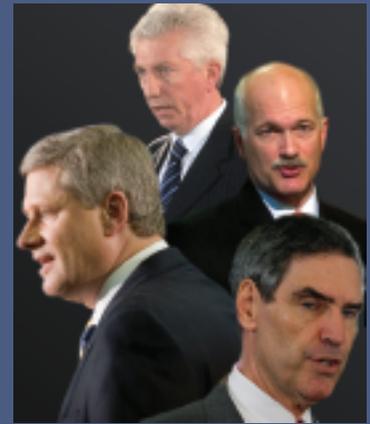


WHEN MINORITY GOVERNMENT WORKED: THE PEARSON LEGACY

Tom Kent

As senior policy adviser to the prime minister, our Founding Editor was closely involved in the minority governments of the tumultuous Pearson era from 1963 to 1968. After a bungled first year in office, as Tom Kent recalls here, the achievements of the next four years include the Canada-Quebec Pension Plan, universal health care, and others in this era of “co-operative federalism,” all of them adopted in a minority House. “The fundamentals that worked then,” he concludes, “firm objectives, sensitivity to the great needs of the times, co-operative federalism, cabinet government — are as necessary today.”

À titre de conseiller principal en politiques du premier ministre, notre rédacteur fondateur Tom Kent s’est trouvé de 1963 à 1968 aux premières loges de la période agitée des gouvernements minoritaires de Lester B. Pearson. Il rappelle ici qu’après une première année bousillée, les quatre suivantes ont produit des réalisations majeures, notamment le Régime de pensions Canada-Québec, le programme universel de soins de santé et plusieurs autres mesures clés attribuables au « fédéralisme coopératif » cher à Pearson, toutes adoptées par un Parlement minoritaire. « Les principes fondamentaux qui ont inspiré ces actions — fermeté des objectifs, sensibilité aux grands besoins de l’époque, fédéralisme coopératif et gouvernement par l’exécutif — restent aujourd’hui tout aussi nécessaires », conclut-il.



The Pearson-led Liberals of the 1960s could not win a parliamentary majority. In four years the two minority parliaments of L.B. Pearson’s government nevertheless transformed Canada. It did more than any, except perhaps Wilfrid Laurier’s, which added rapid population of the Prairies by immigration to John A. Macdonald’s original national policy of tariffs and the railroad.

I say four years because the first of Pearson’s five years in office — from 1963 to 1968 — was a learning experience marked by two shattering blunders. One came close to destroying the government when it had barely begun. The second put the Canadian state into peril. Yet, lesson learned, the minority government went on to forge a strengthened, more resilient national politics.

Today, both big parties would have us believe that minority government is inherently bad for us. A majority is more comfortable for them. The public interest is another matter. The quality of government depends on much more than the number of its MPs. Apart from considerable luck, Pearson’s success was owed to strengths that good majority government equally requires.

First, in the 1960s the Liberals had firm, coherent objectives. They knew what they wanted to do for Canada.

Second, the government’s aims were in tune with the underlying attitudes of the times. Policies were not shaped by shifting opinion polls and calculations of votes. Though some were exposed to strident denunciation, particularly from the business community, they served public needs that were widely felt. After all the controversy, provincial governments and opposition parties in the end became reconciled, if not entirely to the desirability, then at least to the inevitability, of the doings of a minority government. The major items of Pearson’s legislation finally passed Parliament with scarcely a vote against.

The issue of the flag was the main exception. Otherwise, parliamentary success was not the product of interparty negotiation and compromise. The NDP was in sympathy with many of the Pearson measures. It had members on friendly terms with Liberals, including some closely involved in the government. But, while the possibility was once entertained by a few people, there was never any partnership, even any one-time arrangement of the kind that

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Relations with the provinces were a different matter. There was confusion to repair. During the Second World War, the extreme separatism of jurisdictions had necessarily been replaced by extreme centralization. That could not continue, but equally,

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we could not return to the ways of the 1930s. We had got through the 1950s by compromises, without devising a new way adequate for a different world. There was confusion and conflict, which Pearson the diplomat was passionately concerned to replace with a co-operative federalism. But in 1963 neither he nor his close associates quite knew how to make such a relationship work. That it should do so is the third essential for the good government of Canada. How the Pearson government learned co-operative federalism is the main theme of this article.

