FEDERALISM and the WELFARE STATE in a MULTICULTURAL WORLD

Edited by

Elizabeth Goodyear-Grant

Richard Johnston

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Biographies

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Richard Johnston is Canada Research Chair in Public Opinion, Elections, and Representation at the University of British Columbia. His longest-standing research focus is on party systems, elections, and voting, mainly in Canada and the United States, but increasingly in broad comparative terms. In recent years he has worked on questions in immigration, diversity, multiculturalism, and the welfare state. Much of this is in collaboration with Banting, Kymlicka, and Soroka, all contributors to this volume. He has written or co-written six books, edited four books, and written ninety papers and chapters. His most recent book is *The Canadian Party System: An Analytic History* (UBC Press 2017).

Will Kymlicka is the Canada Research Chair in Political Philosophy at Queen's University. His research interests focus on issues of democracy and diversity, and in particular on models of citizenship and social justice within multicultural and multispecies societies. He is the author of seven books published by Oxford University Press, including *Multicultural Citizenship* (1995) and *Multicultural Odysseys* (2007), and is co-author with Sue Donaldson of *Zoopolis: A Political Theory of Animal Rights*

(2011). Together with Keith Banting, he is co-director of the Multiculturalism Policy Index project, and they have co-edited *Multiculturalism and the Welfare State* (OUP 2006), and *The Strains of Commitment: The Political Sources of Solidarity in Diverse Societies* (OUP 2017).

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Jane Jenson is a professor emerita in the political science department of the Université de Montréal. She was awarded the Canada Research Chair in Citizenship and Governance in 2001 and was a senior fellow of the Successful Societies program of the Canadian Institute for Advanced Research (CIFAR) from 2004 until 2017. Her research focuses

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Richard Johnston is Canada Research Chair in Public Opinion, Elections, and Representation at the University of British Columbia. His longest-standing research focus is on party systems, elections, and voting, mainly in Canada and the United States but increasingly in broad comparative terms. In recent years he has worked on questions in immigration, diversity, multiculturalism, and the welfare state. Much of this is in collaboration with Banting, Kymlicka, and Soroka, all contributors to this volume. He has written or co-written six books, edited four books, and written ninety papers and chapters. His most recent book is *The Canadian Party System: An Analytic History* (UBC Press 2017).

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Acknowledgements

This volume had its genesis at a conference held 23–24 September 2016 at the Queen's School of Policy Studies (SPS) called New Frontiers of Public Policy: Federalism and the Welfare State in a Multicultural World. The conference took the opportunity to reflect on Dr. Keith Banting's distinguished contributions to scholarship and public debate on the occasion of his retirement from the Queen's School of Policy Studies and the Department of Political Studies. Banting's core interests in understanding the forces that shape the social contract in Canada, and his commitment to linking academics and practitioners, remain as timely and relevant as ever.

Our first acknowledgement must go to Naomi Alboim and Margaret Biggs, who co-organized the conference with us, and whose energy, dynamism, and experience made all aspects of the event better and more fitting as tributes to Keith Banting. Scott Carson, former executive director of the SPS, played a fundamental role at the start by convening the organizing committee, and later, David Walker, current SPS executive director, continued that support. Lynn Freeman and Chris Cornish of the SPS, Mary Kennedy of the Queen's Institute of Intergovernmental Relations (IIGR), and Barb Murphy of the Department of Political Studies provided invaluable support in planning and communication. We must also mention David Haglund, who was an early member of the organizing committee.

The conference was a joint endeavour of the SPS and the IIGR in partnership with the Department of Political Studies and the Cana-

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Introduction: The Progressive's Dilemma

Richard Johnston, John Myles, Elizabeth Goodyear-Grant, and Will Kymlicka

Social policy is supposed to mitigate divisions of class, region, language, race, and ethnicity. Its underlying values of solidarity and risk-sharing also make it a critical mechanism for nation-building. The introduction of social insurance in Germany by Otto von Bismarck in the 1880s and the establishment of universal, tax-funded healthcare in Britain in 1948 are classic examples.

The extent to which social policy actually does generate social cohesion or shared national identity is variable and contested, however. The mere fact of pooling risk poses the question of who "we" are, with exclusionary implications as much as inclusionary ones. On some accounts, a strongly redistributive welfare state is possible only when in-group boundaries are sharply policed and those inside the boundary strongly resemble each other. And in Canada, both federalism and growing claims for the recognition of ethnic diversity challenge the nation-building capacities of social policy—the former because decentralization constrains federal powers in relation to social policy, and the latter because diversity challenges inherited assumptions about shared national identity. Despite these challenges, until the 1990s there was some evidence that Canadian social policy did play an integrative role. Indeed, Canada arguably provided a "counter-narrative" to pessimistic claims that federalism and diversity undermine the integrative poten-

tial of social policy.[1]

Today, however, the Canadian model is under strain, reflecting changes in both the welfare state and the immigration-citizenship-multiculturalism regime. As we discuss below, there are clear trends that, if unchecked, may exacerbate rather than overcome important social cleavages. We are therefore at a crucial moment to re-evaluate the role of social policy in a federal state and multicultural society. This volume takes stock of Canada's fraying social contract, acknowledging its growing strains but also attending to some of the novel ways in which social policy adapts to serve integrative functions. If federalism and diversity challenge traditional models of the nation-building function of social policy, they also open up new pathways for social policy to overcome social divisions. Complacency about, or naive celebration of, the Canadian model is unwarranted, but it is premature to conclude that the model is irredeemably broken, or that all the developments are centrifugal rather than centripetal.

While much of our focus is on Canada, the issues raised are of broader comparative and theoretical interest. Around the world, the political, economic, and social contexts for social policy are changing in ways that affect its integrative function, and we hope the essays in this volume will shed light on the various dynamics at work.

We begin, however, with Canada, and with the dramatic recent changes to its basic model of social policy. Canadian social expenditures have always been modest by international standards. Nevertheless, forty years ago, the Canadian system of taxes and transfers was remarkably efficient, putting Canada above the Organisation for Economic Co-operation and Development (OECD) median in redistributive effort and in the overall equality of disposable income (Kenworthy and Pontusson 2005). Complementing the power of the Canadian welfare state was a robust set of institutions for the integration of immigrants and the validation of cultural diversity, including federal multiculturalism policy. This combination of a redistributive welfare state and multicultural citizenship has been widely seen as an important and comparatively somewhat successful attempt to reconcile redistribution, social integration, and the recognition of difference.

Since the mid-1990s, however, this model has come under strain. Inequality in market income began to soar in the 1980s. Until 1995, taxes and transfers offset all of this increased inequality, but after 1995, the system ceased to offset the further widening of income gaps. Overall

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1. On Canada's role as a counter-narrative, see Banting (2008).

inequality has not widened since 2000, but the share of income accruing to the top percentiles has grown. Persons with middle incomes look on in dismay at evidence of a new Gilded Age. Governments seem to look on in bafflement. As Banting and Myles (2013, 3) put it:

> [Canadian] governments have not responded energetically to the evidence of growing inequality, and they have not modernized the policy architecture in light of new social risks confronting Canadian families. Action and inaction, sins of omission and sins of commission, have weakened the redistributive state.

Contributing to the inaction is Canada's federal system. The retreat from redistribution in 1995 consisted largely of Ottawa ceasing to fund shared-cost programs and in scaling back unemployment insurance. The federal government has given away many of the relevant policy tools and, in the absence of federal help, most provinces seem reluctant to use their constitutional powers.

Similar changes can be seen on the immigration, citizenship, and multiculturalism side. For years, immigration was seen as a tool for nation-building, not just a tool for meeting labour shortages. Canada wanted new citizens, not just new workers. Citizenship was relatively easy to get and cultural policy was predicated on a balance of cultural recognition and civic integration. Indeed, new Canadians have often been Ottawa's "fifth column" in battling parochialism (Winter 2011), and, not incidentally, are critical players in federal elections. But immigration policy has shifted. The role for provinces has grown and with this has come changes in the pattern of immigrant recruitment. Immigration may now exacerbate patterns in income inequality, rather than simply cut through them. Moreover, citizenship takes longer to attain, and the commitment to multiculturalism has weakened.

In short, the traditional nation-building functions of both the welfare state and immigration/multiculturalism policies have arguably faded. Even as Canada is experiencing new diversities (through immigration), and even as "old" diversities remain politically salient (Indigenous peoples and French-Canadians), social policy seems, at least at first glance, to be withdrawing from its integrative functions.

This book aims to bring these concerns together, and also perhaps to offer a more nuanced assessment of them. It highlights two outstanding features of the Canadian experience: (a) the role of Canada's *federal* political system in shaping welfare state policies and practices; and (b) the impact of Canada's *multiculturalism* policy in facilitating integra-

tion of newcomers. Each of these is an important part of accounting for Canada's experience of nation building via social policy. As we will see, while decentralization and diversity certainly raise challenges for social policy, they also create their own pathways for social cohesion.

The Origins of the Book

The concept for this book originates in a conference to celebrate the career and intellectual contributions of Keith Banting upon his retirement from the Department of Political Studies and the School of Policy Studies at Queen's University in Kingston. Banting's career can be stylized as a preoccupation with federalism and the welfare state in a multicultural world. His theoretical and empirical contributions on the institutions and social forces that drive Canada's social contract loom large. The domestic and international reach of Banting's work drew a distinguished crowd of senior scholars from two continents to the conference. His role in supervising and mentoring graduate students, in encouraging emerging scholars, and in shaping the careers of policy professionals ensured that the workshop would be multigenerational and not solely academic. And, as the preceding paragraphs suggest, the timing was right for a conference devoted to the core themes of his work.

Keith Banting's career is co-extensive with the study of public policy in Canada. His first book, *Poverty, Politics and Policy: Britain in the 1960s* (1979), was a template for institutionalist analysis, specifically for the claim that the state itself embodies incentives that are critical for the design of social policy, independent of the balance of power and resources in society. His second book, *The Welfare State and Canadian Federalism* (1982 and 1987), makes this case even more emphatically. Of the books that have appeared since, five pursue this theme (e.g., Banting and Simeon 1983, 1985). The early years of his career were also the period of Canada's seemingly endless and insoluble existential crisis triggered by nationalist and separatist mobilization in Quebec.

Although the waning of the crisis saw his interest shift to other dimensions of policy, his last major statement on federalism (Banting 2005) was agenda-setting in its own way. Where the earlier work exemplified classical institutionalism in looking at the constraints on the creation of the welfare state and on its generosity, the later work is about further modifications to programs and the channelling of energy for and against retrenchment. This work is also in the spirit of the age,

as students of the welfare state and of comparative politics in general have awakened to institutional dynamics (Pierson and Hacker 2005). The forces that shape the retrenchment of the welfare state—or almost any aspect of its further evolution—are not necessarily the same as those that shaped its earlier growth (Pierson 1994). For Banting, Canada's federation should now be understood in three ways. It still exhibits features of *classical* federalism, in that powers are still divided, and for many spheres the division is absolute. The structural constraints and possibilities he identified in 1982 still hold. But mechanisms evolved to overcome those constraints. The mechanisms are summarized as *shared-cost* federalism. Initially, conditional transfers more than enabled provincial spending, they positively encouraged it. Somewhat parallel with the shared-cost logic, there also emerged a politics of *joint decision.* Pension policy is a case in point.

But in the politics of shared costs and joint decisions, retreat—either diminished sums for conditional transfers or outright shifts to block grants—has been as important as intrusion. In the twenty-first century the concern is over the devolution of taxing and spending powers and growing provincial autonomy in social and labour market policy. We seem to be decentralizing just as rising income inequality increases the pressure—or at least the need—for more, not less, redistribution by the central government (Banting and Myles 2013, 2016). The requirement for joint decision on the Canada Pension Plan may be a barrier against retrenchment but it is also a drag on using public pensions to compensate for the dramatic drop in private pension coverage.

For Banting, the stakes are about more than social insurance and redistribution; they also include the integrity of the country. In the 1990s his institutional focus extended beyond constitutional fundamentals to policies themselves as institutional contexts for behaviour and belief. The welfare state, especially Canada's socialized system of healthcare delivery, came to be seen as psychological glue in a federation regularly threatened by centrifugal pressures.

The emergent theme in all this is solidarity, which now includes the challenge and promise of diversity. Increased diversity is an empirical fact that animates scholarly work and policy discussion in Canada in the post-war era, particularly since the 1970s, which saw a significant increase in the proportion of racial-minority immigrants, largely from Asia, Africa, and the Caribbean. Diverse societies are thought to be less able to deliver a robust welfare state, in large measure because the social solidarity necessary for redistribution—for "sharing," essentially—

is thought to be undermined by diversity. This is essentially a story about willingness to share with in-group members and reluctance to share with out-group members. As a corollary, existing welfare states seem under increasing challenge from the globalization of migration. Consolidation of the European Union makes this an issue within that diverse labour market, and the current refugee crisis only exacerbates the pressure. Banting's scholarship for the twenty-first century has been squarely focussed on the "progressive's dilemma" (Goodhart 2004).

The trajectory of Keith Banting's preoccupation with both these questions accounts for the eclectic makeup of this book's editorial team: a sociologist, a philosopher, and two political scientists. The recrudescence of inequality made John Myles, the sociologist, a natural partner. Recent evidence of this is Banting and Myles (2013). The challenge of immigration, diversity, and multiculturalism did the same for Will Kymlicka, the philosopher. The most widely remarked product of this collaboration is the Banting-Kymlicka Multiculturalism Policy Index, which measures multicultural policies in more than twenty OECD countries. The convergence of inequality and diversity brought Banting into the Equality, Security, and Community research group, one of the first Social Sciences and Humanities Research Council's (SSHRC) Major Collaborative Research Initiatives. This accounts for the ongoing collaboration with Richard Johnston, one of the political scientists. Their work on immigration and the welfare state, including discussion about how the link is moderated by multicultural policy, is widely cited (e.g., Banting and Kymlicka 2006, 2013; Johnston, Banting, Kymlicka, and Soroka 2010; Soroka, Johnston, and Banting 2007). Elizabeth Goodyear-Grant closes the circle as a successor to Keith Banting at the Institute of Intergovernmental Relations at Queen's University, where she is director.

Organization of the Book

We have taken the liberty of organizing the themes in Keith Banting's career in schematic form in Figure 1.1. Although it follows from the capsule biography in the preceding section, its point is neither to pigeonhole our colleague nor to propose an airtight causal scheme. Rather, it is to organize the book. All roads lead to the welfare state, Banting's earliest preoccupation and the ultimate concern of most of our contributors. Federalism has special prominence both as an early theme in his work and as a theme that touches most of the chapters. Half of

Figure 1.1

Thematic Organization of Chapters in the Edited Volume
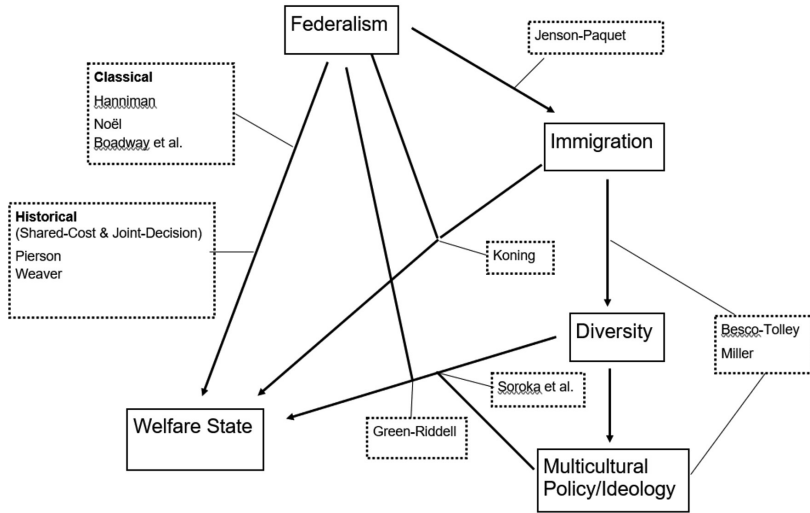
Source: Authors' compilation.

our contributors consider direct links between federalism and the welfare state. The other half look at various facets of diversity. Here, too, most work points to the welfare state, although a few contributors look at relationships among the diversity factors in their own right.

Banting opens by reflecting on all of these themes. He notes that Canada does not fit the usual story about the rise of the welfare state in the West, with its emphasis on class mobilization and the strength of working class parties. Due to its complex diversity, politics in Canada has always been structured around other social cleavages, including region, religion, language, and other forms of "identity" and "difference." Commentators typically assume that the displacement of class politics by diversity politics has led to a fracturing of "reformist energies" and a weakening of the welfare state. Banting argues, however, that if diversity politics creates obstacles for one pathway to the wel-

fare state, it simultaneously opens up others. For example, while the salience of region has weakened the prospects of pan-Canadian class politics, it has also stimulated forms of regional equalization that have contributed to redistribution in Canada. Similarly, while the power of Quebec nationalism has fractured the left in Canada, it has also stimulated new forms of social policy at both the federal and Quebec levels, as each engages in "competitive nation-building" to secure the loyalty of Quebec residents. More recent forms of the politics of difference—including gender, disability, and ethnic minorities—have had similar results, pushing the welfare state to expand in new ways. The groups in question have become the new champions of redistribution, alongside unions and other traditional champions of class politics. The federal system creates particular challenges for such groups, multiplying the sites of policymaking, which stretches the resources and capacity of organized interests. But if we step back and look at the evolution of social policy more generally, what clearly emerges is the multiplicity of pathways to social policy. While diversity may weaken one route to the welfare state, it opens up others, and while the resulting package of social policy has significant failings (e.g., in respect to Indigenous peoples), it also has surprising strengths.

The remainder of the volume is organized in two main sections, reflecting the two main themes of the conference and of Banting's work: the first on federalism, the second on immigration and multiculturalism.

Federalism and the Welfare State: Direct Effects

Of the chapters squarely in the federalism domain, three are, so to speak, "classical" statements. Each looks at the constraints and possibilities that arise from the simple fact of divided jurisdiction. These are the chapters by Kyle Hanniman, by Alain Noël, and by Robin Boadway, Katherine Cuff, and Kourtney Koebel. In addition to dividing power, federalism creates openings for shared-cost and joint-decision processes. Two chapters pick up these newer themes. Paul Pierson looks at the shared-cost logic and Kent Weaver considers a wide range of possibilities.

As subnational sovereign states, provinces are at greater risk of default and have less borrowing capacity than the federal government. This is yet another reason why federalism might be hostile to the welfare state. But this risk of provincial default also creates an opportunity for solidarity, since the federal government could bail out provinces faced with potentially unsustainable debt loads. Kyle Hanniman looks

at bond markets for evidence of this solidarity. If, as in the United States, creditors do not believe that the central government will provide an ultimate backstop for lower-level government borrowers, provinces will inevitably pay a market premium for their debt. Since Ontario has the highest relative debt load of any sub-national government in the world, this is not a trivial question. Bond markets seem to see Canada as mainly "solidaristic," however, not as "market-preserving." While the costs of borrowing do vary across provinces, bond markets assume that Canadians will ultimately support each other in time of need, which is an important if under-explored form of solidarity in federal systems.

Alain Noël looks at the ebb and flow of Quebec's distinctiveness as enabled by the federal system and as constrained by the market. As in the US, the recent decentralization of Canadian social policy to the provinces was associated with widespread cutbacks and accentuated regional variation in social programs. Unlike the Harris government in Ontario and the Klein government in Alberta, however, Quebec seized the opportunity to build a stronger model of social protection. While support for redistributive policies was weakening elsewhere, Quebec introduced universal childcare, active labour market policies, and a strategy against poverty and social exclusion. These changes helped Quebec defy the countrywide trend towards greater inequality. This is the most recent example of that other federalist possibility: the subnational state as a laboratory. But Quebec's bottom-up, consensual politics have shifted in recent years. The decline of Quebec nationalism, the erosion of public confidence in politics, and the emergence of new, post-industrial cleavages, have weakened the forces behind Quebec's 1990s "social democratic turn." Although the Quebec redistribution model remains mostly intact, its future is uncertain.

Robin Boadway and his colleagues respond to the fact that an income guarantee is more effective if provinces act in concert with Ottawa. How could we design a Basic Income Guarantee (BIG) that does not break the national bank and yet satisfies the demands of both Ottawa and the provinces? The authors address both issues, and come to quite radical conclusions. They show that a national BIG of $20,000 per single adult can be financed by eliminating existing tax credits and provincial welfare assistance. They propose joint federal and provincial implementation of BIG in a two-stage process that is inspired by the income tax collection agreements. The federal government first substitutes a federal BIG for existing federal tax credits. Provinces are then invited to follow suit.

Paul Pierson discusses the role that "shared-cost" federalism can play in promoting solidarity. While social policy is often a matter of state or provincial jurisdiction in federal systems, the federal government can use its spending power to encourage states to adopt national standards in their social policy, and thereby build a more truly national welfare state. In the United States, however, what we see since the early 1980s is the US federal government's *withdrawal* from cost sharing. Pierson argues that the significance of this shift has been neglected by students of both federalism and the welfare state. The study of federalism has been mostly dormant in US scholarship during the past twenty-five years and Pierson concludes that this was a major mistake. As in Canada, US public policy underwent a process of centralization in the postwar years. Though little noticed, this process came to an end with the Reagan administration of the early 1980s. Since then, state politics have polarized into "red" and "blue" states with the Republican party making a "hard right turn." As in Canada, decentralization had an important territorial dimension: the shift in territorial politics in the United States strengthened Southern conservatives and their opposition to *national* welfare programs. Paradoxically, the Republican states that stood to benefit most from embracing President Obama's Affordable Care Act generally chose a path of "scorched earth opposition." As a result, a piece of legislation designed to diminish variation among the states has instead increased those differences.

Kent Weaver looks at healthcare and pensions in the Canadian context and describes the full tapestry of path-dependent dynamics—joint-decision issues as well as shared-cost ones—as foreshadowed by Banting's 2005 update on the politics of federalism. Weaver looks at the causal mechanisms that underlie specific policy dynamics. This leads him to examine the conditions for a particular policy dynamic to dominate in a particular policy sector, in a particular country, and in a particular period. This in turn opens up the question of how policy dynamics shift over time. This is a long way from the simple comparative statics of the federal division of power. The chapter amplifies a point in Banting's opening chapter, a point that is also critical for Alain Noël. The interaction of several factors has produced a sharp divergence between Canada and the US. Where in the United States, diversity and geography have conspired to produce gridlock, in Canada they have catalyzed competitive state-building. Far from undermining solidarity, Canadian diversity works to promote it.

Federalism, Immigration, and Diversity

The volume then shifts its focus to questions of immigration and diversity. This is a complex area that includes three conceptual foci that are distinct yet linked. Figure 1.1 tries to sort some of this out. One component is *diversity* itself, which in this book has a cultural and ethnic focus. *Immigration* is important in its own right as a factor in the labour market but also as an engine of increased diversity. *Multiculturalism*, as both policy and ideology (a distinction that is critical to David Miller, below), is a response to that increasing diversity. To be sure, diversity was a fact of Canadian life long before postwar politics created pressure for multicultural policy as we now understand it. It is difficult to account for the existence, much less the dynamics, of Canadian federalism without reference to Quebec or to First Nations. But Canadian multicultural policy by that name is oriented to groups whose arrival *en masse* is a feature of the twentieth and twenty-first centuries. Canada, therefore, confronts challenges relating to both "old" diversity (Quebec and Indigenous peoples) and "new" diversity (immigration-related).

These two forms of diversity are often studied separately, but the fact that Canada is a federal country (to accommodate old diversity) has profound implications for how it addresses new diversity. Two chapters focus on federalism in relation to immigration as such. Jane Jenson and Mireille Paquet show how the logic of federalism is reasserting itself in the composition of twenty-first-century immigration. Provinces are increasingly driving the immigration and incorporation agenda. Provinces now see immigrants as resources, and they see labour markets—employers rather than public servants—as the agents of integration. This displacement prompted the emergence of a differentiated citizenship regime in which feelings of belonging become increasingly provincial while employment (rather than national citizenship) becomes the pathway to rights and access to participation and integration. Their conclusion brings to the fore one of most critical shifts in Canadian governance of the past quarter century. For years, the federal government deployed multicultural policy to build identification with Canada as such. The focus on the cultural elements in immigrant integration promised to cut through older geographically and culturally based divisions. Although Ottawa is still often held responsible for outcomes, its control over major policy levers in the areas of health, welfare, and employment have been self-consciously eroded. It is natural to wonder if the shift has implications for multicultural policy itself.

Koning asks how federalism will condition the impact of immigration on the further evolution of the welfare state. Federal arrangements are likely to increase conflict between levels of government about what immigration policies should look like and who should be responsible for them. Subnational units are more prone to local-majority triumphalism, and hence are likely to restrict access to benefits. But the boundaries of subnational units often capture and then amplify real variation in preferences. This may reflect, for example, differentiated settlement patterns. Although overall benefit levels may be lower than in unitary systems, they will also be more variable. Koning conjectures that central governments, given their weakness in delivery of benefits, will emphasize control over admission. The complexities in Koning's account—which mirror those in Weaver—have an implication for research design: given the number of conditions that moderate the effect of federalism, multi-country statistical comparisons are likely to have a low yield (see for instance, the summary in Banting 2005); for now at least, case studies or controlled comparisons seem more promising.

Statistical tests can elucidate specific cases, however. David Green and Craig Riddell go straight to the heart of the progressive's dilemma by testing how federalism enables current social spending to be shaped by Canada's growing diversity. If growing immigration and diversity erode the welfare state, as many commentators worry, then it should show up in variations in provincial spending on social assistance. Provinces have different rates of immigration, and have considerable autonomy to set their own rules regarding social assistance. Indeed, the variation in immigration rates has increased in recent years, as has provinces' autonomy in controlling social policy, due in part to the weakening of Ottawa's role in shared-cost programs. (This parallels the situation described in Paul Pierson's chapter). Green and Riddell test a formal model that seeks to determine whether immigration levels or other indicators of diversity at the provincial level affect spending on social assistance. The results suggest that if immigration and diversity matter, they don't matter much. There is a hint of discrimination in transfers to families with children, but not much else. Fears of the progressive's dilemma therefore seem to be overblown. It is true that, compared to many other countries, Canada is more selective about which immigrants are admitted via the points-based pre-selection system, and this may reduce the risk that diversity poses for the welfare state. But Green and Riddell show that this does not fully explain the results.

Diversity and Solidarity

Diversity and multiculturalism have implications for the welfare state that hold regardless of whether or not a country is also federal. The next three chapters attempt to drill down to explore the mechanisms by which diversity might constrain solidarity, and how those effects can be mitigated.

The chapter by Stuart Soroka, Matthew Wright, Irene Bloemraad, and Richard Johnston explores recent debates about how multiculturalism moderates the link between diversity and solidarity. Many countries have responded to growing ethnic diversity with a politics of recognition. Multicultural policies (MCPs) recognize distinctive rights or entitlements for ethnic and religious groups. This move is controversial, however, with much of the debate centred on its implications for social solidarity. Critics worry that MCPs encourage identity politics that in turn pushes redistributive issues off the policy agenda and/or erodes feelings of solidarity. Soroka and colleagues provide new evidence and insight on the question. They revisit findings on the country-level relationships among immigration, MCPs, and the size of the welfare state. They then take the analysis to the individual level with survey evidence on the relationships. Their findings generally support the Banting-Kymlicka claim that MCPs do not weaken the welfare state:

> … the progressive's dilemma is not an illusion, and international migration is one of its sources. But multiculturalism, one response to migration-induced increases in diversity, does not appear to exacerbate the dilemma. (Soroka et al. in this volume, chapter 11)

Randy Besco and Erin Tolley approach the matter from a different institutional angle. The institutions in question are not federalism or the multicultural policy regime but Canada's electoral and parliamentary systems. The question they ask is not how institutions inhibit the *development* of anti-diversity sentiment but whether they inhibit its *mobilization*. Besco and Tolley show that a deep vein of negativity lies beneath the apparently placid surface of Canadian public opinion. One Canadian in three holds outright negative views on immigration, multiculturalism, and ethnic diversity, while an equal number accepts the current pattern only with significant qualifications. Why, then, have Canadian parties not successfully mobilized these latent sentiments? Besco and Tolley argue that such mobilization is effectively stymied by three distinctive features of Canada's political institutions: the electoral system,

the concentration of immigrant and minority voters in swing electoral districts, and the powers vested in party leaders. The electoral threshold implicit in Canada's single-member district electoral system inhibits single-issue parties even as the Westminster parliamentary framework encourages broad electoral coalitions. The electoral system's logic is amplified by the fortuitous geography of immigrant and minority settlement. Power within Canadian parties is very top-down, such that party leaders can internalize these incentives and marginalize xenophobic tendencies among their followers. Canada is not immune to the sort of anti-immigrant sentiment that we see in many countries, but it has institutional safeguards that inhibit its mobilization, and these institutional features—as much as any broader ethos of diversity or multicultural tolerance—helps to explain Canada's "success" in avoiding the progressive's dilemma.

Finally, David Miller asks why Canadian elites continue to support multiculturalism when it has been pronounced dead in Europe. Equally puzzling is that such routine pronouncements fly in the face of the facts: at the level of policy MCPs are *not* in retreat, not in Europe and not elsewhere (also a point in the Soroka et al. chapter). He argues that the key is to distinguish multiculturalism as policy from multiculturalism as ideology. As ideology, extending equal recognition to all cultures in a jurisdiction, multiculturalism has been attacked from at least five different directions: as privileging groups at the expense of their own members; for the possible misidentification of individuals; for its validation of internally discriminatory practices; for fragmenting the progressive coalition; and for devaluing the majority culture. But many policies that are labelled as multicultural can be defended on liberal-egalitarian grounds, and this may account for their empirical ubiquity. This still leaves open the puzzle of Canada's affirmation of multiculturalism as an ideology. Miller thinks that three contextual factors inoculate the Canadian commitment. First, for Canada the logic of multiculturalism did not originate with mass immigration. Rather, it is nested in earlier recognition of "founding peoples" and of Indigenous Canadians. Full acknowledgment of the latter may lie in the future but the principle goes a long way back. Second, multiculturalism is now linked to the Canadian Charter of Rights and Freedoms, a potent source of legitimation. Third, the majority culture itself lacks deep historical roots, not when compared to European cases or even to French Canada and to Canada's First Nations.

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2

The Multiple Pathways to Social Policy: Complex Diversity and Redistribution in Canada

Keith Banting

The contemporary politics of social policy are the politics of complex diversity.[1] Political mobilization has occurred along a wide range of economic and cultural cleavages—class, territory, gender, sexual orientation, race and ethnicity, religion, and national identity. The result is a far more pluralistic politics of social policy than that which prevailed during the formative decades of welfare state development in the middle of the twentieth century. How has this complex diversity reshaped the politics of social policy? In particular, has the mobilization of a much wider range of cleavages fragmented reformist energies and weakened support for the redistributive state, as many analysts have worried?

Prevailing theories of the development of the welfare state have emphasized the central role of class politics. The default assumption has been that the size and redistributive strength of the welfare state are rooted primarily in the politics of class and class coalitions. A related assumption, often more implicit than explicit, is that other divisions which cross-cut class—whether rooted in territory, gender, sexual pref-

erence, ethnicity or identity—tend to fragment class coalitions and weaken the welfare state. Lurking in the background of such discussions is the image of the egalitarian Scandinavian welfare states, built in the post-war era by small countries with relatively homogenous societies and class-based politics.

This chapter offers another perspective, drawing on Canadian experience. It accepts that the cross-cutting cleavages inherent in contemporary diversity do help explain the comparative weakness of class politics in this country. In effect, such diversity has narrowed the conventional pathway that runs from economic class to a redistributive state. But class politics is not the only source of expansion of social programs. The mobilization of other divisions in society has generated new pressures for welfare state development. In the language adopted here, complex diversity has generated multiple pathways to social policy. These multiple pathways have led to more complicated social policy agendas, nudging change in diverse and sometimes competitive directions. They have also widened and narrowed over time, reflecting the ebb and flow of different forms of political activism. Cumulatively, however, these multiple pathways have sustained active policy debates over time. They have undoubtedly contributed to the development of a more expansive and multifaceted welfare state than could legitimately have been expected from the Canadian version of class politics alone.

This argument unfolds in six sections. The first section briefly situates the discussion in the context of the existing literature on the politics of social policy, and discusses the rationale for focusing on the Canadian case. Separate sections then examine the role of class, territorial politics, the politics of difference (especially gender and ethnic diversity), and national identity. The final section then pulls together the threads of the argument and suggests an agenda for future research.

The Multiple Pathways to Social Policy

In 1960, Lipset wrote that "in every modern democracy conflict among different groups is expressed through political parties which basically represent a 'democratic translation of the class struggle'" (231). During the post-war era, the conviction that class represented the primary political cleavage in democratic politics was pervasive, accepted well beyond the confines of Marxist theory. Theorists of modernization assumed that pre-modern forms of political attachment would wither in the transition to industrial society, and that democratic politics would

increasingly revolve around class interests and the distribution of economic resources. For Lipset, "the most impressive single fact about political party support is that in virtually every economically developed country the lower income groups mainly vote for parties of the left, while the higher income groups vote mainly for parties of the right" (1960, 234).

This view has been central to explanations of welfare state development. The predominant approach has been "power resource theory," which associates strong, redistributive welfare states with the strength of left political coalitions anchored by strong labour movements and successful left political parties (Esping-Andersen 1990; Korpi 1983; Myles 1984; Stephens 1979). In the post-war decades, countries with strong left parties or Christian Democratic parties and powerful trade unions were more likely to develop expansive welfare states of a social-democratic or corporatist variety. Countries in which parties of the right and the centre dominated and trade unions were weak developed more modest and less redistributive welfare states. Moreover, in recent decades, the strength of left political parties helps explain why some countries have retrenched their social policy commitments more than others (Allan and Scruggs 2004; Brady 2009; Korpi and Palme 2003).

What then is the role of other social cleavages that cross-cut class? The common assumption in the social sciences is that cross-cutting divisions represent a source of social integration and political stability. Drawing on a tradition dating back to Georg Simmel (1908), analysts have paid attention to whether diverse cleavages overlap, reinforcing each other, or cross-cut, softening the impact of any particular cleavage. These theoretical tools have been used to throw light on a wide range of issues, including the stability of democracy (Chandra 2005; Lipset 1960), majoritarian versus consensus forms of governance (Lijphart 1984), civil war (Selway 2012) and ethnic cleansing (Bulutgil 2016).

The welfare state literature, however, has tended to see cross-cutting cleavages as the enemy of redistribution. In part, this reflects differing core preoccupations. The agenda of reducing class inequality has been an agenda of change, not stability. In addition, the fear among some progressives has been that the mobilization of other social cleavages would crowd out the agenda of economic inequality, fracture the historic coalitions that built the welfare state, and lead vulnerable groups to misunderstand the real source of their problems (For a review, see Banting and Kymlicka 2006, 2017). Such concerns have been raised about territorial divisions, the women's movement, growing ethnic and

racial diversity, and conflicting identities. The common thread running through such diagnoses is that the politics of complex diversity highlights cultural inequalities and gives priority to cultural recognition in political debates. In Nancy Fraser's words, the fear was that "cultural recognition displaces socioeconomic redistribution as the remedy for injustice and the goal of political struggle" (1997, 11).

However, such interpretations fail to capture the ways in which complex diversity also supports the politics of redistribution. Diversity generates new pressures for social policy, mobilizing political energy along different social cleavages, bringing new advocates into social politics, and thrusting new policy instruments onto the policy agenda. Going beyond class conflict as "the motor of history" opens a more multidimensional social politics, in which the cast of political actors and the relationships among them vary from one policy to another.[2]

The argument advanced here is that complex diversity generates *multiple pathways to social policy*. A pathway to social policy, as conceived of here, consists of three elements: a social cleavage or division in the larger structure of society, agents that advocate the interests of groups rooted in that social divide, and policy instruments that are directly related to their interests. In most cases, the advocates opening new pathways to social policy are individuals from the marginalized groups themselves; in other cases, the advocates have been surrogates, such as civil-society groups advancing the needs of vulnerable groups lacking the political capacity to speak effectively for themselves. But they share a commitment to advancing interests and policy instruments that do not spring naturally from a focus on economic class alone.

Much has been written about the implications for social policy of each of these newly politicized divisions, looking separately at gender or ethnicity or identity, and so on. The field has been cursed by the sin of expertise in independent variables.[3] Clearly, treating each factor separately has limits. Government decisions about social policy are made on a terrain shaped by all of these dimensions simultaneously, and a more comprehensive understanding is needed. How do the different dimensions interact? What is the cumulative impact of a more diverse

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2. This analysis parallels that in Häusermann (2010) and Bonoli (2005), which explore the politics of new social risks generated by changes in labour markets. This chapter expands the approach to include cleavages rooted in changing cultural politics. It also places less emphasis on the need for encompassing reform coalitions.
3. My own work has been especially guilty of this sin.

political order? Does complex diversity help explain the fading of the redistributive state?

Answering such questions is methodologically challenging. The analysis needs to proceed both at the level of public attitudes and at the level of organized interests. It also has to tackle the combined effects of multiple factors normally considered separately. Quantitative analysts have deployed their impressive tool kit—including multiple regression, cross-national data, and multi-level analysis—to estimate the role of multiple factors simultaneously. Such studies can also model interaction effects and complex conditional relationships. But such studies are highly demanding in terms of historical data sets, which we do not have. In addition, they have difficulty capturing factors such as path dependence. The approach here relies on a historical, qualitative analysis of the role of multiple factors and, to the extent possible given the available evidence, on the interactions among them. The aim is to assess general claims about diversity and redistribution, and to suggest a research agenda for the future.

This chapter examines the Canadian experience. This case provides rich material for such an analysis for several reasons. First, Canada is a textbook case of the politics of complex diversity. It is one of the most ethnically diverse countries in the OECD, with a population that includes Indigenous peoples, a minority nation based in Quebec, and large immigrant communities. Its politics have also been shaped by new social movements based on gender and sexual preference, and the wide range of other advocacy politics that have emerged elsewhere. Second, the Canadian welfare state has evolved significantly in recent decades. During the post-war era, Canada built a hybrid social model, combining a social-democratic approach to healthcare and a decidedly liberal approach to income transfers. For several decades, the tax-transfer system almost fully offset the growth of inequality in the market, stabilizing the distribution of final income over a considerable period. In the mid-1990s, however, retrenchment in critical social programs weakened redistribution, and inequality in final incomes grew in the following decade, only stabilizing again after 2005 (Banting and Myles 2013; also OECD 2011). One of our questions here is whether complex diversity contributed to this weakening of the social role of the state.

Exploring the implications of complex diversity requires a long-term perspective. Canada built its version of the welfare state in the post-war decades when many of these cross-cutting cleavages were relatively muted. In the formative decades of the 1940s, 1950s, and 1960s, Quebec

nationalism was at a low ebb; second-wave feminism was only beginning to gather momentum; the population, although ethnically diverse, was overwhelmingly of white European descent and Christian; and the Indigenous population was politically quiescent. By the final decades of the twentieth century, however, changing patterns of immigration had diversified the population, and all of these dimensions were politically mobilized, transforming the terrain on which social policy battles take place. Paying attention to different historical periods gives us additional analytical leverage.

A focus on complex diversity and multiple pathways to social policy provides an admittedly partial view of the politics of social policy. Not only does it ignore factors central to political economy approaches, such as globalization, technological change and ideological shifts. It also plays little attention to political institutions, including the role of federalism, which figures prominently in the literature on the Canadian welfare state and several chapters in this volume. In addition, the analysis here concentrates primarily on the national or pan-Canadian level, and does not explore provincial experience in any depth. Finally, the discussion does not even capture all of diversity politics; it does not incorporate the politics of sexual orientation or the disability movement.[4] Clearly, the interpretation that emerges is a partial one. Nevertheless, the agenda set out here is ambitious in scope, perhaps foolishly so. We start with the role of economic class in Canada.

