

Do departures from democratic accountability compromise the stability of public finances? Keynesianism, central banking, and minority governments in the Canadian system of party government, 1867–2009

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Published online: 24 May 2012
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Abstract This paper is concerned with the effectiveness of Westminster parliamentary institutions in ensuring the stability of a nation's public finances. Our starting point and major hypothesis is that the governance structure embodied in Canada's parliamentary system has contributed importantly to the maintenance of fiscal stability. The fact that the Government of Canada, like the central government of many other modern democracies, has survived for over a century without default on its public debt means that in some meaningful sense, long run responsibility with respect to the nation's finances has in fact been achieved, and we show that this is in fact the case. Hence a more meaningful test of our main hypothesis requires the designation of specific sub-periods when the ideological background for political policy making changed and/or when the institutions and organizations for operationalizing policy varied in ways that either improved or discouraged responsible fiscal performance. We consider ideational and institutional factors that are predicted to either enhance or detract from accountability and fiscal stability, including central banking, the adoption of Keynesianism, inflation targeting and periods of minority government, and test

Revision of a paper given at the Conference on *New Perspectives on Public Debt*, La Sapienza University of Rome, September 26–28, 2011, at the public choice meetings, New Orleans, Miami, March 2012, at the National Institute of Public Finance and Policy, New Delhi, March 2012, and at the Condorcet Center, University of Rennes I, May 2012. We are indebted to Geoffrey Brennan, Lars Feld, Fabrizio Balassone, Fabio Padovano, Govinda Rao, Pinaki Chakraborty and seminar participants for helpful comments.

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