

P o l i c y M a t t e r s

**Power and
Purpose in
Intergovern-
mental
Relations**

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Policy Matters

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Summary

On February 4, 1999, the federal government and the governments of all the provinces and territories except Quebec agreed to a “Framework to Improve the Social Union for Canadians.” One of its clauses explicitly calls on governments to jointly undertake a full review of the Framework Agreement and of its implementation, and to make appropriate adjustments by the end of the third year, in February 2002. In the context of this review, this study reassesses SUFA, its implementation, and its significance in the broader framework of intergovernmental relations in Canada. The author examines SUFA and subsequent developments in light of the evolution of Canadian federalism, and concludes that it has not produced a more institutionalized and stable fiscal federalism, and has not eliminated unilateral federal initiatives in core areas of provincial jurisdiction. Collaboration, if it exists at all, is much less prominent than what had been anticipated or implied by the text of the Agreement itself.

The new policies and instruments preferred by the federal government all have in common that they preserve its flexibility and control. Whether through cuts in transfers to the provinces, unilateral initiatives, new forms of block and per capita funding, or the gradual replacement of universal entitlements by targeted benefits, the federal government has tended to choose policies that lessen its commitments and leave it as much flexibility as possible. The result, for individual Canadians as well as for provincial governments, is increased insecurity.

This approach however should not be mistaken as a sign of weakness or lack of purpose. The cultivation of uncertainty is a prerogative of power. It stems from an uneven relationship solidly rooted in a sharp and growing vertical fiscal imbalance between the two orders of government.

Provincial and territorial governments could alter the course of events, if they took advantage of the SUFA review and renewal process to re-create their original common stance and put forward simple but forceful demands, as they did in September 2000 with the Health Accord. This approach would not be convincing, however, without a clear proposal in favor of more provincial autonomy. Provincial governments must reaffirm their constitutional jurisdiction over social policy and see that it is recognized by the federal government. This approach would have more chances to succeed, as well, if the Quebec government was willing to take part in this new round. The satisfactory results of the September 2000 health care negotiations indicate that a genuine Quebec participation cannot be excluded.

Provincial and territorial governments also have to convince citizens that, as well as the federal government, they are Canadian governments, and can be trusted to put forward an appealing social policy agenda. One way to initiate the discussion would be to underline the limitations of current federal orientations. Poverty and economic insecurity have increased in Canada, health care is a universal source of worry, and post-secondary education remains underfunded.

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Introduction

On February 4, 1999, the federal government and the governments of all the provinces and territories except Quebec agreed to a “Framework to Improve the Social Union for Canadians.” The Social Union Framework Agreement (SUFA) acknowledged the legitimacy of the federal spending power in areas of provincial jurisdiction and codified, more or less precisely, the rules that would govern inter-governmental relations in social policy in the years to come. As such, the agreement marked a turning point. Many observers also associated SUFA with a broader trend toward growing intergovernmental collaboration in the Canadian federation.

SUFA, however, remains a time-bound, administrative and to some extent unfinished document. One of its clauses explicitly calls on governments to jointly undertake a full review of the Framework Agreement and of its implementation, and to make appropriate adjustments by the end of the third year, in February 2002. In the context of this review, it seems appropriate to reassess SUFA and its significance in the broader framework of intergovernmental relations. This is the purpose of this study, which considers the Agreement and subsequent events in light of longer historical trends in Canadian politics and argues that current changes are not as collaborative as is suggested by the language of SUFA. To evaluate the potential for renewal associated with the review process, we must go beyond the text of the Agreement and pay serious attention to the divergent interests of the governments involved and to the conflicts left open by SUFA.

Consider, first, the standard view. Many observers are positive about the recent evolution of intergovernmental relations in Canada. They deplore, however, what they see as a lack of vision in Ottawa and in the provinces. From this point of view, Canadian federalism appears increasingly collaborative but somehow incoherent and disorganized. The collaborative process as such is seen as a success, but the policies it generates appear haphazard, poorly integrated and of uncertain value. A sense of purpose would therefore be needed, a “mission statement” that would set forth common values and objectives and help guide public debates and intergovernmental relations for the years to come.¹ The 1999 Framework Agreement did put forward common principles and a shared commitment “to work more closely together to meet the needs of Canadians,” but these statements apparently did not constitute an effective mission statement.² In this perspective, the renewal of SUFA, due in February 2002, could present an opportunity to define and institutionalize collaboratively a more significant mission statement.

There is much truth to this interpretation. Indeed, there is no master plan or explicit vision underlying the various arrangements that have defined Canadian intergovernmental relations and public policies in recent years.

Problems appear to be solved one at a time, as they become pressing. Political improvisation, however, may well be the normal way to govern, in Canada and elsewhere. It may also produce coherent policies. As jazz musicians know, improvisation starts from established patterns. It requires ideas and a sense of direction, and generates a largely unplanned yet meaningful production. The patterns and the direction may not be explicit or visible, but they nevertheless structure and give sense to the performance.

This study proposes an interpretation along these lines. In contrast to those who see collaboration and incoherence in Canadian intergovernmental relations, I stress conflict and coherence. To some extent, this is a question of emphasis. Collaboration and conflict are the two ends of a single continuum, and the same is true, of course, for coherence and incoherence. The idea is not to deny the existence of collaboration or the presence of significant incongruities in public policy, but rather to underline the importance of power and of purpose in this process. What I propose is not simply a different point of view. In my opinion, it is a more satisfactory representation, an interpretation that better accounts for the current situation and provides more helpful indications about the prospects for the coming years.