Economic Class: The Democratic Class Struggle

The power resource theory helps to explain the modest nature of the Canadian welfare state. Canadian politics have never revolved centrally around economic class. Organized labour has been weaker here than in many European countries, and the country never developed the corporatist institutions that consolidated its role in Europe. In addition, class-based voting has been particularly limited. Indeed, in a study of the "Anglo-American" democracies published a half-century ago, American scholar Robert Alford described Canada as a case of "pure non-class voting" (1963, x–xi). Although subsequent studies have qualified the observation, the central conclusion remains robust: the Canadian electorate is much less likely than those in many other democracies to vote along class lines, whether measured by income, education, or occupation. To a level unusual among Western democracies,

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4. For an analysis of the disability movement in similar terms, see Prince (2009).

Canada's electoral cleavages are rooted in religion, language, ethnicity, and region (Johnston 2017).

These factors help explain the weakness of left parties at the national level. Even in the heyday of the industrial economy, the Cooperative Commonwealth Federation/New Democratic Party (CCF/NDP) never captured the votes of a majority of manual workers in federal elections. During the building of the welfare state, the CCF/NDP was important in putting pressure on centrist and conservative governments from the opposition benches in Parliament. But its overall role at the federal level was secondary and indirect. Organized labour also supported the introduction of core social programs in the post-war era, but at best it played "a junior insider role in the policy process" (Jackson and Baldwin 2005, 3). In many ways, the politics of class have been more important at the provincial level. The CCF/NDP has governed at various times in five provinces, and introduced important innovations, such as universal healthcare, which influenced national political debates. Moreover, an analysis of redistribution across provinces in the1990s and 2000s finds that the redistributive impact of taxes and transfers has been higher in provinces with greater union density and left-party governments. Provinces dominated by conservative parties, on the other hand, have moved in the opposite direction (Haddow 2013, 2014).[5]

Of course, the weakness of the political left at the national level does not mean that class is irrelevant. Absent powerful champions of lower-income groups, the politics of social policy tends to revolve around middle-class concerns. Such politics are not inconsistent with universal healthcare and pension programs that benefit middle-income earners. But strong redistribution towards the poor depends on whether middle-class voters see their interests as aligned with the interests of the top or with the bottom of the income distribution (Iversen and Soskice 2006). When middle-class voters see their interests aligned with upper-income groups, they are likely to join the clamour for tax cuts. Much therefore depends on the ways economic trends are framed by political parties and the media. When segments of the middle class share concerns felt by lower-income groups, the scope for redistributive outcomes expands. These politics featured strongly in the 2015 federal election in which the Liberal party wooed the middle class with a complex package of tax and benefit changes. Once in power, they raised

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5.   An analysis of levels of public support for redistribution within provinces during the 2000s comes to similar conclusions (Sealey and Andersen 2015).

taxation on upper-income taxpayers and expanded child benefits in ways that provided the most help to low-income families with children (Banting and Myles 2016). But redistributive outcomes do not always emerge from middle class politics, as the same government's struggles over the taxation of small business illustrated two years later (Keller 2017).

The politics of class help explain the weakness of the redistributive state in Canada. But as Jane Jenson has astutely observed, "An initial puzzle for the Canadian literature was, then, what were the politics that got (the welfare state) there? If they were not the class-based and class-organized politics … what were the political drivers?"(2013). We turn to other pathways to social policy.

The Politics of Territory

More than in most countries, Canadian politics is territorial politics. To borrow Livingstone's language, Canada is not only a federal state but also a federal society. The division between English-speaking and French-speaking communities has been an elemental feature of the politics of northern North America since the defeat of the French by the British in 1763. In addition, wider regional divisions, rooted in different patterns of economic and cultural development, have defined Canadian politics since the founding of the federation in 1867. These regional differences have been reinforced by relatively decentralized federal institutions, which locate substantial jurisdiction over core social services such as health and education at the provincial level, ensuring those governments matter in the lives of citizens.

The salience of territorial politics helps to explain the historic failure of national political life to polarize on class lines. The agenda of national integration, with its constant need to balance linguistic and regional interests, has tended to diffuse efforts to focus debate on a left-right basis. Historically, the dominant political parties have represented coalitions of regional as well as class interests, and throughout much of the twentieth century tended to govern from the middle of the political spectrum. In contrast, the politics of national integration has been a challenge for the political left, in part because the social-democratic part of the spectrum in Quebec has been occupied by nationalist and sovereignist parties (Johnston 2017, ch. 7). In addition, the federal division of jurisdiction, which gives provinces the predominant power in regulating labour markets and collective bargaining, has led to a more

decentralized structure in labour organizations (Macintosh 1999). Territory clearly helps mute class as an organizing principle in political life in Canada.

Nonetheless, territorial politics has also generated its own distinctive pathways to social policy expansion. Two pathways have mattered. First, federal governments have often seen federal social programs as instruments of national integration, to be deployed to counter the centrifugal dynamics inherent in regionalism (Banting 1995). In most countries, attention focuses on the role of social policy in mediating class divisions. In Canada, federal social programs are seen primarily as an instrument of territorial integration. National social programs create spheres of shared experience in a country otherwise marked by regional diversities, and strengthen the links between the central government and individuals across the country. While economic and cultural policies tend to pit the interests of one region against the other, social programs have often served as the basis of political appeals that transcend territorial divisions. In the 1960s, for example, Liberal governments saw social programs not just as instruments of social equality, but also as "part of a strategy to strengthen the presence of the federal government and encourage 'nation' building in Canada" (Maioni 1998, 132). The strategy worked. Many Canadians, especially in English Canada, have come to see healthcare and other national social programs as part of the Canadian identity, something that distinguishes them from their powerful neighbours to the south, and part of the social glue holding their vast country together (Banting 1995; Jenson 2013).

The policy instruments deployed in the cause of territorial integration have evolved over time. In recent decades, the federal government has shifted away from intergovernmental transfers to support provincial health and social services, for which Ottawa fears it gets little credit, and towards direct payments to individuals, which create a clear link with citizens across the country. This shift began as early as 1978 but reached a tipping point in the 1995 budget. Under intense budgetary pressures, the Liberal government of the day radically reduced its transfers to support provincial social assistance programs. When public finances strengthened later in the decade, the Liberal government returned to redistributive politics but through direct payments to citizens, introducing the National Child Benefit which went directly to lower-income families. The subsequent Conservative government, elected in 2006, reinforced the approach, cancelling a proposed intergovernmental transfer to support provincial childcare programs and

replacing it with a universal payment to families with children. The Liberal government elected in 2015 then consolidated the various family benefits into a much expanded Canada Child Benefit paid to middle- and lower-income families across the country. Boychuk argues that these benefits represent the modern incarnation of the tradition of using social policy as an instrument of national integration. He notes that the National Child Benefit was implemented in the aftermath of the near-death experience of the 1995 referendum on Quebec separation. The government's Speech from the Throne declared that "the single most important commitment of the Government is to keep Canada united," and the National Child Benefit was "the only concrete policy initiative mentioned in the section of the Speech on 'building a stronger Canada'" (Boychuk 2013, 251).

The second pathway generated by territorial politics is driven by provincial governments' efforts to equalize opportunities across the country. Poorer regions have a higher incidence of poor people and more constrained life chances.[6] As a result, the politics of equality in Canada have centred as much on regional inequalities as class inequalities. These pressures have led to explicit interregional redistribution in the form of the federal government's equalization program, which was introduced in 1957 to narrow the immense gaps in the fiscal ability of provinces in have and have-not regions, enabling poor regions to provide services comparable to those in the country as a whole. But territorial pressures also flow into struggles over interpersonal redistribution. Unlike in the United States, regional governments in poorer regions have tended to support social policy activism at the federal level. Poorer provinces have also vigorously resisted retrenchment in federal income support programs. The most politically powerful opponent of retrenchment in unemployment benefits has not been organized labour but provincial governments in poor regions (Banting 1987a).

Reduced federal enthusiasm for transfers to provinces has had less positive implications for the equalization program. Regional inequality grew strongly in the 2000s, as the surge in energy prices boosted the economies of resource-rich provinces and altered the historic order of rich and poor provinces. Newfoundland and Saskatchewan joined surging Alberta as "have" provinces in the equalization system, while Ontario's manufacturing economy weakened, eventually reducing the

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6. For a recent example, focusing on the geography of intergenerational income mobility, see Corak (2017).

province to "have not" status (Courchene 2013). Both the affluent and poorer provinces were unhappy, and the discontent "morphed into a full-blown intergovernmental conflict" (Lecours and Béland 2009, 570; also Lecours and Béland 2013, 2017). In the end, the Conservative federal government settled for a compromise between the demands of rich and poor provinces. As a result, the program could not keep up with the growth of interregional inequality, and post-equalization fiscal disparity grew in the 2000s (Banting and McEwen 2017). The subsequent Liberal government shows little inclination to remedy the problem.

What can we conclude? Territorial politics have tended to mute the role of class-based politics at the national level by planting the agenda of national integration, with its constant balancing of regional and lingusitic issues, at the heart of Canadian politics. In this way, territorial politics have narrowed the most common pathway to an ambitious welfare state. But territorial politics has also opened other pathways. Federal governments have embraced pan-Canadian social programs as tools of nation-building, designed to offset the centrifugal forces in the country. And poorer regions have supported redistribution through both the equalization program and insurance programs such as unemployment benefits.

In effect, the politics of class and territory represent the "old" pillars of social policy, the original foundations of the welfare state built in the post-war decades. We now turn to the "new" politics of social policy.

The Politics of Difference

Contemporary politics in western democracies have been reshaped by the politics of difference. Reformist energy increasingly came from a variety of social movements and minority groups who fought to smash cultural barriers which excluded or marginalized them. As we saw in the introduction, this transformation has triggered two core fears. The first fear is that the politics of recognition will crowd out the politics of redistribution. The second fear is that the politics of difference has a corroding effect, dissolving the sense of a common community, weakening the willingness of the majority to support "others," and fragmenting the historic class coalitions that built the welfare state. As we shall see, while there are hints of such fears in the Canadian experience, they are comparatively mild, and are offset by the generation of new pathways to social policy. We examine the two fears separately.

Fear of Crowding Out

The fear that diversity might crowd out redistribution ignores the reality that cultural and economic differences do not completely cross-cut. A considerable degree of overlap remains. As Fraser (1997) insists, many subordinated groups suffer injustices that are traceable to both political economy and culture, and gender and racial inequalities implicate both redistribution and recognition. New social movements highlight new social risks inherent in contemporary society, risks that could only be eased through social policy reform. For example, as women moved into the labour force in substantial numbers, feminist organizations pushed for measures to move beyond the male breadwinner model in social insurance and to support female labour force participation with programs such as pay equity, paternity benefits, and childcare. Moreover, while Lipset could write in the late 1950s that women across western democracies tended to support conservative parties (Lipset 1960, 231), women increasingly moved to the left, creating new opportunities for reformist politics. Left parties, faced with declines in their traditional working-class constituencies, forged new coalitions by courting working women, as well as precarious workers and salaried professionals, and a number of social policy reforms in Europe have been driven by such coalitions (Bonoli 2005; Häusermann 2010; Jenson 2008; Thelen 2014). Family policy in particular has shown a capacity to appeal to such cross-class coalitions (Morgan 2006, 2012).

Similar pathways to social policy opened up in Canada. In James's (2006) terms, women's organizations and ethnic minority groups were really "misrecognized materialists" who saw cultural recognition as a means of advancing material interests. To be sure, policy priorities varied across movements. The women's movement was committed to the most expansionist social policy agenda, including childcare, maternity/paternity benefits, employment equity, and strong social transfers. Immigrants and their defenders emphasized expanded support for language acquisition, skills training, and integration programming, and even the Conservative government of Stephen Harper, otherwise relentlessly committed to expenditure restraint, dramatically increased spending on integration programs (Seidle 2010). Racial minorities also supported income transfers and employment equity legislation; according to Stephen Lewis's report on race relations in Ontario, Black Canadians saw employment equity as "the consummate affirmation of opportunity and access" (1992, 17). Admittedly, representatives of

more traditional ethnic minorities of European background were sometimes less engaged with the welfare state concerns that preoccupied representatives of women's groups, racial minorities and labour (James 2006, 106). But redistribution was generally a concern across social movements, and there was reasonable agreement on specific policy instruments. From the late 1970s onwards, for example, the women's movement endorsed the reduction of child poverty as the primary redistributive goal, "a move that solidified an alliance…between the mainstream anti-poverty movement and the mainstream women's movement" (McKeen 2004, 112; also Dobrowolsky 2000).[7]

These diverse groups were never integrated into a stable, long-lasting coalition, and largely advanced their distinctive agendas separately in a pluralistic politics of social policy (Haddow 1990).[8] Nor did they forge explicit alliances with political parties. Although many of the leaders have been sympathetic to the NDP, there are dangers in allying too explicitly with a minor party. As a result, they advance their agendas primarily through public advocacy, legal strategies, and the weight of their votes (Bashevkin 1993; Young 2000). Collectively, however, diversity groups represented an expansionist force in welfare state politics. Aided by the adoption of the Charter of Rights and Freedoms in 1982 and a more interventionist court system, they nurtured a political discourse centred powerfully on equality rights.

During the 1970s and 1980s, it was possible to argue that "in an era in which other political champions of the Welfare State, such as organized labour, have been weakened by economic forces, the women's movement has emerged as one of the principal bulwarks of the social role of the state" (Banting 1987b, 318). In time, however, the limitations of these movements became clearer. Unlike in some countries, they never became mass membership organizations; they found it hard to mobilize the individuals on whose behalf they spoke; and they could not sustain themselves based on membership dues. Their growth and viability in the 1960s and 1970s had depended on external financial support, especially from the federal government. As the politics of restraint

7. McKeen (2004) is quite critical of the women's movement's embrace of a "liberal" focus on vertical redistribution to poor women and children through targeted benefits as opposed to redistribution to all women through the historic universal family allowances.

8. Labour and social movements did coalesce for a time in the late 1990s in support of an alternative federal budget project led by the Canadian Centre for Policy Alternatives (Jackson and Baldwin 2005).

took hold in the 1980s after the election of a Progressive Conservative government in 1984, social policy groups increasingly moved into oppositional politics, challenging both retrenchment in social policy and broad economic policies, including the Canada-US trade agreement. The government responded by cutting their funding, destabilizing and dooming many. A similar fate befell a number of government advisory bodies and research institutes that once populated the sector. With the weakening of national organizations, advocacy increasingly fell to regional and community levels (Phillips 2013).

Despite such cycles in the strength of advocacy, the concern over crowding out does not take adequate account of the new pathways to social policy generated by the politics of difference.

Fear of Fragmentation

What of the second fear, the fear that complex diversity fragments and weakens mainstream support for the welfare state, both at the level of public attitudes and the level of organized politics, in the form of the traditional coalitions that supported the welfare state.

At the level of public attitudes, this issue has been debated most intensively about the growing ethnic and racial diversity resulting from new patterns of immigration. In the oft-quoted words of T. H. Marshall, the welfare state rests on "a direct sense of community membership based on loyalty to a civilisation that is a common possession" (Marshall 1950, 96). Some analysts have argued that immigration and ethnic diversity erode this sense of a common community and weaken the sense of trust in fellow citizens, with potentially debilitating consequences for social programs. Members of the majority public might withdraw support from social programs that redistribute resources to people they regard as "strangers" or "outsiders" whom they do not see as part of "us." In addition, ethnic or racial diversity might fragment the historic coalitions that supported the welfare state and make it more difficult for the new minority groups to cooperate in a common fight for redistributive agendas. Alternatively, the majority population might adopt "welfare chauvinist" attitudes, supporting strong social programs but demanding the exclusion of newcomers from their benefits. Left political parties in Europe have been particularly vulnerable, as parts of their historic constituency—especially less-skilled, white male voters—shift their votes to conservative or radical right parties that oppose immigration.

Is there evidence of these trends in Canada? In contrast to some coun-

tries, immigration has not weakened public support for redistribution here. Canadians are much more likely to believe that immigrants are good for the economy and are much less likely to believe that immigrants cause crime (Banting 2010). Although interpersonal trust does decline in ethnically diverse neighbourhoods, trust in government and support for redistribution are resistant to this dynamic: support for social programs does not decline in diverse neighbourhoods in Canada (Soroka, Helliwell, and Johnston 2007; Soroka, Johnston, and Banting 2007). Green and Riddell (this volume) find little evidence that immigration or other measures of diversity at the provincial level affect spending on social assistance, with only a hint of discrimination in transfers to children. Pressures for welfare chauvinism—the denial of benefits to newcomers—have also been comparatively mild although not completely absent (Koning and Banting 2013; Banting and Koning 2017; Soroka et al. in this volume).

This conclusion is subject to an important qualification. There is a troubling difference in public attitudes towards immigrants and Indigenous peoples. People who believe that immigrants rely heavily on welfare are less likely to support social assistance as such, but they are more likely to support redistribution and the welfare state generally. In effect, a sense that immigrants are in growing economic trouble tends to nudge Canadians towards, not away from, supporting redistribution. Tragically, this protection does not extend to Indigenous peoples. People who believe that Indigenous peoples are heavily dependent on welfare tend to reduce their support not only for social assistance but also for a redistributive state as a whole, a corrosive impact with important regional dimensions (Banting, Soroka, and Koning 2013; also Harell, Soroka, and Ladner 2014; Harell, Soroka, and Iyengar 2016).

What about organized politics? Has the politics of diversity divided organizations and coalitions that traditionally supported the welfare state, paralleling the fragmentation of the New Deal coalition in the United States? Has diversity weakened the resolve of historic champions to support a redistributive state? Once again, the evidence suggests that such dynamics have been limited in Canada.

Labour's adjustment to a more diverse Canada may actually have been made easier by the weaknesses of a class culture. "The fact that class differences in Canada were less pronounced than in most other parts of the world, and that class was more widely denied as a definer of identity…left substantial room for the emergence of identities shaped by other dimensions of difference or inequality" (Hunt 2007, 11–12; also

Rayside 2007). The transition was also facilitated by the organic link with the NDP. While the relationship did not do much to move votes, as we have seen, it did bring the labour movement into the heart of debates over diversity and equity at an early stage. Incorporation of women proceeded furthest. By 2004, the unionization rate for women workers exceeded that for men, and women were playing a growing role in union leadership, especially in public sector unions (Yates 2005). Admittedly, the incorporation of racial minorities has been slower. Historically, organized labour staunchly opposed immigration, especially from "uncivilized" parts of the world such as Asia, and internal ethnic conflicts between English, Irish, East European, and French workers weakened unions in the nineteenth and early twentieth centuries (Bealieu 2011; Goutor 2007; Palmer 1983). These traditional tensions had faded by the post-war era, but the labour movement has done less well in unionizing new racial minorities. Unionization rates are lower, and union membership does little to reduce the racial disadvantage in earnings and earnings growth (Verma, Reitz, and Banerjee 2015).[9] This failure to more fully integrate racial minorities obviously limits labour's ability to speak for all workers (Foley and Baker 2009).

Nevertheless, organized labour remains committed to social redistribution. It continues to support universal public services such as healthcare and education, decent unemployment benefits and strong public pensions, as well as redistributive social transfers funded from a progressive tax system (Jackson and Baldwin 2005).[10] Labour has also preferred to pursue newer equity issues through political alliances with equity groups rather than through collective bargaining. In part, this preference reflects the difficulty of maintaining an internal consensus on giving high priority to equity issues during collective bargaining.[11] Linkages with women's organizations such as the National Action Committee on the Status of Women (NAC) were strong, and labour is repeatedly described by feminist scholars as playing a key role in the battle for gender equity (Coles and Yates 2012, 102; Vickers, Rankin,

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9. For a comparative perspective, see Ahlquist (2017, 415–16).
10. The Canadian Labour Congress endorsed the idea of a Guaranteed Annual Income as early as 1988 (CLC 1988).
11. "While many unionists are ardent feminists, an equal or greater number have resisted initiatives such as pay and employment equity as threats to the principles of union solidarity and 'equal treatment of all'" (Bentham 2007, 126). On similar constraints on pursuing racial equity through collective bargaining, see Reitz and Verma (2004, 852) and Ross and Savage (2012).

and Appelle 1993, 142–45). Similarly, a study of NDP activists in the 1990s found that members from labour unions and other party members shared a strong consensus in favour of immigration and expanded social policy (Archer and Whitehorn 1997).[12] In effect, labour has supported the new pathways to social policy opened up in a more diverse Canada.

Interestingly, the women's movement has had more difficulty managing diversity internally. Critics of an essentialist interpretation of women's interests increasingly challenged the orientation of feminist organizations, and tensions boiled over within NAC. As we shall see in the next section, a break occurred between women in Quebec and the rest of the country in the 1980s. Then, in the 1990s, NAC faced an internal challenge from women of colour who had been organizing at the local level. When a minority woman became president in 1993, "the internal politics related to her presidency further divided it…(and) NAC never regained internal coherence" (Phillips 2013, 126; also Bashevkin 1993, 28–31; Vickers et al. 1993). With the weakening of the national umbrella organization, advocacy increasingly fell to regional organizations and groups focused on specific issues such as childcare.

What can we conclude? The fear of a crowding out effect clearly understates the extent to which equality-seeking groups have fought for economic as well as cultural equality. In effect, the politics of difference created distinctive pathways to social policy, mobilizing new social cleavages and advocating new policy instruments. Moreover, the danger of fragmentation of historic coalitions has had only modest resonance in Canada. Immigration has not weakened public support for redistribution, and organized labour has not been deflected from a redistributive agenda. The story is not all benign. Public attitudes are less supportive of Indigenous peoples than immigrants, and the women's movement has had difficulty accommodating diversity internally. Overall, however, it would be hard to conclude that the politics of difference has constrained the redistributive state.

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12. As a result, collective bargaining has tended to follow, rather than lead, change. In the case of gender-related issues, collective agreements have made the most progress in areas addressed by legislation, such as family-care leave. In areas not covered by employment legislation, such as employer supplements to EI benefits during maternity / parental leave, progress has been agonizingly slow (Bentham 2007).

National Identity and Competitive Nation-Building

Canadian political elites have long believed that national identity and redistribution are tightly entwined. As we have seen, the federal government saw pan-Canadian social programs as an instrument of territorial integration. Ottawa has often explicitly framed its redistributive programs in terms of national identity. For example, in the 1960s, the government explained interregional redistribution as follows:

> The sense of Canadian community is at once the source of income redistribution between people and regions in Canada and the result of such measures. It is the sense of community which makes it possible for Parliament to tax residents of higher income regions for the purpose of making payments to people in lower income regions. And it is the willingness of people in higher income regions to pay these taxes which gives additional meaning in the minds of those who receive the payments to the conception of a Canadian community. (Government of Canada 1969, 68)

Canadian identity has also helped sustain redistribution in the context of new forms of diversity. Research has demonstrated that those with the strongest sense of Canadian identity embrace immigration and immigrants more warmly than do their less nationalist neighbours, a pattern not found in most other countries. While people who hold anti-immigrant views tend to be more opposed to redistribution, a strong sense of national identity offsets such attitudes, helping to insulate the welfare state from the corrosive impact of nativism (Johnston et al. 2010).

Nevertheless, the role of national identity is also more complicated in multination countries which are home to one or more substate national minorities. Minority nations tend to demand greater control over social programs, and battles over governance tend to overlay and complicate the politics of social policy (Béland and Lecours 2008). In Canada, the politics of national identity have had very different implications for social policy in the case of Quebec and that of the case of Indigenous peoples, the First Nations of Canada.

In Quebec, battles over national identity triggered competitive nation-building, with both the central government and the Quebec government seeking to reinforce their own conception of the political community, and to turn social policy to the task (Banting 1995). Quebec carved out an expanded role in social policy, in part by capturing wider jurisdiction than other provinces in such areas as contributory pensions, maternity / paternity benefits, and immigration, and in part by

being more active in areas such as child benefits and childcare. Quebec was determined to build its own welfare state, one reflecting its own cultural norms.

Competitive nationalisms opened new pathways to social policy expansion. During the 1960s and 1970s, competitive nation-building generated an expansive dynamic, as both the federal and Quebec governments sought to secure their jurisdiction by occupying and exercising contested policy domains as vigorously as possible. These dynamics contributed to more expansive programs in pensions and child allowances than would otherwise have emerged (Banting 1987a, 73–75). A second pathway opened up in the 1990s. While support for redistributive policies was weakening elsewhere, Quebec moved in the opposite direction, introducing universal childcare, expanded family benefits, active labour market policies, and a strategy against poverty and social exclusion. These polices strengthened redistribution in the province and helped Quebec defy the continent-wide trend towards greater inequality (Noël 2013; Noël in this volume).[13]

Yet, if competitive nationalisms opened some new pathways, it also narrowed others, especially at the pan-Canadian level. Canada-wide coalitions which traditionally supported the welfare state have had difficulty navigating identity politics. The constitutional battles of the 1980s and 1990s divided organized labour and the women's movement internally along language lines. During the parliamentary hearings on the proposed Canadian Charter of Rights, the Canadian Labour Congress chose not to participate, sitting on the sidelines in deference to its Quebec affiliates which opposed the Charter's adoption. As a result, organized labour surrendered the opportunity to fight for the inclusion of collective bargaining rights in the Charter. In the case of the women's movement, NAC made a different choice. It vigorously supported the Charter and later in the decade opposed the Meech Lake Accord, leading to a permanent rift with Quebec feminists who withdrew from the organization (Dobrowolsky 2000; Phillips 2013; Vickers et al. 1993). In James's words, "this rivalry between the country's competing nationalisms forced pan-Canadian feminist and labour groups to make hard choices with often unsatisfactory outcomes" (2006, 100). In a later round of constitutional reform debates, labour and women's groups sought to

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13. Conservative critics have occasionally argued that competitive nation-building projects in Canada has led to an unsustainable "over-supply" of social programs and redistribution (James and Lustig 2002).

square the identity circle by supporting asymmetrical decentralization to Quebec and advocating a vigorous social role for the federal government in the rest of Canada. But this divided them from ethnic minority groups who strongly opposed a differentiated citizenship for Quebecers. The Canadian Ethnocultural Council, for example, feared that any constitutional distinction between the Québécois and English-Canadian Canadians would "work against the interests of minorities" and, at the extreme, make "tyranny of the majority an everyday feature of life" (quoted in James 2006, 111).

The case of Indigenous peoples, the poorest peoples in Canada, is very different. The Indigenous peoples of Canada define themselves as distinct peoples or nations—the First Nations of these lands—and have sought a relationship with Canada on a nation-to-nation basis. In recent decades, Indigenous policy has focused on the recognition of treaties, the ownership of land, and self-governance. However, negotiating a new relationship has proven painfully slow. The result has been an intergovernmental quagmire, in which neither the federal nor provincial/territorial governments has taken comprehensive responsibility for social programs for Indigenous peoples (Papillon 2015). There have been few major efforts to address Indigenous poverty directly. One major effort was the Kelowna Accord of 2005, proposed by the then Liberal government, which promised substantial funding to improve access to education, health services, housing, and economic opportunities, based on an unprecedented collaboration of federal, provincial, and territorial governments as well as all the major Indigenous organizations (Laroque and Noël 2015). However, the Liberal government was defeated a few months later, and the new Conservative government did not consider itself bound by the terms of the Accord. The Conservatives were prepared to inject much needed additional funding into Aboriginal education on reserves, but only if Aboriginal leaders agreed to accountability measures, which led directly back to disputes over governance.

The politics of identity is powerful, and has reshaped the institutions of governance in Canada. In social policy, the politics of identity has both expanded and contracted pathways to social policy. At various points in Canadian history, competitive nation-building projects between the federal and Quebec governments spurred more generous social programs than might otherwise have occurred; and, more recently, Quebec utilized the additional policy space generated by a generation of nationalist mobilization to enhance redistribution in one part of Canada. But the same identity politics tended to fragment pro-welfare coa-

litions between the two language communities, leaving the field more fully to duelling governments. Moreover, the identity struggles of First Nations has not yet created a new pathway to social policy innovation.

Conclusions and Future Research

Does complex diversity weaken support for the redistributive state? As noted at the outset, growing inequality and the decline of redistribution across the OECD has tended to be attributed to the economic and ideological transformation represented by globalization, technological change, and neoliberalism. Should we add the cross-cutting cleavages of a diverse society to the list?

If one looks at Canadian experience closely, one can find hints of the crowding out and corroding effects feared elsewhere. Complex diversity has helped narrow the pathway from economic class to a redistributive welfare state. Most importantly, territorial politics has blurred class politics at the federal level, planting the need to constantly balance regional and lingusitic issues at the heart of national politics. This has been true since the founding of the federation, and has not lost its intensity. More recently, the politics of complex diversity has also created some tensions. At the level of public attitudes, Canada has largely escaped the corrosive impact of anti-immigrant attitudes on public support for redistribution experienced elsewhere, but the same cannot be said of attitudes towards Indigenous peoples. At the level of organized politics, diversity and identity politics have weakened some pan-Canadian groups. Organized labour's commitment to redistribution has not been weakened, but both the labour movement and the women's movement have had difficulty bridging racial and identity politics.

However, highlighting the corrosive effects of diversity alone ignores too much. Complex diversity has also generated new pathways to social policy, mobilizing new interests and advocating different policy instruments. The combination of territorial and identity politics may have weakened the room for class politics at the national level, but it also opened other distinctive pathways. Competitive nation-building projects generated expansionary dynamics inside both the federal and Quebec governments, and poorer provinces have fought for programs that equalize life chance across the country. In a similar fashion, the mobilization of groups rooted in gender and ethno-racial diversity have opened pathways, demanding action on new social risks and advocating new policy solutions.

This multiplicity of pathways matters. Individual pressures wax and wane, but multiple pathways help sustain an active social debate over time. New players have articulated social needs and advanced policy options which would not spring readily from a focus on class alone. Cumulatively, these new pathways have contributed to a more expansive and complex social policy regime than could have been expected from the Canadian version of class and territorial politics which shaped the post-war welfare state. They have shaped what the welfare state does and how it does it.

But has complex diversity affected the level of redistribution between rich and poor? Because newly mobilizing groups have tended to be poorer than Canadians as a whole, their policy demands have probably contributed to more redistribution than we might otherwise have expected. It is impossible to confirm such intuitions without specifying a hypothetical counterfactual about the form that class politics would have assumed in the absence of complex diversity. But the limitations of the Canadian version of class politics were already clear in the post-war era, long before newer forms of diversity were mobilized, and there is little in the historical record to suggest that a more vibrant class politics was displaced by complex diversity.

This interpretation suggests an agenda for future research. Three dimensions stand out. First, as this chapter makes painfully clear, the empirical basis is far from complete. Research on public attitudes has provided analyses of the factors shaping the response of individual Canadians to immigration and multiculturalism and the impact on public support for income redistribution. But the evidence is still largely cross-sectional and we know less about factors driving change over time. Our understanding of the impact of complex diversity on the coalitional politics of the welfare state is even less well developed. There are studies of the impact of a particular dimension of difference on particular organizations, such as labour or the women's movement. But we know less about the impact of the contemporary constellation of cleavages on organized support for redistribution.

Second are the conceptual and theoretical challenges. For a generation, studies of the politics of social policy relied on power resource theory and Esping-Andersen's tripartite classification of welfare states: the social-democratic welfare state, the corporatist welfare state, and the liberal welfare state. In his original formulation, these three types of welfare states were seen both as the product of distinct political formations and as instruments of social stratification. Subsequent additions

to the schema suggested by others, such as the radical welfare state and the Mediterranean welfare state, largely worked within the central logic of the approach (Arts and Gelissen 2010). More interesting for present purposes is the feminist critique of power resource theory. Feminists argued that the approach largely neglected the gender dimension of welfare states. More importantly, they questioned whether the concept of decommodification, which underlies the theory, is consistent with a gendered conception of the welfare state, since access to employment— or "the right to be commodified"—is an important goal of the women's movement (Orloff 1993, 318; also J. Lewis 1992). According to this perspective, gender cannot simply be "added to" the existing categories. A new classification is needed. This concern can be extended beyond gender to differences rooted in territory, ethnicity, race, and identity. How should we approach building models that incorporate the complexity of the contemporary politics of social policy? Can we imagine a single typology that captures the complex range and intersecting nature of differences? If so, what central concept would replace decommodification, and what causal mechanism would replace political class coalitions? Clearly, the idea of multiple pathways to social policy represent an invitation to return to theorizing at the macro-level.[14]

Finally, we need to return to the normative implications of diversity. Much of the last generation of research in this field was driven by normative concerns that cross-cutting cleavages would displace or weaken the coalitions supporting greater economic equality. The fear has been christened the "progressive's dilemma." Progressives, it was argued, face a difficult choice between celebrating multiculturalism and pushing for greater redistribution between rich and poor, because they cannot have both. The evidence here, however, suggests that, at least in Canada, this is a false choice. The reality of multiple pathways to social policy suggests that we need not fear diversity, or hanker nostalgically for a robust class politics that never really existed in this country. Rather, the analysis here suggests that we can embrace multicultural diversity and seek to advance the agenda of economic equality along the multiple pathways that complex diversity has opened.

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14. Intersectional analysis helps here, by highlighting the overlapping nature of identities and categories of difference, as well as the interlocking nature of systems of oppression such as race, class, and gender. In the field of social policy analysis, the intersectional approach points to the ways in which social policies are experienced by different groups who experience multiple forms of discrimination. As yet, however, it does not seem to explain the varying coalitions that determine the pattern of alliances and coalitions that shape the politics of social programs.

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FEDERALISM AND THE WELFARE STATE

3

Is Canadian Federalism Market-Preserving? The View from the Bond Markets

Kyle Hanniman

The Canadian welfare state is among the least generous in the developed world. For this, Canada's highly decentralized system of federal governance is often blamed. The provinces are constitutionally responsible for healthcare and other core components of the welfare state; Ottawa lacks the fiscal capacity to significantly influence and expand social provision in these areas; fragmented national party systems, biculturalism, and weak bicameralism frustrate the formation of progressive national policy coalitions; and the decentralization of mobile tax streams puts downward pressure on government spending and taxes.

Often lost in this discussion is the fact that the provinces borrow freely on domestic and international bond markets. This oversight is surprising given concerns, particularly among students of international political economy, about the relationship between bond markets and the welfare state (Mosley 2003). It is also surprising given the peculiar vulnerabilities of subnational borrowers (De Grauwe and Ji 2014; Hanniman 2013). Subnational governments pay higher risk premiums than central governments. They are more vulnerable to negative credit shocks and their borrowing costs can depend, to a greater extent, on their fiscal performance. Among fiscal conservatives, this gives decentralized borrowing an obvious appeal. It increases the cost of cred-

it, punishes profligate fiscal behaviour, and leads to smaller deficits. Among the centre left, however, the benefits are less clear. It may provide a measure of fiscal discipline. But it also increases the costs of public investment, reduces the scope for countercyclical fiscal policy, generates inequities in regional credit conditions, and limits governments' capacity to buffer social spending against negative fiscal shocks.

It is not at all obvious, however, whether provincial borrowing imposes these constraints. Whether it does depends, in part, on how bondholders (or the individuals and institutions that lend to provincial governments) conceive of Canadian federalism. Do they regard it as a market-preserving federation in which units approach credit markets as "miniature sovereigns" or the ultimate guarantors of their own debts (McKinnon 1997; Peterson and Nadler 2014 Qian and Weingast 1997; Rodden 2006)? Or do they view it as a solidaristic federation (Enderlain 2010) in which the federal government—and ultimately Canadian taxpayers—implicitly guarantees provincial liabilities? If it is the latter, then federal and provincial credit premiums (or the additional interest rate governments pay to compensate bondholders for credit risk)[1] potentially converge. This helps insulate provincial welfare states against market forces. But it also encourages fiscal indiscipline, as provinces fail to internalize the costs and risks associated with their borrowing.

But bailout expectations do not insulate subnational governments from market forces entirely. For one, implicit guarantees are not ironclad. There is always some positive probability that the central government will fail to come to a distressed unit's aid, meaning provincial credit conditions always depend, to some extent, on provinces' standalone creditworthiness. For another, default risk is not the only reason national and subnational borrowing costs differ. Central government debt is easier to trade on secondary markets and investors pay a premium for that liquidity, particularly when financial markets become unhinged, which they have, at various points, over the last decade.

This chapter argues that Canadian federalism is—in the eyes of creditors and rating agencies—solidaristic. Bailout expectations are strong and the reasons are not significantly different from those found in other

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1. Credit risk consists of three components: default risk (or the risk that a borrower fails to repay its debts in full and on time); credit spread risk (or the risk that the value of a bond decreases because of a deterioration in credit quality); and downgrade risk (or the risk that the value of the bond decreases because of a credit rating downgrade; Feldstein and Fabozzi 2008).

advanced industrialized federations. A provincial default would—given the provinces' massive presence in capital markets—have devastating consequences for Canada's economy. And it would also—given the integration of federal and provincial welfare states—undermine Ottawa's capacity to realize its social welfare commitments. Lenders are betting, therefore, that Ottawa is not going to let a province default. This, I will argue, has insulated provinces from the austerity-inducing credit shocks that rocked the US states and other subnational entities during the global financial crisis (though it has also contributed to a sharp increase in the country's already significant subnational debt burden).

But I also note that bailout expectations have not prevented growing disparities in federal and provincial credit conditions nor, surprisingly, have they guaranteed provinces uninterrupted access to credit. This partially reflects the uncertainty of bailout commitments, but it also reflects the premium markets attach to liquidity in a volatile credit environment. The global financial crisis, the Eurozone debt crisis, the recent plunge in commodity prices, concerns about China's growth, and other international events have resulted in relative (and in some cases, absolute) deteriorations in provincial credit conditions, as risk-averse investors seek refuge in the federal government's riskless and liquid debt.

These observations have important implications for the way we conceptualize decentralization. It suggests that in matters of borrowing, decentralization is not merely a matter of the rules or procedures governing provincial behaviour. More fundamentally, it is a collection of lenders' beliefs about which order of government—federal or provincial—is ultimately responsible for repaying subnational debt.[2] But the chapter also reveals that these beliefs only take us so far. They do not eliminate provincial credit risk. Nor do they assure the liquidity of provincial bonds. They thus fail to elevate provinces to the unique and privileged status of central government borrower.

These findings touch on important themes in Keith Banting's work. They are consistent with Banting's claim that controversies over federal-provincial transfer arrangements are not simply struggles over money and power, but debates over the nature of Canada's federal community (Banting 2005a, 37). Citizens and politicians are not the only

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2. Rodden (2006) makes a similar point about the importance of bailout beliefs, but suggests they define the "sovereignty" of subnational borrowers, which could be viewed as a very specific form of decentralization.

actors concerned with this question. While Canadians debate and nego-
tiate communal values, markets are placing bets on which communal
vision—market-preserving or solidaristic—would prevail in the event
of an imminent provincial default and it would appear as though the
solidaristic vision is the odds-on favourite. This may come as a surprise
to those who emphasize Canada's market-preserving qualities, but it is
consistent with another one of Banting's insights, which is that Cana-
da's social policy has never operated according to a single federal logic
(Banting 2005b). Many aspects of Canadian federalism vitiate against
the expansion and maintenance of the Canadian welfare state, but pro-
vincial exposure to credit markets is not the overbearing constraint the
literature often implies.