The success depended also on a fourth factor, too little recognized. Pearson's was genuinely a cabinet government, rich in various talents, and Pearson was a superb chairman who clarified and reconciled viewpoints. He was flexible, but when he knew what he wanted, as he usually did, the meeting concluded with at least an acceptable approximation of his intent.

In this style of government, ministerial staffs, including the prime minister's, were miniscule. I was labelled "co-ordinator of programming," and the published job description is worth quoting, because it encapsulates the

co-operative nature of cabinet government before it fell victim to prime-ministerial dictatorship. It said: "Mr. Kent will work with committees of Cabinet in the development of legislation and will assist the Prime Minister in liaison with the Ministers and departments of government." While friendship with the Prime Minister was essential, the main qualification for this role was my extensive involvement with the party's membership

through the opposition years. The Pearson government worked by co-operation. I doubt that today's control from the top, however great the parliamentary majority backing it, could so well rise above weaknesses and mistakes, could achieve so much of public benefit, as cabinet government yielded, despite its minority.

The first of the two opening blunders was the 1963 budget, the product of overconfidence. It was corrected by retreat; and the humiliation, of Walter Gordon particularly, left a scar that prolonged the agony of the second, near-fatal blunder: the government clung hopelessly to the initial version of the Canada Pension Plan (CPP) long after it had become plainly impracticable.

The Pearson Liberal Party was committed to comprehensive health care and other social improvements. The purposes were firm. But since jurisdiction was provincial, program specifications were left for consultation and negotiation. The exception was pensions, on which Ottawa had the power to legislate, thanks to the 1951 amendment to the constitution.

Many in the party were keen to use this opening. They were still sore from the shame of one of the last acts

of the St-Laurent government. Its miserly addition of "six bucks" to Old Age Security was pilloried so mercilessly by Diefenbaker that it contributed greatly to the 1957 election defeat.

A national pension plan was therefore seized on as one social measure that could be spelled out in some detail while in opposition. The draft was politically highly attractive, especially because it would start with very low contribution rates. The proposal was, in other words, an unfunded, pay-as-you-go plan. So were the social security systems of the United States and many other countries. In the circumstances of the time, when birth rates were higher, this made good economic sense.

The new Pearson government made the drafting of legislation along such lines an urgent priority. In its enthusiasm it was blind to both the constitution and the politics of Quebec. The 1951 amendment had not transferred jurisdiction away from the provinces but made it concurrent, and still with provincial primacy. Parliament could legislate on pensions, provided such legislation did not "affect the operation of any law present or future" of a province.

No provincial government was opposed to contributory pensions, but none had done anything about them. Nine were not thinking of it. Quebec was.

I had known Jean Lesage when he was in Ottawa. We had become friends when working in close agreement within the preparatory policy committee for the 1958 party convention. He got in touch with me a few days after he became premier of Quebec, in the summer of 1960. There was soon to be a federal-provincial conference. He wanted to use it to make a definitive statement on the viewpoint of the new Quebec and its changed role in the Canadian federation. He wanted my input to help in making the document

compatible with progressive opinion elsewhere in the country. If I could spend a few days at Maison Montmorency, the Dominican retreat near Quebec City presided over by the great Father Lévesque, he and a few of his ministers would come there in the evenings to discuss the drafts of the statement.

It was therefore my good fortune to know Quebec's stance when Ottawa opinion, including that of the old-style Quebec politicians there, had not made the adjustment. Soon after the federal legislation was proposed, Lesage telephoned to warn me that he was calling a special session of his legislature to authorize the preparation of Quebec's pension plan. In company with Gordon Robertson (the secretary to the cabinet), I met with him privately, though of course with Pearson's knowledge. Lesage skillfully expounded the financial necessities inherent in Quebec's modernization. He had to have a funded pension plan to provide capital for all the required infrastructure, for schools and roads and the rest. He had to have more income tax revenue to pay for the public services in which Quebec had lagged so far behind most of Canada.

The consequence was plain. An unfunded pension plan was dead. The needs of other provinces were not as pressing as Quebec's, but they would grow, and their governments also would want pension funds. There was no point in delay. The only way to save the plan was to change it. The PM, at least, saw the argument, but the cabinet was desperate to avoid a retreat like the one on the budget. It clutched at potential relief through Ontario provincial politics. In a general election there, the Liberal opposition was campaigning for acceptance of the pension plan as proposed. If they won, perhaps other provinces would fall into line and the CPP as it was would fly after all.