The discussion proceeds in three steps. First, after offering some background information, I will present what could be called the “mission statement interpretation” of collaborative federalism, to explain how it accounts for recent developments and what it may suggest for the review and renewal of SUFA. I will argue that this diagnosis suffers from important anomalies and may not constitute the most useful guide for SUFA’s review and adjustment process.

Second, I will offer my own interpretation of collaborative federalism, an interpretation that emphasizes conflict, power and purpose. The argument is simple and fairly classical. It starts from the idea that, in intergovernmental relations, governments defend their interests and policy orientations. Even when they remain implicit, power and purpose matter, and they account for the recent evolution of Canadian federalism. Without a mission statement, Canadian social policy has changed significantly in the 1990s, and it has done so in a rather systematic way. Over the years, intergovernmental arrangements have moved from shared-cost and conditional transfers with national standards to almost equal per capita funding with an emphasis on outcome indicators, and pan-Canadian social programs have evolved from more or less universal entitlements to more or less targeted benefits. In the provinces, policies have changed as well, but not always in the same direction. As a result, a new welfare state is emerging in Canada, and it cannot be attributed only to fiscal retrenchment or ad hoc responses to new problems.

The last section discusses the political foundations of collaborative federalism and suggests that provincial and territorial governments adjusted their

expectations and demands downward when they accepted the Framework Agreement. Provinces diverge significantly in their orientations towards both federalism and social policy, and they are not likely to act in a concerted and forceful fashion. Still, they could alter the course set out in 1999. The September 2000 Action Plan for Health System Renewal (the Health Accord) may be instructive in this respect, because it indicates the potential, as well as the limits, of a stronger provincial stance in intergovernmental relations.³

The conclusion brings the different elements of the argument together, and evokes the broader question of democracy and democratic deliberation in a federal society.

Collaboration without Purpose?

The evolution of Canadian federalism can be characterized in light of three inter-related dimensions: the structure of fiscal arrangements, the nature of intergovernmental relations and the federal government's preferred types of social policy instruments. On this basis, most scholars agree on three distinct periods: the era of cooperative federalism in the 1950s and early 1960s; the era of executive federalism from the middle of the 1960s to the beginning of the 1990s; and the current period of collaborative federalism.⁴ Exact time markers cannot be established because transitions are long between each period.

Between the Second World War and the beginning of the 1960s, the federal government was the dominant actor in intergovernmental relations and social policy. During the war the federal government had occupied most of the tax fields, and after 1945 it withdrew only partially.⁵ By 1955, Ottawa collected more than two-thirds of all tax revenues (70 percent of the total, compared to 16 percent for the provinces), in a context of economic expansion and welfare state development.⁶ Initially, the federal government acted alone, often with the approval of the provinces, and reached Canadians directly with more or less universal income security programs. Unemployment insurance was created in 1940, family allowances in 1945 and old age security in 1952.⁷ In areas other than income security, however, such as in health care, post-secondary education, social assistance and social services, direct federal expenditures were more difficult. The provinces had a clear constitutional jurisdiction and an established capacity to administer these service-oriented programs. In many cases, in health care in particular, some provinces actually were at the forefront of policy innovation.⁸ However, instead of leaving more tax room to provinces confronted with rising demands for social programs, the federal government preferred to estab-

lish open-ended but conditional shared-cost programs. These programs, along with equalization mechanisms that gave poorer provinces the means to offer comparable services, were used to promote more or less standard measures in areas of provincial jurisdiction. With these transfers and conditions, the central government confirmed its dominance in social policy, against financially dependent and often politically conservative provinces.⁹ By 1961, federal transfers had become conditional for the most part, and they accounted for about 30 percent of provincial revenue.¹⁰ The fiscal dominance of the federal government translated into rather low-key intergovernmental relations, where programs tended to be designed in a cooperative way by civil servants from line departments. Because cost-sharing was the privileged policy instrument, each side had to agree on the specific configuration and management of social programs. The “Ottawa Men” praised by historian Jack Granatstein were the emblematic figures of the period.¹¹

In the 1960s, the capacity and ambitions of the provinces started to grow and the serene atmosphere of cooperative federalism gradually gave way to the more contentious climate of executive federalism. This new mode of operation gave a central role to first ministers and to high-profile political negotiations that Richard Simeon adequately described as “federal-provincial diplomacy.”¹² The relative fiscal position of provincial governments improved. By 1975, they collected 34 percent of total tax revenues (compared to 16 percent in 1955) and the federal government 55 percent (compared to 70 percent 20 years earlier). As a percentage of gross domestic product, total tax collection had also increased, from 22 percent in 1955 to 29 percent in 1975, making all governments better able to design and implement new programs.¹³

Over time, the federal government became increasingly concerned with the growing costs, lack of control and poor visibility associated with conditional shared-cost programs. Provincial governments also worried about programs that were expensive and complex and that distorted their priorities. In 1965, following a suggestion from the Quebec government and lengthy negotiations, the federal government offered a “contracting out” arrangement that conceded an extra tax abatement on the federal personal income tax to any provincial government willing to design and run its own social programs. Only Quebec took advantage of this offer.¹⁴