The remainder of the chapter proceeds as follows: The next section
makes the case for Canada as a market-preserving federation. The third
section makes the case for Canada as a solidaristic federation. The
fourth section reconciles these accounts and the final section summa-
rizes and links the findings to major themes in Keith Banting's work.

Canada as a Market-Preserving Federation

By the standards of advanced industrialized countries, Canada's public
sector is small. The reasons for this are widely debated, but one of the
most common explanations is Canada's unusually decentralized fed-
eral system. Scholars point, for example, to provinces' constitutional
dominance in core welfare and tax fields. They also point to a variety
of political and institutional factors (weak bicameralism, biculturalism,
and a fragmented national party system) that limit the scope of national
welfare policy. Far less attention is paid, however, to the fact that prov-
inces borrow—unconstrained—on domestic and international bond
markets.

The neglect is odd for a number of reasons. One is the longstanding
concern, developed most explicitly by students of international political
economy, about the relationship between bond markets and the welfare
state (Mosley 2003; Wibbels 2006). Another is the recent resurgence of
market constraints in certain corners, particularly the Eurozone periph-
ery, where rising borrowing costs and credit seizures have triggered
massive cuts to social spending. A third is the fact that the latter out-
come would have never happened if the Eurozone's member states had
not become more like subnational borrowers with the adoption of the
single currency: they no longer own their central banks and are unable,

therefore, to print money to repay investors in the event of liquidity crises.[3] This makes them vulnerable to sudden and fiscally damaging stops in market lending (De Grauwe and Ji 2014). A fourth is provinces' own struggles to borrow in the early 1990s. And a fifth is the view, held by some in the comparative literature, that Canada belongs to an exclusive club of "market-preserving federations" in which subunits approach credit markets as "miniature sovereigns" or the sole guarantors of their own debts (Peterson and Nadler 2014; Rodden 2006).[4] This no-bailout policy increases the risk of default and strengthens the relationship between provinces' fiscal performance and borrowing costs (investors are more likely to monitor and punish profligacy if they think their money is at risk). This may have salutary effects for fiscal discipline. But it exposes social spending—the vast majority of which occurs provincially—to stiffer market constraints.

Of course, there is no formal policy precluding bailouts any more than there is a policy ensuring them.[5] But from the perspective of market discipline, official policies are largely irrelevant. What matters is how lenders and credit rating agencies expect the central government to behave in an imminent default scenario (Lane 1993). Would it come to a province's rescue or would it let the province fail; that is, is Canadian federalism market-preserving[6] or solidaristic?

Scholars have linked bailouts and bailout expectations to a number of factors. Some, for example, link them to the size of jurisdictions, arguing that certain units are too big (Wildasin 1997) or small to fail (von Hagen et al. 2000). Others link them to the nature of subnational representation in the legislature (Gibson and Calvo 2000; Rodden 2006).

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3. Section 18 of the Bank of Canada Act provides a legal framework for the Bank of Canada (BoC) to act as a lender of last resort to both the provinces and the federal government, though the BoC cannot lend as freely to provinces as it does to the federal government. Loans to the Government of Canada, for example, cannot exceed one-third of the government's annual estimated revenues compared to one-fourth of revenues for provinces (Frigon and Roy-César 2015). Investors might reasonably assume that the BoC—a federal Crown corporation—is more likely to come to the aid of the federal government than to the aid of provinces.
4. See McKinnon (1997), among others, for an opposing view.
5. The remainder of this section draws heavily on Hanniman (2013, forthcoming).
6. Market-preserving federalism is a much broader concept than this discussion suggests. The absence of bailouts is one condition that—according Weingast and colleagues (Qian and Weingast 1997)—must be present to characterize a multi-level order as market-preserving. Others include a common national market and subnational autonomy over most aspects of economic regulation.

Wibbels (2003), for example, argues that insolvent US states failed to secure bailouts in the 1840s, because their representatives failed to form a legislative majority. Finally, some show bailouts are more likely when the central and subnational governments share the same party label (Hallerberg and Stolfi 2008; Khemani 2007).[7]

But arguably the most prominent theories trace expectations to the distribution of intergovernmental fiscal authority across different levels of government (McKinnon 1997; Rodden 2006; von Hagen and Eichengreen 1996). One of the most common—if largely implicit claims—is that market discipline thrives in dualist systems of intergovernmental fiscal relations in which subunits are uniquely responsible for their constitutionally defined jurisdictions and fund these activities through own-source revenues. Market discipline suffers, by contrast, where shared responsibility for service provision, national regulation of subnational finances and national transfers signal a national incentive in bailing out distressed units (Rodden 2006).

Of the various forms of central meddling, none, perhaps, is accorded more importance than dependence on transfers and shared revenue schemes (McKinnon 1997; Rodden 2006; von Hagen and Eichengreen 1996). When local services are funded by central transfers, subnational voters and politicians are less likely to internalize the consequences of their spending and more likely to blame the central government for fiscal crises. With expectations and blame focused squarely on central officials, the pressure for bailouts mounts and lenders, cognizant of these pressures, conclude that subnational debts are centrally guaranteed (Rodden 2006).

What do these arguments imply for Canadian provinces? No federal system conforms to the dualist model perfectly, but few would deny that Canada comes closer than most. Provinces borrow in domestic and international capital markets free of national constraint. They are solely responsible (in strict constitutional terms) for their core policy fields, and, most importantly, rely heavily on own-source taxation. The "have-not" provinces are more transfer dependent than the "haves," but even the former are less dependent on transfers than the majority of their international peers, a fact acknowledged by the major credit rating agencies.

A cursory look at the evidence suggests markets do, in fact, regard

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7. It is difficult to see how, given the lack of organizational linkages between federal and provincial parties, this variable would matter in the Canadian case.

provinces as sovereign. Some of the most vivid and recent examples come from the 1990s, when provinces experienced sharp deteriorations in their credit conditions and Newfoundland and Saskatchewan were, according to some, on the verge of default. Janice MacKinnon (2003), Saskatchewan's finance minister at the time, describes the cabinet's frantic efforts to prevent another credit rating downgrade that, if realized, may have prevented the province from rolling over its debt. She also describes the alarming control Standard and Poor's—the agency threatening to downgrade the province—exerted over the province's 1993 budget. Neither the rating agencies nor bondholders appeared to take Ottawa's support for granted and provinces faced intense market discipline as a result.

Provinces have also struggled to borrow, at times, in recent years. While recent credit conditions have—for the most part—never been better, provinces were briefly locked out of markets during the peak of the 2008 global financial crisis and were unable to issue long-term debt (or at least unwilling to test markets) for a series of two- to three-week periods from the fall of 2015 to the spring of 2016. In one case—Newfoundland and Labrador—the problem lasted six months (more on this below). Finally, while provincial borrowing costs have fallen, in absolute terms, since 2008, they have increased relative to Ottawa's as Figure 3.1, which displays the spread Ontario pays over the federal government on 10-year bonds, shows. The spreads of other provinces follow the same basic pattern.

Canada as a Solidaristic Federation

But how credible is the federal government's no-bailout guarantee? It is certainly true that Canada's federal government takes a hands-off approach relative to other central governments: transfers are low and conditions are weak. But would it really let a province default? There are at least two reasons for scepticism.

The first and most obvious is the provinces' presence in bond markets. Gross subnational debt in Canada (the vast majority of which is owed by provinces) accounts for roughly 40 percent of GDP,[8] making Canada's subnational sector the most indebted in the OECD (see Fig-

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8. This figure is based on OECD data, but defines debt according to the European Union's Maastricht Protocol (currency and deposits plus debt securities plus loans, i.e., mainly borrowing). It does not include unfunded pension liabilities.

Figure 3.1

**10-year Bond Spread of Ontario Over Government of Canada**
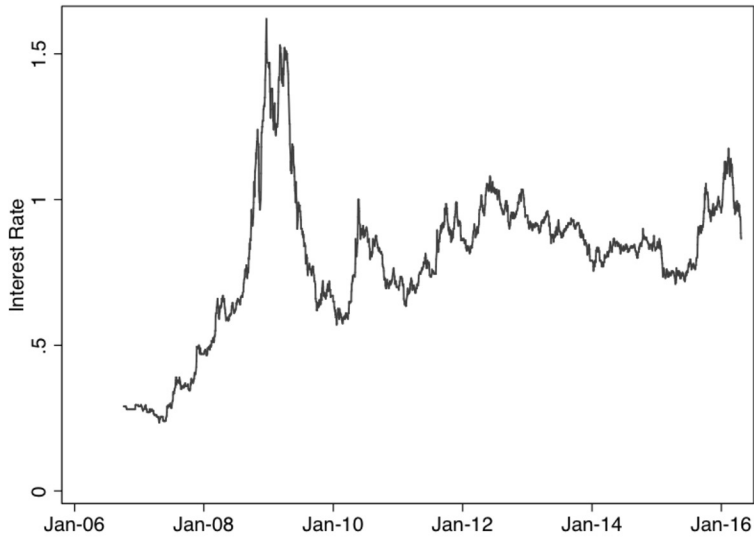
Source: BMO Capital Markets, Author's calculations.

ure 3.2).[9] Meanwhile, Ontario, the sector's benchmark borrower,[10] is the largest subnational bond issuer in the world, while Quebec is the third largest rated by Moody's (see Figure 3.3). A default by either would have devastating consequences for Canadian financial markets. Even a default by a smaller province could raise borrowing costs across the entire economy if it were to signal that another, larger version of itself

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9. Gross debt is a crude indicator of debt sustainability. It does not net out, for example, assets provinces dedicate to debt service. Unfortunately, net subnational debt is difficult to compare across countries. Still, this should not distract us from an essential point, which is that Canadian provinces are massive borrowers by international standards.

10. Investors price the debts of provincial and municipal bonds relative to Ontario's interest rates. Ontario's rates are priced, in turn, relative to the Government of Canada's.

Figure 3.2

**Gross Subnational Debt as a Percentage of GDP Wealthy Federal Countries, 2014**
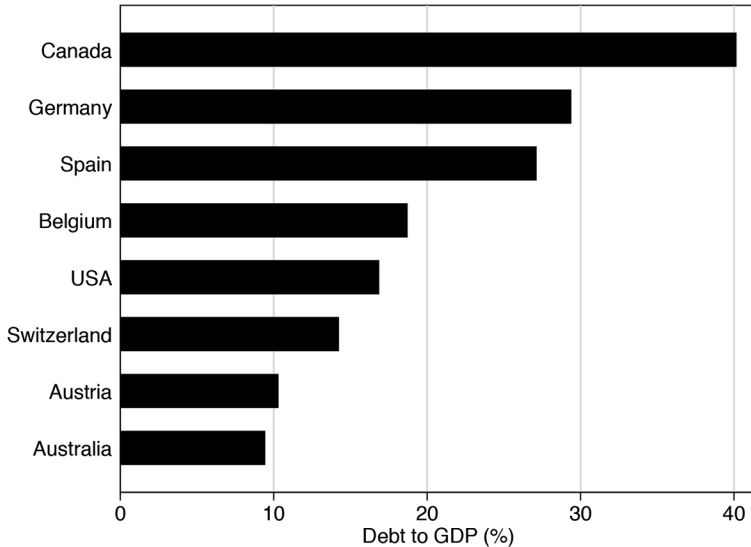
Note: Gross debt defined according to Maastricht criteria: loans plus debt securities plus currency deposits (i.e., mostly borrowing). Includes state and local sectors. Data for Switzerland and the US are non-consolidated. Data for Switzerland are for 2013.

Source: Author's compilation.

were vulnerable. It is reasonable to assume, therefore, that markets consider the provincial sector too big to fail.

Default would also have enormous political consequences. Fixation on provinces' revenue autonomy belies the fact that provinces are responsible for education, healthcare, and other universal services that Ottawa has sworn—through the Canada Health Act, equalization, and other programs and commitments—to uphold. Ottawa may cut transfers. It may encourage provinces to cut services in turn. It may even let a province teeter on the brink of default. But this is a far cry from let-

Figure 3.3

10 Largest Local and Regional Government Borrowers Rated by Moody's, 2014
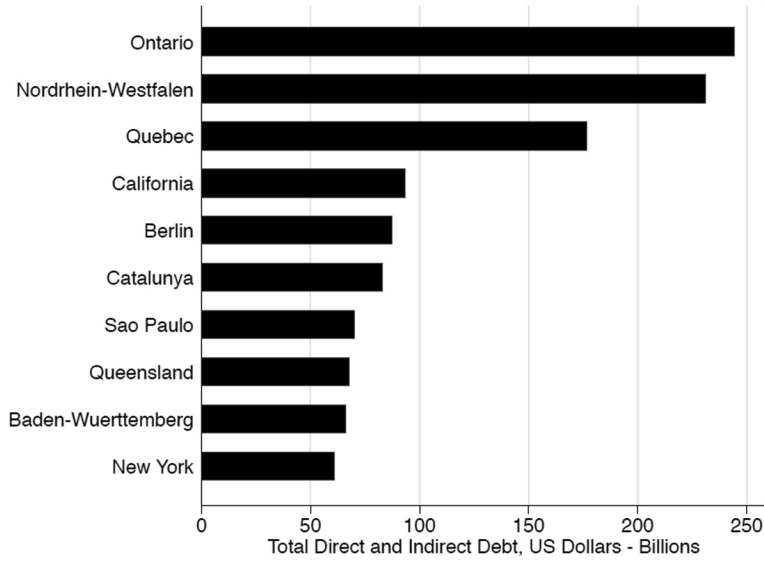
Source: Moody's Investors Service. Figures are measured in U.S. dollars adjusted for purchasing power parity. Data for U.S. states are generated by a separate unit within Moody's and are only roughly comparable with the non-U.S. data. Moody's calculates net direct and indirect debt "by subtracting, from total direct and indirect debt, financial assets dedicated to debt retirement, such as sinking fund assets, and any debt related to guarantees and government-majority owned enterprises deemed to be financially self-supporting (i.e., able to cover debt service payments from their own operations without showing a need for recourse to taxpayer-supported aid)." Moody's definition of total direct and indirect debt "refers to debt issued by the subnational government as well as other debt the subnational may be responsible for, including all short-term and long-term debt of the government; debt obligations issued by the government on behalf of government-owned enterprises; other debt guaranteed by the government; debt obligations issued by majority-owned enterprises even if not guaranteed by the government; and debt-like instruments such as capital leases, public-private partnerships (PPP), and securitization transactions for which the government is or may become responsible."

ting provinces take that final, monumental plunge; a plunge that would devastate provincial finances and challenge any legitimate claim Ottawa has as a guarantor of Canadians' social rights. The provinces may be among the most decentralized subnational units in the world, but they are still the primary conduits of Ottawa's social welfare commitments. Ottawa needs, therefore, to ensure their fiscal viability and that viability depends, in the first instance, on provincial solvency.

Whether investors perceive the depth and precise nature of these commitments is, of course, another matter. But the link between bailout expectations and Ottawa's social commitments does not hinge on this understanding. Rather, it depends on the body of signals that Ottawa's incursions into provincial social policy and finances produce. One potentially compelling signal is the equalization system (McKinnon 1997; von Hagen et al. 2000). Equalization does not obligate the centre to roll over subnational debts and indeed, the formula for determining payments is explicitly designed to limit bailouts and bailout expectations.[11] But the principle of ensuring roughly comparable levels of services at roughly comparable levels of taxation could suggest something similar: a national commitment to protecting fiscally vulnerable regions and their residents (Hanniman 2013).

Equalization also brings us back to the question of transfer dependence. Recall that one of the main reasons many suspect Ottawa is willing to let a province fail is that the provinces depend, to a limited extent, on central transfers. The problem with this argument, however, is that not all transfers are created equal. Some (e.g., stable, predictable, countercyclical, and high redistributive transfers) suggest that the centre stands by subnational units, while others (e.g., volatile, unpredictable and pro-cyclical transfers) suggest the opposite. Thus, it is not clear what, if any, information investors' glean from the level of transfer dependence alone.[12] It is likely the nature and not the level of transfers that sends the most compelling bailout cues.

All of this suggests that Canadian federalism is not the market-pre-

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11. The program equalizes theoretical fiscal capacity, not revenues, budget balances, or other outcomes that a bailout-seeking entity—looking to substitute own-source revenues for transfers—could easily manipulate. The exception is equalization of natural resource revenues, which is based on actual revenues, not the theoretical capacity to raise them.

12. And indeed, in a recent cross-national analysis, I find no clear relationship between subnational revenue autonomy and the bailout probabilities assigned to subnational governments by a major international credit rating agency (forthcoming).

serving model Rodden and others claim, but a solidaristic model in which provinces borrow with the federal government's implicit backing. Provinces do not, it is true, rely heavily on transfers. But a provincial default would—on account of provinces' massive presence in capital markets—have a potentially devastating effect on Canada's economy and financial markets. And it would also—given the integration of federal and provincial welfare states—undermine Ottawa's ability to realize its social welfare commitments. Thus, it seems unlikely that Ottawa would let a province fail. But is this the investors' view?

Evidence from the previous section suggests not, but other indicators suggest otherwise. Provincial-federal spreads have increased in recent years, suggesting perhaps that bailout expectations have eroded. But interprovincial spreads have been remarkably stable since 2008, despite significant differences in provincial debt loads. Figure 3.4 plots average ten-year provincial spreads in 2014 against the provinces' 2013 net debt-to-revenue ratios. British Columbia's average rate, which was the lowest of all provinces that year, is set to zero; Alberta's is less than a percentage point higher than BC's. Ontario's debt-to-revenue ratio was 235 percent. Alberta's was 23.9 percent. And yet, Ontario paid, on average, only 0.18 percent more than Alberta. This is hardly a punishing differential.

Spread compression is not, however, definitive evidence of bailout expectations. Investors have lots of reasons to think provinces will repay their debts, even if Ottawa fails to come to their aid. Provinces have made tough decisions in the face of fiscal crises in the past. Consider, for example, the austerity measures taken by Alberta, Saskatchewan, and other provinces during the 1990s (Kneebone and McKenzie 1999). The provinces also have extraordinary powers of taxation—almost unparalleled among subnational governments, which, according to Moody's Investors Service, allows them to maintain high credit ratings despite carrying significant debt loads (Moody's 2014).

Fortunately, more direct measures of bailout expectations are available. One comes from Moody's, one of the big three international credit rating agencies. When rating subnational governments, Moody's considers the likelihood that a central government would prevent a subnational government from failing (what Moody's calls extraordinary support) were that government on the verge of default. Units receive one of five possible scores: low (0 percent to 30 percent), moderate (31 percent to 50 percent), strong (51 percent to 70 percent), high (71 percent to 90 percent) or very high (91 percent to 100 percent). Moody's

Figure 3.4

10-year Provincial Bond Spreads Against Provincial Debt Loads
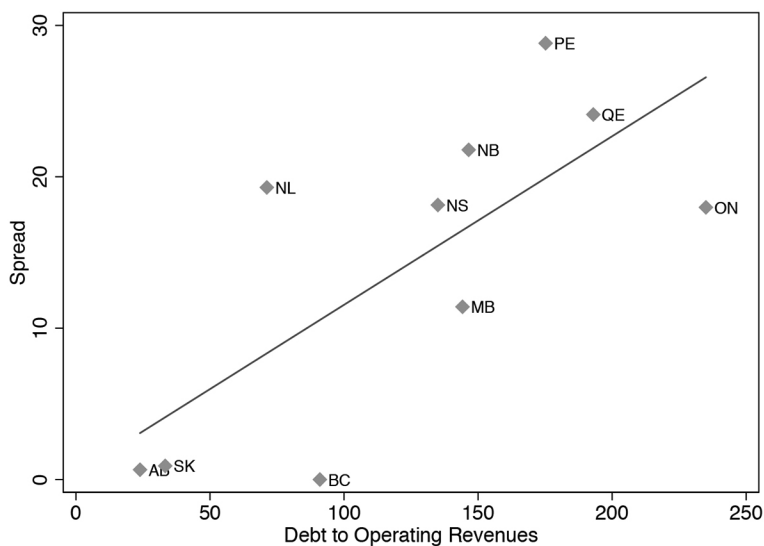
Source: BMO Capital markets, Moody's Investors Service and author's calcula-
tions. Spread data are averages for 2014. Debt data are for 2012.

considers support for provinces "high," the same likelihood assigned
to Australian states and Belgian regions and communities, members of
two significantly more centralized federations. Standard and Poor's—
another one of the big three rating agencies—also assigns provinces a
high likelihood of extraordinary support, though it defines the concept
slightly differently than Moody's.

Another set of measures comes from my interviews with investors in
provinces' domestic currency bonds, the provinces' primary source of
debt financing. I completed a first round of interviews in 2012 and was
in the process of another at the time of writing. To date, I have asked
twenty-five investors (two of which invest exclusively in provinces' US
currency debt) to rate, on a scale of 1 to 5, the likelihood of the federal
government bailing out a province on the verge of default, where 1

refers to highly unlikely and 5 to highly likely. I also asked participants to consider big and small provinces separately. Next, I asked investors to consider why they thought Ottawa would come to a province's aid. Finally, I followed this open-ended question with questions about the relevance of specific economic and political factors. Because identifying a random sample was unlikely, I disproportionately targeted large investors or those most likely to influence borrowing costs. Sampling and recruitment procedures, which I will describe in future work, were developed in collaboration with debt capital markets teams at five of Canada's six major banks. The results are tentative. Interviews are ongoing and the data I have collected may be subject to recoding.

Twenty-three of twenty-five respondents claimed the federal government was likely or highly likely to provide a bailout and only three differentiated between big and small provinces. Only one investor considered the probability of a bailout low. The most common justifications of bailout beliefs concern the economic consequences of default. Respondents highlighted threats to national employment, growth, the Canadian currency, and Canada's reputation in international and domestic bond markets. Over 90 percent considered one or more of these factors salient.

But investors also spoke to Ottawa's fiscal and social commitments. A significant majority inferred positive signals from the transfer system and a significant majority also inferred positive signals from the equalization system or Ottawa's support for provincial social policy, or both (precise figures will appear in subsequent publications). When asked why he thought the federal government would come to a distressed province's aid, one investor said the following:

> There are basic minimums in terms of what is delivered medically and in terms of education...I don't think there's any interest in seeing any province fall short of those basic minimums, 'cause that would cost [the federal government] too much...I would say there's an unspoken compact that nobody would fall below those [basic minimums]. If you're a Canadian, you expect to have certain minimal levels of services delivered.[13]

Importantly, eighteen of the interviews took place prior to the election of the current Liberal government. Thus, it would appear that federal partisanship has little impact on investors' views and in fact, none

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13. CI-12.

of the seven investors interviewed after the Liberals came to power said that they would assign a lower bailout score under a Conservative federal government. Several investors suggested the Conservatives might insist on stiffer conditions for bailout recipients, but the consensus, if only implicit, was that bailout commitments transcend party lines. This is noteworthy given the Conservatives had shifted—in rhetoric at least—towards a classical or "open" federal model aimed at limiting the federal spending power, clarifying the roles and responsibilities of each level of government and respecting provinces' constitutionally defined jurisdictions.

These expectations explain, in part, why provinces were able (with important exceptions discussed below) to borrow at such low rates from 2008 to 2017. They also help explain why provinces were able to sustain social spending and undertake aggressive countercyclical fiscal policies during the global credit crisis.[14] Unfortunately, they also help explain why the sector's aggregate debt levels now exceed their late 1990s peaks. The province's total net debt-to-GDP ratio had reached 30.3 percent by 2015–2016 compared to 29.3 percent in 1999–2000 and 20.2 percent in 2007–2008.[15]

US states, by contrast, took a notably pro-cyclical stance during the crisis, which was partly due to constitutionally enshrined balanced budget laws and partly due to the sharp deterioration in their credit conditions.[16] The roots of this deterioration are complex (Hanniman 2015c), but a major contributor was the lack of implicit bailout guarantee—a precedent many scholars trace to the 1840s when the federal government let eight states and one territory default (Frieden 2016; Rodden 2006).[17] This helps explain why state bond spreads were significantly higher than those of provinces. Figure 3.5 compares the additional interest rate spread that Ontario and California paid over Alberta and

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14. According to the Dominion Bond Rating Service, the provinces' nominal adjusted expenditures grew by 9.1 percent in 2007–2008, 5 percent in 2008–2009, 11.3 percent in 2009–2010 and 5.3 percent in 2010–2011.

15. Department of Finance Fiscal Reference Tables (2016).

16. Kelemen and Teo argue that balanced budget rules, particularly clear ones, discipline state finances, but only because they provide markets with a focal point for punishing fiscal indiscipline, not because they carry "a credible threat of judicial enforcement" (2014, 355).

17. The eight states were Arkansas, Illinois, Indiana, Louisiana, Maryland, Michigan, Mississippi, and Pennsylvania. The territory was Florida. Canada's federal government also let a subnational government—Alberta—default in the 1930s, but only after it had bailed Alberta and a number of other provinces out.

Virginia, respectively, on ten-year bonds (Ontario and California are the most indebted subnational governments in their respective countries, while Alberta and Virginia were considered the most creditworthy during the period displayed). Clearly, California's spreads are wider, but it was Ontario, not California, that had the higher debt. Ontario's debt-to-operating revenue ratio was 173 percent in 2009. California's was 43 percent. California has other problems, of course, including large unfunded pension liabilities, but it is hard to believe that these would have caused its spreads to widen to this level in the presence of an implicit bailout guarantee.

Reconciling the Evidence: Solidaristic Federalism and the Limits of Bailout Expectations

The main purpose of this chapter is to assess the strength and sources of investors' bailout beliefs, not whether those beliefs are correct (it is investors' expectations, not the wisdom of those beliefs, after all, that determines the price of credit). But it is worth pondering whether investors' instincts are sound. The closest recent example of a default came in 1993 when the Saskatchewan NDP struggled to pass an austerity budget that, if blocked, may have severed the province's access to credit markets (MacKinnon 2003). Ottawa helped avert a crisis by changing a potash royalty clawback in the equalization formula. The deal, struck in secret by the federal and Saskatchewan finance ministers, gave the NDP leadership the cash it needed to secure the budget's passage. One can question whether the decision suggests a firm and generalized bailout commitment (this particular proposal had been under discussion for some time), but the timing is nonetheless suggestive. But it also raises an important question. If investors expected a bailout, why did Saskatchewan and other provinces struggle to borrow during this period?

This section seeks to reconcile investors' bailout beliefs with provinces' periodic struggles in credit markets. It suggests three reasons, though there are undoubtedly more. The first and most obvious is that bailout expectations are never certain. There is always some possibility Ottawa will not come to a province's rescue, meaning provincial credit conditions depend, in part, on provinces' standalone creditworthiness. We see this in credit ratings. Moody's assigns a high probability of support for distressed provinces, but the probability is not 1. It is roughly 0.8, causing federal and provincial ratings to differ.

Figure 3.5

10-Year California and Ontario Bond Spreads
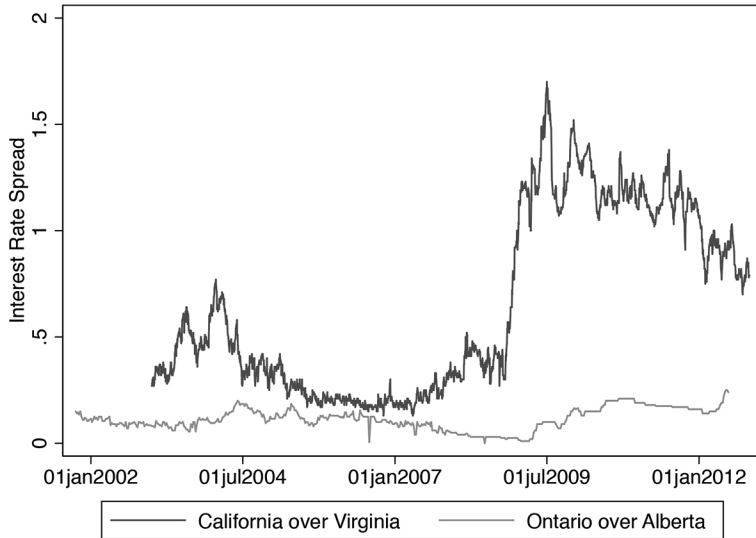
Sources: CIBC World Markets, Bloomberg, and author's calculation.

Second, Ottawa's capacity to deliver bailouts depends on its fiscal fortunes and these fortunes vary over time. Currently, Ottawa's fiscal capacity is unquestioned (Canada and Germany are the only G7 nations with triple-A credit rating with each of the major international rating agencies), but it was not always so. In the mid-1990s, it was among the worst fiscal performers in the developed world. Its debt-to-GDP ratio skyrocketed and its triple-A credit rating was lost. It dealt with its fiscal struggles, in large part, by cutting transfers to provinces and bailout expectations likely suffered as a result.[18]

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18. Landon and Smith (2007) provide indirect evidence of this in their analysis of provincial bond yields from 1983 to 2005. They find a positive relationship between provincial bond yields and the federal debt, which they partially attribute to Ottawa's diminished capacity to support provinces.

Third, bailout expectations lower provincial credit risk, but credit risk is not the only determinant of bond spreads. In fact, it has done an extraordinarily poor job of explaining recent changes in relative borrowing costs. Take, for example, the period from late 2015 to early 2016. Ottawa's deficit was rising while Ontario and Quebec's deficits were falling. The latter's spreads should—if creditworthiness were their only determinant—have fallen. Instead, they widened by a significant margin. Why?

A principal reason is volatility in global capital markets. Investors have a well-known tendency to rebalance portfolios towards less risky and more liquid assets during periods of financial distress (Beber, Brandt, and Kavajecz 2009). Subnational bonds are inherently riskier than sovereign debt. They are also less liquid. It follows that their relative value declines when market conditions deteriorate. These phenomena—called "flight to liquidity" and "flight to quality," respectively—cause intergovernmental spreads to diverge (Lemmen 1999). Spreads spiked, for example, during the height of the global financial crisis in 2008 and flared up during various stages of the Eurozone debt crisis.

If volatility is severe enough, subnational governments may lose access to credit. This is precisely what happened to provinces and municipalities for a brief period after the Lehman Brothers' default of 2008 (Hanniman 2015a). Something similar happened again from late 2015 to early 2016 when declining commodity prices and concerns about China's economy rattled global capital markets and undermined liquidity in provincial and municipal bond markets.

The upshot was a series of two- to three-week periods in which bond underwriters struggled, on account of limited liquidity, to price medium- and long-term subnational bonds, and provinces and municipalities were forced to step away from—or were at least unwilling to test—bond markets as a result. In one case, Newfoundland and Labrador (NL), the hiatus lasted six months. The precise sources of NL's problems are unclear and my research of this event continues. But it appears to some at least[19] to have been a combination of deteriorating creditworthiness (NL's revenues were hit hardest by the decline in commodity prices) and the relative illiquidity of the province's debt (NL's bonds do not trade as actively as those of larger provincial borrowers).[20] The de-

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19. These developments were not well publicized. My interpretation of events—which is highly preliminary—comes from discussions with employees at major banks.

20. The principal determinant of a bond's liquidity is the amount of bonds outstand-

sired risk premium on NL debt was rising, but it was unclear, given the lack of secondary trading of the province's bonds, what, precisely, that desired premium was. This may have made it difficult for underwriters and the province to agree on an issue price. Despite this difficulty, the province could have probably borrowed on term markets had it been willing to the pay the price. But it was understandably reluctant, given the uncertainty, to test the markets and opted instead to rely on short-term cash-management bills (a major source of refinancing risk).

By the second quarter of 2016, volatility in global capital markets had subsided and provinces and municipalities, including NL, regained uninterrupted access to credit markets. Subnational-federal spreads remained well above pre-crisis levels (perhaps because of lingering uncertainty in capital markets), but overall borrowing costs were low by historical standards. Recent bouts with volatility are nonetheless unnerving. They reveal—yet again—the vulnerability of provincial borrowers. They also reveal the limits of implicit bailout guarantees.

The Canadian provinces are not alone in this regard. Other implicitly guaranteed borrowers—including the German Länder, Spanish regions, and Australian states—have also seen their spreads increase, at various points, since 2008, whether because of volatility in global capital markets or other reasons. A key difference, however, is that a number of them have benefited from more explicit forms of support. Australia, for example, offered to guarantee new and existing state debt for a fee in March 2009, which led to a significant drop in spreads (Lancaster and Dowling 2011).[21] It also bought, through the Australian Office of Financial Management, nearly AUD $4-billion in state securities during the height of the global financial crisis (Johnson 2011) and introduced regulations effectively forcing Australian banks to purchase massive sums of state bonds (similar regulations have increased bank holdings of provincial debt in Canada, but not nearly to the same extent[22]). The Canadian government has not—thus far—shown the same

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ing, and NL has fewer bonds outstanding than every province save Prince Edward Island.

21. It closed the offer to new bond issues in December 2010.

22. Canada introduced similar requirements as part of its Liquidity Coverage Ratio (LCR) under Basel III. The LCR—inspired by the recent global financial crisis—requires banks to hold a certain percentage of safe and liquid assets to protect themselves against bank runs. Provincial bonds qualify as level-one assets under Canada's LCR regime, just as state bonds qualify as level-one assets under Australia's. The difference, however, is that Canadian banks have more options for satisfying

willingness to blunt market forces. It seems content to let the market price provincial debt (federal loan guarantees for NL's Muskrat Falls projects notwithstanding). This has not prevented provinces from borrowing at remarkably low rates. Nor has it prevented them from benefiting from Ottawa's implicit guarantee. But it does suggest a reluctance to offer more explicit forms of support.

This section does not exhaust the possible reasons for provinces' periodic struggles in credit markets. (A recent commentary by Lovely [2016], for example, suggests that foreign selling of provincial debt, a consequence of the sector's increasing dependence on foreign capital, also contributed to weaker credit conditions in 2015–2016.) But it clearly illustrates that Ottawa's implicit bailout guarantee mitigates, but never eliminates, the vulnerabilities of provincial borrowers.

Conclusion

The provinces are among a small group of subnational governments that borrow, without national constraint, on domestic and international bond markets. This exposes provinces to the rigours of market discipline and may result in greater fiscal discipline. But it might also place downward pressure on social spending. Whether provincial borrowing has this effect depends on whether bond markets perceive Canadian federalism as market-preserving or solidaristic. It also depends on the extent to which credit risk—as opposed to market volatility, liquidity, and other factors—drives provincial credit conditions.

This chapter argues that markets regard Canadian federalism as solidaristic. But it also argues that bailout expectations do not insulate provincial borrowers entirely. Provinces were locked out of credit markets during the height of the global financial crisis; their borrowing costs have increased considerably, relative to the federal government, since 2008; Newfoundland and Labrador recently went six months without issuing a long-term bond; and Saskatchewan nearly defaulted in the early 1990s. Implicit guarantees narrow the gap between federal and provincial borrowers, but never close it. This is because implicit guarantees are never certain, because Ottawa's ability to supply them varies

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their liquidity requirements. Domestic bank demand for subnational securities has not, therefore, increased to the same extent as it has in Australia. Indeed, Australian banks held roughly 55 percent of state bonds at the end of 2016; up from roughly 10 percent a decade prior (TD Securities 2017). In Canada, banks held just 11 percent of provincial bonds in 2016, up from nearly 5 percent in 2000.

over time, and because markets have, at various points over the last nine years, become unhinged, compelling investors to seek safety and liquidity in federal debt.

These findings have important implications for the way we conceptualize decentralization. It suggests that, in matters of borrowing, decentralization is not merely a matter of the rules or procedures—constitutional or otherwise—governing provincial behaviour. More fundamentally, it is a series of beliefs about which order of government is ultimately responsible for provincial debt. And it is difficult to understate the importance of these beliefs. They help explain why provinces were able to avoid the austerity inflicted on US states and other borrowers during the global financial crisis, why they were able to undertake aggressive countercyclical fiscal policies, and why they have amassed such significant debts.[23]

These observations touch on important themes in Keith Banting's work. They resonate with Banting's claim that controversies over federal-provincial transfer arrangements are not simply struggles over money and power. They also reflect competing visions of Canada's federal community (Banting 2005a, 37): one that "celebrates Canada as a community embracing all citizens from one side of the country to the other" (roughly consistent with the solidaristic vision) and another that "celebrates Canada as an interlinked set of regional communities" (roughly consistent with the market-preserving model). Citizens and politicians are not the only actors concerned with this balance. While they debate it, markets are placing bets on which of these communal visions would prevail in the event of imminent provincial default and it would appear as though the solidaristic vision—or "community embracing all citizens"—is the odds-on favourite.

This may come as a surprise to those who emphasize Canada's decentralized or market-preserving qualities, but it is consistent with another one of Banting's insights, which is that Canadian federalism has never operated according to a single federal logic. According to Banting, it operates according to three (joint-decision, shared-cost, and classical federalism), each with its unique causal processes and consequences for the welfare state (Banting 2005b). The model I have sketched does not fit any of Banting's categories (mine is defined by market beliefs, not the intergovernmental actors and decision rules that characterize

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23. Their responsibility for healthcare and other cost-sensitive services also has to take some of the blame.

Banting's). But it is consistent with his efforts to disaggregate Canadian federalism into its distinct causal logics. Many aspects of Canada's hyper-decentralized federalism powerfully and consistently constrain the Canadian welfare state. But decentralized borrowing—with an implicit and centralized bailout guarantee—is not one of them.

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4

Quebec's New Politics of Redistribution Meets Austerity[1]

Alain Noël

In the late 1990s, wrote Keith Banting and John Myles in their *Inequality and the Fading of Redistributive Politics*, Quebec represented "the road not taken by the rest of Canada" (2013, 18). While the redistributive state was fading across Canada, the province bucked the trend and improved its social programs, preventing the rise of inequality observed elsewhere. The key, argued Banting and Myles, was politics. With strong trade unions, well-organized social movements, and a left-of-centre partisan consensus, Quebec redefined its social programs through a politics of compromise that conciliated efforts to balance the budget with social policy improvements. In this respect, Quebec's new politics of redistribution in the late 1990s and early 2000s seemed more akin to the coalition-building dynamics of continental European countries than to the more divisive politics of liberal, English-speaking nations (Banting and Myles 2013, 17).

Quebec's Quiet Revolution, in the 1960s and 1970s, was a modernization process, whereby the province sought to catch up with the rest of Canada and meet North American standards. The Quebec government insisted on defining autonomously its own social programs, but overall its policies converged with those pursued elsewhere in Cana-

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1. I am grateful to the editors and to Denis Saint-Martin for comments and suggestions.

da. Quebec's welfare state and its redistribution model did not diverge markedly from that of, say, Ontario. Following the 1995 referendum, however, Quebec social policies took a distinct turn. A host of innovative public policies were introduced that were akin to the reforms many European countries were undertaking at the time, in the name of social investment (Hemerijck 2013). These reforms concerned notably family, labour market, and poverty reduction policies. Family policy was pivotal. Changes included a strong investment in low-cost regulated daycare spaces, a new, more generous Quebec Parental Insurance Plan, and improved family allowances. Labour market policies were also transformed, with the introduction of a law on pay equity, a public prescription drug insurance plan, which is still unique in Canada, a higher minimum wage, better labour standards, and enhanced working income supplements meant to make work pay. Finally, measures were taken to reduce poverty, with an end to penalties for social assistance recipients, a modest improvement in welfare benefits, and a new institutional framework to keep poverty reduction on the agenda. Together, these policy innovations contributed to prevent the rise of inequality observed elsewhere in Canada (Noël 2013).

