profited from it. Most of the bonds paid an annual interest of 5 per cent, which was issued twice yearly from excise taxes levied on commodities such as salt.[279] Of course, it made sense to hold onto the bond until it matured, that way one is paid the full amount of interest from it. But, again, if a lender needed cash, there was nothing stopping them from selling it. And since the merchants of this era were quite savvy, a market began to emerge that speculated on the value of these bonds.[280] Numerous factors impacted their value, but the most important became the level of debt a city state carried. Why? Because the more extended it became, the less likely it was going to be able to pay the interest on its bonds. But political events also came to impact their value.

In the late 15th century, Venice had several military setbacks that forced people to question whether they might actually lose the war. This caused the worth of the city's bonds to

[278] Ferguson, *Ascent*, 73; Although almost two thirds of Florentine household purchased bonds, the bulk were held by a few thousand wealthy individuals. Historically speaking, hereditary monarchies tend to default on their loans. But the oligarchical structure provided a firm political base that instilled trust. "(T)he people who issued the bonds in Florence were in large measure the same people who bought them. Not surprisingly, they therefore had a strong interest in seeing that their interest was paid."
[279] Ferguson, *Ascent*, 73-74. See also: Michael Veseth. *Mountains of Debt: Crisis and Change in Renaissance Florence, Victorian Britain and Post War America*. New York: Oxford University Press, 1990.
[280] Ibid.

drop to 80% of their original worth.[281] Nevertheless, they were still valued the full amount in that they paid out interest twice a year until they matured. It was the people who traded them in advance of their maturity, though, who discovered that worth is what someone is willing to pay.[282] Three years later these same bonds dropped 48% before rallying back up to 75% two years later. Then, over the next seven years, they traded at higher rates, eventually surpassing their original value by 2%.[283] Of course, this brings us to the spring of 1509 when the French finally got the upper hand and defeated the Venetian mercenaries at the village of Agnadello. When this happened, it was clear to everyone that Venice was about to be overrun. It should come as no surprise that bond trading of the city's older consolidated debt sold at 3% whereas the newer consolidated debt traded at 10%.[284] No one knows for sure how Pitigliano slept following the defeat at Agnadello. It is worth considering, though, that he might have been able to hold off the French army. After all, his force was comprised of the best soldiers in Europe. But it was a risk that his soldiers were not willing to take.

Such is the bond market!

The basic principles governing the purchasing and trading of bonds still applies to this day. Governments, be it municipal, provincial, or federal, are the primary issuers. For this reason, investors still consider them a safe place to store capital. Why? Because, short of a military defeat, governments have an arsenal of administrative mechanisms that can be used to extract money from citizens. Modern corporations can also issue bonds. But, again, government bonds dominate this market for the simple reason that they are less likely to default. Also, bonds

[281] Frederic Lane, *Venice: A Maritime Republic*, (Baltimore: Johns Hopkins University Press, 1973) 323.
[282] Ibid.
[283] Ibid.
[284] Ibid.

remain tradable. And just like in Venice in 1509, their value goes up or down based on risk. Indeed, let us take a moment to look more closely at how and why.

A myriad of values comes into play when determining the value of a bond. To illustrate how this works in practice, let us imagine a small independent island nation located in the Caribbean. This island has approximately 900,000 people, a representative democracy, and a thriving tourist industry dependent upon North Americans visiting between the months of November and April. This island – and for simplicity's sake let us call it Massalu – carries a public debt of $9 billion, most of which has been invested in tourist infrastructure. If an investor purchases a five-year Massalu bond with a face value of $100,000 CDN, then that bond represents approximately 0.00000001% of the total debt owed to lenders. Assuming no single person ever bought more than one Massalu bond, then this debt would be spread evenly across 90,000 people. These people could be anywhere in the world. The only thing one needs to join this group is to have $100,000 CDN they are willing to lend to the Massalu government.

Now, if this bond – or *coupon* as it is sometimes known – was issued at 1.5%, it means the Massalu Government is obligated to pay the holder of this bond $1,500 CDN each year for the next five years at which point the bond expires. Another way of looking at this would be to say that the person who purchased this bond will make $7,500 CDN by the end of the five-year period. It makes sense for the holder of this bond to keep it for the duration of the five-year period; that way they get all the money. But let us assume Jane Smith, one of the 90,000 people around the world holding a Massalu bond, decides she needs to free up some of her cash to buy a house. And let us assume she comes to this conclusion one year after purchasing the bond. Although the face value remains $100,000, the person buying this bond from her will now only make $6,000 over the next four years. When Jane goes to sell it, logic dictates that it should sell at its face value – $100,000 CDN – and that the new holder of the bond would make $6,000 CDN off that bond over the next four years.

Of course, this type of straight forward exchange only works in a perfect world where interest rates and currency values do not fluctuate. As mentioned before, the best way to look at a bond is to see it as a loan. In this case, the holder lends $100,000 CDN to the Massalu Government with the expectation that they will be paid an interest rate of 1.5%.[285] If they hold it to maturity, they get the $1,500 interest paid out annually over five years, as well as the principal – $100,000 CDN. (Maturity simply means that the terms and conditions of the loan have been met and that the principal, or *coupon amount*, has been returned to the lender.) A bond's *discount rate* is the measure of the variables – including risk – should the holder decide to sell it on the market before it matures. It is important to point out that the discount rate on bond trading is quite literally the foundation of the global economy. But before we look at why, let us take a moment to look at the mechanics of the trade itself.

The idea that there is a bond market *implies* there is a physical place where insurers and purchasers meet. This term is confusing because we all know that stock *markets* have a physical location. The bond market, though, is not located anywhere, nor is there anyone managing it. In other words, there are no staff and no physical architecture to it. This is part of the reason it is so dangerous to governments. If it was located somewhere, they would be in a position to manipulate it. Instead, the bond market is a lot like the internet in that it is designed to be everywhere and nowhere simultaneously. It operates through a spider web of connections spread across the globe connecting a vast array of people, organizations, and institutions. With this in

[285] Interest rates on bonds can be paid annually, semiannually, or monthly. Most North American bonds pay the interest biannually. But if for some reason the interest on the bond is paid monthly, this means it pays the holder more interest because of the compound nature of the payment.

mind, if we hold true what Karl Marx said, that communism is when workers *own* the means of production, it therefore follows that the fluid nature of the bond market has rendered the world a communist state. Why? Because pension holders dominate this market.

So, if there is no physical market within which bonds are traded, then the next logical question is how does this thing work? Although investors are free to trade bonds amongst themselves, most do it with the help of bond dealers who are usually linked in some capacity to investment management firms. In other words, if one sees a financial planner, that planner either has a bond trader on staff or has a relationship with one. And bond traders are at the heart of this vast global trading network, a network that has grown broader and more diverse with the introduction of digital technologies. Dealers provide investors with 'liquidity' so that they can be bought and sold more easily. But dealers also trade directly or anonymously amongst themselves. And within this 'market' there is also an institutional market where trading occurs between pension funds, mutual funds, investment firms, and governments. The other thing to consider is that there is no size limitation. Deals can take place anywhere from $500 to $1 billion. Conversely, there is no size limit on the 'retail bond market'. This is the one where bond dealers and investors can trade. However, deals within this market are usually less than $1 million.

On one level, bonds are straight forward transactions. After all, it is only a loan. But the fact that bonds are a tradable commodity complicates things. As we saw earlier, if nothing changes in the world, then a $100,000 five-year Massalu Government bond at 1.5% would pay $7,500. The problem is that nothing remains static in this world. Of all the variables that can impact the value of that bond, probably the two most important variables are the fluctuation in the value of a country's currency and its rate of inflation. Of course, the two are linked. As the

American economist Milton Friedman famously put it: “Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.”[286]

So why does inflation impact the value of a bond? Because it devalues it. A simple way of looking at this is to consider the purchasing power of the money Jane makes from her Massalu Government bond. Let us assume Jane purchased hers because she wants to use it to finance her costly Tim Hortons coffee drinking habit. And let us assume that, during the first year of the Massalu bond, it costs $1 CDN to buy a cup of coffee. This means by lending her money to the Massalu Government, Jane can buy 1,500 cups of coffee. But inflation causes costs within an economy to increase over time. In other words, the cost of buying, shipping, and processing Tim Hortons coffee beans goes up every year, a cost that is almost always passed on to the consumer.[287] If we look at this in terms of the purchasing power coming from Jane’s annual interest payment, we can see that it diminishes over time. The first year she holds the Massalu bond, she can buy $1,500 cups of coffee. By the second year, though, inflation causes that purchasing power to diminish. Although the amount of money she receives is the same – $1,500 – the price of coffee, as well as everything else in an economy, has gone up. As a result, the number of cups she can buy drops by 100. If the rate of inflation remains constant over the next four years, her purchasing power diminishes even further. By the time her bond matures, when the Massalu Government returns her $100,000 CDN, the number of cups she can buy that year

[286] Milton Friedman, *The Counter-Revolution in Monetary Theory*, (New York: John Wiley & Sons Ltd, 2006) 181; This work was inspired from the First Wincott Memorial Lecture, which Friedman delivered at the Senate House, University of London, 16 September, 1970. See: https://onlinelibrary.wiley.com/doi/pdf/10.1002/9781119205814.app2.

[287] When I was a boy growing up in Antigonish in the late 1970s, my mother would give me 75 cents to go to the Saturday matinee. Fifty cents paid for the movie. Five cents got me a bag of popcorn. My coke and chocolate bar were both ten cents each. The last time I went to a matinee two months ago, the same purchase cost me $28.95. For an interesting article on inflation see: “The Real Thing: Nominal Price Rigidity of the Nickel Coke, 1886-1959” by Daniel Levy and Andrew T Young, https://hal.science/hal-02386914/file/jmcb-forthcoming%20-%202004.pdf.

has dropped from 1,500 to 1,100. On the surface, Jane may appear to have done well for herself in that her $100,000 loan to the Massalu Government has resulted in her making $7,500 CDN, but anyone in the business of making money will look at it differently. They think in terms of cups of coffee. Jane set out to be able to buy 7,500 cups of coffee over five years, but in the end was only able to purchase 6,500 – one thousand less than predicted.

At this point, let us introduce another variable that will cast an even brighter light on the complex calculation that goes into bond speculation. Let us assume the annual interest payments are not in Canadian currency but in Massalu dollars (MSU). And let us assume for a moment that Massalu dollars are valued at fifty cents on the Canadian dollar. Right away, this means that Jane is now only able to buy 3,250 cups of coffee once she has traded this currency into her own. But since Massalu dollars float against other currencies, this means that the number of cups of coffee she could buy over the next five years might go up or down. If Massalu is struck by a hurricane that wipes out critical infrastructure, then it will no doubt drop even lower against the Canadian dollar. This means Jane might only be able to buy 3,000 cups of coffee that year.

The bond market is "power because (it is) the fundamental base for all markets. The cost of credit, the interest rate (on a benchmark bond), ultimately determines the value of stocks, homes, all asset classes."[288] As the Scottish economic historian Niall Ferguson put it, "From a politician's point of view, the bond market is powerful partly because it passes daily judgement on the credibility of a government's fiscal and monetary policies. But its real power lies in its ability to punish a government with higher borrowing costs."[289] Even a marginal increase in borrowing costs can have a huge impact on a government's debt. "(A)n upward move of half a percentage point can hurt a government that is running a deficit, adding higher debt service to its

[288] Ferguson, *Ascent*, 69.
[289] Ferguson, *Ascent*, 69.

already high expenditures. As in so many financial relationships there is a feedback loop. The higher interest payments make the deficit even larger. The bond market raises its eyebrows even higher. The bonds sell off again. The interest rates go up. And so on."[290]

A government caught in a cycle of debt has three choices:

1) Default on part of its debt, which would fulfil the bond market's worst-case scenario for this borrower, thereby making it almost impossible for it to borrow money in the future;
2) Cut expenditures, which, as we all know, only serves to enrage voters, thereby ensuring this government's defeat in the next election; or,
3) Reduce the government's deficit by raising taxes and upsetting both voters and the business sector.

As we can see, the bond market began as a rather ingenious mechanism the Italians created to avoid increasing taxes – a loan, for want of a better term, to get one through a rough patch. But it has become so evolved and overused that it is dictating government policies.[291] If we bring this back to the Battle of Agnadello, we can see that the mechanism used to fight this war was so deeply integrated into the way it was financed, its collapse led to their defeat without a shot being fired. The same is now true for the global economy. Simply put, we are the mysterious, non-corporal body called the bond market. And just like the merchants in Venice, our collective judgements matter. Why? Because bond trading is the foundation of the global economy. The obvious question, therefore, is how does one synthesize these judgements? Five hundred years ago, it was easy to do in a city-state like Venice. But how do we expand this to a global level?

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[290] Ibid.
[291] Ferguson, *Ascent*, 69.

THE POLITICS OF CREDITWORTHINESS

Shortly after sunset on 7 November 2012, tensions began to rise in the crowd gathered in Syntagma Square, Athens. During the 19th century, the square had been the epicentre for commercial activity within the city; but, over the course of the next century, it had transformed into a transportation and tourist hub, mainly because of its proximity to famous historic sites, such as the Acropolis, Hadrian's Library, and the Temple of Olympian Zeus. The day after the American election that saw Barack Obama returned to office for a second term, the world's media outlets abruptly shifted their attention away from Washington and fixed their cameras on the crowd gathered in the square across from the Hellenic Parliament. Earlier, the crowd was estimated to be close to 70,000, but it had dwindled considerably once it started to get dark. Those who remained were becoming increasingly hostile, so much so that around the corner close to 5,000 police officers dressed in riot gear had organized themselves into ranks ready to push the crowd back if it showed any sign of storming the legislature. Inside the parliament building, 300 members of the legislature were debating whether to accept the austerity cuts they would need to implement if they were to receive $40.2 billion, the second instalment of the European Union's (EU) financial bailout. As the night wore on, tensions both inside and outside began to escalate.[292]

Perched on picturesque ledges high above the square, members of the world's media trained their cameras on the protesters who had begun to press forward. Water cannon trucks emerged at their flanks and began to inch their way towards them, turning their turrets to blast

[292] Below is media coverage of Greek debt crisis accessed, 4 February 2013: http://www.guardian.co.uk/world/2012/apr/05/greece-suicide-tributes-retired-pharmacist; http://www.cbsnews.com/video/watch/?id=50134738n;http://www.youtube.com/watch?v=P6b02W_VFDw; http://www.telegraph.co.uk/finance/financialcrisis/9662285/Greeks-clash-with-riot-police-as-politicans-pass-austerity-measures.html; http://www.cbc.ca/news/business/story/2012/11/07/greece-protests.html.

anyone who refused to retreat. The crowd grew violent and responded by hurling Molotov cocktails at the police advancing behind the trucks. It had taken almost a hundred years, but Syntagma Square was once again a commercial centre. This time, however, its financial reach extended well beyond the boundaries of the city. Overnight it had become the economic epicenter of the world.[293]

Any researcher investigating the Syntagma Square conflict will encounter a lot of numbers. Indeed, one could argue that everything about this conflict was motivated by numbers. Some of these numbers are so big they are almost impossible to get one's head around. For example, there is the $470 billion Greece owed its creditors.[294] But running a close second are the numbers tied to EU bailout. There is the $174.2 billion that was extended to Greece in October 2011, which was later followed by an additional $40.2 billion that resulted in the violent clash described above. But some of the smaller numbers are equally difficult to comprehend. For example, within the 300-member parliament, the legislation was narrowly passed by *three* votes. And had these measures not been ratified, the country would have run out of money within *seven* days. Amid this sea of figures, a few numbers cut through everything and serve to humanize this crisis. *Seventy-seven* is one of them. That was the age of the pensioner who committed suicide in the square a few months earlier. In his pocket they found a suicide note that stated the following:

> The Tsolakoglou[295] government has annihilated all traces for my survival, which was based on a very dignified pension that *I alone* paid for 35 years with no help from the state. And since my advanced age does not allow me a way of dynamically reacting (although if a fellow Greek were to grab a Kalashnikov, I would be right behind him), I see no other solution than this dignified end to

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[293] Ibid.
[294] National debt clock accessed, 8 February 2013: http://www.nationaldebtclocks.org/debtclock/greece
[295] Georgios Tsolakoglou was appointed leader of Greece after it was defeated by the Nazis.

> my life, so I don't find myself fishing through garbage cans for my sustenance. I believe that young people with no future will one day take up arms and hang the traitors of this country at Syntagma square, just like the Italians did to Mussolini in 1945.[296]

But of all the numbers tied to the Greek debt crisis, by far the most interesting is one that cannot be found anywhere in the popular media. That number is *two*, for that is the number of people a credit rating agency such as Moody's, Standard & Poor and Fitch assign to evaluate the creditworthiness of a country. Amazingly, of the millions of people affected by this crisis, it was the opinion of two people working for a private corporation half a world away that mattered most. They were the ones who enabled the Greek Government to fall so deeply into debt; and they are the ones who will ultimately decide for the world when this crisis is finally over.

So, how exactly does one build a system where two people have this much control? To answer this question, we need to go all the way back to the Wild West. From the 1850s through till World War I, the United States went through a period of rapid industrial growth. The rise of America's most iconic myth, the cowboy, runs parallel to the early phase of this period when there was a rapid and unplanned expansion into the Western frontier. The absence of property legislation not only led to violent disputes but inspired the image of the frontier loner operating under his own moral code backed by a gun. However, once a legal framework for property rights was hammered out in Congress (and later enshrined in the courts) the *wild* aspect of Western expansion quickly receded. By the fourth quarter of the 19th century, the West had become an area where settlers were able to amass historically unprecedented amounts of capital through the purchase and sale of property. But the most fascinating financial phenomenon to emerge was the ability for people to take out loans against the growth in their property value. In

[296] Media articles accessed, 3 February 2013: http://www.athensnews.gr/portal/1/54580; http://www.nytimes.com/2012/04/06/world/europe/pensioners-suicide-continues-to-shake-greece.html?_r=0

other words, as the demand for land increased as settlers continued to pour into the West, and as the amount of land up for sale began to decrease, value soared. And since the courts now had a clear framework to settle property disputes, banks were willing to extend loans against the equity of a borrower's property.[297]

This was the financial backdrop that underpinned the first wave of American industrialization. More to the point, though, the growth was so unwieldly that people began to articulate a need for market surveillance mechanisms. Why? Because they were keen to borrow against their equity in order to invest it in ventures that would make even more money. The problem was that the gun slinging cowboys had been replaced with charlatans and grifters who were all too keen to defraud people out of their money. Henry V. Poor was one of the first people to address this problem. In 1860, he published *History of the Railroads and Canals of the United States of America*. Now, it is hard to believe that someone could get rich publishing a book that simply documented track lengths and enumerated investor's share capital, but he did. Indeed, John Moody took Poor's work a step further. Whereas Poor focused on the rail industry, Moody broadened the scope and published in 1900 the *Manual of Industrial Statistics*. Both publications increased the level of transparency surrounding critical developments in industrial infrastructure. Unfortunately, this was not enough. In 1907, the United States was hit by a financial crisis that decimated public confidence in financiers. The public demanded the government provide more information on investments that were free from conflicts of interest. In 1912, congressman Charles Lindberg Sr., father of the famed aviator, called for a probe on Wall Street that resulted in congressman Arsene Pujo of Louisiana being appointed to lead a subcommittee under the House Committee on Banking and Currency. Two years later, his report

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[297] Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, (New York: Basic Books, 2000) 9-10.

led to the Sixteenth Amendment that brought about increased transparency and substantive changes to the way the United States government managed business.[298] John Moody's response to this crisis was to sell his publishing company and refocus his attention on ratings. It is impossible to overstate what a critical moment this was in the modern development of the bond market. No longer were these publications going to provide compendiums of information. Government was now on the hook to do that. Instead, they had chosen to focus their energy on judgments of the creditworthiness of debtors. Although John Moody got off to a rocky start, ratings became increasingly integrated into business decisions.[299]

It is worth noting that all three of the world's most powerful rating agencies were founded during the economic crisis that stretched from 1907 to 1914. John Moody founded his company in 1908. Two years earlier, James L. L. Blake founded the Standard Statistics Company (which later merged with Poor's Publishing Company in 1941 to become Standard & Poor). And then, in 1913, John Knowles Fitch founded the Fitch Group – what is now the smallest of the big three.[300] During the period stretching from 1930 to 1980, each of these companies refined the processes used to rate bond-issuer creditworthiness. In short, each one has their own way of doing an assessment. The shared aspect of their business model, though, is that the vast majority of their revenue comes from charging a fee to the bond issuer. On the surface this might appear to be counterintuitive. After all, should not the purchaser of a bond be responsible for evaluating its risk? The problem is that there are too many bond holders to make this feasible.

[298] Sinclair, *The New Masters*, 24.
[299] Ibid., 24.
[300] The Fitch Group was bought by FIMALAC (Financière Marc de Lacharrière), a French company, in 1998.

In his book, *The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness*, Timothy Sinclair, an Associate Professor of International Political Economy at the University of Warwick, explains that two processes – *disintermediation* and *securitization* – have framed the expansion of these companies. With regards to disintermediation, probably the easiest way to get one's head around this concept is to reflect on how we borrow money. Most of us still use banks to get a loan, be it for a car, a home, or for that matter a student loan. During the first half of the 20th century pretty much everyone was forced to access capital through the banking system. During the second half of the 20th century, though, banks no longer had a strangle-hold on lending. As Sinclair describes, cross-border transactions have "massively increased since capital controls were liberalized in most rich countries during the late 1970s and 1980s."[301] This liberalization resulted in huge amounts of money being freed up. It therefore follows that disintermediation means that the middleman, and in this case that would be the banks, have been removed from the equation. Liberalization means anyone can lend money. Moreover, the lenders and borrowers can be located pretty much anywhere in the world. *Securitization*, on the other hand, is the process where loans – mortgages, credit card receivables and even bank loans – can be bundled into packages that are bought and sold on the market.

So where do rating agencies fit into all of this?

Since disintermediation has led to a system where everyone is free to lend money vis-à-vis the purchasing of bonds, the result is that almost everyone is invested in the bond market. During the first half of the 20th century, when banks were the primary lenders, it was very difficult for people to get a loan because of how notoriously conservative these institutions were

[301] Sinclair, *The New Masters*, 3.

in their assessments. Anyone who exhibited even a minor risk of default was simply shut out of the borrowing process. As a result, during the late 19th and early half of the 20th century, capital started to pool in the hands of a few people. But when the lending markets were liberalized in the 1970s, this money was freed up. This resulted in a tremendous period of growth for entrepreneurs who no longer had to go with hat in hand to their local bank to pitch their business plan. Alternative lending structures were now in place to channel capital to these projects. The problem with this structure, though, was coming up with a way for lenders to evaluate the default risk of the borrower. And since there were too many people lending money, the rating agencies realized that it made sense for the issuers of bonds to pay for an evaluation that would attract lenders. In doing so, the rating agencies expanded their power base within this market.

In 1995, Thomas Friedman, the *New York Times* journalist who is now known for such books as *The World is Flat* and *The Lexus and the Olive Tree*, wrote an opinion piece for *The New York Times* titled "Foreign Affairs; Don't Mess with Moody's." In it, he wrote: "We live again in a two-superpower world. There is the U.S. and there is Moody's. The U.S can destroy a country by leveling it with bombs: Moody's can destroy a country by downgrading its bonds."[302] Sinclair echoed the same point in his book by describing the Cold War arsenal piled up in the desert outside Tucson, Arizona. There is everything there from B-52 Stratofortress's, which figured prominently in the 1964 film *Dr. Strangelove*, to A-10 Thunderbolt II's, or 'Warthog' tank busters as they were known during the first and second Gulf Wars. As for the bond market rating agencies such as Moody's, Standard & Poor (S&P), and the smaller French-owned agency, Fitch, he describes their arsenal as 'occult' for it is "largely invisible to all but a

[302] Freidman article accessed, 2 February 2013:,http://www.nytimes.com/1995/02/22/opinion/foreign-affairs-don-t-mess-with-moody-s.html

few most of the time."[303] Investors, governments and corporations all pay close attention to what these three private corporations have to say, not because their findings are necessarily correct, "but because they are thought to be an authoritative source of judgements, thereby making the agencies key organizations controlling access to capital markets."[304]

Of course, this raises a lot of questions. The one Sinclair is most concerned with is the "intersubjective effect on rating, that is, how rating affects the social context in which corporate and government policy plans are made." More to the point, Sinclair wants to know, "given the power and authority of the agencies," what are the implications of rating for private and public life?[305] After all, these are *private* companies. They are "not the neutral, technical, detached, objective arbitrators they are assumed to be among people who see them as merely transmitting market views to investors."[306] Rating judgements reflect a way of thinking that can "reject or exclude other ways,"[307] Indeed, even when an agency's judgement has been proven faulty, its authoritative position within the market system means this judgement is understood to be a statement of fact as opposed to an opinion. More disconcerting is that these judgements enforce norms, values and 'best practices' upon borrows that are essentially American in origin.

At the beginning of this thesis, I talked about how, during the 1960s when governments were making substantial investments into educational infrastructure, they held the upper hand; but that by the 1990s a shift had taken place in which power moved into the hands of the people who lend governments money. As we can see, this is the period when the three private rating

[303] Sinclair, *The New Masters*, 1-2.
[304] Ibid., 2.
[305] Sinclair, *The New Masters*, 17.
[306] Ibid., 17.
[307] Ibid., 17.

agencies finally caught their economic stride and transformed the investment landscape. As Sinclair points out:

> Many economists, in the tradition of (Friedrich) Hayek, assume that investment happens automatically if certain basic conditions hold. But investment may also be understood as an implicitly coordinated social process. Investment has its own history and particular constraints. It is therefore necessary to understand the context in which investment choices are made.[308]

Although he does not come right out and say it, Sinclair is harkening back to a famous comment made by the Austrian-American economist Joseph Schumpeter who claimed that the spirit, culture and structure of a people are written in its economic history.[309] The centralization of judgements on creditworthiness has all but railroaded indigenous, country-specific investments into a standardized vision of how indebted governments must manage their finances. In other words, bond market rating agencies transmit and reinforce a static and unhistorical approach to monetary accumulation. As a result, rating agencies reinforce "knowledge based on the assumptions of a fundamentally unchanging world, one in which economic markets, for example, are thought to perform the same function today as 'always.'"[310]

It is worth noting that rating agencies, though public with their scores, are notoriously tight-lipped about how they decide creditworthiness. Why? Because money is about numbers; and when we are dealing with numbers, people assume there must be something formulaic about the process. Of course, that is exactly what rating agencies would like us to assume. What Sinclair reveals through painstaking research assembled through interviews with senior business officials, as well as through compiling media reports from around the world gathered over an extended period, is that each judgement is arrived at through an analysis that is both quantitative

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[308] Sinclair, *The New Masters*, 18.
[309] Joseph Schumpeter, *Capitalism, Socialism and Democracy*, (London: Routledge, 1944) 344.
[310] Sinclair, *The New Masters*, 19.

and qualitative. Again, because these are private institutions, they are not obligated to provide any details beyond their rating and evaluation. Indeed, they do not even share their process with the clients who pay for the service. It therefore follows that ratings judgements are far more contestable than they appear.[311]

A provincial government should be free to approach the construction and maintenance of a bridge in a multitude of ways. It could bias the cost away from drivers by funding it through the general revenue allocated to a specific department such as transportation. Or a government could set up a toll station that targets users of the bridge even though this may negatively affect "low-income people, whose mobility is reduced accordingly."[312] But, as Sinclair points out, these are the very types of political decisions that go into a rating. In other words, "(r)ating agencies and the rating process provide a means for transmitting policy and managerial orthodoxy to widely scattered governments and corporations." Whether they are conscious of it or not, rating agencies have become less focused on budget deficits and are now more concerned with steering bond issuers towards a canon of policies they have come to sanction. This has massive implications for democratic governments in that it means they are no longer solely accountable to the people. If a government is dependent upon the capital markets in any way, it has no other choice but to pay heed to the unelected gatekeepers of that market.

If one thinks back to the bond market collapse that took place in Venice following the defeat at the Battle of Agnadello in 1509, the remaining mercenaries tasked with defending the city responded to the news by walking away. There is a distinct possibility that they could have defeated the French. But since the statistical likelihood had sufficiently diminished, they concluded that it was not worth the risk. In short, their evaluation of the situation decided the

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[311] Sinclair, *The New Masters*, 70.
[312] Ibid., 71.

outcome. In 2009, Sinclair wrote an article for *Inside Story*, an online journal based out of Swinburne University of Technology, titled *The Queen and the Perfect Bicycle*. In the piece, he makes a similar point arguing that bond market rating evaluations promote a flat vision of economic development. The financial crisis of 2007-2009 cannot be explained solely by the meltdown of the subprime market alone. At the time the total global capital market was worth approximately $175 trillion whereas the subprime market only accounted for $0.7 trillion. This should not have been enough to trigger such a massive global financial meltdown. But if one holds a mechanistic view of finance, as is the norm within the financial community, then this would have been more than sufficient to paralyze both banks and the bond market. For Sinclair, financial markets are akin to an organic structure – a social phenomenon, as it were – in which "collective understandings, especially confidence, are vital."[313] When one holds a mechanistic view of the market, one cannot anticipate change. It is like a bicycle. It is what it is. It is what it will always be. It will require periodic repairs and maintenance, but it will not ever be anything other than a bike.

Before we move to the next section where I provide three case studies of just how much influence rating agencies now have on government decision making, we should consider the story of Michael Milken, the convicted felon commonly referred to as the junk-bond king. While a graduate student at the University of Pennsylvania's Wharton School in Philadelphia, Milken was drawn to the works of W. Braddock Hickman, who argued that low-grade/high-yield (or junk) bonds, when held in a diversified portfolio, promised exceptionally high returns. In other words, if the bonds on countries such as Portugal, Italy, Greece and Spain – now commonly referred to in the media as PIGS – are carried evenly with other high-risk bonds, the

[313] Timothy J. Sinclair, "The Queen and the perfect bicycle." *Inside Story: Current affairs and culture from Australia and beyond*. 12 August 2009.

result is a payback that outstrips every other form of investment. Instead of restricting capital to governments and corporations that agreed – consciously or unconsciously – to abide by 'blue chip' management orthodoxy, Milken sought the "democratization of capital."[314] According to Connie Bruck, a staff writer with *The New Yorker*, who documented his demise, "Milken had long professed contempt for the corporate establishment … whose investment grade bonds, as he loved to say, could only move in one direction—down."[315] It should come as no surprise that this approach to investment placed Milken on a collision course with the rating agencies, a collision that destroyed his career and resulted in a two-year prison sentence. But, as Harvey A. Silverglate – the prominent defense attorney who represented Milken during the appellate process – argues in his book, *Three Felonies a Day,* "Milken's biggest problem was that some of his most ingenious but entirely lawful maneuvers were viewed, by those who initially did not understand them, as felonious, precisely because they were novel – and often extremely profitable."[316] In the simplest of terms, Milken's enormous financial success was proof positive that pretty much everything the rating agencies did was pointless.

SOME CONDITIONS MAY APPLY

As we learned from the previous two sections, the bond market is massive. As of August 2020, the International Capital Market Association (ICMA), a not-for-profit member association that works with over 610 organizations, estimated that the total value of global bonds is around $128.3 trillion USD. Approximately 68% of these bonds – $87.5 trillion – are made up of supranational, sub-sovereign and agency (SSA) bonds. These are bonds that are governmental

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[314] Sinclair, *The New Masters,* 75.
[315] Connie Bruck, *The Predators' Ball: the inside story of Drexel Burnham and the rise of the junk bond raiders*, (New York: Penguin Books, 1989) 12; Sinclair, *The New Masters*, 74-77.
[316] Harvey A. Silverglate, *Three Felonies a Day: How the Feds Target the Innocent*, (New York: Encounter Books, 2009) 98.

and quasi-governmental in nature. The remaining 32% – $40.9 trillion – is made up of corporate bonds.[317]

It is hard to fathom just how impossibly large these numbers are. One way to digest them, though, is to convert the dollars into seconds and then think of them in relation to the passage of time. One million seconds is approximately 11 days. One billion seconds is thirty-one years. One trillion seconds is approximately 32,000 years. When looked at this way, we can begin to comprehend the amount of debt being traded on this market. Of course, managing something this size requires an evaluation tool that both rationalizes and standardizes a user's decision-making capabilities. After all, the bond market is driven by judgements about the economic health of an issuer. The fact that a government is democratic or despotic is beside the point. As far as a purchaser is concerned, what matters is the statistical likelihood of them being able to pay the interest on the bond. Judgements are therefore enumerated into the trading value of these bonds. Take China, for example. In this case, we have a despotic nation that holds most of the bonds for what is arguably the greatest democracy in the world, the United States of America.[318] Should China dump those bonds, people from around the globe would no doubt show tremendous interest in buying them. But the simple act of selling them would lead to a lot of questions that would likely cause global interest rates to fluctuate. Why did China buy them? And why are they selling them all now? Do they know something we do not? Are the Chinese concerned the US cannot pay? Or are they the ones who need money? Rating agencies fill this speculative void. After all, the US economy is about as complex as it gets. One could fill a library – maybe even several – with all the information related to the operation of its economy.

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[317] "Bond Market Size," *International Capital Market Association*, 24 November 2021, https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Secondary-Markets/bond-market-size/

[318] Kimberly Amadeo, "US Debt to China: How Much is it, and Why?" *The Balance*, 15 February 2022, https://www.thebalancemoney.com/u-s-debt-to-china-how-much-does-it-own-3306355.

What rating agencies do is distill all that information down into an easily digestible grade that is accompanied by an equally digestible summary that helps a purchaser decide whether the trillion dollars' worth of bonds the Chinese just dumped on the market is worth buying. The grade and summary could be right, wrong, or indifferent. What they are not is insignificant.

In this section, we look at three case studies where an evaluation done by rating agencies had both a direct and deleterious impact on a government. In other words, the bond market rating not only impacted the development of a government's economic policies, but the management of them as well. It is important to note that each case study is an extreme example. When a government falls from grace with even one of the three rating agencies, it is almost always followed by a precipitous fall off an economic cliff. Very few political careers survive this kind of drop. Indeed, it is this fear that keeps most of them coloring within the lines of the same economic coloring book.

Case Study One - Philadelphia

Philadelphia is the sixth largest city in the United States. It was founded by William Penn, an English Quaker, in 1682 and served as the capital of the colony that later became the state of Pennsylvania. It is sometimes referred to as the 'City of Brotherly Love' for the name Philadelphia is derived from the Greek word 'philos', which means friendship, and 'adelphos', which means brother. Penn came up with the name after he secured a treaty with the Lenape First Nations.[319]

Almost from the moment Philadelphia was founded, it was culturally, geographically, and economically important to the development of the United States. During the 19th and 20th

[319] Ron Avery, *A Concise History of Philadelphia*, (Philadelphia: Otis Books, 1999) 19.

centuries, it became an important industrial centre and railroad hub. Its population was initially buoyed by the large Dutch and Swedish immigrants who settled there.[320] But this was expanded upon during the early part of the 20th century when it became the primary destination for African Americans during the Great Migration following the American Civil War.[321] This was expanded even further following World War I when people migrated there in large numbers right up until the 1950s. Indeed, between 1890 and 1950, the population doubled from one million to two.[322] Currently, Philadelphia has a population of 1.6 million making it the second largest city on the Northeast Coast right behind New York. Its Gross Metropolitan Product (GMP) is estimated to be $478.2 billion, making it the ninth most prosperous city in the United States.[323] The idea that Philadelphia is important to the economic development of the United States is an understatement to say the least.

In 1990, though, the city ran afoul of the rating agencies. The central problem was that the city was struggling with poverty. At the time, "one of every four (residents), including almost half its homeowners, (lived) below the poverty line." As Michael de Courcy Hinds of *The New York Times* reported, the city's $2 billion debt was a growing concern, so much so that on 8 June 1990, following the release of the municipal budget, Standard & Poor (S&P) lowered the city's credit rating two steps to BBB.[324] At the time, this was S&P's lowest rating for a

[320] "A Brief History of Philadelphia,"*ushistory.org*, accessed 12 December 2021, https://web.archive.org/web/20130115135631/http:/www.ushistory.org/philadelphia/philadelphia.html
[321] Russell F. Weigley, *Philadelphia: A 300-Year History*, (New York: Norton & Co, 1982) 417-420.
[322] "Continuing Economic Decline: A Foreboding Future for Philadelphia," *Pennsylvania Intergovernmental Cooperation Authority, White Paper (No. 1)*, 15 October 1996, accessed 12 December 2021, https://web.archive.org/web/20150910172147/http:/www.picapa.org/docs/OW/19961015_A_Foreboding_Future_for_Philadelphia.pdf.
[323] "Forecasted Gross Metropolitan Product (GMP) of the United States in 2021, by metropolitan area (in billion current U.S. dollars,) *Statista*, 15 November 2023, accessed https://www.statista.com/statistics/183808/gmp-of-the-20-biggest-metro-areas/
[324] Michael de Courcy Hinds, "After Renaissance of the Seventies and Eighties, Philadelphia Is Struggling to Survive," *New York Times*, 21 June 1990, A1.

major city. By 30 June 1990, Moody's followed suit and dropped the city from Baa to Ba, its lowest rating level.[325] It is important to note that Moody's rating was one step above speculative grade.[326] According to Moody's notes on this category, "bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds of this class."[327] Of course, this is just a long-winded way of saying that there was a very good chance that the City of Philadelphia might not be able to pay either the interest or the principal on its existing debt. Accordingly, once the grade was assigned, it became almost impossible for the City to access capital.

At the time, it looked as if Philadelphia would experience a budgetary shortfall that year somewhere between $300 and $500 million. Over the course of that summer, the bond market showed no interest whatsoever in purchasing Philadelphia's bonds. Even the City's attempt to lure investors with tax offering notes – loans guaranteed against the City's ability to collect the money via taxes – failed to illicit any interest. As a result, Philadelphia was forced to seek the help from a major bank to assure a now weary bond market. The main problem they were facing was tied to the regulations behind the management of pension funds. Pension plans are a

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[325] Michael de Courcy Hinds, "Philadelphia's Credit Rating Lowered by Second Agency," *New York Times*, 1 July 1990, 17; Michael de Courcy Hinds, "Its Cash and Tempers Short, Philadelphia Seeks Solvency," *New York Times*, 11 September 1990, 1.

[326] Moody's Speculative Grade Liquidity Ratings are opinions of an issuer's relative ability to generate cash from internal resources and the availability of external sources of committed financing, in relation to its cash obligations over the coming 12 months. Speculative Grade Liquidity Ratings will consider the likelihood that committed sources of financing will remain available. Other forms of liquidity support will be evaluated, and consideration will be given to the likelihood that these sources will be available during the coming 12 months. Speculative Grade Liquidity Ratings are assigned to speculative grade issuers that are by definition Not Prime issuers. See "Moody's Rating Terms" at *Credit Risk Monitor*, https://info.creditriskmonitor.com/help/MoodysGlossary.asp; Also see "The U.S. Municipal Bond Rating Scale: Mapping to the Global Rating Scale And Assigning Global Scale Ratings to Municipal Obligations," *Moodys.com*, https://www.moodys.com/sites/products/DefaultResearch/102249_RM.pdf

[327] Moody's Investors Services, *Moody's on Municipals*, (New York, 1991) 48; Sinclair, *The New Masters*, 98.

dominant force in the bond market. The problem for Philadelphia was that pension plan managers are almost always only allowed to purchase investment-grade bonds; and since Philadelphia was now one step above speculative grade, they were deemed too risky. By securing financing from a bank, city officials hoped their financial situation would appear better seeing that it was assured by the solvency of a reputable lending institution. Lower rates of interest would be paid to bondholders, and this would hasten the sale of otherwise risky bonds on commercial paper pulling pension funds back into the fold.[328]

It was a good idea that - for a short period of time - looked as if it might work. In mid-September 1990, the Swiss Bank Corporation agreed to $50 million in tax anticipation notes with the promise to extend $175 million more if other banks came in line to back the sum. Two days later, though, the offer was withdrawn leaving Philadelphia without money or options. The rating downgrade had made it "impossible for the City to borrow at an interest rate it could afford."[329] Indeed, following the announcement that the Swiss Bank Corporation was rescinding its offer, Philadelphia made two more turns in its death spiral down as both Moody's and Fitch further downgraded the city's rating. Of course, this caused Standard & Poor to reevaluate its position, subsequently dropping Philadelphia from BBB to CCC. The message to the bond market was that the city was now a high-risk investment because of its "current identifiable vulnerability to default."[330]

It is important to understand that credit is a game. Companies know they need a pool of capital they can access in order to survive short (and sometimes long) business cycles. A good

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[328] Sinclair, *The New Masters,* 98.

[329] Michael de Courcy Hinds, "Without Money or Choices, Philadelphia Plans Big Cuts," *New York Times*, 14 September 1990, A14.

[330] Michael de Courcy Hinds, "Philadelphia Getting Credit for Reversing a Fiscal Fall," *New York Times*, May 21, 1992, B14; S&P definition of CCC rating can be found in *Standard & Poor's Rating Handbook*, (New York: Standard & Poor's, August 1992), 183; Sinclair, *The New Master's*, 98-99.

example of a business with a built-in short-term business cycle is a Christmas tree farm. From January to November, the farm needs money to cover general costs related to tending to the trees. During this period, a Christmas tree farm would not make any profit. As a result, they need to set aside a portion of the profits from the previous year to cover the expenses of the coming year. If for some reason, they do not have enough, they would need a mechanism to access capital. Let us say their tractor broke down and most of the money from the previous year went into buying a new one. In the short term, this would be a problem. But over the long haul, the new tractor would increase their productivity and thereby increase their profits. Therefore, it makes sense to make this purchase. But to make it, the farm would need to go back to secure a loan to pay for the tractor and the remaining costs for the year.

Another example of a short-term business cycle would be if the company was temporarily barred from a market. Let us say, for example, the company ships most of its Christmas trees to Boston, but because of COVID, they were not able to move them over the border because it was closed. This would result in a dramatic drop in profit that would follow them for the next eleven months. As a result, the company would need to access capital to pay their bills over the next eleven months. Essentially, they are borrowing against their ability to draw upon future profits.

