

INTRODUCTION

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In the past decade, Canadians have witnessed a change in the Canadian federal environment. The creation of the Council of the Federation in 2003, the strength of the resource sector, the growing attention paid to the North, changes to the equalization formula and the readjustments of fiscal arrangements, the “new” Ontario, the changing partisan landscape in Canada, the potentially diminishing influence and power of Quebec in the federation, and the proclamation of “open federalism” (and its actual practice)—all are manifestations of this change. More specific illustrations include Saskatchewan’s stance on foreign investment in potash, regional initiatives on climate change, new provincial demands for a larger role in international trade negotiations, widespread opposition (with the important exception of Ontario) to a national securities regulator, attempts at institutional reform of the Senate and the House of Commons, and the positions taken by Newfoundland and Labrador, Nova Scotia, and Quebec on the Lower Churchill project. Provincial governments are not hesitating to assert themselves in protecting their interests.

In light of these changes, the Institute of Intergovernmental Relations invited experts from academia and government to explore this “new” Canadian federal environment at our State of the Federation conference, held in Montreal in December 2011. Participants were asked to discuss the role of the provinces and the territories in the federation and consider whether we are witnessing a redefinition, a change, and/or a rebalancing of the relationship between the central government and the provincial and territorial governments. We focused on three overarching research questions that capture the idea of Canada’s changing federal environment.

The first of these was whether the power base in Canada was changing and how, if such change was occurring, governments were responding. In particular, authors were asked to consider how the provinces were asserting or reasserting themselves. For example, are the provinces attempting to enlarge or redefine their role or powers in the federation? If they are, what are the manifestations of these enlargements or redefinitions? What role are provincial institutions (e.g., the Council of the

Federation) playing in these processes? Are they effective, or should provinces seek other avenues of cooperation and coordination? In short, has the proclamation of the era of “open federalism” resulted in substantive change?

The second major issue authors were asked to consider were the implications of the changing environment and redefinition of roles for Canadian unity, federal-provincial/territorial relations, and interprovincialism.

These questions are largely cast in the traditional terms of the relationships between provinces, regions, and the federal government. It was important, therefore, to ask, as the third major theme, whether there are underlying forces—for example, economic or technological change, or demands for citizen engagement—that are pushing some at least of the provinces or regions to more forcibly assert themselves in the global community.

These and related issues generated two days of lively debate and the papers that resulted are presented in this volume.

THE CHANGING FEDERAL ENVIRONMENT: INITIAL OBSERVATIONS

In the book’s opening chapter, Thomas Hueglin offers a comparative look at Canadian federalism. Reviewing the growing body of comparative federalism literature, he demonstrates that the world of federalism is changing in both theory and practice. Belgium and Spain have added to the asymmetrical and multinational dimension of federalism; the European Union has been recognized as a case of treaty federalism. According to Hueglin, despite such changes, the perception of Canadian federalism remains negative. While Canada continues to be taken seriously as a model of cooperative federalism, the American model is still the prevalent one when studying federalism from a comparative perspective. This bias precludes a full understanding and appreciation of Canadian interstate federalism.

Focusing on the evolution of the roles of the federal and provincial governments between 1989 and 2009, François Vaillancourt argues that the importance of the federal government has declined, while that of Western Canada has increased. Bringing together data on five indicators—expenditures, revenues, debt, public employment, and private output—regulated by each level of governments, he examines how provinces and the central government have changed relative to each other. These changes, he maintains, are weakening central Canada through “Dutch disease”¹ and turning Canada back into a staples economy. Vaillancourt concludes

¹ The term “Dutch disease” is understood as the surge in the processing of natural resources accompanied by a fall in employment in the manufacturing sector. The term originated from the discoveries of vast natural gas deposits in the North Sea in the 1960s that caused the Dutch guilder to rise, making its manufactured goods less competitive in world markets.

by offering ways in which to deal with this challenge, which in his view must be addressed in the next decade.

These chapters lay the groundwork for the papers that follow. In the next sections, the authors explore how Canadian federalism, used by the two orders of government, could, as Hueglin suggests, “figure more prominently as an adequate response to the complexities of governments, societies, and economies.”