This idea that Quebec chose a "road not taken" elsewhere in Canada and forestalled the rise of inequality was based on a reading of Quebec politics in the late 1990s and early 2000s, and it relied on data that went up to 2009 or 2010 (Haddow 2015; Noël 2013; van den Berg et al. 2017). Just as this argument was developed, however, a turning point occurred that had the potential to change, once again, the redistribution game. In September 2008, the bankruptcy of the Lehman Brothers investment bank signalled that the recession that began in 2007 would become a dramatic downturn, the worst global recession since the 1930s (Hemerijck 2013, 335). In the short term, OECD countries collectively and successfully turned to expansionary policies, but this Keynesian moment did not last. Financial bailouts and stimulus packages magnified already high public debt and, with the fears of contagion raised by the 2010 Greek sovereign debt crisis, most countries reverted to austerity policies (Hemerijck 2013, 348).

Even though it was a time-limited shock, the recession brought to the forefront long-running structural constraints. First, in ageing societies with deindustrialized economies, growth was likely to remain slow, making the politics of redistribution more akin to a zero-sum game (Bermeo and Pontusson 2012, 24; Hemerijck 2013, 340). Second, over the years public debt had generally risen relative to gross domestic

product (GDP), making further state intervention more difficult and controversial (Hemerijck 2013, 339). Public debt rose precisely during the years when neo-liberal prescriptions triumphed and, as Armin Schäfer and Wolfgang Streeck noted, it may have had more to do with insufficient revenues than with over-ambitious expenditures (2013, 9). Whatever the case, debt remained a hard constraint, and almost everywhere politicians diagnosed the problem as one of excessive spending (2013, 10). Third, the recession further increased unemployment and poverty, hitting in particular labour market outsiders such as the young, immigrants, or the unskilled (Hemerijck 2013, 339; Rueda 2012, 383–91). Fourth, already frayed political coalitions and arrangements were undone, as old class and social identities appeared increasingly irrelevant, leaving room for new political cleavages to be exploited by populist or alternative parties (Bermeo and Pontusson 2012, 25–26; Hemerijck 2013, 340). Slow growth, heavy public debt levels, rising unemployment and poverty, and broken political coalitions: conditions which indicated perhaps, observed Anton Hemerijck, that we finally have reached the era of permanent austerity long foreseen by Paul Pierson (Hemerijck 2013, 333).

Quebec was not immune to these twenty-first century shocks and transformations. The unemployment rate, for instance, jumped from 7.2 percent in 2008 to 8.6 percent in 2009 (in 2013, it was back to 7.6 percent; Institut de la statistique du Québec 2016). The recession, however, was not as brutal as elsewhere. And the unfolding of events proved different. This chapter argues that the effect of the 2008 economic downturn remained muted because in Quebec the evolutions at work were far from new. What really changed around the end of the first decade of this century was the political formula underlying the Quebec model. The evidence of corruption in public affairs, in particular, undermined public confidence in government and in collective action. More broadly, the decline of the nationalist agenda and the fragmentation of partisan politics weakened the political coalition that had made the Quebec model possible in the first place.

The first part of the chapter considers Quebec in the wake of the 2008 recession, and discusses economic and social trends, to conclude that Quebec's redistribution model proved relatively resilient in the 2010s. The second part presents recent policy choices, to assess the possibility of a turn that could undermine this redistribution model in the coming years. Again, the situation seems marked by continuity more than by path-breaking transformations. The third part turns to politics, and

points to changes that may be of more consequence in the long run, and for the party system in particular. In many ways, Quebec society is now more divided than it was following the 1995 referendum, and thus less prone to adjust its redistribution model in a consensual or optimal way.

Stress-Testing the New Model: Quebec After the Recession

The 2008 recession was global, and Quebec did not escape its impact. The effects, however, remained relatively muted. As can be seen in Figure 4.1, Quebec's economic growth slowed down and became negative in 2009, but the drop was less profound than that of Ontario.

In part, this was the case because the industrial and forestry sectors were already struggling with adjustment prior to the recession, making the downturn less significant. More importantly, housing construction and investments in public infrastructures remained strong. In the latter case, it helped that the collapse of a bridge in a Montréal suburb in September 2006 triggered a strong public reinvestment in road renewal, which reached full speed just as the recession started (Aubry 2009, 206–7). There was a bump in the unemployment rate, but it was neither acute nor very long. As can be seen in Figure 4.2, this downturn did not jeopardize the progress accomplished since 1995, which practically closed the gap between the Ontario and Quebec unemployment rate.

This remarkable long-term improvement in the unemployment rate was associated with a growing labour force participation rate. In 1995, the Quebec participation rate for persons over fifteen years old remained three percentage points below that of Ontario (62.2 percent compared to 65.5 percent). By 2015, the Quebec rate had become practically identical to that of Ontario (64.8 percent compared to 65.2 percent; CANSIM 282-0002). For women at the age to have young children, the evolution was even more striking, as can be seen in Figure 4.3.

This spectacular increase in the employment rate of young women clearly was associated with Quebec's new family policy, which provided more access to affordable, quality daycare, as well as better financial conditions for young families (Baker, Gruber, and Milligan 2008; Fortin, Godbout, and St-Cerny 2013; Lefebvre and Merrigan 2008; Lefebvre, Merrigan, and Roy-Desrosiers 2012; Lefebvre, Merrigan, and Verstraete 2009). Figure 4.4, which presents the evolution of daycare public expenditures per capita between 1995 and 2013, illustrates how important the difference was between the investments made by the Quebec and Ontario governments. According to Pierre Fortin, Luc Godbout and

Figure 4.1

Percentage Change in Gross Domestic Product, Expenditure-Based, Market Prices (chained 2007 dollars), Ontario and Québec, 1995–2014
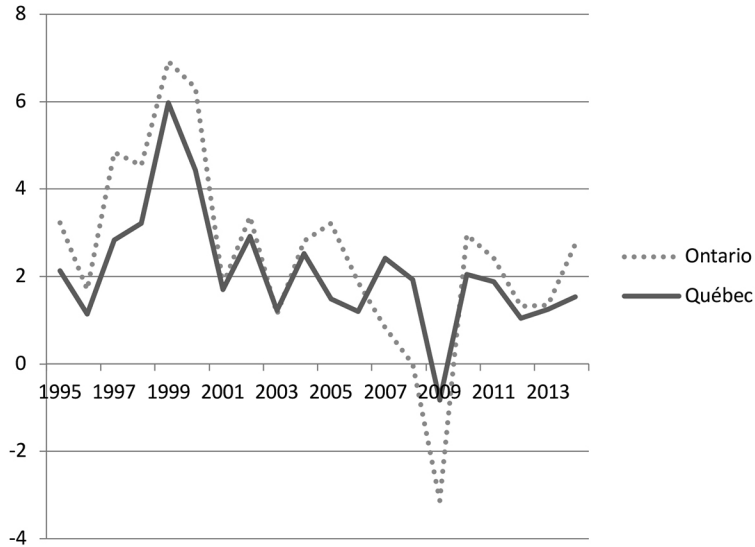
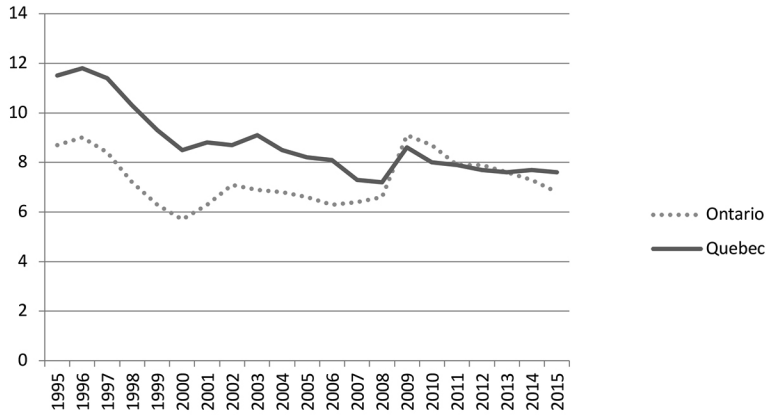Source: Statistics Canada (CANSIM 384-0038).

Suzie St-Cerny, these large investments were so beneficial in terms of employment and economic growth that they paid for themselves (2013; see also Alexander and Ignjatovic 2012).

Quebec's new redistribution model was still effective after the 2008–2009 recession. Policies favourable to young families still contributed to a rise in the employment rate and they prevented the rise of inequality observed elsewhere in Canada. The road taken by Quebec society remained different, and it yielded distinctively durable outcomes. Figure 4.5, which plots the evolution of the Gini coefficient of after-tax income in the two provinces indicates that the distinct trajectories outlined by Banting and Myles proved resilient in the 2010s.

What about poverty? If we consider the low income measure (LIM), the standard international measure of poverty, which defines poverty
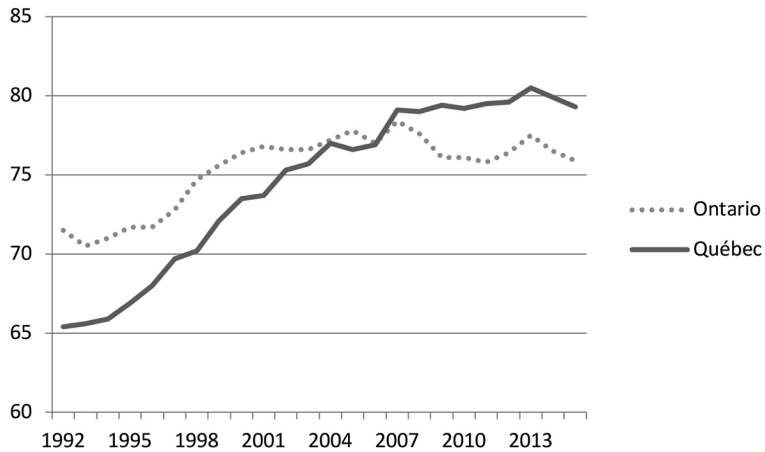
Figure 4.2

Unemployment Rate, Ontario and Quebec, 1995–2015

Source: Statistics Canada (CANSIM 282-0002).
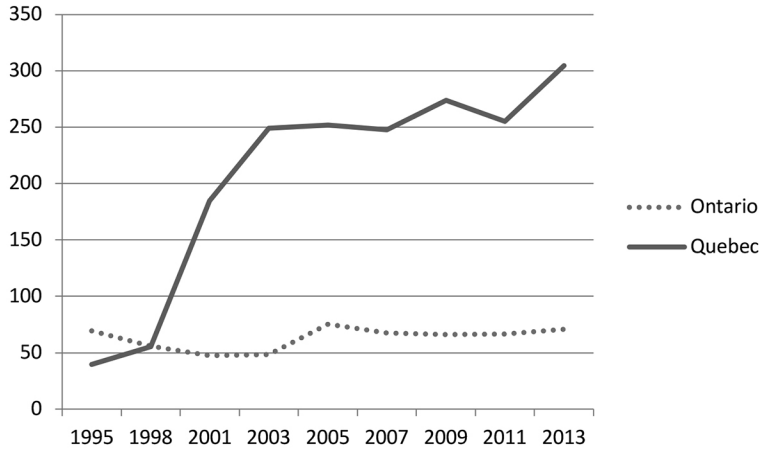
Figure 4.3

Percentage of Women, Aged 25–44, in Employment, Ontario and Quebec, 1992–2015

Source: Statistics Canada (CANSIM 282-0002).

Figure 4.4

Public Expenditures for Regulated Childcare Per Capita, Ontario and Quebec, 1995–2013 (constant 2013 dollars)


Source: Calculation based on: Friendly et al. 2015, 136; Statistics Canada (CAN-SIM 051-0001); and the Bank of Canada Inflation Calculator.

as having less than half the median after-tax income, progress appears limited but inter-provincial differences remain. Figure 4.6 displays the LIM rates of poverty for Ontario and Quebec between 1992 and 2014.

The trends displayed in Figure 4.6 are consistent with the evolution of inequality tracked in Figure 4.5. The story appears to be less one of Quebec lowering overall poverty than one of Quebec avoiding the fading of redistribution observed in Ontario. While the Ontario LIM poverty rate went from 9.0 percent in 1992 to 13.8 percent in 2014, the Quebec rate moved little, going from 13.4 percent to 13.7 percent. At first, this evolution may seem akin to that of unemployment rates, except that it is Ontario, in this case, that converges toward the Quebec rate. The poverty story, however, is a bit more complex. First, the Ontario and Quebec trends for children are quite different, with the Quebec rate going down while the Ontario rate goes up, the two provinces more or less shifting places between 1992 and 2014. Like the data on

Figure 4.5

Gini Coefficients of Adjusted After-Tax Income, Ontario and Quebec, 1976–2014
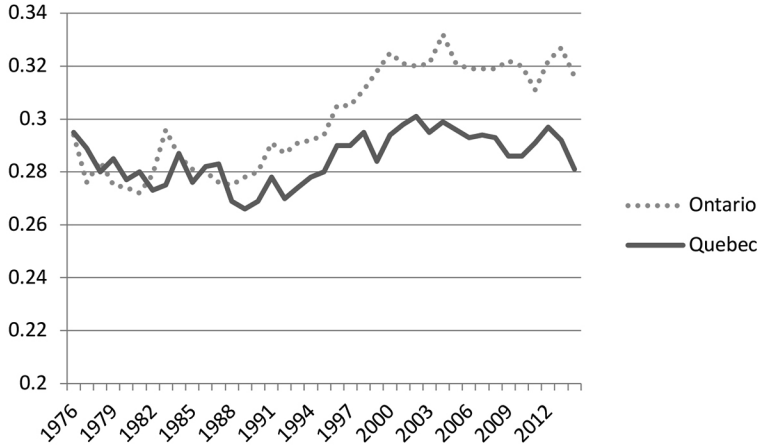
Source: Statistics Canada (CANSIM 206-0033).

the employment rate of young women, this evolution in child poverty appears consistent with the idea that Quebec's new model of redistribution in favour of families made a difference. One may question, however, the overall impact of this model for low-income persons, given that, by 2014, the Quebec and Ontario poverty rates for all persons end up being almost identical (13.7 percent in Quebec; 13.8 percent in Ontario). Were Quebec's efforts to lower poverty really effective? To answer this question, we need to consider the way Statistics Canada calculates the Low Income Measure (LIM). The Canadian LIM is useful for international comparisons because it relates a person's income to the median income of her own country, thereby neutralizing the effect of cross-country differences in real living standards (e.g., the United States vs. Romania). Statistics Canada's provincial low-income rates, however, are determined on the basis not of provincial median incomes, but of a pan-Canadian median income. For inter-provincial

Figure 4.6

Percentage of Persons in Low Income (low income measure after tax), Ontario and Quebec, 1992–2014
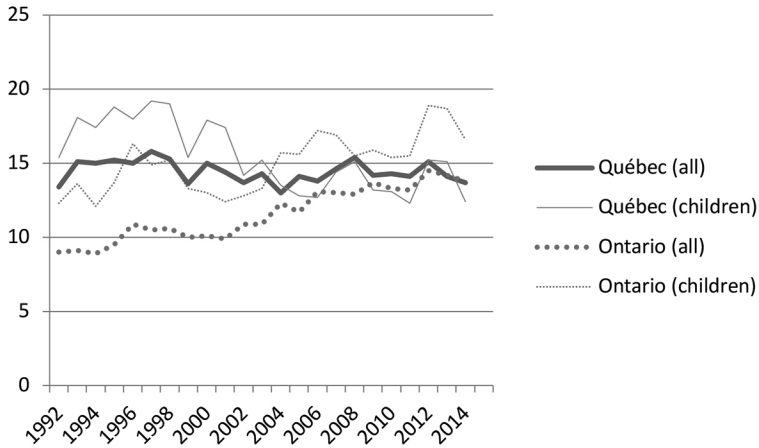
Source: Statistics Canada (CANSIM 206-0041).

comparisons, this approach introduces important distortions. In 2014, for instance, when the Canadian median after-tax income for economic families and persons not in economic families was estimated at $55,600, it stood in fact at $47,600 in Quebec, $58,100 in Ontario, and $71,200 in Alberta. To escape poverty, according to Statistics Canada, all Canadians needed an after-tax income above $27,800. To stand above this Canadian low-income line, a Quebecker needed to earn 58.4 percent of the Quebec median income. For an Albertan, it was sufficient to get 39 percent of the province's median income. This is a double standard that makes comparisons across provinces perilous. If the European Union used the EU median income to measure poverty, there would hardly be any poverty in Western Europe (2 percent in Belgium, for instance) but more than half of Poland's population (58 percent) would be deemed poor (Burkhauser 2012, 85). These figures would say something about national disparities within the EU, but they would not inform us about

"those individuals or households whose resources are so low as to exclude them from the minimum acceptable way of life in the country where they live" (European Commission's definition of poverty; quoted in Maquet and Stanton 2012, 62).

To resolve this difficulty, Quebec's Centre d'étude sur la pauvreté et l'exclusion (CEPE) calculates a low income measure with a Quebec median income for Quebec and an equivalent for the rest of Canada. For 2010, this measure gives a low-income rate of 8.9 percent in Quebec, compared to a rate of 12.2 percent for the rest of Canada (CEPE 2014, 27). Clearly, the choice of median income makes a difference.

Another option is to use the market basket measure (MBM), which establishes starting in 2002 a poverty line based on the cost of a basket of basic necessities in a given region. By design, the MBM is sensitive to differences in the cost of living across provinces. Figure 4.7 presents the MBM poverty rates in Ontario and Quebec between 2002 and 2014.

Figure 4.7 confirms that, contrary to the impression left by the LIM based on Canadian median income, the poverty rate is significantly and consistently lower in Quebec than in Ontario. This figure reinforces, as well, the LIM message about child poverty. In Ontario, the risk of poverty is always greater for children than for the general population, while in Quebec, the reverse is usually true. The careful analysis of these poverty trends conducted by Axel van den Berg and his co-authors (2017) concurs in linking these outcomes to differences in provincial redistribution policies (see also Godbout and St-Cerny 2016; Haddow 2015).

Insofar as we can tell from 2014 data, there was, thus, no breakdown of Quebec's new model of redistribution after the 2008–2009 recession. Economic growth recovered, albeit at a rather slow pace, the unemployment rate went back to its long run declining trend, inequality remained lower than in Ontario and rather stable, and the rate of poverty stayed relatively low, especially for children. Between 2008 and 2012, some ground was lost regarding poverty, at least as measured by the MBM threshold, but a similar decline took place in Ontario and there was some evidence of progress in 2013 and 2014. The rising cost of basic necessities may explain these fluctuations, which do not appear when the rate of poverty is assessed with the low-income measure (LIM). Meanwhile, however, public policies were changing.

Figure 4.7

Percentage of Persons in Low Income (Market Basket Measure), Ontario and Quebec, 2002–2014

Source: Statistics Canada (CANSIM 206-0041).

Austerity Policies

Quebec spends and taxes more than other provinces and, not surprisingly, its public policies are often more interventionist, ambitious, and redistributive (Haddow 2015). If anything, over the last twenty years this gap between the provinces has widened (Noël 2013). In a recent book, Axel van den Berg and his co-authors speak of a social-democratic evolution that took place in Quebec just as the rest of Canada was becoming more market-oriented (2017, 164–74). In the same vein, taking into consideration the fact that provincial governments control only half of the country's fiscal resources, Rod Haddow estimates that the distance between Quebec's welfare state and that of other provinces has become more important than the distance between welfare regimes within the OECD (Haddow 2014, 728; 2015, 270).

There were always partisan differences about the development of Quebec's welfare state, the Parti Québécois being generally more inter-

ventionist and redistributive than the Liberal party (see, for instance, Gabriel Arsenault's account of the emergence of the social economy in Quebec, 2018). These differences, however, remained within the bounds of a broad consensus over the welfare state itself, which the two parties contributed to build. Albeit on the centre-right, the Quebec Liberal party (QLP) never advocated a radically pro-market, neo-liberal agenda, probably because there was not much appetite for such an agenda in Quebec society (Haddow 2015, 40).

Immediately after it came to power in April 2014, however, the Liberal government of Philippe Couillard committed to reach a balanced budget rapidly, and in due course to reduce taxes. Couillard insisted that his policy stance was merely inspired by fiscal rigor and did not represent a turn toward "austerity." Austerity, he repeatedly argued, would imply budget cuts, whereas rigor simply demanded a reduction in spending growth. Whatever the case, his government undertook to bring Quebec closer to the Canadian average. Some aspects of the Quebec model were altered directly. Parental contributions to daycare, for instance, were increased and redesigned, to encourage middle class parents to use private providers rather than the better quality not-for-profit, public daycare centres. Overall, however, the government's agenda was defined by across-the-board budgetary restrictions more than by an upfront transformation of public services and transfers.

In two years, the government balanced the budget, and in fact generated a small surplus, which made possible modest reinvestments in healthcare, education, regional development, and infrastructure, as well as the elimination by 2017 of the individual health contribution, an unpopular and regressive healthcare tax introduced in 2010 (Ministère des Finances 2016). The cost of this modest surplus, however, proved important.

First, the government's will to balance the budget undercut short-term economic growth and employment. Economists Jean-Pierre Aubry, François Delorme, and Pierre Fortin (2016a) estimated that the rush to attain budget balance in 2014 and 2015 withdrew 4.7 billion dollars from the Quebec economy, through reduced spending and higher taxes and tariffs, contributing to a slow down in economic growth from an expected rate of 3.8 percent per year to only 2.0 percent. About 40,000 jobs may have been lost in the process. To apply the brakes, only to reinvest two years later, was "contrary to all principles of good management," these economists argued (Aubry, Delorme, and Fortin 2016b).

Second, blind, across-the-board budget restrictions contributed sig-

nificantly to the deterioration of public services. Program spending barely increased, and the consequences were necessarily important in healthcare, education, and social services. It is hard to keep track and measure the consequences of such a broad stroke strategy, but many signs pointed to problems in daycare centres, public schools, hospitals, and social services. Parents protested to defend their neighbourhood school, healthcare personnel denounced their working conditions, and a number of social service beneficiaries expressed dismay at deficiencies in delivery. In September 2016, Raymonde Saint-Germain, Quebec's ombudsperson, presented a sombre annual report where she pointed to numerous "failings in terms of service quality" and deplored that "cumulative budget cuts (…) have, in the end, been less daunting for bureaucracy than for vulnerable people." (Protecteur du citoyen 2016a and 2016b, 8). Public administration, she noted, tended to focus more on the bottom line and on procedural compliance than on "the ability of the various programs and services to meet citizens' needs" (2016b, 9).

Third, even though the government focused on overall budgetary objectives, slowly growing expenditures reinforced an unstated but manifest bias against many of Quebec's recent social policy innovations. Consider daycare policy. In 2008, the Charest government improved the tax credit for childcare expenses so as to make the cost of purely private options equivalent to that of $7 a day public daycare centres, contributing to a spectacular shift toward the private sector. Between 2007 and 2015, the number of places in commercial non-subsidized daycare centres jumped from 4,538 places to 51,843, an increase of 1042 percent (Couturier and Hurteau 2016, 14). These non-subsidized private providers, which barely existed in 1998, offered 19 percent of daycare places by 2015. Between 2007 and 2015, they accounted for practically all the growth in daycare places (Couturier and Hurteau 2016, 15–16). In 2015, the Couillard government went further by increasing parental contributions for subsidized daycare places, making the commercial option cheaper for families with incomes above $50,001 a year (Couturier and Hurteau 2016, 23–24; Conseil du statut de la femme 2014). By 2016, for the first time in decades, public and subsidized private daycare centres posted vacancies, and struggled to convince parents to choose their services (Zabihiyan 2016). The model created in 1997, which favoured universal, quality public daycare, was gradually replaced by one that gave pride-of-place to cheaper commercial services. A recent study estimated that 45 percent of public daycare spaces for children between 18 months and 5 years of age were of high quality,

while 51 percent were acceptable, and 5 percent were unsatisfactory. In commercial daycares, only 10 percent of places appeared good or excellent, and 36 percent were deemed unsatisfactory (Bigras and Gagné 2016, 15; Gingras, Lavoie, and Audet 2015; Lavoie, Gingras, and Audet 2015). With this incremental shift toward a commercial model, a social economy approach that gave a role to parents in the design and management of services also gave way, gradually, to a top-down, market-based model (Vaillancourt 2017, 77).

A similar evolution took place in health and social services. In just a few months, the Couillard government introduced major reforms to reorganize and centralize the health and social services network, to raise the income of doctors and regulate their practice, and to modify the role of pharmacists (Paquin and Brady 2015, 95). In a context of budgetary restrictions, these reforms contributed to shift most additional resources toward the remuneration of doctors, at the expense of healthcare and social services. Never before, observed Damien Contandriopoulos, have we seen budgetary restrictions as drastic in hospital and public clinic budgets, in home care services and in public health (2016). In the process, other healthcare professions were largely left unsupported, and many consultation and participation mechanisms were dismantled (Vaillancourt 2017, 37). As they reduced the social services and public health components of the healthcare network, these reforms also reinforced the tendency to concentrate resources on medical and curative interventions, at the expense of social and preventive measures (Contandriopoulos 2016; Vaillancourt 2017, 38). Finally, the well-documented drift toward private sector providers and user fees continued, and the trend was only slowed in September 2016 by an impending legal challenge, based on the Canada Health Act (Dutrisac 2016).

Social assistance reforms were also undone, with a November 2016 law that reintroduced penalties for new recipients, against a consensus established in the early 2000s and anchored in the 2002 law against poverty and social exclusion (Labrie 2015).

In education, the process was more incremental, because the successful 2012 student strike against a steep increase in tuition fees made any attempt to raise student contributions unlikely. The agenda was thus determined solely by budgetary restrictions, which were felt more vividly in primary schools (Doray 2016). Some critics also began to raise concerns about a long-standing, and less egalitarian, feature of the Quebec model: the importance of private schools in secondary education. More than 20 percent of Quebec students attend a private high school

subsidized by the government (Lessard 2016, 39). In well-to-do neigh-bourhoods, this proportion can be much higher. For middle class fami-lies, paying for a good quality high school education is now practically the norm. Inequalities in opportunities are thus reproduced early in school (Conseil supérieur de l'éducation 2016; Lessard 2016, 41–42).

The austerity turn of the Couillard government challenged important elements of the Quebec model. If anything, proposes Yves Vaillancourt, austerity tended to freeze progressive innovations, as social actors be-came primarily focused on defending existing rights and services and resisting further encroachments (2017, 77). As we saw in the previous section, it is too early to see the impact of these policy shifts, and thus difficult to tell whether they amount to a genuine break. The most im-portant, however, may be happening on another front: Quebec politics.

Quebec's Fragmented Politics

Quebec is an organized society, with a strong labour movement, a cohe-sive business sector, and solid social movements representing women, students, the poor, or various causes or preoccupations. Major policy shifts, such as the 1997 family policy or the 2002 law against pover-ty and social exclusion, were thus born out of broad public delibera-tions, and sometimes in the context of socio-economic summits. Que-beckers, however, writes Institut du nouveau monde director Michel Venne, seem to have lost the ability to deliberate (2016). Participation and regional mechanisms have been dismantled and replaced by bu-reaucratic, top-down governance, social factions have hardened, and parties have increasing difficulties building consensus. Business, trade unions, social movements, and interest groups function in their own bubbles, and communicate mostly with their members. The capacity to reach out and build compromises that were instrumental in creating and updating the Quebec model seems to be vanishing. The 2012 stu-dent strike, for instance, proved very divisive, and so was the Marois government's sorry attempt to adopt a charter of Quebec values.

It is often surmised that the rise of social media leads to the fragmen-tation and polarization of public opinion. While such an effect cannot be excluded, a recent experiment indicates that citizens' prior views contribute more than social media interactions to the polarization of attitudes (Leeper 2014).

In Quebec, three underlying factors transformed the political align-ments generated by the Quiet Revolution and eroded the capacity to

compromise and develop consensual institutions: the relative decline of nationalism as a unifying ideology, the erosion of confidence in politics and in public institutions, and the emergence of new divisions typical of contemporary post-industrial societies.

Consider, first, the relative decline of nationalism. The national question, note Valérie-Anne Mahéo and Éric Bélanger, has been a dominant cleavage in Quebec politics for about forty years and it has strongly shaped electoral competition (2018). The debate over Quebec sovereignty drew a sharp dividing line between the two main parties and consolidated a bipolar party system. This debate, however, was about means more than ends. Federalists believed Quebec's fate as a nation was more secure within Canada, but they did not question the need to protect and affirm Quebec's national identity. Over time, distinct social programs, like language policies, came to be associated to this national identity, and for the centre-right, federalist Liberal party, defending autonomous and progressive social policies came to be seen as a litmus test of nationalist credibility (Béland and Lecours 2008, 71–2 and 91). Very divisive with respect to sovereignty, Quebec nationalism thus facilitated a bipartisan consensus around a distinct social model. The national question, however, is no longer the overarching super-issue it once was. Support for Quebec sovereignty has declined gradually, and so has the idea that the national question should be a constant, defining political concern (Grégoire, Montigny, and Rivest 2016, 79–91). Among the younger generation, in particular, this question does not mobilize voters as much as the more universal left-right cleavage (Mahéo and Bélanger 2018). Quebec sovereignty remains a critical issue, as the 2014 electoral campaign once again demonstrated, but its declining salience loosens the consensus on the Quebec model and opens up political space for other parties, defined more by the left-right cleavage. The Coalition Avenir Québec (CAQ) is federalist, but it defines itself primarily by its centre-right policy positions; Quebec solidaire (QS) supports Quebec sovereignty, but it stands first and foremost as a leftist alternative to a Parti Québécois (PQ) seen as too moderate. In the 1985 election, the Quebec Liberal Party (QLP) and the PQ still gathered 95 percent of the ballots; by 2014, they only obtained 66 percent of the total vote. For the first time since 1878, Quebec also had minority governments in 2007 and 2012 (Grégoire, Montigny, and Rivest 2016, 69–70). The collapse of the Bloc québécois and the sudden but fleeting emergence of the New Democratic Party (NDP) in the 2011 federal election reflected as well the declining salience of the national question in Quebec politics, and

the emergence of new, but still unstable dividing lines (Gauvin, Chhim, and Medeiros 2016).

Quebec politics has become more fragmented and volatile, making the achievement of a stable multi-party consensus difficult. This fragmentation is particularly damaging for the PQ, which has in effect lost its status as a regular social-democratic government party. Indeed, because it is fuelled by the decline of popular support for sovereignty, partisan fragmentation mostly occurs at the expense of the PQ, which loses votes to the CAQ on the right and to QS on the left. The Liberal party, for its part, maintains an almost complete hold on the non-francophone electorate, combined with a rather stable share of faithful francophone voters, to win repeatedly with a little more than 40 percent of the votes. This Liberal party dominance gradually moves political discourse to make the national question even less relevant, except at election time, when the sovereignty question is brought back momentarily to rally the federalist vote. Over time, the dominance of the QLP also fosters arrogance, and a disregard for Quebec's distinct social programs. This gradual erosion of political support for Quebec's redistribution model has been clearly in evidence since 2014, with the government of Philippe Couillard.

The second factor that contributed to weakening the consensus about the Quebec redistribution model was the emergence of numerous corruption scandals, undermining public trust in politics and institutions. Largely associated with the Charest government, these scandals concerned primarily the construction industry, engineering firms, and the municipal sector, and they gave rise to a major commission of inquiry, the Charbonneau commission. For years, corruption remained in the news and, as Denis Saint-Martin underlines, it affected key tenets of the Quebec model (2015). Scandals involved engineering and construction firms as well as construction trade unions and the labour movement's financial institutions, all closely associated with economic nationalism. The political ramifications of these scandals connected mostly to the Liberal party, more often in power and closer to business than the PQ (Saint-Martin 2015). The impact on public opinion was broader, however, and it undermined trust in all parties, in politics as such, and in the institutions inherited from the Quiet Revolution (Kanji and Tannahill 2013; Noël 2011). Negative perceptions extended to federal politics as well (Fournier et al. 2013, 884). The proportion of respondents who saw the Quebec state as a source of pride dropped from 54 percent in 1976 to 23 percent in 2016 (Grégoire, Montigny, and Rivest 2016, 83 and 142),

and the idea that the state could manage social change, provide good services, and redistribute fairly became more difficult to sustain. As is suggested in the comparative literature, a drop in the perceived quality of government probably undermined support for redistribution and for the Quebec model (Dahlström, Lindvall, and Rothstein 2013; Rothstein, Samanni, and Teorell 2012).

Finally, Quebec is not immune to the political tensions characteristic of politics in advanced, post-industrial welfare states. Over time, globalization, neo-liberalism, and technological and social change have modified the balance of social and political forces, and contributed to the rise of a new cosmopolitan-particularistic cleavage, cross-cutting the old left-right division (Beramendi et al. 2015). This emerging cleavage opposes those, on the left and on the right, who have a positive view of globalization, diversity, and multiculturalism to those, on both sides, who see the opening of borders as economically and socially threatening. In the United States, the activation of this new cleavage has led to the election of Donald Trump; in Europe, to the rise of various types of populist right-wing parties. So far, Canada has been relatively immune to this transformation, except for a few echoes within the Conservative party (Prest 2016). Likewise, in Quebec there is no political party expressing an explicitly protectionist, anti-immigrant stance. The CAQ can at times lean in this direction, and so can the PQ, especially on questions related to immigration, but so far this type of discourse has remained politically ineffective. The debates of recent years on reasonable accommodations and on a Quebec charter of values nevertheless indicate how salient, controversial, and divisive the politics of identity can become.

Quebeckers are not that different from other Canadians in many of their attitudes toward minorities. They are more progressive on gender relations, more open toward sexual minorities, and less favourable to the death penalty, about the same regarding the acceptance of existing levels of immigration, but somewhat less comfortable with racial minorities (Bilodeau, Turgeon, and Karakoç 2012; Léger, Nantel, and Duhamel 2016, 80 and 123; Turgeon and Bilodeau 2014). They have, however, less tolerance for organized religions, and are less keen about special accommodations dictated by religious prescriptions (Léger, Nantel, and Duhamel 2016, 124–25). Unlike English Canadians, they do not see multiculturalism as a core component of their national identity (Bouchard 2012). There is, therefore, an opening for Quebec nationalism to become less encompassing than it has been up to now, and for the political expression of negative attitudes toward diversity. At the

very least, there are new cleavage lines that emerge, dividing cosmo-politans and supporters of particularism, often within the same parties, and these new divisions further complicate the political scene. Opinion leaders and parties will play a key role in the expression of these new preoccupations, and they will determine how exactly political debates will unfold. Overall, however, the new cleavages generated by global-ization and post-industrialism, and the international discourses around these cleavages, are likely to influence Quebec political debates.

To sum up, Quebec politics is now more fragmented than ever, and it is unlikely to revert to the old, familiar duopoly, where two single op-ponents who agreed on most policies clashed over a single encompass-ing question (Grégoire, Montigny, and Rivest 2016, 197). In this sense, Quebec's model of redistribution rests on more fragile political foun-dations than before. The retreat of nationalism as an overarching issue, the decline of confidence in politics and politicians, and the challenges of globalization and post-industrialism all contribute to make Quebec politics less consensual and organized than it was in the recent past. Quebec simply cannot escape the trials that, in all advanced welfare states, place social democracy on the defensive (*Economist* 2016).

So Why Are Quebeckers So Happy?

There is, however, an intriguing trend pointing in a more optimistic direction. In recent years, a few observers have noted that Quebeckers seem particularly happy with their life, more so than other Canadians and more so in fact that most peoples in the world (Léger, Nantel, and Duhamel 2016, 48). This is a remarkable finding, especially given that this relative happiness is a recent phenomenon. Figure 4.8, based on subjective well-being data collected, harmonized, and kindly shared by Christopher Barrington-Leigh tracks the evolution of attitudes in Que-bec and Ontario between 1985 and 2010.

In 1985, when asked whether they were satisfied with their life as a whole, Quebeckers were less likely than Ontarians to respond pos-itively. But this subjective evaluation of personal happiness evolved over time. Quebeckers gradually became more satisfied, and Ontarians less so. In the beginning of the twenty-first century, the two trend lines crossed, and Quebeckers became collectively happier than Ontarians. The trajectories of other Canadian provinces paralleled that of Ontar-io; only Quebeckers went from less to more satisfied with life (Bar-rington-Leigh 2013).

Figure 4.8

Subjective Well-Being, Quebec and Ontario, 1985–2010
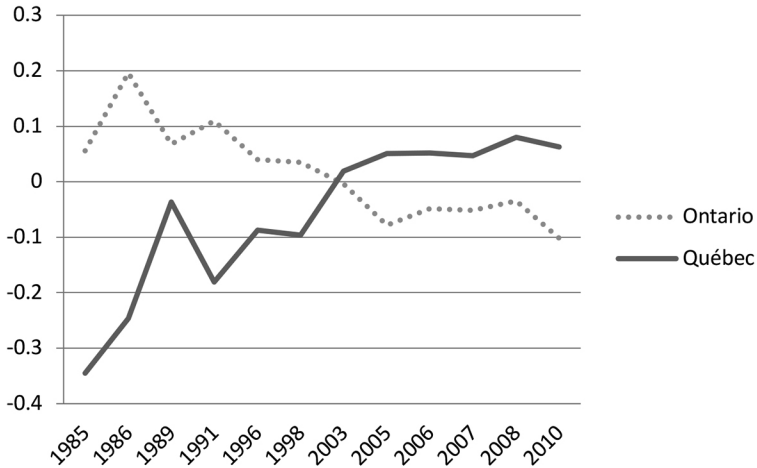
Source: Statistics Canada, General Social Survey (data harmonized and supplied by C. Barrington-Leigh).

To explain Quebec's surprising trajectory, Barrington-Leigh tested a number of hypotheses (income growth, unemployment rates, income distribution, social spending) but no simple explanation emerged. He concluded, without being able to fully validate empirically this inter- pretation, that Quebec's new-found happiness was probably due to its enhanced self-determination and to its "Scandinavianization of social norms and fiscal policy" (Barrington-Leigh 2013, 213–14). Quebec, he argued, "has undergone a shift, as compared with the rest of Canada, towards a more Nordic set of institutions, including low after-tax in- come inequality, low religiosity, less formal marriage, and strong fam- ily and social supports provided by the government … it may be that Quebec is reaping higher benefits of extra social supports afforded by its higher spending" (2013, 213). Jean-Marc Léger and his co-authors, who observed the same trends, also attributed much weight to a better income distribution and to more generous social programs (2016, 51).

The empirical confirmation of this interpretation is difficult to establish because with ten provinces and surveys for only twelve years between 1985 and 2010, there are not many data points. But the "Scandinavian" conclusion of Barrington-Leigh and Léger et al. is consistent with the comparative literature, which establishes a significant statistical link between social protection and collective happiness (Anderson and Hecht 2015; Flavin, Pacek, and Radcliff 2014; Radcliff 2013).

Quebeckers' relatively high level of satisfaction with life suggests that the political foundations of the province's new redistribution model may be sounder than it appears when one considers the ebb and flow of partisan politics. With improving incomes, levels of unemployment at unprecedented low rates, and relatively fair income distribution patterns, a purely negative, neo-nationalist politics of resentment seems unlikely in Quebec. Then again, one has only to look at today's Denmark, the world's happiest country (Helliwell, Huang, and Wang 2016, 20), to find a worrying combination of Nordic success and right-wing populism, which translates into a rather sorry politics of welfare chauvinism (Delman 2016; Thelen 2014, 198–99).