The general move from cost-sharing programs to block grants came in 1977, with the adoption of Established Programs Financing (EPF). EPF solved many of the problems associated with cost-sharing while at the same time avoiding further moves in the direction of “contracting out.”¹⁵ Confronted with rising deficits and caught with social policy commitments over which it did not have much control, Ottawa conceded additional (equalized) tax points, pooled together health and

post-secondary education transfers, and reduced its control, in exchange for an end to automatic cost-sharing. At the outset, many provinces welcomed the flexibility associated with tax points and block grants.¹⁶ In due time, however, they would realize that EPF left them without a federal commitment to contribute to costly and rapidly growing social programs. In health care, this approach did not even prevent the federal government from imposing conditions. In fact, with the Canada Health Act, adopted in 1984 to prevent user fees and extra-billing, federal rules became more specific and more strictly enforced than before.¹⁷

Overall, there was no clear winner or loser in this period's "tug of war."¹⁸ The federation, however, changed. Provincial governments gained fiscal autonomy and became more assertive, the federal government grew wary of out-of-control financial commitments and replaced cost-sharing by block funding, and retrenchment, rather than expansion, came to define the social policy agenda. By the end of the period, in the early 1990s, expenditures had been curtailed in most areas, including in the core income security programs managed directly by the federal government.¹⁹ Beyond social policy, in the broader constitutional arena, executive federalism also reshaped the country, with a new constitution and a charter of rights, but also with political divisions more profound than ever before, in the aftermath of the failed Meech Lake and Charlottetown accords.

With the election of a Liberal government, in 1993, a new period began. At the outset, there was no mention of collaborative federalism or of a social union.²⁰ Still, an end to the high-stakes politics of constitutional reform was announced, and a social policy renewal process was launched under the leadership of Human Resources Development Canada (HRDC) Minister Lloyd Axworthy. More importantly, the fight against the deficit prevailed over every other objective. The fiscal agenda was the prime motive behind the introduction, in the 1995 budget, of the Canada Health and Social Transfer (CHST), which completed what EPF had started and combined federal transfers for health, post-secondary education, social assistance and social services into a single, smaller and less conditional block grant. Some have argued that practically all transfers to the provinces had become overwhelmingly unconditional.²¹ One should keep in mind, however, that residency requirements in social assistance and the Canada Health Act remained in effect.²² It would be more correct to characterize the introduction of the CHST as the definitive end of cost-sharing as a major policy instrument.²³ With the end of the Canada Assistance Plan (CAP), which financed social assistance and social services, the last major federal transfer program with national standards and shared costs was gone. By the end, the standards associated with the CAP had become minimal and not very constraining.²⁴ The key change was the termination of Ottawa's faltering commitment to share

the costs of social assistance expenditures.²⁵ Remnants of EPF and CAP were definitely eliminated in the February 1999 budget, when the distribution of CHST entitlements was adjusted on an equal per capita basis, leaving behind the needs-based distribution implicit in earlier CAP payments. CHST cash transfers do involve some redistribution because they take into account the varying value of the tax points conceded to the provinces in 1977.²⁶ Still, social transfers to the provinces are now largely unrelated to their social needs, and much smaller.²⁷ Between 1992–93 and 1998–99, cash social transfers to the provinces decreased by 32 percent, while provincial expenditures for social services, education and health increased by 12 percent.²⁸ From 22 percent of provincial revenue in 1971, federal cash transfers had dropped to 13 percent by 1999.²⁹

From the strict point of view of fiscal federalism, the current period may appear to be one of decentralization.³⁰ Provincial governments increasingly rely on their own revenues. Apparently, they can also allocate most of the federal transfers as they wish, and have fewer standards and conditions to respect. Federal-provincial negotiations no longer concern federal standards and audits; they are mostly about comparable performance indicators and accountability procedures. The logic at play, however, is not so simple. Indeed, the federal spending power is also a powerful instrument when it is used “in reverse.”³¹ The federal government’s heavy reliance on its “de-spending” power was, in fact, what sparked interprovincial efforts to redesign the social union. It was to prevent unilateral and unpredictable changes in federal transfers and social programs that the provincial and territorial governments initiated the social union process in 1996. Along with others, I have argued that these governments did not obtain much on this count when they signed SUFA.³² More positive assessments concede that the Agreement’s constraints on the federal spending power remain light, but note that previously there were simply no rules. From this perspective, SUFA may be part of a new way to manage intergovernmental relations, and only time will tell whether or not this new approach truly makes Canadian federalism more collaborative.³³

Nevertheless, some time has passed since the February 1999 adoption of the Framework Agreement, and the first indications are not convincingly collaborative. Consider, first, the evolution of transfers. In the last two years, in a context defined by an important federal surplus and by anticipated elections, transfers to the provinces have increased significantly and some of the ground lost with the introduction of the CHST has been recovered. The manner in which this reversal has been conducted, however, is revealing. Indeed, an important part of the increase in social transfers has occurred through the allocation by the federal government of ad hoc funds that are conditional and earmarked for health care, early childhood development or post-secondary education.³⁴ These funds

are neither related to actual provincial expenditures nor governed by a formal and agreed upon growth formula. Offered unilaterally and with little prior consultation, these extra funds are often tied to specified purposes and leave the provinces without much of a say and without predictability. In the first years of SUFA, with respect to transfers at least, control trumped collaboration.³⁵