Both examples illustrate how a company is often forced to predict its profit-making capabilities to overcome an unforeseen event. In both instances, the company needs access to capital to pull this off. Although the same is true for governments, the issues they face are complex and varied. Accordingly, bond purchasers afford governments a certain amount of latitude provided they operate within a certain financial mindset. But if a government begins to play by a different set of rules, and if they fall deeply into debt with no clear path out of it, the bond market usually shies away from this investment opportunity.

As we can see, Philadelphia's downgrade by the rating agencies spooked the market away from them. The result was that they no longer had access to the capital needed to get through their business cycle and began to run out of cash. "To stave off insolvency, the city finance department set up criteria for paying bills. But some social service programs, such as the city's AIDS Activities Coordinating Office, which provided funds to support terminally ill AIDS patients, suffered as payments from the city were suspended."[331] The following year, the City was forced to raid its pension funds.[332] But to do this they needed to change the rules governing the funds so that they would be able to purchase the city's now 'speculative grade securities'. Of course, the unions opposed this move. The city's debt had dropped to junk bond status, which increased the risk on their funds.[333]

Interestingly, things began to turn around in November 1991 when Mayor Edward Rendell was elected to office. To say that his five-year economic plan was harsh would be an understatement. He called for $1.1 billion in savings through "reduced labour costs, management efficiencies, and stricter tax collection." [334] A major part of the plan was a five-year wage freeze on the city's twenty-five thousand employees.[335] This resulted in the city's fiscal situation changing rather quickly. There was no deficit generated in the 1992-93 fiscal year. The mayor later admitted that privatization was the central tenet of his recovery strategy,

[331] Michael de Courcy Hinds, "City Waits for Rescue Amid Cries of Chaos," *New York Times*, 3 November 1990, 8; Sinclair, *The New Master's*, 99.
[332] The city unions opposed this because the city's departments had reached junk bond status.
[333] Michael de Courcy Hinds, "Philadelphia Might Get Aid from Its Pension Fund," *New York Times,* 23 November 1990, A24.
[334] Michael de Courcy Hinds, "Philadelphia Getting Credit for Reversing a Fiscal Fall," *New York Times*, 21 May 1992, B14; Sinclair, *The New Master's*, 100.
[335] Ibid.

saying that the city, "could not have taxed its way out of these troubles, nor could we have dramatically cut city services."[336] He likened it to "a business facing bankruptcy" where it was forced to reinvent itself.[337] In the same article, he claimed to have saved $300,000 annually by revising the way they cleaned City Hall. Of course, the process change was quite simple. He eliminated approximately 450 city jobs that had job security and offered both health care and a pension plan.[338]

Almost immediately after Mayor Rendell was sworn in and began to implement this new plan, both Moody's and Standard & Poor responded immediately with an economic upgrade. The analysist for Moody's lauded the budget acumen of Mayor Rendell praising the 'vastly improved' cooperation with the city council.[339] By this point, Standard & Poor had already issued an upgrade. Seven years later, they revealed in a detailed report the basic structural issues the city had to deal with to overcome their economic situation. "Although the city has one of the most diversified economies in the nation, its collection of pharmaceutical aerospace, health care, education, and transportation producers are growing relatively slowly. High business costs, large numbers of minimally educated workers, and high taxes are also problems.[340] They also noted "the lack of population growth, the high cost of living (16% above the national average), labour costs (25% above the national average) and the largest combined federal, state, and local tax burden of the twenty-five largest U.S. metropolitan areas.[341] Indeed, in their 1993 report, they awarded the city an upgrade shortly after Mayor Rendell was elected and announced his plan to

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[336] Edward G Rendell, "Philadelphia competitive Contracting Story," *Business Forum*, Winter-Spring 1994, 13; Sinclair, The New Master's 101.
[337] Ibid.
[338] Ibid.
[339] "Philadelphia Receives a Does of Good News: Moody's Raises Rating," *Wall Street Journal*, April 26, 1993, C18; Sinclair, *The New Master's*, 101.
[340] Standard & Poor's, "Pennsylvania's Major MSAs (Metropolitan Statistical Areas)," available at www.standardandpoors.com; Sinclair, *The New Master's*, 101.
[341] Ibid.

clean things up. "S&P made it clear that the better rating reflected the city's ability to balance its budget (producing a surplus of $3 million), not an improvement in the city's situation."[342] "Economically, nothing has changed." The city remained overburdened with taxes and poor infrastructure."[343] Of course, this was not entirely true. A lot of things had changed. Permanent, well-paying jobs had been terminated and replaced by insecure, lower-waged jobs. The pension plan had been raided to purchase the city's bonds when no one else would. But most importantly, these changes had enabled them to access the capital markets again … something that is extremely important to anyone who runs a city.

Case Study Two - Detroit

The area that is now known as Detroit has been inhabited for close to 11,000 years. This is because of its strategic location between two of the Great Lakes in central North America. In 1701, the French explorer, Antoine de la Mothe Cadillac, along with 100 settlers, established a fort on the north side of what is now known as the Detroit River.[344] The area remained in French hands until the end of the Seven Year's War, when it was ceded to the English, who eventually gave it, along with some surrounding territory, to the United States as one of the concessions in the Jay Treaty following the American Revolutionary War. The area remained of strategic importance throughout most of the 19th century. In 1903, when Henry Ford established the Ford

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[342] "S&P Upgrades Rating on Philadelphia Bonds," *Wall Street Journal*, 27 December 1993; Sinclair, *The New Master's,* 101.
[343] "S&P Upgrades Rating on Philadelphia Bonds," *Wall Street Journal*, December 27, 1993.
[344] In French, the word détroit means strait. Historically, the strait between Lake Erie and Lake Huron was referred to as le détroit du lac Érié. This got shortened to le détroit and eventually became the name of the settlement that was established on this shore.

Motor Company there, he transformed Detroit into an industrial hub that quickly became a cornerstone of American economic development.[345]

Again, location played an important role in Detroit's transformation into an industrial hub. Its position on the Detroit River connected it to the Saint Lawrence Seaway via the Great Lakes. All of the primary material needed in the production of cars could be cheaply shipped to the factories. And, of course, everything they produced was easily shipped or transported by rail via the lines that connected the city to the rest of the country. By 1920, Detroit was the fourth largest city in the United States. As the companies expanded production to meet the growing demand, hundreds of thousands of people immigrated to the city. The Great Migration, as it came to be known, brought consecutive waves of Blacks from the South. The demand for workers drew people from southern and eastern Europe as well. In short, within a relatively short period of time, Detroit became one of the most ethnically diverse cities in the world. This collision of cultures resulted in it being an important artistic incubator. Barry Gordy established Motown Records there in the 1960s, which, as we all know, transformed American music. Like Philadelphia, for most of the 20th century, Detroit was one of the most important cities in the world.

By the 1970s, Detroit's fortunes took a turn for the worse. The biggest factor impacting it was the 1973 Oil Crisis. The Saudi Arabian-led Organization of Arab Petroleum Exporting Countries (OPEC) put an oil embargo on the nations that had supported Israel in the Yom Kippur War. Although the embargo only lasted six months, it had a brutal and permanent impact on Detroit's automotive industry. Up to this point, most American automakers were not concerned

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[345] Henry Ford's success quickly led to other automotive pioneers such as William Durant, Horace and John Dodge and Walter Chrysler establishing car companies. As a result, by the early part of the 20th century Detroit was the automotive capital of the world.

with fuel economy primarily because gas was so cheap. But the embargo caused a shift in consumer demand opening the door to European and Japanese auto manufacturers, which had been building more fuel effective models for a long time. This shift broke the stranglehold American auto manufacturers had on the market and for the next decade they struggled to realign their production to create vehicles in line with the new market demands. The lag proved catastrophic. For most of the 20th century, Detroit experienced both economic and population growth. In 1900, the city's population was 285,784. By 1930, it had jumped to 1,568,662.[346] Between 1970 and 1983, though, Michigan lost 210,000 manufacturing jobs, 70% of which were located in Detroit. During the 1980s, the United States was rapidly transitioning from manufacturing to white collar work. Michigan responded by retooling its economy and went on to gain 310,000 new jobs. But Detroit never again caught its stride and experienced a net job loss during this same period.[347]

Detroit's municipal administrators understood the importance of rating agencies and worked hard to counteract all of this in order to maintain an investment grade rating. But, as the economic problems that plagued the city during the 1980s spilled into the 1990s, the city's core financial indicators went from bad to worse. The city's median household income dropped by 20% while the poverty rate jumped ten full points from 22 to 32%.[348] The loss of secure, well-paying jobs caused the bottom to fall out of the housing market. No one was moving to Detroit anymore. By 1993, blue collar homes sold for $25,000 whereas the mansions that had once belonged to automotive executives traded for as little as $150,000.[349] Twenty percent of the

[346] Sinclair, *The New Master's*, 105.
[347] Joe T. Darden, Richard Child Hill, June Thomas, and Richard Thomas, *Detroit: Race and Uneven Development* (Philadelphia: Temple University Press, 1987), 254; Sinclair, *The New Master's*, 105
[348] "Detroit's Mayor: A Job Fit for Heroes," *Economist*, 28 August 1993, 26; Sinclair, *The New Master's*, 105.
[349] Linda Diebel, "Devolution of Detroit," *Toronto Star*, 11 July 1993, F2; Sinclair, *The New Master's*, 105.

office buildings were officially listed as vacant with the real number probably closer to forty. Demolition permits exceeded construction by 41,800.[350] By 1989, the unemployment rate had reached 15.7%, the highest of any American city at the time.[351] Fearing an irreversible spiral into debt, city administrators did everything they could to maintain a population above one million lest it lose millions of dollars in state and federal funding. To maintain a semblance of normalcy, as well as to avoid overburdening the police and fire departments, the city did something unheard of in the history of the United States: it plowed over the unoccupied homes, fenced in the land, and transformed once thriving suburbs into fields they christened 'urban pastures.'[352] Detroit's slow, downward slide into bankruptcy carries within it a dark warning: There is almost nothing a government will not do to maintain a positive relationship with bond market rating agencies.

In 1992, after serving for twenty years as mayor of Detroit, Coleman A. Young announced he would be retiring from politics. The following year there was a heated race to succeed him that ultimately led to Dennis Archer, a distinguished lawyer and public servant, being sworn into office. Of course, the first problem he faced was a $88.5 million budget deficit.[353] One of his first acts was to hire Valerie Johnson, a Merrill Lynch staffer, as a financial advisor. Johnson was a leading figure on Wall Street and helped him develop a strategy to deal with the rating agencies. To avoid bankruptcy, Detroit needed to maintain access to the capital markets at competitive rates of interest. This meant maintaining an investment grade rating.[354] Two years earlier, Moody's dropped the city to speculative grade. Archer's primary goal was to

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[350] Ibid.
[351] Ibid.
[352] Nancy Costello, "Urban Pasture Proposed as Way to Improve Detroit," *Globe and Mail*, 7 May 1993, A17; Sinclair, *The New Master's*, 105.
[353] Karen Pierog, "Detroit Hits the Road to Make a Case for Fiscal Rebirth," *Bond Buyer*, 16 December 1994, 4; Sinclair, *The New Master's*, 106.
[354] Sinclair, *The New Masters*, 106.

do everything in his power to bring it back up. One of the first doors Archer and Johnson knocked on was that of Joe O'Keefe, the managing director of Standard & Poor. Several years later, O'Keefe reported in *Bond Buyer,* a New York based trade newspaper, that:

> He (Mayor Archer) came right away after the election, and he wanted to understand our concerns and he wanted to incorporate them into his strategic plan … he was very open to our comments, and he was concerned about what our feelings were. I remember him taking a lot of notes.[355]

The economic plan that soon followed was lifted entirely from the neoconservative rulebook rating agencies endorsed. Almost all of Archer's decisions mirrored what was happening in Philadelphia around the same time. Archer's first order of business was to eliminate as many expensive municipal employees as possible and then move this work to nonunionized contract labour. The idea is to slim government to the thinnest margin possible so that services are filled by investors and entrepreneurs. According to the neoconservative playbook, government should never be a competitor. Its role is to stand back and let the market fill the void. And that is exactly what Archer and his team set out to do.

The first positive response from a rating agency to this plan happened sooner than expected. Although Moody's kept Detroit at a speculative grade, it praised the city in its report and wrote that it was cautiously optimistic about the city.[356] In the fall of 1996, S&P raised its rating for Detroit from speculative to investment grade praising the city's economic recovery and financial discipline. This resulted in an almost immediate about-face within investment circles that proved to be a tremendous financial boost for the city. Between 1994 and 1997, over $5.5

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[355] Aaron Baar, "With the Gloom Lifting, Dennis Archer Positions Detroit for the 21st Century," *Bond Buyer*, July 16, 1997; Sinclair, *The New Master's*, 107.
[356] Christine Pagen, "What's Selling: Brokers Tell Investors the News about Detroit's Turnaround," *Bond Buyer*, November 13, 1996, 8; Sinclair, *The New Master's*, 107.

billion in new investment flowed into Detroit.[357] In December 1997, Moody's upgraded the city again, citing (of all things) that investment was flowing back into the city. In other words, the fact that people were willing to invest in Detroit was reason enough to warrant a higher rating.[358] By October 1998, the city was upgraded five times by Moody's, S&P and Fitch. When Archer left office in 2001, his budget director, J. Edward Hannan, described his legacy by saying the council members Archer worked with never really got the importance of ratings. For them, politics was tangible. More money spent on a garbage truck got a better truck. For them, ratings were intangible. Archer's bid to secure lower rates of interest on the money the City used to buy the garbage trucks was the more important victory. "That's real money," he explained.[359]

It is worth noting that in the end – 18 July 2013, to be precise – Detroit filed for Chapter 9 bankruptcy. It was the largest filing of a municipal bankruptcy in the history of the United States. Following the declaration, Rick Snyder, Michigan's governor, appointed Kevyn Orr as the Emergency Manager responsible for the negotiations with the city's creditors. They ended in failure and court hearings ensued. On 3 December 2013, after a nine-day trial, the Bankruptcy Court ruled Detroit eligible for bankruptcy on $18.5 billion in debt. Michigan was forced to pass several pieces of legislation to stave off any further attempts by creditors to access assets. Then, on 7 November 2014, after a two-month trial, Detroit officially went bankrupt. It is estimated that its creditors were given anywhere from 14 to 75 cents on the dollar.

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[357] "Exorcizing Devils," *Economist*, 8 November 1997, 8; Sinclair, *The New Master's*, 107.
[358] Tammy Williamson, "In the Midst of Motor City Resurrection, Moody's Upgrades the Outlook on Detroit," *Bond Buyer*, 9 December 1997, 5; Sinclair, *The New Master's*, 107.
[359] Elizabeth Carvlin, "We Didn't Screw It Up," *Bond Buyer*, August 29, 2001, 1; Sinclair, *The New Master's*, 107.

Case Three - Greece

The acronym says a lot about our attitude towards debt – PIGS. Of course, it stands for *P*ortugal, *I*taly, *G*reece, and *S*pain. We can trace its origins to the 1990s when Europe was working to create both an economic and a political union. During that time, PIGS was the derogatory term used to refer to the so-called weak underbelly of Europe that threatened the stability of the union. Of course, it changed to reflect the dynamic nature of the European economy. PIGS gave way to PIIGS once the Irish economy, the Celtic Tiger, took a nosedive in 2006.[360] Then a second G was added when Great Britain's economy tanked. Nevertheless, be it PIGS or PIIGGS, the media has used the acronym to pin the image of a glutenous animal to any country that fails to pay its debts.

As we learned at the beginning of the second section in this chapter, *Some Conditions May Apply*, Greece's economy dissolved in 2007 in the face of the U.S. subprime mortgage market collapse. Although this event took place on the other side of the globe, it triggered a global banking crisis and credit crunch that not only led to the demise of Lehman Brothers but prompted government-led bank bailouts in the United States and Europe. In many ways, this economic crisis closely resembled what happened during the Great Depression. If we believe that money is debt, it therefore follows that the worst thing that can happen to an economy is for commercial banks to stop extending loans. In effect, this is what happened in both the Great Depression – or the Great Contraction, as Milton Friedman and Anna Schwartz attempted to rebrand it – and the subprime mortgage crisis. The primary difference between these two economic events was that the central banks in the West extended unprecedented amounts of money to bailout the commercial banking system. Greece was particularly hard hit by this crisis.

[360] The Egyptian born economist, Karim Abadir, famously sunk the image to a new low when he changed the order to GIPSI, referencing the nomadic Romani people who refuse to integrate.

What is telling about the event is that even though Greek citizens voted in a referendum overwhelmingly against economic austerity, it was imposed on them anyway. As Wolfgang Schäuble, the German Finance Minister to the Eurogroup said glibly during one of the closed-door negotiations, “Elections cannot be allowed to change economic policy.” In other words, Greece needed to conform whether its people wanted to or not.

In 1981, less than a decade after Prime Minister Constantine Karamanlis returned from his political exile to transition Greece back into democratic rule, Greece joined the European Economic Community (ECC). The ECC, established by the *Treaty of Rome* in 1957, created what came to be known as the Common Market, which was, in effect, the forerunner to the EU. Eleven years later, in 1992, the twelve members of the ECC signed the *Treaty of Maastricht* creating the EU. More important to this conversation, though, it launched the Economic and Monetary Union (EMU), which paved the way for the negotiations to adopt the euro as the common currency. Since the idea was for member countries to integrate their banking systems, it was decided that certain economic conditions needed to be met before a country could join. For example, the *Maastricht* stated that any member needed to keep inflation below 1.5%, maintain a budget deficit below 3%, and keep their debt-to-GDP ratio below 60%. In 1999, when the EU came on-line with the euro, Greece was not in an economic position to meet the above-stated criteria. In fact, three years later, when the country finally adopted the euro, Greece was arguably still not in a position to meet this bar. The reason Greece was able to join the EMU was because Goldman Sacks, the U.S. investment bank, helped the country conceal its debt through credit-swap transactions.[361]

[361] In 2004, Greece hosted the summer Olympic Games, which cost the government $11.6 billion. This drove their deficit to 6.1 percent and their debt-to-GDP ratio to 110.6 percent. The next year, the European Commission began to monitor the state of the country’s finances.

By the time the U.S. subprime mortgage market collapse had devolved into what came to be known as the Global Financial Crisis, Greece was already on its heels. Faced rising costs and dried up financing, it was no longer able to service its debt. Over the next ten years, the country stumbled through a series of ugly political confrontations as elected governments crumbled in the face of lending principles ascribed to by the bond market rating agencies. For example, in 2009, socialist leader George Papandreou won the national election. Refusing to slash social spending, he announced that he would be running a 12% budget deficit, four times higher than what the *Maastricht* prescribed.[362] The rating agencies responded by downgrading Greece to junk status. Overnight, interest rates on Greek bonds spiked to new highs. This effectively pushed up the cost of borrowing money while at the same time sinking the country deeper into debt.

By this point, Greece was skirting perilously close to defaulting on its loans. To avoid bankruptcy, Prime Minister Papandreou was forced to implement a series of austerity measures that cut 30 billion euros in spending while also implementing tax increases. In exchange, the International Monetary Fund and the EU extended 110 billion euros in loans over three years with Germany providing the largest portion of the EU's 80 billion share. On the surface this loan appeared to be a generous offer from the North to financially float one of the glutenous PIGS to the South. In reality, though, this money was part of a complex financial game where Germany and France were attempting to float their commercial banking system without having to extend even more money from the public purse. As mentioned before, the Global Financial Crisis forced Western governments to extend unprecedented amounts of money to their central banks, which were then used to prop up the commercial banking sector. What failed to get reported in

[362] He later had to raise that figure to 15.4 percent.

the media was that the IMF and EU loans came with special conditions. None of the money actually touched Greek soil. Instead, it was looped back to the German and French commercial banks that had swooped into Greece after it joined the EU in 2001. In the pursuit of growth, these banks had extended a staggering amount of poorly backed credit that threatened to sink them in the same way as Lehman Brothers. In effect, Greece was being used to prop up the commercial banking system of its two biggest EU members. But instead of stopping there, Greece was forced to slash its social spending. Government-backed pension plans dried up. Overnight, senior citizens who had paid into them their entire life were bankrupt with no recourse. By some estimates, the suicide rate in Greece went up 40%.[363]

The same year that Greece was extended the first of its three major loans, the European finance ministers began to negotiate what came to be known as the Securities Market Program. Fearing the collapse of the commercial banking sector, it earmarked 750 billion euros for a special initiative where the European Central Bank (ECB) was tasked with purchasing any of the bonds issued by Greece and the other struggling members.[364] It is worth noting that this was an unprecedented fiscal feedback loop. Effectively, ECB extended loans to countries it was supposed to keep at arms length to preserve the integrity of the currency. Unfortunately, this was not enough. Still hovering close to bankruptcy, the threat of a Greek default threatened to topple this layer cake of loans being used to prop up the euro. Hammered with public anger over austerity, Prime Minister Papandreou called for a national referendum on the second bailout agreement he was being forced by the EU to negotiate. The posturing forced him to not only call off the referendum but to step down as leader. This paved the way for a second EU-IMF bailout,

[363] From 2003-2010, the suicide rate for men was 5.75/100,000. From 2011-2012, it jumped to 7.43/100,000.
[364] When the rating agencies dropped the Greek debt to 'Junk Bond', it froze the country out of the lending market. The ECB was tasked with buying its bonds because no one else would at the rates they were trying to sell them.

this time worth 130 billion euros. The deal included a 53.5% write-down on Greek bonds, sometimes referred to within economic circles as a 'haircut.' In exchange, the Greek parliament agreed to reduce its debt-to-GDP ratio from 160 to 120.5% by 2020.

It should come as no surprise that the largest restructuring of debt in the history of the world was negotiated in order to lift Greece from junk status back into the good graces of both the rating agencies and the bond market. If Greece had not been a member of the EU, there is no doubt that it would have declared bankruptcy such as Sri Lanka, Thailand and Argentia have in the past. But, as a member of the EU, the Greek Debt Crisis provides us with an interesting glimpse into the mechanics of borrowing money. Indeed, it reveals just how far things can be pushed to keep a financial system running. A Greek default would have undermined the euro. As a result, the EU went to extraordinary measures to avert that from happening. By some measures, these interventions were successful. On 10 April 2014, Greece returned to the international financial market by issuing its first Eurobonds in four years. Three billion euros worth of debt packaged into five-year bonds at 5% interest – a surprisingly low rate considering the scope of the crisis – was picked up by the market. To many investors surprise, not only was this debt picked up in short order, the bonds raised one billion euros more than expected.

If there is any doubt that money is debt, and that currency is a fascinating game played at times with dire consequences, one needs only consider the Debt Ceiling Crisis that has played out in the United States since 2011. When the Republican Party took control of the House of Representatives, they placed several demands in front of President Obama. Before agreeing to raise the debt ceiling – the statutory maximum amount of money the Treasury is allowed to borrow via the bond market – they wanted to see the government attempt to lower its deficit. The negotiations grew intense and were ultimately resolved two days before the U.S.

government ran out of money. As a backup plan, it was proposed that the Mint would create an ‘off budget’ one trillion-dollar coin, which it would give to the Treasury bypassing the need to issue new debt.

SUMMARY

This chapter forms a central premise in my argument, namely that the bond market and its gatekeepers, the rating agencies, exert far more power over a government's decision-making ability than has been previously acknowledged by politicians or members of the media.

In the first section of this chapter, we learned how bonds were invented during the Italian Renaissance as a way to pay for the Italian Wars without having to raise funds through taxes. It was an ingenious financial mechanism that operated like a reverse loan where the issuer of a bond – a government – promises to pay the purchaser back within a set period of time. As we saw, bonds quickly developed into a tradeable commodity that reflected the issuer's creditworthiness. In the second chapter, *The Politics of Creditworthiness,* we saw how rating agencies such as Moody's, Standard & Poor, and Fitch were founded during the early half of the 20th century, and then, over time, became the gatekeepers of the bond market through credit evaluation. In the last section, *Some Conditions May Apply,* we saw how this financial system exerts power and influence over elected governments, forcing them to either adopt or abandon specific spending priorities.

Again, this chapter is an essential premise in my argument. As we will see in the next chapter, *Nova Scotia's Descent into Debt*, the province slowly lost control of its finances over the course of the 1980s until it found itself teetering on the verge of bankruptcy during the first half of the 1990s. It was during this period that the province shifted spending on higher education away from the universities towards skills training.

“You teach a child to read, and he or her will be able to pass a literacy test.”

George W. Bush

CHAPTER SIX:

THE HISTORY OF NOVA SCOTIA'S DESCENT INTO DEBT

CHAPTER OVERVIEW

The primary goal of this chapter is to look at the root causes of the debt crisis the Savage Liberals inherited upon defeating the Progressive Conservatives in the spring of 1993. This crisis defined their four years in office, shifting them from a 'tax and spend' government to one singularly focused on austerity.

The first section, *The Rules of the Game*, places Nova Scotia's economy within the global financial system. By pulling together information covered in the previous two chapters, we look at how a government gets the money it distributes via its annual budget. We also examine its limited range of options should it become overextended.

The second section, *A Culture of Defeat*, looks at the root causes of the 1993 debt crisis. Beginning with a minor recession in the 1880s that transformed the province's banking sector, we explore how Nova Scotia lagged behind other provinces at critical points throughout the 20th century and how this led to a massive accumulation of debt in the 1980s under Premier John Buchanan, a debt the Savage Liberals inherited.

The final section, *Suicidal Lemmings*, looks at the backroom negotiations that forced Premier Savage to abruptly shift his government's economic priorities within his first few weeks in office. Specifically, we look at the money they borrowed, the conditions on the loans, and the austerity measures that resulted in the educational policy shift away from the university sector to a skills-based one under the Nova Scotia Community College.

THE RULES OF THE GAME

Bernie Boudreau was not an obvious choice for Finance Minister. He was a lawyer by training whose only experience with fiscal management was running a small law firm in Cape Breton. In the spring of 1993, immediately following the election that vaulted them into power, the Liberal caucus gathered at the Inverary Inn to set goals and governing priorities. During the weeklong retreat, the newly elected Premier, John Savage, asked each member of his caucus to submit a one-pager in which they were to explain to him what role they wanted to play in government and why. Despite not having a stitch of experience that would warrant such an appointment, Boudreau lobbied for what is arguably the second most important position in government.
[365]

Boudreau was not new to politics. He had been elected to the House of Assembly in 1988 and spent his time in opposition observing the Progressive Conservatives unravel in front of him. During this period, he rented an apartment in downtown Halifax that not only happened to be in the same building as his colleagues John MacEachern and Ritchie Mann, but in the same hallway. (All three would go on to assume critical roles in Savage's cabinet.) When the Legislature was in session, they hung out most evenings. 'Over a bucket of chicken and a case of beer' they would stay up late sharing what they had learned from the reports and memos they were able to access from the civil service. With time, it became clear that each of them had hived off distinct areas of interest.[366] For Boudreau, it was the budget. Every decision a ruling party made flowed from it. During his five years in opposition, he scrutinized each of them in

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[365] 28 April 2007; SMUA, Author's interview with Bernard Boudreau, December 2009.
[366] SMUA, Author's interview with John MacEachern, 28 April 2007; 28 April 2007; SMUA, Author's interview with Bernard Boudreau, December 2009.

detail. In fact, he said as much in his one-page memo to the Premier. Somewhat to his surprise, Savage appointed him Finance Minister.[367]

Three years later, on a cloudy Monday morning, Boudreau rose before the House to table his third budget.[368] It was a seminal moment. For the first time in over twenty-five years, the government had balanced the books. After two and a half decades of borrowing to pay the bills, Nova Scotians no longer needed to go with cap in hand to the bond market to cover its shortfall. And though the financial storm had blown off, it did not mean that the dark clouds had parted. A balanced budget was just that: a balanced budget. The province was still over $9 billion in debt. Worse, it was carrying one of the highest per capita debts of any province in the country. This meant that approximately one-fifth of the $4.17 billion collected in annual revenue was needed to service this debt. Or, as Boudreau put it in his speech, for every dollar in taxes collected from Nova Scotians, 21 cents was paid out in interest on our loans. Nevertheless, this budget was cause for celebration. After three tumultuous years in office, the Liberals had wrestled spending back under control. Moreover, they had turned the province from its traditional home-grown approach to economic development – complete with patronage and kick-backs – into one that was, as they say, 'open for business.'[369]

In Boudreau's own words:

> Mr. Speaker, two years ago when I stood in this House to deliver a budget, Nova Scotia was at the brink of financial ruin. Today, our finances are sound. Two years ago, our economy was floundering.

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[367] 28 April 2007; SMUA, Author's interview with Bernard Boudreau, December 2009.
[368] Historical weather is drawn from www.climate.weather.gc.ca/, see: https://climate.weather.gc.ca/climate_data/hourly_data_e.html?hlyRange=1961-01-01%7C2012-09-13&dlyRange=1953-01-01%7C2012-09-13&mlyRange=1953-01-01%7C2012-09-01&StationID=6358&Prov=NS&urlExtension=_e.html&searchType=stnProv&optLimit=specDate&StartYear=1840&EndYear=2022&selRowPerPage=25&Line=28&lstProvince=NS&timeframe=1&time=LST&time=LST&Year=1996&Month=4&Day=22
[369] Bernard Boudreau, "Budget Address Province of Nova Scotia, 1996" Government of Nova Scotia, see: https://beta.novascotia.ca/sites/default/files/documents/budget-archive/Budget-1996-Budget-Address.pdf.

> Public services were in danger of collapse under the weight of massive public debt. Today our economy is growing stronger, tax relief is imminent, and our vital public services are secure.
>
> We have come a long way. Just three years ago, deficits in the hundreds of millions of dollars were considered business-as-usual. Our debt was exploding, and payments on that debt were swallowing more and more of the money needed for services to Nova Scotians.
>
> This government embarked, first on an emergency program and then on an orderly plan of recovery. But even with the latter, immediate and dramatic action was required. Significant and in some cases radical changes had to be made to the operations of government. Anything less would have doomed us to failure.
>
> Today, old inefficient bureaucratic systems are giving way to new effective services to people. Public programs are safe because we can afford them. The way has been paved to a more competitive Nova Scotia that can offer opportunity to all.
>
> We have come a long way, but we have a way to travel yet. Our province must stay on solid financial ground and build competitive advantages that help business, industry, and individuals grasp the opportunities those advantages will offer.[370]

The first thing we need to consider when reflecting on this speech is that none of the above stated 'deliverables' were part of the Liberals' election mandate. To the contrary, if they had campaigned on the austerity measures they needed to invoke a balanced budget, it is fair to say the electoral landslide that swept them into office probably would not have materialized. In fairness, though, when the Liberals were campaigning, they had no idea that these would become their governing priorities. Even Boudreau, who had spent five years scrutinizing the Tory budgets, failed to appreciate the depth of the province's financial problems until after they were elected. In fact, during a heated campaign debate, Savage swore unequivocally that he would not increase taxes. It was a promise he would break within his first six months in office – a promise

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[370] Ibid., 1.

that arguably ended his political career. It therefore follows that the austerity measures the Liberal caucus adopted were reluctantly decided upon behind closed doors *after* they had been elected to office.

"Suicidal lemmings walking off a proverbial cliff," was how John MacEachern, Minister of Education, described the decision.[371] The Liberal cabinet knew that austerity would get them booted from office come next election. Their hope – and it was faint – was that if they balanced the budget before the next election, they could present themselves as reliable fiscal stewards and therefore be worthy of a second chance.[372] It was for this reason that Boudreau's 1996 balanced budget was cause for the caucus to celebrate. They believed they were back on track to being re-elected. What they failed to appreciate at the time, though, was that the Liberal party itself – the volunteer apparatus that pounded signs onto lawns and stood next to them as they knocked on doors handing out pamphlets – had abandoned them. Long before Boudreau rose before the House to make this historic announcement, the Savage Liberals were dead in the water.[373]

All of this raises several important questions. First, why did they pursue austerity if they knew it would lead to their demise? Second, how did Nova Scotia fall so deeply into debt? And finally, were there other options they could have chosen? We will delve into each of these questions in the next two sections. For this section, though, we will answer a question that, on the surface, might appear to be almost too simplistic to ask: Where does the money a government uses to table a budget come from?

[371] SMUA, Author's interview with John MacEachern, 28 April 2007.
[372] Jeffery J. MacLeod, *Clientelism in Practice: An Analysis of Nova Scotia Politics, Patronage and John Savage* (Doctoral thesis, University of Western Ontario, 2002), 115-116.
[373] Ibid., 136-139; In March 1997, a poll showed the Liberals trailing 25% to 32%, and that Savage's popularity had dropped to 19%.

As we learned in Chapter Four, physical money – the kind we carry around in our wallet – is created by the Canadian Mint and therefore falls under the purview of the federal government. Logic dictates that, when a province such as Nova Scotia experiences a budgetary shortfall, it should ask the federal government to print more money. After all, most of this money is used to pay for social priorities, such as education and health care. On occasion governments actually do this. For example, in the mid-1970s, Argentina responded to its debt crisis by printing money. The result was that, between 1975 and 1990, the country's annual inflation rate was 300%.[374] To the unschooled observer, there is a mysterious relationship between these two phenomena. Whenever a government prints money, there is almost always a spike in inflation. If we think of this relationship through the lens of the credit theory of currency, this makes perfect sense. Think back for a moment to the IOU for the bowl of soup. That piece of paper had value because people believed that the person who documented the debt would honour it with a bowl of soup. But, if someone makes a copy of the IOU and begins to circulate it, it will not take long for people to doubt the *value* of both IOUs. Why? Because there are now two IOUs in circulation that lay claim to *one* bowl of soup. The same thing happens when a government prints money. The result is inflation.

There is a strange feedback loop here that does not make sense. In short, if a government creates currency, why is it not allowed to print as much as it needs? In fact, based on the Argentinian example, it appears as if a government does not have any claim on the money it prints. How can it be that a government is responsible for the creation of its currency but is not allowed to own it?

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[374] Veigel, Klaus Friedrich Veigal, "The Great Unraveling: Argentina 1973–1991," (UCEMA.org, 2005) see: https://webcitation.org/63vquNOiS?url=http://www.ucema.edu.ar/conferencias/download/Klaus1.pdf.

Again, as outlined in Chapter Four, money is 'created' whenever a person walks into a commercial bank to take out a loan. Moreover, as that debt is paid down, the money quite literally disappears from circulation. It therefore follows that money – *real* money – is not the paper and coins created by the Canadian Mint, but is rather the debt recorded on the ledgers of the commercial banks. If we take this logic a step further, we can see that the relationship between money and debt extends to economic performance. In short, the more commercial debt carried by citizens within a society, the greater number of economic exchanges taking place between citizens. We saw this played out in an earlier chapter where money issued to a borrower in the form of a mortgage is passed on to a contractor who in turn uses it to buy supplies from a building supply centre. According to Adam Smith, this is a good thing; it is the hallmark of a commercial society where people's interests are deeply intertwined. But we make a grave error when we mistake physical currency – the paper bills and coins created by the Canadian Mint and extended to commercial banks via loans from the Bank of Canada – for money. Again, money is debt. Currency, on the other hand, is like an official stamp that certifies the IOU for the bowl of soup is in fact legitimate.

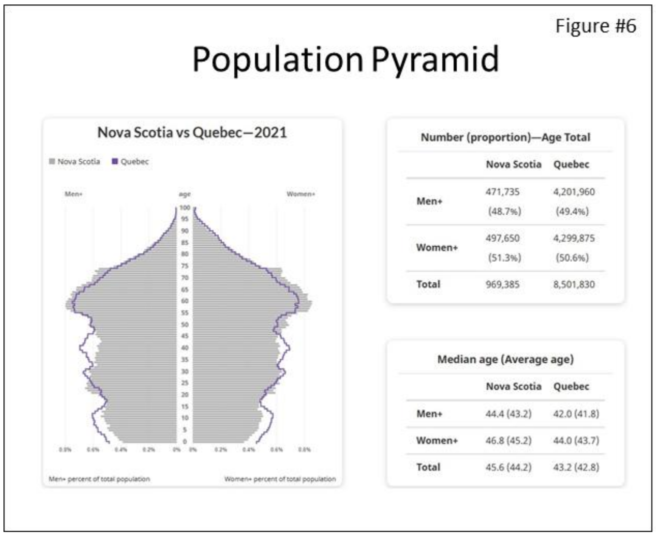
At this point, let us circle back to the question we hope to answer in this section, namely how does a government get the money it redistributes to social priorities via its annual budget? With the above in mind, provincial governments have no control over the currency circulating within its economy. Commercial banks drive an economy by presiding over debt that creates money that in turn results in a cascade of economic exchanges. Based on this logic, each level of government – federal, provincial, and municipal – has limited influence over the essential building blocks of the economy. In effect, governments operate within a financial system within which it is assumed that it will create a currency that it is not allowed to manipulate in a direct manner. A government can create or modify laws that strengthen or protect commercial banks. It can choose to deregulate this system by disbanding agencies responsible for ensuring that banks adhere to federal law. These actions can have both positive and negative effects on an economy. But if we set all of that aside, the most critical aspect of this system, money, is not to be tampered with by any government at any level. Again, money is created when a person walks into a bank to take out a loan. If we accept this to be true, then the only means a government – be it municipal, provincial, or federal – can acquire money to build a budget is through taxation.

It is important for us not to brush over this concept too quickly because of our familiarity – or maybe even our overfamiliarity – with taxes. They are everywhere. When we buy a chocolate bar at the corner store, we are taxed by both the federal and provincial government. When we sell our house, we pay a deed transfer tax to the municipality. Essentially what is happening here is that all three levels of government have hived off complex ways for them to skim a portion of the financial exchanges taking place within their political boundaries. We do not need to delve too deeply into this for the simple reason that the history of any Canadian tax is worthy of a doctoral thesis. Why? Because each one is a node with a complex web of negotiations that took place over time between all three levels of government. In short, whenever one level creates a novel way to tax, the other two levels of government need to agree (more or less) to it. What I need to reiterate, though, is that taxation is the *only* mechanism any level of government has to get money. This, of course, leads us to the next question: what is a taxable exchange?

At the most basic level, an economic exchange takes place when two people agree to exchange something. For example, an inventor might have a box of widgets she is willing to sell. If this exchange takes place in Nova Scotia, then the person buying the widgets needs to pay a 15% Harmonized Sales Tax, otherwise known as the HST. Five percent is allocated to the federal government as a Goods and Services Tax (GST), whereas the remaining 10% goes to the province as a provincial sales tax. This means the inventor, who only wants $100 for the box of widgets, must also collect fifteen dollars more than their asking price. This may not seem like much money, but, when one scales this across all the economic exchanges taking place within the province, it quickly adds up. Nevertheless, this simple exchange that results in $15 tax dollars is forwarded by the inventor to both the provincial and federal governments. This money is ‘stored’ in their coffers. Later, these governments use this money to build their annual budget, which for the most part is used to cover the cost of social priorities such as education and health care. What is important to keep in mind is that, according to the credit theory of money, the money siphoned off from these economic exchanges all originate from a loan extended by a commercial bank. The man who spent $115 on a box of widgets, in all likelihood, has no idea who took out the loan that created the money they are using. By that point the money will have passed so many hands that it is practically untraceable. But that does not change the fact that someone needs to be in debt to a commercial bank for the money to exist!

As we can see, when it comes to taxes, size matters. Population is one of the biggest drivers of economic exchanges. The more people within a province, the greater the likelihood that a significant portion of that population will walk into a bank and take out a loan. The more often this happens, the more money created within that province. The more money created within a province, the more taxable exchanges. It is a feeding frenzy that drives an economy upwards and onwards. But, if one digs just a little bit deeper into this, age very quickly becomes the driver within this driver. Much has been written about Quebec’s birth rate. Its exuberant procreation rate has often been categorized as the “revenge of the cradle” for the conquest at the

Plains of Abraham.[375] What most people do not realize is that for most of the 19th and 20th century Nova Scotia had the same birth rate. The fundamental difference, though, was that most of the people born to large families in Nova Scotia left the province to move out West. Quebecers, on the other hand, stayed. As a result, Quebec's population grew during the 2nd half of the 20th century whereas Nova Scotia's not only stagnated but got older.



[376]

When a provincial finance minister is in a shortfall, as was the case when Boudreau took office, the issue is more complex than money in, money out. Sure, the government can rein in spending and shave money off the budgets for social priorities. But there is a deeper problem that needs to be addressed if an economy is spiraling. More often than not, it means the mechanisms that drive an economy have fallen out of line and no amount of borrowing will fix these structural issues. For example, if a province's population tilts so that there are more retirees than young people, the money saved on education – a social priority directed primarily towards young people – does not offset the health care costs that are usually consumed by the

[375] John Robert Colombo, *Colombo's Canadian References*, (Toronto: Oxford University Press, 1976) 444.
[376] "Comparison Age and Gender Pyramid: Nova Scotia vs Quebec – 2021," *Statistics Canada*, 12 October 2023, see https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/dv-vd/pyramid/index-en.htm.

older segment of the population. Why? Because people between the ages of 20 to 45 are the ones who carry the most debt within an economy. In other words, these are the people who walk into a bank, take out a loan that creates money. And if there is no money being created, this means there is less of it circulating within an economy. And if there is less of it circulating, this diminishes a government's capacity to tax economic exchanges.

It is worth noting that a healthy economy is shaped like a triangle.