Conclusion

When he presented his economic and financial update in November 2015, Quebec finance minister Carlos Leitão stressed that there never was "a demolition of the Quebec model, a toxic austerity, or otherwise." His government, he explained, simply slowed down the growth of spending (Leitão 2015). The minister's statement was not wrong, but his need to say that his government had not purposely destroyed the Quebec model was telling of widespread worries. In fact, the Quebec redistribution model held rather well. The impact of the 2008 recession remained relatively muted and growth resumed rapidly, albeit at a slower pace. The unemployment rate also went back to its long declining trend, to reach by the end of 2016 an all-time low. For about fifteen years, this improving employment record was fuelled by the growing labour market activity of women of child-bearing age, itself a product of Quebec's family policies (on the importance of participation subsidies in fostering women's employment rate, see Kleven 2014, 91). The boost created by the integration of women into the labour market could not, obviously, last forever (Nieuwenhuis et al. 2016). The recent growth of the Quebec employment rate, however, became broadly based, with the highest participation rate in Canada for individuals aged between

25 and 54 (Vailles 2017). From the standpoint of equality, the Quebec model also seemed resilient. The Quebec-Ontario redistribution difference established in the 1990s was still present, and the poverty reduction record of Quebec remained better than that of Ontario, at least for families with children (Haddow 2015, 239). For low-income childless households, the situation remained more difficult. The market basket measure rate of poverty also suggested that Quebec, like Ontario, lost ground after 2008, probably because of the rising price of basic necessities. With respect to poverty, at least, there was no ground for complacency.

Quebec public policies did change in the 2010s, and it may take time before gradual modifications in social programs have an impact. The effort to balance the budget that followed the 2014 election did contribute to a deterioration of public services. Important tenets of the Quebec model were also challenged. Family policy was reoriented to encourage the development of lesser quality commercial daycare places, health and social services were centralized and oriented toward medical and curative approaches, and user fees and private practices were increasingly tolerated, and sometimes encouraged. Community and regional consultation mechanisms were weakened or dismantled. The core consensus against penalties applied to the basic social assistance income was abandoned. Tight budgets also had consequences in education and, of course, Quebec's unique two-track, public-private system for high school students remained unchallenged. If the Couillard government reduces government revenues, as it promised, these gradual evolutions could become perennial.

Most important, however, is the gradual transformation of Quebec politics, from a rather consensual and organized framework to a more fragmented and divisive configuration. The long lasting cleavage over the national question has weakened, and it no longer unites and divides parties and voters along a singular line of conflict. Corruption scandals have undermined trust in politics and in public institutions. And the challenges of post-industrialism and globalization may create new lines of fracture.

Quebec's redistribution model nevertheless remains relatively solid and effective, and its quasi-Nordic character probably contributes to make Quebec one of the happiest nations on earth. As recent Danish politics shows, however, a high level of satisfaction with life does not prevent divisive political debates and regressive choices. Even in Sweden, where the populist right remains boycotted by mainstream parties, traditional

political arrangements may be eroding, at the price of growing inequality (Svallfors 2016). The ground underlying Quebec's redistribution model is still fragile, and future directions remain uncertain.

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5

Designing a Basic Income Guarantee for Canada

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There is renewed interest in the idea of a basic income guarantee for Canada.[1] This is partly driven by the inability of current redistribution policies to address growing inequality (Banting and Myles 2013; Fortin et al. 2012). At the lowest income levels where much of the population relies on provincial welfare assistance, real incomes have fallen dramatically in the past three decades. Compounding this reduction in welfare incomes is the increase in earnings volatility resulting from the stagnation of full-time jobs and the precariousness of employment as technology displaces factory jobs and the forces of globalization result in a race to the bottom among both employers and governments. Moreover, there is increasing evidence of the self-reinforcing nature of poverty. Poverty leads to poor nutrition and health outcomes, impedes educational attainment, and prevents poor persons from improving opportunities for themselves and their families. Putting more money in the hands of the poor will increase their well-being and life chances, and make them less dependent.

The basic income guarantee (BIG) that we propose in this chapter is motivated by these considerations. As well as being an altruistic impulse, it is an investment in the betterment of persons and their children who are unable to achieve their potential. However, a BIG is not in itself a panacea. The income security it provides is necessary but not sufficient for addressing the needs of the disadvantaged. It complements other public programs such as employment creation, housing, education and healthcare. Our focus is on reform of government transfer programs, leaving intact in-kind benefits, social services, and regulations (e.g., minimum wage). The BIG we propose is a revenue-neutral reform in the composition of government transfers to persons that would significantly improve the relative position of those in the bottom of the net income distribution and reduce poverty. Our proposal would replace existing transfers delivered through the tax system, including many non-refundable and refundable tax credits (NRTCs, RTCs), with a BIG. Social insurance programs such as employment insurance (EI), workers' compensation, and Canada and Quebec Pension Plans (CPP/QPP) would remain. Our analysis combines adequacy and comprehensiveness of income support with dismantling the burdensome administrative costs and intrusive delivery of provincial social assistance programs. Social services would remain intact, and more wide-ranging reforms could address the administrative costs of delivering them.

Arguments for a BIG are not new to Canada. A form of a BIG was proposed by the Special Senate Committee on Poverty (1971) and the Royal Commission on the Economic Union and Development Prospects for Canada (Privy Council Office 1985). A vocal proponent has been Segal (2008, 2009). Alternate BIG proposals have been studied empirically by Hum and Simpson (2005), Young and Mulvale (2009), Simpson and Stevens (2015), and Lammam and MacIntyre (2015). These studies differ in terms of the changes in the existing tax-transfer system they propose and the income guarantee level. For example, the Lammam-MacIntyre study treated BIG as a replacement for all programs aimed at serving the needs of low-income persons, including EI, CPP/QPP, and social services, to investigate the administrative cost savings associated with delivering all existing programs for the poor through a single transfer system without enhancing their benefits. This form of BIG resembles a negative income tax system along the lines originally proposed by Milton Friedman, and would not address the shortcomings of existing programs in alleviating poverty and income volatility. Recent summaries of the pros and cons of a BIG may be found in Himelfarb and Hennessy

(2016) and Macdonald (2016), and suggestions for the design of a basic income pilot are found in Forget, Marando, Surman, and Crawford (2016) and Segal (2016).

In approaching the design of a BIG for Canada, two broad issues must be addressed. The first is whether the BIG should be a universal basic income paid to all persons regardless of means or a more targeted BIG meant to ensure that no one falls below the income guarantee. European proponents of basic income opt for the universal version both on philosophical grounds—basic income as a right to which all are entitled—and on grounds of political feasibility—the fostering of political support when all voters are entitled to basic income (Van Parijs 1995). Atkinson (2015) has instead argued that to buy political support, basic income recipients should be required to make some social contribution, such as employment, education, training or job search, caregiving, or voluntary work. This idea, referred to as participation income, risks perpetuating the administrative costs and stigmatization of existing systems.

The argument against the universal approach is its cost. If all persons are given, say, $20,000 per year, it would cost $20,000 per person on average. Since many persons are not taxpayers, the cost per taxpayer would be correspondingly greater. This would be diminished considerably if basic income were taxable, but even then everyone would receive some amount. If the top marginal tax rate were 50 percent, the highest income earners would receive $10,000 after tax. This negative income system would reduce the cost of a universal basic income, but it would still be expensive and would entail considerable "churning" of tax revenues (tax revenues being raised to make transfers to the persons who paid the taxes).

The alternative to a universal basic income is to emphasize the guarantee of a basic income as its defining feature. According to this view, the design of a BIG should be based on finding the most efficient way of ensuring that no one's income falls below the chosen basic income level, taking work incentives into account. An income-tested BIG is a suitable form and could be administered most simply through the income tax system, either as a refundable tax credit like the Canada Child Benefit (CCB), the Working Income Tax Benefit (WITB), and the GST/HST Credit, or as a standalone transfer like the Old Age Security and Guaranteed Income Supplement (OAS/GIS) system. The income-tested transfer would be superimposed on the progressive income tax structure, but could have a tax-back rate that differs from the latter, as

is the case with these refundable tax credits and standalone transfer programs. They have tax-back rates that ensure the transfer is phased out before high incomes are achieved. A BIG program would ideally incorporate all such transfers into a single system with a given basic income level and tax-back rates based on individual or family income as desired. For taxpayers who receive BIG, the implicit marginal tax rate includes both the income tax rate and the BIG tax-back rate.[2]

The second broad issue to confront is that the federal government, provinces, territories, and First Nations all assume some responsibility for transfers to low-income persons. The federal government provides transfers to the elderly through OAS/GIS and to children through CCB, while the provinces and territories make major transfers to the long-term unemployed and the disabled through their welfare systems. Both levels of government implement income-based RTCs and NRTCs. The federal government has fiduciary responsibility for First Nations, and finances welfare systems that they deliver. Transfers vary considerably among provinces and First Nations, and some groups, such as low-income workers, receive relatively little support from any level of government. The result of this patchwork system is uneven, where the elderly and low-income families with children fare better than those relying on provincial transfers, and low-income workers receive limited support.

A BIG that supplants the existing system of transfers must take account of the interest that both levels of government have in redistribution, as well as the special responsibility that the federal government has for First Nations. This complicates the form of an ideal BIG system, as well as the movement from the existing system to a BIG, especially given that the existing system falls far short of adequate levels of income support.

The challenge we address is how to design a BIG in Canada's federal setting that provides adequate levels of support with a minimum of stigmatization and conditionality, with a suitable balance between program cost and work incentives, and with a degree of differentiation across provinces that accommodates provincial preferences without detracting from national objectives. Our scheme involves a two-stage transition from the current system of transfers, with the federal govern-

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2. A more ambitious program would harmonize BIG with the income tax system so a single tax rate schedule applies to the BIG and all other income combined as in the optimal income tax literature. In this unified tax-transfer system, marginal tax rates would be relatively high at lower incomes to target transfers to the least well-off.

ment implementing a federal BIG in the first stage and the provinces having the opportunity to implement a harmonized provincial BIG in the second stage. The analogue that informs our proposed scheme is the federal-provincial tax harmonization system that exists in similar forms for personal and corporate income taxes and the GST/HST. These are bilateral agreements between the federal government and individual provinces, so unanimous agreement is not required. Like the tax collection agreements, the design of a two-stage program must make it inviting for the provinces to join in and must pay attention to the implications of a federal-provincial BIG system for intergovernmental fiscal arrangements, such as the division of tax room, Equalization, and the Canada Social Transfer.

Our scheme focuses on a BIG delivered by the federal government and the provinces. We omit the territories for simplicity, since they raise no special issue of substance. Providing a BIG to First Nations members poses special challenges, especially if it is administered through the income tax system. An acceptable BIG would involve the participation of First Nation governments even if the financing comes largely from the federal government. This would entail institutional issues that call for a separate study.

Our proposal involves replacing RTCs and NRTCs with an income-tested BIG consisting of federal and provincial components. For computational simplicity, OAS/GIS is also replaced, though that is not essential, while the CCB is retained as a BIG for children. Keeping OAS/GIS and some NRTCs could be accommodated without affecting the broad features of the reform. The system is virtually self-financing, or revenue-neutral, in the sense that the cost of the federal BIG roughly equals the value of federal RTCs and NRTCs, and the same for the provinces. No tax rate increases are required. We illustrate the feasibility of our proposal using a national BIG of $20,000 per adult adjusted for family size and with a clawback rate of 30 percent based on family net income, though other variants could readily be chosen. The federal BIG is $14,322, while the average provincial BIG is $5,678 with allowable variations across provinces. Financial feasibility is confirmed by simulations using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M), augmented by conjectures about labour supply responses.

Replacing federal and provincial tax credits with a harmonized national BIG delivers an impressive amount of redistribution of disposable income from those in the top half of the net family income distri-

bution to those in the bottom half. The fall is roughly 10 percent and relatively uniform for the former, while those in the bottom two deciles gain by 167 percent and 74 percent, respectively. The gain for low-income single adults is almost 270 percent, albeit from a low pre-reform level. Disposable income inequality is significantly reduced with the Gini coefficient falling by almost 17 percent and the poverty rate falling by 73 percent to only 3.2 percent. Estimated labour supply responses are negative for the bottom six deciles and positive for the top four. Overall, earnings fall by about 2.2 percent, causing the cost of the BIG program to rise by less than 3 percent, not enough to compromise revenue-neutrality. See Tables 5.2 to 5.5 below for details.

The details of how these outcomes are achieved by simply reallocating existing tax credits and transfers are recounted below. First, we provide a brief review of the arguments for an income-tested BIG and summarize the relevant features of the Canadian tax-transfer system.

The Case for an Income-Tested BIG

Why should society guarantee a basic income unconditionally to all individuals regardless of their behaviour? Two classes of arguments can be made. The first draws on normative welfare economics and social choice theory, especially as it has been applied in optimal redistribution analysis. These tend to be relatively technical arguments. The second class consists of several policy-based considerations.

In standard optimal redistribution theory, a benevolent government maximizes a social welfare function that aggregates the well-being or "utility" of all persons. Assuming the social welfare function exhibits aversion to utility inequality, redistribution will be from the better-off to the worse-off. The less well-off groups will typically receive a transfer.

While the social welfare approach supports redistribution to the less well-off, it does not lead one directly to a BIG because income does not index individual utility. The latter includes, for example, leisure time. If the objective of the government were to maximize the income of the least well-off, that would not be the same as maximizing their welfare because the value of leisure would not be given any weight (Kanbur, Keen, and Tuomala 1994).

Recent contributions to redistribution theory have questioned the relevance of the social-welfare-maximizing approach, and lend support to a BIG. An example is the equality of opportunity literature, which

is motivated by individuals having different preferences. Individuals may make quite different choices in identical circumstances. Suppose, for example, they differ in their preferences for leisure. Those who choose to work hard will have higher incomes and less leisure than others. Ranking persons by well-being is not clear-cut since incomes are not perfectly correlated with well-being. The equality of opportunity approach addresses this by supposing that persons are responsible for their preferences. Differences in outcomes due to differences in preferences should neither be penalized nor rewarded: the principle of responsibility. Redistribution should only compensate for differences over which persons have no control, such as their productivity: the principle of compensation. Giving persons of identical skills equal opportunities or resources preserves the principle of responsibility. Thus, in redistributing to the less productive, the transfer should not be contingent on how much recipients choose to work, which supports an unconditional BIG.

This argument has been formalized by Fleurbaey and Maniquet (2011). In addition to the principles of responsibility and compensation, they suppose following the social choice literature (Arrow 1951) that utility can neither be measured nor compared across persons. Using technical analysis, they show that the social ordering takes the maximin form in an index of utility measured by the value of income based on a set of reference prices required to get to each individual's well-being or indifference level. The government maximizes the value of reference income of the least well-off, where the reference income of all those better off is higher. This can be interpreted as a form of BIG.

These arguments for defining social orderings in terms of a measure of resources required to achieve existing levels of well-being is reminiscent of arguments for indexing individual well-being for tax purposes using comprehensive income—earnings plus transfers plus all sources of asset income. The Carter Report (1966) viewed comprehensive income as a measure of the ability to pay and recommended it as the income tax base. The case for a progressive rate structure was based partly on the doctrine of equal utility sacrifice, and partly on the idea that some amount of income was needed for non-discretionary spending so should be tax-favoured relative to higher incomes. The Carter Report was preoccupied by income taxes so did not consider a BIG. However, the notion of a minimum amount of spending being non-discretionary leads one to the presumption that all individuals should receive at least the minimum necessary amount.

Compelling arguments for a BIG can be based on human rights. Article 25 (1) of the United Nation's Universal Declaration of Human Rights signed by Canada states "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control." This can be interpreted as the right to a basic income.

Normative arguments reinforce that right. Canada's enviable per capita output of goods and services is due in part to the skills, hard work and ingenuity of Canadians. It is contingent on the quality of Canadian institutions, the sanctity of the rule of law, the knowledge that current generations have inherited from the past, and natural endowments of resources and amenities, which are the common heritage of all citizens. Large incomes are partly due to personal effort, but partly due to luck of living in the right place at the right time. Providing less fortunate persons with a BIG recognizes their share of the bounty that Canadian prosperity allows.

A BIG is also an investment in human development. Higher incomes contribute to better nutrition, health outcomes, and education for BIG recipients and their children. Evidence from the 1974–79 Mincome experiment in Manitoba confirms this (Forget 2011). A BIG gives persons the capability of participating fully in society and the human dignity that entails (Sen 1985). Removing the anxiety about where the next meal or adequate clothing and housing will come from allows individuals to focus on longer-term decisions. And, removing the stigmatization of the existing system contributes to building social norms such that transfer recipients feel good about themselves and their potential to contribute to society, giving them more incentive to work provided there is some reward for doing so.

These arguments have already been accepted for the elderly and low-income families with children. We investigate below how they can be extended to the entire population.

Basic Elements of Canada's Tax-Transfer System

Our national BIG would include both federal and provincial components, and would replace various transfer programs now provided by the two levels of government. A national BIG with coordinated federal

and provincial elements would rely on the income tax system, and is inspired by the Canadian tax harmonization system. We begin by summarizing the current federal and provincial transfer systems and then turn to tax harmonization.

Federal and Provincial Income Transfers

Virtually all low-income persons receive some support. However, levels of support are uneven and inadequate, and often poorly targeted. Some transfers are complex and intrusive, and discourage recipients from escaping poverty.

Federal government transfers to low-income persons take several forms. Persons aged 65 and over are eligible for OAS depending on their income. In addition, GIS is available to the lowest-income seniors and is non-taxable. The maximum OAS and GIS combined is $16,129. They operate outside the income tax system but are integrated with it. In addition, there are three income-tested RTCs, which are integral to the tax system and administered by the Canada Revenue Agency (CRA). The CCB is a tax-free payment to families based on the number and age of children, and is family-income tested. It can be supplemented by a child disability benefit as well as provincial or territorial benefits. The annual amount is $6,400 for each child up to age 5 and $5,400 per child aged 6 to 17. CCB is reduced when family net income exceeds $30,000 and the tax-back rate varies with the number of children. For families with one child, the CCB falls to zero only when family incomes exceed $120,000, and similarly for more than one child. The WITB is a modest RTC given to low-income adult workers aged 19 and above who earn a minimum income. It includes a disability supplement that varies by province. The maximum WITB is $1,015 for single adults and $1,844 for families, falling to zero at a modest income. The GST credit compensates low-income persons for GST paid on their consumption purchases and varies by family size and income. For provinces that have harmonized their sales taxes, an HST credit applies that varies by province. The GST and HST credits are modest in size. Since these RTCs are administered by CRA, individuals must file an income tax return to be eligible. Amounts are based on the previous year's income, and so cannot take account of changes in family income in the meantime.

Provincial transfers consist mainly of welfare payments to the long-term unemployed and transfers to the disabled. The amounts vary widely across provinces and have been trending downwards in real

terms since the early 1990s (Tweddle, Battle, and Torjman 2015). Unlike RTCs and OAS/GIS, provincial welfare and disability transfers are delivered by social assistance administrators. Eligibility involves application for support, screening for eligibility, and some ongoing monitoring. Recipients are restricted in the value of assets they can own and in their ability to earn income, which is subject to typically high tax-back rates. Welfare recipients are expected to be available to work and to accept job offers. Eligibility for welfare and disability also entails eligibility for various social services, such as housing assistance, pharmaceuticals, public transit subsidies, and counselling. The consequence is a system that can be stigmatizing, and that discourages work and saving.

The federal and provincial government offer several NRTCs. These vary by taxpayer characteristics and are income-tested but are of limited value to low-income individuals since they are non-refundable.

Government transfers are typically not well targeted to those most in need. Some are stigmatizing and do not encourage labour market participation or work effort. Transfer recipients segment into categories of persons who rely mostly on federal support—the elderly, the working poor, the temporarily unemployed, and children—and those who rely on provincial support—the long-term unemployed and the disabled. The inadequacy of the level of support for low-income persons can be judged by comparison with poverty measures. The low-income cut-off (LICO) compiled by Statistics Canada (2016) is a useful benchmark. It measures the income level at which a family of a given size spends 20 percentage points more than the average family (of the same size) on food, clothing, and shelter, and varies by population of place of residence. Only seniors receiving OAS/GIS come close to LICO amounts, and then only for small municipalities.

Moving to a national BIG involves replacing existing transfer programs with a uniform system, and coordinating federal and provincial programs so that a harmonized BIG is achieved with some provincial discretion. RTCs and the OAS/GIS system are proven models for delivering an income-tested transfer that could be exploited in a BIG program. Both take advantage of the income tax collection machinery administered by the CRA. The self-reporting feature combined with the anonymous administration minimizes onerous application, conditionality and stigmatization associated with transfer systems like welfare and disability. Of course, replacing existing transfers with a national BIG would entail gainers and losers.

The Federal-Provincial Tax Harmonization System

Our national BIG proposal is inspired by tax harmonization arrangements that apply to personal and corporate income taxes and the sales tax. In each case, tax harmonization is based on bilateral federal-provincial agreements that follow a common template. For the personal income tax, agreeing provinces—all except Quebec—sign a Tax Collection Agreement (TCA) obliging them to accept the federal tax base while allowing discretion over their provincial rate structures and NRTCs. Taxes are administered by the CRA and are allocated to provinces according to the taxpayer's province of residence on 31 December of the taxation year.

The TCAs for the corporate tax—applying to all provinces except Alberta and Quebec—are similar. Provinces use the federal tax base but choose their own general and small business tax rates and have some discretion over provincial tax credits. Where corporations operate in more than one province, the tax base is allocated among provinces by an allocation formula that gives equal weight to shares of revenues and payrolls in each province.

Sales tax harmonization is more complicated because of the value-added nature of the GST. Provinces that harmonize their sales taxes with the GST—the Atlantic Provinces plus Ontario—replace their retail sales taxes with the harmonized sales tax (HST). The HST rate consists of the federal rate of 5 percent plus the rate chosen by each province. Registered sellers in each province apply the relevant HST rate where the sale takes place, and firms that purchase taxed goods can claim an input tax credit. The CRA administers the system, but does not keep track of the amount of tax owing to each province. Instead, the allocation of HST revenues across provinces is based on estimates of aggregate consumption in each province.

The TCAs illustrate how the federal government can pursue a harmonization initiative that the provincial governments can choose to join. Provinces do so if they obtain net benefits. These include the collection and compliance benefits of a harmonized system with a single tax-collecting authority combined with the discretion to set their own tax rates. Those who choose not to join perceive some benefit from retaining control over their tax bases despite having to collect their own taxes. Harmonization with the GST is a relatively substantial reform since it requires a significant change in the tax base, broadening it to include goods and services that are not taxed under provincial retail sales taxes.

The TCAs are not without problem. Some provinces have expressed concern over the accuracy of initial reimbursements to the provinces, given that final reconciliation of taxes collected on their behalf occurs more than a year after the end of the tax year. There are also concerns that corporations can manipulate the allocation formula through the use of affiliates in different provinces, since they do not have to report consolidated tax accounts. Provinces might worry that not enough attention is paid to ensuring compliance with the allocation formula since there is nothing at stake for the federal government. Despite these problems and limitations that the agreements have for provincial policy discretion, no province has left the TCAs and recently Ontario has signed a corporate TCA. Provinces have gradually adopted an HST, although in British Columbia that intention was overturned by a fractious referendum.

The tax harmonization agreements show how the federal government can achieve harmonization voluntarily with the provinces when both levels of government have legislative jurisdiction and interests in a policy issue. The attraction of a BIG harmonization agreement is natural to the extent that BIG transfers are administered through the income tax system. Implementation is an issue of political will. For BIG harmonization to work, the federal government would be the initiator with the expectation that agreeing provinces would accept the federal structure of a BIG in return for having some discretion over a provincial component.

Federal-provincial tax harmonization is part of a broader system of fiscal arrangements that have a bearing on the fiscal reforms we propose. The relevant elements are federal-provincial transfers. One is Equalization which makes unconditional transfers to provinces with revenue capacity below the national average. This would remain intact with our reforms. The Canada Health Transfer (CHT) and Canada Social Transfer (CST) are equal per capita transfers nominally in support of provincial health, social assistance and services, and post-secondary education. They have mild conditions attached to them, but otherwise the provinces use them at their discretion. The CST is intended to assist the provinces in financing social assistance, and if a BIG replaces social assistance, the size of the CST would need to be revisited.

Given these considerations, we propose a feasible two-stage process for implementing a national BIG program that could potentially address the deficiencies of the existing transfer programs and harmonize federal and provincial transfers.

A Two-Stage Basic Income Guarantee Proposal

Our national BIG encompasses federal and provincial components, with each retaining some discretion over program size in a harmonized framework. The proposal involves two stages. Stage One involves federal reform of its transfers to a federal BIG, taking as given existing provincial policies. Stage Two explores individual provincial BIG choices analogous to negotiating tax harmonization agreements with the federal government. This latter stage could involve many alternative templates involving the nature of provincial discretion and the rebalancing of federal-provincial fiscal arrangements. Our proposal will be somewhat general, leaving full details to be worked out later, although we mention many aspects that would need to be considered.

Stage One: A Federal BIG

The first stage is contingent on the preferred parameters of a national BIG, including a BIG level and a tax-back schedule. The BIG level could, like the LICO, vary by family composition and size of community, and by personal circumstances, such as disability. To keep matters simple, suppose that a common annual level is chosen, say, $20,000 per single adult, and $6,000 per child. The adult BIG is adjusted to take account of family size using standard family equivalence scales. Following OECD (2008) and Statistics Canada (2016), we adopt the square-root scale: a two-adult family receives $20,000 times $\sqrt{2}$, a three-adult family $20,000 times $\sqrt{3}$, and so on, in addition to what they receive on behalf of children. (As discussed below, the CCB serves as the BIG for children, adjusted by the number of children.) These amounts represent the benchmark national BIG. In Stage One, the federal government chooses BIG levels less than the national benchmark, given that when provinces agree to join they will implement provincial supplements.

The tax-back schedule could be uniform or piecewise linear and could vary by income. For simplicity, we use a constant tax-back rate, 30 percent in our numerical example. The tax-back rate applies to family net income, comparable to many existing tax credits. The choice of a tax-back rate affects the income level at which the BIG disappears as well as labour market participation and work effort incentives. To promote labour force participation, the tax-back rate could be zero for some initial income range and positive thereafter, as in one option proposed by Simpson and Stevens (2015).

Stage One is based on the principle that all individuals are brought

up to at least the federal BIG level taking into account provincial welfare and disability transfers. (Provincial RTCs and NRTCs will be used to finance the provincial BIG component.) Welfare and disability recipients receive the federal BIG less an amount reflecting these provincial transfers, while the federal BIG applies to all others. There are four main issues with implementing this.

1. Provinces offer different levels of support. Simply topping up provincial welfare and disability transfers to the federal BIG level would give provinces an incentive to reduce their transfer rates, and, by undoing differences in provincial rates, nullify provincial preferences. To mitigate this problem, national average provincial transfer rates would be calculated for welfare and disability assistance. This could be done for the different categories of recipients by family type and would be weighted by the number of recipients in each province. The BIG transfer to persons in each category would be the basic federal BIG less the relevant national average provincial welfare or disability transfer. Welfare or disability recipients in any given category would receive the same federal BIG top-up but different overall amounts in different provinces. All other persons would receive the full federal BIG. The BIG transfer would be taxed back based on net income as defined for tax purposes, which includes taxable transfers like EI and CPP/QPP. It would exclude provincial social assistance transfers, so would differ from the base used for the income tax schedule. The effective marginal tax rates would be the tax-back rate plus the marginal income tax rate. Provinces also apply varying tax-back rates to employment income earned by welfare and disability recipients. Since the BIG tax-back rate excludes provincial welfare and disability transfers, the BIG tax-back rate and the provincial welfare/disability tax-back rates are not both applied to the same earnings.

2. How should the federal BIG be financed? This would be done by eliminating existing federal transfers, including OAS/GIS, RTCs like the CCB, the GST Credit and WITB, and most NRTCs, with the possible exception of those intended to achieve non-redistributive objectives like credits for charitable donations and political contributions. Only federal tax credits would be eliminated in Stage One since no unilateral changes are made to provincial fiscal programs. Eliminating OAS/GIS and the CCB when the federal BIG

is introduced might be controversial and perhaps not necessary. Some elderly persons could be in a worse financial state by the reform, although this might be managed during the transition. And, the CCB is roughly comparable to the proposed BIG for children. Leaving seniors and children out of a national BIG detracts from the comprehensiveness of the program, which may not be desirable in the long run. In our illustration below, we keep the CCB in place for simplicity, but replace OAS/GIS with our national BIG.

3. What should be the size of the federal BIG? Given that provincial RTCs and NRTCs remain in place in Stage One, they will be available to finance the provincial component of a national BIG in Stage Two. This means that the basic federal BIG can be correspondingly less than $20,000 per single adult and $6,000 per child. How much less depends upon the amount of revenue that is freed up for the provinces when they eliminate their tax credits. In our illustrative calculation below, we determine the federal BIG by first estimating the total tax expenditures of federal and provincial NRTCs and RTCs. The federal BIG is then $20,000 times the federal share of total NRTCs and RTCs. A further adjustment in the federal BIG is needed to take account of the fact that the federal government assumes primary responsibility for transfers to seniors through OAS/GIS. To recognize this and to prevent seniors from suffering in Stage One, we assume the federal government offers the full national BIG to seniors in Stage One and continues to do so in Stage Two.

4. The provinces might undo the effect of the federal BIG by reducing their welfare and disability transfers. The federal government cannot require provinces to maintain the integrity of their transfer programs when a federal BIG is introduced. At best it can appeal to the provinces to keep their programs intact and only dismantle them in Stage Two. The force of this appeal is strengthened if the federal BIG does not tax back provincial transfers, and if the generosity of the CST system is retained. But, the goodwill of the provinces must be relied on. There is precedent for this. When the CCB was introduced by the federal government in 2016, the provinces and territories voluntarily agreed that the CCB would not be clawed back from welfare or disability payments. One would hope for a similar reaction if a federal BIG were implemented.

The federal BIG would be administered by the CRA based on tax returns filed. Like existing RTCs, the entitlement to a BIG would be based on the previous year's tax return and recalculated each July. Since provincial tax and transfer programs would remain intact in Stage One, provincial finances would not be affected when the BIG is introduced, so there would be no need to adjust federal-provincial transfers. This becomes relevant in Stage Two considered next.

Stage Two: Provincial Harmonization

Once a federal BIG is in place, provinces would be invited to join. Those who choose to join would negotiate a bilateral national BIG (NBIG) agreement with the federal government. The basic structure of the NBIG would be based on the federal one, but provinces would have discretion over the size of their component. A common tax-back rate would apply initially, although in the long run there might be some flexibility for province-specific tax-back rates.

Provinces participating in an NBIG would replace their social assistance and disability transfers with a provincial BIG, where the NBIG would be the sum of the federal BIG and the province's chosen BIG level. The provincial BIG would be financed by eliminating their RTCs and NRTCs. Provincial social services would remain in place and would be conditioned on something other than social assistance or disability status. There would only be a single uniform provincial BIG with no distinction between welfare recipients and others. Provinces may choose to offer a higher provincial BIG rate to the disabled, in which case eligibility criteria for that would still apply.

The NBIG would be administered through the income tax system by the CRA rather than by individual provinces. Some mechanism would be required to recover from the provinces their shares of the NBIG. One option would be to do that through a revised CST, the currently equal per capita federal transfer in support of provincial social assistance, social services, and post-secondary education. The CST could be reduced for participating provinces by the size of the provincial component of the NBIG, since the latter would be paid for by the federal government through the CRA.

An Illustrative Calculation

To illustrate the feasibility of implementing our proposed national BIG, we use Statistics Canada's Social Policy Simulation Database and Mod-

el (SPSD/M Version 22.1). The SPSD/M is a vast repository of detailed information regarding the federal and provincial tax and transfer systems. It combines individual data from personal income tax returns, the Survey of Labour and Income Dynamics, unemployment and claimant histories, and the Survey of Household Spending, excluding residents of Yukon Territory, Nunavut, and the Northwest Territories and First Nation reservations, and armed forces personnel residing in barracks. The SPSD/M is static, so it cannot simulate behavioural responses to policy alterations without further assumptions. Despite this, the SPSD/M is particularly well-suited for this proposal given its highly detailed depiction of the Canadian tax-transfer system.

Simpson and Stevens (2015) use the SPSD/M to examine the impact of converting all federal NRTCs into RTCs, which are then subject to a common clawback rate. While we follow their methodology, the scope of their proposed reform is quite different from ours since the level of income guarantee is not substantial enough to represent a reasonable BIG. Also, they consider only federal tax credit reforms and not provincial ones. In this section, we extend the Simpson and Stevens (2015) approach to a BIG setting in a federal context.[3]

We first describe the effects of the two-stage implementation of BIG ignoring labour supply responses. Subsequently, we introduce the latter. Our calculations are meant to illustrate the feasibility of a revenue-neutral move to a BIG. Other program parameters could be chosen.

Implementing Federal and Provincial BIGs

Stage One involves eliminating the following federal NRTCs and RTCs: basic personal amount, age, married, married equivalent, employment, public transit, fitness, pension income, dependent caregiver, disability, all education credits, the family tax cut, family caregiver and infirm dependents, GST credit, and WITB. Those credits that are contributory and not redistributive in nature (CPP, EI, political and charitable tax credits) are kept; OAS and GIS are also removed. The elimination of all tax credits as well as OAS/GIS is for simplicity. Similar results would be obtained if only the basic personal amount were eliminated and all other credits remained intact. The basic personal amount represents over three-quarters of all NRTCs, while OAS/GIS serves as a basic income for seniors. BIG is delivered to adults based on an adult-only fam-

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3.   A preliminary version of our simulations was undertaken in Koebel (2016).

ily equivalence scale. Our proposal retains the CCB, which functions as a BIG for individuals under 18 years of age.

The federal BIG is calculated as $20,000 multiplied by the share of federal transfers relative to provincial ones. The total value of federal NRTCs, RTCs, and OAS/GIS is $106.74 billion, while the value of provincial NRTCs and RTCs is $42.31 billion. Therefore, the federal share of transfers eliminated is 71.6 percent, so that the federal BIG is $14,322 (0.7161 times $20,000). This applies to non-senior adults in all provinces who are in one-adult families and do not receive social assistance or disability benefits. For the latter, the amount of the federal BIG is $14,322 less the average value of those benefits for various categories of persons. Table 5.1 indicates these amounts. For families with two adults, the total federal BIG for all adults is √2 times $14,322, or $20,251, while for three-adult families, it is $24,806. For seniors, the federal BIG is $20,000 adjusted by adult-equivalence scales.

The tax-back rate is chosen such that the reform is roughly self-financing. The values of federal transfers eliminated are more than sufficient to ensure that the federal BIG is self-financing at a 30 percent tax-back rate. The tax-back rate applies to family net income (excluding welfare and disability transfers) until the guarantee reaches zero. The excess of financing (around $8.09B) is prudent given the labour supply responses that we estimate below. As Table 5.1 indicates, with a tax-back rate of 30 percent, the federal BIG is phased out at a net income of $47,740 for those adults who are single, younger than 65, and not on welfare. This is lower than the income at which existing refundable tax credits and the OAS/GIS disappear.

In Stage Two, provinces would be invited to harmonize their transfer systems with the federal BIG. Those choosing to harmonize would take two steps. First, they would eliminate their welfare and disability transfers, and previous social assistance recipients would receive the standard federal BIG. Second, they would eliminate their NRTCs and RTCs to harmonize their income tax systems with the federal government's, and would choose their own provincial BIGs to supplement the federal BIG. The provinces could choose their own BIG levels, but the 30 percent tax-back rate would apply.

In the absence of behavioural responses, substituting a federal BIG for most federal RTCs and NRTCs and substituting a provincial BIG for provincial RTCs, NRTCs and social assistance amounts to pure income redistribution. Tables 5.2 and 5.3 illustrate the redistributive effects of these two stages. In Table 5.2, the average change in family disposable

Table 5.1

Parameters of the Proposed Basic Income Guarantee, **Stage One**

	Basic Income Guarantee	Reduction Rate	Exit Level
Single Non-Senior Adults	$14,322	30%	$47,740
Single Seniors	$20,000	30%	$66,667
Provincial Welfare or Disability Recipients			
Single Employable	$6,801	30%	$22,670
Disabled Persons	$2,558	30%	$8,527
Single Parent, One Child	$3,325	30%	$11,083
Two Parents, Two Children	$10,513	30%	$35,042

Note: Adult equivalence scales are applied. The exit level refers to the family net income at which BIG entitlement becomes zero.
Source: Authors' compilation.

income for persons in each decile of the net income distribution are shown in absolute and percentage terms. Here, deciles are based on family types according to family net income, and do not change when the federal BIG is introduced.

Not surprisingly, gains decrease as one goes up the decile groups, except for the top two deciles. Those in the bottom decile reap an average gain of 167 percent in disposable income over the two stages, while the top group loses 5.39 percent on average. The changes follow the same pattern in Stage One, but are proportionately less. The losses at the top are all due to eliminating the benefits of tax credits, and these are relatively uniform in absolute terms in the top five deciles. Only the bottom half of the population in terms of net income obtain some BIG transfer, and that diminishes as income increases. Note that the average change in disposable incomes is negligible overall, reflecting the fact the revenues raised roughly cover the cost of providing the BIG.

Table 5.3 focuses on families in the bottom decile of the net income distribution of all persons, and shows how the gains from the federal

Table 5.2

Impact of BIG on Family Disposable Income by Family Net Income Decile, 2015

| Decile | Average BIG | Average Family Disposable Income | | | | % Change in Disposable Income | |
		Pre-BIG	Stage 1	Stage 2		Stage 1	Stage 2
Bottom	$20,353	$8,868	$19,422	$23,690		119.01%	167.14%
Second	$18,054	$14,709	$21,334	$25,578		45.04%	73.89%
Third	$15,504	$21,308	$25,263	$28,623		18.56%	34.33%
Fourth	$12,540	$28,253	$29,370	$32,581		3.95%	15.32%
Middle	$8,420	$36,123	$33,792	$36,151		-6.45%	0.08%
Sixth	$3,569	$45,254	$40,628	$41,085		-10.22%	-9.21%
Seventh	$712	$55,474	$50,151	$48,486		-9.60%	-12.60%
Eighth	$0	$71,013	$65,604	$63,125		-7.62%	-11.11%
Ninth	$0	$92,725	$87,427	$84,764		-5.71%	-8.59%
Top	$0	$175,961	$171,009	$166,479		-2.81%	-5.39%
Aggregate	$7,912	$54,982	$54,411	$55,066		-1.04%	0.15%

Source: Statistics Canada, Social Policy Simulation Database and Model (SPSD/M). Version 22.1. Tabulations by authors.

Table 5.3

Average Impact of BIG on Family Disposable Income by Family **Types in the Bottom Decile, 2015**

	N (000s)	Average BIG	Average Family Disposable Income			% Change in Disposable Income	
			Pre-BIG	Stage 1	Stage 2	Stage 1	Stage 2
Single Parent	150	$19,871	$24,869	$29,680	$35,169	19.35%	41.42%
Two Parent	59	$27,515	$28,188	$43,384	$45,675	53.91%	62.04%
Non-Senior Single	1,661	$19,772	$5,830	$16,855	$21,505	189.11%	268.87%
Non-Senior Couple	65	$27,874	$14,011	$30,359	$33,135	116.68%	136.49%
Senior Single	90	$19,453	$17,700	$20,731	$21,297	17.12%	20.32%
Senior Couple	30	$27,029	$20,457	$34,623	$30,130	69.25%	47.28%
Disabled Persons	907	$20,654	$12,843	$21,532	$24,635	67.66%	91.82%
Aggregate	2,962	$20,353	$8,868	$19,422	$23,690	119.01%	167.14%

Source: Statistics Canada, Social Policy Simulation Database and Model (SPSD/M). Version 22.1. Tabulations by authors.

and national BIGs vary by family type within this decile. On average, each of the different family groups appear to benefit quite a bit from the basic income. Of particular note is the fact that elderly single persons and single parents gain the least. This is because they fare relatively well under existing programs, especially the elderly. Indeed, some elderly OAS/GIS recipients may be worse off as a result of the federal BIG reform since their initial disposable income exceeds the federal BIG. To the extent that this is a concern, program design would have to address it in a further refinement.