When we consider other areas of intergovernmental relations, the picture appears more complex. There are instances where collaboration seems possible, as with policies for children or for persons with disabilities, but there are also important areas where federal unilateralism prevails. Significant federal initiatives were announced through federal budget speeches. This was the case in health care (various investments in health-service delivery reforms, health information, health-related research and innovation, and targeted services such as prenatal nutrition), in post-secondary education (Canadian Foundation for Innovation, Canada Research Chairs) and in family policy (enhanced Employment Insurance provisions for parental benefits), as well as with the federal homelessness initiative.³⁶ Direct spending in areas of provincial jurisdiction certainly remains an appealing option for the federal government. When this approach is possible, and when the political and financial stakes are high, it tends to prevail over collaboration.³⁷ As Geoffrey Hale observes in an article about recent budgets, “the majority of new spending commitments are in areas directly under federal and Finance Department control.”³⁸ Hale is referring primarily to new direct instruments such as the Canada Child Tax Benefit and Employment Insurance parental benefits. The same could be said of social transfers that remain ad hoc and earmarked, and which are in effect new fiscal federalism policy instruments.

To sum up, collaborative federalism and SUFA in particular have not produced a more institutionalized and stable fiscal federalism, have not eliminated unilateral federal initiatives in core areas of provincial jurisdiction and have given prominence to new policy instruments that increase control or freedom for the central government. This is where the “mission statement” argument comes into play. Acknowledging much that is presented in this balance sheet, those who wish to remain optimistic about collaborative federalism are tempted to associate these features with a lack of vision. This interpretation, of course, is consonant with the popular representation of the Chrétien government as driven by pragmatic and short-term considerations.³⁹ More interestingly, it allows one to explain away most of the difficulties that mar collaborative federalism, and to attribute them to a lack of perspective or of good will. What if these difficulties made sense? What if they were not anomalies, but rather the product of coherent decisions, consistent with a meaningful pattern of intergovernmental relations? This is what I propose in the next section.

Playing by the Rules – or Not

Whether they are states in the international arena, unions and employers in industrial relations, or partners in intergovernmental relations, social actors create rules and institutions to reduce uncertainty. The idea is not to eliminate conflicts, which are inherent to such relationships, but rather to regulate them. More specifically, the purpose of social actors is to bind opponents or partners, to institutionalize — for the long term — concessions that have been accepted in the heat of conflict or commitments that have been made on a mutual basis. States constrain their own sovereignty when their neighbours accept a free-trade regime. Trade unions and employers define lasting rules for themselves through collective bargaining. In intergovernmental relations, the situation is similar: there would be no point reaching agreements if they did not constrain the different partners in one way or another. In a federation, relations are by definition unequal. Above and beyond differences in size and power, common in international relations, there is also a difference in kind between the central and sub-central governments. This specificity, however, does not affect the general logic presented here. There are, indeed, no cases where social actors are perfectly equivalent, and an infinite number of instances where differences between the parties in conflict are huge and fundamental.

Institutions matter because they constrain social actors. Institutional constraints, however, need not be evenly distributed. In an unequal relationship, they may be heavier for the weaker side. According to Michel Crozier and Erhard Friedberg, power lies precisely in an actor's capacity to maintain uncertainty, keep others guessing and avoid strong commitments.⁴⁰ Crozier and Friedberg capture an important dimension of strategic behaviour. In Canadian intergovernmental relations, for instance, governments usually “seek to maximize their freedom of action, and minimize external constraints, fiscal or regulatory.”⁴¹ The strategic perspective of these authors, however, does not grant sufficient importance to ideas and institutions. Institutional rules, in particular, are often created to mitigate power, and some arrangements may actually be more constraining for the powerful. Collective bargaining rules, for instance, constrain employers more than workers. This is their very purpose: they are created to even the chances, to limit the overwhelming power that employers have in a non-organized labour market. In the same manner, in intergovernmental relations, effective institutional rules are likely to place more constraints on the central government, the actor least likely to demand formal constraints. In Canada, the social union process was initiated precisely to circumscribe the power of the federal government to change at will the rules of the game. Ottawa eventually signed SUFA

because it settled a long debate without compromising much of its freedom and capacity for control. It also provided some gains through a recognition of the federal spending power, of the legitimacy of pan-Canadian objectives and of new mobility rules.⁴²