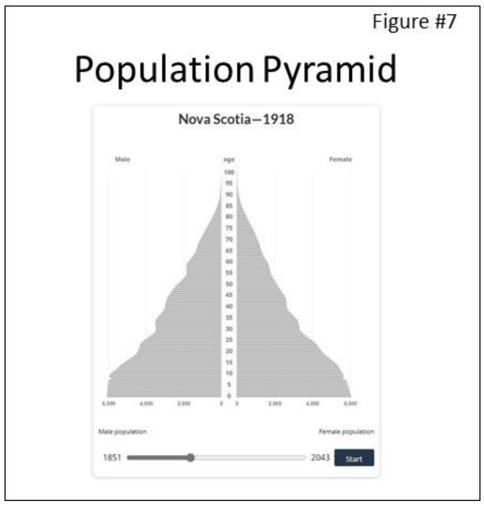


Figure #7

[377]

This population pyramid is of Nova Scotia in 1918. Men are represented on one side of the pyramid and women are on the other. The age of the population moves from youngest at the bottom to oldest at the top. Obviously, at that time Nova Scotia had a wide base of young people. In fact, more than half of the population was comprised of people under thirty, the bottom quarter of the triangle. As one moves upwards, the population shrinks, eventually trailing off at around 100 years of age. The narrowing of this pyramid represents the statistical likelihood of someone lower down dying before they reach the next level. This population shape is the one that our Western economic model is built upon.

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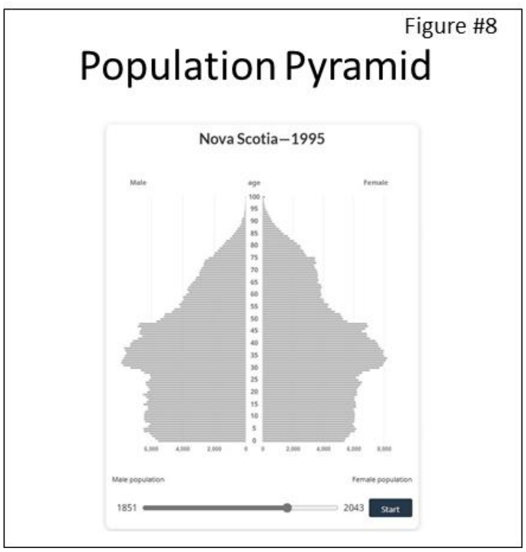
[377] "Comparison Age and Gender Pyramid: Nova Scotia – 1918," *Statistics Canada*, 12 October 2023, see https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/dv-vd/pyramid/index-en.htm.

All governments invest a significant amount of money into the bottom section of this pyramid in the hopes that these people will be able to walk into a bank and be eligible for a loan. Ideally, a government wants its citizens to create money through debt for as many years as possible. Banks, on the other hand, recognize that there is a time limit on this. They need their clients to pay off these loans. For this reason, they do not like to extend mortgages to senior citizens. As a result, the ideal economic scenario for a government is for its citizens to die debt-free at the point they are no longer eligible for a loan. Why? Because the further up the population pyramid a person moves, the more costly their social priorities become. In other words, they are a net draw on the economy with no chance for a return on that investment.

If we look at the shape of Nova Scotia's population in 1995, when Bernard Boudreau announced that the province had tabled its first balanced budget in over twenty-five years, we see a population pyramid that is ***not*** shaped like a pyramid:



[378]

This shape should have boded well for the Liberals. The large bulge in the middle is the province's Baby Boomers mid-career. Moreover, the bulge is located at the point when people

[378] Comparison Age and Gender Pyramid: Nova Scotia – 1995," *Statistics Canada*, 12 October 2023, see https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/dv-vd/pyramid/index-en.htm.

are at their highest earning potential. In other words, this population has the capacity to take out loans and engage in lots of economic exchanges. The peak at the top, though wider than the snapshot taken from 1921, is still quite narrow. Also, since Baby Boomers had fewer children than their parents, the base is narrower than the middle. Logically, Nova Scotia's social priorities should have been quite low. Why? Because the two areas where a government needs to spend the bulk of its money – health care and education – is low in comparison to the bulge in the middle where the taxable exchanges are mostly located. As we will see in the next section, the fact that Nova Scotia was carrying a massive debt while in this type of pyramid indicated to the bond market that it was headed for financial disaster.

A few weeks after Boudreau took office as the newly minted Minster of Finance, his staff handed him a report by Price Waterhouse that had been commissioned by the previous government. As the Liberal members of caucus spent the summer dreaming up ways to spend money, he was confronted with the fact that key drivers within the economy were not just out of alignment but steering the province towards bankruptcy. The bond market rating agencies, also looking at these metrics, had informed him that they had no other choice but to downgrade the province's rating, which would, in effect, drive up the cost of borrowing money at the exact time they needed it most. Fewer young people meant that within the next ten years there would be less taxable exchange taking place as the bulge in the middle moved upwards. In short, the population pyramid that formed the basis of the economic model was about to be flipped upside down. For this reason, and this reason alone, the Liberals made an abrupt about-face from a tax and spend agenda to austerity within its first six months in office. But before we look more closely at how that played out, we need to first understand how Nova Scotia came to fall so deeply into debt.

A CULTURE OF DEFEAT

In 1978, John Buchanan led the Progressive Conservatives to victory. Later that same year, when his government tabled its first budget, they ran a $76.8 million deficit, which they argued was necessary because of the "actions of their predecessors."[379] Six years later, that deficit had tripled.[380] To grasp the magnitude of just how quickly Nova Scotia was spiraling into debt, we need only consider an observation made by political historian, Murray Beck: It took one hundred years for Nova Scotia to accrue a debt of $500 million; Premier Buchanan's government quadrupled it in six.[381]

In fairness to the Conservatives, the economic problems they were struggling with were neither a localized phenomenon nor new. The word *stagflation* is a portmanteau coined by Iain Macleod, the Chancellor of the Exchequer for the British Parliament in 1970. He took two words – stagnation and inflation – and compressed them together to create a new one that he hoped would capture the strange economic phenomenon England was struggling with at the time. In a speech to Parliament he said, "We now have the worst of both worlds—not just inflation on the one side or stagnation on the other, but both of them together. We have a sort of 'stagflation' situation." The word struck such a strong chord that it was used by everyone from journalists to economists to define the hitherto unprecedented global economic downturn that stretched from the early 1970s into the mid-1980s. What proved distressing to politicians was that up to that point, economists believed stagflation was impossible. As a result, no one knew what was happening or what to do.

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[379] Kavanaugh, Peter. *John Buchanan: The Art of Political Survival* (Halifax: Formac, 1988,) 358.
[380] Ibid.; Joel Matheson, the Tory Finance Minister, projected a deficit of $248 million; a deficit which Liberal finance critic, Bill Gillis, suggested would be responsible "for bringing Nova Scotia to a rendezvous with financial disaster."
[381] Ibid.

The reason both economists and politicians were confused is primarily because of the work of William Phillips, a New Zealand economist, who established a widely held theory that there was an inverse relationship between inflation and unemployment. If unemployment was high, then inflation had to be low; and if inflation was high, then unemployment was low. By the late 1980s, long after the economic phenomenon had begun to fade, a new theory emerged that argued that stagflation occurred when two factors occurred in tandem. The first factor was an economic shock, such as the rapid increase in oil prices that occurred in 1973 when OPEC proclaimed an embargo on the West. This should have led to a temporary spike in both inflation and unemployment that would have disappeared on its own. Why? Because the economic slowdown would have caused unemployment rates to spike, which would have diminished purchasing capacity. But the governments of the day unwittingly responded with the second factor – they printed money – which tipped the balance the other way. Instead of there being an economic contraction, purchasing power remained high resulting in the previously unheard-of phenomenon where inflation and unemployment both run high as the economy slows.

When Gerald Regan’s Liberals won a minority government in 1970, the Nova Scotia economy had not yet confronted the supply shock from OPEC oil embargo. By the 1974 election, though, when his party was elected with a majority, the news was full of images of long lineups of cars waiting to purchase gas. As oil prices surged so did the cost of almost everything within the North American supply chain. The federal government under Pierre Trudeau, along with pretty much every other nation in the western world, responded by printing more money; and instead of a short recession, interest rates climbed into the double digits. When the economic baton was passed to the Buchanan government, they did what everyone else did: they issued bonds at increasingly higher rates of interest. But whereas most governments caught their economic stride by mid-1980s, Nova Scotia stumbled along for another ten years. Not only did Nova Scotia's public debt continue to grow, but this debt was also locked in at some of the highest interest rates the world had ever seen. The problem, as Boudreau learned when the economic baton was passed to him, was that it was not just a case of money in, money out.

Nova Scotia's economic problems were structural.

There is a nautical expression that says a rising tide lifts all ships. This was certainly true with Nova Scotia during the years following the second world war. But even though the province was buoyed by the post-war prosperity, it did not crest this economic wave in the same way provinces such as Ontario, Quebec, Alberta, and British Columbia did. In fact, one might argue that Nova Scotia was hamstrung by a banking industry that forsook it during the early part of the century. Complicating matters even further was the fact that the federal government implemented policies during the war that pushed the industrial sector, once and for all, into central Canada. Although Nova Scotia was expected to modernize at the same rate as the rest of the country, it lacked the two most important factors needed for this to occur: a banking sector eager to create money and industries capable of exploiting it.

It is difficult to imagine now but Nova Scotia in the 1800s was as industrious and entrepreneurial as the East Coast of the United States. One only has to drive through towns such as Amherst, Truro, New Glasgow, and Sydney to see the remnants of large industries that 'failed' to transition into the 20th century. The commonly held myth is that Nova Scotia failed to shift from the Age of Sail into the Age of Steam. But this is not true. In the period leading up to Confederation, the province had a highly developed and diversified economy. Ships were one part of what we would describe now as a diversified economy. In fact, it can be argued that shipping flowed out of the diversified land-based industries. For example, Cape Breton sat on one of the largest veins of coal in the world. Not only did this make it a global energy supplier, steel and manufacturing industries piggybacked on it. Sister companies such as Trenton Works spread down the Northumberland Shore to create a second industrial centre within the province.

Of course, this led to the flowering of other industries throughout the province. For example, Charles Stanfield established the Truro Woolen Mill, which eventually came to be known as Stanfield's Limited. New Glasgow saw the rise of Sobey's Limited. And Amherst saw the development of Robb Engineering, which produced mobile boiler engines that were vital to the growth of a forestry sector comprised of small companies in need of affordable engines to run their seasonal sawmills. Nova Scotia even caught the automotive wave establishing one of the first car manufacturing companies in North America. The question, therefore, is how did a province with a strong labour force and diversified industries fail? During the middle half of the 19th century, it was an economic powerhouse that should have continued to develop along the same lines as the states along the Eastern Seaboard.

The answer to this question can be found in a minor economic recession that took place in 1883. At the time, the province was doing relatively well. In fact, the presence of some of the above-mentioned industries resulted in a banking system that was as diversified as the economy itself. When we think of banks, we think of the Big Five. That is how our modern banking system works. The bigger the better. But during the 19th century, the province was dominated by an array of small banks, many of which were located in a specific town that worked to service the needs of the surrounding area. However, this minor recession that took place in the mid-1880s caused the leadership of the Bank of Nova Scotia to rethink its lending policies.[382]

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[382] Edward J. Chambers, "Late Nineteenth Century Business Cycles in Canada", *Canadian Journal of Economics and Political Science*, XXX (1964), 391-412; Monetary Times, 9 September 1881, p. 809; "Circular 59", 9 November 1881; "Circular 100", 30 November 1882, Bank of Nova Scotia Archives.

Although the bank was not hostile to supporting industrial development within the region, the recession destabilized its finances in such a way that it took several years before they stabilized.[383] This subsequently had "a large impact on the thinking of the bank's general manager and board of directors, who began to look for more stable investments than could be found in the Maritimes. At first, the forays beyond the region were experimental in nature, and the bank continued to make large sums of capital available to borrowers in the booming industrial and resource districts of the Maritimes."[384] This critical period of change occurred around the turn of the century. Its impact on the Maritimes cannot be overstated.

As one can see from the data below, prior to 1880, only five banks had failed:

Failed, Liquidated or Amalgamated prior to 1880 **Figure #9**
Charlotte County Bank of New Brunswick, 1825-1865 (liquidated)
Westmorland County Bank of New Brunswick, 1854-1862 (liquidated)
Central Bank of New Brunswick, 1834-1862 (failed)
Bank of Acadia, 1872-1873 (failed)
Bank of Liverpool, 1872-1879 (failed)[385]

However, during the thirty-year period between 1880 and 1910, sixteen banks within the region either failed, liquidated, or were amalgamated into another bank:

Failed, Liquidated, or Amalgamated between 1880 and 1910 **Figure #10**
Bank of New Brunswick, 1820-1913 (amalgamated with Bank of Nova Scotia)
Halifax Banking Company, 1825-1908 (amalgamated with Canadian Bank of Commerce)
St. Stephen's Bank, 1836-1910 (failed)
Bank of Prince Edward Island, 1856-1881 (failed)
Union Bank of Halifax, 1856-1910 (amalgamated with Royal Bank)
Bank of Yarmouth, 1859-1905 (failed)
Farmers' Bank of Rustico, 1862-1892 (failed)
Union Bank of PEI, 1864-1883 (amalgamated with Bank of Nova Scotia)

[383] James D. Frost, "The 'Nationalization' of the Bank of Nova Scotia," *Acadiensis.* XII, 1, (Autumn 1982): 9; Please note that by the end of 1883 "Notes and Bills Overdue" had increased by 383 percent over the previous year whereas "Authorized Overdrafts not Specially Secured" were up 158 percent.
[384] Frost, "Nationalization," 2.
[385] Ibid., 29-30.

People's Bank of Halifax, 1864-1905 (amalgamated with Bank of Montreal)
People's Bank of New Brunswick, 1864-1907 (amalgamated with Bank of Montreal)
Commercial Bank of Windsor, 1864-1902 (amalgamated with Union Bank of Halifax)
Summerside Bank, 1866-1901 (amalgamated with Bank of New Brunswick)
Exchange Bank of Yarmouth, 1869-1903 (amalgamated with Bank of Montreal)
Merchants Bank of PEI, 1871-1906 (amalgamated with Canadian Bank of Commerce)
Maritime Bank of Canada, 1872-1887 (failed)
Pictou Bank, 1874-1887 (failed)[386]

Of the 24 banks that opened their doors in Nova Scotia during the 19th century, three survived to see the year 1910. Three years later, the Bank of New Brunswick amalgamated into the Bank of Nova Scotia, leaving only two: the Bank of Nova Scotia and the Merchants Bank of Halifax.[387] Notably, the Merchants Bank of Halifax eventually changed its name to The Royal Bank of Canada to better reflect its expansion into North American markets.[388]

The Bank of Nova Scotia and the Merchants Bank of Halifax survived by implementing the same aggressive policy. Although they were not averse to investing in the region, they shifted their focus to secure investments while channeling greater portions of their deposits to external and arguably more prosperous markets. As one can see from the following graph, Maritime loans began to drop in 1881 whereas non-Maritime loans rose steeply and eventually surpassed them in 1887. By 1910, Maritime loans reflected only about 25% of the banks' portfolio. When one compares this against the deposits made by the region, this stayed close to 100% right up to 1890 and remained near 80% until the turn of the century. In other words, Maritimers continued to put their savings into banks that no longer wanted to lend money to people in the region. This resulted in a systematic syphoning of capital out of the region.

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386 Ibid.
387 In 1901, the Merchants Bank of Halifax changed its name to the Royal Bank of Canada to better reflect its expansion into the markets throughout North America.
388 The banks that dominate the Canadian economy – sometimes referred to as the Big Five – are: The Bank of Nova Scotia (Scotia Bank); The Royal Bank of Canada (RBC); The Toronto Dominion (TD Bank); the Bank of Montreal; and The Canadian Imperial Bank of Canada (CIBC).

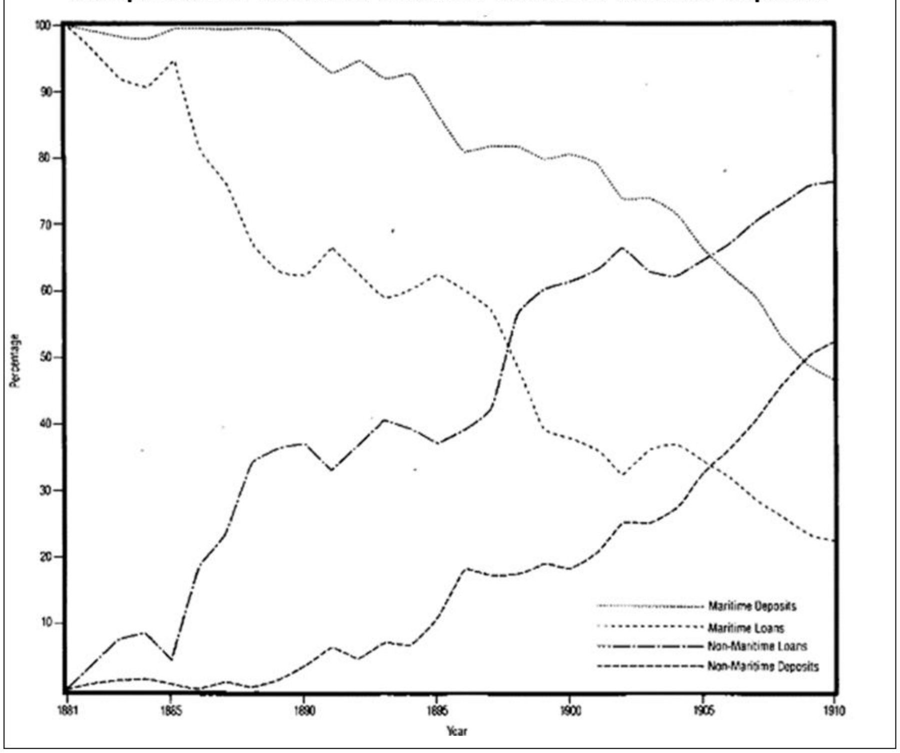

Figure #11

Comparison of Maritime and Non-Maritime Loans & Deposits [389]

If we return for a moment to the credit theory of money, we can appreciate just how catastrophic this was for Nova Scotia's economy. Banks are where money is created. And if they decide not to issue loans – or, worse, if they accept deposits, which funnel to other provinces – there is no other direction for the economy to go other than down. In essence, Nova Scotia entered the 20th century crippled by a banking system that abandoned it, creating a cycle of poverty that carried straight through to the end of the 20th century. This was the root cause for what Prime Minister Stephen Harper once described in an interview with the Canadian press as Nova Scotia's 'culture of defeat.' The economic stimulus brought on by World War II might have broken this cycle, but the Canadian government saw the war as an opportunity to further

[389] Frost, "Nationalization," 5.

strengthen the Canadian Federation by channeling most of the industrial capacity into Central Canada.

The person most widely credited with transitioning Canada's economy from agrarian to industrial was C.D. Howe, the Canadian politician who served under William Lyon Mackenzie King during World War II. Indeed, at the time, his influence was so great that he was often referred to as the Minister of Everything. During the war, he recruited a bevy of corporate leaders as 'dollar-a-year-men' to help him develop wartime enterprises. The dollar-a-year moniker was a bit of a ruse. It was clear to everyone in the room that they were all going to profit greatly in the years to come from their 'volunteer' work. What is interesting is that C.D. Howe knew Nova Scotia probably better than anyone in government at the time. Although born in Massachusetts, Howe moved to Nova Scotia as a young man to assume a role as professor at Dalhousie University. While there, he developed the network of people who not only assisted him with the war but made him one of the wealthiest people in Canada.

Howe could have invested in Nova Scotia; but, as we can see, he chose not to. Howe's vision of Canada was one where a strong industrial core was needed to hold both coasts under its arm while at the same time exert a countervailing force against the pressure placed on the union by the presence of the United States. Quite possibly, Canada might not have survived the 20th century had he not done this. Nevertheless, the economic impact on Nova Scotia was complete. Within a generation, Nova Scotia became a have-not province. It struggled to keep up with the rest of the country, and when it was clear that it would never catch up, it became dependant on federal transfer payments. Although Nova Scotia maintained a fertility rate equivalent to Quebec, most people born in the region left. Although most of Nova Scotia's $9 billion debt was amassed during the period between 1975 and 1996, the seeds of this crisis were sown a century earlier. Indeed, when the global economy became financialized in the late 1980s, the province was paying almost 21 cents in interest on every dollar it collected in taxes. If one factors out the federal transfer payment program, it was probably closer to 50 cents. As far as the bond market rating agencies were concerned, the province was caught in the same economic death spiral as Detroit, Pittsburgh, and Greece.

SUICIDAL LEMMINGS CHARTING THEIR COURSE

For Dartmouthians, John Savage was 'that bearded hippy doctor' who always seemed to be going off about something. He was born in Wales in 1932 and immigrated to Canada in 1967. He made Dartmouth his home and lived there until his death in 2003. To say that he ran against the conservative grain of the province would be an understatement. He was a divisive figure who almost instantly got under some people's skin. For them, he was a 'come from away' who had no right telling them what to do. But for others, he was a 'breath of fresh air' who said what needed to be said. It was only natural he would get involved with politics. For example, in the 1970s, he banded with a loose affiliation of physicians who successfully lobbied the provincial government to create the Dartmouth General, a hospital they argued was needed to service the demands of the growing city. His first official run for office came five years after he immigrated. He ran for the federal Liberals under Pierre Trudeau though he knew his odds were slim. Michael Forrestall, the incumbent, was a popular politician who not only took the seat with twice as many votes but held it for another sixteen years.[390] What Savage did not anticipate was how vindictive the political establishment could be. He ran one of the only methadone clinics in the province and discovered that his license to run the clinic had been revoked by none other

[390] Michael Forrestall was a popular politician who successfully held the seat from 1965 to 1988. In the 1972 election, Forrestall secured 24,553 votes whereas Savage came a distant second with 13,543.

than Premier Buchanan.[391] It should come as no surprise that patronage was the primary reason he ran for the leadership of the Liberals in 1992.[392]

At the time, Savage was Mayor of Dartmouth. He had done a good job and his bid for the leadership was considered a sure thing. Although he was a long-time member of the party, he was in reality a political outsider. As Mayor, he was a visible enough public figure that he appeared to check all of the requisite boxes. He was tall, articulate, and stately. What people failed to appreciate was just how bristly he could be. At the time, though, his outsider status played to his favour, primarily because the former leader, Vince MacLean, had somehow acquired almost as much political baggage as the beleaguered Conservatives led by John Buchanan. To everyone's surprise, when Donald Cameron took over, he gained ground for the simple reason that he was serious about weeding the corruption from his own party. As a result, the Liberals needed a similarly 'clean' candidate if they hoped to dislodge the Conservatives in the next election. At the start of the campaign, it was Savage's race to lose. In fact, it was widely rumoured (and somewhat substantiated) that Don Downe's bid had been orchestrated by the party so that it would not look like a coronation.

The first troubling thing to come to light was that Savage actually considered patronage a problem and planned to do something about it if elected. For the party, this was a plank in the platform one paid lip service to. No one had any intention to do anything about it. Patronage was how leaders secured loyalty up and down the line. But for Savage, if Nova Scotia was ever going to shrug off its status as a banana republic within the Canadian federation, patronage needed to be eliminated once and for all. The bigger problem, though, was Savage's personality.

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[391] MacLeod, *Clientelism in Practice*, 107; In an interview with MacLeod, Savage said that when he asked why his license was being revoked, "I was told by Marvin Burke that Buchanan says he's sorry but you've got to go. I wouldn't have known Buchanan if I had fallen over him."
[392] Ibid., 104-116.

When he met people on the 'doorstep', he came across as either arrogant or distracted. The warmth members had for him at the beginning of the campaign cooled almost as soon as they got to know him. Don Downe, the person rumoured to have been recruited to run against him, quickly began to look like the better candidate. By the time the leadership vote took place, it was almost a tie. In fact, Savage needed a second round to secure the vote.[393] The doubts about him during his bid for leader were quickly set aside when the election was called during the spring of 1993. He trounced the Conservatives taking 40 of the legislature's 52 seats.

Oscar Wilde once said there are two tragedies in life: one is not getting what one wants, and the other is getting it. For the Liberals, winning the election was the beginning of a long series of ugly problems. As mentioned at the beginning of this chapter, following their victory, Savage retreated to Inverness with his caucus to select a cabinet. He consulted with each member, asking them to provide their top three choices as well as what they would like to accomplish if selected for Cabinet. Upon announcing his cabinet, they broke for the summer with everyone returning to their constituencies. His newly minted cabinet, though, had homework. They were tasked with working out the plans they hoped to achieve in their new portfolio. It was a heady period. They parted ways feeling hope for the future, believing that when they returned in the fall, they would reinstate good government back into the lives of Nova Scotians. Roads would be built, schools reformed, and hospitals adequately staffed. During that summer, though, an audit of the province's finances for the first quarter of the 1993-94 fiscal year, which the Conservatives had commissioned Prince-Waterhouse to do before the election, arrived on Bernie Boudreau's desk. The report showed that spending was up $46 million over

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[393] Ibid., 80-81.; Not long after winning the leadership, the newspapers ran a story that the only reason Savage won was because a party insider had secured over 250 electronic votes within the new system. It is somewhat surprising that, based on this, Don Downe did not contest the final vote.

the same period of the previous year. In their words, this "pointed toward a record operating deficit of $650 million."[394] To Boudreau's shock, the province needed to borrow almost three quarters of a billion dollars.

Bernie Boudreau spent a very different summer from his cabinet colleagues who had been tasked with how to build a better province. As Finance Minster, he finally had the administrative resources to dig deeper into the unanswered questions he built up during his time in opposition. He had a sense that things were bad. In fact, that was the reason he wanted the position in the first place. What he did not realize though was that the province was on the precipice of financial ruin. As his colleagues spent the summer dreaming about all the money they would spend on projects for their portfolios, Boudreau underwent a crash course in austerity.

In early September 1993, a few weeks before Cabinet was scheduled to reconvene, Boudreau called for a meeting with Premier Savage. It is worth noting in detail Savage's memory of that meeting because it completely changed the direction government was headed.

> Bernie sat down and he said, "Mr. Premier, we are in a major financial crisis". He proceeded to give me the best part of an hour and a half about how the debt had risen from $428 million when Gerry Reagan [was premier] …and the true figure now was probably in excess of $7 billion [and] that we were paying 21 cents or more out of every dollar on the interest on that debt. That he had several conversations with the rating agencies, and they were talking about downgrading us.
>
> We were already one of the lowest in the country and that this would have an impact on our future borrowing. And he said, all these plans that we discussed before – the improvements in healthcare, the education money – he said I don't see where we are

[394] Peter Clancy, James Bickerton, Rodney Haddow, Ian Stewart, *The Savage Years: The Perils of Reinventing Government in Nova Scotia*, (Halifax: Formac Publishing, 2000) 65.

going to get the money for all these from. He said we are going to have to cut probably $200 million out of the budget.

And I said, "$200 million!"

And he said, "Well, we have to cut. And I want to know whether you will support me on this?" And I said, after some thought, "Bernie, I don't see that I have any choice. I will support and give you freedom; draw up the scenario as you wish. It is an area of your competence".

Bernie was a very competent person who knew this and was a quick learner. Right from May 23 – he didn't know until June 10th – he didn't know the significance then. He had a suspicion that we were in trouble but he didn't realize how much we were spending on this and that and the other and how much we were losing and how much hemorrhaging was going on every day because we were borrowing like drunken sailors. And he said, "We can't go on doing this. We have to borrow for a couple of years but I am working on a four-year plan that will end this and we will have a balanced budget in five years." And I said, "That would be a good time to have one." Four years would just about be the next election.

And he said, "I have to know whether this is the way you want to go." And I said, "I think we better have a special cabinet meeting." And we had a cabinet meeting probably that first or second week in September in which an absolutely flabbergasted cabinet, many of whom spent the summer drawing up plans – Johnny McEachern had drawn up all these wonderful plans for schools and education, various departments had their own goals – bridges, roads, etc. – and all of a sudden, less than six months after being elected, we had to change course.

And change course we did.

We didn't change from the reforms and the needs to do the things, we just didn't have the money and we had to switch our priorities from the various departmental goals which I had encouraged the whole year before – meeting the Department of Education, meeting

> the Teachers union, etc., etc. all that time. We had one goal – it was to survive. And it was, in effect, survival [fiscal survival].[395]

As Savage expressed, his Cabinet was left absolutely flabbergasted. Years later, when John MacEachern was questioned about this meeting, he said: "Our problem was that we were not professional politicians. We were novices. And because we were novices, we did not look at the long-term implications of our decisions. We looked at the problems and tried to solve them."[396] The reluctant consensus around the table was that spending needed to be reined in if the province was to survive. Instead of developing projects, they were to lead their administrative departments into austerity. It was agreed that Boudreau would provide the overarching framework that set administrative milestones with how much each department would need to cut each year over the next four years. Their job as cabinet minister was to work with the bureaucracy to eliminate costs within this fiscal framework. Of course, that meant poring over each line of the departmental expenditures to see where they could cut. MacEachern later quipped, "Look, we knew what we were doing was going to be the end of us. In fact, we used to joke around cabinet that we were like that Monty Python sketch, you know the Queen's suicidal regiment. We were like suicidal lemmings following Bernie off a political cliff. Our hope, though, was that if we tightened our belt and got this under control fast enough, we could take it to the electorate and that they would understand."[397]

For his part, Boudreau set out to secure the money the Price-Waterhouse report said they would need to survive the next fiscal year. He was able to secure most of it from the financial centers in New York. But since the province was now pushing the financial envelop in terms of its debt load, he needed to travel to the financial markets in Japan to secure the final

[395] MacLeod, *Clientelism in Practice,* 149-150.
[396] SMUA, Author's interview with John MacEachern, 28 April 2007.
[397] SMUA, Author's interview with Bernard Boudreau, December 2009.

$250 million. While there, he did a number of presentations to rooms full of investors interested in purchasing Nova Scotian bonds. His department set him up with a slide projector that cast images of the Cape Breton Highlands and the Bluenose cutting through frothy waters on a sunny, summer's day. Interspliced between these iconic images were stats and figures his department knew these investors would want to know. There was a figure showing the province's population. There was one that broke the population down by age. Another showed its gross domestic product. Others focused on key industries. To Boudreau's surprise, the slide that generated the most questions from the potential investors was related to education. They wanted to know how many people graduated from high school.

To understand how the bond market works, one needs to imagine oneself in the room watching Boudreau's slideshow. Most Asian investors will not be familiar with Nova Scotia. Moreover, they are required to make a giant leap of faith when purchasing millions of dollars of debt from a place they have never been. But in a way, that is besides the point. One does not need to know what the weather is like. They do not need to know if it is a nice place to take their family for vacation. They need to figure out the statistical likelihood of the province defaulting on its loan. At this point in time, the rating agencies had not yet downgraded its rating. Agency concerns, though, would have been outlined in a report. And everyone in the room would have read it. Boudreau's slideshow was, though helpful, not critical. Indeed, his ability to articulate to these investors a clear austerity plan his government planned to use to get the province's debt back under control enabled him to convince these investors to purchase Nova Scotia's bonds at the lower end of the suggested interest rate range. But, again, education was crucial. These investors wanted to know how many Nova Scotians graduated from high school. Why? Because this was the quickest way for an investor to figure out how dynamic the bottom end of the population pyramid was. In short, education is the promise of prosperity.

SUMMARY

The fiscal crisis the Savage Liberals inherited when they were elected to office in the spring of 1993 was not new. To the contrary, the roots of this problem can be traced all the way back to a minor global recession that took place in the 1880s. This event triggered structural changes within the banking that ultimately transformed it from a community-based system to one with nationalistic aspirations. As a result, of the twenty-four banks that had opened their doors during the 19th century, only three remained come the turn of the 20th century. This effectively syphoned capital from the region that was invested into the economic development taking place in Central and Western Canada. Critical industries in Nova Scotia were forced to leave or go bankrupt.

As we will see in the last chapter of this thesis, when we look at the history of skills training, Nova Scotia's economy stagnated during the first half of the 20th century. Though buoyed somewhat by the wars, it lagged behind other economies right up until the 1970s. At this point it began to stutter and stall in the face of stagflation. Over the next twenty years, it was forced to take on a bigger debt load to maintain social services on par with the rest of Canada. When the Liberals were elected in 1993, it had reached a tipping point and was on the cusp of bankruptcy. Worse, the age breakdown of the province's population – the only thing keeping it afloat – revealed it would collapse as soon as its current workforce moved into retirement.

In the final two chapters of this thesis, we will see how this impacted both sides of the higher education funding debate that took place during the Liberals' brief time in office. On one side was a feud fought in public with the province's universities. And on the other, there were quiet and harmonious discussions that led to the transformation of the Community College system.

PART THREE

“It is only because colleges and universities are so deeply embedded in the hopes and aspirations of their communities that they become the battle ground for working out broad and social economic issues.”

Aims McGuiness
Critical Choices: A Forum on Higher Education
Nova Scotia, 17 February 1995

CHAPTER SEVEN:

A BROKEN PROMISE – DEFUNDING NOVA SCOTIA`S UNIVERSITIES

CHAPTER OVERVIEW

In this chapter, I provide an overview of structural issues that had a critical impact on the evolution of the funding of Nova Scotia's universities. The ultimate goal is to show how universities went from an atmosphere of 'gentile poverty' throughout the 19th century to being 'the engine of the new economy' in the 1960s, only to become a political and financial burden by the mid-1990s. Specifically, I look at how this reversal in fortune runs parallel with the province's descent into debt.

The first section, *A Pre-Confederation Problem*, reveals how Nova Scotia came to have so many universities and how funding them was a problem from the start. In the second section, *The Engine of the New Economy*, we look at how Canada's university presidents lobbied the federal government in the 1950s to make universities a funding priority and how the costs of this transition were passed on to the provinces the following decade. The third section, *Competing Financial Priorities*, delves more deeply into the structural issues outlined in the first section, showing why Nova Scotia struggled to cover the growing costs of its universities.

The final section, *An Abrupt About-Face*, looks at how the 1995 debt crisis became the turning point when Nova Scotia not only slashed funding to its universities, but began to reprioritize skills-based training. We also show how this decision was (and still is) aligned with bond market expectations that government expenditures should be designed to create a return on investment.

A PRE-CONFEDERATION PROBLEM

One of the problems with funding higher education in Nova Scotia – indeed, probably *the* most critical problem – is that there are too many universities.[398] The current number sits at ten.[399] Six have primary campuses located in Halifax whereas the remaining four are in communities located in rural Nova Scotia.[400] When one considers the population of the province only recently reached one million, this is a rather high number. But it is not a new problem. This problem has been around since before Confederation. The key to understanding how such a small province came to have so many universities lays in the relationship between its two oldest institutions: Dalhousie and King's College. And to understand this relationship, we need to go back to when these colleges were founded, how they were structured and why.

The person responsible for setting the terms of this relationship was George Ramsay, the Ninth Earl of Dalhousie. When Lord Dalhousie arrived in Nova Scotia on 2 October 1816, he did not have an educational agenda. To the contrary, he was an ambitious military career man, who, up to that point, had failed to demonstrate even a passing interest in such things. The restoration of his estate had left him heavily in debt. His short-term goal in going to Nova Scotia was to assume the role of Lieutenant Governor. But his longer-term goal was to reach the rank of Commander-in-Chief so that he could pay off his debts and then retire to his home in Scotland

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[398] A significant portion of the research in this section is drawn from the first chapter of my master's thesis; Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 6-32.
[399] Until the 1990s, the number of universities was thirteen. In 1995, the Technical University of Nova Scotia was amalgamated into Dalhousie. In 1997, the Nova Scotia Teachers College was closed. In 2012, the Nova Scotia Agriculture College was amalgamated with Dalhousie.
[400] Dalhousie, SMU, King's, MSVU, AST and NSCAD are located in Halifax. CBU, St. Anne's, St.F.X. and Acadia are located outside the HRM.

at half-pay.[401] However, not long after his arrival in Halifax, he began to busy himself with a subject he had never considered up to that point: education.[402]

At the time, Nova Scotia's population was approximately 80,000. Most people lived in small communities spread more or less evenly throughout the region, the largest of which was Halifax with approximately 12,000 people.[403] Although it is impossible to provide an accurate breakdown of the population along religious lines, we can derive some approximations from the 1891 census. The largest religious group were Catholics at approximately 27% of the population. This group was located primarily in three geographical areas: Halifax, Cape Breton, and the northern part of the Northumberland Shore. The Baptists – located in the southern part of the province – represented about 19% of the population, of which a small, yet powerful group lived in Halifax. The second largest group were the Presbyterians at 24% of the population. Most of these people lived on the Northumberland Shore in what is now Pictou County. But it is worth noting that this group was split against themselves in bitter feud. On one side was the traditional sect of the Kirk. On the other were the Secessionists who espoused autonomy from the Church of Scotland. Interestingly, the most powerful group in the province – the Anglicans – made up a meagre 14% of the population.[404]

Although Lord Dalhousie was a Kirk Presbyterian, his role as Lieutenant Governor meant he had to perform a number of official duties for the Church of England. One of these duties was to sit on the Board of Governors for King's College, the only university in the province.[405] We

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[401] Marjorie Whitelaw, *The Dalhousie Journals, 1 Vols.*, (Ottawa: Oberon, 1978), 15.
[402] Ibid., 27.
[403] Ibid., 9; This group was primarily located in Halifax and held strict control of most of the positions that governed the colony.
[404] J.S. Martell, *Immigration to and Emigration from Nova Scotia: 1815-1838*, (Halifax: PANS, 1942), 8.
[405] Whitelaw, *Journals*, 11.

know from his journals that this was what prompted Lord Dalhousie to become interested in education.

Founded in 1789 by Bishop Charles Inglis, King's College was in its third decade by the time Lord Dalhousie arrived for his first board meeting. Flat-roofed and perched upon a hill overlooking the Windsor Valley, it was in a ruinous state. In Lord Dalhousie's own words: "Extremely exposed by its situation every wind blows thro' it. The passage doors are torn off, the rooms of the students are open & neglected ... In short there are a thousand objections to it, & reasons why it should not prosper in its present situation, laws and conduct."[406] When viewed through an historical lens, this was a critical tipping point in the development of education in Nova Scotia that is still felt to this day. It led to a cascade of events that ultimately resulted in a religious college for each of the above-mentioned denominations. But Lord Dalhousie could hardly be blamed for responding as he did. The College's Royal Charter forced students to subscribe to the 39 Articles set down by the Church of England, effectively barring students from the other faiths.[407] Lord Dalhousie was politically astute enough to know that he was not in a position to leverage change and concluded that the only way to open the doors of higher education was to build another university.

For many, Oxford University is *the* preeminent institution of higher learning. What most people do not realize is that Oxford was a by-product of the University of Paris, the world's *first* university. In 1167, as the conflict between King Henry II and Thomas Becket escalated, the King of France, in solidarity with the archbishop, ordered English scholars studying in Paris to return to England. For some reason these men decided to relocate to a rural community instead of moving to London. They may have been trying to distance themselves from the same politics

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[406] Ibid., 63.
[407] Ibid., 62.

that caused them to be expelled from France. Nevertheless, it was an interesting choice primarily because most of Europe's universities came to be located in cities. That said, if there is a reason why Oxford's founding scholars decided to stand apart by locating themselves in a small village that to this day remains a considerable commute from the English capital, it is lost to history. This is worth noting because the decision – placing the school in a remote location – became one of the defining features of what I will henceforth refer to as the *English* tradition.

For the next 700 years Oxford was run like a lay monastery where celibate fellows resided with their pupils.[408] Over time it became both ultra-royalist and orthodox, catering to a privileged, yet isolated ruling class living in estates more or less spread evenly across the country. Students did not necessarily go there to get an education but instead to forge deep personal connections with people from their own class.[409] Indeed, scholarships and fellowships were handed out with such discretion to people from lower classes that it became almost impossible for underprivileged students to attend. Isolating it even further were the 39 Articles to which the Church of England insisted students subscribe.[410]

The primary reason King's College – Canada's oldest university – came to be established was because of what was going on in the United States. Bishop Charles Inglis, who had been forced to flee because of the American Revolution, was determined that his new home, Nova Scotia, should do everything possible to avoid sending students to the United States where he believed they would be exposed to revolutionary ideas.[411] He argued that if the region hoped to remain under British control, Nova Scotia needed to educate its own. It was an argument that

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[408] V.H.H. Green, *A History of Oxford University*, (London: Batsford, 1974), 85.
[409] Elie Halevy, *England in 1815*, (London: Ernest Benn, 1960), 550.
[410] Green, *Oxford*, 141.
[411] Judith Fingard, "Charles Inglis," in *Dictionary of Canadian Biography, 5 Vols,* (Toronto: University of Toronto Press, 1966), 445.

resonated with the province's ruling elite, who, as mentioned earlier, were mostly comprised of Anglicans who had secured their position through support from the Crown. It should therefore come as no surprise that the province's first university was established by (and for) Anglicans, and that they chose Oxford as its model.

From the beginning, King's College adhered to the English paradigm right down to its location in a small town far from the temptations of the capital city. That said, the inclusion of the 39 Articles in its Royal Charter was a subject of dispute. Inglis knew this would close the door to other denominations thereby limiting the number of students it could recruit, and that this would put the institution at risk of being able to sustain itself. Nevertheless, his concern was overruled, and the Articles remained.[412] Although Inglis died before Lord Dalhousie arrived in Halifax, the founders of the province's first colleges agreed on one major point: the region needed to educate its own. However, since Lord Dalhousie knew that King's would never remove the 39 Articles from its Charter, he set to work to build a new college that would serve the needs of the entire province.

Like Inglis, Lord Dalhousie turned to his own cultural tradition for inspiration. The University of Edinburgh – yet another offshoot of the University of Paris – was in many ways a better educational model for the province.[413] The problem was that those who adhered to the English tradition considered Scottish institutions to be vastly inferior. On the surface, their criticism made sense. There were no admissions standards or final exams. They were located in cities with no residential requirement. The lectures were open to the general public and sometimes drew hundreds of people into crowded auditoriums making it impossible for students

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[412] F.W. Vroom, *King's College: A Chronicle 1789 – 1939*, (Halifax: Imperial, 1941), 42.
[413] Dalhousie University Archives (DUA), letter from George Baird and Andrew Brown to Earl of Dalhousie, 1 August 1818.

to have any sort of relationship with their professors. There was also the fact that the scholastic term – barely twenty-two weeks – was too short. Moreover, some students were enrolled as early as aged fourteen and graduated in four years with a Master of Arts degree.[414] What critics of this model failed to realize was that these, the essential hallmarks of what will henceforth be referred to as the *Scottish* tradition, had developed over time in response to the needs of that region.