Table 5.4 shows how poverty and income distribution measures are affected by the BIG reform. The poverty level is taken to be the after-tax LICO amount for various family types. The rate of poverty is the proportion of the relevant population below that level. The rate of poverty falls significantly for all groups except senior couples, and the average poverty rate falls by 73 percent. The rate of poverty rises to 6.1 percent for senior couples who had the lowest poverty rate before the Stage One reform, which is a cause for concern to be addressed. A similar picture emerges for changes in the Gini coefficients, which are based on disposable income. As the last row indicates, the Gini coefficient falls by almost 10 percent in Stage One and over 17 percent in both stages. This indicates that inequality has been reduced significantly.

The implementation of the national BIG would be roughly revenue-neutral. The overall cost of BIG would be $162.84 billion, of which $98.65 billion is in Stage One. Revenues from eliminating federal and provincial transfers would be $162.25 billion, of which $106.74 billion is federal, leaving a budget deficit of only $0.59 billion.

Labour Supply Responses

The above redistributive effects include only the impact effects of the policy change and ignore behavioural responses. The replacement of RTCs, NRTCs and social assistance with the national BIG will change both income levels and effective marginal tax rates (EMTR) on income. These will affect labour supply through standard income and substitution effects. Higher income groups will face a reduction in income and this will encourage an increase in labour supply. By the same token, those in the lower part of the income distribution will obtain higher incomes and this will discourage work.

The substitution effect is more complex. In 2015, the first $45,282 of taxable income was subject to a federal tax rate of 15 percent and pro-

Table 5.4

BIG Impact on Rate of Poverty and Gini Coefficient by Family Types, 2015

	Rate of Poverty				Gini Coefficient			
	Pre-BIG	Stage 1	Stage 2	Impact	Pre-BIG	Stage 1	Stage 2	Impact (%)
Single Parent	15.9%	0.1%	0.1%	-99.37%	0.3076	0.2782	0.2339	-23.96%
Two Parent	4.9%	1.1%	0.6%	-87.76%	0.3059	0.3066	0.2992	-2.19%
Non-Senior, Single	26.0%	12.9%	4.9%	-81.15%	0.4714	0.3233	0.2630	-44.21%
Non-Senior, Couple	4.3%	1.9%	0.4%	-90.70%	0.3570	0.3573	0.3497	-2.04%
Senior, Single	10.3%	7.9%	5.5%	-46.60%	0.2919	0.2744	0.2505	-14.18%
Senior, Couple	2.3%	5.1%	6.1%	165.22%	0.3364	0.3876	0.3872	15.10%
Disabled Persons	16.4%	9.9%	5.2%	-68.29%	0.4221	0.3855	0.3554	-15.80%
Aggregate	11.9%	6.2%	3.2%	-73.11%	0.4603	0.4144	0.3801	-17.42%

Source: Statistics Canada, Social Policy Simulation Database and Model (SPSD/M). Version 22.1. Tabulations by authors.

vincial tax rates of approximately 5 percent. The introduction of BIG will increase the EMTR in this bracket to 50 percent. This is relatively large and has the potential to significantly distort labour decisions. Because the exit level of BIG is roughly $48,000, mainly individuals in this bracket will face the higher EMTR. For those who do not receive any BIG, their EMTR will be unaffected. In addition, since most of the RTCs and NRTCs as well as OAS/GIS being eliminated are also clawed back, the EMTR before the BIG is introduced will be higher than the statutory marginal tax rate for many taxpayers. However, given the variability of NRTCs and RTCs, an illustrative calculation capturing the change in EMTRs after their removal is too difficult to estimate so we ignore it. In estimating substitution effects from introducing the BIG, we therefore assume that the EMTR rises from 15 percent to 50 percent for BIG recipients, but remains unchanged for non-recipients. This will induce lower-income persons to reduce their labour supply, thus reinforcing the income effect. For higher income persons, there is no substitution effect so their labour supply should unambiguously increase.

To estimate the behavioural impacts of the BIG, we follow the methodology of Simpson and Stevens (2015). Changes in labour supply will depend on substitution and income elasticities. Based on a recent survey of academic work by McClelland and Mok (2012), Simpson and Stevens assume that income elasticities for both men and women are 0.05, while substitution elasticities are 0.2 for men and single women, and 0.3 for married women. The percentage change in earnings from the income effect is the income elasticity multiplied by the percentage change in disposable income. That, due to the substitution effect, is the substitution elasticity multiplied by the percentage change in the after-EMTR wage rate.[4]

Table 5.5 shows that the combination of Stages One and Two causes labour supply, and therefore earnings, to fall in the bottom seven deciles, especially in the lower deciles. Earnings rise moderately in the top three deciles, so overall earnings fall by only $492, or 1.5 percent. This is entirely due to the substitution effect since the income effect is zero on average. The change in labour supply induces changes in BIG expenditures as well as changes in income tax revenues. Overall, the reduction in labour supply causes the cost of the national BIG reform to rise from $162.84 billion to $167.69 billion, resulting in an overall budget deficit of $5.44 billion. This is the additional amount of reve-

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4. See the appendix in Simpson and Stevens (2015) for more details.

Table 5.5

Substitution and Income Effects of Individual Tax-Filers by Family Net Income Decile (Measured by Percentage of Employment Earnings), 2015

Decile	Average Earnings	Stage 1			Stage 2		
		SE	IE	Total	SE	IE	Total
Bottom	$594	-7.9%	-16.6%	-24.5%	-8.5%	-24.0%	-32.5%
Second	$4,575	-6.1%	-4.3%	-10.4%	-7.2%	-6.7%	-13.9%
Third	$7,868	-6.0%	-1.5%	-7.5%	-7.3%	-2.7%	-10.0%
Fourth	$12,015	-5.9%	-0.5%	-6.4%	-7.3%	-1.2%	-8.5%
Middle	$16,598	-4.9%	0.1%	-4.8%	-7.4%	-0.4%	-7.8%
Sixth	$23,355	-1.8%	0.3%	-1.5%	-5.6%	0.1%	-5.5%
Seventh	$29,959	-0.1%	0.2%	0.1%	-2.7%	0.3%	-2.4%
Eighth	$38,898	0.0%	0.2%	0.2%	0.0%	0.3%	0.3%
Ninth	$51,375	0.0%	0.2%	0.2%	0.0%	0.3%	0.3%
Top	$99,774	0.0%	0.1%	0.1%	0.0%	0.2%	0.2%
Aggregate	$33,638	-0.7%	0.0%	-0.7%	-1.5%	0.0%	-1.5%

Source: Statistics Canada, Social Policy Simulation Database and Model (SPSD/M). Version 22.1. Tabulations by authors.

nues that would have to be raised to finance the national BIG, and is relatively modest. If only a federal BIG is implemented and the provinces choose not to harmonize, the changes in BIG entitlements and tax liabilities as a result of labour supply changes will reduce the total cost of the program by $3.25 billion ($98.65 billion to $95.40 billion). Recall earlier that in the absence of behavioural responses, implementing the federal BIG would result in a surplus of $8.09 billion. This excess will increase as a result of the behavioural responses, leaving a surplus after Stage One of about $11.34 billion.

The labour supply effects summarized in Table 5.5 are based on estimates of changes in labour supply along the intensive margin; that is, variations in hours of work. For many workers, the relevant labour supply decision is an extensive-margin one including whether to participate in the labour market, what type of job to seek, and what activities to pursue if one chooses not to participate. For example, non-participation can be socially productive if it is used to improve one's skills or to spend time raising children. The relevant tax rate from this perspective is the participation tax rate measuring the net additional tax payment incurred or transfer lost by an individual when moving from unemployment to employment. Such calculations are beyond the scope of this chapter but deserve further attention.

A broader issue that we also set aside is whether and how a BIG would affect wage rates of low-income workers. To the extent that wages are determined competitively, a BIG should induce wages to rise. If labour supply falls, firms would have to pay more to encourage workers to accept employment (contrary to the effect of WITB). Those who worry that a BIG will depress wages presumably have in mind alternative wage setting procedures. Of course, minimum wage rules would ameliorate this.

Concluding Comments

Despite the fact that our calculations are intended only to be illustrative, some general lessons can be taken away from our analysis. First, it is feasible to implement a national BIG scheme in a federal setting where the federal government and the provinces have both a common interest in redistributive goals and the policy instruments to achieve them. We have suggested adopting a system analogous to existing federal-provincial tax harmonization to deliver joint federal and provincial BIG programs through the income tax system. Second, we have argued

that it is feasible to finance a national BIG by eliminating existing re-fundable and non-refundable tax credits and using the proceeds as a sole source of funding.

As a final lesson, however, our simulations show that even if we in-sist on a revenue-neutral policy reform to a national BIG, the tax-back rate need not be excessive. In our example with a single tax-back rate of 30 percent, the combined effective marginal tax rate for those at the bottom of the income distribution is of the order of 50 percent when federal and provincial tax rates are taken into account. This is not out of line with what one finds in the optimal income tax literature (e.g., Tuomala, 2016). Reducing the tax-back rate further, while maintaining the size of the basic guarantee, would be feasible if increases in general tax revenues are used to finance it. More generally, adopting more com-plex tax-back rate structures can mitigate incentive effects at the bottom of the income distribution, particularly those that affect labour market participation.

There are some additional issues worth exploring in future research. First, the labour supply estimates we use do not include family labour supply decisions. That is, they fail to capture joint decision-making that may occur in the household. Second, we do not perform a sensitivity analysis over different tax-back rates or labour supply elasticities. For example, we could evaluate a basic income that is not taxed back until after some specified level of income. Such a design would reduce em-ployment participation disincentives. Alternatively, we could examine a BIG that is similar in design to the WITB, which has both phase-in and phase-out rates. Third, we could consider many other behavioural responses, such as the effect of BIG on savings and participation deci-sions. Finally, this chapter does not consider how a basic income would be administered to First Nation members on reserves, which have their own unique political systems.

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6

Federalism, Race, and the American Welfare State

Paul Pierson

The study of American federalism, at least within political science, has been mostly dormant for the past quarter-century.[1] That inattention partly reflected changes in the real world: a considerable centralization of public policy in the 1960s and 1970s, triggered by the civil rights movement and extending to spheres like regulation and social welfare, made states and localities seem less relevant (Keller and Melnick 1999; Pierson 2014). It also, however, reflected shifts within the discipline: a growing preoccupation with political behaviour and elections, a new and more formalized institutionalism that focused almost exclusively on legislative and executive institutions rather than the unwieldy and ambiguous structures of American federalism, and a loss of interest in policy and governance—subjects that had often been at the heart of serious scholarship on federalism (Derthick 2001).

Nothing better symbolized the marginalization of federalism within American political science than the evolution of William Riker's scholarship. Riker was perhaps the leading figure in the ascendance of rational choice institutionalism within the discipline. He devoted a big

part of his career to the study of federalism (Riker 1964, 1987; cf. Volden 2004). By the end, however, he concluded that federalism didn't matter very much—that the differences between federal and more centralized political systems were mostly cosmetic: "Does federalism make any difference in the way people are governed? … [T]he answer appears to be: Hardly any at all" (Riker 1969, 145).[2] Riker's heirs have mostly followed his lead, relegating the study of federalism to a decidedly marginal place in the study of American politics.

Banting's *The Welfare State and Canadian Federalism* (1987) presents a stark contrast. Banting insisted that one cannot make sense of the distinctive structures of the Canadian welfare state without thinking deeply about the consequences of Canada's federal institutions. His dissent from Riker's evolving view reflects two distinctive lines of argument, neither of which tends to be explored in formal theories of institutions. First, federalism has *multiple* effects. Rather than looking for a single dominant and invariant impact, we need to consider the multiplicity of ways in which a decentralized and territorially based allocation of political authority might matter. Second, over time, the relevant features of federalism for policy development are likely to change. If we are fixated on only one kind of effect or one moment in time we will often miss the action, and in doing so understate the significance of federal arrangements. At different times and in different places, federalism mattered because, among other things, it created opportunities for new policy experimentation, gave rise to distinctive and significant provincial interests, or elevated issues of regional distribution that might otherwise have stayed in the background.

Banting offered what I would call an "institutions plus" analysis. Federalism's impact in a particular setting will often depend on its *interaction* with important social or political features that themselves vary. For instance, the significance of Canadian federalism's formal division of authority between the national and provincial governments shifted over time as social change made some previously relatively unimportant policy arenas (such as healthcare) increasingly significant.

Thus, Banting's analysis is resolutely multi-causal and configurational. Rather than slapping down a "federalism" variable in some simple and supposedly universally applicable causal argument, analysts need to think about the interplay between federalism's multiple possible

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2. This conclusion was connected to Riker's broader shift towards viewing institutions themselves as close to epiphenomenal—"was transitory."

effects and important features of a particular context. When Banting applies these arguments to the historical development of the Canadian welfare state, he finds that the institutions of federalism are often (though not always) very important.

It is Banting's approach that is employed in this chapter. I focus on important developments in the American political economy over the past two decades that raise doubts about Riker's ultimate dismissal of federalism. Riker saw federalism as almost inevitably drifting towards greater centralization—despite the trappings of dispersed political authority, federal systems ended up looking a lot like centralized ones. Yet ironically, it is plausible that notwithstanding Riker's quest for broad generalizations about institutions, his assessment was overly influenced by his immediate political context. Riker's investigations of federalism took place against the backdrop of the "long-1960s" in the United States, a policy boom from 1964 to 1977 that saw a remarkable shift in authority from state and local government to Washington, DC.

Since the late 1970s, however, the centralizing pressures in the United States that Riker and others described have been increasingly fiercely contested. Today, after many years of stalemate within American federalism, proposals for extensive policy decentralization are back on the political agenda. The push for decentralization runs the gamut of domestic policy, from abortion (where the changing balance of the U.S. Supreme Court has gradually returned considerable control over policy to the states) to environmental protection (where reformers wish to diminish the capacities of federal regulators and reassert state and local authority) to the welfare state (with calls for not only the repeal and replacement of "Obamacare" but the transformation of the massive Medicaid program from a national program to a state-based block grant). With unified (although not filibuster-proof) Republican control of government in place as of 2017, there is a realistic prospect for conservatives to advance some of these policy ambitions.

Federalism in a Polarized System

Even before the remarkable rise of Donald Trump, it was widely understood that American politics had changed dramatically since the late 1970s. There is a dominant encapsulation of that change: rising political polarization (McCarty, Poole, and Rosenthal 2006). Over the past four decades, the two main parties have become more internally cohesive and ideologically distinct. Where once there was considerable overlap

in views, facilitating compromise and bipartisan agreement, now politics generally involves zero-sum conflict between two warring camps.

Given the veto-ridden character of national political institutions, the general result has been legislative gridlock (Binder 2014), except during moments of unusual partisan advantage (such as the initial two years of Barack Obama's presidency). This gridlock creates a policymaking vacuum in Congress, pushing political authority (or at least political initiative) "outward" to the executive, the courts, and the states. In this respect, policy decentralization has been underway in the United States for some time. The diminished capacity of national policymakers to respond to emerging challenges has expanded the room for manoeuver in the states.

Crucially, the growth of partisan polarization has quite different effects at the state level than it does at the national level (Grumbach 2018). Indeed, this is one of the ways in which federalism can make a big difference. The composition of individual constituent units within a diverse polity will often vary considerably from the aggregate composition on display at the national level. Schickler (2015), for example, has recently argued that this diversity of state politics was crucial in generating the eventual collapse of segregation. Civil rights groups and their liberal and union allies could establish "beachheads" in state Democratic parties outside the South, where their position was stronger. Once they had done so, they could eventually help to force national Democrats to renounce their long-time pact with Southern segregationists, triggering a vast political realignment.

Growing national polarization in a context where particular states lean strongly to one party or the other has important effects. Strengthening voter attachments to the two national parties shifts the contours of local politics. Being a Republican in California or a Democrat in Oklahoma becomes more challenging—it is harder to overcome party allegiances and distinguish one's positions from those of the national party. As polarization grows, more and more *states* are likely to have unified government. Most often these unified governments are Republican—reflecting in part the considerable structural advantages American federalism confers on the less urban of the two major parties (Chen and Rodden 2013).

Moreover, because of polarization, these unified governments are likely to have policy positions that are more extreme than a few decades ago. Typically, they are unconstrained by supermajority requirements like the Senate filibuster that have helped keep policymaking in

Washington gridlocked.[3] The result is another indicator of decentralization—a growth in the *diversity* of policies across the states, with respect to industrial relations, social welfare, the environment, abortion, gun restrictions, etc. (Grumbach 2018). Where these constituent units have substantial policymaking authority, they can ultimately take stances that have consequences for both local and national political developments.

In this analysis, I focus on the contemporary politics of federalism only with respect to the welfare state. My argument echoes Banting's. Federalism matters in many ways for the evolution of social provision in the US. *How* it matters can shift considerably as the broader political and social context changes. Here the critical developments are the growth of political polarization and the striking spatial distribution of that polarization. These developments have made federalism matter in new ways. Not only have they promoted greater decentralization. They have made any decentralization that does occur more consequential, as the policy stances of *states* have diverged after a long period of convergence.

From Centralization to Decentralization in American Social Policy

For much of the twentieth century, the evolution of American social policy was consistent with Riker's emerging perspective on federalism: the arc of history bent towards centralization. The cornerstone law, of course, was the Social Security Act of 1935. The SSA established a national system of contributory pensions, a fairly decentralized Unemployment Insurance system, and a quite decentralized program of social assistance (Old Age Assistance and Aid to Dependent Children). Over the following four decades, the nationalized social insurance system was greatly extended: Social Security was broadened and made more generous in a series of steps, Disability Insurance was added in 1956, and Medicare introduced health insurance for the elderly in 1965.

At the same time, the United States underwent a "creeping nationalization" of anti-poverty programs as part of the long-1960s policy boom (Pierson 1995). The two decentralized poverty programs of the Social Security Act became the more centralized Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI). Much more consequentially they were joined by Medicaid, a joint fed-

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3. The main exceptions are rules in some states that require supermajorities for tax increases, but of course those restrictions only strengthen the likelihood that devolved social policy will trend in a conservative direction.

eral-state program enacted alongside Medicare to provide health insurance for the poor. Two new programs that were much more national in structure, the U.S. Food Stamps Program and the Earned Income Tax Credit, became increasingly important pillars of social assistance. By the end of the 1970s the American welfare state was not only much more extensive than it had been in 1935 but considerably more centralized. This was in line with the broad trajectory of domestic policy during the New Deal and post-war periods.

With Reagan's election in 1980, the momentum towards greater centralization stalled. In retrospect, Reagan's election heralded an important pivot in American politics: the Republican Party was simultaneously gaining in strength and becoming more conservative. Its evolving position on social policy made it resistant to further nationalizing steps. Increasingly, it called instead for devolution of social policy responsibilities to states and localities. The GOP wanted both to limit social spending and to reduce the federal government's control over it. Decentralization would increase local discretion that could steer policy in conservative directions (e.g., by establishing work requirements for social assistance beneficiaries). At a minimum, it would make it easier for Republican-controlled governments to limit spending on such programs if they so chose. At a maximum, it might generate race-to-the-bottom dynamics through fiscal competition, reducing such programs everywhere. Moreover, transforming federal social programs into block grants provided a blame-avoiding mechanism for gradual but low-visibility cuts in social spending. Cuts would occur quietly as benefits no longer kept up with inflation or population growth. Blame would be off-loaded onto state officials, who would have to manage the austerity resulting from policy changes made in Washington.

The Republican Right Turn

This shift in social policy stances was part of a broader GOP swing to the right that has transformed American politics (Hacker and Pierson 2010, 2016). This transformation requires a bit of exploration, because the changing policy orientations of the GOP shape the contemporary interaction between federalism and the American welfare state. When authority is devolved to "the states" this is not simply a transfer between two sets of generic policy actors. In the highly polarized context of contemporary American politics, devolution means transferring authority to states that diverge very widely in their policy preferences.

Moreover, within most of those states one party or the other (usually, at this juncture, Republicans) is likely to have the upper hand.

The partisan policy divergence largely reflects Republican moves to the right, particularly on issues related to the economy (Hacker and Pierson 2016). Since 1990, the GOP has essentially renounced tax increases under all circumstances. It has rejected progressivity as an important goal of the tax code, instead making tax cuts for the wealthiest Americans its highest priority. It has turned against financial regulation. It has rejected healthcare reforms (like the Affordable Care Act) as socialist, even when they closely follow models that Republicans advocated not many years ago. While treading delicately because of the difficult politics involved, Republicans have taken increasingly critical stances on long-established social programs like Medicare, Social Security, and Medicaid.

Within this new GOP there has been a considerable hardening of views towards redistributive social policies. As Skocpol and Williamson (2012) note, Tea Party supporters make a sharp distinction between their own "earned" benefits (payroll tax-based Social Security and Medicare), and other programs they regard as unearned and undeserved "handouts." Such views are increasingly widespread within the Republican Party. What were once popular social policies are now seen as being suspect, even if those in the Republican Party base continue to support the benefits they personally receive.

There has also been a marked rightward shift in the party's rhetoric concerning the role of government. Drawing a contrast between "makers and takers" has assumed a central place in the Republican rhetorical repertoire. GOP leaders have increasingly emphasized dependence on government as an existential threat to American society. In the words of Iowa senator Joni Ernst, "What we have fostered is really a generation of people that rely on the government to provide absolutely everything for them. … [W]e're at a point where the government will just give away anything" (Kilgore 2014). The same sort of language has been central to major speeches of now Speaker of the House Paul Ryan. Ryan's credibility with the Republican base was built around the "Ryan budgets" passed by the House GOP caucus. Even with more-than-typical levels of ambiguity, these budgets called for staggering cuts in future spending in Medicaid, Medicare, and other domestic programs. Ryan repeatedly warned of a "tipping point" in which the American way of life is "transformed into a soft despotism" keeping "everyone in a happy state of childhood." He accused the government of designing

a "hammock, which lulls able-bodied people into lives of complacency and dependency" (Noah 2012). In an address to the American Enterprise Institute he referred to the "insidious moral turning point" when "we become a nation of net takers versus makers."

There is a geographic foundation for this political reorientation—a foundation that is important to understanding the changing role of American federalism. A principal trigger of political polarization was the transformation of partisanship in the American South. The region realigned following the civil rights movement. With the Democrats more clearly established as the liberal party on civil rights by the mid-1960s, White southerners began moving towards the GOP en masse. The resulting resorting of the American electorate brought to an end the peculiar era in which the nation's most conservative region had aligned with its more liberal party. Once initiated, the unravelling was self-reinforcing: increasing clarity about the differences between the parties encouraged further sorting, which led to even greater clarity and another cycle of polarization.

The long-term shift in Congress is striking. In 1960 all of the twenty-two senators from the former confederacy were Democrats. By 2016, nineteen of twenty-two were Republicans. The Southern contingent within the House Republican caucus has grown in size in every election save one since 1976. Given the strength of incumbency, the transformation has played out very gradually. After the 1994 "Republican Revolution" election that catapulted Newt Gingrich to the Speakership, Southerners held sixty-nine of the 230 House Republican seats. After the 2012 election, Southerners held ninety-eight of 233. Arguably, the "weight" of the South in GOP politics was even greater than these raw numbers. Southerners have provided the majority of the party's congressional leadership (including Newt Gingrich, Mitch McConnell, Dick Armey, Tom DeLay, Eric Cantor, and Trent Lott) over the past two decades.

The anchoring of the country's most conservative region to the country's more conservative party has helped push the entire Republican Party rightward. Unsurprisingly, Southern members in both House and Senate have been disproportionately represented in the party's most conservative and militant wing. They are far more likely to be members of the Tea Party caucus, and make up a disproportionate share of the arch-conservative "Freedom Caucus" within the House. They were significantly more likely to take the most radical positions in recent fights that led to a government shutdown and a risky game of chicken over raising the debt ceiling.

Race, Polarization and Federal Redistribution

The "Southernization" of the GOP has coincided with a hardening of views on redistribution. This hardening presents a paradox, because the South benefits the most from federal redistribution (Krimmel and Rader 2015; Lacy 2009). It is worth briefly exploring the roots of this Southern resistance, which has spread to a considerable degree across Republican states.

Controversy exists about the extent to which the GOP's turn against redistributive social policies is connected to racial politics. The GOP's sharp shift on distributional issues, which would seem to raise electoral challenges, thus represents a puzzle (Melzer and Richard 1981. The question is how much, if at all, the presence of racial antipathies in the GOP contributes to GOP voters' support for, or acquiescence to, a fiercely anti-redistributive agenda—or, more accurately, an agenda that actually promotes redistribution toward a narrow group at the top. Theoretically, this provides one plausible account for why the Melzer/Richard model would not hold (Lee and Roemer 2006).

Conservative media and political elites offer detailed cultural scripts that "deracialize" objections to social programs. "Dog-whistle politics" is now an established art in conservative circles; its role in the development of the modern GOP is well-documented (Haney Lopez 2014; McAdam and Kloos 2014; Soss, Fording, and Schram 2011; Weaver 2007). The capacity to send racial messages without using openly racial language makes pinpointing the role of racial antipathy in electoral and partisan politics considerably more difficult. Conservative Republicans vigorously denounce any suggestion that race is a factor in their intensifying rejection of large stretches of federal domestic policy.

Studies based on observation of Republican voters and activists often find modest evidence of overt racial animus (Hochschild 2016; Kramer 2016 Skocpol and Williamson 2012). Increasingly, the GOP's rhetoric and, in many cases, its policy stances, seem built on a libertarian or "Randian" framing of politics in which government transfers represent illegitimate takings. The increasing prominence in Republican discourse of the maker/taker juxtaposition and the deployment of the term "job creators" as a way of referring to employers are consistent with its growing opposition to practices that entail some degree of redistribution—including practices that are long-established.

Nonetheless, evidence suggests that race is in fact a significant ingredient in the cocktail of Republican hostility to the federal government

and particularly to redistributive policies. The GOP's political stronghold is now located in the Deep South, which is simultaneously poorer, more racially heterogeneous, and more intensely conservative than other areas of GOP strength. Valentino and Sears (2005) find substantial evidence that in the South there is a strong, even growing linkage over time between racial conservatism and attachment to the GOP. This result is consistent with striking new research on the legacies of slavery in modern political behaviour. In a detailed and careful study, Acharya, Blackwell, and Sen (2016, 621) find that "whites who currently live in Southern counties that had high shares of slaves in 1860 are more likely to identify as a Republican, oppose affirmative action, and express racial resentment and colder feelings toward blacks."

In the states of the old confederacy, the Republican Party is an overwhelmingly white party. Voting in the South is more polarized on racial lines than it is in the rest of the country, and the party has become increasingly racially conservative in recent years (Stewart, Persily, and Ansolabehere 2013). In the new political economy of many states that lean Republican, subsidies perceived to benefit "other people" may be intrinsically objectionable. These sentiments may carry the day, even if millions of lower-income whites in the region would benefit directly from the same programs.

What is clear is that the Republican Party, including much of its electoral base, has turned much more critical of national social policies, especially those that benefit low-income households. This transformation plays a critical role in altering the relationship between federalism and the American welfare state. Not only has it encouraged conservatives to push more aggressively with an agenda of devolution. It has also made devolution more consequential. Because "red" states now exhibit much more conservative views about redistribution, devolution becomes an instrument for both wider variation in policy outcomes across the states and for greater retrenchment in social provision.

The most dramatic concrete policy manifestation of this transformation came with the GOP's successful push for welfare reform following its stunning victory in the 1994 Congressional elections (Balz and Brownstein 1996). Bill Clinton had already put "welfare reform" on the agenda, but in the hands of emboldened and increasingly conservative Republicans, the vague concept was transformed into a vehicle for decisive devolution (Weaver 2000). AFDC was turned into Temporary Assistance for Needy Families (TANF), a program that not only time-limited social assistance benefits but greatly expanded state-level discretion

while gradually diminishing federal funding. What had previously been an entitlement (if individuals met eligibility rules the federal government was committed to paying its share of the program) became a block grant that has declined in real terms by over one-third since 1997. The impact on the program has been astonishing. At the time of enactment, 70 percent of poor children received AFDC cash benefits. Now, less than one-third do. And state-level variation has grown sharply: in fourteen states, all of them (with the partial exception of North Carolina) red, less than 10 percent of poor children receive cash assistance through TANF (CBPP 2017).

The Affordable Care Act and Contemporary American Federalism

AFDC, or "welfare," was, even before its devolution, a relatively marginal part of the American welfare state. A more striking illustration of polarization's impact on social policy can be seen in recent fights over healthcare. More than any other policy development in the United States, the extraordinary political battle over implementation and reform of the Affordable Care Act has demonstrated the consequences of an increasingly polarized federalism.

The Affordable Care Act (also known as Obamacare) was enacted in 2009 and then modified in critical ways by the US Supreme Court's 2012 decision *NFIB v. Sibelius*. In the years before 2009, a homogeneously conservative GOP combined high levels of party unity with an expanded willingness to utilize the filibuster that resulted in unprecedented levels of minority obstruction. In turn, this obstruction has made it extremely difficult to adopt policies that might address mounting income inequality. It is no coincidence that the Affordable Care Act—the most significant downwardly redistributive policy of the past four decades—was passed during a brief window when GOP numbers in Congress were at their lowest level since the 1970s. It received one Republican vote in the House and none in the Senate.

The Affordable Care Act (ACA) was designed to push towards the goal of universal coverage within a system still based primarily on insurance provided through employers (Starr 2011). It was based on a three-legged stool: a prohibition on exclusions from private insurance based on "pre-existing conditions," an individual mandate requiring the purchase of insurance (to avoid free-riding and generate stable risk pools), and an expansion of government spending to help those who could not afford to meet the mandate. That new spending came

through subsidies to low-income households needing to purchase private insurance on their own, and a big expansion of government-financed Medicaid. All of this was financed through new taxes on the healthcare industry and, primarily, by increased taxes on households in the top 1 percent of the income distribution.

As written, the ACA was extremely redistributive toward heavily Republican red states. On average poorer than blue states, these states pay considerably lower federal taxes per capita. They pay an even lower share of the main tax sources for ACA expansion, which targeted very affluent Americans. Even more important, low-income households are both far more prevalent in red states (and especially Southern states), and existing Medicaid rules in these states were far more restrictive. Therefore, these states stood to receive huge inflows of money from the ACA's Medicaid expansion, as well as from its income-tested subsidies for private insurance.

The legislation reflected the Democrats' vision of federalism, in which the federal government used its taxing powers in part to redistribute resources from wealthier states to poorer states. It proposed to create, for the first time, something close to a universally available floor of basic health insurance in the United States.

The Supreme Court's decision in *NFIB v. Sebelius* threw much of this into question. Crucially, its decisive modification of the law related to federalism. In what many observers believed was a bargain to win Chief Justice Roberts' decisive vote, the Court upheld the core features of the law, but gave states the option of rejecting the proposed Medicaid expansion. This development unexpectedly jeopardized much of that massive redistribution from Democratic blue states to Republican red states. Instead, states suddenly needed to decide whether to expand Medicaid enrollment—an expansion that would be supported by heavy subsidies from the federal government.

The Affordable Care Act presents a remarkably useful case study for examining the broader dynamics of GOP antipathy to redistribution as well as the way that this widening split between the parties played out across the states. Indeed, the Court's intervention created a kind of natural experiment in contemporary federalism: state governments were suddenly and unexpectedly put in a position to make highly consequential decisions about healthcare policy that zeroed in on the relationship between the states and the federal government. Not only did federalism matter in this case, it mattered in surprising and revealing ways. The states that stood to benefit the most from embracing the

Affordable Care Act generally chose instead a path of scorched-earth opposition.

It is difficult to exaggerate what a bad deal the new option of rejecting Medicaid expansion was for the states. The individual states were being asked to make a very modest contribution to Medicaid expansion—no more than 10 percent of the total cost. In return, they would get a huge flow of resources. In the narrowest terms, adopting the proposal would in most cases have strengthened these states' budgets (that is, new tax revenues and a reduced need to spend on other programs would have exceeded the new outlays required).

Looked at more broadly, the deal was even better. Not only would millions receive health insurance, but much of the expected inflow would go not just to those low-income households, but also—through the purchasing power attached to that insurance—to healthcare providers, including hospitals. And those funds would be badly needed, because the ACA trimmed other federal payments to state hospitals in the expectation that they would no longer be required to provide so much uncompensated care. Given these powerful economic incentives, local medical providers, many state Chambers of Commerce, and more than a few Republican governors lined up in support of Medicaid expansion (Hertel-Fernandez, Skocpol, and Lynch 2016).

Yet, despite these extremely powerful financial incentives, as of 2017, nineteen states continued to reject Medicaid expansion. Tellingly, the list of rejectionists included most of the states that stood to gain the most financially. Acceptance would not only provide insurance coverage for more than seven million people. It would also bring in an estimated $423 billion in federal funding over a decade, providing almost $170 billion in reimbursements to hospitals as well as increased state employment. Even though states would have to modestly increase Medicaid expenditures (one dollar for every 13.4 contributed by the federal government) the *net* effect on state budgets would have been positive (Dorn, McGrath, and Holahan 2014).

All nineteen states are ones where Republicans have exercised veto power over Medicaid expansion. Moreover, this opposition has been concentrated in the old states of the confederacy, only two of which (Arkansas and Louisiana) have signed on. Indeed, the geographic concentration of those in the "coverage gap"—i.e., those who could have received benefits under the ACA but have not as a result of state policy—is stunning:

> As a whole, more people—and in particular more poor uninsured adults—reside in the South than in other regions. Further, the South has higher uninsured rates and more limited Medicaid eligibility than other regions. Southern states also have disproportionately opted not to expand their programs, and more than half (10 out of 19) of the states not expanding Medicaid are in the South. These factors combined lead to *more than 90% of people in the coverage gap residing in the South* (Garfield and Damico 2016, p. 2, emphasis added).

Of course, Southern ambivalence about national redistributive programs has a long history. Substantial research has suggested the significance of racial antipathies in driving that resistance (Lieberman 2001). Yet even against that historical backdrop, the political opposition within red states to the ACA is stunning. While racism and the desire to sustain the Jim Crow racial order played a considerable role in the history of Southern resistance to the welfare state, a reasonable politico-economic logic was at work as well. Social policies like Aid to Families with Dependent Children (the precursor to today's TANF program), Social Security, or a higher minimum wage threatened to increase the reservation wage of the poor—that is, the lowest wage at which they would be willing to accept a particular job. About the early 1970s proposal for a national minimum income, Louisiana senator Russell Long famously complained: "I can't get anyone to iron my shirts." Raising the reservation wage in low-wage states would make it harder for businesses in those states to gain a competitive advantage.

Yet this logic of wage competition barely applies to the ACA.[4] Providing access to health insurance is unlikely to have much impact on reservation wages. How do we explain why states like Texas, Florida, South Carolina, and Mississippi would turn down improved access to healthcare for millions of their residents as well as tens of billions of dollars for local hospitals and healthcare providers, paid for almost entirely by taxpayers from other states? The puzzle is underscored by the presence of politically influential concentrated interests (doctors, hospitals, insurance companies) that have a large financial stake in Medicaid expansion as well as substantial organizational capacity to make sure policymakers hear their concerns (Hertel-Fernandez, Skocpol, and Lynch 2016). Indeed, it is hard to find a parallel, either historically or

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4. At the margins it does, since the availability of Medicaid might lead older workers to retire earlier, knowing that they would not lose access to health insurance.

comparatively, for the current refusal of poor states in the US to accept such a favourably structured influx of funding.

Understood as a matter of color-blind political economy, that refusal makes little sense. It is, however, consistent with an account that stresses the highly racialized politics in ACA-rejecting states. Even among red states, the most intense opposition to the ACA has been concentrated in those with a large minority population.[5] States that are red but have smaller minority populations, such as Montana, North Dakota, and Indiana, have been more likely to accept Medicaid expansion.

Public opinion research supports the possibility that racial frames are fueling political resistance to the ACA (Tesler 2012). Racial antipathy seems to play a significant role in evaluation of the program, reinforced by the identification of healthcare reform with President Obama. As Tesler argues, there is now strong evidence that if policies can be identified with particular groups, voters may transfer their evaluation of the groups to the policies. This can be true even if the actual association of the group with the policy is tenuous at best. The racial divide on healthcare reform is not only far greater today than it was with Clinton's proposals in the 1990s; whites are more hostile to the *same* described proposal when it is attributed to Obama rather than Clinton.

Whether or not the GOP's move to the right reflects simply intensifying conservatism or is given a boost by racial animus, the upshot has been a considerable change in the functioning of American federalism. In the case of the ACA, this led to a striking result. A piece of legislation originally designed to *diminish* variation among the states in healthcare coverage has instead *increased* those differences. Although the rate of those without insurance fell in the South (largely because ACA subsidies led to expanded private insurance coverage), it fell less than it did in other regions. If the region had gone ahead with Medicaid expansion, the ranks of the uninsured would have fallen considerably more than elsewhere (CBPP 2016).

This political alchemy required two steps, both associated with the

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5. In this respect resistance to Medicaid expansion parallels recent GOP-led efforts to raise hurdles to voting. A recent study found evidence that these restrictions "are highly partisan, strategic, and racialized affairs." All other things being equal, new restrictions became considerably more likely where there was a large minority population, where minority turnout had increased, and where Republicans control legislatures. These findings, the authors conclude, "are consistent with a scenario in which the targeted demobilization of minority voters and African Americans is a central driver of legislative developments" (Bentele and O'Brien 2013, 1088).

interplay between federalism and polarization. The first step was the Supreme Court's granting of permission to the states to opt out of Medicaid expansion. The second step was the decision of many Republican-led states to reject the generous terms on offer for that expansion. In combination, these efforts produced a marked shift in the trajectory of American federalism, and they are difficult to understand absent the stark growth of partisan polarization and the accompanying dramatic rightward shift of the GOP.

Coda: Healthcare Reform in a Republican Washington

The unexpected victory of Donald Trump gave Republicans the White House as well as majorities in both the House and Senate beginning in 2017. This electoral shift opened the possibility of advancing the Republicans' emerging vision of federalism. This agenda will affect many policy arenas, and the political dynamics are likely to vary considerably depending on the opportunity structures associated with each domain. In the case of abortion, for instance, a shift in the composition of the U.S. Supreme Court could lead to decisions that would fully transfer authority over policy back to the states, restoring the pre-*Roe v. Wade* status quo. In the case of social provision, the GOP's federalism agenda involves shifting control and financing of social provision towards the states.

Advancing that agenda became part of the new GOP majority's first legislative push. The American Health Care Act (AHCA) dramatically scaled back and restructured the ACA. Perhaps the biggest proposed changes, however, were to the joint state-federal Medicaid program, which has become the source of health insurance for sixty-five million Americans. AHCA would have transformed Medicaid from an individual entitlement into something more like a block grant—something that, as House Speaker Paul Ryan colorfully put it, "we've been dreaming of since we were drinking out of kegs." Medicaid reductions were projected to save the federal government over $800 billion over ten years (with the amount increasing every year). These savings would have largely offset the huge tax cuts for high income households also contained in AHCA (Hacker and Pierson 2018). The impact of these proposals would have been especially negative for older voters in rural areas, including in the South, who had given Donald Trump strong support in the 2016 election.

Success in this effort would have constituted an additional notable

shift in the federal character of the American welfare state. If the experience of welfare reform and ACA implementation are any indication, they would also have led to growing divergence among the states as the radically different politics of red and blue states were given greater room to operate. At least in the short run, however, this outcome failed to materialize. The political obstacles to repeal (internal Republican divisions, the unpopularity of the proposed cuts, and the need to operate through a complex and restrictive budgetary reconciliation process in order to avoid an inevitable Democratic filibuster in the Senate) led Republicans to pull AHCA before it had reached the House floor, and a revised proposal containing many similar features was eventually defeated by a narrow margin in the Senate. Gridlock in Washington continues, but the policy design of AHCA again suggests how much polarization has changed both the inclination to devolve authority to the states and the likely consequences of doing so.