From the point of view of conflicts and institutions, the balance sheet presented in the previous section makes perfect sense. Consider, first, fiscal federalism. In this case, Ottawa's determination to maximize control and to remain free of any institutional constraints is transparent.⁴³ True enough, with the CHST most federal transfers to the provinces have become nominally unconditional. The implicit, or notional, composition of these transfers, however, is indicative of federal priorities. In 1999–2000, the health-care component of CHST for the first time became more important than the social assistance component, and the gap is likely to widen over time.⁴⁴ Ad hoc, earmarked increases in transfer payments have been provided for health, early childhood development and post-secondary education, but not for social assistance and social services.⁴⁵ For both notional and earmarked health transfers, the Canada Health Act still applies. The principles of the Act are quite general and largely accepted, even by provincial governments. Still, in health care the conditions in place after the CHST and SUFA are basically the same as they were in 1984, and there has been no opening about a possible joint interpretation and implementation of the rules.⁴⁶ The sudden interest in Alberta and Quebec private clinics during the 2000 electoral campaign indicated how arbitrary and fickle federal oversight could become. Beyond the Canada Health Act, ad hoc increases in funding make long-term planning and reform difficult, and distort provincial priorities.⁴⁷ Over the years, federal contributions to provincial health-care spending have dropped, from 27 percent of the total in 1977–78 to somewhere between 10 and 15 percent now. Meanwhile, the weight of health expenditures has risen for the provinces, to the point that in 1999–2000 it represented around 40 percent of total program expenditures in many provinces.⁴⁸ Eventually, it could threaten the overall fiscal position of many governments.⁴⁹ As a consequence, provincial governments face a more difficult situation in health care, with the same old rules, the increased uncertainty brought by ad hoc funding and reaffirmed federal ambitions to govern the sector without funding it adequately. More generally, the fiscal imbalance between the federal and the provincial governments has increased, and it is likely to worsen in the years to come, because Ottawa collects a larger share of the most rapidly growing revenues while the sharpest rises in expenditures occur at the provincial level.⁵⁰ In spite of these fiscal trends, which would allow the federal government to accept more solid financial commitments, one would be hard-pressed to find the stability and predictability in funding that is expected with collaborative federalism.

A similar picture can be drawn for other areas of intergovernmental relations, where unilateral federal policies are simply too numerous to be treated as anomalies. The reverse may, in fact, be true. Collaboration has succeeded in areas where the federal spending power previously had been less significant and where there were fewer pre-existing patterns of hierarchy, standards and control. This was the case with child benefits, disability policy and, to a lesser extent, job training.⁵¹ Otherwise, unilateral policies prevailed. In the core spending sectors of health care and post-secondary education, many federal initiatives actually seem driven by the will to circumvent the provinces. In social assistance and social services, the intention seems more related to a desire to shift from invisible and unpopular expenses to more visible and politically palatable spending. The federal government prefers supporting children to unemployed adults, supporting low- and middle-income families to the poor, and supporting visible homelessness initiatives to stodgy social services.⁵² As for the new, extended parental benefits associated with Employment Insurance, it is hard not to see in this initiative an attempt to pre-empt the Quebec government's long announced and popular proposal to claim the Employment Insurance funds associated with parental leave in order to improve the coverage and the benefits for parents. Jean Chrétien was clear on this count: "They're too late," he said, "that's not my fault!"⁵³ There is something like a mission statement in Ottawa, but it is not very collaborative.

The use of a new policy instrument such as the ad hoc, earmarked transfer is, of course, consistent with the picture presented here. SUFA does not constrain the federal government with respect to transfers, and policies implemented since February 1999 suggest that there are now fewer, not more, constraints on Ottawa's choices. Ad hoc transfers are, by definition, less structured and predictable than block grants.⁵⁴ Interestingly, the same can be said of the relationship between the federal government and citizens. In the past, federal programs for individual Canadians were entitlements, associated for instance with age, family or employment status, or earlier contributions. In the 1990s, most of these entitlements became, at least in part, targeted on the basis of income. This was the case with old age and child-related programs, but also with Employment Insurance.⁵⁵ There are advantages to such an approach, in that it allows government to better target those most in need.⁵⁶ There are also risks, however. Poverty and economic insecurity increased in Canada in the 1990s, and to a large extent this can be attributed to changes in income security programs.⁵⁷ The Child Tax Benefit itself may not be as useful a tool against poverty as is generally assumed.⁵⁸ Beyond the impact of the different measures, which are likely to change over time, the transformation of entitlements into targeted benefits raises important questions, because it replaces institutionalized social rights by more precarious

benefits, which may be modified with every budget, often without preliminary public debate. Tax benefits tend to be obscure, technical and difficult to appraise. They make public engagement difficult and retrenchment by stealth easy.⁵⁹ Hence, with respect to citizens as well as to provincial and territorial governments, the federal government chooses policies that lessen its commitments and that leave as much flexibility as possible. The result, for individual Canadians as well as for provincial governments, is increased insecurity. Again, the pattern is clear and consistent. It does not correspond, however, to the promises of institutionalized collaboration.

Adjusting to Sub-Optimal Cooperation

If the situation is so one-sided, why did all provincial and territorial governments except Quebec accept the Framework Agreement? Why do they participate so earnestly in collaborative efforts on a range of social policy issues (for instance, early childhood development, benefits and services for persons with disabilities, housing and labour market policy)? A number of explanations can be offered concerning these choices. Many accounts associate the signature of SUFA to the increased (equal per capita) transfers offered at the time by the federal government. Undoubtedly relevant, these financial incentives are not sufficient to explain what happened. New investments could be expected in any case. More importantly, a pure logic of incentives cannot explain why provincial and territorial governments participate actively in collaborative efforts. These governments were not forced into signing SUFA. The Agreement fell far short of their initial common position, but it incorporated some of their demands, albeit in a diluted version. It also institutionalized a pan-Canadian vision that they, and their electorates, considered valuable.⁶⁰

SUFA merely consolidated an evolution that was already under way, as a result of federal fiscal and social policies. Provincial-territorial initiatives on the social union did not emerge from an inner desire to collaborate on social policy. They were, first and foremost, reactions against the CHST and the reduction in cash transfers it entailed. Provinces and territories wanted constraints on the federal spending power that would be in line with the decreasing value and reliability of the transfers that came from Ottawa. The Quebec government also reacted to a moving situation. It joined the other provincial governments after witnessing the adoption, by the federal government and the other provinces, of the National Child Benefit. In both instances, new rules were sought not to change the status quo, but rather because the status quo had changed already. This pat-

tern is indicative of the causal mechanism at play. Provincial and territorial governments were prompted to action more to protect themselves than to transform the federation.