They did not win. There followed months of desultory attempts to modify the plan enough, perhaps to gain Ontario's acceptance. Premier John Robarts, cleverly, did not show his hand, though there could be little doubt that eventually it would be to wield an axe. We were stuck. The only question was what kind of disaster would follow.

The axe was Lesage's. An unprepared delegation went from Ottawa to Quebec City for the April 1964 federal-provincial conference. Lesage delivered his master stroke. He outlined, in confidence but in some detail, the funded pension plan he was going to present to the Quebec legislature. The

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response of other premiers to his brilliant exposition was expressed by the one who immediately said "Can we join it?"

That was, however, the lesser part of the federal discomfort. Personal and corporate income taxes were then levied at national rates. Ottawa kept the lion's share but transferred a percentage to all provinces. It was obvious to any realist that growing public services would be increasingly provincial and would require a larger tax share. The prime minister fully understood this. In defining what we meant by co-operative federalism, we had previously said, "when certain tax fields are shared, this should be done

in a manner appropriate to the respective responsibilities of federal and provincial authorities." Provinces generally interpreted this to mean that an offer of some increase would be the main event of the Quebec conference. Lesage was relying on getting some of what he had been demanding for four years.

Nothing was offered. The cabinet had convinced itself that more tax room for the provinces would be pilloried as another retreat. Lesage raged, with skilled argument as well as histrionics. Other provincial delegations listened with some pleasure, while the great men of Ottawa had nothing to articulate except, belatedly, a suggestion that a committee review the problem. The conference ended with hardly anything to announce, in obvious disagreement. The federal delegation returning to Ottawa appeared to be, and was, in a state of collapse.

The state of his government was, however, the lesser of Pearson's concerns. He saw the peril to Canada. Nationalist sentiment in Quebec was running strong. The championship of federalism lay solely with Lesage. He had claimed that his was the way to win progress for the new Quebec. But he had got no more from his Liberal friends than from John Diefenbaker. The programs of the Quiet Revolution could go on only with the immediate imposition of "double taxation," of special taxes on top of those paid elsewhere in Canada. There was every reason to fear that Lesage would not long survive, and that with him would go hope of a modernized Quebec at home in Canada.

Gordon Robertson and I promptly wrote memoranda to the PM pleading the urgency of changed policies. Mine suggested ways in which Quebec could be given some immediate financial relief, and proposed commitment to substantial increases in the tax share for all



Montreal *Gazette* archives

Three members of Prime Minister Pearson's cabinet, Pierre Trudeau, John Turner and Jean Chrétien, went on to become prime ministers in their own right, serving as PMs for a combined 25 years, between 1968 and 2003. This famous photograph was taken during a cabinet shuffle at Rideau Hall in 1967, near the end of Pearson's remarkable five years of minority government.

provinces over the following two fiscal years. I believed that, with the inducement of such financial relief, Lesage would be willing to accept some compromise on pensions. Pearson was dubious but authorized me to try. I met Lesage the next day. He did respond, warmly. A refreshed prime minister deployed all his persuasive skills to change the minds of his colleagues. Within eight days of intense negotiation, we had a settlement agreed by both federal and Quebec cabinets and almost at once welcomed by other provinces. Politically, criticism of a retreat was hardly heard. Public sentiment generally shared the politicians' relief that a crisis had been averted.

The compromise on pensions retained the distinctive and most important feature of the federal orig-

inal. That was its short maturity period, which in effect provided a subsidy to the many people approaching retirement who had been unable to save in the years of depression and war. This meant less funding than in the original Quebec plan, but there was still enough to yield substantial capital available to all provinces. The improvements, compared with the original federal plan, included widened benefits made possible by all the provinces agreeing to a further constitutional amendment. Thanks to close consultation between officials and lawyers of the two governments, identical Canada and Quebec plans were drafted in both languages. While there were some long committee hearings in Ottawa, legislation followed easily. The public pensions that had first been greeted with a

storm of protest came into being with hardly a dissent.

With that, co-operative federalism moved from aspiration to reality. The tax and pension settlements opened the way to the government's other social reforms. That minority status did not hamper it was due in large part to the creativity and patience of an unsung hero: Joe Willard, the deputy minister of welfare.