In many ways, the Scottish tradition was the polar opposite of the English. The reason there were no admission standards was because in many Scottish regions there were no schools to attend. If a boy or girl showed intellectual promise, it made sense to just send them to university. Even if they were as young as fourteen, people saw this as a chance to better themselves.[415] The underlying principle of this system was not wealth or lineage – as it was in the English tradition – it was potential. Moreover, to remove the financial obstacles, every presbytery comprised of at least twelve parishes was legally responsible for providing an annual scholarship. This resulted in Scottish institutions drawing from a wide range of social classes.[416] As for the location of the Scottish universities in cities, there was a practical reason for that, too. Professors made on average about £30 a year, which, at the time, was barely enough to live on.[417] To compensate their salary, they sold tickets to their lectures.[418] As a result, they were not only well structured, but entertaining. Sure, they drew large crowds that could at times put a distance between students and the people teaching them. But there was a wider social dynamic at play. A good lecture created the same buzz as a successful piece of theatre. As a result, ideas

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[414] Elie, *England*, 539-541.
[415] Peter Waite, *The Lives of Dalhousie University 1 Vols.,* (Montreal: McGill-Queen's, 1998), 18.
[416] Halevy, *England*, 540.
[417] Ibid., 20.
[418] D.B. Horn, *A Short History of the University of Edinburgh*, (Edinburgh: Edinburgh University Press, 1967), 58-60.

and research taking place within the university reached deep into the heart of Scottish society. And as for the academic year being short, this corresponded with the growing season. This meant students could return home to help with their family farms. It also meant professors had more time to do the other thing that augmented their salary, write.[419] It was for all these reasons that the Scottish system of higher education sparked a period of enlightenment that produced some of the greatest thinkers of the 18th century.

Lord Dalhousie's dream was that an accessible college modeled after the Scottish tradition might spark a similar period of enlightenment in Nova Scotia, a backwater colony mired in poverty and divided by religion. Of course, most members of the Council were Anglicans with strong ties to King's College, who, when Lord Dalhousie presented his proposal to them in the form of a draft speech, were silently opposed to it.[420] They were silent because Lord Dalhousie was the King's representative. Therefore, they did what they always did when confronted with something they did not approve: they slowed the process and then waited for the Lieutenant Governor's transfer to another location.[421] But Lord Dalhousie proved to be a tenacious adversary and broke ground on the building that would house the College on Monday, 20 May 1820. To add insult to injury, he turned the cornerstone laying ceremony into one of the biggest events in the city's history up to that point. Troops from the garrison formed a line that stretched from Province House to Parade Square.[422]

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[419] Horn, *Edinburgh*, 58.

[420] A little over a year after his arrival, Lord Dalhousie presented his proposal to the Council in the form of a draft dispatch, which he addressed to the colonial secretary requesting that the Castine funds acquired during the War of 1812 be used for the creation of a new college to be located in Halifax. (Nova Scotia Assembly, *Journals (1836*, Appendix 58), 125-126.)

[421] Waite, *Dalhousie*, 37-38.

[422] Ibid., 24-25.

A few minutes before two o'clock, he led a procession of dignitaries up the street to where the grand master of the Masons waited with corn, wine, and oil.[423] Before they began the ritual of pouring it onto the square stone they had carved for the ceremony, Lord Dalhousie addressed the large crowd:

> [The College of Halifax] does not oppose the King's College at Windsor, because it is well known that College does not admit any student unless they subscribe to the tests required by the Established Church of England and these tests exclude the great proportion of the Youth of this Province … it is founded on the principles of Religious Toleration secured to you by the Laws … Let no jealousy disturb its peace, let no lukewarm indifference check its growth. Protect it in its first years, and it will abundantly repay your care."[424]

By the time the College of Halifax officially opened its doors the following year, Lord Dalhousie finally realized the overarching ambition that brought him to Nova Scotia: he secured the position of Governor General of the Canadas. But the promotion obligated him to move to Quebec thereby robbing the College of its only well-placed advocate while still in its infancy. From 1821 to 1837, no classes were taught. No professors were paid. With the exception of a baker and his family, who occupied the lower corner of the building by the Duke Street entrance, the rooms sat empty.[425]

On the surface, it made perfect sense for King's and Dalhousie to amalgamate into one college. Both were struggling with polar opposite problems. King's College had barely any students and a dilapidated building located in a village that was hard to get to. But it had professors with years of teaching experience. Dalhousie, on the other hand, had no professors

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423 Ibid., 24-25.
424 Royal Gazette, 24 May 1820 in *The Dalhousie Journals*, ed. Marjorie Whitelaw, (Canada: Oberon, 1978), 195-6.
425 Waite, *Dalhousie*, 36.

and a brand-new building located in a city bustling with potential students.[426] One would think this an easy problem to fix. In January 1824, representatives from both Colleges attended a meeting at Government House where Sir James Kempt, Lord Dalhousie's successor, presided over a unification plan. The United College of King's and Dalhousie was to be located in Halifax and governed the same way King's College had been in Windsor. The Dalhousie College representatives conceded that the President and at least three fellows would be unmarried Anglicans, whereas the representatives for King's agreed that the professorship and the student body was to be open to any capable candidate regardless of religious orientation, and that there was to be no residential requirement for students.[427] John Inglis, Bishop Charles Inglis' son, proudly claimed that this would bring the rivalry that kept both institutions mired in "poverty and insignificance" to an end. In his words, "one college will be ample for the literary wants of Nova Scotia, and perhaps of the adjoining provinces for several centuries."[428]

It is unsettling to see just how close Nova Scotia came to solving a problem that has beleaguered it for over 200 years: too many universities with too few students and not enough money. Quite literally everyone who had negotiated the proposed union was happy. But there was one last obstacle: the plan needed to be approved by Charles Manners-Sutton, the Archbishop of Canterbury.

He rejected it outright.

The problems facing both institutions festered for another twelve years before taking a turn for the worse. When Dalhousie College was finally able to open its doors, Thomas McCulloch was selected to be the first president of the College. This was a logical choice. He

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[426] Ibid., 32.
[427] Ibid., 32-33.
[428] Nova Scotia Assembly, *Journals*, (1836, Appendix 58 sec 2), 133.

had founded Pictou Academy twenty years earlier and had masterfully nurtured its development into one of the premier schools in the province. The problem was that McCulloch was an ordained minister of the Secessionist Church. In many ways, his appointment was a reconciliation between the Secessionists and the Kirks. Unfortunately, the Board of Governors – dominated by Kirk Presbyterians – made a grievous misstep while hiring faculty. Although Dalhousie College, inspired by the Scottish tradition, was supposed to be accessible to students from all denominations, that did not mean it was not eyed suspiciously by the practitioners of the other faiths as a thin veil for Presbyterianism. Probably in an attempt to balance out McCulloch's controversial appointment as president, the Board chose an inferior Presbyterian candidate over Edmund Crawley, an influential and highly qualified Baptist minister. Of course, this went over like a stick in a hornets' nest, stirring up the deep religious rivalries within the province that called into question both warring factions' longstanding claim that Dalhousie College had a non-sectarian mandate.[429]

Joseph Howe, who was serving his first term in the Legislative Assembly, found himself in an untenable situation. His support for Dalhousie College and its mandate of accessibility reached all the way back to his career as a journalist. For him, the fact that it had finally opening its doors to students was a great step forward. But the rebuff proved so embarrassing for Crawley that Howe was forced to openly denounce the institution. Worse, this quickly became a rallying cry for Baptists to start their own institution. Howe feared that if he supported a bid for a Baptist college that it would not be long before Catholics, Methodists and possibly even Presbyterians would be rallying to build their own colleges. The province needed *one* university open to *all* citizens. The Board responded to the outcry by amending the College's constitution

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[429] Waite, *Dalhousie*, 51.

to include fair religious representation, but the damage was already done.[430] Within two years, Crawley tabled the Queen's College Bill. Howe, along with most other members of the Legislative Assembly, had no other choice but to pass it, creating what we now know as Acadia University.[431]

As Howe predicted, within a year the Catholics tabled a similar bill calling for the creation of Saint Mary's College. By 1842, the Legislative Assembly was so flooded with funding requests that it had become mired in a debate over how much each one should get. It should come as no surprise that Anglican members argued that King's College should continue to receive its allotted £444 a year. Baptist members argued they should receive at least as much seeing that they had personally raised the money for the construction of their college whereas King's and Dalhousie had been built using money from the public purse. In the end, Acadia and King's College each received a grant of £444, whereas Dalhousie and Saint Mary's College got £400. But the resolution outraged the public, spiring a wider debate over why the province needed to have so many colleges. Indeed, they had reason to be upset. The Legislature was now handing out just under £1,700 a year to four poorly-funded, inadequately-staffed colleges that left two whole segments of the population – Methodists and Presbyterians – waiting in the wings to start their own institutions.[432]

During his first term in office, Joseph Howe tried to bridge the divide but failed to make any progress.[433] Come the next election, he brought the debate to the people.[434] On Wednesday, 25 September 1843, he called a meeting at the Mason's Hall in Halifax. In front of a packed

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[430] Ibid., 57-58.
[431] Ibid., 58-59.
[432] Waite, *Dalhousie*, 59-60.
[433] Howe led a motion to have the Assembly abandon endowing institutions "of a Sectarian or Denominational Character," but it was defeated because the House could not agree on where the institution should be located.
[434] Ibid., 61-62.

audience, he argued that the current system was draining the treasury, and that the sectarian colleges "were like feudal castles in the olden time, each rallying the point of a party whose only object was to strengthen their own position."[435] A number of resolutions were passed at this meeting, but the most significant was:

> Resolved, therefore, that this meeting earnestly suggest a concentration of the energy and means of the true friends of Education, both in the Capital and the Country to oppose a system which is intended to lead the erection and support of five or six weak and inefficient Institutions under the name of Colleges, and to encourage the Legislature to endow one Central College, which from the number of professors, the branches of varied learning taught, its Library and Museum, will enable the Youth of Nova Scotia to receive a liberal education at home, instead of being sent, as under the present and contemplated Sectarian system, to be educated abroad.[436]

Although the proposal was popular in Halifax, it split the rural vote. Fearing the colleges that served their denominations would fold without public funding, churches throughout the province rallied their congregations behind the opposition. As a result, the Tories were swept into power with a slim one-seat majority, thereby silencing the amalgamation debate for the next twenty years.[437]

In the 1880s, there was yet another attempt to solve this problem through the creation of an umbrella institution modeled along the same lines as the University of London.[438] It was a bold initiative put forward by the premier at the time, Philip Carteret Hill. Unfortunately, his government was not in a strong position, forcing him to water it down to point where participation became voluntary. Since most colleges disliked the idea, the University of Halifax

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[435] *Novascotian*, 9 October 1843.
[436] *Novascotian*, 2 October 1843.
[437] Waite, *Dalhousie*, 64.
[438] In the early half of the 19th century, the London area housed several colleges. In 1836, the University of London was issued its Royal Charter to act as a degree-awarding examination body for students holding certificates from these colleges. In effect, it was a standardizing body tasked with elevating the quality of education being delivered at the colleges.

failed to grow beyond a central examining body that all but a handful of students chose to ignore. The bigger problem came five years later when the Legislature attempted to repeal the Act. Almost immediately, members of the Legislative Assembly broke party rank and reorganized themselves along denominational lines that fought to secure more money for 'their' college. In the end, they approved a motion that extended more money than was necessary, a compromise designed to secure a larger share for each of the denominational camps. But the Executive Council rejected it as being fiscally unsound and returned it to the Legislature. At this point, realizing just how politically explosive the funding issue had become, the members dropped it altogether. For the next eighty years, not a single cent from the provincial treasury was directed towards any of the colleges.

It is worth noting that none of these problems were unique to Nova Scotia. Over the previous century, denominational colleges had mushroomed all along the Eastern Seaboard of North America. Funding them was a huge political headache. Politicians were well aware that diverting public funds to one faith-based college at the expense of another enflamed their constituents. The decision became an ethical issue that was almost always resolved at the ballot box. Not only were legislators keen to defuse this political hand grenade, but they were also open to the idea of reorganizing these institutions so that they were better aligned with the needs of the economy. The problem was that none of the institutional models up to that point facilitated this sort of compromise.

By the time the Carnegie Corporation of New York sent two representatives – William Learned and Kenneth Sills – to Nova Scotia in the fall of 1920, the system was a mess. The region's colleges were so impoverished from lack of funding that they had overwhelmed the Carnegie philanthropic trusts with grant requests. After travelling through the region for two months, the two men calculated that if they pooled the resources of the five institutions with endowments, it would amount to approximately $2.5 million, a sum that had to sustain approximately 1,000 students.

> Yet the typical "small college" of New England, a college such as Amherst, Bowdoin, or Williams, confined strictly to the curricula in arts and sciences, and doing comparatively little graduate work, has in each of the cases mentioned nearly or much more than $3,000,000 of endowment for approximately one half of 1,000 students.[439]

As for college libraries, they calculated that the smallest American colleges operated with a book collection of over 100,000 volumes. But Dalhousie, the largest university in the region, only had 32,000 volumes and no professional librarian. When one factored in laboratories and other teaching facilities, they concluded that Maritime colleges were no better off than well-supplied secondary schools.[440] [441] Learned and Sills concluded there were three possible solutions to fix this problem: differentiating the focus of each institution so as to avoid duplication of programs; selecting one institution for future funding – probably Dalhousie – at the expense of the others; or uniting the institutions into one centrally located university.[442]

They chose amalgamation.

The Learned/Sills report could have easily become another footnote in the province's long history of amalgamation attempts were it not for the fact that the Carnegie trusts had something no other amalgamation scheme had up to that point: money. The Carnegie

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[439] William Learned and Kenneth Sills. *Education in the Maritime Provinces of Canada*, (New York: Carnegie Foundation, 1922), 30.
[440] Ibid., 32.
[441] Since Maritime colleges hovered in this netherworld between secondary school and college, they coined a new phrase to categorize them: collegiate institutes.
[442] Ibid., 33-36.

Corporation of New York offered $3 million – $500,000 for each participating college – to defray the relocation cost of moving to Halifax. At first it looked as if there was enough momentum to bring about a union, but then, quite quickly, things began to sputter and stall. One by one, the region's colleges announced that they would not be participating in the scheme, leaving the money to sit unused until the offer expired in the spring of 1929. King's College would have rejected the offer as well, but a fire destroyed their main administration building. Faced with the reality that its political and denominational base had withered over the previous century, its Board had no other choice but to accept the offer. In 1923, the College moved what was left of its facilities from Windsor, Nova Scotia, to the bottom corner of the Dalhousie campus, effectively ending its one-hundred-year rivalry with Dalhousie.

On the surface, this was the only tangible outcome of the Carnegie federation scheme. But it is worth noting that there was another outcome that quietly percolated for the next thirty years, one that would have huge financial implications for the province during the second half of the 20th century. Although a lot of ink has been spilled on the scheme, most of it fails to address why the Carnegie trusts were willing to tie up so much of their money in a 'partially forgotten' corner of the world for close to a decade. The answer to this question lays in the values and ambitions of Henry Smith Pritchett, the man behind the Carnegie proposal. The answer also reveals why Dalhousie College made an abrupt – and costly – shift to its institutional paradigm in the 1960s that we will return to in a moment.

Pritchett was born on the Missouri frontier in 1857. The U.S. Civil War dominated his childhood. In the end it both divided and impoverished his family, eventually forcing them to move east. He was very bright and, at the age of eighteen, he secured an apprenticeship at the Naval Observatory in Washington, DC, under his father's friend, Asapha Hall. Hall encouraged him to pursue a doctoral degree and, in 1894, he was accepted at the University of Munich.[443] At the time, the German system of higher education was the destination of choice for American graduate students. Pritchett was following a well-worn path. During the first half of the 19th century, most Americans attended English schools. By the second half of the century, though, the majority began to attend German institutions. In fact, during the 1880s over 2000 Americans were awarded doctoral degrees from German universities, most of them returning to teach at faith-based colleges where they exerted tremendous pressure on their institutions to restructure along German lines.[444]

As outlined in the second chapter of this thesis, the German system came about in large part thanks to the work of Wilhelm von Humboldt. Following the Prussian defeat at the Battle of Jena in 1806, Humboldt was tasked with restructuring education. The job was enormous, but Humboldt's philosophy of education proved surprisingly simple: everyone from pauper to prince should receive the same level of state-funded education.[445] Upon graduation, most students were directed towards a trade while the more promising ones were encouraged to attend university. Of course, they were not encouraged to attend just *any* university, for Humboldt argued that this institution had to adhere to meritorious principles. It also had to be autonomous from State influence, yet at the same time receive generous and consistent financial support. The students who went there did not so much study under their professors as stand shoulder-to-shoulder with them in an environment dedicated solely to the pursuit of scholarship. The results were

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[443] Ellen Condliffe Lagemann, *Private Power for Public Good: A History of the Carnegie Foundation for the Advancement of Teaching*, (Middleton: Wesleyan University, 1983), 26.
[444] Richard Hofstadter and Walter P. Metzger. *The Development of Academic Freedom in the United States.* (New York: Columbia, 1955), 378.
[445] Paul R. Sweet, *Wilhelm von Humboldt: A Biography (Vol.2).* (Columbus: Ohio State, 1980), 38.

dramatic. Within a generation, the German system of higher education transformed the country from a defeated state to a burgeoning society.[446]

Pritchett's experience at the University of Munich proved equally transformative. For the first time in his life, he saw how an independent, well-funded research university served the common good. As a European-trained academic who had grown up on the American frontier, Pritchett returned with a unique perspective on the world. He knew the pioneer life and concluded there was no romance in it. As far as he was concerned, pioneers were wasteful and selfish, and the wave of immigrants now pouring into the country was very quickly bringing that era to a close. In 1902, while speaking at the second annual Simmons College commencement, Pritchett addressed the issue directly.

> The close of our Civil War found us still in the pioneer state of national development. There was abundant room for men to live the pioneer life, if they so desired. Pioneer methods still held in our farming, in our mining, in our manufacturers, and even in our conception of education and life … But the economic change that has taken place in the period since the war has taken us out of the pioneer stage. Population has poured in upon us from all the nations of the world, and, although our vast area is not yet settled to a density comparable with that of Europe, nevertheless, economic conditions here are approaching those of the old world, and it becomes more and more necessary that every human being should become an effective economic unit.[447]

Pritchett believed that the United States was going through a period of rapid transformation, and if it was to thrive in the next century, its education system needed to go through a period of restructuring similar to the one Germany had gone through at the turn of the previous century.

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[446] Ibid., 53-71.
[447] Lagemann, *Private Power*, 32.

In 1919, A. Stanley Mackenzie, president of Dalhousie College, wrote to Pritchett to ask for help creating a teaching hospital he hoped to model after Johns Hopkins University.[448] Mackenzie was a graduate of Johns Hopkins, and like Pritchett a generation earlier, he had experienced first-hand the tremendous contribution that a research institution could make to society.[449] He understood better than anyone the need to link his university to the hospital that was about to be built in Halifax in the same manner as Johns Hopkins. His hope was that the Carnegie Foundation, which endorsed this model, would provide some financial support. But when Pritchett failed to respond, Mackenzie grew desperate. This opportunity might never present itself again. Mackenzie needed the financial support of the Carnegie Corporation to lock the development into the Johns Hopkins model. By the time he wrote a second letter, Mackenzie was practically begging for help.

At the time, Pritchett was in a delicate situation. He was attempting to move from the senior ranks of the Carnegie Foundation for the Advancement of Teaching (CFAT) to the much more monied Carnegie Corporation of New York (CCNY). As the president of CFAT, he had commissioned Abraham Flexner to investigate the state of medical training in the United States. The subsequent report was so damning that it led to the closure of over half of the medical schools in America. Unlike the Foundation, the Corporation's Board drew from a wider range of people. Their agenda was broader than CFAT, and as a result, they had been put off by the negative publicity tied to Flexner's Report. Pritchett was no longer in a position to support any more bold projects. When he finally got around to responding to Mackenzie, Pritchett's interest

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[448] DUA, UA-3;173;6, Dalhousie – President's Office: Carnegie Foundation for the Advancement of Teaching, 1918 – 1922, letter from A. Stanley Mackenzie to Henry Pritchett, 25 February 1919. The province was looking for projects to channel excess relief money tied to the Halifax Explosion.

[449] DUA, UA-3;173;6, Dalhousie – President's Office: Carnegie Foundation for the Advancement of Teaching, 1918 – 1922, letter from A. Stanley Mackenzie to Fred Yorston, 7 July 1919. Johns Hopkins was the first American university to be modeled after a German research institution.

in the project appeared tepid at best. That said, Pritchett urged Mackenzie to come to New York to talk about it, perhaps a veiled attempt to avoid having the issue documented through correspondence.[450] In the end, Mackenzie received enough financial support from Pritchett to lock Halifax's new hospital into a union with Dalhousie's medical school. But this was just the beginning.

During this same period, Father James Tompkins, Vice-President of St.F.X., was working hard to raise the academic standards at St.F.X. The work brought him face-to-face with the realization that the only hope was to stop dividing the province's educational resources amongst small faith-based colleges. If Catholics hoped to better themselves by playing a more prominent role in public life, then Catholic colleges needed to follow the lead of larger research institutions and begin to specialize. "Take the majority of our so-called colleges and look over the list of professors," Tompkins wrote in a letter to Henry Somerville. "Rev. Robert Brown, S.T.B, PH.D., Professor of Latin, Physics, Geometry, English, Geography, Music and Penmanship. Some genius! Have these people ever heard of specialization?"[451] In all likelihood, Tompkins and Mackenzie worked in tandem to convince Pritchett that this forgotten corner of the world was ripe for change. If America was going to pivot away from poorly funded faith-based colleges that democratically elected governments were willing to finance, Pritchett needed a successful model he could point to. Tompkins and Mackenzie argued that the region's faith-based colleges were so impoverished from decades of neglect that the right offer would leave them no other choice but to accept.

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[450] DUA, UA-3;173;6, Dalhousie – President's Office: Carnegie Foundation for the Advancement of Teaching, 1918 – 1922, letter from Henry Pritchett to A. Stanley Mackenzie, 2 April 1919.
[451] William X. Edwards, "The MacPherson-Tompkins Era of St Francis Xavier University." Report of the Canadian Catholic Historical Association, *Study Sessions,* 20 (1953), 43.

Pritchett hand picked the two people who were sent to the Maritimes in 1920 to investigate the state of higher education. Kenneth Sills was not only a friend, but the president of Bowdoin College, Maine. He had the professional connections and the weight of position needed to open all the doors necessary to conduct such a review. The fact that he was a Canadian only helped matters. William Learned, on the other hand, was an employee of CFAT. Originally a schoolteacher, he obtained his doctoral degree in 1913 from the Harvard Graduate School of Education. Like Pritchett, he was enamoured of the German system of education and had written his thesis on the professionalization of teaching in Germany. Learned was one of Pritchett's most dedicated and productive employees. There were no surprises in the Learned/Sills report. It appealed to the pride that people from the region had in its history while at the same time respectfully nudging it towards the harsh reality of its financial situation. On the surface, the proposed federation scheme appeared to be building upon the last serious attempt in the 1880s to amalgamate the region's colleges, which made sense for the University of London was a model that most senior administrators within the region recognized mainly because it had been adopted by the University of Toronto. But the core principles put forward in the report were different from the last attempt for, as opposed to leaving the colleges where they were, this amalgamation attempt sought physically to move them to a central location where they would become denominational *colleges* within a non-denominational *university*, a move designed explicitly to secure continuous, arms-length financial support from the provincial government.

In Learned's own words:

> If undertaken and successfully carried thru, the plan would indeed resolve in a brilliant manner the last of Canada's difficult situations in higher education. But it would do far more. It would accomplish under singularly favourable conditions a unique and

> widely important service to education. The problem of the profitable use and development of small denominational college, the question of how to successfully combine the use of private and public funds for education, and especially the very serious and difficult problem of the suitable organization of student life under modern university conditions would here profit by the illuminating experiment almost certain to succeed. A plan already suggested and partially applied at Toronto, but worked out in Halifax in thoroughgoing fashion, as the product of a general reorganization, could accomplish many improvements and serve as a model appropriate to many existing situations. As a contribution to our knowledge of successful education practice alone, the plan would seem well worth while.[452]

Had the scheme been a success, the proposed university might very well have turned out to be the model for how faith, democracy and higher education could successfully coexist. Despite Mackenzie and Tompkins's claims that the region was ready for such an institution, its faith communities were still too deeply ensconced in their ways to consider such a bold plan; and since the colleges were unwilling to move towards a model that government could embrace, they were shut out of the provincial coffers for another forty years. What the scheme did succeed in doing, though, was whet Dalhousie's appetite to recast itself into a research university modeled along the same line as the German institutions. The only problem was that it would take another thirty years for the right set of circumstances to come along.

THE ENGINE OF THE NEW ECONOMY

Throughout the 19th and the first half of the 20th century, Nova Scotia's universities existed in "an atmosphere of genteel poverty."[453] 'Genteel' in the sense that the people who ran these institutions were respected for their intellectual merit. But, as we saw in the previous section, no

[452] Learned & Sills, *Education*, 50.
[453] A significant portion of the research in this section is drawn from the second chapter of my master's thesis; Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 33-57.

one got rich teaching. In fact, the development of institutional paradigms, such as the English and Scottish traditions, was driven by the pursuit of money. Oxford, despite its quirkiness, worked because it was servicing the educational needs of some of the wealthiest people in the world. They had no problem paying. As a result, it developed on its own terms. The University of Edinburgh, on the other hand, was servicing a country that had trouble putting an elementary school in each of its small towns let alone the villages. What made the German research tradition the envy of academics from around the world was the fact that it had the financial backing of the Prussian government before they were even built. As we learned from the Carnegie Scheme, most academics were willing to twist themselves into a knot to convince government to pay. The problem was the historical connection these institutions had to the religions that founded them. Strangely enough, the solution to all this quite literally fell from the sky.

On 29 July 1955, the United States government was preparing to announce that it would attempt to launch an artificial satellite into space. President Dwight D. Eisenhower was scheduled to make the announcement; but, since he did not think it was newsworthy, he left it for his press secretary, who squeezed it between some of the other briefings that needed to be made that same day. On one level, Eisenhower was right: no one in the national media picked up on the story. But that does not mean that the United States bid to launch a rocket into space went unnoticed. Four days later, Leonid Sedov, Russia’s leading physicist, issued an internal government memo announcing that they too would launch a satellite into space. Although this is, technically speaking, the moment the ‘race for space’ began, it is a bit unfair in that another two years would pass before the Americans realized they were in it. As for the USSR, there was no question that they were in a competition to get the first satellite into space. Over the next twenty-four months, six Soviet departments worked in concert to develop a 1,200-lbs satellite that they hoped would carry 300 lbs of scientific equipment. By the end of 1956, though, the complexity of the task (in combination with its ambitious timeline) proved too much. Fearing the Americans would beat them, the Russians tore everything out of the satellite and then scaled it down to a metal sphere 58 centimetres in diameter. The only piece of scientific equipment they kept was a radio with four external antennas that extended off the back.[454]

On 1 October 1957, Sputnik I was successfully lifted into space by an R-7 Semyorka rocket. During its first twenty-two days in orbit, the radio emitted a high frequency signal that ham radio operators around the world were able to pick up whenever it passed overhead. The sound was far from ominous, more like a cricket chirping. Nevertheless, western media agencies ran it as their lead story, announcing somberly, "*This* is the sound of Sputnik."[455] What proved terrifying was the fact that people could *see* it pass overhead. Or at least they thought they could. The satellite was the size of a large beachball and was therefore too small to be seen from Earth with the naked eye. The star creeping its way across the night sky was actually a portion of the rocket that had lifted it into space. It somehow got caught in the same orbit as the satellite and trailed a few hundred kilometres behind it. By this point, Eisenhower knew from his intelligence operatives that the only technology inside Sputnik was the radio. He downplayed the event, assuring Americans it could do nothing more than send a faint signal back to Earth. But his words fell on deaf ears. Sputnik scared people. During the fall of 1957, this tiny speck of light

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[454] Damien Sharkov, "Sputnik I Launch: How Russia Kicked off the Space Race with Earth's First Satellite 60 Years Ago," *Newsweek*, last modified 4 October 2017, https://www.newsweek.com/russia-space-60-years-moscow-launched-earths-first-manmade-satellite-677258.
[455] Ibid.

that one could both see and hear was a haunting reminder that a hostile government bent on overthrowing democracy had accomplished something truly astonishing.[456]

Western universities were the greatest beneficiaries in the race for space. The rocket technology used to launch Sputnik into space had been stolen from Germany at the end of World War II. Nevertheless, the Russians had it and were developing on it.[457] Sputnik did not pose a threat, but the system that launched it did. The R-7 Semyorka was the prototype for the world's first intercontinental ballistic missile. Eisenhower's advisors calculated that, if it could lift Sputnik I into space, then it was probably capable of carrying a nuclear payload 8,800 kms with a circular error probability of 5 kms. Although the face they presented to the public was calm, behind the scenes officials were panicked. As they considered all their options to combat this threat, the one they almost unanimously agreed upon was long-term financial support for the very same people who had developed this technology in the first place: academics. Overnight, centuries old, impoverished colleges were transformed into the 'engine of the new economy'.[458]

Notably, senior university administrators had been lobbying for increased financial support for almost fifty years with minimal success. In Canada, the story of their cooperative lobbying efforts began two years prior to the outbreak of World War I, when British universities – also working to advance their interests – decided to invite Canadian universities to participate in a conference scheduled to take place in London in the spring of 1912. To prepare for the event, twenty representatives from fifteen Canadian universities met at McGill University to discuss issues they hoped to raise at the Congress of Empire Universities the following year. It

[456] Ibid.
[457] These systems were arguably a direct by-product of research focused university system founded by Wilhelm von Humboldt one hundred and fifty years earlier.
[458] Claude Bissell, *Halfway up Parnassus: A Personal Account of the University of Toronto 1932-1971,* (Toronto: University of Toronto Press, 1974), 44.

was during this pre-conference meeting that they realized the potential of such gatherings and resolved to do it again on a more regular basis. For the next thirty-two years, the organization that eventually came to be known as the National Conference of Canadian Universities (NCCU) was little more than an ineffective boys club.[459] They met, devised a constitution, divided themselves into committees and working groups. But almost nothing was accomplished. It was not until the start of World War II that the NCCU finally stumbled upon an issue that not only deepened their inter-institutional bonds but resonated with the federal government.[460]

Norman A.M. “Larry” MacKenzie, the President of the University of New Brunswick, was a veteran of World War I. When he returned from active service, he was furious that the federal government refused to extend him the financial support he needed to finish the degree he had started prior to going off to fight. Although he eventually cobbled together enough money to finish his degree, he carried this injustice with him for over twenty years. When World War II broke out, he saw an opportunity to right a wrong and convinced the other members of the NCCU to help him lobby government on behalf of veterans.[461] To their surprise, the federal government liked the idea. Although the war had jump started the economy, economists were fearful that a sudden return of tens of thousands of soldiers might trigger another depression. Indeed, the NCCU’s proposed Veterans’ Rehabilitation Act solved two problems. The first was that it eased veterans back into the workforce, muting the possibility of a second depression. The second was that it provided training for the knowledge workers who had been lost during the war.

[459] The conference did not get an official name – the National Conference of Canadian Universities (NCCU) – until 1944.
[460] Pilkington, *One Voice*, 12.
[461] Pilkington, *One Voice*, 33.

Approximately 15% of Canada's veterans – approximately 50,000 soldiers – participated in the program. About half attended a university. What is striking is that only a small portion were returning students. The vast majority had never attended one before. Indeed, most of these soldiers probably would not have considered it had there not been a federal program. The effects of this policy were dramatic. Not only did it break social barriers that had been in place for generations, it injected a healthy dose of cash into the system.[462] During the war, Dalhousie's enrolment was 654 students. But, as the war drew to a close, this number rose 9% and then jumped again the following year by 62%.[463] By 1945, almost half of the 1,153 students enrolled were veterans. The same story played out at the other maritime universities. By 1947, one-third of St.F.X.'s student population were veterans.[464] The same was true for Mount Allison: 306 of its 919 students were veterans.[465]

The success of the Veteran's Act was beyond the NCCU's wildest expectations. This was their first glimpse of what sustained funding could do for their campuses and it whetted their appetite for more. Over the next few years, the NCCU lobbied hard for projects that might strengthen their connection to government coffers with little success. By the 1950s, though, the Canadian government started to warm to the idea as the Soviet threat began to loom large. The first sign that the NCCU's lobbying efforts were working came on 27 October 1950. During the University of Toronto's convocation address, Prime Minister Louis St. Laurent made a strong case for federal aid to Canadian universities. "Universities are, without question, among the

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[462] Waite, *Dalhousie*, 148.
[463] Ibid., 151.
[464] Cameron, *For the People*, 268.
[465] John G. Reid, *Mount Allison University: A History to 1963, 2 Vols*, (Toronto: University of Toronto Press, 1984), 203.

most precious of our national institutions," he announced.[466] Of course, he went on to point out that education fell under the provincial domain, assuring his audience that it should remain there, saying that "no one with any real respect for our history and tradition would wish to disturb that constitutional position." But then he also went on to argue that "many of us realize increasingly that some means must be found to ensure our universities the financial capacity to perform the many services which are required in the interest of the whole nation."[467]

This was good news and the NCCU met in Montreal the following spring to brainstorm how to keep the momentum going. They decided the best way to do this was to request a meeting with the Prime Minister as soon as the Finance Committee tabled the Massey Report to the House of Commons. The main reason for holding off until after the Report's release was that the NCCU executive had seen briefs of the Report and knew that it supported higher education. When the full Report was tabled, it was even more favourable than they had expected. The Massey Commission urged the federal government to pay universities 50 cents per head for the entire population of Canada.

St. Laurent – fearing that the provinces with larger populations would balk at paying for the education taking place in smaller ones – modified the recommendation so that it was based on provincial population. This was both good news and bad news. On the one hand, the NCCU had scored a major victory: the federal government had agreed to open its coffers and support higher education. On the other hand, though, Canada's universities found themselves wedged in the middle of a federal/provincial dispute over who should be responsible for higher education. Worse, the St. Laurent compromise had the potential of dividing the NCCU membership into two warring camps. Maritime universities, which comprised almost half of the NCCU

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[466] Pilkington, *One Voice*, 61.
[467] Ibid.

membership, were at a disadvantage for two reasons. The first was that Maritime provinces had a smaller population than the other provinces in Canada, but, proportionally-speaking, educated more students. Indeed, many of these students came from outside the region. The St. Laurent compromise also failed to consider the emigration of educated Maritime students to other provinces, which meant that the taxpayers of Canada's smallest provinces were now footing a larger portion of the bill.

The second reason the compromise placed the region at a disadvantage, and this was especially true for Nova Scotia, was that they had more universities than other provinces, which meant the federal grant would be more thinly distributed there than in other areas. Surprisingly, these problems only served to strengthen the resolve of the NCCU. Instead of warring over the money, the Council incorporated so that it could distribute grants on behalf of the federal government, effectively resolving the intergovernmental dispute.

In 1955, a senior administrator in the Dominion Bureau of Statistics provided the NCCU with its best argument yet for increased funding to universities. In what is now referred to as the Sheffield Report, it was predicted that demographic pressure alone would double university enrolment in Canada to over 120,000 by 1965.[468] The NCCU decided to take the key messages found in this report and to pass them on to the Canadian public. In the past, the NCCU had communicated with its stakeholders though speech-making engagements at Canadian Clubs. But, since this had failed to move their agenda forward, the NCCU decided it was time to speak directly to the country and published a simple one-page letter to the editors of all the country's newspapers.[469] The letter-writing campaign culminated with a national conference in Ottawa in 1956 entitled, 'Canada's Crisis in Higher Education.' Claude Bissell, president of Carleton

[468] 'Canadian University and College Enrolment Projected to 1965,' NCCU, Proceedings, 1955, 34-6.
[469] Paul Axelrod, *Scholars and Dollars*, (Toronto: University of Toronto Press, 1982), 23.

University, delivered the keynote address. In his speech, he reinforced Sheffield's findings. The conference concluded with Cyril James, principal of McGill, delivering a speech in which he compared and contrasted Canada's university financing system to that of both the United Kingdom and the United States.

In September of that same year, the NCCU held a second national conference at St. Andrews, New Brunswick. This time it was on engineering, applied research and technical manpower. The event drew a number of Canada's business leaders. By this point the Cold War was starting to get hot. The universities argued that a stronger emphasis needed to be placed on global competition. One person even cited Allen Dulles, the Director of the Central Intelligence Agency, stating that the Soviets would graduate 1,200,000 students in pure science in the 1950s, whereas the United States would only graduate 990,000.[470]

By the mid-1950s, the NCCU succeeded in convincing both government and business leaders that universities needed to be better funded. But the most crucial stakeholder, the Canadian public, was still unconvinced. This was problematic because they were the ones who would pay for it. On 1 October 1957, that attitude changed abruptly with the successful launch of Sputnik I. The few people who questioned the need for increased support to Canada's universities, were silenced a month later when the Americans – finally realizing they were in a race for space – pushed forward the launch date for their satellite project. Western media agencies were called to record the event. Cameras were rolling as the countdown was called out over a loudspeaker. Journalists were eager to capture the image of a rocket lifting into space. More importantly, though, they wanted to temper the fear that now gripped the West. This was

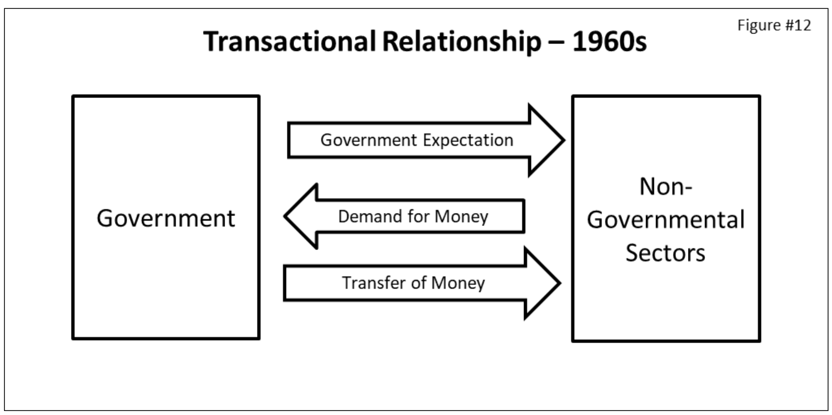
[470] Axelrod, *Scholars*, 24.

to be a good news story. This was to be the event that would assure everyone that there was nothing to fear, that we were also capable of launching a satellite into space.

The rocket blew up on the launch pad.

COMPETING FINANCIAL PRIORITIES

In the introduction of this thesis, I mentioned that in the 1960s – following the successful launch of Sputnik I – the transactional relationship between Western governments and their non-governmental sectors (and this includes universities) could be generalized as it is presented in figure #12:



In the arrow at the top, government articulates an expectation for how that sector should be expanded. In the previous section in this chapter, I looked at how Canada's universities banded together to lobby the federal government for over forty years with the stated goal to work behind the scenes to nurture the development of that expectation in the hopes that it would be extended. In fact, for almost twenty years, both the federal government and Canada's universities agreed on the expanded role universities should play. The primary obstacle, though, was the federal government's concern that voters would object to paying for it, a fear that evaporated overnight following the successful launch of Sputnik. Of course, once the expectation was extended, we move to the middle arrow in the diagram, the Demand for Money. This was in reality a series of complex funding negotiations in which formulas were set up that systematized an annual monetary transfer – the third arrow – that universities then used to fund their expanded role in the economy. Although the above figure is an oversimplification, it captures the general structure of the relationship. What I hope to tease out in this section is the complexities that occurred *after* the transfer of money. Specifically, we need to look at Dalhousie University, which, from the 1960s through to the late 1980s, not only grew faster than the other Nova Scotia universities, but spent like a drunken sailor.[471] Although it had begun to dig itself out of debt by the time the Savage government took power, its perceived lack of fiscal responsibility, as well as its inability to be reined in, was an important factor in the province rethinking whether its universities were in fact the real engine of the new economy.[472] But before I look at that, I need to jump back in time.

Although the Carnegie federation scheme was a failure, it had a profound effect on the course of higher education in Nova Scotia. The German system of higher education was arguably the best in the world, producing research that had transformed that country's industrial economy. The problem with this model is that research requires the type of long-term financial commitment only a government can provide. The Carnegie federation scheme attempted to broker a compromise between the established, secular model of higher education rooted in the 17th century with a new non-secular research-focused vision. It is worth noting that at one point during the scheme, A. Stanley Mackenzie wrote a letter to William Learned in which he sketched out the governing structure of the proposed university. In it he provided an inventory of the

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[471] SMUA, Author's interview with W.A. MacKay, 12 June 2008; SMUA, author's interview with Gerald McCarthy, 13 December 2008.

[472] A significant portion of the research in this section is drawn from the third chapter of my master's thesis; Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 58-119.

faculties already under Dalhousie's administrative umbrella – Arts and Science, Law, Medicine and Dentistry – before going on to say that the federated university "will be expected to organize as rapidly as its resources permit other professional Faculties" and lists Agriculture, Pharmacy, Forestry, Fine Arts and Education as examples of some of those that would need to be created if the federated institution were to become a modern university. Later in the letter Mackenzie outlines the "Powers and Duties of the Board of Governors of the University" and towards the end describes the "Duties of the Senate."[473] What is striking about the document is that – with the exception of a few faculties – it is an almost picture-perfect template of what Dalhousie would become during Henry Hicks's tenure as president a generation later.