Collaboration, or cooperation, as it is usually called in the social sciences, does not preclude conflict. As suggested above, cooperation is a regulated and institutionalized form of conflict. Stable cooperation structures emerge when social actors succeed in constraining each other. When this happens, the outcome is often positive for all participants. Cooperation, however, is not always beneficial. There may well be sub-optimal results, situations that produce losers as well as winners. This possibility is often neglected in the social science literature, because cooperation is primarily understood as a public good. Social actors are assumed to face a collective action problem, which they can solve only through cooperation. Cooperation, even when it is driven by a hegemonic power, is thus perceived as a gain for all. In a recently published book on international institutions, Lloyd Gruber suggests that in some cases cooperation may also be detrimental, at least for specific actors. The argument is simple. It starts from the idea, neglected in conventional rational choice representations, that some actors may prefer not to cooperate, because they want to maintain their autonomy or have preferences distinct from those of the dominant group. They end up cooperating, however, when stronger actors go ahead and change the choices that are available. When the status quo is no longer an option, argues Gruber, actors may favour a cooperative outcome that they would have rejected otherwise.⁶¹ In an article on SUFA, Christopher Dunn quotes a British Columbia municipal affairs minister who nicely conveyed this general idea 35 years ago in a public address about a new regional district system. "You will either get what you want," he said to his audience, "or come to want what you get."⁶²

Assessing the preferences of social actors is notoriously difficult. At best, preferences can be inferred from choices, and when social actors decide to cooperate, it is risky to argue that they would have preferred otherwise. However, if one follows the evolution of a process, such as the social union negotiations, it is possible to argue that preferences have been modified and adjusted along the way.

For the Quebec government, this evolution is unmistakable. In Saskatoon, in August 1998, the Bouchard government compromised on principles stated explicitly in the months prior, and it did so precisely because the status quo ante no longer existed.⁶³ Likewise, to agree with the September 2000 Health Accord, this government accepted some of the language of SUFA it previously had rejected, albeit with a strong clause on the division of powers. For other provincial governments the evaluation is not as straightforward, but there was undoubted-

ly a shift downward in expectations and demands. As explained above, provincial governments reacted after the fact to a moving situation and they mainly asked to be consulted and involved in future changes. In the SUFA, they obtained modest responses to these concerns, but even these limited gains were not respected fully in the following months, with unilateral federal initiatives on transfers, homelessness and health care. Given their underlying preferences for cooperation, the expectations of their electorates and the additional transfers they received, provincial governments basically adjusted their expectations rather than holding on to their initial positions. They decided to want what they got.

In summary, provincial and territorial governments accepted SUFA and collaborative federalism, in part because they did not demand as much autonomy and freedom as the Quebec government and in part because they came to accept the options defined by the federal government as the only options available. Two readings of this outcome can be proposed. One would say that the provinces were dominated by a more powerful actor, which was able to define and impose the rules of the game. Another would stress the commonality of views between the federal and the provincial-territorial governments, and present the Quebec government as defeated by what Gruber calls a strong “enacting coalition.” Both explanations convey part of the truth. The provinces failed to impose genuine constraints on the federal government, but they also joined Ottawa to define the final, sub-optimal outcome, without the only government that held the line. In other words, provincial and territorial governments did not achieve their initial objectives, but adjusted rapidly to a new situation they considered unavoidable, not so damaging and useful in some respect.

This evolution of preferences explains why provincial and territorial governments accepted the Social Union Framework Agreement and remained involved in collaborative federalism even though, as discussed above, these institutional arrangements left more freedom and control than expected to the federal government.

Conclusion

The Canadian government does not need a mission statement. Its social and inter-governmental policies may appear ad hoc, fickle or unpredictable, but this is not a sign of weakness or lack of purpose. The cultivation of uncertainty is a prerogative of power. More than ever, in Ottawa, political power is centralized around the Prime Minister, who governs by “bolts of electricity,” reacting in a more or less

coherent way to the issue of the day.⁶⁴ “Sometimes,” quipped Jean Chrétien in the days before SUFA was signed, “on Monday I feel like giving the provinces more money, and then on Tuesday not.”⁶⁵ For all this uncertainty, however, there is a clear pattern in intergovernmental relations which is apparent in fiscal federalism, in policy-making and in the federal government’s choice of policy instruments.