IMPLICATIONS OF THE 2011 FEDERAL ELECTIONS

In this spirit, the book’s second section examines the 2011 federal election and its implications for the dynamics of the federation. The 2011 election of a Conservative majority government seemed to mark the political ascendancy of Western Canada. Further, it saw a decline in the support for the Bloc Québécois and an increase in support for the New Democratic Party. But did those results really mean a large change for the West’s role in the federation and a recommitment to Canadian federalism by Quebec? Further, how does the quest for institutional reform play out in the current federal environment?

Loleen Berdahl and François Rocher explore the potential impact of a majority government based on a West–Ontario coalition with Quebec in the opposition, on relations between Quebec and the rest of Canada, and on the changing roles in the federation of Ontario, Quebec, and the West. The two authors provide a foundation to help the reader explore whether the 2011 election result reflects a realignment of the party system. Is the West in and Quebec out? If so, what are the implications of the new makeup of the House of Commons, not only on day-to-day politics but on Canadian federalism? If not, what do the election results tell us about regionalism in Canada?

Berdahl considers the “change” for the West by discussing the implications of the 2011 election for government and public policy: political institutions (specifically, the House of Commons and the Senate), intergovernmental relations, and western regionalism. While the West is generally understood to encompass British Columbia, Alberta, Saskatchewan, and Manitoba, she appreciates that this concept is not without problems. She outlines the reasons for the 2011 election result, marking a new chapter for the West but not substantially altering the West’s role in the federation.

François Rocher, focusing on the implications of the election results for Quebec and that province’s role in the federation, examines whether Quebec has in fact recommitted to Canadian federalism. He analyzes critically the overall post-election image of the Bloc Québécois by looking at the press response, Quebec’s views of Canadian federalism, and issues that are faced by federal parties. He reminds readers that the NDP’s electoral status in Quebec is fragile, and that the enduring divide between Quebec and the federal government cannot disappear overnight.

This political reality is reflected in Quebecers' weak identification with Canada and loyalty to their provincial government.

As David Smith points out in his contribution, a further consequence of the 2011 election is that the subject of the prerogative power of the Crown has disappeared from the daily news, although by no means for good. Looking at institutional reform in the current political environment, Smith discusses the prerogative power of the Crown that is normally exercised on advice of the first minister. This power remains significant in two areas of public policy: foreign relations, and what is called the "condition of Parliament." In exploring the latter, Smith looks specifically at the summoning, dissolution, and prorogation of Parliament. He also addresses the possibility of institutional reforms as they apply to the House of Commons, asking the key question: Does the House have a future?

HEALTH POLICY, ECONOMIC FEDERALISM: WHO IS IN CHARGE?

The volume's third section considers the role of the provinces in key policy sectors: health policy, national securities, and international trade policy. Which order of government is or ought to be the leading force? How much cooperation between the two is desirable? What are the implications of the relationship between the two orders on the overall dynamics between the central government and the provinces?

Pierre-Gerlier Forest explores Canada's health care system and the growth of health care spending. Multiple factors, including an eroding provincial tax base and changing demographics, have contributed to an increase in the proportion of provincial budgets dedicated to health care expenditures. Most public debate in Canada is focused on mechanisms to increase funding (public or private) or to improve efficiency, followed by concerns about the trade-offs between health care spending and the public financing of other essential public goods. Forest argues that, despite all the talk about health care reform, what has been accomplished to date amounts to little more than tinkering, to the neglect of important considerations crucial to true reform. This oversight, he maintains, comes at great cost to the long-term health of Canada's medicare system and, potentially, to the welfare of society.

Eric Spink addresses the possible implications of the Supreme Court of Canada's recent decision on a national securities regulator, in which it opined that the federal government's proposed national securities regulator is *ultra vires*. According to Spink, the federal and provincial governments hold contradictory visions of Canadian federalism, reflected in constitutional decisions of the court that may present a constitutional risk. Outlining the securities references decisions and the treatment of the contradictory evidence, he argues that the securities references seem to disguise constitutional proposals as policy proposals. A more transparent process, he argues, could reduce constitutional risk.