To be fair, the institution that emerged in the wake of Sputnik was not the result of a 'grand plan' in the sense that President Hicks knew that by a certain date *this* building would go up *here* and once completed that building would go up over *there*. To the contrary, Dalhousie's growth was fuelled by the momentum of rapidly changing times. One of the first buildings constructed during his tenure was an underground link between the Chemistry and Arts Buildings. According to Andrew MacKay, who was Academic Vice-President during most of Hicks' time in office, during the early 1960s Dalhousie was "very short of space and numbers were booming. We needed lab space. We needed classroom space." Hicks' response to the problem was quick and to the point. "Well, then, fill *that* in." He was a man who seized opportunities, among them was the celebration of Canada's centennial year in 1967. As MacKay recounted:

> The government of Canada had made up its mind to contribute to the development of centennial projects across the country. The National Arts Centre is the big one that came out of it for the

[473] DUA, UA-3; 173;7, Dalhousie – President's Office: Carnegie Foundation for the Advancement of Teaching, 1918 – 1922, letter from A. Stanley Mackenzie to William Learned, 14 March 1922.

> national capital. Nova Scotia was the Sir Charles Tupper building. Medicine. Hicks and Stanfield, they conned the feds into putting their money into Dalhousie for that building. Her majesty, the Queen Mother, came and opened it.[474]

Although the forest of cranes that swung back and forth across the campus throughout the 1960s and 1970s was, in one sense, haphazard, it would be wrong to assume there was no overarching structure that framed its growth. Again, the Carnegie federation scheme forced the region's colleges to reconsider their institutional visions. For most of them, this meant an upgraded realignment towards the undergraduate education as dictated by their traditional and secular market. For Dalhousie it meant more. Much more! From the 1930s to the 1950s, the institution moved away from the Scottish tradition that had inspired Lord Dalhousie towards the German tradition. This meant expanding into the costly realm of graduate education where there was a strong focus on research. By the 1960s, when government money began to pour in, Nova Scotia's universities did not go through the same identity crisis. To the contrary, they simply invested in the institutional vision that had been forged in the 1920s in reaction to the scheme. As a result, for most of the province's universities, there were few hidden costs. They simply expanded what they were already doing. For Dalhousie, it was the opposite story. Shifting from the small 'College by the Sea' to a graduate-level research institution nearly bankrupted it.

The numbers speak for themselves. In 1963, the year Hicks was appointed president, Dalhousie's operating deficit was $107,000. The year before he retired it was $1,330,000 and growing. In 1963, the university's accumulated debt was only $484,000. By 1979 it had ballooned to $4,678,000. The total revenue that year was $79.4 million, of which 57 percent came from the provincial government.[475]

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[474] SMUA, W.A. MacKay, 12 June 2008; SMUA, MacKay interview, 12 June 2008.
[475] Waite, *Dalhousie*, 399.

It should come as no surprise that this placed incredible internal strain on the institution. The first cracks to show were in the leadership of the university. Although Andrew MacKay was the logical choice to succeed Hicks, he was considered by many to be 'yesterday's man.' He had served as Hicks' Vice-President Academic for most of his tenure. As a result, he was considered by many circles to be complicit in saddling the university with a crippling debt and was, therefore, ill-equipped to get them out.[476] Despite the concerns, he won the position and towards the end of his first term in office, Allan Shaw, who would later go on to become Chair of the Board of Governors, cornered MacKay before an important Board meeting to warn him that he did not have the support to carry a critical vote, and that if he pushed it he might lose the confidence of the Board.[477] MacKay dismissed the warning and lost the vote. That same day he boarded a plane for Toronto for a meeting of the Association of Universities and Colleges of Canada (AUCC), of which he was president. By the time he returned, things had begun to unravel. His newly appointed Vice-President Academic resigned. Their dispute centred on the Vice-President's desire to slash programmes to cut costs, whereas MacKay argued that that sort of bold action was next to impossible in a modern university and that it was the Vice-President's responsibility to manage the departments with whatever budget the President allocated him via Board approval. The lost vote and high-profile resignation resulted in a call from the Board Chair who wanted to know why no one wanted to work with MacKay. MacKay then called a meeting with the Chair and the Vice Chair during which he suggested that if they had concerns

[476] SMUA, Author's interview with Ken Ozmon, 30 April 2007. (This was not Ozmon's personal opinion, but the observed opinion of others.)
[477] SMUA, Shaw interview, 21 October 2009.

then they should go out and speak to representatives of the different constituencies. When they returned a few days later, they asked for his resignation.[478]

Had the Board been more discreet, suggesting to him that they would prefer he not seek a second term, things might have played out differently. Their concerns had a basis in reason. There were calls for change and, for many, MacKay appeared to be moving too slowly. But the real problem was not MacKay's pace or his ability to lead. He had been there through it all and understood better than most just how complex the issues were. He understood that the University was in midst of a financial crisis, but for him the real problem was the constituencies that made it up – the Board, the faculty, the Faculty Association, and the students – were no longer in agreement over which direction it should take. For MacKay this meant nurturing a consensus from the ground up.[479] Unfortunately for him, the Board disagreed, and since he was nearing the end of his term it asked for his resignation and initiated a search for a new president.[480] The problem the Board soon learned was that MacKay was one of the most respected senior administrators in the country, and when senior members of government and his colleagues at the other universities heard the news, they were infuriated.[481] Further complicating matters was the fact that MacKay was president of the AUCC, which meant he had a network of connections that stretched across the country.[482] Almost immediately Dalhousie acquired a national reputation for being a 'president killer'.[483] Response to the position of president was not

[478] SMUA, MacKay interview, 12 June 2008.
[479] Ibid.
[480] SMUA, Shaw interview, 21 October 2009.
[481] SMUA, Ozmon interview, 30 April 2007; SMUA, McCarthy interview, 13 December 2008.
[482] SMUA, McCarthy interview, 13 December 2008.
[483] SMUA, Shaw interview, 21 October 2009.

only weak; once the Board announced the short-list, candidates began to fall away until the only person left in the running was Howard Clark.[484]

In many ways, Howard Clark came to embody all of Dalhousie's least attractive characteristics: cold, insensitive, and arrogant.[485] The reality was that Clark invested a considerable amount of time and energy attempting to reach out to the community, only to be rebuffed. When he arrived, the Dalhousie Faculty Association (DFA) attempted to thwart his departmental visits, claiming he belonged to management and therefore must communicate through a chain of command approved by the Association.[486] Even the students ignored him. At one point he announced he was going to spend an allotted amount of time each week in the Student Union Building, and that while there he was willing to talk about anything – tuition costs, the debt, student life, etc. Clark showed up but no one approached him.[487] MacKay was correct: the constituencies that made up the university were not in agreement over the direction the university must take. Worse, they were suspicious of everyone's intentions. No one wanted to engage with the president no matter who it was. In a more prosperous time, Clark could have retreated from view and administered the University's affairs from a distance, but by 1986, Dalhousie's financial situation was such that he was forced to engage its constituencies whether they wanted to talk to him or not. By his own admission, Clark knew prior to his arrival that Dalhousie's financial situation was bad. What he did not realize, though, was the breadth and depth of it. In his own words:

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[484] SMUA, MacKay interview, 12 June 2008; SMUA, McCarthy interview, 13 December 2008.
[485] All of the people interviewed for this thesis who worked with Clark during his terms in office commented that he was widely viewed as being cold and arrogant. Copies of these interviews can be found at the Saint Mary's University Archives.
[486] Clark, *Growth*, 141.
[487] SMUA, Author's interview with Robert Berard, 7 April 2009. (Clark also makes mention of this in an interview he did for *The Dal News*, the University newspaper.)

> The scenario was in fact about as bad as could be imagined for anyone stepping into a presidency of any university; it was, I think, much worse than I had anticipated, even after the very thorough briefings I had been given. Slow as I am, it fortunately took quite a few years before I really appreciated this![488]

Clark's primary problem was that Hicks's ability to secure money for the physical expansion that took place during the 1960s and 1970s did not factor in the operational and maintenance costs. For example, during his first summer as president, he was notified that the air-conditioning capacity for the campus was almost zero. When he looked into the matter, he discovered that there had been no maintenance on the chillers in the Central Services Building since their installation in 1965. As a result, the aluminum fins had melted into solid blocks, which meant the entire system had to be replaced at a cost of over $1 million. Similar reports poured in throughout the rest of the summer. The entire campus, it seemed, was in a state of disrepair. But this was just the tip of the 'financial' iceberg.[489] Prior to Clark's arrival, Dalhousie's financial situation was deemed so dire that the Maritime Provinces Higher Education Council – the governing body responsible for transfer of money to universities withing the region – threatened to withhold grant funds in an attempt to force the University to get its growing deficit under control.[490]

In the fall of 1986, Clark and Bryan Mason, the newly installed Vice-President Finance and Administration, took control of all expenditures and were able to keep the deficit below $250,000 for the 1986-87 financial year. The following year they were able to lower the operating deficit to just under $100,000, a figure achieved through base budget reductions. Each year from 1986 to 1990, the annual budget was cut 3.0, 4.24, 3.6, and 2.55%, respectively. By

[488] Ibid., 137.
[489] Ibid., 135.
[490] Ibid., 137.

his own calculation, Clark cut the university budget 26.7% over the course of his two terms in office.[491] Although these changes began to put Dalhousie's financial house in order, it brought him into direct conflict with faculty and staff whose salaries consumed almost 80% of the university's budget.

It is worth noting that Dalhousie's financial troubles extended far beyond its campus. By the 1980s, there was very little public sympathy for the institution, let alone for Clark as a president. Widely portrayed as bloated beyond its means, the university was viewed by many as seeing itself as too big to fail. Some argued it should be left to go bankrupt. Dalhousie had arrogantly expanded to unwieldy proportions at the expense of other institutions and was now placing the entire system of education in crisis. In fact, about a year before the Savage government was elected to power, the Nova Scotia university presidents had been asked to address that very question: Is there a system of higher education in Nova Scotia? The result was a curious array of insightful, yet at times partisan, essays circulated by their authors to the other members of the Council of Nova Scotia University Presidents (CONSUP), who in turn responded with respectful criticism and further analysis. The papers were of varying lengths and quality with the longest edging up to twenty pages. By far the most interesting analysis came from Colin Starnes, the President of King's College. Starnes was in a unique position in that the Carnegie federation scheme had already rationalized the relationship between the province's two oldest universities. In fact, while executing his duties as president of King's College, Starnes maintained a cross-appointment with Dalhousie's Classics Department. In this sense, he was less threatened by Dalhousie and was therefore in a better position to write with detachment and insight.

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[491] Ibid., 147.

According to Starnes, there was a system. The problem was that it did not appear as some would have liked it to. For example, Newfoundland had what most people in government would consider a highly rationalized system divided into two halves. On one side there was the College of the North Atlantic with campuses spread across the province to address its vocational training needs. On the other side was Memorial University, geographically close to the provincial legislature, and with all its academic programs neatly packed into a triangle-like structure that placed most of the students at the bottom in undergraduate programs that formed a strong financial base that could be used to subsidize the more costly graduate and research-based programs on the top. In many ways this was a scaled-down version of the model Humboldt had created in Germany in the 19th century. And it was a model that government liked because it was very easy to work with. Decisions could be made with three people in the room: the minister of education and two presidents.[492] What Starnes argued was that the Nova Scotia system did the exact same thing but in a more interesting way. In Nova Scotia, the neatly packaged undergraduate base found at Memorial was pocketed throughout the province at 'undergraduate' universities such as St.F.X., Acadia and the University College of Cape Breton (UCCB). These were dynamic 'centres of excellence' with unique educational cultures that in some instances had been nurtured for over 150 years.[493] The problem was that during the second half of the 20th century, Dalhousie had assumed the lion's share of the responsibility for graduate and research-based programs. Since graduate programs almost always had lower faculty-to-student ratios than undergraduate programs, delivery costs were higher. Complicating matters was the fact that many of these graduate programs required the purchase and maintenance of costly scientific

[492] SMUA, Starnes interview, 27 July 2007.
[493] University of King's College Archives (UKCA), Box 2, CJS President – 93/03, Files Regarding Metro University Consortium, "Is There a System," essay by Colin Starnes, 30 November 1994.

equipment. Another problem was that Dalhousie, which now made up approximately 50% of the system, was not at liberty to use the money trapped in the undergraduate universities to subsidize its expensive upper-level programs in the same way that Memorial University could, even though most of its graduate students had completed their undergraduate degrees within the province. Complicating matters further was the fact that the system required many people to be in a room in order for any sort of decision to be made.[494]

In many ways, Clark reached the same conclusions as Starnes, namely that the source of Dalhousie's financial woes was the funding formula. Early in his tenure, Clark lobbied the MPHEC to amend its funding formula, which by this point was over ten years old. Although Dalhousie had grown almost four-fold under Hicks, enrolment had reached a plateau. Many of the University's programs were professional and had limited enrolments. As of 1986, Dalhousie provided over 85% of the graduate programs and research within the region. Although the funding formula weighted these programmes more heavily than undergraduate programmes, it did not, according to Clark, consider the cost that went with research. Also, the formula was designed to reward growth in undergraduate programmes. "In 1988-89 government funding to universities was increased by 7.7% overall," Clark later noted, "with institutional increases ranging from 2 to 13%. Dalhousie, which constituted almost 50% of the Nova Scotia system, including the most expensive programs, received an increase of 3.14%."[495]

It took two years of pushing before the MPHEC agreed to contract an external consultant, Alan Aldington, to review the funding formula and make recommendations for how to improve it. In his report, Aldington stated that while researching for the report, he met with most of the region's university presidents, all of whom in some way expressed their unhappiness with the

[494] Halliwell interview, February 2007.
[495] Clark, *Growth*, 163.

existing formula. Aldington concluded that the region should drop the formula altogether and make a "fresh start." According to him, the existing formula was, as Clark pointed out, unfair to institutions that were not growth-oriented:

> The inconsistent response to funding advice given by the MPHEC between New Brunswick and Prince Edward Island on the one hand and Nova Scotia on the other, creates unique problems between and amongst the Nova Scotia institutions which must be resolved. It has not yet caused a breakdown in the inter-provincial collaboration and cooperation as regards specialization of certain disciplines and programs at selected institutions, but it is a problem of growing concern. For example, the capacity and capability of Dalhousie to attract and apply sufficient funds to enable to maintain and enhance the quality of teaching and research in certain areas and disciplines is of crucial importance to several of the key institutions in the *three* provinces.[496]

Aldington concluded that the MPHEC should replace the formula by a "planned capacity" approach, which he argued would better enable the universities to address the issue of quality academic teaching and research.

In a planned-capacity model, a university would receive a set amount of grant money every year based on a previously approved growth strategy. Thus, the region's universities would be required to submit short- to medium-term plans for their growth and programme development. The MPHEC would then approve or reject each plan based upon enrolment projections as well as the overall system. If an institution's enrolment were to drop more than 3 or 4% below its planned capacity, its grant would be reduced accordingly. If the institution's enrolment were to increase more than 3 or 4% above its planned capacity, it would be allowed to keep its grant money but would not be given any extra to compensate for the growth. Aldington

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[496] A. K. Adlington, *Adlington Report*. (Maritime Provinces Higher Education Commission, December 1988), 3.4 - 6-7.

also suggested that the MPHEC take a certain amount of the region's money directed towards higher education and set it aside in the form of a limited number of policy envelopes:

> One such envelope could be for Accessibility when and if the Commission deems it necessary. Others could be created for certain defined purposes (e.g. physical plant renovations and renewal) and applied across all the funded institutions. Other policy envelopes might have more limited application relative to type of institution and special needs, such as research and/or infrastructure costs, special roles such as serving a linguistic community, special functional needs related to skill training and technology, encouragement and support of particular new developments (e.g. co-operative education in one or more selected institutions or program areas).[497]

In many ways Howard Clark could not have written a more congenial report himself. Although there were still many difficult years ahead, the most serious work had been accomplished. In fact, if the structure of the system and the state of Dalhousie's finances were the only reason for the negotiations, the rationalization negotiations between the Nova Scotia government and the universities that stretched through the first half of the 1990s probably would have proceeded in a relatively civil manner. But the proceedings were not cordial, primarily because there was a third and even more serious reason for them to take place: the province was now on the verge of bankruptcy.

THE ABRUPT ABOUT-FACE

In early 1995, less than two years after the Nova Scotia Liberals formed a majority government under John Savage, the *Chronicle Herald* ran a feature-length article by education reporter Cathy Shaw entitled, "The Courtship: Halifax Universities play hard to get in the face of Dalhousie's

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[497] Adlington, *Adlington Report*, 3-4 – 12.

merger proposal."[498] Stories covering the ongoing rationalization discussion between the provincial government and the universities had appeared in the media ever since the Royal Commission on Post-Secondary Education released its report in 1985. However, Shaw's two-page spread in the paper's Saturday edition – complete with dramatic profile shots of the seven Metro university presidents – caught the public's attention.[499]

The article painted a bleak picture. On one side of the debate, and pushing hard for amalgamation of the metro universities, was Howard Clark, president of Dalhousie University. Clark had good reason to push for a union. As the largest and most government-dependent university in the province, Dalhousie had the most to lose from expected cuts to transfer payments by the federal government.[500] According to the province's calculations, annual funding to higher education would drop from $196 million annually to $160 million within a single year.[501] Clark argued that amalgamation would save $9 million in administration alone and used a Dalhousie-sponsored consultant's report to back his claim.[502] In the article, Clark took an uncompromising position, arguing that starvation was the only alternative to amalgamation for the impending federal cuts would leave any institution not part of his deal with little money to survive.[503] On the other side of the debate were the six remaining Metro university presidents, who, fearing that Clark's proposal might prevail, were working in private

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[498] Cathy Shaw, "The Courtship: Universities play hard to get in face of Dalhousie's merger proposal," *Chronicle Herald*, 14 January 1995, 5.

[499] A significant portion of the research in this section is drawn from the third chapter of my master's thesis; Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 58-119.

[500] Howard Clark, *Growth and Governance of Canadian Universities: An Insider's View*, (Vancouver: University of British Columbia Press, 2003), 11.

[501] Public Archives of Nova Scotia, 2004/010/002, Nova Scotia Council on Higher Education Meeting Minutes, 22 & 23 March 1995.

[502] Shaw, "Courtship", 5.

[503] Ibid.

to negotiate their own proposal. While Clark's plan pushed for outright amalgamation, theirs promised similar cost savings through cooperative measures that preserved institutional integrity.

In the middle of the debate holding the purse-strings was the provincial government. During early discussions on rationalization, it had remained silent, choosing instead to allow the Nova Scotia Council on Higher Education (NSCHE) – an independent, yet government-sponsored body that the universities had helped create in 1992 – to act on its behalf. As time wore on, though, the Savage Liberals became less willing to play a secondary role. As the issues became more contentious, and as the threat of a full-scale fiscal crisis loomed larger with each passing day, the Liberal government assumed a more central role in the rationalization talks. Indeed, the Savage government showed unprecedented resolve, implementing widespread changes to teacher education within the province, which led to the closure of the Nova Scotia Teachers' College and the Departments of Education at Saint Mary's and Dalhousie Universities. For the first time for as long as anyone could remember, government meant business. Amalgamating seven Metro universities all located within a twenty-kilometre radius was no longer far fetched.

As mentioned in the introduction of this thesis, John W. Gardner, former Carnegie Corporation President and then American Secretary of Health, Welfare and Education under the Johnson Administration, made a controversial statement in 1964 that went as follows:

> (a) Present government-university dealings are part of a far-reaching and profoundly significant trend in the relationship between the governmental and non-governmental sectors of our society.
> (b) Both government and the universities are being changed by the relationship. Neither will ever be the same again.

> (c) University people should concern themselves not only with what this means for their own institutions, but about what it means for the government. It is their government too.[504]

When he spoke these words, the nature of this relationship was characterized by the figure put forward in the previous section, the one where governments not only expected universities to expand their role in society but were willing to pay for it. We do not know for sure, but Gardner's call for researchers to look more closely at this relationship was probably because he foresaw that the interests of both would soon become so entwined that neither would be able to fully control the other. This was certainly the case in Nova Scotia.

It is difficult to put an exact date on when the rationalization negotiations began. As we will see over the course of this section, the province became concerned about the unwieldiness of university funding in the mid-1960s before they were even financially responsible for them. Throughout the 1970s and 1980s, this concern developed into more pointed efforts to maintain control of their costs. Of course, these efforts were not only strained but impaired by the fact that the universities always maintained the upper hand through their thick web of business and social connections. As Aims McGuinness put it: "It is only because colleges and universities are so deeply embedded in the hopes and aspirations of their communities that they become the battle ground for working out broad and social economic issues." Throughout the 1980s, as the Conservatives under Buchanan tried to rein in spending, these efforts almost always ended in a major funding announcement.[505] That said, the release of the Royal Commission on Higher Education in 1985 marked the point when the province got serious about spending and pushed hard to establish an agenda for the negotiations.

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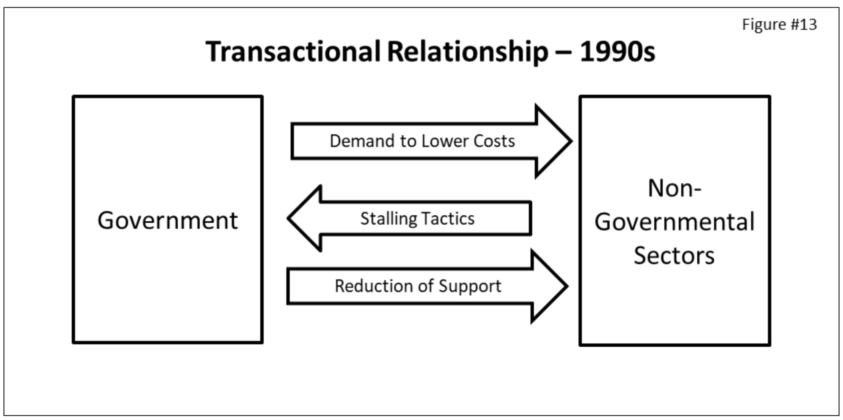
[504] William Mansfield Cooper, William G. Davis, Alphonse-Marie Parent, and Thomas R. McConnell. *Governments and the University*, (Toronto: MacMillan Company of Canada, 1966), ix; Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 30.
[505] SMUA, Author's interview with Kenneth Ozmon, 30 April 2007.

As we saw in the article by Cathy Shaw, the crisis-point in these discussions came ten years later in 1995, when the federal government, under Jean Chretien, in its own bid to rein in its finances, announced that it would be making cuts to the federal transfer payment program. This came as a veritable body blow to the Savage Liberals. Overnight, the cuts they had implemented to almost every division of government got deeper. For the universities this turned their ‘frosty’ negotiations with the NSCHE into a pitched battle over who was most deserving of whatever money was going to be left on the table. This was the moment when the relationship between the Nova Scotia government and its universities flipped to one characterized by figure #13:



In the top arrow, government is *demanding* that its non-governmental sector lower its costs. However, since universities are not directly accountable to government, they are in a position to employ stalling tactics – the second arrow – in the hopes that the demand to lower costs will extend past the government’s mandate, thereby negating the last arrow, the reduction in financial support. In the case of the 1995 rationalization negotiations, stalling tactics were no longer effective for the simple reason that the Nova Scotia government had hit a wall in terms of its ability to borrow money. Not only did this financial crisis force the government to cut the universities’ budgets, but it also forced them to face two questions that had been lingering unanswered for almost thirty years. Is there a system? But the bigger question they asked was whether that system really was the economic engine the universities claimed it to be? Before we answer these questions, though, we should take a moment to look at the efforts the province put in place to manage university spending prior to the crisis in 1995.

Among the first to offer real data on the impact of this new partnership between universities governments was Stephen Peachiness. For the first half of the 1960s, the federal government had been subsidizing Canada's universities. However, after being challenged by Quebec that it had overstepped its jurisdiction, the federal government was forced to transfer this responsibility to the provinces. Although the federal government assured them that money would be transferred through various means to cover the costs, the provincial governments were still anxious. For Nova Scotia, this policy shift was particularly disconcerting seeing that it had severed all of its economic ties with these institutions in the late 1880s. The Council of Ministers of Education in Canada responded to these concerns by tasking Peachiness to investigate the issue. His subsequent report revealed that between 1961 and 1967, post-secondary expenditures had increased from $315,000,000 to almost $2 billion. Worse, he predicted that, as these costs continued to grow, the provincial governments would soon be faced with competing social priorities. Not long afterwards, this report was followed by an even more detailed analysis by David Dodge, the economist at Queen's University who would go on to become Governor of the Bank of Canada. Dodge studied the return on investment for the training of accountants, engineers and scientists and concluded that the returns were, "negative at a discount rate of five per cent or greater." Even more damning was his conclusion that universities had actually closed doors within the economy. In the case of the more lucrative professions, such as accounting and engineering, a degree was now a barrier-to-entry technique imposed by the profession itself. But this same technique was being replicated in other sectors of the economy as companies used degrees as an artificial means to discriminate against applicants. In short, a university degree cost governments more money than was necessary to transform a high school graduate into a taxpayer.

In 1971, the Nova Scotia government under Premier Gerald Regan began its own investigation into the changing relationship between universities and government. It approached John Graham, head of the Economics Department at Dalhousie University, to lead a three-member Royal Commission with a mandate to study the province's municipal relations, its public service, and its education system. The Graham Commission, as it came to be known, fell on the heels of the failed Maritime Union movement, which had been set in motion in the spring of 1964 by a short speech by New Brunswick Premier, Louis J. Robichaud. The Prime Minister and ten premiers had gathered for the opening of the Confederation Centre in Charlottetown, Prince Edward Island. Each gave a short speech to honour the occasion, during which Robichaud pointed out that the Conference of 1864, which led to Confederation, had originated as a conference on Maritime Union. Although he did not come out and propose union, he did suggest that "some of the original incentives for Maritime Union might still be present and there might now be new reasons or pressures to complete what had been deferred in 1864."[506] This speech ushered in a new era of cooperation within the region and resulted in the creation of the Council of Maritime Premiers (CMP). One of the first items on the newly minted CMP's agenda was rationalizing the region's system of higher education.

The genesis of the Maritime Provinces Higher Education Commission (MPHEC), however, came from the universities themselves. From 1965 to 1970, several reports were

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[506] Fred R. Drummie, John J. Deutsh and Frederic J. Arsenault. *The Report on Maritime Union Commissioned by the governments of Nova Scotia, New Brunswick and Prince Edward Island*, (Fredericton: Queens' Printer, 1970), 22.

produced under the auspices of the Maritime Union Study. One report, "Higher Education in the Atlantic Provinces for the 1970s", was produced by the Association of Atlantic Universities (AAU) and covered several key areas including the enrolment explosion, university finance and the cooperative efforts amongst the universities. The conclusion of the report contained five recommendations, one of which was the rationalization of the provinces' grant committees.

> Accordingly, whether Maritime political union comes about or not, we advocate one university grants committee adequately staffed to serve the three provinces. In considering this recommendation we have pointed out some of the frustrations that would be inevitable. However, on account of the regional facilities in specialized fields, the smallness of the area, and the impossibility of providing adequate staff at a reasonable cost for three committees, we believe that this is the proper solution. If one committee is not deemed politically feasible, we advocate at the very least a far closer working agreement between the various provincial committees, with continuous consultation and with sharing of staff properly qualified to provide statistical data, financial analysis and research.[507]

It was difficult not to see the report for what it was: a well argued, yet partisan attempt on behalf of the universities' lobby group to acquire a better funding agreement. But a second report authored by the chairmen of the three provincial grant committees, which came out the following year, gave credence to the recommendation.

> "(I)f there is need for cooperation among educational institutions, there is just as important a need for the governments of the Maritime Provinces to approach their policies towards higher education on a region-wide basis. It will make no sense at all for each province to try to be self-sufficient in every aspect of higher education. For a number of advanced, specialized and professional programmes, the most likely result of such an approach will be to create second- or third-rate schools which have high costs in relation to the standards achieved.[508]

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[507] John F. Crean, Michael M. Ferguson and Hugh J. Summers, "Higher Education in the Atlantic Provinces for the 1970's," (Halifax: Association of Atlantic Universities, 1969,) 93.

[508] Arthur Murphy, J.F. O'Sullivan, E.F. Sheffield. "Region-Wide Policies for Higher Education," (Fredericton: Maritime Union Study, 1970), 3.

Based on these recommendations, the MPHEC ended up being one of the first projects put forward by the Council of Maritime Premiers. The CMP announced in May of 1971 that a new agency would be established. In 1972 it appointed a chairman-designate, and then in the spring of 1973 the premiers introduced identical legislation to their respective legislatures. The statute stated that the purpose of the MPHEC was "to assist the provinces and the institutions in attaining a more efficient and effective utilization and allocation of resources in the field of higher education in the region."[509] Its scope of duties was ambitious for it included:

> (a) the future structure and development of higher education in the Maritime region;
> (b) the support of new programs and institutions;
> (c) the desirability of terminating support for some existing programs;
> (d) cooperation among the institutions of higher education;
> (e) the encouragement of regional centres;
> (f) provision [of] or access to education services not available or not economical within the region;
> (g) systems of student aid;
> (h) definition of the institutions to be included within the system;
> (i) the minimizing of self-defeating competition and duplication; and
> (j) to recommend to the Maritime Premiers Council an appropriate formula for the allocation of funds among institutions in the region and the contributions to be made by each province.[510]

When the Graham Commission – tasked with defining the changing relationship between governments and the universities, with particular attention to Nova Scotia – submitted its report in 1974, it was cautious about predicting how successful the MPHEC would be in fulfilling its mandate. On the one hand it stated that the Commission "should be able to function as the necessary intermediary body in the determination of financial support for Nova Scotia's

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[509] Maritime Provinces Higher Education Act (Nova Scotia), Stats. N.S. 1973, c. 10.
[510] Prince Edward Island Commission on Post-Secondary Education, Fourth Annual Report, 1972, 8-9.

universities and for ensuring the necessary degree of accountability and coordination."[511] However, it also pointed out that the obstacles were enormous. Not only did the financial formula have to make its way past a fifteen-member board, but it also had to be approved by the Council of Premiers, three provincial cabinets and their respective legislatures. The Graham Commission looked critically at how universities were funded historically, how they were funded in other areas of the world, and how they were currently being funded in the province. When it came to accountability, autonomy and academic freedom, its concluding recommendation to the provincial government was as follows:

> If the Maritime Provinces Higher Education Commission will not or cannot carry out all of the functions that we recommend be performed by an intermediary body, then the provincial government should consider the establishment of a small Nova Scotian intermediary body to perform these functions and to act as far as possible in cooperation with the Maritime Provinces Higher Education Commission.[512]

In many ways this recommendation proved the genesis of the Nova Scotia Council of Higher Education (NSCHE) – the organization that led the rationalization talks in the 1990s. But it was not created for the reasons that the Graham Commission had intended. The rationale behind his recommendation was that a Nova Scotia intermediary body was necessary *only* if the MPHEC failed to perform its duties. After getting off to a bumpy start, though, the Commission did end up creating a funding formula that established how much each university within the region should get. The problem was that, as far as the Nova Scotia government was concerned, the amounts put forward by the MPHEC were too high. To make matters worse, the commission was both physically and politically outside its sphere of influence. The MPHEC was doing

[511] John Graham, "Report of the Royal Commission on Education, Public Services and Provincial-Municipal Relations," (Halifax: Queen's Printer, 1974), 63 - 34.
[512] Graham, "Royal Commission," 64 - 92.

exactly what the CMP had set it up to do – act as an arm's-length, non-political intermediary body. For the first five years, the Nova Scotia government met the amount set by the funding formula, but then, approximately one year after the Progressive Conservatives took power under the leadership of John Buchanan – a period when the province was spiraling deeper into debt – the provincial government announced that it was unable to match the figures put forward by the MPHEC and scaled them back a set percentage across the board.[513] Although the Nova Scotia university presidents bemoaned this claw back in public, they chose not to fight it. Instead, they attempted to make up the difference by lobbying every possible branch of government to secure money for capital projects.[514]

Technically, the MPHEC should have been included in any discussion the Nova Scotia government was having with the universities around capital grants, but by this time there was consensus among senior government officials that the Commission was too far removed, both geographically and philosophically, to appreciate the political climate of Nova Scotia. In fact, the MPHEC was often referred to within government circles as "Fredericton" or "New Brunswick" to reinforce the fact that any decision or policy coming from the Commission was in reality a decision made outside of provincial borders.[515] Since the Buchanan government was reluctant to bestow any more responsibility than necessary upon a body beyond its political influence, the results were predictable. The universities mobilized their formidable network of connections amongst the political and business elite within the province to secure money for whatever project they had on the table. Although the Nova Scotian universities were still banded together on a national level through the AUCC, on a regional level through the AAU, and again

[513] Saint Mary's University Archives (SUA), author's interview with Colin Starnes, 27 July 2007; SMUA, author's interview with Ken Ozmon, 30 April 2007.
[514] SMUA, Ozmon interview, 30 April 2007.
[515] SMUA, author's interview with Gerald McCarthy, 13 December 2008.

still on a provincial level through the CONSUP, this backdoor lobbying very quickly began to take its toll on their relationship.

The biggest problem was that, since the funding process was now political, the universities did not know who was getting access to government; and since larger universities such as Dalhousie and Saint Mary's had a much broader political reach, they were perceived as edging out the smaller ones.[516] This lack of process not only pitted the universities against themselves but also began to create tensions among government departments as well. Within a short period of time, ministers from other departments began to encroach on the domain of the Department of Education, making funding announcements for major projects tied to the universities within their riding.[517]

As we can see, the Progressive Conservatives were in an untenable situation. Spiraling deeper into debt and unable to match the MPHEC figures, MLAs found themselves cornered at every turn by the high-profile figures that now populated the university boards.[518] But the Premier had always been adept at manoeuvring his way through political minefields, and the technique he used to get through this one was to study the issue at length. As Peter Kavanagh pointed out in his biography of Buchanan:

> Studying an issue has always appealed to Buchanan. Not because he is a man given to sober deliberate action but for a more mundane, though politically astute, motive. If you study a problem you have an opportunity to capitalize on the issue several times. Firstly, when you identify it, secondly, when you received the recommendations and finally, when you decide to take action on the problem.[519]

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[516] Ibid.
[517] Ibid.
[518] Kathy MacLellan, "The Contemporary University: A Case Study of St. Francis Xavier University," undergraduate thesis, St. Francis Xavier University, 2001. (This thesis is a case study of the transformation of the St.F.X. board.)
[519] Peter Kavanagh, *John Buchanan: the Art of Political Survival*, (Halifax, Formac, 1988), 95.

In 1983, Buchanan called for a Royal Commission – the Royal Commission on Post-Secondary Education – that spent two years traveling the province investigating the question posed at the beginning of this section: Was there a system? When the Commission finally tabled its report in 1985, it put forward almost the exact same recommendation the Graham Commission did in 1974, namely that government should create an intermediary body that would be charged with rationalizing the system. In fact, the Royal Commission even went so far as to name it: the Nova Scotia Council on Higher Education (NSCHE). The Commission's report went on to say that the primary role of the NSCHE would be to act as an intermediary between government and the universities, and that while it would work in cooperation with the universities, it would also have 'executive powers' to ensure that change took place. The Royal Commission also suggested that, while government would be responsible for determining how much money went towards higher education, the NSCHE would be responsible for determining how that money was distributed. The Royal Commission was well aware that such an administrative body was going to be in conflict with the existing mandate of MPHEC as the body on which the government relied to manage the funding formula that determined how much each university should get. But the Royal Commission challenged this and recommended that the Nova Scotia government stop treating its universities as if they belonged to a coordinated regional system. Instead, the NSCHE would assume the MPHEC's responsibility as the central coordinating body.[520]

Not long after the report was released, Gerald McCarthy, Deputy Minister of Education, gathered together several senior civil servants who helped him draft a bill that would enable government to enact into law the Royal Commission's recommendations, including the

[520] *Report of the Royal Commission on Post-Secondary Education* (Halifax: Province of Nova Scotia, 1985) 163.

recommendation about the creation of the NSCHE. However, the bill created such outrage amongst the university presidents that when the Minister of Education brought it to cabinet for review, it was blocked without even reaching the House. At the urging of the university presidents, the Premier and the Minister of Education directed McCarthy to work cooperatively with a committee comprised of university presidents that was tasked with drafting a more appropriate bill. The main elements of this new bill, presented to the government in the fall of 1986, were:

> 1) Nova Scotia would remain within the Maritime Provinces Higher Education Commission which would continue to function and discharge its responsibilities much as in the past;
> 2) The Nova Scotia members of the MPHEC would constitute a Nova Scotia Council on Higher Education which would give particular consideration to matters related primarily to Nova Scotia and would give a new Nova Scotian focus to all matters relative to university education, governance, finance and research within the Province;
> 3) The Nova Scotia Council on Higher Education would have a staff and would be located in Halifax;
> 4) The Deputy Minister of Education would be a member of the Council, thereby assuring an immediate link, heretofore absent, between Minister and Government on the one hand and the intermediary body responsible for advising on university matters on the other;
> 5) The Nova Scotia Council members, in their capacity as members of the MPHEC, would also ensure a more carefully considered and crafted Nova Scotian position at MPHEC on matters of particular consequence or interest to Nova Scotia;
> 6) The Nova Scotia Council would not have executive powers but would exercise its influence through cooperative discussion and understanding with the universities on one hand and the Government on the other.[521]

On 25 November 1987, the Buchanan government reorganized the cabinet. Among the changes made was the creation of a new portfolio – Minister of Advanced Education and Job

[521] PANS, 2004/010/003, Briefing Notes RE: Nova Scotia Council on Higher Education and University Affairs for the Honourable Ronald C. Giffin, Q.C., 26 February 1991.

Training – which assumed the responsibility for university relations that had previously rested with the Minister of Education. The House enacted into law the bill that had been drafted in consultation with CONSUP. The Nova Scotia Council of Higher Education was now a legal entity and in early December of that same year, McCarthy was appointed Council Chairman and Advisor reporting directly to the Minister of Advanced Education and Job Training on all aspects of university affairs. The newly created Council bore a faithful resemblance to the counterproposal that had been drafted in consultation with CONSUP. Not only were all members of the Council appointees to the MPHEC, but the Nova Scotia government had successfully lobbied the other Maritime provinces to amend their legislation so that Nova Scotia's representation on the MPHEC could be increased from six to nine. Although the NSCHE did not have executive powers, as had been recommended in the Royal Commission report, it was directed under the legislation to exercise "leadership through cooperative discussion and to acquire and assert the moral equivalent of 'executive powers.'"[522]

Throughout the summer and early fall of 1989, at the request of the NSCHE and the MPHEC, each of the province's degree-granting institutions prepared a "Role and Planned Capacity Statement" that provided data on its current situation as well as revealing enrolment plans for the next five years. The NSCHE used these data to develop an approach towards executing its core responsibility "to establish, in conjunction with the universities, a long-range plan for the development of a coordinated system of university education."[523] As a result, it submitted over thirty recommendations to the Minister of Advanced Education and Job Training, the Honourable Joel Matheson, who, in September 1990, brought them to CONSUP for comment

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[522] Ibid.

[523] PANS, 2004/010/003, Briefing Notes Prepared at the Request of Deputy Minister Gordon Gillis for the Meeting of the Premier and the Minister of Education with the Council of Nova Scotia University presidents on Tuesday, November 19th, 1991.

and recommendation. On 14 January 1991, Matheson and the Chairman of CONSUP, President J.R. Perkin of Acadia University, issued a joint news release announcing that CONSUP had taken the lead in establishing inter-university working groups to consider the implementation of the recommendations.[524] In essence, CONSUP endorsed the following seven propositions that would dominate the rationalization agenda for the next five years.

> 1) There should be one major Business School offering a full range of degree programmes, in Halifax.
> 2) There should be some reduction in the number of teacher training programmes in Nova Scotia.
> 3) There should be an examination of the degree programmes in Food Science in Nova Scotia with a view to rationalization.
> 4) There should be one institution offering a nutrition degree programme in Nova Scotia.
> 5) There should be one institution offering a full geology programme in Nova Scotia.
> 6) There should be one computer science degree programme in Halifax.
> 7) As part of a general examination of the Engineering Associated System there may be some reduction in the number of institutions offering Engineering.[525]

By the time Janet Halliwell took control of the NSCHE following McCarthy's retirement, two critical factors had finally converged. The first was that Premier John Buchanan had been forced to resign because of a series of scandals linked to his personal finances. This led to the control of the party being handed to Donald Cameron, who immediately set to work on the province's finances. Although the province had not yet downloaded this problem onto the back of its non-governmental sector – this would come two years later when the Savage Liberals were elected to power – the Premier's Office was working hard behind the scenes to rein in spending. Austerity now cast a long, dark shadow in almost every corridor of government. The other

[524] Ibid.
[525] Ibid.

critical factor was also related to money. As outlined in the previous section, Dalhousie University – arguably one half of the 'system of education' – was still teetering on the verge of bankruptcy. It was in this fiscal environment that Halliwell took control of the seven-point rationalization agenda established by CONSUP a year earlier.

Within a very short period of time, Halliwell developed a straight-forward process to move the agenda forward. The first step was to ask the university presidents to outline their thoughts on whether there was a system. As mentioned earlier, this resulted in a series of essays that the presidents batted back and forth. Again, the one that stood out was by Colin Starnes, President of King's College. In many ways, his analysis framed Halliwell's thinking about the challenges ahead, namely that the research institution model inspired by the German system of education was fractured across numerous institutions spread throughout the province. Dalhousie had assumed control of the top half of the model by expanding upwards into the costly realm of research and graduate education. But the bottom half of the triangle – the undergraduate students whose tuition is used to subsidize both graduate studies and research – were located at other universities spread across the province. As Starnes pointed out, it was a more interesting system that created a much richer learning environment for students at both levels.[526] The problem was paying for it.