In the 1950s Ottawa had begun to cost-share some categories of provincial social assistance. The programs were limited and their conditions tightly controlled by federal rules. Willard and his officials began to discuss, with their provincial counterparts, provision of the same social services and assistance to people in need, irrespective of the varying causes of the need. There would be defined

standards for the assessment of need; but provided those were agreed, provincial programs could vary in their details and scales of assistance; Ottawa would reimburse half of their costs without requiring the close controls of the old categorical programs.

There was still enough hangover of centralist attitudes for such an

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innovation to be strongly resisted in Finance and some other departmental strongholds. Nevertheless, the battle was won. The Canada Assistance Plan became a major item in the government's program for 1965. Even more importantly, this demonstration of the new spirit in federal-provincial relations paved the way for Medicare.

For the hospital insurance of the 1950s, as for categorical social assistance, cost-sharing required tight federal monitoring of a kind that was impracticable for comprehensive physicians' services and indeed unacceptable for any new programs in the spirit of the 1960s. The Pearson proposal of July 1965 was federal legislation defining basic principles for Medicare: universal, comprehensive, portable between provinces, and publicly administered. Provided provincial programs were so based, Ottawa would share their costs. Lesage responded warmly. Other provincial politicians came to Medicare at various speeds and with varying warmth. But they came. Public opinion, as well as federal cost-sharing, compelled them.

The same style of financing was extended to post-secondary education, not only in greatly expanded universities but in largely new community colleges. The Pearson government had found how co-operative federalism could implement its promised purposes. A new, more equal Canadian society was being built.

There were, however, other troubles on the way. The proposed Canadian flag was fiercely filibustered by Diefenbaker, until a combination of rebellion in his own ranks and Pearson's flexibility produced the simple red maple leaf. The exhausting battle nevertheless did much harm. It worsened the govern-

ment's tendency to the kind of administrative ineptitude that has the impact of scandal and that, even if minor, disrupts morale. Worse, ministers and party officials took the long impasse in Parliament as evidence that their troubles lay in the lack of a majority and could be removed by an election.

It was profoundly wishful thinking. "Strategy for Government: NOT Election Strategy" was the heading of my January 1965 memorandum on the program for the year. It expressed fear that all the talk of an election would build expectations to the point where not to call it would be interpreted as frightened retreat. The prime minister should stop the talk. He responded by writing at the top of the memo "I agree...and will make the situation clear" (underlined). But in fact the talk went on, and an election became unavoidable, though Pearson was worse prepared than ever for the hustings, on which he was never at home.

The voters were apparently pleased enough with what we were doing to give no credence to the plea that we needed a majority in order to continue. The November 1965 election left the parliamentary balance virtually unchanged. Pearson was worn out and deeply dispirited. But he had contrived the rescue. He had induced Jean Marchand to come to Ottawa, along with his (then) side-

kick, Pierre Trudeau, as well as Gérard Pelletier. They reinvigorated the worn-out government. Of the unfinished items, post-secondary education went through, and the ministers who wanted to withdraw from Medicare were held to a one-year delay of its implementation. Positively, skills training was greatly extended, employment services modernized, and immigration revolutionized. The economy continued to flourish. Industry and trade policies, including the auto pact, yielded their anticipated benefits. The public finances had been put into good order. Trudeau soon proved to be a new breed of justice minister and an eloquent champion of federalism, and his leadership would for a time galvanize the country.

Meantime, the centennial gave a battle-worn prime minister an appropriately celebratory final year, from which he turned to make an important last contribution to the international development that had been so large a concern of his years before domestic politics.

In retrospect, of course, there is much that could have been better done, much that should have been foreseen but was not. Co-operative federalism was crucial to the successes, and the way we found to implement it, the cost-shared way, was essential for the times. Its day, however, is long done. To find a new way is as crucial in 2009 as it was in 1964. The fundamentals that worked then — firm objectives, sensitivity to the great needs of the times, co-operative federalism, cabinet government — are as necessary today. The lesson from the Pearson period is that if a government has or soon develops those fundamentals, it may do pretty well, whether or not it has a parliamentary majority.

Tom Kent, Founding Editor of Policy Options, was principal assistant to Prime Minister Pearson.