

# **Improving decision-making and debate around Canada's intergovernmental transfer system: The potential of an independent council**

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Intense controversy over Canada's federal-provincial transfer system has returned. The latest round of conflict highlights a number of problems with the system, including the lack of adequate insurance against provincial revenue shocks. But more than anything, it highlights problems with national decision-making processes and debates. The federal government is free to change most aspects of the system unilaterally, but must – for the sake of national unity and its own electoral interests – take provincial views into account. Many provinces have been all too happy to supply these views, but in predictably self-serving ways that have left the feds (reluctant to raise regional tensions further) more or less silent. It is hard to fault this cautious approach given the various threats to national unity. But it has left the transfer system with a striking lack of vision and reform initiative. What, if anything, can we do to remedy this situation?

One potential measure is the establishment of an independent council responsible for monitoring the performance of the transfer system and advising the federal government on its reform (Hanniman 2015).<sup>1</sup> Such a body would not replace federal decision-making, nor would it eliminate the self-interested bargaining that we have come to know so well. It could, however, inform and discipline intergovernmental bargaining by correcting common misconceptions about the transfer system and reframing a highly provincialized debate. Any body of this nature is likely, however, to face a number of criticisms – two of which I address here. The first is that it undermines federal accountability for transfer programs. The second is that it will not work.

### **Democratic Shortcomings and Advantages**

In 2006, the O'Brien Commission (formally known as the Expert Panel on Equalization and Territorial Formula Financing) rejected a recommendation to establish an independent body responsible for monitoring the equalization program. One concern was that that the public would be reluctant to monitor and challenge the council's expert views, thus undermining federal accountability for equalization. Could an independent council have this effect? Perhaps. But it is also important to note its potential democratic benefits. It could, for example:

- challenge misconceptions about the transfer system and its effects (such as the notions that Quebec is the largest per capita recipient of equalization or that equalization is financed by provincial budgets);
- provide journalists and voters with the information they need to hold the federal government and provincial critics accountable;
- evaluate the merits of existing transfers and reform proposals according to equity, efficiency, and other principles;
- provide a national perspective – one that appeals to our sense of national identity and interest – on a highly provincialized debate; and
- provide the federal government cover to pursue principled but controversial reforms.

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<sup>1</sup> For another discussion on the potential of an independent council, see Béland and Lecours (2012).

Many of these benefits are, of course, highly speculative. Could an independent council actually deliver them?

### **Would an Independent Council Work?**

Many of the council's critics worry that it would work all too well – that the federal and provincial governments would simply hand over decision making to the technocrats. But this outcome is far from obvious. Many premiers are likely to spin or challenge the council's views. They might even question its independence and legitimacy, especially if their provinces stand to lose from its advice.

Indeed, the success of the council likely depends on its ability to convince voters of the wisdom and fairness of its proposals, even ones that challenge voters' material interests (this is one way a council might embolden the federal government to pursue controversial initiatives). This capacity depends, in turn, on a modicum of solidarity among Canadians and their willingness to listen to experts, even ones that – according to their provincial premiers – would do them harm.

These are big ifs. Fortunately, however, some of them can be tested and this is precisely what my colleague (Elizabeth Goodyear-Grant) and I intend to do. We are designing a series of survey experiments examining whether an independent council can increase support for controversial proposals. The first study (the results of which we will report soon) presents voters in Quebec with a proposal to increase equalization payments for two English-speaking provinces – Ontario and Newfoundland and Labrador – and justifies these increases on the grounds that existing payments fail to compensate these provinces for the high costs of service delivery. We then examine whether support for the proposal depends on its source: a hypothetical independent body (with an expert from each province) or the federal government.

The study will provide some insight into the council's potential. But it, like all survey experiments, starts small. Future experiments could examine effects in other provinces, particularly the West. They could also vary the composition of the council and policy proposals and subject independent experts to partisan or populist attack. Alternatively, they could give our imaginary experts more mundane but nevertheless important tasks, such as correcting misconceptions or misinformation and seeing whether this affects perceptions of the design and fairness of the system. We do not have strong expectations about the outcomes of these tests. Nor, therefore, do we have a strong view of the council's merits. But we think these experiments could teach us a lot about a council's potential – not to mention voters' openness to a very different type of policy debate.

**Work Cited**

Béland, Daniel, and André Lecours. 2012. *Equalization at Arm's Length*. Mowat Centre.

Hanniman, Kyle. 2015. *Calm Council: Fiscal Federalism and Provincial Credit Risk*. Mowat Centre.