The second step in Halliwell's process was to implement seven externally staffed consultation reviews. Each was to be linked to one of the seven points of the CONSUP rationalization agenda. Of course, this meant securing an external committee comprised of anywhere from five to seven subject experts who would investigate how this area of education was currently delivered and then make recommendations for how it should be 'rationalized.' On

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[526] SMUA, author's interview with Colin Starnes, 27 July 2007; SMUA, author's interview with Ken Ozmon, 30 April 2007.

paper this process made logical sense. In an ideal world, the external review committee would be comprised of respected individuals – preferably celebrated academics – who would make judicious recommendations that the universities would enact. It is worth noting that while developing the seven-point rationalization agenda, the university presidents acknowledged that the process was probably going to be very hard. There would be winners and losers. But they also believed that, in the end, the pain would be shared more or less evenly by everyone.[527] With this in mind, Halliwell knew that the first consultation review would be highly scrutinized. As a result, she did everything in her power to ensure their findings would be unassailable. She chose the lowest hanging fruit on the agenda – teacher training – and then set out to secure an external review committee comprised of the best people in the country.

The reason Halliwell choose teacher education was because it was accepted by almost everyone in the province that it was a problem. If we include the Nova Scotia Teachers' College, there were nine institutions across the province with teacher training programs. Combined, these programs had seats for 536 students. As a result, these programs flooded the market forcing most of these students to leave the province to find work. The bigger problem, though, was that it was widely acknowledged that most of the universities were not that committed to these programs. Since their cost overhead was comparatively low, the universities were using them as a cash cow to subsidize their more expensive programs. All of the Nova Scotian presidents knew this needed to change. The question was who was going to lose their program.[528]

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527 SMUA, Author's interview with Gerald McCarthy, 13 December 2008; SMUA, author's interview with Halliwell interview, February 2007.

528 SMUA, author's interview with Colin Starnes, 27 July 2007; SMUA, author's interview with Ken Ozmon, 30 April 2007; SMUA, author's interview with Halliwell interview, February 2007.

In March 1993, Halliwell began the process of recruiting a committee. Within a few weeks she secured some of the biggest names in the field. Jane Gaskell, Michael Fullan and Robert Crocker all agreed to participate. But the biggest victory was securing Bernard Shapiro to act as the Committee Chair. Born and raised in Montreal, he received his doctorate in education from Harvard University before going on to serve in senior leadership positions at some of the most respected universities in the world. The sixty-two-page report they submitted a year later – *Teacher Education in Nova Scotia: An Honourable Past, An Alternate Future* – was as balanced and judicious as Halliwell could have hoped. They looked at the state of the system, the quality of education students were getting, as well as the employment needs of the province, and then made thirty-four recommendations on everything from costs to quality. Although the report was – in a word – *unassailable*, it went off like a hand grenade. They recommended that the Nova Scotia Teachers' College be closed, along with almost every teacher certification program in the province. Even Dalhousie's newly minted doctorate in education was to be closed. The only institutions the committee suggested should remain open were Mount Saint Vincent, Acadia, and Université Sainte Anne.

The public response was intense. The media gleefully produced a steady flow of stories which gave voice to the impacted communities. There were student protests. Faculty protests. Community protests. Letter writing campaigns. In front of the cameras, the university presidents set to lose their teacher education programs complained vigorously about this injustice. Behind the scenes, though, they were more sanguine. Again, they knew there would be winners and losers. At this point in the discussions, they still believed that, by the end of the process, the pain would be shared evenly by all. Had the Savage Liberals simply signed off on the recommendations, Halliwell would have repeated the process six more times. In fact, by the time the report on teacher education was released, she already had two more reviews queued up and ready for release. The problem was that the Liberal caucus, particularly John MacEachern, the Minister of Education, had a very serious problem with recommendation eighteen: the closure of Saint Francis Xavier's teacher education program.

It is worth noting that the Savage Liberals were unparalleled in their ability to ignore special interest groups. They were singularly focused on implementing their austerity measures to get spending back under control. In one way, it is surprising that they decided to give St.F.X. a one-year extension to improve the quality of its teacher education program quality in the hope that it would be allowed, upon a follow-up review, to be maintained. On another level, though, it makes perfect sense. Of all the universities in the province, St.F.X. excels at creating a collegiate community the likes of which one only sees in the movies. When the announcement of the closure was made, they mobilized their human resources better than any other institution. The critical factor that tipped the scales to their favour was that a disproportionate number of Savage's caucus, including the Minister of Education, were alumni.

When MacEachern announced that the Liberals would enact all of the recommendations *except* for the closure of St.F.X.'s teacher education program, the university presidents – even the ones who were allowed to keep their programs – felt as if the political stool they were standing upon had been kicked out from underneath them. Overnight, the arms-length rationalization process had been politicized. If they supported the external review process and then continued to pay lip service to a critical program loss, every community within their institution, including the Board, would have turned on them. In response, they moved from *feigning* public outrage to mobilizing everything at their disposal to derail the rationalization process. They engaged their alumni offices. They mobilized current students. They rallied the business elite that populated their boards into a constituency office door knocking campaign. The Liberals, who, again, excelled at ignoring special interest groups, were unprepared for what hit them. Two months later, when Halliwell released the next two reports, the universities pounced upon them. The engineering review was a relatively solid report. As a result, it was mostly ignored. But the one on computer science was weak. For some reason the review committee thought the best way forward was to create yet another institution – the Joseph Howe Institute of Computer Science – that would have cost the government even more money than letting the system remain in its current form.

At this point, not only was the external review process dead in the water, the federal government had announced it would be making cuts to the transfer payment program. Realizing that the financial situation had gone from bad to worse, Dalhousie went public with a report that argued amalgamating the metro universities would result in savings of nine million in administrative costs annually. In response, the other metro university presidents set up a series of secret meetings where they began to hammer out a counterproposal they hoped might bring about similar savings but preserve institutional integrity. For the Liberals, the situation could not have been worse. Midway through their political mandate, the province's universities were not just warring with them, they were fighting each other in public. Anyone with even a remote emotional connection to these communities was being called upon for support. The Liberals, faced with the sobering realization that even if they succeeded in balancing the budget the following year, knew they could never be re-elected in this type of climate. Boudreau and MacEachern were tasked with calling a meeting with the board chairs of the metro universities in an effort to end this conflict.[529]

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[529] DUA, Rationalization Process 1995, Memorandum from Julia Eastman to Howard Clark, Vice Presidents and the

It is worth noting that, over the years, these governing boards had become a meeting place between the universities and the province's financial elite. The relationship was mutually beneficial in that the universities needed well placed people within the community to protect their interests. As for the province's business elite, these boards offered volunteer opportunities that provided them access to important social networks within government and the community as a whole. Until the spring of 1995, most of the rationalization discussions had taken place between the university presidents and the NSCHE. Most of the meetings physically took place at the Atlantic School of Theology, or occasionally at one of the other universities, and never at a government office. When Boudreau and MacEachern were forced to intervene, they did not reach out to either the university presidents or the NSCHE, but turned instead to the board chairs, inviting them to a traditional downtown meeting spot for both the city and the province's elite, the Halifax Club.

The meeting lasted for about an hour and a half and were pointed from the start. MacEachern and Boudreau declared that the province was effectively bankrupt, and that the rationalization process was in trouble.[530] The universities were no longer participating in the talks. The two ministers pointed out that the NSCHE had shifted from its program reviews and was now focused on cost savings. If the NSCHE recommendations were the only ones tabled to cabinet, they would have no other choice but to accept them. Therefore, it was imperative that the universities get their act together and come up with something that not only demonstrated to cabinet that they took this financial crisis seriously, but that cut costs in a way that everyone could accept. The meeting ended on a cordial note, with all the board chairs agreeing they were

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Board of Governors regarding 3 May 1995 meeting of Metro university board representatives with the Minister of Education and Finance. (This memo contains handwritten notes taken by Allan Shaw during the meeting.)
[530] Ibid.

certain they could mobilize their senior executive ranks.[531] Within two weeks a second meeting was held, again at the Halifax Club.[532] Boudreau was unable to attend and Halliwell was not invited. But MacEachern was joined by the board chairs and the presidents of the metro universities. Although Tom Traves, the new president of Dalhousie University, continued personally to see amalgamation as being in Dalhousie's best interests, he accepted the other university presidents' counterproposal and agreed to work out a plan with them founded upon the principle of inter-institutional cooperation.[533] From this point forward the metro universities began to refer to themselves both internally and externally as the Consortium.

For the next eight months, the metro university presidents met almost weekly to work out a plan to rationalize the delivery of higher education in metropolitan Halifax. When Robert Geraghty, a retired Deputy Minister, stepped down as board chair of the Nova Scotia College of Art and Design (NSCAD), he was approached by the metro presidents to see if he would be interested in helping them with the plan. Geraghty was an interesting choice in that he not only understood the inner workings of government, but of the universities as well. He accepted the position and set up an office at Saint Mary's University. He organized the presidents' meetings, drafted the agendas, wrote up the minutes and followed through on their action items. Things came together very quickly as they raced to build a plan they hoped would be ready in time for the last meeting of cabinet before the 1995 Christmas holidays, which also coincided with when the NSCHE's plan was to be tabled by MacEachern.[534]

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[531] Ibid.
[532] SMUA, Consortium 1995, Memorandum regarding 6 July 1995 meeting with Metro university presidents, their board chairs and the Minister of Education.
[533] SMUA, Traves interview, 24 September 2007.
[534] DUA, Rationalization Process 1995, Memorandum from Julia Eastman to Howard Clark, Vice Presidents and the Board of Governors regarding 3 May 1995 meeting of Metro university board representatives with the Minister of Education and Finance. (In Shaw's handwritten notes he quotes Boudreau as saying, "Bring us your plan to cut. Don't ask us to take the flack up front. It's urgent; it has to be totally done within the year."); SMUA, Boudreau

On 6 November 1995, the MPC completed a third draft of what was tentatively titled "Metro Halifax University Consortium – Preliminary Business Plan." By early December, the final draft of the Metro Business Plan was submitted to cabinet. It was submitted two weeks prior to that body's last meeting of the year to give the members time to read it over beforehand. Each member also received a copy of *Shared Responsibilities*, the NSCHE Report submitted by Janet Halliwell.[535] On December 19th Cabinet spent an hour and twenty minutes discussing both plans. Twelve of the sixteen members had actually taken the time to read the reports. Although there was criticism of the lack of timelines in the Metro Business Plan, many of the ministers were impressed that the presidents had been able to set aside their differences long enough to even come up with a proposal. Some argued the whole thing was a ruse, and that the presidents had no intention whatsoever of moving forward with the plan. In fact, one minister was quoted as asking, "Why are we dealing with universities with a velvet glove when we've dealt so strongly with other sectors?"[536] Boudreau later reflected on the answer to that question. Had the Metro Business Plan been placed before the cabinet earlier in their mandate, it probably would never have been approved. But now, as they were about to enter the second half of the mandate, the ministers knew that if there was any hope of re-election, the government must start becoming more conciliatory.[537]

In many ways the presidents' timing could not have been more perfect. Whereas every other sector had been dealt with in a decisive manner early in the Liberals' term in office, the fate of the universities was tabled at a point when the Liberals knew they needed good news

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interview, December 2009.

535 SMUA, Box 25, Fax from Robert Geraghty to Metro university presidents containing his notes of a meeting he had with John MacEachern sent on 18 December 1995.

536 SMUA, Box 25, Fax from Robert Geraghty to Metro university presidents containing his notes of a meeting he had with John MacEachern sent on 8 February 1996.

537 SMUA, Boudreau interview, December 2009.

stories. Unlike other sectors, the university presidents were actually in a position to ask for money to initiate their plan. Although MacEachern sat quietly throughout the meeting, Savage applauded their efforts and challenged the others to recognize just how far they had come on their own. This was a good first step. Indeed, over the course of the meeting, cabinet members warmed to the plan and began to show an increasingly friendly disposition towards the presidents. Boudreau, on the other hand, was cautious and urged that they set up some meetings with Halliwell to discuss a three- to five-year financial plan, as well as establish what the tuition fees would be.[538]

On 6 February 1996, MacEachern finally sat down with the metro presidents to discuss how matters were progressing. During the meeting, the presidents pressed him to commit money for the next three years, but MacEachern countered that they still had not heard from Ottawa. There was no point, he informed them, in pressing him further because he was "no more sure of the next year's numbers as he was of what the weather would be the next day." But Starnes took the lead and pushed hard for figures. According to Geraghty's notes, Starnes cut straight to the point by stating that the game was almost over:

> To get merger is to go through the Consortium and that takes time. But, if you want to do a forced merger, then do it now. But a forced merger will cost political capital. Blood on the floor is irresponsible.[539]

To this the Minister responded:

> Some cabinet colleagues do not see academics as important people. I am merely expressing a view. There is an impression about

[538] SMUA, Box 25, 29 October 1997, Fax from Robert Geraghty to metro university presidents containing his notes of a meeting he had with John MacEachern sent on 8 February 1996.
[539] SMUA, Box 25, 29 October 1997, Fax from Robert Geraghty to Metro university presidents containing his notes of a meeting he had with John MacEachern sent on 8 February 1996.

> universities and university presidents that may not be supported by the facts. We have to convince them that we are serious.[540]

In the spring of 1996, three months after this meeting, Boudreau stood before the Legislature to make the historic announcement that after almost three decades of borrowing, the province had finally balanced its budget. Although they could technically go another two years without calling an election, many in the media had argued that delaying an election to the five-year limit was one of the reasons why Cameron's Progressive Conservatives had lost power in 1993. If there was any hope of success, the Liberals needed to call the election within the next year. As a result, they needed to put forward as many positive news stories as possible. Merging the metro universities against their will would have created a political scandal of national proportions, prompting a flood of media stories that would run parallel and overshadow their bid for re-election. If they hoped to avoid political disaster, then they needed to win back supporters who had been alienated and begin to campaign on their financial track record. Whether or not the universities constituted a 'system of education' or was 'the engine of the economy' as they had claimed to be since the 1960s was no longer a question worth asking. They left the universities to hammer out the changes proposed in the Consortium model put forward by the metro university presidents. The most important details of the Metro Business Plan were that the Liberals approved Dalhousie's merger with TUNS, and the creation of a new facility to house Saint Mary's School of Business. They also promised that annual support to the universities would not fall below $171 million annually over the next three years.

Over the next two years, the university presidents took the Metro Business Plan seriously. They continued to meet to ensure everything was progressing in both an appropriate and timely manner. Towards the end of this process, they came to a somewhat baffling realization. During

[540] Ibid.

this whole period, they had invited a representative from government, preferably the minister of education, to attend their meetings. Their intention was to show them that they were both sincere and making progress on the plan government had endorsed. But not once did anyone from government attend. Although it is difficult to establish an exact date as to when the rationalization process started, it is very easy to pinpoint when it ended. In September 1999, the metro university presidents met to discuss whether they should submit a report to the minister announcing that they had completed all the items put forth in the Metro Business Plan. In the meeting minutes, Colin Starnes, who was acting as Chair, announced to the group that he had gown tired of calling and leaving messages. It is somewhat surprising to say, but after years of drama – most of it played out in public – the Nova Scotia government was no longer interested in calling them back.

What the university presidents did not appreciate at the time was that, running tandem to the rationalization discussions, was a series of meetings that ultimately led to the revitalization of the Nova Scotia Community College. As we will see in the next chapter, government was initially suspicious as to whether something could be done with this worn-out, ineffective institution. Over the course of the 1990s, though, it became clear that the NSCC was willing to do everything for government that the universities would not. They were willing to have all their programs reviewed on a continuous basis. Moreover, they were comfortable with government performing these reviews. They also committed to being transparent and fiscally accountable at every level. Even more alluring was the fact that their proposed governance model eliminated the possibility of the type of public feud the universities led during the 1990s. More importantly, though, the NSCC was willing to guarantee something that the universities had paid lip service to since the 1960s. Every NSCC student was to be directly integrated into the job market before they even crossed the stage to collect a credential that was to be delivered in a fraction of the time it would take to do a university degree. College graduates were to be positioned to do something the bond market saw as crucial to a working economy: they would be able to walk into a bank the day after their program ended and be in a position to take out a loan.

SUMMARY

As we can see, the history of Nova Scotia's universities is not only long and complicated, it is dramatic. For the entire 19th century, the breakdown of the religious denominations within the province was more or less evenly balanced. This created enormous problems for the members of the Legislative Assembly that, for awhile, worked to the universities' advantage. But, in the end, the deep conflicts between these denominations led to the termination of public grants for their universities.

The successful launch of Sputnik I changed the political economy and ultimately led to sustained economic support by government for Canada's universities. Initially the money came from the federal government. But this responsibility was downloaded onto the provinces in the 1960s because of a constitutional challenge from Quebec. From the beginning, Nova Scotia was ill prepared to cover the costs. Over the course of the 1970s, things got worse as the province spiralled deeper into debt. By the 1980s, the Progressive Conservatives under John Buchanan were struggling to rein in the growing costs of the province's higher education sector. During this period, Dalhousie University – approximately half the system – expanded into research and graduate programs that strained its budget to the point of bankruptcy. Not until the mid-1990s did the university finally regain control of its finances. By that point, though, the province was on the cusp of bankruptcy.

The public feuds that played out during the rationalization negotiations were a political nightmare for the Savage Liberals. In the end, an equitable compromise was struck. But, as we will see in the next chapter, as the above-described drama unfolded, the NSCC emerged as an institution willing to do everything the universities would not. With a mandate perfectly aligned to the bond market, it positioned itself as the engine of the new economy.

"Education is the most powerful weapon you can use to change the world."

Nelson Mandela

Chapter Eight:

Skills Training – A Return on Investment

Chapter Overview

The 1990s debt crisis was a turning point in the fortunes of both the universities and the Nova Scotia Community College (NSCC). In this chapter I look at how, in the wake of the 1990s recession, the NSCC replaced universities as the *new* engine of the economy.

In the first section, *Looking Back to See Forward*, I review the argument put forward at the beginning of this thesis, namely that the bond mark exerts more control over policy decisions than is commonly accepted. I reiterate the relationship money shares with debt. I cover Nova Scotia's position within the global borrowing system. And, finally, I look at how the province's finances left it highly exposed. This is done in order to better frame the final three sections of this thesis which reveals how the NSCC vaulted past the universities as a finding priority.

In the second section, *All that Glitters*, I look at the genesis of government-subsidized skills training. I follow how the idea evolved from a pamphlet distributed by Dalhousie science professors to its backing by the mining industry following the discovery of gold in the province in the 1880s. From here, I trace it through to its adoption as legislation following World War I.

The second section, *The* 'Diffuse' *Politics of Employment*, looks at how a homogenized approach to vocational training – first articulated in 1882 – never fully materialized in Nova Scotia. The primary reason for this was because the province failed to invest in the idea. Instead, it developed a patchwork of policies that relied primarily on federal money. I conclude by showing how this ‘failed experiment’ received a sober second look during the dying days of John Buchanan’s tenure as premier.

In the final section, *Technology Triumphant*, I look at how the newly minted NSCC effectively switched positions with the universities. This is done by comparing their annual funding over a fifteen-year period, beginning in 1990 and ending in 2005. I conclude by arguing that, based on these figures, Nova Scotia’s brush with bankruptcy forced it to refocus its energy and investments on skills training, which promised a greater return on investment.

LOOKING BACK TO SEE FORWARD

At the start of this thesis, I began with the following statement:

> *This thesis will examine the history of Nova Scotia's public debt and will attempt to argue that the money it borrowed (and continues to borrow) from the bond market comes with conditions that not only supersede societal interests, but the democratic institutions trusted to protect them.*

From here I went on to state that over the last fifty years globalization has empowered the lending market to mature its practices in such a way that it was able to expand its base of influence to the point where it now exerts unprecedented control over borrowers. Accordingly, the goal of this thesis is to show that the process governments use to borrow money is designed to obfuscate both lenders and their economic priorities – priorities that are not often aligned with the best interest of a society. I concluded by saying that, since a doctoral dissertation is far too narrow a medium to cover such a broad topic, I would limit the scope of my statement to a specific place and time – Nova Scotia's debt crisis, which stretched roughly from 1993 to 1997. Moreover, the thesis would focus specifically on two policy shifts:

1. *The Nova Scotia's government's retreat from its financial commitment to its universities during the 1990 rationalization negotiations; and,*
2. *The reprioritization of funding towards skills training during this same period.*

In the second chapter I explained that three research themes would braid together to form the foundation of this dissertation:

1. The History of Higher Education;
2. Debt; and
3. Standardization.

With the above in mind, it is important to take a moment to briefly review what I covered in the preceding chapters before we continue to the final three sections, which reveal not just how skills training evolved over the course of the 20^{th} century, but how the above stated factors combined in such a way that the Community College overtook the province's universities as a funding priority during the first half of the 21^{st} century.

Long before I began this dissertation, I knew my thesis statement was unconventional. In fact, during the research that went into my master's thesis, I concluded that the research frame I was using was incomplete. Why? Because all of the documentation I unearthed pointed to the fact that the Liberals under John Savage were implementing an austerity plan against their will. Yes, there had been rationalization negotiations with the universities prior to the debt crisis. But the tone of these discussions changed drastically once the Liberals were elected to office and became aware that the province was on the cusp of bankruptcy. Almost overnight, negotiations that had evolved thoughtfully for years over how to better structure the system of higher education became hyper-focused on how to cut tens of millions of dollars before the next budget year. It was clear from the artifacts and interviews I conducted that a greater power was forcing their hand. But since my master's research was focused on the series of events that nearly resulted in the amalgamation of the Metro Halifax universities, it did not make sense to broaden my research lens. In many ways this doctoral thesis looks at the same series of problems but from a much wider lens. In other words, it not only includes an analysis of what drove these austerity measures, it reveals how this led to a complete flip in educational funding priorities.

Again, long before I started this dissertation, I knew my position was unconventional. The reason for this is quite simple: people have been habituated to believe that elected governments have the final say over their policies. Simply put, there is no higher decision-making power within a democracy than an elected government. However, the position I took within this thesis is that, within the current evolution of our global financial system, debt exposes governments to external forces that have the power to override their policy priorities. Another way of putting this is to say that debt is a determining factor that forces a collision between the three research themes that braided together to form the foundation of this dissertation. In effect, debt forces historical systems – in this case, Nova Scotia's system of higher education – to collide with expectations lending markets have for how 'properly functioning' economies need to be structured and standardized.

As argued in *Chapter Five: The New Masters of Capital*, the power these lending markets now exert is almost occult in nature. As we saw in the three case studies – Detroit, Philadelphia and Greece – an overextended government is powerless against it. That said, the bond market does not possess 'hard power' in the same way an elected government does. Politicians of a government that has defaulted on its loans are still free to make any decision they want. The problem – or better still: the complicating factor – is that the bond market is also free to refuse to finance governing priorities it does not agree with. In short, governments can do what ever they want short of paying for it. Before we delve more deeply into this point, it is important to quickly review the relationship money shares with debt. As we will see in the remaining three sections, the nature of money – or more specifically the way it is created within an economy – is the reason why the NSCC flipped positions with the universities as a funding priority.

In *Chapter Four: Theory of Money & Debt*, I broke the modern global economy into its essential building blocks. In the first section, *Money: Problem, Definition & Purpose*, I argued that currency – an object we often confuse with money – is in actual fact a government sanctioned medium of exchange that is standardized against other global currencies. Another way of looking at this is to say the Canadian dollar is a tradable commodity. Of course, this begs the question how does a colourful piece of paper with some strange markings contain value? The short answer is that its value is directly linked to the *second* building block of a modern economy: commercial banks. Currency contains value because it numerates the debt generated by commercial banks. Technically speaking, governments are not supposed to create money within a society. To the contrary, the vast majority of money moving within an economy is generated when a citizen walks into a commercial bank to take out a loan. Because of the electronic nature of our economic exchange relationships, the lion's share of most loans exists as a fluctuating number on a bank ledger. (As the debt is paid off, money disappears from the economy.) However, should a borrower decide to have a portion of it issued as currency, the bank will use the currency created by the Canadian Mint, which inserts it into the economy through the Bank of Canada.

With this in mind, the third and final building block of the global economy is the bond market. In *Chapter Five: The New Masters of Capital*, I provided an historical overview of how this system evolved from an ingenious lending mechanism devised to finance wars during the Italian Renaissance to a global system capable of breaking an overextended government. The most interesting aspect of the bond market is that it is not an institution with a physical location. One cannot walk into the bond market like a bank and take out a loan. It is more like a mechanism that anyone with money can use to extend a loan. It is for this reason that most pension plans are heavily invested in it. They use their massive pool of capital to make more money through short term loans called bonds. Accordingly, it is the diffuse nature of this lending market that makes it so powerful. There is no obligation or governing body that can force it to lend money. If for any reason the people using this mechanism lose faith in the issuer of a bond, they simply turn their attention away from them and search for better lending opportunities. As we saw in the three case studies, most governments rely on the bond market to cover an economic shortfall. But if their debt load gets too high, or if their plan for managing it is questionable, access to the money within this market dries up. As illustrated in the three case studies, falling out of favour with the bond market almost always leads to bankruptcy.

In *Chapter Six: The History of Nova Scotia's Descent into Debt*, I provided an overview of how the province became financially overextended over the course of the 1970s and 1980s. By the 1990s, when the Savage Liberals were elected to office, the province was on the cusp of going bankrupt. As a result, it was becoming increasingly more difficult for the province to sell its bonds at a reasonable rate of interest. Although the Liberals had been elected on a tax and spend mandate, the province's debt load exposed it to the fickle realities of bond market effectively forcing them to implement an austerity plan that the rationalization negotiations with the universities became swept up in. In retrospect, the drama generated from this discourse was the worst thing the universities could have done.

As we learned in *Chapter Seven: A Broken Promise – Defunding Nova Scotia's Universities*, this system had received massive financial investments throughout the 1960s and 1970s. In the wake of the launch of Sputnik I, it was expected that universities would become the engine of the new economy. In effect, a university degree was supposed to empower a graduate to be able to step into a bank and take out a loan. But what became clear over the course of the rationalization negotiations – at least to the Nova Scotia government – was that the province's universities did not see themselves as being responsible for integrating graduates into the economy. In fact, by this point, the pursuit of a university degree was having the exact opposite effect on the economy than its original intent. Delivery costs had risen to the point where graduates needed to take on a loan to get the degree. In effect, this debt load excluded them from the bigger and more critical loans – mortgages and car loans – a government needs to take place within its economy so that it can access money through taxable exchanges. By the mid-1990s, the cost of a university education was effectively removing its best and brightest citizens from the primary mechanism that drove the economy: the creation of money through the issuing of commercial loans. The unintended outcome of the rationalization negotiations was that it created an awareness on the part of the provincial government of a void that needed to be filled. The province needed a mechanism that could cheaply vault high school graduates into the economy.

The remaining three sections of this thesis describe in detail the evolution of the development of skills training in Nova Scotia, the mechanism it now uses to fill that void. In the second section, *All that Glitters*, I look at how the idea was first formed, as well as how it came very close to taking root at the turn of the last century. In the third section, *The '*Diffuse*' Politics of Employment,* I show how a modified version of this system sputtered its way through the 20th century and almost stalled completely after the creation of the NSCC in the late 1980s. In the final section, *Technology Triumphant*, I reveal how the province's struggle to control its debt played a critical role in its re-evaluation of the importance of skills training. This led to a series of important political decisions that took place over successive governments – decisions that eventually culminated with a $123 million economic investment in the Community College system, the largest in the province's history.

It is worth noting that smaller but equally significant investments in the Community College have continued over the last twenty years. In simple terms, two systems of higher education now operate in parallel within the province. Both require a significant financial contribution from the province in order for them to work. But, in the eyes of the province, it is the NSCC that is vital to the successful functioning of the economy. Graduates are done in one to two years. And all of them step straight into a job which allows them to walk into a bank and take out a loan.

ALL THAT GLITTERS

Skills training is the *oldest* form of education.

In 2010, researchers working at the site of Dikika in Ethiopia noted linear cutmarks on 3.4-million-year-old animal bones. They suggested an extinct line of humanoids probably made these marks with handheld tools. It was a bold claim that failed to gain traction within the academic community. To make such an assertion (and have it stick), one needs the tools that made the marks, which they did not.

[541] But then, a year later, Sonia Harmond of Stony Brook University made an alarming discovery not too far away in Kenya. At a site just west of Lake Turkana, her team spotted an odd scattering of stones on the surface of a sandy landscape. Upon closer inspection, they were cores that had been struck at just the right angle to cause them to flake. These flakes can be very sharp and were clearly used as tools to empower an ancient hominin to be able to cut through the thick skin of large animals, slice off pieces of meat, and even break open bones.[542] The process to create these tools, as well as the applications for their use, is the oldest example we have of skills training.

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[541] Michael Balter, "World's oldest stone tools discovered in Kenya: Researchers unearth simple cutting stones dated to 3.3 million years ago before the genus Homo arose," Science.org, 15 April 2015, accessed 12 December 2023, https://www.science.org/content/article/world-s-oldest-stone-tools-discovered-kenya. Upon upon excavating the area, the researchers were even able to find a flake that fit one of the cores.

[542] Katie Hunt, "Sophisticated stone tools may predate humans, study suggests," *CNN*, 9 February 2023, accessed 12 December 2023, https://www.cnn.com/2023/02/09/world/first-stone-tools-hippo-scn/index.html.

If we jump back a mere four thousand years to the reign of Hammurabi, the sixth king of the First Dynasty of Babylon, we find written evidence of the vital role skills training played in human development. At the turn of the last century, researchers discovered in Iran a 2.25 metre stele made of basalt. It was engraved with Babylonian legal text composed sometime between 1755-1750 BC. The laws encompass everything from marriage to property rights. One of them relates to the appropriate application of skilled labour:

> šumma itinnum bītam ana awīlim īpuš-ma šipiršu lā ušteṣbi-ma igārum iqtūp itinnum šū ina kasap ramānišu igāram šuāti udannan (Translation: If a builder constructs a house for a man but does not make it conform to specifications so that a wall then buckles, that builder shall make that wall sound using his own silver.)[543]

In a world full of sharp objects, it is easy for us to underestimate the importance of skills training. Our humanoid ancestor, who, 3.2 million years ago, took a moment from their day to fracture cores into sharp flakes was no doubt taught this skill by someone in their tribe. Indeed, it is quite possible that there was an adult at this site surrounded by children they were attempting to pass this skill on to. Whatever happened, the ability to fashion a stone knife tipped the fragile balance between life and death in favor of these hominids. Not only were they able to carve up an animal to eat, but they could now use almost every part of it for their survival. As for Babylonian house builders, the law etched on the basalt stele reveals several important things about how skills training had evolved. The ability to do something – in this case build a wall for a house – had moved from being critical to profitable. This skill became the foundation for a financial transaction that was so important to the development of Babylonian society that Hammurabi was forced to delineate who was accountable should it collapse.

[543] Martha Roth, *Law Collections from Mesopotamia and Asia Minor*, (Atlanta, Scholars Press, 1995), 78.

By all accounts, the oldest university in continuous operation is Bologna, which was founded in 1088 AD. It therefore follows that there was no chicken versus egg debate in terms of the development of higher education.[544] As we can see from the cut marks on the fossilized bones, skills training not only predates *homo sapiens* as a species by 3.2 million years, it is the foundation for the development of ancient societies. It is for this reason there has been a tension between the leadership of ancient regimes and the people who built them.[545]

Skilled labour has been organized for almost as long as civilization itself. For example, during the medieval period, artisans banded into guilds that oversaw how skills were practiced within a geographical area. In a way these guilds were similar to our modern professional associations in that they possessed a management structure responsible for their governance. And when I say governance, I am making specific reference to everything from how the artisans within these guilds interacted with associate governing bodies straight through to the quality of the work produced within that geographical area. But most importantly, guilds oversaw the training of new members to ensure that the skillset was passed to the next generation. For most of human history this was how skills training was managed. As a result, guilds were inherently powerful vis-à-vis their ability to enrich the quality of life for the people around them. It was all too easy for a king or emperor to commission the creation of a pyramid or a coliseum. The challenge was managing the people who knew how to build it.[546]

With this in mind, a fundamental shift in skills training took place over the course of the 19th century. As discussed in the second chapter, Wilhelm von Humboldt, a mid-level aristocrat,

[544] Medieval Craft Guilds were hierarchical. Apprentices were people – usually boys –who were at the lowest level and studied under the Master, who was at the top. Journeymen was the level between the two. When universities first emerged, they imposed a similar hierarchy into their system: bachelor, master and doctoral.
[545] Jim Morrison, The Secret to Making Concreate that lasts 1,000 Years," *Wired*, 3 February 2023, accessed 14 December 2023, https://www.wired.com/story/secret-roman-self-repairing-concrete.
[546] John Dickie, "What the Freemasons Taught the World About the Power of Secrecy," *Time*, 13 August 2020, accessed 14 December 2023, https://time.com/5877435/freemason-secrecy/.

was tasked with restructuring the Prussian education system following its defeat to Napoleon in 1806. During his eighteen-month tenure, he recast a series of ideals and educational experiments into a coherent policy model that became the template for our modern education system. Everything from elementary school straight through to university was remodeled.[547] It is worth noting that Humboldt did not put much thought into skills training.[548] He was more concerned with the development of children into citizens who contributed to the state through the passionate pursuit of their potential.[549] If an adolescent, who successfully passed from kindergarten to high school, wanted to work with their hands, the guild system was already in place to help them develop these skills. However, the development of a scientific class of researchers within the university system had a reflexive impact on skilled labour. Within a generation, the scientific breakthroughs that flowed directly from German universities into industries changed production. This had two effects. The first was that scientific and technological breakthroughs upended many trades that had been under the domain of the guild system for hundreds, if not thousands, of years.[550] The second was that these breakthroughs created industries that needed labourers with even more advanced skills. Specifically, advancements in chemistry radically changed the German industrial sector over the course of the 19th century.[551]

These developments did not go unnoticed. As discussed earlier in this thesis, universities throughout North America worked hard behind the scenes to convince both the US and Canadian governments to invest in education in the same way Germany was.[552] Most dragged their heels

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547 Paul R. Sweet, *Wilhelm von Humboldt: A Biography (Vol II).* (Columbus: Ohio State, 1980), 3-87.
548 Ibid.
549 Ibid.
550 Janet Vey Guilford, "Technical Education in Nova Scotia, 1880-1930," Master's Thesis: Dalhousie University, 1983, 16-20; Donald MacLeod, "Practicality Ascendant: The Origins and Establishment of Technical Education in Nova Scotia,"*Acadiensis.* XV, 2, (Spring 1986): 58-60.
551 From 1900 to 1931 Germans were awarded fourteen of the first thirty-one Nobel Prizes in Chemistry.
552 Paul Axelrod, *Scholars and Dollars*, (Toronto: University of Toronto Press, 1982), 23; 'Canadian University and

until the launch of Sputnik I, at which point vast amounts of money were invested into the university system. Unfortunately for skills training, there was no rocket launch around which its supporters could rally. Worse, there was no Humboldt with a clear, singular vision of how this system should be organized. Whereas universities in both Canada and the United States had a ready-made base of intellectual and financial support via the religious denominations, skills training had nothing. As a result, the leap from guild- to government-sponsored training is a long and complicated journey filled with small victories, countless setbacks, and numerous false starts. Indeed, what is fascinating about this story is that Nova Scotia was the *first* jurisdiction in North America to pass legislation on government-sponsored skills training but the last to implement it.[553]

It is hard to point to an exact point in time when skills training became an idea that people rallied behind. As mentioned earlier in this section, skilled labour was upended by the scientific breakthroughs taking place throughout the 19th century. During this period, a tremendous amount of industrial development took place over a relatively short period of time. Although industrialization took root in Western Europe, the advancements quickly leapfrogged around the world. The United States was particularly keen to exploit these advancements through the creation of new industries. Although citizens were aware that these new technological developments were changing their world, the pace was still slow enough for it to be ignored. The people who were acutely aware of the scope of what was happening were

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College Enrolment Projected to 1965,' NCCU, Proceedings, 1955, 34-6. See also: Karl Turner, *Silos & Stovepipes: The Rationalization of Higher Education in Nova Scotia during the 1990s.* (Halifax: Saint Mary's University, 2011), 33-57.

[553] William J. MacLeod, *Technology Triumphant: The Promise of a Community College for Nova Scotia* (Doctoral Thesis). (Halifax: Dalhousie University, 1995), 7-9; Guilford, *Technical Education*, 1-14.

scientists, specifically the ones who took their doctoral degrees in Germany.[554] They saw firsthand where this was going and were, for awhile, the loudest voices calling for change.[555]

Again, it is hard to pinpoint exactly when the debate for government-sponsored skills training began in Nova Scotia. What we can say is that the most articulate, well organized, and public call for change came in 1882, when Dr. J. Gordon MacGregor, a physics professor at Dalhousie College, published a pamphlet called *Technical Education at Home and Abroad*. In it, he criticized the Nova Scotia government's failure to train its citizens in the skills that developed Western nations had universally agreed was necessary.[556]

> Let him visit our factories and he will find them run by imported skills. Managers, foremen, even skilled workmen, are usually either foreigners or have been educated abroad. The hewers of wood and the drawers of water are home-educated Nova Scotians.[557]

If a visitor was to travel across the province, he argued, they would find unproductive farms, inefficient mines, and factories run in the manner described above. It should come as no surprise that MacGregor was advocating for the adaptation of a technical education system modeled after the Swiss Canton in Zurich, which had been highly influenced by the educational changes that took place in Germany following the Humbolt reforms two generations earlier. MacGregor argued that there needed to be widespread changes to education that would 'introduce' skills training in the classroom. If the province hoped to maximize productivity, it needed to train people in farming, fishing, lumbering, commerce, civil and mechanical engineering, as well as in trades-based arts tied to house and shipbuilding. It therefore followed that elementary level

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[554] Ellen Condliffe Lagemann, *Private Power for Public Good: A History of the Carnegie Foundation for the Advancement of Teaching,* (Middleton: Wesleyan University, 1983), 58. See also: Turner, *Silos & Stovepipes*, 6-32.
[555] Guilford, Technical Education, 16-20; MacLeod, *Practicality Ascendant*, 58-60.
[556] Guilford, *Technical Education*, 16-20; MacLeod, *Practicality Ascendant*, 58-60.
[557] Industrial Advocate, XII (February 1908), 7; Guilford, *Technical Education*, 16; MacLeod, *Practicality Ascendant*, 59.

students needed to be exposed to the base level skills that support these trades. In other words, students in the public school system needed to learn geometry and industrial drawing, as well as physical and natural science.[558]

Scaled over time, it is impossible to calculate how just profoundly this idea would have impacted the Nova Scotia economy. We know it would have for the simple reason that government-supported skills training was a game changer everywhere it was introduced. But the biggest gains went to the governments that implemented them first; and Nova Scotia was the first government to commit these ideas to paper. It is not too much to argue that had it followed through, it would have changed the face of Confederation. As the Historian Niall Ferguson said, there are many possible futures.[559] Unfortunately, this was not the one we chose. It would be sixty years and require widespread acceptance before Nova Scotia committed to this idea in a coordinated manner.

Notably, Dr. MacGregor's pitch for educational reform came along during a critical period in Nova Scotia's development. One of the biggest obstacles was that Premier Phillip Cartaret Hill's attempt to realign the province's denominational universities into a single institution was in the process of failing. However, the creation of the University of Halifax ultimately led to the removal of all funding to the universities.[560] The other issue at play was a minor global recession that led to the restructuring of the provincial banking system.[561] In other words, the pitch came at the front end of a period of steep economic decline that coincided with the removal of funding grants to the only group lobbying for skills training: the scientific

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[558] Guilford, *Technical Education*, 16-18; MacLeod, *Practicality Ascendant*, 58-60.
[559] Niall Ferguson, *Civilization: The West and the Rest*, (New York: Penguin, 2012), xix.
[560] Turner, *Silos & Stovepipes*, 19-20. See also: A.A. Gillis, University of Halifax, 1876 – 1881. (Halifax: Dalhousie University, 1969).
[561] See: James D. Frost, "The 'Nationalization' of the Bank of Nova Scotia," *Acadiensis.* XII, 1, (Autumn 1982), 3-38..

community. In his pamphlet, MacGregor argued that the biggest obstacle to achieving educational reform was to reform the relationship of the province's universities with their denominational backers. It should therefore come as no surprise that *Technical Education at Home and Abroad* was published by a group of people who called themselves "the friends of university consolidation."[562] Although the ideas presented in this pamphlet were widely discussed, none were acted upon in any meaningful way.

The biggest reason why government-sponsored skills training failed to take root at this time was related to the structure of the public school system. By the turn of the century, public schools in Nova Scotia were jointly administered by the Council of Public Instruction and by school trustees elected annually by rate payers. The province was divided into over 2,000 sections with the Education Act requiring each one to operate a school partially funded by the provincial government so long as the trustees allowed it to be inspected. Although the Council of Public Instruction appeared to have governing authority over these schools, it was in reality just an advising body.[563] Most of the authority over how these schools were managed lay in the hands of the elected trustees. By 1899, approximately 100,000 children attended one of the 2,390 schools taught by 2,494 teachers.[564] For most of the 19th century, the public education system in Nova Scotia was nothing more than a scattershot of one-room schoolhouses with community members in charge of the curriculum. Complicating matters even further was the fact that there was no provincial department of education. There was not even a minister of

562 This pamphlet was printed two years after the failed attempt to create the Halifax Technological Institute. See: Guilford, *Technical Education*, 20-28.
563 Guilford, *Technical Education*, 20-28.
564 PANS vertical file V74 #23, "Centenary of the Nova Scotia Free School Act", (Nova Scotia Department of Education, 1966); PANS, Council of Public Instruction Minutes, 1900-1910; ER, 1899, 1. See also: Guilford, *Technical Education*, 59-66.

education to sit in cabinet, let alone advise the members of the house.[565] In short, Dr. J. Gordon MacGregor's progressive idea was too much too soon.