Fiscal federalism in the late 1990s has been defined not only by the decline of social transfers but also by their transformation. Transfers for health, post-secondary education, and social assistance and social services were curtailed severely after 1995, and they gradually but only partially recovered after the 1999 budget. Most critical were the shift to block funding and equal per capita entitlements (which disconnected Ottawa’s fiscal contribution from provincial social needs), the rise of health care and post-secondary education as federal priorities at the expense of social assistance and social services, and the introduction of ad hoc, earmarked funds. These changes have numerous implications. First, they create new types of inequities and increase the vulnerability of smaller provinces. If the per capita rule had applied in 1998, Ottawa would have contributed 4.4 times more money for a person receiving social assistance in Alberta than for one in Newfoundland.⁶⁶ Second, the relative growth of health-related transfers increases the clout of the Canada Health Act as a federal tool to oversee the management of health services. Third, the adoption of ad hoc transfers increases even more the level of uncertainty in future funding. In other areas of intergovernmental relations, federal unilateralism also has remained important, either to circumvent the provinces in sectors such as health care and post-secondary education, or to prevail in particular policy sectors and establish federal visibility. Finally, the new policy instruments privileged by the federal government all preserve Ottawa’s flexibility and control. Even measures aimed at individual citizens now share this characteristic. Targeted benefits are gradually displacing universal entitlements. Social rights are increasingly folded into the tax code.

Except for the Quebec government, which is necessarily penalized by its marginal position and lack of influence in this process, the provincial and territorial governments have adjusted their expectations and their demands downward. They accept the precepts of what is now called collaborative federalism, and play a defensive game that mixes unheeded demands for more predictable relationships and efforts to have a say in jointly defined policies. As for individual citizens, most of them remain unaware of issues that appear arcane and are poorly covered in the media. In this context, a call for a new mission statement appears unlikely to make a difference. The situation is structured not by a lack of vision, but rather by an uneven relationship, which is solidly rooted in a sharp and growing vertical fiscal imbalance between the two orders of government.

Provincial and territorial governments could alter the course of events by taking advantage of the SUFA review and renewal process to re-establish a common stance and put forward simple but forceful demands. Seeking increases in social transfers and redress in the fiscal imbalance would constitute an obvious rallying point. So would an attempt to give meaning to the statement of principle in SUFA regarding ensuring “adequate, affordable, stable and sustainable funding for social programs.” This approach would not be convincing, however, without a clear proposal in favour of more provincial autonomy and flexibility in the core areas covered by the CHST. Provincial governments must reaffirm their constitutional jurisdiction over social policy and see that it is recognized by the federal government. New demands would have a greater chance of succeeding, as well, if the provinces could convince the Quebec government to enter this new round. This is certainly a tall order, but the satisfactory results of the September 2000 health-care negotiation indicate that a genuine Quebec participation cannot be excluded.

Provincial and territorial governments also have to convince citizens that, as well as the federal government, they are Canadian governments, and can be trusted to put forward an appealing social policy agenda. Obviously, this would mean very different things in the different provinces. Public preferences are not the same across the country and the demand for social programs probably differs significantly from one region to the next. One way to initiate this discussion would be to underline the limitations of current federal orientations. Poverty and economic insecurity have increased in Canada, health care is a universal source of worry and post-secondary education remains under-funded. Our self-proclaimed “social investment” state takes little risk and makes few commitments.⁶⁷ It does not “invest” in persons and in social programs: it targets and spends, for one purpose and one budget at a time. This unreliable and often unilateral approach appears basically at odds with the idea of a social union. These choices and orientations ought to be submitted to the public not through a shallow procedure of citizen engagement, but rather through a broad and open process of democratic deliberation.

Notes

- An earlier version of this paper was presented at the IRPP working seminar "Back to the Table: A New Social Union for 2002?" held in Montreal on March 22–23, 2001. I am grateful to the colloquium participants and to Charles Blattberg, Sarah Fortin, Peter Graefe, Andrée Lajoie, Harvey Lazar and France St-Hilaire for their helpful comments and suggestions.
- 1 Lazar (2000a, p. 5); Courchene (2001, p. 154); Maxwell (2001).
 - 2 Government of Canada and Governments of the Provinces and Territories (1999, p. 1); Gagnon and Segal (2000).
 - 3 First Ministers' Meeting (2000).
 - 4 The term "collaborative" is used here simply as the standard label; it does not imply that intergovernmental relations are harmonious or genuinely collaborative. The same is true for "cooperative" and "executive federalism." For an earlier discussion, see Noël (2000a).
 - 5 Perry (1997, pp. 28–69).
 - 6 Bird and Chen (1998, p. 56).
 - 7 Lazar (2000a, p. 8).
 - 8 Pal (1985, p. 8). In 1951, direct grants to universities were established, but they were openly contested by the Quebec government and left the federal government with difficult questions regarding the status of technical or composite post-secondary institutions, such as the CEGEPs in Quebec. In 1966, these grants were abolished, and tax points and cash transfers for post-secondary education were conceded to the provinces. Dupré et al. (1973, pp. 21–25); Hobson and St-Hilaire (1994, pp. 30–31).
 - 9 Banting (1995, p. 298).
 - 10 Bird and Chen (1998, p. 66).
 - 11 Granatstein (1982).
 - 12 Simeon (1972).
 - 13 Bird and Chen (1998, p. 56).
 - 14 In 1966, the Quebec Pension Plan was also created, in parallel to the Canada Pension Plan. Hobson and St-Hilaire (1994, pp. 27–33); Perry (1997, pp. 210–217).
 - 15 McRoberts (1997, pp. 40–42, 141–142).
 - 16 Bird and Chen (1998, p. 67).
 - 17 Maioni (1999, p. 100).
 - 18 Milne (1986).
 - 19 Prince (1999, pp. 166–174).
 - 20 The 1992 Charlottetown Accord had referred to a "social and economic union," but the idea was dropped after the referendum. Noël (1998, p. 27).
 - 21 Bird and Chen (1998, p. 67).
 - 22 Boucher and Vermaeten (2000, p. 132).
 - 23 Cost-sharing remains present in small transfer programs. Some of these programs are extremely small and local (the Canada-Manitoba agreement to correct damages to provincial lands due to beavers from a national park was worth \$20,000 in 1987–88). Overall, there are nevertheless more than 100 small transfer programs, not all cost-shared, that together amount to about 15 percent of federal transfers to the provinces. See Vaillancourt (2000, pp. 196, 208).
 - 24 Boychuk (1996, p. 16).
 - 25 Faltering, because after 1990–91, with the "cap on CAP," the annual growth of CAP funding was limited to 5 percent for the provinces not eligible for equalization (Alberta, British Columbia and Ontario). In 1995–96, the year before the CHST came into effect, CAP transfers were also frozen to the level of the previous year for all provinces. Boucher and Vermaeten (2000, p. 136).
 - 26 Boucher and Vermaeten (2000, p. 137).
 - 27 Coulombe and Mérette (2000, pp. 340–355).
 - 28 My calculations. Sources: Hobson and St-Hilaire (2000, p. 176); Treff and Perry (1997, pp. 9:9, 10:3, 11:2); Treff and Perry (2001, pp. 9:10, 10:4, 11:2).
 - 29 If one considers as transfers the provincial revenues derived from the tax points conceded in 1977, the share of transfers in provincial revenues still drops from 24 percent in 1971 to 19 percent in 1999. Lazar (2000a, p. 14).