Conclusion

Growing partisan polarization has produced striking changes in American politics over the past generation. That increase in polarization has been closely intertwined with the evolution of American federalism. Federalism probably fed rising polarization. The long-1960s policy boom nationalized policy, triggering a political reaction, especially on the right (Pierson 2014). The empowerment of red enclaves, especially in the South, facilitated the growth of a revanchist Republican Party. Federalism has also channelled the new polarization in important ways. It has increased the attractiveness of devolution for conservatives, and it has increased the probability that devolution would lead to highly variable outcomes across the states.

In short, there is little in the recent history of the American welfare state to support Riker's doubts about federalism's significance. Riker felt that changes in "preferences" (an elusive and in many ways question-begging term) were the ultimate drivers of politics and policy. And it is certainly true that the widening chasm between the preferences of the two major political parties and their supporters has been one of the central facts of American politics over the past generation. Yet this unfolding process better fits Banting's multi-causal, configurational account of federalism than Riker's unidirectional (and ultimately epiphenomenal) one. Federalism matters in multiple ways, and its most significant effects are likely to change as other features of a political

setting evolve.

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7

Political Institutions and the Welfare State in Canada and the United States

R. Kent Weaver

Political scientists have long argued over the policy consequences of concentrating policymaking authority in a single national level of government versus federalism, in which policymaking authority is exercised by sub-national governments or shared between levels of government (see, for example, Obinger, Castles, and Leibfried 2005).[1] Do federal systems promote policy innovation in states or provinces—so called "laboratories of democracy"—that enable policy experimentation and emulation of successful practices across those sub-national units (e.g., Graham, Shipan, and Volden 2012; Karch 2007)? Does it facilitate policy heterogeneity across sub-national units in response to variations across provinces in the balance of citizen ideological beliefs, or preferences for spending on particular policy sectors? Or policy heterogeneity reflecting differences in provincial fiscal capacity? Or is federalism likely to lead to a "race to the bottom" in government policies as sub-national governments reduce spending on populations such as welfare recipients that are seen as high demanders of government services and transfers in order to avoid in-migration of those populations, while lowering taxes and environmental standards on mobile factors of production in order to attract job-providing investment (Harrison 2006; Konisky 2007)?

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1. I will henceforth refer to first-level sub-national units generically as "provinces," and their governments as "provincial governments."

Keith Banting has brought to debates about the impact of federal institutions a nuanced and distinctively Canadian perspective, both in his classic *The Welfare State and Canadian Federalism* (1987) and in later work. In his essay "Canada: Nation Building in a Federal Welfare State," for example, Banting (2005, 94–95) argued that "three distinct models of federal-provincial relations are embedded in the [Canadian] welfare state, each with its own decision rules"—classical federalism, shared-cost federalism, and joint decision federalism—with "remarkably different implications for the expansion and the restructuring of the welfare state."

In this chapter, I build on and expand on Banting's tri-partite set of federal arrangements and his view that federalism may reflect competitive dynamics between levels of government to develop a more comprehensive set of what can be termed federalism *policy dynamics*—i.e., (1) *durable constellations* of political actors, strategic choices, and institutional arrangements in a federal system, that (2) result in distinctive patterns of policy outcomes. These distinctive policy dynamics, I will argue, are driven not just by constitutional-institutional arrangements but also by factors such as competitive pressures between sub-national governments and differing sets of ideological and fiscal pressures across provinces or states. The contribution of this chapter is to make those additional policy dynamics more explicit and outline the conditions that facilitate or inhibit their occurrence and increase or limit their policy impact.

The chapter addresses three linked questions. First, what are the causal mechanisms that underlie specific policy dynamics? Second, under which conditions is a particular policy dynamic likely to dominate in a particular policy sector, country and time period? Third, what causes policy dynamics to shift over time? Eight policy dynamics and the conditions that give rise to them are outlined in the first section of the chapter. Later sections test the analytical framework against Canadian and US experience in healthcare and public pensions, with a focus on the last thirty-five years. This is an admittedly somewhat arbitrary time frame, with a starting point that coincides roughly with the onset of strong austerity pressures in the two countries. The concluding section assesses the utility of this expanded set of policy dynamics in understanding the recent evolution of social programs in the two countries.

I make several arguments about North American experience in addressing these questions. First, I argue that even within specific sectors, the prevalence of particular federalism dynamics can vary across

countries and over time. Characteristics of past policy decisions, and in particular whether the feedback from particular policies are self-reinforcing or self-undermining in terms of the political coalitions and fiscal pressures that they create, play an important role in the evolution of those dynamics (Jacobs and Weaver, 2015). Second, I argue that the interaction of federalism and the welfare state in Canada and United States has been affected by two common (but far from identical) trends in the two countries: increased ideological polarization and increased fiscal stress. Third, the evolution of federalism dynamics in the two countries in recent years has continued to be shaped by differences between Canada and the United States, notably greater importance of territorial cleavages in Canada, contributing to continuing (though muted) competitive state-building in Canada versus increased institutional gridlock at the central level in the United States.

Varieties of Policy Dynamics Under Federalism

The literature on federalism and the welfare state identifies several different policy dynamics that may emerge in federal systems, and distinctive policy outputs and outcomes that may flow from those dynamics:

1. *"Internal determinants"*: provinces offer differing packages of services that correspond to policy preferences of residents and/or to the province's fiscal capacity, leading to continuing heterogeneity in policy outputs;
2. A *"laboratory of democracy"*: individual provinces experiment and learn from each others' policy decisions and emulate those that have made the "best" decisions, or at least those that are most popular with voters. Over time, this may lead to substantial policy homogeneity, at least among units with similar voter preferences and fiscal and administrative capacities;
3. *Preemption/supplantation*: Provinces innovate until the central government supplants those policies with a more homogeneous policy in response to pressures from affected interests for a uniform policy regime;
4. *Turf-claiming (*sometimes called *competitive state-building):* Provincial and central governments both try to establish jurisdiction over a contested policy sector, which may result in governments at different levels offering overlapping or competing programs;
5. *Joint-decision trap:* Policy outputs are static over time because supermajority decision rules in programs with shared federal-pro-

vincial responsibility constrain moves from the policy status quo (Scharpf 1988, 2006);

6. *Race to the bottom:* Provinces compete to offer lowest taxes and least services in order to attract business and discourage in-migration of low-income- and high-service-demanding people, leading to lower generosity and (increased, but not complete) homogeneity over time in provincially run social and environmental programs, with increased generosity in policies such as locational tax incentives for business;

7. *Mutual buck-passing:* Federal and provincial governments both dodge responsibility for making decisions in an area where jurisdiction is unclear and any decision will provoke opposition from powerful interests (Harrison 1996);

8. *Burden-shedding:* The central government cuts intergovernmental grants for provincially delivered programs in order to lower its expenditures while minimizing blame. Service-delivering provinces seek to shed centrally imposed mandates in those programs in order to match resources with program responsibilities.

Several factors influence whether a specific federalism dynamic emerges and becomes dominant in influencing the evolution of policy in a particular policy sector, country, and time period. First is what can be called *jurisdiction and policy regime characteristics*. This has several components. One is jurisdiction—e.g., whether the central government, provinces, or both have *legal authority* to act in a sector, and whether the federal government can act indirectly through its spending power to prompt provincial action through federal grants. The greater the authority of the federal government, the more likely a preemption dynamic will develop, while unclear jurisdiction may lead either to buck-passing or turf-claiming, depending on the incentives for governing politicians (discussed below). A second component is *decision rules*, notably whether there are multiple veto points and supermajorities required to enact any change from the policy status quo. The closer to a unanimity requirement, the more likely a joint decision-trap dynamic will develop.

A second set of characteristics involves the fiscal and administrative resource demands associated with a policy intervention. Policy actions that require few fiscal and administrative resources are more likely to be adopted by provinces than those that require substantial resources (e.g., implementing pension or health insurance for the general popu-

lace), and thus more likely to lead to an experimentation and emulation dynamic.

A third set of characteristics involves the number and heterogeneity of provincial units. As Harrison (2006) has noted, a small number of provincial units may facilitate "assurance games" in which provincial units collude to resist inter-provincial competitive pressures. Heterogeneity among provinces, notably in their citizen and elite policy preferences and in provincial government fiscal capacity, is likely to lead to continued policy heterogeneity (internal determinants dynamic), at least in policy sectors that are resource-intensive and have a high degree of ideological polarization.

Fourth, which federalism dynamics emerge is affected by agency as well as structure. Politicians respond to electoral incentives (though not all to the same degree). A policy innovation that enjoys broad support among the public and has few powerful opponents may spark an experimentation/emulation dynamic at the provincial level and (if jurisdictional authority exists) preemption at the national level. Policy proposals that spark blame by powerful interests, on the other hand, are likely to provoke buck-passing when jurisdiction is unclear. When the status quo is seen as putting the province at a competitive disadvantage, there may be political pressure on politicians to engage in a race to the bottom.

Each of these four factors can vary across countries, across policy issues, and over time. And all of the eight federalism policy dynamics outlined above seem inherently plausible despite their very different predictions about outcomes; indeed, all of them have been well documented as occurring in the "real world." But this very preliminary discussion of eight potential federal dynamics found in the literature, and conditions that facilitate or inhibit them, suggests several striking conclusions.

First, these policy dynamics rarely appear in "pure" form, because facilitating conditions rarely line up completely in favour of a single dynamic. In mixed cases, several conditions may favour a dominant policy dynamic, while others may act as a floor, ceiling, or damper on that dynamic. Particularly striking evidence for this conclusion can be found in Kathryn Harrison's conclusion to her edited volume *Racing to the Bottom?* (2006), which includes an assessment of provincial competition in Canada in a variety of policy sectors. Harrison's rich discussion cannot be summarized in full here, but overall she finds little evidence of a race to the bottom in the extreme form of a spiral

downward, though provinces may face a "chill" in which they set standards lower than they otherwise would in the absence of competitive pressures. Provinces face countervailing political pressures to enhance standards and taxes in some sectors, though "these upward pressures vary across policy fields, jurisdictions, and over time" (257). In environmental standards, the pattern is largely one of "harmonization punctuated by spikes of competition leading to more stringent policies when demand for pollution control spikes"; the major pattern is being "stuck on the status quo" (259). In social benefits, there were cuts beginning around 2004, but this appears to be less the result of interprovincial competition than a "race to the bottom spurred by the new ideational environment of neoconservatism and fiscal constraint" (259). Overall, Harrison argues for a "more nuanced understanding of interprovincial dynamics" (263), and argues that strong ideological differences across provinces and parties tend to "mute or even outweigh concurrent pressures from interprovincial competition." These patterns, she says, are caused in part by the small number of Canadian provinces, which facilitates an assurance dynamic as well as communication and face-to-face negotiation of harmonized standards that help to prevent a race to the bottom (266). These findings are, of course, entirely consistent with the general arguments about the determinants of variation in policy dynamics outlined above.

Second, specific *multiple* facilitating conditions make it more or less likely that a specific federalism dynamic will dominate in a particular sector in a particular country at a particular point in time: Federalism policy dynamics result not from jurisdictional arrangements alone but also from factors such as the political incentives that policy action offers to politicians at both levels of government and the degree of heterogeneity of provincial politics and fiscal and bureaucratic capacities. The prospects that a turf-claiming (or competitive state-building) policy dynamic will best describe the impact of federalism on government activity, for example, is enhanced by jurisdictional arrangements in which either level of government is able to intervene without the permission of the other, but also if those interventions are politically popular and lack very powerful opponents who believe they will suffer concentrated losses from government intervention by either level of government. A laboratory of democracy-style diffusion of innovation is most likely in a jurisdictional arrangement where provinces have exclusive or shared jurisdiction in a sector, where the governmental, fiscal, and administrative capacity required for a particular intervention are low, where

provincial units are relatively homogeneous in their policy preferences and fiscal capacity, and where a potential policy innovation offers policy and/or political advantages to provincial politicians who enact it. A race to the bottom dynamic, on the other hand, is most likely to emerge where provinces have exclusive or shared jurisdiction over a sector, the central government does not provide incentives or mandates to set a "floor" on provincial interventions, fiscal and administrative capacity required for the intervention are high, provincial units are very heterogeneous in their policy preferences and fiscal capacity, and provincial politicians fear the effects of competition on their state's economy and budget plus political fallout if they do not engage in that inter-provincial competition.

Third, each of the four broad sets of factors that appear important in determining which federalism policy dynamic takes a dominant role in influencing government activity can vary over time and across policy sectors within a specific country as well as across countries. This is most obvious with the distribution of costs and benefits: some policy sectors are more frequently characterized by an opposition of concentrated beneficiaries, for example, while others generally feature concentrated beneficiaries and diffuse cost-bearers.

A fourth conclusion is that if one policy dynamic dominates at one point in time, it does not mean that it will do so forever. If the underlying conditions that facilitate or inhibit a policy dynamic change, so may the dynamic. The race to the bottom path, for example, is based on collective action problems. The probability of mutual buck-passing is enhanced by uncertainty over jurisdictions. If these can be resolved—the former either by collusion between provincial governments to set benchmarks (Harrison 2006) or—more likely—by intervention by the federal government, and the latter by a clear constitutional decision on jurisdiction—a switch to the preemption dynamic may occur.

Initial choices made in establishing programs about how to structure relationships between central and provincial governments can have a major impact on later options—once a program, a bureaucratic apparatus, and a set of expectations are in place, they are likely to be difficult to change ("sticky"), but not immutable (Pierson 1993). The recent growth of a literature on self-undermining institutions and policy feedback suggests several conditions under which this may occur, notably when policies generate substantial losses that were difficult to foresee at enactment, when affected interests have incentives to resist the policy status quo rather than adapting, and when the menu of feasible

alternatives to the status quo expands (Jacobs and Weaver 2015).

Healthcare

The simultaneous operation of multiple, constrained, and evolving federalism policy dynamics is particularly evident in the healthcare sector. In the United States, a confusing array of healthcare programs, including a federal Medicare program for the elderly and disabled, a federal-state shared-cost Medicaid program for low-income Americans, and tax subsidies for employer-provided health insurance have created a healthcare system with very high costs and huge coverage gaps. Several self-undermining feedback outcomes (both fiscal and social) from these programs, and coverage gaps between them, have generated multiple federalism policy dynamics that varied across programs and over time.

The election of Democrat Bill Clinton to the presidency in 1992 gave a new impetus to expansion of healthcare coverage, but differences among Democrats on the appropriate roles of the federal and state governments were among the many issues that caused healthcare reform to bog down in Congress and fail to win passage in either chamber. After the Republican takeover of Congress in 1995, the new Congress considered converting the massive shared-cost Medicaid program into a block grant that would have given the states more discretion. There was, of course, substantial fear on the part of the states: as Texas's director of Health and Human Services put it, "Our worst fear is a block grant with all the rules, a capped entitlement that says, 'Do it this way and do it with less money'" (quoted in Weaver 1996, 66). While the new Republican Congress passed Medicaid block grant legislation, President Clinton vetoed it, illustrating the joint-decision trap federalism dynamic in an institutional system of multiple veto points. But the two congressional parties and the president cooperated in creating a State Children's Health Insurance Program (S-CHIP) implemented by the states, with substantial state discretion on coverage and program structure, as part of a massive budget compromise in 1997. The structure of S-CHIP reflects several factors: (1) failure of federal policymakers to agree on national standards or how big a program should be leads to a more decentralized program with capped expenditures; (2) a broad consensus on "doing something" and a set of political incentives favouring political action—healthcare for children is politically popular, at least in the abstract; and (3) political opportunities of "mega-deals" like the 1997 budget agreement can help to overcome multiple veto points in the US

political system (Oberlander and Lyons 2009; Rosenbaum et al. 1998).

After the failure of the Clinton administration's healthcare initiative in 1994, followed closely by a Republican takeover of both chambers of Congress later that year, efforts to enact universal health coverage moved to the states. But an experimentation-emulation policy dynamic did not develop. A number of states did consider efforts to develop quasi-universal healthcare, but only Massachusetts both enacted and implemented it in 2006 (Hawaii had already done so in 1974). A comprehensive study by Gray et al. (2010) of state policymaking activity on coverage expansion in the period between 1974 and 2002 found that internal state determinants—notably Democratic party control of the legislature and governorship and a structure of organized health interests—played an important role in determining the level of state activity in considering expansion of healthcare coverage. But they conclude that the failure of policy initiatives in many states "acted as a brake on further efforts to expand insurance coverage… policy bandwagons that do not move forward are not bandwagons" (105). Budgetary crises, too, played a role in stalling emulation of a policy innovation that requires substantial budgetary resources.

The Massachusetts model with its individual mandate did, nonetheless, serve as a key part of the model that Democrats sought to enact in expanding health insurance coverage. After an extremely partisan and contentious debate, Democratic majorities in Congress were (barely) able to force through the Patient Protection and Affordable Care Act (generally known as the ACA) in early 2010.[2] The legislative politics of ACA passage was driven by a desire to minimize disruption of individuals' existing insurance arrangements by "layering" on top of existing ones, as well as many compromises needed to keep wavering congressional Democrats on board. As a result, the ACA contained a variety of mechanisms that built on and expanded existing federal-state cooperation in healthcare, and partisan conflict continued to drive policy implementation after enactment of the ACA. Many states with Republican governors refused to set up state-run insurance exchanges, requiring the federal government to step in, as the Act required it to do. These battles went through several stages, and pitted Republicans' ideological preference to limit Washington's power by running their own exchanges against the desire of conservative Republicans to show intransigent opposition to the ACA by refusing all state cooperation with it.

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2. For detailed treatment of ACA enactment, see for example Starr (2011).

The latter position became dominant after the November 2010 midterm election, when Tea Party-endorsed Republicans made major gains in both the House of Representatives and state legislatures. Many of the decisions by states on whether to operate their own exchanges were not made until the last minute, contributing to the debacle of the roll-out of the federal health exchanges and several state exchanges (Jones, Bradley, and Oberlander 2014; Rigby 2012). While most of the technical and administrative issues with the exchanges have been resolved, rising cost of plans under the ACA in many states and the decisions of major health insurers to withdraw entirely from providing plans under the exchanges have undermined support for the ACA. Meanwhile, efforts by the state of Vermont to use the ACA as a vehicle for moving to a single-payer system have been withdrawn (Fox and Blanchet 2015; Goodnough 2015).

Republican governors and state attorneys general also filed lawsuits claiming that the federal government had exceeded its authority in requiring states to expand Medicaid coverage or face a complete loss of all Medicaid funds, which would have been an immense blow to state budgets. The U.S. Supreme Court agreed, giving states a choice over whether to expand Medicaid under the ACA or not. This led to a second major set of state battles, which once again frequently pitted pragmatic Republican governors' concerns over budget balancing (costs of the expansion would be borne 100 percent by the federal government in the initial years, falling to 90 percent in later years), service expansion to vulnerable populations, and pressure from hospital lobbyists seeking to increased revenues and a decline in uncompensated care, against pressure from conservative Republicans and conservative pressure groups (Béland, Rocco, and Waddan 2016; Hertel-Fernandez, Skocpol, and Lynch 2016; Rose 2015). The outcome of the ACA through the advent of the Trump administration is a very complex story, with both state exchanges and Medicaid expansion more closely resembling an internal determinants federalism dynamic of state action based on ideological differences, rather than the preemption dynamic favored by the Affordable Care Act's creators, especially after the U.S. Supreme Court limited the ability of the federal government to coerce state action through exercise of the spending power.

In Canada, the relatively comprehensive nature and high cost (though much lower than in the US) of its single-payer shared-cost healthcare system have shaped the scope of policy debates and its key battlegrounds. The sharp differentiation between the single-payer ap-

proach taken for hospital and physician payments and a much more market-oriented system for other parts of the health system (notably pharmaceuticals and long-term care) have also had an impact (see Tuohy 2009). Three key battlegrounds have been addressing remaining gaps in the system, quality issues (including wait-times) and struggles over federal requirements that accompany financing to the provinces for Medicare.

Overall, Carolyn Tuohy has characterized healthcare as "one of the 'rocks of stability' in an otherwise turbulent Canadian welfare state," although "not immune from policy drift at the margins" (2013, 285). As Tuohy has documented, the federalism policy dynamic in the single-payer system, physician/hospital sector has shifted over time. The 1990s were dominated by cuts in federal transfers to the provinces. This was followed by a catch-up period in the next decade. While Ottawa retained a commitment to the five principles of the Canada Health Act, it was often reluctant to enforce them, especially in Quebec. Even in the absence of federal mandates, provincial experimentation and emulation in response to common pressures to reduce costs resulted in the emergence of similar organizational outcomes in some areas, notably the near-universal adoption of "various types of regional authorities for hospital and community services" (Tuohy 2009, 477), although there was significant variation in how these authorities operate and whether they endured (Tuohy 2012, 626). But what is striking is just how little provincial experimentation and differentiation has occurred within the flexibility available under the single-payer, physician, and hospital services funded by the Canada Health Act. Carolyn Tuohy attributes this to the insistence of negotiators for healthcare providers "on the protection of a fee for service 'pot'" (Tuohy 2012, 627), leaving little fiscal room for new models of remuneration, while Gerard Boychuk (2013, 2) emphasizes Ottawa's refusal to clarify where flexibility is permissible, leading "opponents of reform proposals to label them as contrary to the spirit of the CHA and subsequently to their being abandoned" by politically risk-averse provincial governments. Both authors are likely correct, and when the blame-avoiding instincts of provincial politicians and the financial interests of providers are both arrayed against experimentation, a laboratories of democracy federalism dynamic is unlikely to develop.

Much greater cross-provincial variation is visible in parts of the healthcare system that are outside the single-payer framework, notably coverage of pharmaceuticals (Tuohy 2009). While all provinces offer

pharmaceutical coverage, which sectors of the population are covered (e.g., the elderly, the poor, or in Quebec, universal coverage under employer and employee mandates) differs. These differences are presumably driven at least in part by internal determinants of the preferences of governing parties in the provinces and in fiscal capacity, but Daw and Morgan (2012, 24) argue that "the idea of catastrophic coverage has had diffusion effects across the provinces and may become an implicit national standard." This is so, they argue (2012, 24) because it fits the criteria for policy proposal survival outlined by John Kingdon in his classic study of agenda-setting:

> First, implementation in several provinces has demonstrated the program's technical feasibility (i.e., it is clear how such a program would work). Second, the implicit values of the program are deemed acceptable in the current political environment: it protects the most vulnerable but does not interfere with the establishment of a private insurance role. Third, it eases policymaker's anticipation of future constraints, namely rising drug costs (by limiting government's role to payer of last resort) and an aging population (by shifting from age based to income-based eligibility). Finally, support for public catastrophic coverage has been expressed via the policy statements of a number of key interests, including private insurers, physicians, hospitals, pharmacists, and pharmaceutical companies.

Thus the "widespread provincial adoption of the catastrophic model indicates that the idea of last dollar public drug coverage is already becoming institutionalized in the Canadian political landscape" (Daw and Morgan 2012, 25). They caution that because of the path dependency effects of initial program establishment, federal financial rewards that further entrench this system would likely preclude more universal models. An older study by Anis, Guh, and Wang (2001) suggests that path dependence in a decentralized system may discourage supplantation by the federal government in an additional way: *which* drugs are covered also varies across provinces, so a nationalized set of standards that did not make anyone worse off would have to cover all drugs currently covered in any province, which would be extremely expensive.

Pensions

Canada and the United States have faced some common problems in providing for the income needs of their elderly population, notably an

increasing share of the population that is aged, a decline in the percentage of the population that is covered by traditional employer-provided defined benefit pension plans, and the growth of unstable, non-traditional employment (the "gig" economy). But differing feedbacks from past policy choices and differing institutional structures have influenced how the two countries have addressed pension policy over the past thirty years, including which federalism policy dynamics have been triggered.

In the United States, federalism has historically played a diminishing role in the public pension sector. The Social Security Act of 1935 created a nationwide contributory Old Age and Survivors Insurance (OASI, commonly known as Social Security) program. It also established a system of grants to the states for a means-tested program of Old Age Assistance (OAA), as well as Assistance to the Blind, Disabled, and Dependent Children.[3] All of the means-tested programs were administered by the states. Federal legislation enacted in 1972 converted the "adult" categories of aid (e.g., to aged, blind, and disabled) into the federally run Supplemental Security program. This federal supplantation provided fiscal relief to the states and was attractive to federal legislators in the election year of 1972 (see Derthick 1990). SSI payments are very low and have extremely onerous income and asset limits. States are allowed to supplement federal SSI payments, and forty-four did so in 2014, but these state supplements are also generally very low. States can either have the federal Social Security Administration (SSA) administer them or do it themselves; thirty-four states self-administer.

In the early years after 1935, OAA dramatically overshadowed OASI both in number of beneficiaries and in amounts paid, but as more Americans became eligible for OASI, the social insurance program came to dwarf OAA and its successor SSI both in numbers of recipients and in the size of payments. By 2014, OASI was paying out $706.8 billion to 48 million recipients, while SSI was paying out a mere $5.7 billion to 1.15 million aged recipients. Amounts spent on state supplementation are an order of magnitude smaller. These programs are supplemented by tax incentives for both employer-provided retirement plans and individual retirement savings.

In recent years, conflict over OASI and SSI has been considerable. In response to a looming funding crisis in Social Security, Republicans, es-

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3.   There is no US equivalent to the quasi-universal Old Age Security program in Canada.

pecially under President George W. Bush, have sought to allow individuals to partially opt out of Social Security and invest those funds in individual retirement accounts. Democrats in Congress have steadfastly resisted. The result has been prolonged policy stalemate (Weaver 2012). The federalism dimension in these debates has been virtually non-existent, however. No state has expressed an interest in supplementing OASI payments, let alone replacing it with a state program—and Congress would certainly not permit it.

Where states have begun to act in the absence of federal action, however, is in the area of supplemental pensions: mandating that employers who do not have their own retirement plans make low-cost defined contribution plans available to their employees. About half of US states have considered such initiatives, despite resistance from business interests. Eight states have enacted legislation either to plan for such a program or to actually put it into effect. While these plans have not yet reached the "take-off" stage of widespread copying (and may never do so), there clearly is widespread interest in them, and several efforts to promote cross-state interchange have been launched, such as Georgetown University's Center for Retirement Initiatives. Under the Obama administration, the federal government issued several rulings that were intended to make it easier for states and municipalities to undertake such initiatives without running afoul of federal rules regulating employee benefits. However, the Trump administration signed a congressional resolution overturning increased discretion for municipalities to set up such programs, with a similar action limiting state actions remaining under congressional consideration. The federal government, in short, retains substantial power to limit state experimentation where there are powerful interests in opposition and with close links to a united party government in Washington.

The Canadian story is far more complex, and very different. Multiple public pension tiers play critical roles in providing retirement incomes for seniors. The quasi-universal (benefits are "clawed back" for very high income individuals) flat-rate pension tier, known as Old Age Security (OAS) and income-tested tier, called the Guaranteed Income Supplement (GIS) are both run by the federal government, and both are financed through general revenues. Ottawa has been able to change OAS and GIS (and associated means-tested programs) unilaterally, because they are entirely federal. Efforts to do so—and in particular to promote retrenchment—have met with limited success, however (Béland and Myles 2005; Myles 2013; Prince 2012, 2013). Most notably, the Harper

government's plan for a phased increase in the OAS retirement age was reversed by its successor.

In addition to OAS and GIS, the Canada Pension Plan (CPP), a contributory social insurance plan pays benefits linked to an individual's contribution history. An opting-out clause allows Quebec to operate a separate Quebec Pension Plan (QPP) in that province. Indeed, the dominant federalism dynamic in the creation of the CPP/QPP was one of asymmetrical turf-claiming, with a newly assertive Quebec government seeking to increase its policy autonomy and its ability to use pension contributions to develop Quebec—a set of aspirations that was much less important to other provinces (Simeon 1972). Despite this contentious early history, contribution rates and eligibility and benefit levels in the CPP and QPP were harmonized, with a few exceptions.

Under the federal-provincial agreement setting up the CPP/QPP, changes in its structure require agreement between the federal government and a supermajority of provinces, making a joint-decision trap likely if provinces have very different preferences for program reform. As Daniel Béland (2013) has noted, assertions that the decision process for CPP/QPP reform would result in the joint decision-trap and policy stalemate enjoy mixed support. The so-called "Great Pension Debate" in the 1970s and 1980s was blocked by opposition from Ontario. But projections that the CPP trust fund would be exhausted by the year 2015, leading to soaring contribution rates, put CPP reform back on the agenda. Provincial vetoes—notably Quebec's refusal to consider most of the benefit cut proposals floated by Ottawa in its own QPP—clearly shaped the negotiation agenda. An agreement was reached in 1997 on a package of CPP/QPP changes that dramatically increased payroll taxes (though not until after the next federal election) and made a number of cuts in CPP retirement benefits that were mostly very technical and difficult for beneficiaries to discern and understand. In this case, overlapping provincial interests (notably an interest in not having to pay back loans borrowed from the CPP at low interest rates) helped to overcome potential gridlock (see Weaver 2004).

The new CPP legislation also put in place a new "default" or fail-safe procedure for ensuring the long-term financial viability of the CPP (for details, see Little 2008). The QPP did not initially have a similar fail-safe mechanism. The long-time linking of CPP and QPP benefits and contributions had another impact, however: because the demographic transition is more severe in Quebec than the rest of Canada, contribution rates that are sufficient to keep the CPP solvent are no longer ad-

equate for Quebec. In order to keep benefits of the two plans harmonized, the Quebec government in 2011 instituted an ad hoc increase in QPP contribution rates over a five-year period, to be followed by the institution of an automatic stabilizing mechanism that, unlike the one for the CPP, will be entirely on the contribution rate side, because benefit cuts would remove the symmetry between CPP and QPP benefits. The addition of a fail-safe to the QPP entirely on the contributions side suggests a very strong benchmarking effect for CPP/QPP benefits; it also suggests that policymakers in Quebec view benefit cuts (especially to levels below those in the CPP) as more politically salient than payroll tax rate increases.

An even more striking example of overcoming federal-provincial joint decision-traps has occurred in the area of CPP/QPP expansion. As in the United States, concern about pension inadequacy, especially given the decline of traditional defined benefit pensions in the private sector, gave rise to a variety of policy initiatives. In 2010, the minority Harper government briefly offered support for, but later withdrew, a modest CPP expansion (Béland 2013). In the absence of action at the federal level, Kathleen Wynne's Liberal provincial government in 2015 enacted the Ontario Retirement Pension Plan (ORPP) to expand pension benefits. With the election of a Liberal government in Ottawa pledged to CPP expansion, federal agreement was reached with eight provinces (all but Quebec and Manitoba; the latter signed on a few weeks later) to gradually increase CPP/QPP replacement rates, payroll tax rates, and earnings limits for payroll taxes; Wynne has argued that impending implementation of Ontario's legislation provided an action-forcing mechanism that helped to facilitate speedy agreement in June 2016 on a plan for federal supplantation of the ORPP (Taber 2016). Quebec eventually adopted a package modelled after the CPP plan. The policy dynamic, in short, is one of federal supplantation based in large part on provincial innovation even before the Ontario innovation went into effect, as well as benchmarking by Quebec.

Conclusion

Several conclusions emerge from the discussion in this chapter. The first is that, as Keith Banting has argued, distinctive sets of facilitating and limiting conditions can give rise to several distinctive policy dynamics within federal systems. Most obviously, jurisdictional arrangements run the gamut from those that allow either national or provincial

governments to independently undertake initiatives in a policy sector to those that require a consensus of all governments at both levels. Open jurisdiction lowers veto points and increases the prospects for innovation and government activism, while "consensual" jurisdiction (where the federal government and all provincial governments need to agree) is likely to freeze the policy status quo in place. But other factors, such as governmental capacity, resource requirements in particular sectors, the variety of cost-benefit distributions that characterize different policy sectors, and variations in the preferences of voters in territorial sub-units, may also affect which policy dynamics are dominant in a particular sector, country, and time period. The effect of each of these factors on federalism policy dynamics is mediated by the incentives it provides for politicians to propose new policy initiatives, increase or cut back on existing policy outputs, or simply to stand pat and perhaps try to keep troublesome and ultimately hopeless issues and proposals off government's agenda. Given this diversity of causal factors, it is not surprising that scholars have disagreed on whether federalism promotes or inhibits policy innovation and government activism.

A second conclusion is that it is useful to distinguish agenda-setting, policy adoption, and implementation stages of the policy process in considering federalism policy dynamics. A "laboratories of democracy" dynamic is likely to be especially common at the agenda-setting stage, and it will be facilitated where there are well-developed policy networks of experts that communicate about potential solutions to shared problems (what John Kingdon called the "policy stream"; see Daw and Morgan 2012). Research and debate on potential innovations that are being debated or adopted in other provincial jurisdictions is relatively cheap; actually financing and implementing them is not. Other federalism dynamics, notably internal determinants and potentially a race to the bottom and burden-shedding, are likely to play a larger role when issues reach the decision agenda stage, or are being implemented, or are up for reconsideration. In general, factors that are outlined here are better at predicting the federalism agenda than actual policy change because the latter is shaped heavily by how much institutional arrangements at each level of government favour gridlock and stalemate.

Third, while the four conditions (jurisdiction and financing, resource requirements, politicians' motivations, and heterogeneity of provincial characteristics) outlined here as facilitating or inhibiting the emergence of specific federalism dynamics clearly do play an important role, they are not the only causal factors. Strong channels of communication be-

tween provinces may help to facilitate the laboratories of democracy path (Weaver 2014). The existence of multiple veto points in political institutions at the central government level, as in the United States, may weaken prospects for supplantation by the central government and facilitate an internal determinants dynamic of policy variation across provinces or states. Courts have proven to be important arbiters of federal policy dynamics in both countries. In the Canadian Supreme Court's 2005 decision on Quebec legislation banning private insurance for publicly provided services provoked increased attention to wait-times. In the United States, the Court's 2012 ruling on state discretion over Medicaid opened up an internal determinants policy dynamic that had been presumed to be largely foreclosed.

Fourth, which policy dynamics have been dominant in specific sectors have clearly been influenced both by common and diverging characteristics of the two countries. Increased ideological polarization and increased fiscal stress are notable influences on policy dynamics in both countries, although the former more so in the US. But differing national characteristics clearly matter as well. In particular, territorial cleavages play a bigger role in Canada than in the United States, leading to continuing (though muted) competitive state-building in Canada, while increased institutional gridlock has characterized policymaking at the central level in the United States. As Derthick (2001) suggested, this sometimes creates an opening for shared-cost programs as a compromise when both parties feel pressure to do something but cannot agree on what do.

A final tentative conclusion concerns institutional and program design. Because choices made early in a program's development are likely to narrow the range of later institutional choices and paths of policy development, initial decisions about how to allocate jurisdictions and financing mechanism are likely to give rise to durable policy dynamics. Exclusive provincial jurisdiction, for example, is more likely to provoke a race to the bottom than a policy regime that allows for central government preemption or conditional grants that allow the central government to shape provincial policy choices.

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FEDERALISM, IMMIGRATION, AND DIVERSITY

Canada's Changing Citizenship Regime Through the Lens of Immigration and Integration

Jane Jenson and Mireille Paquet

Over the course of his career Keith Banting has developed a distinctive analytic voice, one that rests on two different but complementary emphases. One is attention to the capacity of public policy to maintain the social solidarity traditionally attributed to Canada, a normative stance prompting analyses of poverty, immigration, Canadian sovereignty, multiculturalism and so on. The second emphasis documents the impact of institutions on public policy and has led to analyses of federalism, immigration regimes, and the welfare state more generally. Putting these two together, one arrives at a body of work that has asked big questions about fairness, nationhood, and, increasingly, political change via an analysis of the consequences of institutions and policy regimes.

Inspired by both emphases, we analyse the Canadian citizenship regime and its shift over the last twenty-five years towards being more decentralized and province-centric with respect to one of the fundamental aspects of any such regime, the policy discourses and practices surrounding immigrant selection and integration. We trace these change processes in this one policy domain through institutions, examining both the ideas and strategies actors deployed to develop policies and the effects of these strategies for regime design. In this manner

we retrieve what was explicit attention by Banting (1979) to the role of "intellectual" as well as institutional influences in policy change. We thereby remain firmly within the tradition of a longstanding branch of historical institutionalism that has always been concerned with ideational innovation as an explanation of change.

This chapter first describes the shifting contours of the Canadian citizenship regime, with respect to immigration and integration. Then we analyse the processes of reworking policies and practices of immigration and integration as one of actors' strategies, particularly provincial bureaucracies, driven in large part by their ideas about economic development and their strategies to foster it. Our analytic claim is that the result for this policy domain is a process of "displacement," involving another institutional configuration and alternative behavioural logics (Streeck and Thelen 2005, 19–20). Within the area of immigration and integration, what was intended to be a single pan-Canadian regime after 1945 has been restructured, beginning in the 1990s, by two mechanisms. One is decentralization, a mechanism that provides a reason for change but does little to account for the modified content and direction of provincial policy choices. A second mechanism of province-building reveals that all ten provincial governments deployed development models within which immigration was understood as a significant *resource* for provincial societies (Paquet 2014a, 2016).

Immigration and Integration. From One Citizenship Regime to Another

The Canadian citizenship regime began to change significantly in the mid-1990s (Jenson and Phillips 1996). At the time, the country faced several challenges: difficult relations between Quebec and the rest of Canada following years of constitutional conflict; the challenges to received ideas of social solidarity in Canada's "neoliberal moment during the 1990s" (Banting and Myles 2013, 2); and political and particularly constitutional mobilization of Indigenous peoples. Two decades on, we have yet to achieve a clear picture of the current citizenship regime. This uncertainty is in part because more analytic effort has gone to lamenting the demise of post-1945 liberal citizenship and developing an accusatory critique of neo-liberalism than to describing any process of displacement. But the more important reason is that even describing regime change has been a challenge for historical institutionalists, one branch of which locked on early to an interest in, and search for, exogeneous and abrupt changes followed by path dependency, leav-

ing aside their theoretical purview of other processes of incremental change. Over the last decade, however, the mainstream of historical institutionalism has recognized the need to understand better "gradual transformation" by "incremental 'creeping' change" and not to "code all that appears to be new as a variation of the old" (Streeck and Thelen 2005, 9–16). In meeting this challenge, greater attention has gone not only to actors' strategies, but also to actors' orientations and changing meanings—indeed their "ideas." In doing so, the analyses thereby narrowed the long-standing divergence within historical institutionalism itself between an emphasis on mechanisms and one favouring cognitive approaches.1 They have arrived where Banting was already in 1979, when he wrote "the making of policy is both an intellectual activity and an institutional process" (Banting 1979, 4). This newer literature also explicitly reduces the gap between those analyzing regimes (for example, Esping-Andersen 1990; Jenson and Phillips 1996) and "institutional analysis," by defining an institution as a regime (Streeck and Thelen 2005, 9–16). We share these tools here to take stock of the changing Canadian citizenship regime.

A citizenship regime, broadly understood, "denotes the institutional arrangements, rules, and understandings that guide and shape concurrent policy decisions and expenditures of states, problem definitions by states and citizens, and claims-making by citizens" (Jenson and Phillips 2001, 72). As a time-situated and practice-embedded construct it can be used as an analytical lens to consider together citizenship institutions and citizenship practices. The label "citizenship" brings with it the now quite widely accepted understanding of citizenship as going well beyond the narrow passport-carrying status of nationality (for example, Papillon and Turgeon 2003, 317–18). "Regime" implies more than a policy, being a relatively stable set of interconnected and patterned practices plus the discourses that surround them. The concept of regime permits identification of patterns of similarities at the level of narratives and norms about solidarity and in state-society relations, despite variation in the details of policy design or instruments (Jenson 2008, 535).