As noted, the only progressive and standardising force within the province was the Council of Public Instruction, which, interestingly, was also responsible for running the Normal School in Truro that trained and licenced the teachers who, in theory, were supposed to feed into the schools throughout the province. Had this happened, the province might have been able to gain control of the curriculum. Although the Council pushed trustees to hire Normal School graduates, more often than not the Council was forced to hand out 'permissive' licenses because the rural schools claimed that 'trained' teachers were not available. Following the publication of MacGregor's pamphlet, it would take another twenty-five years before the public school system would reach a system high in terms of certification. In 1905, 1,068 of the province's 2,566 teachers had professional training.[566] As David Sloan, the principal of the Normal School, famously quipped, "education (was) drifting into the hands of little girls."[567]

Of course, the reason for this slow incubation period was related to money. On a per capita basis, Nova Scotia's educational funding to public schools was well below the American average. In Massachusetts, the benchmark used by most educational reformers, the State paid $38.55 CDN per student. In 1900, Nova Scotia paid $14.56 CDN per student, less than half that amount. Even more problematic was the fact that rates were not even throughout the province. In Halifax, with its larger and more prosperous population, citizens were accessed at 40 cents per $100 whereas residents of Guysborough County paid more than three times that amount, $1.45

[565] Guilford, *Technical Education*, 59-66.
[566] Education Report, Appendix C, 1900-1906, Schools of the City of Halifax, 1905, xli; See also: Guilford, *Technical Education*, 63.
[567] *Halifax Herald*, March 24, 1906; See also: Guilford, *Technical Education*, 63.

per $100.[568] Rural Nova Scotians, therefore, carried a much higher financial burden to maintain the system than people who lived in urban areas. In fact, it was for this reason that rural school trustees pressed the Council to hire uncertified teachers. Why? Because they did not need to pay them as much.

As we can see, the biggest obstacle that needed to be overcome for there to be any sort of government-sponsored skills training was that the public education system needed to be reformed first. But the fiscal imbalance between the costs for urban versus rural delivery, as well as the questionable degree of quality, meant that most Nova Scotian voters were not particularly keen to vote for any party that wanted to take this topic on. As a result, it was much more politically advantageous for both the government and its opposition to ignore the problem, than to actually do something about it. As a result, the skills training debate was only ever embraced by two groups of people who approached the topic from different perspectives. This resulted in some friction amongst the relatively small group of people fighting hardest to bring the idea into fruition.

We have already touched upon the first group interested in skills training: scientists. The pamphlet created by the 'friends of university consolidation' were Dalhousie science faculty. These men – and practically everyone involved in the skills training debate were men – had been influenced by the policy changes that had taken place in Germany at the beginning of the previous century. Even the ones who had not done their doctoral degree at a German university were aware of the ground-breaking research taking place within these faculties. Accordingly, they were well versed in how these technological advancements were transforming the German economy. No sooner had Germany retooled its universities, it was forced to follow suit with

568 Education Report, Appendix C, 1900-1906, Schools of the City of Halifax, 1900, xvii; See also: Guilford, *Technical Education,* 60.

skills training to develop a workforce that was able to meet industry demands. University reforms in Germany had produced a whole class of North American scholars who were not only aware of just how quickly society could progress once science was rationalized, but they were also sensitive to how quickly Canada and the United States were falling behind. These men were the first converts to the idea of skills training. They were converts, though, not because they would benefit personally, but because it would more deeply entrench the importance of scientific research.

The second group of passionate advocates for skills training were industry leaders. As discussed in an earlier chapter, before the financial contraction in the 1880s that led to the capital flight as the banking system underwent massive structural change, Nova Scotia, though not necessarily keeping pace with countries such as Germany, was not exactly falling behind either. We need to keep in mind that the province had developed a network of rail lines. It had also pulled together the technical and financial resources to create the Shubenacadie Canal system that dissected the province in half. Again, no small engineering feat. Moreover, it had a diverse number of industries scattered across the province that had the potential to develop into larger, more productive ones. But this was only possible if the province was willing to invest in the development of its workforce. Of course, there were primary industries such as forestry, farming, and fishing. All would have benefitted from a provincially-coordinated approach to skills training. That said, the industry that was willing to put money and time into lobbying for this idea was the mining industry. There was a financial reason for this: gold reserves discovered on the Eastern Shore held the potential to be just as profitable – if not more – than coal. The problem was that the gold was not as easily accessible as the veins that spawned the Klondike and California gold rushes. On the contrary, this gold required even more advanced skill sets than had made the coal industry possible. Therefore, for this gold to be accessible, the Nova Scotia government needed to be a partner in this project.[569]

The first big win in this movement was scored by the scientific community. Following the release of Dr. MacGregor's pamphlet, the province agreed to establish a set of mining schools throughout the province in 1883.[570] What is interesting is that there was almost complete consensus for this amongst everyone lobbying for skills training. Owners and managers were deeply concerned about the skills shortage within the province and used every mechanism possible to lobby the government of the day.[571] But probably more effective than this was the fact that miners also agreed. (Of course, this had an even bigger sway on government for the simple reason that this collective voice represented a large number of voters.) Mineworkers were united through the Provincial Workmen's Association (PWA). It did not hurt that Robert Drummond, Grand Secretary of the Association, was a strong and vocal proponent of not just technical education, but all forms of education.[572] As for the miners represented by the PWA, there is strong evidence that they believed that training, examination and ultimately certification, would restrict access to the profession that would in turn promote safer work conditions, better job security, and of course, more money.[573] Because of this consensus, the Nova Scotia government, though responsive, was not ready to lead sweeping reforms.

By the turn of the century, the Mining Society of Nova Scotia, once it realized how important mineral royalties were to the provincial revenues, stepped forward and became politically active. No longer happy to lobby behind the scenes, the Society was now openly

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[569] Guilford, *Technical Education*, 52-58; MacLeod, *Practicality Ascendant*, 69-73.
[570] Sharon Reilly, "The Provincial Workmen's Association of Nova Scotia, 1879-1898," (Master's Thesis: Dalhousie University, 1979), 127-133. See also: Guilford, *Technical Education*, 32.
[571] Ibid.
[572] Ibid.
[573] Ibid.

demanding legislative changes. First among its demands was the need for technical education. In short, the Society wanted the province to help it access a potentially large reserve of gold. The reason it lobbied for technical education was because it knew a number of practical problems needed to be overcome. The premier at the time was Liberal George Murray. Murray, though supportive of the mining industry, was reluctant to take on wide-scale educational reform. Again, the reasons were political. Citizens, though not exactly happy with the public education system, were afraid that reforms would bring on more costs. There was also the problem that the management of Nova Scotia's public schools, for reasons outlined earlier in this section, rested with the community. Murray knew that the push for 'New Education' – as it came to be known – would not only need to centralize the management of this system, it would also remove control from the communities.[574] And if there is one thing any successful politician knows, it is that one should never be seen taking something away from the electorate, especially if what one gives back leads to less community control and more taxes.[575]

Although the miners and scientists lobbying for skills training could see the benefits that 'New Education' would bring to the provincial economy, Murray and the Liberals were aware that they would be the ones selling the idea to voters. Worse, the benefits of these changes would not necessarily be seen during their political mandate. In all likelihood, educational reform would have brought an abrupt end to their time in office. Nevertheless, the Mining Society used its considerable power and reach to push for the Technical Education Act, which was passed into law in 1907. What is interesting is about how this law came to pass was that the Mining Society had a clear vision for how the law should be structured.

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[574] Ibid., 56-62. See also: *Debates and Proceedings of the House of Assembly*, 1903, 16.
[575] This is one of the 'rules' Gerald McCarthy passed on to me in my interview with the deputy minister. See: SMUA, Author's interview with Gerald McCarthy, 13 December 2008.

In 1901, Halifax lawyer and secretary of the Port Hood Coal Company, Alex McNeil, presented a paper on the subject of technical education that resulted in some robust discussions within the Society. McNeil's paper made several arguments that were not just pedagogical. In many ways, he made a fiscal argument. The paper began by pointing out that at $11,000,000, mining was an extremely important industry to the province. But what was proving problematic was the fact that a shortage of skilled labour, as well as the dearth of institutions to train them, was making it difficult to attract investors. This is a theme that emerges time and again within the debate for skills training that took place over the course of the 20th century. In short, investors were not just satisfied with a company's ability to extract a resource such as gold, they also wanted to ensure that the government responsible for overseeing the economic activities was a partner in such a project. At one point in his paper, McNeil argued that it was only after the province was in a position to ensure an adequate supply of trained managers that it would be "safe for the capitalists to come in."[576] If a government could not support training, then investment would dry up.

To ensure McNeil's paper found a wider audience, the Mining Society had it printed and distributed to all members of the provincial government. Almost immediately afterwards, the Mining Society was invited to meet with representatives of two committees of the House of Assembly: The Mines and Minerals Committee and the Education Committee. Everyone involved supported the idea of technical training and all agreed that they should press the government to appoint a commission that would investigate this idea further so they could come up with a detailed plan for how it should be implemented. Although Murray's government was both supportive and active, it is worth noting that in the fall of 1902, Charles E. Tanner, leader of

[576] Alex MacNeil, "Technical Education and Discussion," *Mining Society Journal*, VI, 1901-1902, 64; See also: Guilford, *Technical Education*, 54-55.

Conservative opposition, stood before the House to point out the fact that in the Speech from the Throne, the Liberals failed to make any reference to the creation of a commission that everyone seemed to be calling for.[577] The Liberals ignored this. Yes, everyone was open to the idea of skills training. Everyone also seemed keen to pass legislation. In fact, both the Liberals and the Conservative opposition endorsed the idea. The Mining Society supported it. Even the rank-and-file administrators who ran the system of education in its current form believed a commission was the best way to move forward and come up with a plan. The one person who opposed the idea was Premier Murray.[578]

As pointed out earlier, the educational system in Nova Scotia was a source of frustration for the electorate. Murray knew that a commission would be forced to widen its scope from skills training into the reorganization of the public school system that would necessitate changes imposed from a strong, centrally managed authority. In short, a commission would have driven a hot stick into a political hornets' nest. But in rejecting the idea of a commission, Murray was not rejecting technical training. Like everyone else, he supported the idea. On the contrary, he was keen to bring about changes in a way that would not upset the public.[579]

What we need to keep in mind is that, when viewed through a forward-looking lens, these changes seemed to be ushering in a hopeful and prosperous future. When viewed through an historical lens that looks back, technical training had already lost its critical momentum. If the idea had been acted upon in a serious way in the early 1880s, Nova Scotia might have been able to keep pace with other industrial areas in North America. Though not at the leading edge of development, it was by no means last. In fact, the region had a lot of factors in its favour. Its

[577] Ibid.
[578] *Debates and Proceedings of the House of Assembly*, 1903, 16. See also: Guilford, *Technical Education*, 56-57.
[579] Ibid.

coast connected it to European and other East Coast markets. And the developing train line was now connecting Nova Scotia to Central Canada. What Nova Scotia needed to catch up on – to entice capital investment – was a skilled workforce that could easily be scaled into new and reformed industries. For this, they needed a government partner, which, as we can see, dragged its heels all the way into the 20th century to better see which way the political wind was blowing.

In 1906, the Mining Society held its annual meeting during which F.H. Sexton – a figure who would play a strong role in technical training in the coming years – presented a paper outlining a plan for how a more comprehensive technical training could be implemented in the province. Later that same day, over a hundred business leaders, politicians and educators met at the Halifax Hotel for the annual dinner. Several people spoke that night, but the star of the evening was Premier Murray who 'throwing all caution to the wind' made a 'special and guarded promise to his hosts' that he was going to proceed with the Technical Education Act.[580] Of course, the news was well received by the crowd. But the truth was that he promised very little. The only substantial thing to come out of it was the creation of a central school of technology – what would, in effect, become the Technical University of Nova Scotia – to be modeled along the same lines as MIT. The announcement allowed him to sidestep the call for a commission. He made the promise because the political wind – and it was a federal wind – was now strongly in favour of technical education. In fact, Murray was under the impression that the federal government was about to implement a special policy envelop for technical training that would effectively offset all of the costs tied to his promise.[581]

[580] Report of the Technical Education Committee, *Mining Society Journal*, VII, 1902-03, 33. See also: Guilford, *Technical Education*, 56-57.
[581] Ibid.

The following year, in 1907, the province passed the Technical Education Act, modeled very closely on Sexton's plan. The only substance to the act was that it assigned responsibility for technical training to a director – F.H. Sexton was later appointed to the position – who, effectively, became the voice within government for technical training. In one manner, this was a win in that industry now had an official officer to discuss these matters. It was a loss, though, in that it created an administrative barrier between politicians and the people lobbying for greater training. As stated earlier, the Act led to the creation of a central technical school – Technical University of Nova Scotia – that was to support the mining profession through research and technical certification. It also led to the creation of regional technical schools that would service mines in local areas, specifically Glace Bay, Sydney, and Sydney Mines. The third change was the creation of evening schools for miners. On the surface, the Technical Education Act looked like a great leap forward. On paper, Nova Scotia was the first jurisdiction to commit to paper the idea of government sponsored skills training. The problem was that the money Murray hoped to get funneled through a federal policy envelope did not materialize right away.[582]

The cracks in the plan appeared almost right away. Although the Act succeeded in creating a full-time director position, only $80,000 were available in Sexton's budget to create the centrally located technical institution. The opposition, quite rightly, pointed out that this was hardly enough to cover the costs, especially when one considered that the recently constructed Montreal Commercial Technical School – a high school and not even a university – had cost $500,000. Although Sexton did an admirable job of cobbling together skills training on a shoestring budget, it would take another three years, until 1910, before the federal government announced the Royal Commission on Industrial Training and Technical Education.

[582] MacLeod, *Practicality Ascendant*, 72-77.

By this point, the great tide of history was pushing hard against the idea of government sponsored skills training. The Royal Commission investigated the possibility both closely and thoroughly. It toured the country and eventually visited Europe to understand how the idea was structured and managed in Central Europe. Unfortunately, by the time the Commission released its report in 1913, the federal Liberals, who endorsed the idea, had been voted out of office. They were replaced by the Conservatives under Borden, who was not so keen on the idea. This led to obvious delays that spilled into the outbreak of World War I. Not until 1919 did any of the money promised to Murray begin funneling into the province.[583] With this in mind, it is worth noting that between 1907 and 1920, a shift in narrative occurred with regards to technical training. At the turn of the century, lobbyists for government sponsored skills training argued that Nova Scotians had their noses 'pressed to the glass' as they watched the industrial parade pass them by. In other words, there was still hope the province might be able to break the barrier between them and the parade. By the 1920s, though, the narrative had moved to that of sturdy, young workers boarding a train that would take them to industries in the western parts of Canada.[584] The hope of Nova Scotia retooling its economy so that it might supply the industrial needs of the 20th century was lost. Nova Scotia had officially begun to deindustrialize.

THE 'DIFFUSE' POLITICS OF EMPLOYMENT

In 1990, two years after the release of *Foundation for the Future: A White Paper on a Community College System for Nova Scotians*, the provincial government changed the signs on the lawns in front of its vocational schools and technical institutes. As for the people and programs inside, it was business as usual. Not a thing had changed.

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[583] Annual report of the Director of Technical Education, 1929, 173. See also: Guilford, *Technical Education*, 111.
[584] Guilford, *Technical Education*, 125.

As mentioned earlier, a strategy that served Premier Buchanan well was to study an issue. And as far as strategies go, it was a good one. He got top quality advice by employing experts. But the real reason he commissioned reviews was because he won three times by doing so. He scored political points by announcing that a problem was to be investigated. Then, when the report was released, he scored again. Finally, a few months later, when he acted on the recommendations, he would score even more political points. In many ways, Joseph Clark's White Paper, *Foundations for the Future*, on skills training worked much the same way. On a deeper level, though, it was the culmination of three decades worth of reports that studied the issue. The first pass on the topic was Vincent Pottier's 1954 *Report of the Royal Commission on Public School Finance in Nova Scotia*. Although its primary focus was to come up with recommendations that would restructure the public school system, one chapter was dedicated to the creation of vocational schools. Then, in 1974, the *Report of the Royal Commission on Education, Public Services and Provincial-Municipal Relations* (otherwise known as the Graham Commission) came out. Again, its primary focus was on other issues. That said, the Graham Commission weighed in on skills training. The next report came a decade later, in 1985: *Report of the Royal Commission on Post-Secondary Education.* Although it was focused primarily on the rationalization of the university system, it, too, weighed in on the importance of skills training. The White Paper was different from the other reports in that it pulled together the fractured thinking and scattershot policies to form a firm foundation upon which the province could finally build an educational system that could both support and expand its industries through skills training.

What is interesting is that, up to that point, the provincial government had failed to articulate a vision for skills training. Yes, by this point, it had vocational schools and technical institutes that trained workers. But most of this infrastructure had been built with money from federal initiatives. The closest Nova Scotia had come to a vision that served its industrial needs was the speech Premier Murray gave at the Halifax Hotel in 1906, the annual dinner for the Mining Society. Of course, this led to the passing of the Technical Education Act the following year. But as we saw in the previous section, Murray's promise was supposed to be underwritten by the federal government, which dragged its heels until it was swept up into fighting World War I. The White Paper took everything that had happened since Murray's speech – the thinking, the bricks and mortar, and lopsided federal policies – and assembled the pieces into an educational structure designed to suit Nova Scotia's needs.

In the next section, when I argue that the debt crisis was a turning point for both the province's universities and the Community College system, we need to understand the physical and economic state of those systems at that moment in time. As we will see in this section, the skills training system that evolved over the course of the 20th century was, as Joseph Clark so diplomatically put it, 'diffuse'. This of course begs the question: how did the skills training system evolve in the lead up to the debt crisis? The answer to this question provides insight into why skills training lagged behind the province's universities as a financial priority for decades only to shoot past them come the turn of the century.

Let us consider for a moment the obstacles to skills training outlined in the previous section, obstacles that both scientists and the Mining Society encountered when lobbying the provincial government. The biggest hinderance was the state of the public education system. Although there was some friction between the different factions lobbying for change, all agreed that skills training needed to be complemented by a public school experience that introduced students to the basic principles that formed the foundation for a career in the trades. As we saw, Premier Murray, though supportive of skills training, was dead set against any sort of commission that would have called for public school reforms. The reason was money. He knew that reform would stir up a lot of hostility that would all turn on costs. It should come as no surprise that the province would kick the ball into the tall grass for several more decades before it finally tackled the issue.

In all likelihood, Henry Hicks' decision in 1954 to approve the recommendations put forward in Vincent Pottier's *Report of the Royal Commission on Public School Finance in Nova Scotia* probably cost him his political career. Of course, he had no one to blame but himself, for he was the one who appointed Pottier to head the commission when he was still Minister of Education. Up to that point, Premier Angus L. MacDonald had dealt with the mass unemployment brought on by the Great Depression through highway construction and infrastructure projects. In his 1953 Throne Speech, he was eager to highlight that government had broken ground on several rural high schools and vocational schools in Halifax and Yarmouth, and had completed construction on the Victoria General Hospital in Halifax. The economics of the time had changed his small 'c' conservatism. Initially reluctant to support such projects, MacDonald later campaigned on the success of these social expenditures, asking "(does) anybody want to go back to the days when we had no free school books, no old age pensions, no rural electrification, no vocational schools, no regional libraries?"[585] But the cost of these social expenditures meant that efficiencies needed to be found; and it was for this reason that Hicks finally called for the commission that Premier Murray had been dead set against a generation earlier. Again, the problem was still money. But now it was even more complicated.

[585] William J. MacLeod, *Technology Triumphant: The Promise of a Community College for Nova Scotia*, (Doctoral Thesis: Dalhousie University, 1995) 83; J. Murray Beck, *The Politics of Nova Scotia (Vol 1*-2), (Tantallon: Four East, 1985) 214.

The municipalities had failed to see any substantial growth in property assessment. As a result, they were ill prepared to meet the demand for increased costs related to the delivery of education. As historian Murray Beck points out, "(T)he provincial contribution to education had multiplied more than five times, while that of the municipalities had increased only from $851,000.00 to $1,186,000.00."[586] Accordingly, Hicks directed Judge V. J. Pottier to "conduct a sweeping enquiry into the financing of the school system and to determine particularly, the amounts and proportions to be paid by the various authorities for support of schools."[587]

When the report was released in 1954, Pottier proposed a funding model that aimed to equalize both the costs and standards of its delivery. To bridge the chasm that had developed between urban and rural educational opportunities, Pottier came up with a model in which the costs would be shared evenly (between the province and the municipalities) but had an overarching clause that hinged on the ability to pay. In other words, access and opportunities needed to be equal throughout the system. However, if a municipality was not able to meet those costs, the province would pick up the short fall. In Pottier's words:

> Under the general agreement education costs for the whole province were to be equally shared between municipal units and the province; that is approximately 50% of the total would come from the province and approximately 50% from the municipal units.[588]

Although the province had just broken ground on a vocational school system, Pottier's funding model effectively laid the foundation for skills training. The problem, though, was that the province did not have the money for this system. Pottier made a point of arguing for the

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[586] J. Murray Beck, "The Evolution of Municipal Government in Nova Scotia," *The Report of the Royal Commission on Education in Public Services and Provincial Municipal Relation*, (Halifax, Queen's Printer, 1988) 36.
[587] Beck, *Politics of Nova Scotia*, 229.
[588] MacLeod, *Technology Triumphant*, 84. See also: Nova Scotia, *Report of the Royal Commission on Public School Finance.* Halifax: Queen's Printer, 1954.

importance of skills training system. But since he (more than anyone) knew that there was no money for it in the provincial coffers, he suggested the federal government be approached. Again, in his words, he recommended:

> That the provincial government seek substantially increased federal subsidies for capital and operational costs of vocational schools and further, that the present basis of distribution be adjusted so as to recognize the limitations of the province among others to support a reasonably adequate program of vocational education.[589]

Of course, the money would eventually flow from those coffers, but not arrive in the way the province needed.

As it stands right now, skills training falls under the auspices of the Nova Scotia Community College, an institution with campuses in communities stretching from Sydney to Yarmouth. It employs over 2,000 people and offers over 120 programs.[590] What most people fail to realize is that, once they walk through the front doors of the now shiny buildings that house these people and programs, they are in the brown corporate corridors of buildings that were put up in the 1960s. Hicks may have lost his job as premier for signing into law Pottier's recommendations, but his successor, Robert Stanfield, lost no time in expanding social services even further. But his vision of the future leaned more towards a return on this investment. In the 1956 election, he argued that the Liberals had failed to promote a culture for industrial development.[591] As the heir of the Stanfield underwear empire, he spoke from a position of authority. The result was a narrow victory that ultimately forced Hicks to jump from provincial politics into the leadership of Dalhousie, which, as we saw earlier, had a profound impact on the

[589] MacLeod, *Technology Triumphant,* 85. See also: Nova Scotia, *Report of the Royal Commission on Public School Finance.* Halifax: Queen's Printer, 1954.
[590] See: https://www.nscc.ca/about/index.asp.
[591] Beck, *Politics of Nova Scotia,* 224.

course of higher education within the province. Hicks would go on to play a tremendous role in the expansion of the university system in Nova Scotia. Stanfield, on the other hand, became the most articulate champion of skills training Nova Scotia had seen up to that point.[592]

When Stanfield took control of government, the situation was dire. In his words:

> We felt we had to run very hard just to stand still. ln agriculture, we had a system of old small farms, which people were constantly leaving. Fishing was in a state of revolution. The so-cal1ed inshore fishermen were pretty wel1 disappearing in most parts of the province. That involved a huge expansion of the trawler fishing industry and a centralization at certain points. The forest industry had to be reorganized substantially. The coal mining industry was failing rapidly.[593]

It is worth noting that in the 1950s, over 35,000 Nova Scotians left the province for employment in Western and Central Canada.[594] Realizing that he needed to create a climate that would both create and draw new industries, Stanfield did two things. The first was to create an independent industrial advising committee that later came to be known as Industrial Estates Limited. The second thing he did was leap upon every and any federal policy envelope with money in it related to skills training.

Federal government assistance, which began in the 1950s, expanded to new levels by the 1960s. This ushered in an age that has since come to be referred to as 'cooperative federalism.' As Della Stanley wrote in her essay for *The Atlantic Province in Confederation*:

> The 1960's was a pivotal decade. The growing importance of new technologies stimulated change throughout the western world. As part of a long period of economic growth, the decade saw substantial improvements in Canadian living standards. Faith in material progress was accompanied by an optimistic and

[592] MacLeod, *Technology Triumphant,* 86-89.
[593] Geoffrey Stevens, *Stanfield,* (Toronto: McClelland and Stewart, 1973) 125.
[594] APEC, Atlantic Canada Today, (Halifax: Formac Publishing, 1987) 18. See also; MacLeod, *Technology Triumphant,* 87.

> egalitarian idealism that encouraged concern for the plight of minorities and the poor, the questioning of traditional values and new attempts to define national goals and aspirations.[595]

The federal Technical and Vocational Training Act (TVTA) was one of the biggest byproducts of this era. Although its ideology was motivated by optimism, the real driver behind it was a stagnating federal economy. Come the 1960s, there was cyclical and possibly even structural unemployment. This was the impetus behind the TVTA. And it became the very deep coffer that Stanfield dipped into to build most of the skills training infrastructure that currently exists in Nova Scotia. Although the Act financed similar projects across Canada, Stanfield was unparalleled in his ability to squeeze every dollar he could from this initiative.

Under the TVTA, the federal government agreed to pay for the lion's share of the creation of new and additional skills training facilities as well as the cost of operating them. The hitch was that construction costs needed to be submitted prior to 1 April 1963. Prior to that date, the federal government would cover 75% of the costs. After that date, it dropped to 50%. On the one hand, the TVTA backed almost all of the skills training infrastructure that still exists in the province. But, on the other hand, it played a critical role in the 'diffuse' way skills training programs came to be delivered. There was no time for Stanfield or his industrial advisors to reflect on how this money should be best used. In other words, there was no time to plan for the type of industries Standfield wanted to create, let alone the type of industrial culture this infrastructure it would support. There was only time to build.

And build he did!

Two years after the Act was put in place, Darryl Mills, the minister responsible for skills training, who reported directly to Stanfield about all matters related to vocational training, wrote:

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[595] Dena Stanley, "The 1960's: Illusions and Realities of Progress," *The Atlantic Provinces in Confederation*, ed E.R. Forbes, D.A. Muise, (Toronto: University of Toronto, 1993) 421.

> Present expansion in building construction encompasses a $4.000.000.00 full time schools for Adult Vocational Training - the Nova Scotia Institute of Technology in Halifax, and three vocational schools. one in Springhill for Cumberland County, one in Kentville for Kings County and the third in Stellarton for Pictou County. In addition, there is underway an expansion of facilities in the two vocational high schools now in operation in Halifax and Yarmouth.[596]

Again, infrastructure was going up at a furious rate. Therefore, the next logical question that needed to be answered was related to program delivery. The province now had buildings. But what were they going to do with them?

The way Stanfield attempted to answer this question was to create a Voluntary Economic Planning Commission (VEPC). Politically, this idea was brilliant. But it also unwittingly sowed the seeds for the problems that would plague the skills training system right up until the release of *Foundations for the Future* in 1988. The VEPC was Stanfield's pet project designed to provide him with direct advice from people throughout the province as to how economic stimulus should be spent and spread. Stanfield and his finance minister, G.I. Smith, divided the province into ten economic sectors and then recruited local experts from each one. The board overseeing the entire project was limited to 27 members drawn from the non-partisan subcommittees tasked with discussing economic policy underneath. This was 'trickle up' economics: draw ideas from the base that the top reviews and implements. As Geoffrey Stevens, Stanfield's biographer, notes:

> By 1965, about 500 Nova Scotians, from fishermen to mining executives were involved in the process, meeting periodically to discuss problems in the sectors and funneling ideas through the 27 member Voluntary Economic Planning Board. The Board's first report in 1965 did not tell Stanfield anything he didn't already know. It warned that the province needed to double its rate of job

[596] D.M. Mills, "Nova Scotia Advances in Vocational Education" in Education Office Gazette, March 1963, 5; See also: MacLeod, *Technology Triumphant*, 86-89.

> creation to the point that it would be creating three to four thousand jobs a year, and it added a reminder; "it will be necessary to Nova Scotia to develop a whole new group of secondary manufacturing industries."[597]

It should come as no surprise that in the first VEPC Board report, there was a gap between what the programs the training institutes delivered and the potential jobs those graduates might expect to be employed in. In their words:

> Without decrying the splendid efforts of Vocational and Technical Division of the Department of Education, it is evident that the Division suffers from a lack of knowledge of the detailed needs of our existing and planned secondary industry. It is recommended that additional staff be provided so that a comprehensive study can be made of the needs of the economy in individual areas of the province. Additionally, a detailed appreciation is needed of the human resources in each area and an estimate of the potential of this population in terms of the various levels of technological skills required by industry.[598]

In other words, the skills training infrastructure the province was putting up at an unprecedented rate needed to be responsive to the needs of industry.

Since this new infrastructure was effectively a division of government, this meant that the bureaucracy needed to expand to manage this new division. Staff size increased from 26 to 46 employees including the appointment of seven officials of supervisory rank.[599]

1. To provide for youth, approximately 9,000 training stations at the trades level in 12 regional vocational schools. By conversion of the six existing county vocational high schools and by the construction of six new vocational schools, each serving a region and being with the other schools of the region a part of a comprehensive system of schools for the region.
2. To establish the Nova Scotia Adult Vocational Training Centre with 800 training stations and Point Edward Training Base (Cape Breton) for training unemployed and disabled persons;

[597] Stevens, *Stanfield*, 127.
[598] Voluntary Economic Planning Board. First Plan for Economic development, 78; See also: MacLeod, *Technology Triumphant, 99.*
[599] Province of Nova Scotia, Department of Education, *Annual Report: 1965*, (Halifax: Queen's Printer, 1965) 17.

3 To transfer apprenticeship programs and instructional staff from the Department of Labour to the Department of Education;
4 To provide technical and financial assistance for the establishment and training of industry based training programs; and,
5 To increase the number of positions in the Vocational Education Division to administrative program for "three times the number of students prided for any existing facilities."[600]

As we can see from the chart below, this was a period of unprecedented expansion in terms of just the physical infrastructure for skills training.

Capital Projects Approved 1961-1967					**Figure #14**
Province	**Vocational High School**	**Institute of Technology**	**Adult Training Centre**	**Misc.**	**Students Seats**
NL	0	1	13	5	3,870
PEI	1	0	1	6	1,486
NS	11	2	15	3	6,013
NB	2	2	6	33	3,695
QC	117	20	85	10	113,228
ON	370	7	41	42	219,996
MN	11	1	9	51	6,752
SK	17	2	1	1	12,634
AB	57	3	10	6	35,142
BC	68	1	11	4	36,624
YK	1	0	1	0	482
NWT	0	0	1	0	30
Canada	**655**	**39**	**194**	**161**	**439,952**[601]

The total cost of this project was estimated to be $1.4 billion with the federal government picking up the tab for approximately $800 million. Nova Scotia's share of this expenditure was just under $25 million, creating 6,013 seats for students. The problem was that most of the money that paid for the delivery of the programs the seats were tied to were connected to the federal government's funding envelopes. As a result, from the beginning, the system mandates

[600] Province of Nova Scotia, Department of Education, *Annual Report: 196*5, (Halifax: Queen's Printer, 1965) 17.
[601] MacLeod, *Technology Triumphant, 107;* Data source: Glendenning, *Federal Review of Legislation*, 62.

were imposed from the top down. Complicating matters was the fact that the 'top' was located 1,434.2 kms from Halifax.

It is important to keep in mind that the 'idea' behind skills training, as it was articulated in Nova Scotia at the turn of the century, was a system that supported existing industries while at the same time developing the infrastructure needed to put this idea into practice. More importantly, though, this changed the way Nova Scotians thought about themselves within Confederation. For the first time since that minor recession in the 1880s that resulted in the restructuring of the provincial banking system, Nova Scotians began to believe that they might not need to be dependent on federal handouts. The VPEC had promise and momentum that might have carried on if Stanfield had not left to pursue the leadership of the federal Progressive Conservatives.[602] A cynical observer could easily say that Stanfield simply exploited money the federal government had put on the table. That said, there is also a lot to indicate that his primary goal for entering politics was to rebuild the provincial economy, and that education was to be a cornerstone. The final word should go to his old rival, Henry Hicks, who said, "Stanfield was the last Premier of Nova Scotia who was really interested in education."[603] But, as they say, the road to hell is paved with good intentions. And the bricks and mortar that Stanfield put up in the 1960s quite literally went to hell in the 1970s and 80s.

Premier Gerald Regan, who scored a marginal victory over Stanfield's successor, G. I. Smith, did little to alter the educational course of the province. When the Graham Commission came out calling for a radical overhaul, Regan shelved it. In fairness to Regan, the most contentious recommendations in the report were related to how the province should reorganize the municipalities to better rationalize the tax structures. In short, the report was political

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[602] See: Roy George, *The Life and Times of Industrial Estates Limited* (Halifax: Dalhousie University, 1974)
[603] Stevens, *Stanfield*, 133. See also: MacLeod, *Technology Triumphant*, 114.

suicide. As a result, the lessor recommendations related to education got buried by the more contentious ones. As for Stanfield's VEPC, it chugged along into the next decade and was repopulated with Liberals as Conservatives retired from the positions. The economic committees under the VEPC, which had been set up to advise the principals of the vocational schools and institutes, were also repopulated. It was a missed opportunity because, more often than not, the new members lacked the type of economic background that would have brought insight to the work. Instead, the value the new appointees brought was that they were 'friends' of the government. In this expertise vacuum, the principals were empowered to do whatever they saw fit. Within a short period of time, these schools within the system devolved from being institutions whose aim was to support existing industries and promote new ones to being highly ineffective political hotbeds. Under a banner that touted employment for the community, they became mired in petty local politics. And as they bickered, the technical advancements within the global economy quickly rendered programs developed in the 1960s redundant.

Complicating matters even more was the fact that the system had cleaved itself in half. On one side was the vocational system. Although still run on federal money, it fell more under the provincial prevue. But another system, one directly funded by the federal government, had emerged. Training centers and modules funneled to the province from the Adult Occupational Training Act (AOTA) popped up all over the place. But since they operated on a contract basis, they would disappear just as fast. The system was as confusing for the students as it was for the people running it.

In many ways, the AOTA shattered skills training within the province. Although the initial money for the skills training infrastructure had come from the federal government via the TVTA, Stanfield had been somewhat successful in rationalizing its terms to fit the province's industrial needs. However, when the AOTA was passed, it shattered the foundations of that fragile system. As Stephen Dupre states in his book, *Federalism and Policy Development*, the grand design of this act "'loomed all the more threatening by the fact that its appearance was no less polished than it was sudden … it was as awesome in its logical symmetry as it was insulting in its unilateral origin."[604] As a result, the skills training system limped its way through the 1970s, and then hobbled through the 1980s. Split in two and riddled with overlaps and funding shortfalls, there was no longer an overarching vision for how skills training – a relatively simple idea – should be delivered.[605] The result was a decades long push-pull between the province and the federal government over policy goals. In many ways, this era was the polar opposite of "cooperative federalism."

If there is one person responsible for bringing this conflict to an end, it is Joseph Clarke. Clarke, not to be mistaken with the Leader of the federal Conservatives, was one of Buchanan's closest political advisors. He held a number of jobs, before being appointed Deputy Minister responsible for human resource development. While in this portfolio, during a quiet period, he did a 'dangerous' thing: he wrote a letter to Terrance Donahoe, the Minister of Human Resources Development and Training. In his words:

> I am enclosing a few rough notes re: the establishment of the Community College of Nova Scotia.
>
> The term "Community College" does not excite me – (perhaps the title Nova Scotia Academy of Technical Education or something

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[604] Stefan Dupre, David Cameron, Graeme McKechnie and Theodore B. Rottenberg, *Federalism and Policy Development: The Case of Adult Occupational Training in Ontario*, (Toronto: University of Toronto, 1973) 83. See also: MacLeod, *Technology Triumphant*, 120.

[605] Eric Ricker notes on page 176 of *Economic Thought and Educational Policy Making*: "The provinces control1ed the quality of training and the curriculum. Professional educators, saddled with the task of implementing adult training and retraining programs were plainly unsympathetic with federal economic goals. Moreover, the program was slow to get started in the undernourished regions of Canada where it was most needed, because the poorer provinces found it difficult to take full advantage of the legislation."

> similar would be better) – but, the concept does particularly in the context of creating actual and perceived and innovative change.
>
> I realize that Nova Scotia has opted against this approach in the past. It is my view, however, that the time is here to re-evaluate that position and to move in this direction now.[606]

As stated at the beginning of this section, the Buchanan government enjoyed studying an issue. In many ways this was how 1986 began for them: thinking about how they might rationalize the 'diffuse' skills training system that had evolved over the previous twenty years. Over the next two years, Clarke studied the issue in detail and eventually tabled *Foundation for the Future: A White Paper on a Community College System for Nova Scotians*. The problem was that they looked at the problem for a little bit too long. By the time it was tabled, the Buchanan government had reached the end of its moral mandate. Although they would spit and sputter along for another five years, the Conservatives had reached the end of their ability to do anything big. Instead, they would be consumed with trying to hold on to power. In terms of the vision captured in Clarke's *White Paper*, the best they could do was change the signs on the front lawns of the vocational schools and institutes to the Nova Scotia Community College. It would take another seven years and the province skirting close to bankruptcy before the new vision of skills training would find a champion who could position it to overtake the province's university system as a funding priority.

TECHNOLOGY TRIUMPHANT

In 1993, shortly after John MacEachern was appointed Minister of Education, he called a meeting with Jack Buckley, the Chief Executive Officer (CEO) of the Community College. As

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[606] Joseph Clarke, *Foundations for the Future: A White Paper on a Community College System for Nova Scotians*, (Halifax: Province of Nova Scotia, February 1988) 1.

traffic worked its way through the heart of the city, the two met for drinks at O'Carroll's in downtown Halifax. Up to that point, neither of them had met each other. When MacEachern asked about his plans for the newly incorporated College, Buckley cut straight to the point. The federal government had been floating the institution for decades, but the latest round of cuts had left him with no other alternative. He planned to close all of the small and medium-sized campuses. The Institute of Technology was either going to be given to Dalhousie or the Technical University of Nova Scotia. The Centre of Geographical Sciences would go to Acadia. As for the Nautical Institute, he was not sure who would take it. Nevertheless, he was certain one of the universities would want it. As for the remaining infrastructure, that would revert back to a vocational school system where only basic programs such as carpentry and welding would be taught.[607]

Although MacEachern was rattled, he tried not to show it. On paper, what Buckley said made sense. MacEachern of all people knew how out of step skills training was with the economy. Before entering politics, he had been a Math teacher in Glace Bay. On the side, he owned a popular bookstore where locals would come and talk politics. He knew from the many conversations he had with customers how irritated they were with the Vocational School.[608] In fact, one of the jokes they often shared was that there were kids in the community with five Red

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[607] In the spring of 2010, I was asked by Joan McArthur-Blair, then president of the NSCC, to come up with a proposal for how the NSCC should best document and preserve its history. Over the course of the next year, I engaged with a wide sector of communities within the College. I interviewed key people who had played critical roles in its development. I also worked with the College Librarian and her staff to investigate the creation of a College Archives.

In the fall, I was notified by the President's Office that Jack Buckley, the first president of the NSCC, was quite ill. They gave me his contact information and asked me to reach out to him about an interview. Over the next four weeks we had a number of telephone conversations that culminated with a five-hour face-to-face interview at his home one week before he passed away.

A considerable amount of information in this section is drawn from the interviews with Buckley and his personal files, which were gifted to me by his widow a few months after his death four weeks after our interview, which I accepted on behalf of the College.

[608] The NSCC was incorporated *after* MacEachern entered politics. The College was created by amalgamating the Vocational School and the Institutes.

Seals and no job. MacEachern had taught almost every young person in the community; and though he knew this joke was an exaggeration, it hit close to the mark. A large number of his former students had graduated from there and were unemployed. It was for this reason that, when elected to office in the late 1980s, he followed the College file.[609] When the Liberals were swept into power in 1993, he lobbied Premier Savage to be appointed Minister of Education so that he could follow through on the work outlined in the White Paper.[610] But, as discussed in an earlier chapter, the Price Waterhouse audit shelved those ambitions.[611] MacEachern met with Buckley knowing full well there was no chance for him to secure money to develop skills training. He could have given his approval and ended the meeting then and there with a handshake. But that was not why he got into politics.[612]

"If money was not an option," he asked, "What would you do?"[613]

Unbeknownst to MacEachern, Buckley was as passionate about the College file as he was. In 1990, he left his position as Dean at Humber College to accept a leadership position within the newly minted Community College. At the time, the province had divided the province into economic jurisdictions over which these NSCC 'supervisors' would be responsible. Buckley was the first and last person hired for this job. Technically he was responsible for the campuses on the Northumberland Shore; but, when Premier John Buchanan resigned abruptly in September 1990 to take a seat in the Senate, all interest in the College came to an abrupt halt. Roger Bacon was appointed interim leader for six months at which point he was succeeded by Donald Cameron, who won the leadership. For the next three years, there was no movement on

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609 SMUA, Author's interview with John MacEachern, 28 April 2007.
610 Ibid.
611 Jeffery J. MacLeod, *Clientelism in Practice: An Analysis of Nova Scotia Politics, Patronage and John Savage* (Doctoral thesis, University of Western Ontario, 2002), 169-70.
612 Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.
613 Ibid.

skills training. It was for that reason that Buckley became the de facto leader of the Community College. But since there were so many presidents within the university system, the province refused to give him that title. Instead, they told him that he was to be its CEO. Not that it mattered. Whether they called him President or CEO, he did not have a physical office, an administrative staff or even a mandate to lead.[614]

In retrospect, the seemingly casual meeting between MacEachern and Buckley at O'Carroll's was one of the most significant moments in the development of the Community College. MacEachern's motives were simple: he was new to position and was trying to figure out his next steps. As for Buckley, it was all or nothing. He knew that in the eyes of the Liberals he was an unknown commodity. If MacEachern did not like him, he would be shuffled out. But in a larger sense, Buckley knew that the same was true for the NSCC. For three years he sat on the sidelines watching the government spin its wheels on skills training. The only reason he had been allowed to remain in the job was because the Cameron government had been too distracted with staying in power. When Buckley showed up at O'Carroll's, he was convinced that this was the end of the line for both him and college system he so passionately believed in. But he was not going to go out without a fight. To prepare for the meeting, he pulled together a team of allies from within the College to develop a strategy. They knew the province was broke and decided that, instead of groveling for money that was not there, it would be far more effective to lead the conversation by painting the bleakest picture possible. MacEachern needed to both *see* and *feel* what Nova Scotia would look like without the College.[615]

Buckley was prepared for a handshake. However, when MacEachern asked what he would do if money was not an option, he knew there was a glimmer of hope. For the next forty-

[614] Ibid.
[615] Ibid.

five minutes Buckley sketched out on a napkin how they could follow through on the reforms laid out in the White Paper. Yes, there was a system; but it was in name only. The principals still operated their campuses like fiefdoms. Worse, these leadership positions had been awarded by the Conservatives as patronage appointments. Of course, this trickled down to faculty appointments as well. In other words, the principal of a campus did not seek the best carpenter to teach their students, they sought the best *Conservative* carpenter. According to Buckley, the first order of business was to centralize the leadership of the College in order to bring this practice to an end. The economy, Buckley argued, did not care about political colours. The College needed to recruit the *best* faculty possible. The next order of business was to rationalize its programming. He too knew the joke about graduates walking around with five Red Seals and no job. As far as he was concerned, any program with little to no hope of a graduate finding a job needed to be closed. Not only did these programs impoverish students, they sucked money from the provincial coffers. A working graduate pays taxes. But one who cannot find a job in their field not only fails to pay taxes but sinks deeper into debt. For the system to work, the College needed to train people so that they stepped straight into a job. The final order of business was that the infrastructure itself needed to be reorganized. There were too many campuses with too many overlapping programs. To hammer his point home, Buckley ended his speech by pointing out none of these goals needed money. Instead, it required something that had been in short supply ever since the White Paper had been tabled: political courage.[616]

MacEachern listened to everything he said and left without making any formal commitment. A few days later he had a meeting with Premier Savage, who asked straight out if Buckley was up to the challenge.