- 30 Lazar (2000a, p. 16); Pal (1999, p. 10).
- 31 Cameron and Simeon (2000, p. 75).
- 32 Noël (2000b, pp. 14–17); Noël (2000a). See also the other chapters in the Gagnon and Segal volume, as well as: Robson and Schwanen (1999); Richards (1999, pp. 5–10); Dunn (2000, pp. 50–51).
- 33 Lazar (2000b, pp. 108, 115); Lazar (2000a, p. 15); Courchene (2001, p. 95); Cameron and Simeon (2000, p. 80); Maxwell (2001, p. 9).
- 34 Provincial and Territorial Ministers of Health (2000, pp. 9–10); Hobson and St-Hilaire (2000, p. 177).
- 35 Hale (2000, p. 72); Hale (2001, pp. 36–38); Robson (2001, p. 20).
- 36 Provincial/Territorial Council on Social Policy Renewal (2000).
- 37 Lazar (2000b, p. 122); Courchene (2001, pp. 272–274).
- 38 Hale (2000, p. 87).
- 39 Greenspon and Wilson-Smith (1996), and the various contributions to the “Chrétien Legacy” issue of *Policy Options* (November 2000).
- 40 Crozier and Friedberg (1977, pp. 69–70). In the context of Canadian intergovernmental relations, it is interesting to note that Stéphane Dion once criticized Crozier, his mentor, for ignoring the importance of credible threats in power relations. In some contexts, argued Dion, power lies not in maintaining uncertainty, but rather in the “efficient use of threat.” Dion (1982, pp. 94–96).
- 41 Cameron and Simeon (2000, p. 86).
- 42 Lazar (2000b, pp. 114–115).
- 43 Hale (2000, pp. 59–94).
- 44 Hobson and St-Hilaire (2000, p. 176).
- 45 Hobson and St-Hilaire (2000, p. 177); Courchene (2000, p. 18); Boychuk (2001, pp. 126–127).
- 46 Lazar (1998a, pp. 118–121); Maioni, (2000, pp. 39–40).
- 47 Robson (2001, p. 20); Corriveau (2001, p. A1).
- 48 This was the case in Nova Scotia, Ontario, Manitoba and Saskatchewan. The Canadian average was 36 percent. Canadian Institute for Health Information (<http://www.cihi.ca/facts/nhex/provnhex/tableA4.shtml>; revised March 14, 2000).
- 49 Provincial and Territorial Ministers of Health (2000, p. 3). Courchene (2001, pp. 188–189).
- 50 Ruggeri (2000); Commission on Fiscal Imbalance (2001).
- 51 Lazar (1998a, pp. 110–131); Lazar (1998b, p. 33).
- 52 Boychuk (2001, p. 126).
- 53 My translation. Chrétien is quoted in Toupin (2000, p. B1).
- 54 Robson (2001, pp. 19–20).
- 55 Myles and Pierson (1997, pp. 448–449).
- 56 Battle (1999, pp. 1219–1257); Battle (2001, pp. 183–229).
- 57 Osber (2000); Osberg and Sharp (2001); Heisz, Jackson and Picot (2001, pp. 247–272).
- 58 Shillington (2000, pp. 62–67).
- 59 Myles and Pierson (1997, p. 467); Shillington (1999, pp. 1263–1269). More generally, see Howard (1997).
- 60 Noël (2000b, pp. 17–18); Lazar (2000b, pp. 104–105, 110–111).
- 61 Gruber (2000).
- 62 Quoted in Dunn (2000, p. 50).
- 63 Noël (2000b, pp. 22–23).
- 64 Savoie, (1999, p. 359).
- 65 Quoted in Noël (2000a, p. 13).
- 66 Coulombe and Mérette (2000, pp. 343–344).
- 67 See Chrétien (2000); Saint-Martin (2000, pp. 33–57).

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