

THE CARNEY PIVOT

The policy priorities for Prime Minister Mark Carney's government are very different from its predecessor. Arguably, it is the sort of reinvention that has made the federal Liberals the most successful party in the democratic world over the last 150 years.

The core policy commitments found in the speech from the throne of the new Carney government diverge from those of the last Trudeau government in 2021.

The federal government is responsible for a limited but critical set of policy areas including foreign affairs, trade, and defence as well as shaping policies that help bind Canadians together and define Canada's place in the world. It also uses excess tax revenues to help fund the more extensive responsibilities of provinces and territories.

Figure 1 groups the major policy commitments in the throne speeches of the last Trudeau government and first Carney government. There was a sharp shift from a focus on Indigenous and cultural issues to economic concerns, including internal and external trade, housing supply and fiscal responsibility.

The centrality of international affairs and emergence of defence as a priority point to a recognition of the troubled global waters that Canada must navigate if the country is to prosper. The environmental commitments in the throne speech also capture Carney's determination to rebalance how they intersect with economic concerns.

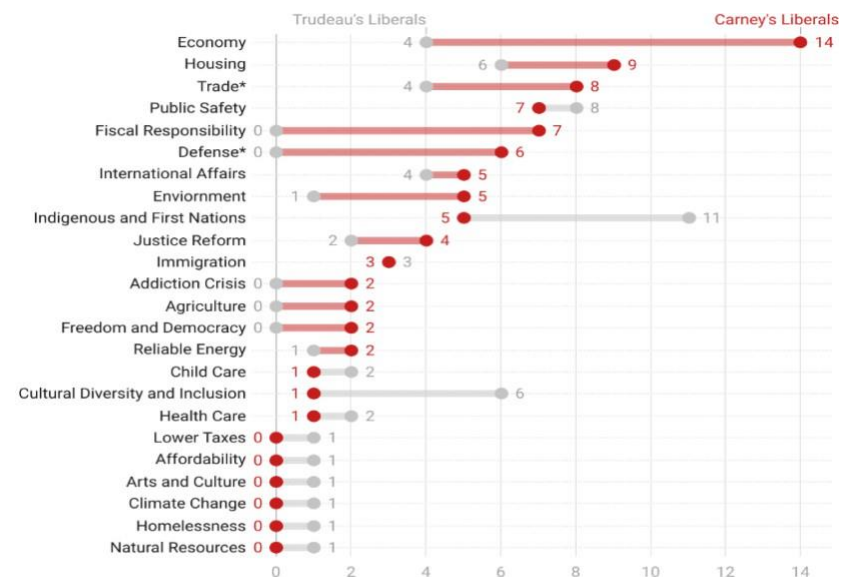
The Carney government has pivoted sharply to economic issues such as trade and fiscal responsibility.

These commitments require a major retooling of government priorities and effort, some of which is already in legislation such as Bill C-5, the One Canadian Economy Act. The Carney government will need to manage the raised expectations generated by the work of the Trudeau government on Indigenous and cultural issues to ensure its economic policies gain the necessary support.

A commitment to fiscal responsibility may limit the Carney government's capacity to balance potentially competing policy demands.

Given the uneven impact of economic and trade policies across the country, Carney will need to manage relations with provinces and territories. The need for provincial endorsement of international trade agreements, a nearly unique Canadian feature, will challenge federal negotiating powers. Any provincial demands for compensatory policies will put pressure on Ottawa's commitment to fiscal probity.

Figure 1: Trudeau versus Carney



* These themes double count commitments that straddle two policy areas. See [PoliticalAffairs.ca](https://politicalaffairs.ca) for an explanation

Chart: [PoliticalAffairs.ca](https://politicalaffairs.ca) • Created with Datawrapper

By indicating where the government is willing to spend money, the November 4 budget will signal which of its initial policy priorities have survived a tumultuous first six months in office and how the Carney government is responding to the complexities of Canadian federalism.