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[616] Ibid.

"Sir, we have our man," he answered.[617]

For the next three years Buckley and MacEachern operated in lock step as they brought about the structural changes outlined at their first meeting.[618] The first order of business was to centralize authority in order to bring about the other changes. Accordingly, MacEachern toured the campuses with Buckley; and while there he met everyone, including the principals, to make it clear that not only was Buckley in charge, but he also had the full support of the Liberals to bring about the upcoming structural changes.[619]

What is interesting about this period is that the province had become so overwhelmed with stories about the *possible* changes taking place to the university system that the media failed to report on the substantive changes taking place within the Community College. This is somewhat alarming when one considers that campuses were closed, and that a significant number of people were laid-off. At the same time, this lack of attention reflects just how low a social priority the NSCC was with the general public.[620]

Buckley hoped to move through this period of restructuring as quickly as possible. His rationale was simple: its better to yank the band aid off and get on with it. Unfortunately for him, the changes took longer to implement than he planned. From the beginning, his hope was that he would remain in the position long enough to see the initial flourishing of the vision he

[617] SMUA, Author's interview with John MacEachern, 28 April 2007; Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.
[618] It is worth noting that when it came time to create the Community College Act, MacEachern and Buckley met for supper. During the meal they poured – line by line – over a 1990 copy of Ontario's *Ministry of Training, Colleges and Universities Act*. If they both agreed on the wording of a line or clause, they kept it. If it was not applicable to the NSCC, they removed it. At the end, they read through what they had to see if anything needed to be added. SMUA, Author's interview with John MacEachern, 28 April 2007; Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.
[619] Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011; SMUA, Author's interview with John MacEachern, 28 April 2007.
[620] It is worth noting that, at the time, there were four full-time education reporters each working for the four daily newspapers.

had drawn on the napkin at O'Carroll's. But, as things dragged on, he feared his legacy would be closures and layoffs.[621] In 1996, when MacEachern was shuffled from Education to Community Services, he lost his closest ally. Within a year Premier Savage stepped aside and was replaced by Russell MacLellan, who led the party to a minority government that collapsed within a year. By this point MacEachern had left politics and movement on the Community College file had once again fallen to a new low as the electorate bounced its way through the entire political spectrum before finally settling on the Progressive Conservatives led by John Hamm. The tight-knit staff who helped Buckley through this period adored him and begged him to stay. However, he knew that the cuts and closures had taken its toll on his ability to lead and, in 1998, he announced his retirement.[622]

Ray Ivany, the second president of the NSCC, is a well known and respected figure within the province.[623] However, when he was sworn into the position, he was unknown to every political decision maker that mattered. His only leadership experience was as Dean and Executive Vice President at the University College of Cape Breton.[624] It should therefore come as no surprise that, in 1998, he was not the first choice of the selection committee. In fact, the Board had pretty much made up its mind to go with an older, more experienced candidate. But minutes before a critical vote, a member challenged the logic of this choice. In a measured and

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[621] During my research into *Our Portfolio Project: Pursuing the NSCC's Corporate History*, I interviewed a number of faculty who survived the closures and lay-offs. They recalled sitting at their desk listening to the footsteps of the HR Managers making their way down the hall. They could tell from the echo of their shoes and sound of the sobs whose door they had stopped at to issue a pink slip. As for the principals who had ruled their campuses like fiefdoms, they too sat in their office waiting to find out if they were going to be fired.

[622] Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.

[623] From 2009 to 2017, he served as the President of Acadia University, leading it through a difficult financial period. Between 2012 to 2014 he chaired an economic commission that resulted in the report Now or Never: An Urgent Call to Action.

[624] SMUA, Author's interview with Ray Ivany, 21 October 2010. Ivany played a critical role in developing the marketing plan the rural universities used during the rationalization talks.

articulate speech, he argued that although the College had come a long way it still had a great distance to go. Without doubt, the *experienced* candidate would do a good job. But the College shared two important things with the candidate they were about to pass over. The first was that both the NSCC and Ray Ivany were young. The second was that they both had something to prove.[625]

Ray Ivany went on to *prove* himself to be one of the most charismatic and accomplished educational leaders in the history of the province. From the moment he stepped into the role as President, he demonstrated himself to be singular in the pursuit of a goal, willing to use everything and anything around him to sell the College's ability to transform the provincial economy for the better.[626] Although important work had been accomplished under Buckley's tenure, it was structural and had failed to catch anyone's attention. In fact, the College flew so low on the political radar that the president of the NSCC was never invited to any of the educational meetings that took place in downtown Halifax. Realizing that this was where critical conversations were taking place, Ivany asked his secretary to go to all the office supply companies in the city and buy every possible combination of plastic name tag she could find. Then he asked her to make paper inserts with his name and title for each one in every possible font, size, and colour. From that point forward, whenever Ivany heard there was a meeting taking place in downtown Halifax, he would just show up. If it was an invite-only luncheon at

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[625] Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.

[626] During my research into *Our Portfolio Project: Pursuing the NSCC's Corporate History* an interesting story was shared to me by both a staff member and a representative of the NSCC Board of Governors.

The IT Campus had become so run down that it was infested with mice. Since this was where the Board met, Ivany decided to fumigate the building to avoid having a mouse run across the table during a critical vote. During an important meeting, though, a mouse wandered into the room and stood next to Ivany's foot as he was talking. It stood on it hind legs, sniffed the room, and then fell over dead.

At the time, Ivany was at a critical point in his pitch. Without missing a beat, he incorporated the mouse into his presentation. "And in conclusion," he said standing over the dead animal, "we need to make these changes so that the provincial economy does not end up like this poor animal … dead."

the World Trade and Convention Centre where attendees were issued a name tag at the door, he would hover outside the door to see what type of name tag they were using. Once he figured that out, he would slip into the bathroom, open his briefcase, and pull out a match. And since he was not actually on the lunch list, he simply pulled up a chair up next to whatever member of government he wanted to speak to that day.[627]

Another thing Ivany did was to keep a piece of luggage in the trunk of his car at all times. If he heard the Premier (or one of the ministers) was returning from an out-of-town meeting, he would drive to the airport and place his bag on the luggage carousel. When the person he wanted to meet came though the gate, he would fain surprise that they, too, were on the same flight. Of course, after a bit of chit-chat, he would launch into a pitch. For the next thirty minutes, he would attempt to sell them on whatever 'special project' he needed government funding for. In fact, he did this so many times that Premier John Hamm got wise to the ploy and began to jokingly accuse him stalking. From that point forward Ivany just showed up and cut straight to his pitch.[628]

In many ways the Progressive Conservatives (PC) under John Hamm were the inheritors of the fiscal stewardship the Liberals had tried to bring about under John savage. But whereas rank and file members of the Liberal Party never supported these reforms, the PCs campaigned and were elected on this mandate. It is worth noting that, when Savage resigned, the Liberals clung to power for two more years. But in their last budget, tabled two months before their defeat, it was clear they had lost their way in terms of 'managing' the economy. Pretty much all of the good news in their budget address was related to factors completely out of their control.

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[627] Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.
[628] Ibid.

For example, in his last budget address the Liberal Finance Minister announced, "Between April 1997 and April 1998, nearly 20,000 more people were working."[629] Of course, this was news for celebration. But he also went on to clarify that, "The employment growth (was) a direct result of increased economic activity in the private sector."[630] In short, things were good because the economy was strong. By contrast, the Progressive Conservative budget, tabled a mere sixteen months later, read like the Savage government's economic playbook. Obviously, it was a slightly update playbook in that the Conservatives tore out all the pages that antagonized the electorate.

Neil LeBlanc's first budget address opened with a clear commitment to balance the provinces finances. Their government was about to embark upon Robert Frost's 'road less travelled.' In other words, they planned to make the *hard* financial decisions that few governments make. The speech also made it clear that they planned to make these hard decisions in the most judicious way possible. Near the beginning of his speech, LeBlanc revealed that the province had an unaudited deficit of $384 million.[631] He went on to say that this was problematic for a couple of reasons. The first was that economy had grown by three percent over the previous year, adding almost 16,000 jobs.[632] Most of this was driven by the Sable Gas Project still in development. The problem with this was that infrastructure creation employed a lot of people that would not be needed once the plant began operation. The fact that the province had a deficit during a period of unprecedented growth – a deficit that pushed the provincial debt past the $10 billion mark – was a problem that needed to be fixed. In LeBlanc's

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[629] Donald Downe, *Nova Scotia Budget Address, June 4, 1998*, https://news.novascotia.ca/en/1998/06/04/nova-scotia-budget-address-june-4-1998 (accessed 12 March 2024.)
[630] Ibid.
[631] Neil LeBlanc, *Nova Scotia Budget Address, Oct. 14, 1999*, https://news.novascotia.ca/en/1999/10/14/nova-scotia-budget-address-oct-14-1999 (accessed 12 March 2024.)
[632] Ibid.

words, “The hard-earned success of Nova Scotia taxpayers (was) being wasted on an excess of government.”[633]

Surprisingly, LeBlanc celebrated the work of the Savage Liberals without actually naming them. “Between 1993 and 1997 government made progress toward a truly balanced budget but never realized that goal. A review of government expenditures and revenues, using generally accepted accounting principles, indicates that after fiscal 1996/97 the deficit began to soar.”[634]

It was clear from this first budget that the Hamm government had studied its bond market ratings reports.[635] In the same way Pittsburgh, Detroit and (much later) Greece, restructured their finances to curry favour with the rating agencies, Nova Scotia set an almost identical financial course. It should therefore come as no surprise that one of the first commitments the Hamm government made was to stop funding Sysco, the Sydney Steele Corporation. In LeBlanc’s words, “The plant must be sold or closed. This government’s choice is to sell it, but if need be, we are prepared to see it closed.”[636] It was a promise that haunted the Conservatives for two more budgets before provincial liability for the plant disappeared from the books. But another slightly more surprising line item was set to be removed as well: Nova Scotia Resource Ltd., the debt-ridden, offshore oil and gas development company that helped bring about the Sable Gas Project.[637] In the same way the Savage Liberals hoped to eliminate the deficit in time

[633] Ibid.
[634] Ibid. According to LeBlanc, the 1996/97 deficit was $115 million. In 1997/98 it more than doubled to $245 million. The 1998/99 deficit was $384 million. And the forecast deficit for 1999/2000 was expected to be $497 million.
[635] One of the actions the Finance Department did during this period was to move as much of their debt into Canadian currency so as to minimize its financial exposure to fluctuating global currencies.
[636] Neil LeBlanc, *Nova Scotia Budget Address, Oct. 14, 1999*, https://news.novascotia.ca/en/1999/10/14/nova-scotia-budget-address-oct-14-1999 (accessed 12 March 2024.)
[637] They also announced that they were going to close the provincial hotels.

for the next election, the Conservatives under Hamm promised to eradicate it by 2002-03. But things would get worse before they got better.

The following year the provincial debt soared to almost $11 billion, growing at a rate of $1,000 per minute.[638] In fact, the debt servicing costs jumped from $800 to $900 million.[639] Their ability to follow through on the promise of a balanced budget looked grim. Part of the reason for this was because of the pages the Conservatives had deliberately removed from their economic playbook. Whereas the Liberals under Savage almost went out of their way to offend the electorate, the Conservatives under Hamm worked hard to appease voters. In that budget year there were no hospital closures, layoffs, wage freezes or rollbacks. They could have easily gone that route to bring costs down, but Cabinet deemed it to be too disruptive. Tellingly, the budget did not have any cuts to education. The reason for this was because the Conservatives were beginning to settle into the idea that the path towards economic growth lay in education. Although the deficit that year was $765 (up from $497 estimate from the pervious year) the economy was still doing well because of the Sable Gas infrastructure projects.[640] This was both good and bad news for it vaulted the province in the eyes of the Federal government from 'have not' to 'have' status. At the very moment the province was making critical steps towards 'repairing' its economy, the Federal government pulled the financial rug out from underneath them by cutting Nova Scotia's transfer payments.

Hamm responded to this through a series of negotiations with the Federal government under Paul Martin where he fought for a 'fairer' implementation of the Atlantic Accords Act.[641]

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[638] Neil LeBlanc, *Nova Scotia Budget Address, April 11, 2000*, https://news.novascotia.ca/en/1999/10/14/nova-scotia-budget-address-oct-14-1999 (accessed 12 March 2024.)
[639] Ibid.
[640] Ibid.
[641] Nova Scotia Government Media Release, Premiers Stand United On Offshore Revenues, 8 November 2004,

According to the 1985 Act, the province was allowed to keep the lion's share of the revenue gained form offshore development.[642] The problem was that the Federal government calculated this revenue into its equalization program. Although the province 'technically' kept the offshore money, they lost it on the other side in terms of diminished transfer payments. After a number of closed-door meetings, Hamm successfully negotiated a deal with Martin in which the Federal government agreed to not include this revenue for an extended period of time. Nova Scotia (and later Newfoundland) were allowed to keep both the offshore revenue and their transfer payments in order to further develop their economies. As a result, by 2002, Nova Scotia was not only positioned to finally balance its budget but was expecting an enormous windfall of cash via the Atlantic Accord.[643] Almost all of the money – 830 million – was earmarked as a debt payment, which resulted in an annual drop in the province's debt servicing costs by almost $55 million.[644] Although this was good news for the Conservatives, it resulted in a long line of people knocking on their door hoping a portion of that money could be used for something else.

At the front of this very long line was Ray Ivany.

Before considering what happened next, it is important to remember that the 1944 Breton Woods Agreement solidified the way that money operates on a global level – at least amongst the non-communist blocks. In the years that followed, the pressure to conform to this system was placed on 'developing' nations vis-à-vis the International Monetary Fund and the World Bank. Throughout the 1960s and 70s, large amounts of money were extended in the form of loans to try to 'develop' these nations. Invariably, large amounts of it were either squandered or

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https://news.novascotia.ca/en/2004/11/08/premiers-stand-united-offshore-revenues (accessed, 26 March 2024.)

[642] For more information see: C. P. MacDonald and R. S. G. Thompson, The Atlantic Accord: The Politics of Compromise, file:///C:/Users/karlw/Downloads/1985CanLIIDocs97.pdf (accessed 23 March 2024.)

[643] Peter Christie, *Nova Scotia Budget Address, 2006*, https://beta.novascotia.ca/sites/default/files/documents/budget-archive/Budget-2006-Budget-Address.pdf (accessed 12 March 2024.)

[644] Ibid.

outright stolen by corrupt governments. Nevertheless, there was some progress. And during this period, a tremendous number of economic incentives (along with military pressure) was extended by the West to encourage these ‘developing’ nations to conform to the rules of this system.[645] When Nixon dropped the Gold Standard and began to float the American dollar, it upended the monetary system. As American companies offshored production to countries within this monetary block, the US went from being a net producer of goods to a net consumer. This resulted in a number of structural problems for the US government. In order to maintain its position at the centre of this system, it financialized its economy. In other words, money was no longer created through the production and consumption of goods. Instead, it was generated by manipulating the movement of money.

In the late 1980s, when the Soviet Empire collapsed, it took with it the only counterbalance to the system created at Bretton Woods. This effectively globalized the monetary system and forced holdout nations to participate. In many ways this was a prosperous period for the simple reason that there was minimal conflict amongst nations in terms of how the monetary system should work. As a result, a lot of money was generated as countries came on-line with this system. That said, some of them had a very steep learning curve. What most people within the economic community failed to notice was that the pressure to conform to this monetary model suddenly became reflective. Whereas ‘developing’ nations had received most of the pressure to conform during the 60s and 70s, by the 1980s this pressure turned on economies that were historical allies of this monetary system. As pointed out in the Case Studies in this thesis, US cities were severely punished for failing to conform to the rules. During the Cold War, these economies would have received a generous amount of financial leniency for their economic

[645] There was always the threat that allied nations would flip monetary systems thereby falling into the communist orbit of control.

transgressions. However, after the collapse of the Soviet Union, this generosity dried up. Suddenly bond market ratings had the power to sink everyone and anyone, be it a micro, urban-based economy, or macro, nation-based one.

Nova Scotia was not an exception to this rule. In fact, the debt load it took on during the 70s and 80s brought it to cusp of economic collapse long before the Savage Liberals came into power. However, by the early 1990s, the rules related to government debt were now fixed. One only had to open a newspaper to see that any economy that fell out of line with this system would become a victim of it. As a result, economic indicators related to productivity – particularly ones tied to education – became important in a way that they never had been before.

As we learned from the chapters in the third part of this thesis, these economic changes were the financial backdrop to all of the changes taking place in the 1990s to both the universities and the Nova Scotia Community College. The vocational acts of the 60s and 70s, which transferred large amounts of money to province, were tied to federal initiatives related to nation building. However, the financialization of the American economy coupled with the collapse of the competing economic system, the Soviet Union, suddenly meant that the 'performance' of these educational systems needed to demonstrate results at an individual level. In short, education mattered. But not in a *general* sense. Not education for its own sake. What mattered now was the ability of an *educated* person to be a productive member of the economy. And, of course, the metric that bond market analysists cared most about was the ability for a person to walk into a bank and take out a loan. As we learned in the second part of this thesis, this is how money is created.

It is no coincidence that the fortunes of the Nova Scotia Community College began to rise during this period. Ray Ivany's tenure as president coincides with a number of critical 'off-the-book' provincial funding steams the College was able to develop, revenue that by the very nature of the project precluded participation of the university system. One of them is worth looking at in detail.

When the Westray Mine exploded in 1992 killing 26 miners, it quickly evolved into a political time bomb for the Conservatives under Donald Cameron. Cameron was, to everyone's surprise, making progress towards reforming the party so much so that there was a chance – albeit a slim one – that they might get re-elected. But the Westray explosion cast a dark shadow over his chances of leading the party into another term in office. When it became clear that the owners of the mine had ignored the safety of its workers, the NS government quite literally threw everything they had at them in order to convict them of criminal negligence. The problem was that, according to the law, the owners of the mine were not culpable for the disaster. As a result, they walked away from the court case relatively unscathed. The NS government had no other option left but to change the province's safety legislation. Since the disaster was a national story, this legislation was quickly replicated and adopted throughout the country. The new legislation effectively closed the legal loophole the owners of the Westray Mine had slipped through. It was now possible for the owner of a company to be held criminally responsible for the death of their employees.[646]

The upside to this new law was that occupational health and safety suddenly took on a much stronger role in the workplace. Countless lives were no doubt saved through the adoption of this legislation. But one of the unintended consequences of this legislation was that illiteracy suddenly became a liability for an employer. In the past, a person could drop out of high school and still find a place for themselves in the workforce. In all likelihood this would be at a factory

[646] Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.

or a small business. But the changes to the legislation meant that if an employee could not read or write, then they were incapable of understanding operating and safety manuals. And if an illiterate employee accidently killed a fellow worker, culpability now fell to the employer who hired them. Overnight, employers were no longer willing to employ a high school drop out. Minimum entry to work force was now a high school diploma.

This was one of the first initiatives Ray Ivany jumped on as president. One of the biggest barriers the province faced in terms of getting high school dropouts to complete their diploma was age. Dropouts found it humiliating to go back to an institution where they were visibly older than the people around them. Surprisingly, Nova Scotia – a province with more universities than any other in the country – had one of the lowest high school graduation rates. As a result, over 300,000 were considered illiterate. With the newly adopted safety legislation, this became an almost insurmountable economic barrier. Worse, it was a barrier that was calculated into the province's bond market rating. But Ivany saw this as an opportunity to expand the College's operations. It is worth noting that at no point in the College's history – in any of its iterations – were high school credentials part of its mandate. But, as Ivany pointed out to the Premier during one of his many impromptu talks, it made much more sense to put these learners into a 'mature' environment such as the College instead of forcing them back into the public school system. If that was the only option, dropouts would suffer the economic consequences and refuse to go. As a result, one of the College's first new revenue streams was tied to the creation of an Adult Learning division tasked with 'credentializing' 300,000 people excluded from the work force.[647]

During this period Ivany began most of his meetings by saying he had both good news and bad news. The *good* news was that there were thirty people in the province who were

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[647] Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.

passionately committed to not just advancing the agenda of the Nova Scotia Community College but transforming the provincial economy for the better. The *bad* news was that all of those people were currently in the room with him. Of course, this always caused people to chuckle. But it also pulled them together into a common sense of purpose. It was a heady time where absolutely every good idea was leapt upon. In fact, one of the obstacles the College struggled with was recruiting women. While doing a tour of one of the Cape Breton campuses, Ivany shared as much with its faculty and staff. An administrative assistant raised her hand and informed him that if he wanted to recruit women, then the College needed to create daycares. Of course, Ivany replied that the College did not have the money to create daycare centres. To this the woman responded that one did not need money to create a daycare. "You take the two empty classrooms at the back of this building, and then you get the carpentry students to add some doors on the section that backs onto the lawn. Then you get those same carpentry students to put up a fence and build some playground equipment. Once that is done, you reach out to the community to see if anyone would be willing to 'create' a daycare at the campus. The space and facilities would be free on one condition: students and staff have priority to the spots."[648]

Within a year, every campus in the system had a daycare.

As stated earlier in this chapter, Ivany was singular in the pursuit of a goal. The economic windfall that was about to arrive in the form of federal money linked to the Atlantic Accords presented an enormous opportunity to finish off the development of the Community College system. Of course, Premier Hamm had a long line of people vying for his attention. Ivany's challenge was to convince him that the College dovetailed with the economic priorities of the province. During his tenure, Ivany quite literally grabbed every policy envelope with cash

[648] Ibid.

in it that had the potential to demonstrate the transformative nature of skills-based education. Once such initiative was a special grant from the Federal government that allowed the College to train a group of people to be secretaries, or administrative assistants as they are now known. A special one-off Office Administration program was created at the Pictou Campus with the explicit purpose of showcasing the results to Premier Hamm. The College took thirty students on social assistance and over the next nine months trained them to be office administrators. Ivany's rationale behind this project was to show Hamm that, if the College could get thirty people off social assistance vis-à-vis a program that took less than $100,000 to operate, imagine what would happen if it was scaled across the entire province.[649]

When Ivany escorted Hamm to meet the class, he was not prepared for the Premier's reaction. During the presentation, Ivany introduced Hamm to the women in the classroom by name and then outlined where each of them had found jobs. To Ivany's chagrin, Hamm was somewhat cold and unresponsive and eventually slipped into the hallway appearing uninterested. Seeing this, Ivany figured he had failed to convince the Premier of the importance of the project. To his surprise, though, when he found Hamm standing by himself at the end of the hallway, he realized the Premier had left out of fear that he would become emotional in front of the students. There had been no need for Ivany to introduce him to the students in the class. Hamm had worked as a medical doctor in the community for years. He had helped give birth to most of them. He knew their mothers and he knew their stories. Indeed, for most of his life, he carried a deep anxiety as to how these children would ever find a place for themselves in this world based on their background.[650]

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[649] SMUA, Author's interview with Ray Ivany, 21 October 2010; Author's notes, files and interviews related to: Karl Turner, *Our Portfolio Project: Pursuing the NSCC's Corporate History*, 11 April 2011.
[650] Ibid.

From this point forward, the numbers pretty much speak for themselves. On 28 March 2003, Premier John Hamm announced that the NS government was awarding the NSCC $123 million to build a new campus in Metro Halifax. The money was also to be used to both renovate and upgrade the 13 other campuses spread throughout the province. In Hamm's own words, "This is the single, largest investment that government has made, and the reason is clear. Skilled workers are the key to Nova Scotia's prosperity and the Nova Scotia Community College has a critical role in preparing that job-ready workforce. This expansion will ensure that Nova Scotians are ready for the jobs of the future."[651] The cost of training a student for the workforce is enormous. The reason is because one needs to physically replicate the worksite complete with all of the tools and technology that the person will be expected to use and operate.[652] In other words, to train someone to be a practical nurse one needs to create a hospital ward. And if they are training them to be a sound engineer, then one needs a state-of-the-art recording studio. The $123 million investment in the NSCC was not just put up a new building and refurbish the old ones, it was to replicate every conceivable work environment Nova Scotians might find themselves in. Of course, there were strict conditions on how the money was to be spent, conditions that necessitated a level of oversight the province's universities would never have agreed to. But, in exchange for these concessions, the College gained access to more financial support than any of them had seen in their entire history.[653]

The province's prolonged financial exposure via its debt had forced its government to turn a corner in terms of its educational expectations. The province wanted higher education to

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[651] Media Release by NS Government, Nova Scotia Community College Expansion Announced, 28 March 2003, https://news.novascotia.ca/en/2003/03/28/nova-scotia-community-college-expansion-announced, (accessed 23 March 2024.)
[652] With the NSCC it is often quoted that industry
[653] The $123 million came with an additional $29 million to cover the increase in operating costs.

be lean and effective. To hammer home this point, during the $123 million funding announcement, Jennifer Barnable, a public relations student at NSCC Halifax Campus was asked to say a few words. "Clearly, Nova Scotia Community College is not just an educational institution – it is a place where promise, dreams, and hard work combine to help students reach their potential. It is for this reason that college should be celebrated as important and valuable. During the year, hands-on, real-world projects helped me to develop the skills I need to launch my career."[654]

For the next two decades the NS government made similar funding announcements almost every year. In June 2004, the province unveiled the $50 million Waterfront Campus.[655] In 2005, they announced that they would be expanding it by an additional 120,000 square feet to create the Centre for the Built Environment at a cost of $29 million.[656] There were smaller financial announcements such as the one in 2010, where the province announced an additional $2 million to expand high demand programs.[657] And there were financial announcements with dollar figures beyond anything the province had ever seen before in its history. In October 2011, the Federal government awarded Irving Shipbuilding, who had worked in partnership with the NSCC to develop their proposal, a $35 billion contract to construct 23 warships for the Canadian Navy under the National Shipbuilding Procurement Strategy.[658] The College is now so deeply

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[654] It is worth noting that the province approved expanded program delivery to include areas such as Business and Public Relations, which placed the College in direct competition with the universities. Whereas a business degree at SMU or Dal would take four years to complete, a student could do a diploma at the NSCC in two for a quarter of the cost. Public Relations, a four-year degree offered at MSVU, could be completed in one year at the NSCC.

[655] Media Release by NS Government, *Premier Unveils $50-million New NSCC Campus,14 June 2004*, https://news.novascotia.ca/en/2004/06/14/premier-unveils-50-million-new-nscc-campus, (accessed 23 March 2024.)

[656] Media Release by NS Government, *NSCC Waterfront Campus Expansion Announced, 4 November 2005*, https://news.novascotia.ca/en/2005/11/04/nscc-waterfront-campus-expansion-announced, (accessed 23 March 2024.)

[657] Media Release by NS Government, *Province Invests $2 million to Increase Capacity of NSCC Programs, 13 April 2010, https://news.novascotia.ca/en/2010/04/13/province-invests-2-million-increase-capacity-nscc-programs,* (Accessed 22 March 2024.)

[658] The value of this contract has since expanded to $85 billion. The workforce for this multi-billion dollar project

woven into the economic fabric of the provincial economy that it is hard to see where the provincial government begins and the College ends.[659] What is clear, through, is that its mission is clear: Building Nova Scotia's economy and quality of life through education and innovation.[660]

When Ivany stepped down in as president in 2005, he was replaced by Joan McArthur-Blair, who became infamous for asking graduates a question as they crossed the stage at convocation to collect their credential something no university president would dare pose: Do you have a job?

Almost all said yes.

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was supplied almost entirely by the College. Moreover, the College was awarded special policy envelopes from both the provincial government and Irving Shipbuilding to do specialized training programs for marginalized communities so that they would be included in the workforce.

[659] One example of this is the Educate to Work program where people on social assistance are fully funded to take an NSCC program with the goal of getting them back into the workforce. Another example is the Nova Scotia Apprenticeship Agency, which subcontracts the College's faculty and facilities to deliver its training and examinations. There are also specialized funding arrangements awarded to the College for skills development in critical areas of the economy. These programs often cover the cost of tuition, living expenses and special grants to cover the cost of tools.

[660] See https://www.nscc.ca/about/vision-and-values/index.asp.

CONCLUSION – EDUCATION FOR ITS OWN SAKE

It is not a coincidence that this thesis ends at the point where my career in education began. In the fall of 1999, I accepted a position at the University of King's College, Canada's oldest university. At the time, it was on the cusp of yet another of the many crises that has defined both its character and course. The problem this time was that its prestigious Foundation Year Programme (FYP) – its bread and butter – had fallen out of vogue with high school students. [661] The only reason it made its enrolment target that year was because the FYP department secretary had stayed late each night that whole summer calling prospective students. As the newly minted Admissions Officer, I was part of a three-member team tasked with making sure this never happened again.

At first glance, the problem was simple: King's had coasted for too long on its laurels. Its only promotional material was an ugly purple booklet that had not been updated in twelve years. Another problem was that the College did not have a website. Complicating matters even further was the fact that faculty were dead set against us pursuing these digital, new-age fads. It is tempting to say we dragged the place kicking and screaming into the 21st century, but the truth is that we sneaked it over in pieces. At our first meetings, the marketing professional who we hired to advise us began by informing us that the odds were stacked against us. Even small companies had well-resourced promotional departments staffed with a team of full-time employees working to maintain their corporate profile within a hostile and overcrowded market.

[661] The King's College Foundation Year Programme compresses the normal courses an Arts student would take in their first year into a program. Students start out in September studying the Ancient Greeks and then work their way chronologically through the Western cannon of great books.

In his opinion, King's was a good 'product,' that had been left to grow 'organically' for far too long. In short, the College needed to go through what people in the 'biz' call a 'branding exercise.'

Some journeys begin before one realizes they are on them. Looking back, I realize my involvement in the corporate branding of King's College was my first cautious step towards pursuing a doctoral degree. Since we had no money, we did most of the work in-house. I was tasked with going through the archives to not just assemble a history of the College, but to find its essence. For close to a year, I spent most of my spare time in the attic of the New Academic Building – sweating, then freezing, then sweating again – as I sifted through anything and everything related to the College's two-hundred-year history. It was a humbling experience. There were countless boxes of pictures taken by students that, as far as I could tell, stretched from the mid-1920s through to the late 1980s. When one marinates in this amount of material for that long, a feeling washes over you that I suspect is usually only experienced by historians. One develops an emotional connection to the past that transforms one's understanding of the present. For example, the oversized oak doors I had carelessly pushed open each morning on my way to my office became the threshold for thousands of lives I would never meet. Why? Because it was the backdrop for innumerable group photos of students, soldiers, and conferences of scholars – smiling faces dressed in forgotten fashions proudly holding high everything from books to banners of sports victories now lost to history.

At the end of this branding exercise, when we unveiled the new look, people were breathless. They loved the wordiness of our new corporate icon, how 'The University of" and "College" framed a stately, oversized "King's." Even our most ardent naysayers faded in the face of a colour palate comprised of regal blue, royal white and an earthy brown chosen to mirror the faded pages of old books. To our surprise, what made everyone downright giddy was the thing that had caused us the greatest loss of sleep, the new corporate logo.

This might be hard to believe, but writing a three-hundred-and-sixty-page thesis is comparatively easier than distilling a centuries old institution into five words. I cannot remember who, how, or even when we came up with ours. There was a shortlist, I remember that. And it had about ten possible contenders on it. I also remember that none of them jumped out at us. Of course, by that point, we were so overrun with the minutia of font selection and colour palates we had lost all perspective. What I do remember is kicking around one for a long time before finally deciding, yes, *that* is it. *That* is our new logo. And with that decision every document King's College has henceforth produced has been discreetly tagged with a simple five-word statement that never ceases to speak louder than everything else on the page. Coke might be life. With Pepsi, the choice is always yours. But, as for King's College, well, it is *Education for its own Sake*.

I am still pleased with what our nimble, three-person team accomplished. Pride in place is not something that comes naturally to academics. To our surprise, before flying to some conference to present a paper, faculty would show up in our office asking for a handful of brochures to share with their colleagues. Even the most hardened cynics were now visibly proud of where they worked. More importantly, though, our branding exercise turned the needle on enrolment. When I started in the fall of 1999, 586 people had applied for the 285 seat Foundation Year Programme. That is effectively a 2:1 ratio, a nightmare for anyone who has ever worked in recruitment. Not only does it mean that one in two applicants must be qualified, but they also need to want to come. Five years later, we had over 5,000 applications! Moreover, the entering average for the applicant pool – all 5,000 of them – was 97.8%! Tiny King's

College was punching way above its weight. We were attracting the best and brightest young minds from across North America. To my surprise (and initial chagrin) the person who was the least happy about our success was the man who had masterfully run interference for us, President Colin Starnes. It was not until a few years later, after I had sifted through all the files linked to the 1995 bid to amalgamate all Metro Halifax universities, that I finally understood why.

One defense for the study of history is that the further back one looks, the further forward they can see. If we cast our eyes back to the turn of the 19th century, when Wilhelm von Humboldt brought about the educational reforms that ultimately gave rise to our modern education system, then the answer was, yes, education should be for its own sake. It is the forgotten ideal at the heart of the system, the foundation for everything that is supposed to happen to us from kindergarten straight though to a doctoral degree (should one decide to go that far.) What I learned from the research that went into my master's degree, though, was that this ideal had become corrupted by the need to pay for it. In the 1960s, following the successful launch of Sputnik I into space, society was willing to foot the bill. A university education was meant to be accessible to anyone who possessed the intellectual means to pursue it. By the 1990s, though, as Nova Scotia narrowly skirted bankruptcy, it was no longer keen to pay.

At the time I did not realize our witty, little slogan – *Education for its own Sake* – was less than sincere. Stolen from the founding principle of the system we served, we used it to prey upon prospective students by invoking a sense of privilege that was no longer theirs. Like a bottle of Coke on a hot summer day, everything about our marketing campaign was designed to invoke within a prospective student the feeling that 'you deserve the luxury of studying for its own sake.' Of course, the campaign worked just as hard at distracting them from the fact that this extravagance now cost as much as a luxury sedan. We also made sure not to mention that, should they need to borrow money to pay for it, student debt came with terms similar to the ones described in the novels of Charles Dickens. Simply put, it was illegal to default.[662] But let us be clear, this campaign was not designed to attract students from meager backgrounds. On the contrary, we were looking for students whose parents could afford it.

When I left King's College and assumed responsibility for the management of the Admissions & Recruitment office at Mount Saint Vincent University, I needed to think about this more. King's College has always drawn from a wider market with deeper pockets. The Mount, though six times larger, drew from a narrower niche. Accordingly, I paid closer attention to the crowds of students who, over a relatively short period of time, were now swarming the recruitment table for the Nova Scotia Community College. Up to that point, I had never considered them a competitor. After all, how could a trades school be stealing students from us? I soon came to realize I had been blinded by a commonly held educational statistic that no one bothered to challenge. But the crowds of students around the NSCC recruitment table made me wonder if it was still true that 80% of high school grads go to university whereas only 20% attend community college. To my surprise, the invitation I received to attend the graduation ceremony at Forest Heights Community School, the high school that served Chester Basin, exploded that myth in a most spectacular way.

For recruiters, Forest Heights is a 'middle of the road' school. In other words, its location and size are both reflective and representative of most of the high schools across Nova Scotia. There are bigger ones. And there are smaller ones. There are high schools that are more diverse. And some that are less so. Forest Heights sits in the middle of pretty much any metric

[662] In 1999, the cost of tuition and residence at King's College over four years was approximately $60,000. Twenty-five years later, the cost has almost doubled. When one factors in purchasing power inflation, the real cost of a degree has quadrupled.

one chooses to apply to it. As an invited guest, I sat on the stage where I was to bear witness to each member of the graduating class collecting their credentials. The booklet on my seat contained all of their names. My plan was to just sit there and smile, but, as the first student passed in front of me, I was surprised to learn that the guidance counsellor announced where they would be attending next year. This was the statistical snapshot I had been looking for. I pulled a pencil from my pocket and proceeded to jot next to each graduate's name the institution they would be attending. In total, there were 118 graduates. Five planned to go to the Mount. Three to Saint Mary's. Two to Acadia. And one to St.F.X. To my shock, 107 were going to the NSCC. Moreover, the NSCC netted 96% of the students who graduated with honours. The next day, when I was back in my office, I typed up a short report, which I submitted to my supervisor, the Associate Vice President of Enrolment. Later that same day I received a message informing me that I was scheduled for an emergency meeting with the senior executive team the next morning. It was incomprehensible to them that this many graduates were going to the NSCC and wanted me to do a presentation that would somehow explain away this anomaly. I was also informed that I might need to do the same presentation for the Council of Nova Scotia University Presidents the following week. Bad news, it seems, travels fast. Nevertheless, my PowerPoint presentation was easy to pull together because it only contained one slide, the corporate logo for the Nova Scotia Community College.

"Education that *Works*!"

A promise is a powerful thing. From October 1957 through to the mid-1990s, a university education was the *promise* of prosperity. If one wanted to get a good job – and by a *good* job, I mean one where they do not get dirty and are paid lots of money – then one needed to get a degree. From the 1960s through to the late 1970s, that promise held true. The vast majority of university graduates in Canada found a prosperous place within the economy. By the 1980s, though, as demographics shifted and the economy stalled, these words rang hollow. By the 1990s, when I was an undergraduate student at Dalhousie, my professors modified it whenever employment was brought up. "If you want a good job," they would say, "then maybe you should consider doing a master's degree." Of course, carrying on was a costly venture. Tuition costs had soared. At the beginning of my four-year degree, it was easily covered by a summer job. By the time I graduated, almost everyone I knew had a student loan. None were aware that it was illegal for them to default.

Within the pantheon of promises, prosperity is important. But the promise that trumps all promises is the promise to pay. The inability for a generation of university graduates to be able to cross the stage, collect their credentials, and then walk straight to a bank to take out a loan has had a devastating impact on the economy. As we learned in the second part of this thesis, 97.4% of currency is created through loans from private banks. It therefore follows that an economy is driven by the amount of debt people between the ages of twenty and forty-five are able to carry. The higher the debt load, the more money in circulation. The more money in circulation, the more revenue a government can pull in through taxes. Of course, this is a fragile game. If too much debt is taken on, there is a risk the economy will crash, and that the loans will need to be written off. But, as we saw from the last chapter of this thesis, there is something far worse than commercial banks needing to write off debts. The greater economic sin is placing insurmountable economic obstacles in front of our best and brightest that blocks them from borrowing in the first place.

The anthropologist David Graeber once said that life's great conceit is that the systems we serve were created by us. It therefore follows that we can uncreate them and build new ones.

If we were to rebuild Western democracies from the ground up, it would be worth our while to consider a world where education truly was for its own sake. In the meantime, though, as we wait for that revolution, it is best for us to remember that our education systems are inextricably intertwined with the economy. Should a government forget this point, the bond market will be quick to remind them that the interest rate on money they are borrowing hinges directly on how well that government has positioned its population to borrow money from a bank.

APPENDIX

Nova Scotia's Universities

University	Founded	Location	Denominational Association	Student Population	Note
Acadia University	1838	Wolfville	Baptist	4,542	Founded as Queen's College
Atlantic School of Theology	1878	Halifax	United	106	Originally known as Pine Hill Divinity Hall
Cape Breton University	1951	Sydney	Catholic	9,138	Founded as Xavier Junior College
Dalhousie University	1818	Halifax	Presbyterian	20,970	Founded as Dalhousie College
Mount Saint Vincent University	1873	Halifax	Catholic	4,418	Founded as Moun Saint Vincent Academy
Nova Scotia Agricultural College	1905	Truro	Non-denominational	NA	Amalgamated with Dalhousie in 2012
NSCAD University	1887	Halifax	Non-denominational	820	Founded as the Victoria School of Art and Design
Saint Francis Xavier University	1853	Antigonish	Catholic	3,884	Founded as Arichat College
Saint Mary's University	1802	Halifax	Catholic	6,257	Founded as Saint Mary's College
Technical University of Nova Scotia	1907	Halifax	Non-denominational	NA	Amalgamated with Dalhousie in 1997
University of Halifax	1876	Halifax	Non-denominational	NA	Closed in 1881
University of King's College	1789	Wolfville	Anglican	914	Relocated to Halifax in 1922 when it became affiliated with Dalhousie
Université Sainte-Anne	1890	Church Point	Catholic	1,425	Nova Scotia's only French language university

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