In their paper Patrick Fafard and Patrick Leblond discuss international trade policy and the role of the provinces in Canada and abroad. In the twenty-first century, trade relations between countries have shifted from tariffs and associated non-tariffs barriers to “second-generation” trade agreements. These agreements seek to address a wider range of issues that fall (fully or partially) under the constitutional jurisdiction of provincial and territorial governments. In light of this shift, one would expect to see greater involvement of the provinces in the negotiations of second-generation trade agreements. Indeed, the authors do observe this trend with respect to negotiations relating to the Canada-European Union (EU) Comprehensive Economic Trade Agreement (CETA). According to Fafard and Leblond, the provincial involvement in CETA could potentially represent a giant leap forward in Canadian trade policy; however, their analysis shows that CETA is in fact only a small step on the road of involving the provinces in Canada’s trade negotiations.

THE PROVINCES AND THE NORTH: GROWING IN IMPORTANCE?

The book’s fourth and final section explores the growing importance of the North and the changing dynamics among the provinces and the central government. Both issues serve as a backdrop for the authors’ consideration of potential implications of these changes on Canadian federalism and interprovincialism.

George Braden, Christopher Alcantara, and Michael Morden discuss how the North is affected and is a potential player in the emerging “new” Canadian federal environment. The “new” Canadian federal environment, they argue, has had positive and negative effects on the development and influence of territorial governments in the Canadian federation. According to the authors, there are political and structural reasons for why politicians, policy-makers, and the Canadian public have all demonstrated increased interest in the North. The authors analyze recent trends in the territorial North, how these have contributed to the sense that a new Canadian federal environment has emerged, and how they have shaped the governance structures and processes of devolution for the territorial governments. Assessing the ability of the territorial governments to exert their influence in an effective manner within a variety of intergovernmental forums, the authors demonstrate that territorial governments have made progress vis-à-vis intergovernmental forums; however, each territory continues to face challenges in its own right.

Next, Éric Montpetit and Martial Foucault examine horizontal intergovernmental relations using data on policy priority. Fully acknowledging that this method is vulnerable to criticism, they maintain that measuring intergovernmental relations comprehensively is a worthwhile goal; the results produced in this paper have been consistent with the qualitative knowledge of scholars of vertical intergovernmental relations and have raised significant questions about scholarly neglect of horizontal

intergovernmental relations. Beginning with a definition of intergovernmental relations understood as the relationship between Canadian governments on matters of policy development, the authors look at the correspondence between policy priorities and intergovernmental relations. They examine speeches from the throne as a method for governments to express their policy priorities, while also offering an analysis of vertical intergovernmental relations. Finally the authors take a measurement of horizontal intergovernmental relations within Canada, finding that between 1960 and 2010, horizontal relations have been no less important, and possibly more so, than vertical ones.

In the final chapter, Christopher Dunn examines the shared political, social, and economic characteristics of “Old Canada” or the “New East,” comprising Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. When all the provinces in Old Canada do not work together, he maintains, the region does not work as a whole. Nonetheless, he argues that it may hold the key to a more creative interprovincialism and federalism in Canada. He goes on to discuss the Quebec–Atlantic Canada relationship to determine if the tensions between the two can be overcome to form a model of cooperation and interprovincialism similar to that already evident in Atlantic Canada. Dunn concludes by arguing in favour of the New East and offers recommendations on how it can become a reality. According to Dunn, at certain points in Canadian history it becomes more useful to cast regionalism in larger, more functional categories that share beneficial commonalities and possibilities.

CONCLUSION

The authors in this volume all explore different issues as they relate to the changing federal environment. Admittedly, the conference and the subsequent publication of its proceedings do not cover the whole gambit of factors affecting the Canadian federal environment. Notably missing is how the growing political role and actions of Indigenous peoples affect Canadian federalism in general and the role of the central and provincial governments specifically. This area, increasingly important in light of the Idle No More movement and other actions undertaken by leaders and actors in the Indigenous community, will be explored in the Institute of Intergovernmental Relations’ 2013 State of the Federation conference and subsequent volume. I urge readers to seek this out when it becomes available. In the meantime, this volume represents a significant addition to the current literature on Canadian federalism and its continuing evolution. We believe the book as a whole advances the discussion on how and why the Canadian federal environment is changing and how governments have responded to the changes. In light of this, we hope that this collection demonstrates that Canada, while lauded as an example of cooperative federalism, should also be better understood and appreciated as an example of intrastate federalism.