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1. A foundational document of historical institutionalism describes its bifurcation to two branches: (1) the study of change within institutional settings, and (2) the role of norms and processes of ideational innovation (Thelen and Steinmo 1992, 13–14). The first was the predominant branch, leading to the enthusiasm for path dependency, and the second developed a passion for analyzing paradigms (Jenson and Mérand 2010).

In the institutional configuration and behavioural logic of the post-1945 citizenship regime, "Canada" was meant to erode identification with more than to recognize its regions. When Paul Martin, Sr. presented the Citizenship Act to the House of Commons in 1946, he said: "it is not good enough to be a good 'bluenose' or a good Ontarian or a good Albertan. Sectional differences and sectional interests must be overcome if we are to do our best for Canada. The only way this can be done is through encouragement of the feeling of legitimate Canadianism…" (Kaplan 1993, 73). The regime rested on numerous country-spanning institutions organized by the federal government, including the CBC (television broadcasting began in 1952) and major projects such as the Trans-Canada Highway (begun in 1950) and the St. Lawrence Seaway (1954–59). Social programs provided a representation of individual Canadians linked by "safety net" social programs, and promoted by the federal government, which fashioned itself as a "senior" government (Banting 1987). Equalization payments smoothed out the effects of geography and unequal resource distribution among provinces.

Access to political representation was assured by a pan-Canadian party system focused on the leader instead of the regional bosses predominant in the interwar years (Jenson and Phillips 1996, 116) and by newly created institutions of representation. One example was the Canadian Labour Congress (established in 1956) headquartered in Ottawa even though provincial governments regulated labour relations. There was also symbolic and programmatic acknowledgement of particular categories of equality-seekers. Feminism, official bilingualism and multiculturalism conferred individual liberal rights, but there was also an understanding that translating categorical rights into equality would require support for their advocates (Banting 2010, 810; Pal 1993). Thus, intermediary associations were recognized as vital actors in the citizenship regime.

The immigration and integration policy domain followed this configuration and logic. The focus was on nation-building and creating institutional capacity across the country, under the direction of the federal government. Despite being a shared jurisdiction in the Constitution, provinces generally avoided involvement, fearing both political and financial costs. In addition to handling selection, Ottawa was responsible for social programs extended to newcomers, including settlement services organized by, among others, the Citizenship Branch of the Department of Employment and Immigration (Vineberg 2012, 20–21). Language training or health services provided by provincial depart-

ments were usually funded in the same way as other social programs favoured by the federal government: provinces were enticed to provide the service by the federal offer of covering 50 percent of the cost (Vineberg 1987, 305–06). Fostering a Canadian identity was a task shared with civil society. As in other policy areas, the practice was to provide support for intermediary associations representing immigrants. As early as 1951 the Citizenship Branch funded voluntary organizations to provide programs for citizenship training, and grants to ethnic organizations to promote incorporation and immigrants' identification with Canada continued for decades (Pal 1993, 79, 85, 189, 200).

Starting in the 1990s, however, restructuring of this configuration of institutions and practices began, in favour of a significantly larger role for provinces (Paquet 2014a). Meanwhile, the federal government retrenched its spending (Bloemraad 2006, 681). Such adjustments to the citizenship regime occurred incrementally, in the absence of any crisis related directly to immigration and without a retreat from the generally pro-immigration approach of the "Canadian model" since the 1960s. Rather than the federal dominance that had characterized the post-1945 situation, however, the provinces and the federal government began to develop complementary approaches to immigration and integration. Indeed, as we will describe, it was the provinces that often innovated in instituting new policy discourses and practices.

The new division of labour saw the federal government continuing to control access to the more formal elements of citizenship (the right to enter the country; access to nationality) whereas the provinces took over many practical dimensions of integration as well as started identifying "their" newcomers through selection programs. A series of individual accords signed with Ottawa provided each province with the policy space to alter significantly not only the governance of the regime but each of its three dimensions of rights, access, and belonging.[2] Table 8.1 compares the elements of both citizenship regimes in this policy domain. The characteristics of the new regime are then described in more detail below.

A major modification of the regime affects the dimension of access to participation in Canadian society. Adjustments in the institutional configuration of governance means that the provincial governments have started to create direct relationships with newcomers who have

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2. These three dimensions are elaborated in Jenson and Phillips (1996, 112–14) and Papillon and Turgeon (2003, 317–18).

Table 8.1

From One Regime to Another for a "Country of Immigration"

	Post-1945 Citizenship Regime	Post-1990s Citizenship Regime
Access to participation	Unilateral selection by the Government of Canada of who could legally enter and reside, based on principles of economic contribution, family reconciliation, and humanitarian needs.	A dual-track route to entry and right to reside. A federal selection process paralleled by a provincial nominee program. Provinces enter directly into contact with their own pool of immigrants, chosen to meet provincially identified economic or demographic goals.
	Federal leadership via policy design and funding of immigrant settlement and integration.	Until 2014, settlement is federally and provincially managed. Integration is provincially designed and managed.
	Significant public funds to civil society groups to structure their participation in integration programs and "citizenship training" that would allow immigrants to learn about and gain access to public life.	NGOs provide services under contract to ensure participation in the labour market.
	The goal of integration is inclusion as "new Canadians"; rapid naturalization a policy goal.	The goal of integration is inclusion as "new worker"; naturalization remains a policy goal.
Rights and obligations	Duty of male immigrants to quickly find a place in the labour force.	Duty to participate in the economy but limited protection from market failure.
	Access to social rights on the same terms as other workers.	Acceptance of differentiated labour rights that depend on the specific route of entry.
	Admission to language training in at least one official language and to employment services.	Provinces as well as the federal government assure access to the labour market, via protection from barriers.

Table 8.1, continued

From One Regime to Another for a "Country of Immigration"

	Post-1945 Citizenship Regime	Post-1990s Citizenship Regime
Belonging	Belonging to Canada as a whole, "from sea-to-sea."	Belonging to and building a "provincial community" alongside "being Canadian."
	Canadian identity based on liberal norms and values, without the requirement to abandon a cultural identity derived from place of ancestral origin.	Contributions of good citizens are primarily through their economic roles; little attention to cultural or other contributions.

Source: Authors' compilation.

gained access to Canada by being selected by one particular government. Entry and residence may now involve either the federal or a provincial government. Nine provinces can directly select immigrants via the Provincial Nominee Program (PNP) while Quebec does so via issuance of selection certificates. Among others, the goal of this change was to encourage effective matching of provincial labour force needs and incoming workers.[3]

While immigration has always been linked to economic objectives in Canada (Green and Green 1999), the PNP legitimized a stronger market-oriented foundation for immigrant selection, one intended to fill specific gaps in provincial labour forces as carefully identified by provincial agents.[4] Numerous expressions are available that demonstrate this focus on workers and employment as the basis for access to participation in a Canadian province. This one from then-premier of Alberta, Ralph Klein, is typical. Introducing the 2004 economic development plan for his province, he wrote:

> The Alberta government will take steps to attract skilled workers from outside the province, which could include a made-in-Alberta immigration policy that focuses on skilled immigrants. Government also needs to be sure that immigrants to Alberta get full recognition for the professional qualifications they bring with them so that they can make the greatest possible contribution to the province. These new strategies will help position Alberta more competitively in the global market, supplement the province's future supply of skilled workers, and ensure full participation in Alberta's communities. (Alberta 2004, 8)

All provinces have relied on their selection capacities to shape the

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3. The Provincial Nominee Program (PNP) works by allowing all provinces (except Quebec) and two territories to select some candidates for permanent settlement, based on expected contribution to meeting labour needs (including sometimes whether a job offer exists). Since its 1991 immigration devolution agreement, Quebec may select in more categories of new-comers, including some groups of refugees. PNPs were more important for some provinces than others; the percentage of all immigrants entering via the PNP in 2011 ranged from 2 percent in Ontario to 90 percent in Prince Edward Island (Seidle 2013, 5). If recommended by a province, applications are then reviewed by the federal authorities to ensure compliance with general criteria listed in Canada's Immigration and Refugee Protection Act, such as no criminal record and acceptable health. About 96 percent of provincial nominees were approved between 2005 and 2009 (Canada 2011).

4. Indeed, while some provinces originally had family unification or investor streams, these were closed down (Seidle 2013, 8).

direction of economic development and particularly to respond to the imperatives of ageing societies. The programs provide "considerable leeway" to do so (Seidle 2013, 3). Thus provinces with high immigration rates, particularly Ontario, used the program sparingly, concentrating only on very high-skilled applicants identified specifically by employers, whereas provinces with low rates of immigration focused on attracting as many qualified applicants as possible, using broad categories of skills and occupations (Paquet 2016). Because of the PNP focus on economic immigrants, they have tended to target specific occupations, from doctors to sewing machine operators (for example, Dobrowolsky 2013). Indeed, the latter were the preferred choice of Manitoba, when it was the first province actively and innovatively to use the PNP program in the 1990s to revive its garment industry (Lewis 2010, 243).

The provinces also used their involvement in settlement and integration services to ensure social inclusion.[5] Integration into work is the major way to integrate into full "participation" in Canada, and the provinces have disseminated this vision. In British Columbia, for example, the government described its understanding of access to participation in society this way:

> The abilities of a new immigrant to communicate in English and to attain employment in a job that is related to their previous skills, knowledge and experience are good indicators that a newcomer has successfully integrated into BC society. Successful integration is vital for BC to be seen as a preferred place for newcomers to live and work. [...] A key element of WelcomeBC is delivering English language classes to adult newcomers to ensure that they have the language skills they need to move forward in their careers and become part of their new communities, and includes targeted labour market programs referenced under WorkBC. (British Columbia 2009, 27)

In other words, the labour market now acts as the central institution of inclusion. The modalities of access to participation in Canadian society as well as political representation now involve a coupling of provincial and federal strategies and actions. Recent changes by the federal government confirm the reorientation to which provincial involvement

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5. This element of the story was altered when the agreements on integration and settlement were withdrawn by Ottawa, in 2013 for Manitoba and 2014 for BC.

in immigration and integration opened the way, even building on provincial innovations. The centrepiece of the new federal approach—the Express Entry, implemented in January 2015—is a procedure for the selection of skilled migrants. Based on a rejection of the idea that human capital (that is, education and work experience measured via the point system) alone could foster integration, the Express Entry links immigration candidates to Canadian job offers prior to their arrival (Canada 2015). By making an offer of employment an almost necessary condition for this route to entry, the new system gives employers a significant role in the choice of immigrants. The policy approach builds on the experience of provinces, by making a close match between short- and medium-term labour market demand and permanent immigration a central policy objective. The state's role is to foster the bridge to employment, but market participation signifies successful integration.

Of course, Canadian immigration policies have always been driven by labour-market needs. In the 20th century, goals ranged from peopling western agricultural lands to ensuring an adequate supply of industrial workers. Thus the first duty of any male immigrant identified in the post-1945 citizenship regime (as the duty of all male Canadians) was to achieve economic independence. This remains the case. What has changed, however, is the displacement of provincial and federal attention away from other forms of citizen participation. A second change is the differentiation of rights between "ordinary" workers and newcomers.

Changes to federal practices are as important here as provincial ones. With the labour market framed as the site of newcomers' inclusion, other forms of citizen participation receive less support than in the previous citizenship regime. The federal government has cut back its emphasis on citizenship preparation (Paquet 2012). Civil-society groups are now implementation agents for public programs to ensure immigrants are market-ready. These groups serve newcomers facing difficulties entering the provincial labour market, including those defined as "dependants," with remedial measures to enable employment. Services include language training and general employment orientation services for family members of economically selected principal applicants and for federally selected immigrants that are not covered by federal settlement services anymore. Semi-autonomous implementation agents, these intermediary groups are not expected to provide support for political representation or to be immigrant-specific sites of representation.

In the case of social protection, provinces have undertaken structural changes to target direct and indirect employment discrimination. These include the creation of ombudsman-type offices, the establishment of working groups with professional orders, the development of bridging programs focused on Canadian work experience, including financial support for licensing and training of individuals. Provincial discourses about newcomers thus clearly include promises about their right as workers to be protected from discrimination and actions to back promises up. But there is little if any emphasis on the cultural rights, that in the past had been associated with successful integration; instead neo-liberal multiculturalism now values linguistic diversity and ethnic networks as useful in a global economy (Kymlicka 2013, 109).

At the same time, the new citizenship regime includes increasing tolerance for variations in the experience of newcomers, with respect both to integration services and to actual visa status, which carries over into differences in access to social services and benefits. The exponential growth of the federal Temporary Foreign Workers' category since the mid-2000s effectively enlarged a category of workers with limited rights, one that in the previous citizenship regime was small (Worswick 2013). In addition to restricted labour mobility, temporary workers have variable and limited rights to social programs, including healthcare and workplace protection, and these rights differ by province of residence (Baglay and Nakache 2013).

Citizenship regimes also draw the boundaries of the community, identifying the entity deserving allegiance. This dimension of a regime is strongly related to the others, as it delimits the space where rights as well as responsibilities are practised. The post-1945 citizenship regime in Canada supported the establishment of strong ties between immigrants and Canada as whole, as described above. Now the more visible and active presence of the provinces in shaping immigrants' experiences generates the possibility for stronger links to the province. One grounding for this identification is the now decentralized responsibility for social services that previously provided a sense of common purpose as well Canadian identity. Social services have been significantly provincialized since the mid-1990s and "competitive state-building" is developing (Banting and Myles 2013, chapter 10).

Provincial governments are active in the promotion of belonging in ways that link provincial well-being to immigrants. As with other dimensions, belonging to the province is built as part of newcomers' identity as workers and members of a family unit, but they are also de-

scribed as contributing to everyone's success by building or strengthening the provincial economy. As such, they are part of a provincial project of economic development and involve active promotion of the province as an "immigrant destination" (see for example Belkhodja and Traisnel 2011). In 2007, Newfoundland and Labrador's government projected these positive boundaries of belonging in the Legislative Assembly, for example:

> My Government will also enrich our investment climate by encouraging those from away, not only to do business in Newfoundland and Labrador, but also to make Newfoundland and Labrador their home. … Newfoundland and Labrador offers immigrants the best quality of life in Canada, freedom, security, economic opportunity and a sense of family. Immigrants, in turn, bring to Newfoundland and Labrador new ideas, new ways of thinking, strong connections to foreign markets and significant benefits for the local communities in which they establish businesses and employ their new neighbours. (Roberts 2007)

This definition of belonging coexists with belonging to Canada as a whole; the two identities are complementary. But fostered by the very discourses justifying the selection of "their" immigrants and providing services to them, the provinces have emerged as economic units in a globalized world and, at times, in competition with each other. Belonging to a province is now to be part of a specific community, where social risks are mitigated and where modern economic development is established. The "good 'bluenose' or a good Ontarian or a good Albertan" that Paul Martin thought in 1946 would be supplanted by "Canadians" have re-emerged. What factors account for this change?

Institutional and Intellectual Change in the Citizenship Regime

How can we understand this adjustment to the approaches to immigration and integration in the citizenship regime?[6] Here we argue that historical institutionalism can help us to follow the province-building focus of immigration discourse and practice that is a process constructed within provincial institutions responsible for economic develop-

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6.   This section builds on interviews conducted with provincial public servants and elected officials in 2011 and 2012; seventy-three semi-directed elite interviews were conducted with individuals active on the immigration file in all provinces and in Ottawa during the 1990–2010 period.

ment and labour. These institutions gained or increased their responsibility in the policy domain as the federal government decentralized a portion of immigrant selection programs and of integration services. In reaction, provincial actors generated a process of change that can be labelled "displacement," by which is meant "shifts in the relative salience of different institutional arrangements," including new policy directions in response to "active cultivation by enterprising actors" (Streeck and Thelen 2005, 21–22). This identification of a mode of change—one of four or five possible types—helps to understand some part of the story of the restructuring of the Canadian citizenship regime.[7] It helps to document how actors make change, as new institutions replace existing ones for certain decisions. But understanding what they were trying to do needs a larger narrative.

To provide it, we retrieve a conceptual apparatus developed by Keith Banting that is compatible with the "corrections" to historical institutionalism provided two decades later. To explain the resurgence of poverty as a political issue in 1960s Britain, Banting argued the change was the result of the interaction of an intellectual process and an institutional process. Innovation, he claimed, was brought by ideas from a small group of people[8] whose expertise were politically influential at a moment of uncertainty about policy direction and because there were communication channels linking them to decision makers. These ideas defined the policy problem and helped place poverty on the government's agenda. Fully aware, however, that ideas by themselves account for little—"… knowledge is not power" (1979, 144)—Banting argued for attention to the interaction of the intellectual cycle with the cycle of institutional actors. It is only, according to him, when there is a rare compatibility between these two cycles that innovation, which he understood as a departure from past policy, is likely.

What we can observe in our case is that the adjustments to the Cana-

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7. Streeck and Thelen (2005) create a typology of five modes of change; Mahoney and Thelen (2010, 19) retain only four (displacement, layering, drift, conversion) and drop one (exhaustion).

8. In the case of poverty policy in Britain, the intellectual impetus came from academics (Richard Titmuss, Peter Townsend, etc.) working in the British discipline of social policy. Fifteen years later, Peter Hall described the rise of monetarist economists who displaced the Keynesians whose economic theory underpinned much earlier social policy thinking (1993, 284–86). Both Banting and Hall relied on Hugh Heclo's interpretation of the role of ideas in policy, and particularly the combination of "puzzling" and "powering."

dian citizenship regime occurred as decentralization, a mechanism triggered by the federal government, intersected with provincial governments' concerns about their economic, social, and demographic survival in the difficult years of the 1990s, marked by rapid technological change, high levels of public deficit and debt, and rising inequality. As the provinces addressed these challenges, they were forced to make use of their own intellectual resources; the federal government had signalled its determination to solve its own debt and deficit challenges by off-loading to the provinces (Banting and Myles 2013, 77–78). And, as their level of anxiety increased, provinces acted, making administrative changes and innovating within the bureaucracy, by identifying immigrants as a potential solution to local needs. But with the exception of Quebec, they lacked experience with immigration.[9] In line with their concerns, they positioned the portfolio in an "economic" department, whose administrative brief was economic development and labour force development.[10] This location implied reliance on the intellectual expertise of provincial civil servants in place to cope with the new context of decentralization and to achieve their goals of provincial development.

The displacement process began when the federal government made a crucial move. It chose to decentralize some elements of the immigration and integration domains in the 1990s, at the same moment and for similar reasons that other components of the citizenship regime were being redesigned (Jenson 1997). Given the Constitution, the possibility of greater provincial involvement always existed but the post-1945 nation-building focus of immigration meant that possibility was little acted upon. Contemporary decentralization in immigration began as a constitutional issue, in response to the failure of the Meech Lake Accord in 1987.[11] In 1991, Ottawa signed the Canada–Québec Accord Relating to Immigration and Temporary Admission of Aliens with Quebec (1991), as a way to partially lower the tension with the province. This

9.   With immigration reform in the 1960s some provinces established small bureaucracies for immigration. They were often housed in agriculture or education departments. They tended to be very closely tied to the regional branches of the federal Department of Manpower and Immigration that had immigration agents in each province by the 1970s (Vineberg 1987, 308–09).

10. Vineberg (1987, 304–05) describes a similar initial placement of immigration at the federal level as a branch of the Department of Mines and Resources, until the creation of a Department of Citizenship and Immigration in 1950.

11. We do not analyze this decision or its implementation in detail. For more, see Paquet (2016, chapter 2).

agreement represented a departure from past immigration agreements with Quebec (in 1971, 1975 and 1979) by devolving most of immigration and integration to the province, with an escalator clause for financial compensation. Motivations for the PNP accords were different.[12] Attempts to off-load a portion of the responsibilities for settlement, as part of the 1995 Program Review exercise, were driven by a clear federal interest in cost efficiency, and this increased fear among provincial bureaucrats (Paquet 2014a). One analyst described provincial reactions in the context of program review "it was like, 'What! Are you going to dump another thing on us!'" (interview, retired federal public servant 1, 2011).

Nonetheless, after the federal government agreed to increase funding, provinces recognized they might gain the discretion needed to address the realities of their labour markets and demographic needs, displacing federal choices with their own (Seidle 2013, 4–6). The result was a patchwork of agreements, financial arrangements, and programs, negotiated individually in response to each province's self-assessment of its interests, needs, and possibilities.[13]

With these agreements, provinces engaged in a new round of province-building, this time focused on immigration as the central resource. As described by a BC public servant: "What happened is I think that BC […] really started to get concerned about human capital and skill shortage and having the right skilled people, the right skills coming; they started to see it as part of its society-building" (interview, retired BC public servant 1, 2012). The result has been the adoption and implementation of immigration and integration policies within a framework of province-building that partially displace the nation-building perspective of the first post-1945 decades. Immigration and concomitant attention to the integration of immigrants and stabilization of their presence within the province was viewed as making a contribution to general well-being for the provincial community, just as natural resources were understood to do so in an earlier heyday of province-building in the

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12. The first were in 1998 (BC, Manitoba, and Saskatchewan); when Ontario signed on in 2005, all provinces had an immigration agreement.

13. The agreements range from a devolution of immigrant selection and integration (Quebec) to the transfer of responsibilities for settlement and integration services (BC and Manitoba), cooperation in management of integration services (Alberta and Ontario until 2010) and collaboration in immigration (remaining provinces; Banting 2012). In a 2012 unilateral federal decision, the BC and Manitoba settlement transfer agreements ended in 2015.

1960s and 1970s (Black and Cairns 1966).

In the selection of the strategy we can see the intersection of an intellectual and an institutional cycle, triggered by the offer of decentralization that allowed displacement to proceed. In most provinces, the initial approach did not identify immigration as a resource. Economic and demographic anxieties were salient; provincial governments faced growing deficits, multiple signs of the consequences of population ageing, and uncertainty about Ottawa's continued financial involvement. Confronting several challenges, provincial bureaucrats and the executives began a process of "puzzling." It was elite-driven and unfolded outside of electoral politics and quite independently of civil society involvement.

Provincial public servants were the central movers of these cycles.[14] These were upper-level policy analysts, managers, and, on some occasions, deputy ministers. These bureaucrats with their ideas about linking economic development to immigration can be seen as the "missing link" between the policy development and the relative societal silence on the issue at the time.[15] They acted as policy entrepreneurs, bringing forward the proposal that immigration could be the solution to several vexing problems on the agenda of their provincial governments (Paquet 2015). As described by a former Manitoba public servant:

> What had been happening in the province of Manitoba was that [...] our population was not keeping pace [...] and there was interest and concern for the depopulation of rural areas and we had a number of labour shortages that had been identified ...we did this kind of graphic for Cabinet saying "all right, these are the areas we have issues in and here are potential ways to solve these issues." (interview, retired MB public servant 1, 2012)

This was not always an easy case to make, as provinces lacked ex-

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14. This is a difference with Banting's (1979) case. The intellectual cycle was not one in which academics had a large influence on the definition of the problem (Paquet 2015).

15. Despite the emphasis in most models on the role of partisan politics translating societal demand for policy, this case is not atypical of contemporary policy. In the areas of social policy redesign, it is hard to find that the "social investment perspective" or even responses to the new social risks are being developed and pushed by partisan actors in the name of strong constituencies (for example Bonoli 2005, who wonders about this). Moreover, the role of financial agencies in "social" fields is also quite typical (Jenson 2012).

perience in the policy area and as they were still adjusting to the unilateralism of the federal government in the mid-1990s. As a former BC public servant active in the mid-1990s recalled:

> I remember when we first started to do the program. It took considerable effort and lots of discussions with our decision makers on whether we wanted to do it or not, and why would we need to do it, and was it worthwhile. There was a mindset around… concerns about federal off-loading. (interview, retired BC public servant 2, 2012)

They also insisted on the need to invest bureaucratic expertise.

> At that point, it was still a … bureaucratic [push] … the bureaucracy was pushing it, let me tell you, that the push for an immigration branch did not come from the political side, from elected officials, it came from the public service. Myself and my supervisor, specifically. (interview, SK public servant, 2012)

In large part because of the nature of provincial anxieties, the cycle of intellectual innovation was undertaken by bureaucrats deploying particular behavioural logics; they tended to have training and, more importantly, professional experience in economic issues and they used an interpretative framework based on their institutional roots in departments of business, economic development, or labour. Their reflections—for better or worse—were not much shaped by provincial legacies or federal practices regarding services provided to immigrants or cultural contributions of diversity. In addition, and also because of their institutional location, they were isolated from immigration stakeholders in their province, such as ethnic organizations, service providers, or research-based networks. This institutional location left them free to experiment with new policy ideas as well as open to the creation of partnerships with other societal actors, including employers and business representatives.

These actors engaged, moreover, in a process of social learning. Given the lack of recent experience by Canadian provinces with designing and implementing immigration policies, they turned to the examples of others more advanced on the road to province-building:

> One of the key events was really our trip to Quebec and looking at what had been done there and what was possible. That was a pretty important one … Quebec had very similar issues. They wanted a population moving to rural areas and … we listened to

them and they were really helpful." (interview, retired MB public servant 2, 2012)[16]

Another public servant recalls learning from the experience of Manitoba in implementing the PNP:

> The only program [...] that was ahead of us was Manitoba and yes we borrowed things from Manitoba [...]. But there were also things that Manitoba was doing that didn't fit our needs. I met with them twice and others met with them several times." (interview, retired SK public servant, 2012)

The impact of these individuals responsible for the intellectual cycle was amplified by the institutional cycle. As was the federal government, provincial governments engaged in cost-cutting measures in the 1990s and the resulting changes in their overall administrative structures favoured economic departments (Atkinson et al. 2013, 23–58). Provinces reorganized this responsibility in the 1990s and 2000s by situating their immigration unit or branch in departments that had previously not held the file at all or had not been very active on it, as Table 8.2 documents. These moves were often justified as having to do with the need to increase the attention to the issue, as was the case, for example, in Nova Scotia:

> In the past, immigration activities have occurred in a number of government departments, making it difficult to give it a strong profile and focus. A minister and deputy minister have been assigned responsibility for immigration, and it will have the full attention of an executive director [...]. This structure ensures that immigration is fully connected to all senior policy forums and with all decision-making levels within government. (Nova Scotia 2005, 25)

Greater responsibility for immigration and integration fell to bureaucrats used to working daily on economic development and employment, whose reference points outside of government were employers and workers as well as economic actors generally. Concomitantly, departments of education and social services slowly but definitely lost

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16. In a similar way, Ontario's reluctance to negotiate a PNP until 2005 followed from its insistence on maintaining equality with Quebec with respect to funding (Paquet 2014a).

Table 8.2

Provincial Departments Responsible for Immigration, Over Time

Alberta (PNP signed 2002)*
… –1994	Economic Development and Tourism
1994–1999	Advanced Education and Career Development
2001–2005	**Human Resources and Employment**
2005–2008	Employment, Immigration and Industry
2008–2013	Employment and Immigration
2013–2015	Jobs, Skills, Training and Labour
2015– …	Department of Labour

British Columbia (PNP signed 1998)
1990–1998	Ministry of International Business and Immigration.
1998–2000	**Ministry of Employment and Investment & Ministry of Advanced Education and Labour Market Development**
2000–2003	Ministry of Multiculturalism and Immigration
2003–2006	Ministry of Community, Aboriginal and Women's Services & Ministry of Competition, Science and Enterprise
2006–2008	Ministry of Economic Development (and Attorney General, 2007)
2008–2010	Ministry of Advanced Education and Labour Market Development
2010–2015	Minister of State for Multiculturalism & Ministry of Jobs, Tourism and Innovation
2015–…	Ministry of Jobs, Tourism and Skills Training & Minister for Multiculturalism

Manitoba (PNP signed 1998)
1986–1989	Employment Services and Economic Security & Manitoba Family Services
1987–1999	Culture, Heritage and Citizenship
1999–2000	**Labour**
2001–2016	Labour and Immigration
2016– …	Growth, Enterprise and Trade

New Brunswick (PNP signed 1999)
1990–1992	Department of Commerce and Technology
1992–1998	Department of Advanced Education and Labour
1998–2002	**Department of Labour**
2000–2002	Department of Training and Employment Development
2002– …	Post-Secondary Education, Training and Labour

Newfoundland and Labrador (PNP signed 1999)
Pre-2005	**Shared among Education, Social Services, and Economic Development**
2005–2010	Department of Human Resources, Labour and Employment

Table 8.2, continued

Provincial Departments Responsible for Immigration, Over Time

Nova Scotia (PNP signed 2002)
2000–2002   Economic Development
2002–2004   Department of Education
2004– …   Office of Immigration

Prince Edward Island (PNP signed 2001)
…–2001   Education and Economic Development
2001–2007   Department of Development and Technology
2007–…   Island Development Incorporated & Innovation and Advanced
    Learning

Saskatchewan (PNP signed 1998)
1991–1992   Economic Diversification and Trade
1992–1996   Economic Development
1**996–2000   Economic Development and Co-operative Development**
2000–2005   Intergovernmental and Aboriginal Affairs
2005–2007   Industry and Resources & Saskatchewan Advanced Education
    and Employment
2007–2011   Advanced Education, Employment and Labour
2011–2013   Advanced Education, Employment and Immigration
2013–…   Ministry of the Economy

Ontario (PNP signed 2005)
1985–1995   Ministry of Citizenship and Culture
1996–1998   Ministry of Citizenship, Culture and Recreation
1998–2002   Ministry of Development, Trade and Tourism
2002–2014   Ministry of Citizenship and Immigration
2014–…   Ministry of Citizenship, Immigration and International Trade

Québec (agreement signed 1991)
1981–1995   Ministère de l'Immigration et des Communautés culturelles
1995–2005   Ministère des Relations avec les Citoyens et de l'Immigration
2005–2014   Ministère de l'Immigration et des Communautés culturelles
2014–…   Ministère de l'Immigration, de la Diversité et de l'Inclusion

*Line in bold for each province indicates the department responsible after the signing of the federal-provincial agreement.

Source: Authors' compilation.

their influence over this policy area.

Overall then, this institutional shift was sometimes the product of the influence of an already engaged innovation cycle, but it moved forward as the result of a political decision of executive actors in the face of federal decentralization. The creation of a new governance machinery provided greater flexibility to provinces in designing policy responses. The position of these units facilitated intellectual innovation by creating an environment especially hospitable to the ideas of policy entrepreneurs as well as bureaucratic colleagues deploying an economic understanding of the problem. In addition, these units were embedded in departments that had their own policy legacies. Their main policy networks were with employers, resource extractive companies and other industries. These departments responded to their concerns, as opposed to ones about cultural diversity and social solidarity.

Conclusion

The results of the meeting of these intellectual and institutional cycles was a definition of immigration as a central "resource" in provincial development strategies, a matter of economic survival and advancement. A new institutional configuration displaced federal domination in a citizenship regime where decentralization in this policy domain allowed for more flexibility and asymmetry, and provinces could use the PNP and the devolution of some immigrant integration programs to promote province-building. The compatibility of the intellectual and of the administrative cycles allowed provincial elites to address their anxiety about the future by identifying a solution for their provincial society.

It was in this trajectory towards province-building, triggered by the federal strategy of decentralization, that the citizenship regime was effectively modified in this policy domain. Provincial interventions, both in their form and their content, contributed to alterations in the principles of the earlier citizenship regime as described in Table 8.1. This innovation came with the meeting of the two cycles identified by Keith Banting (1979) as necessary for policy innovation: the intellectual cycle and the institutional cycle. In the absence of strong path dependent dynamics in their own administrations, as the displacement mode of change suggests, provinces were free to rely on different institutional logics than those that had long dominated at the federal level. Their experiments, supported by the federal government, to be sure, assigned a larger role for employers and a stripped down definition of access to

participation, as well as a concentration of "rights talk" on the right to be integrated into work but not necessarily much else. This experimentation was supported by the intellectual innovation of bureaucrats and by the position of administrative units responsible for immigration in provinces.

The alterations to the citizenship regime described here have been mapped in one field of policy action, that of immigration and integration. However, this is by no means the only policy field in which federal decisions to allow—or force—provinces to exercise their responsibilities with less "guidance" via the instrument of federal funding were very important. Social and health policy domains have also been significantly altered in the last two decades as the effects of the 1996 move to the Canada Health and Social Transfer rippled through the system. Multiculturalism policies also have undergone change over the last decades, without being abandoned. For each of these, the actual process of change in citizenship practices needs to be identified. There is no reason why a process of displacement would apply to all, in particular because both federal and provincial paths had already been laid down well in advance and therefore a process of layering, for example, may be underway. Nonetheless, the approaches used here both for identifying changes in principles of the citizenship regime and for accounting for the change can be applied there as well.

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9

Three Hypotheses on the Relevance of Federalism for the Politics of Immigration and Welfare[1]

Edward Anthony Koning

Over the last few decades, the costs immigrants impose on national welfare systems has become a salient subject of political and public discussion in many Western countries. Keith Banting has been one of the first scholars to pay attention to this subject. His work includes investigations of the economic effects of immigration for welfare state systems, the consequences for social solidarity, as well as the responses policymakers have formulated in trying to navigate the tension between immigration and welfare. Before that, of course, he was already a widely read scholar of federalism. His research has illustrated why institutional differences between unitary states and federal states, as well as the differences between different types of federal arrangements, can have important consequences for policymaking in, among other areas, income security, pension programs, healthcare, tax policy, and

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social housing.

To be sure, Banting has offered important clues about how and why federalism could matter for the response a welfare state formulates to large-scale immigration. However, no scholar has attempted to draw out these clues and examine this question explicitly. By surveying directly and indirectly relevant literature, this chapter aims to offer such an examination.

The conclusions of this chapter are twofold. First, one should not expect federalism to be a powerful predictor of cross-national differences on this subject. We see that some developments can occur in federal systems that are less likely to surface in unitary states, such as conflict between levels of government about who is responsible for footing the bill for settlement services. At the same time, many of these effects are contingent on other characteristics, in particular the specific type of federal arrangements, the presence or absence of territorially concentrated minorities, and the salience of immigration in local politics.

Second, and despite the importance of these contextual factors, it still seems possible to formulate three qualified hypotheses about the differences between unitary and federal states when it comes to the politics of immigration and welfare. Compared to unitary states, federations are likely to feature (1) more attempts to reduce immigrant welfare dependence by the adoption of more selective admission policies, (2) more conflict on this issue between national and subnational levels of government, and (3) more variation within the country in the integration services and other social programs that are available to immigrants.

The structure of this chapter is as follows: The next section discusses the tension between immigration and welfare, and the large variation in how different welfare states have attempted to tackle it. The subsequent three sections then discuss what the work of Banting and others suggests about the possible impact of federalism on this area of policymaking: section three discusses vertical interactions between lower and higher levels of government; section four draws attention to the horizontal interactions between different subnational units; and section five discusses the implications of larger autonomy for local policymakers. The final section summarizes the findings by suggesting three qualified hypotheses, and reflects on their implications for future scholarship on this issue.

Diverse Responses to the Progressive's Dilemma

Often framed as a "Progressive's Dilemma," many scholars note a tension between cross-border mobility and welfare regimes (Bommes and Geddes 2000; Freeman 1986). Banting (2010, 797–798) described this dilemma as follows: "Many progressives fear they face a trade-off between support for multiculturalism on the one hand and support for redistribution on the other. Historically, challenges to immigration … have tended to come from conservatives committed to preserving historic traditions. Now, doubts are also emerging from the left and centre-left, which increasingly fear that multiculturalism makes it more difficult to advance the agenda of economic redistribution."

Social scientists have suggested two reasons why such a fear might be warranted. First, migrants tend to be overrepresented among recipients of certain transfer benefits (in particular, social assistance) and therefore might pose a burden on the state budget (Razin, Sadka, and Suwankiri 2011; Sinn and Ochel 2003; Soroka et al. 2016). Second, native-born citizens are likely to feel newcomers are undeserving of available programs and therefore might withdraw their support for the welfare state (Alesina and Glaeser 2004; Banting, Soroka, and Koning 2013; Lee, Roemer, and Van der Straeten 2006).

In recent years, a small but growing literature has directed attention to the ways that different states have attempted to address this tension (Banting 2010; Boucher and Carney 2009; Koning 2013; Sainsbury 2012). Interestingly, while some governments have opted to combat migrants' overrepresentation in the welfare system by investing in programs aimed at increasing newcomers' employability (such as language training, adult education, and foreign credential recognition initiatives), others have pursued responses that are more exclusionary. These exclusions usually come in the form of either restrictions in the inflow of low-skilled migrants into the country or, more dramatically, limitations on immigrants' access to social programs (Koning 2017).

Why there are such different approaches to this policy challenge is clearly an important question. So far, the literature has mostly investigated the importance of four possible factors of relevance. The first of these is the structure of the welfare system. As Banting (2000) was early to point out, welfare states that are based on principles of universalism encourage inclusive approaches. This is not only because they rely heavily on active-labour market policies aiming to reintegrate the unemployed in the labour market (Huo 2009), but also because they have been found to avoid concerns about the deservingness of benefit recipients (Korpi 1980; Larsen 2008). Conversely, residualist welfare

states that rely heavily on means-tested and targeted programming are more amenable to calls for targeted exclusion.

Second, the level of insertion in national and international legal frameworks protecting equal treatment matters. Many have noted that judicial bodies have been more prone to extending or preserving immigrant rights than their legislative counterparts (Guiraudon 2000; Joppke 2001). In particular the European Court of Justice and European Court of Human Rights have thwarted several attempts at cutting or reducing immigrants' access to benefits and services (Gortázar Rotaeche 1998; Stokke 2007). A recent example from Canada is the Federal Court's invalidation of cuts to refugee healthcare benefits that the Conservative government tried to implement (Sheridan and Shankardass 2016).

Third, several scholars and commentators have argued that policymakers respond to the objective pressure migration poses (Engelen 2003; Goodhart 2004; Grubel and Grady 2011). According to this line of reasoning, we should expect restrictive approaches to be more likely when and where the overall intake of migrants is large or increasing, especially if most of them are refugee migrants who for obvious reasons tend to make more use of state services in their first years after arrival than other groups of migrants.

Fourth and finally, we can expect political context to matter, especially the degree to which immigration and multiculturalism are the subject of politicization. The presence of vocal anti-immigrant politicians seems particularly relevant in this respect, not only because they have the potential to convince the public of the need for restrictions (Green-Pedersen and Odmalm 2008; Rydgren 2003), but also because they pose an incentive for mainstream parties to compromise and change their own position out of electoral calculations (Bale et al. 2010; Van Spanje 2010).

Whether and how federalism might matter for the politics of immigration and welfare has, in contrast, received less attention. Certainly, one can find detailed descriptions of how immigration, integration, and social policies are operated in federal systems, or how immigrants' social rights might differ from one subnational unit to another (Filindra 2012; Koning and Banting 2013; Marrow and Joseph 2015). Similarly, some studies have offered reflections on the possible relevance of federalism for immigrants' place in welfare systems (Banting 2010; Sainsbury 2012). And of course, there is a rich literature on the impact of federalism on social policy (see chapter 7 by Kent Weaver in this volume), as well as a somewhat smaller literature on the impact of federal-

ism on immigration policy (Banting 2012; Hepburn and Zapata-Barrero 2014; Seidle and Joppke 2012). Nevertheless, there has been no explicit attempt to investigate how federalism influences the approach policymakers adopt to address the possible tension between admission policies and social policies. The following sections will attempt to bring together relevant insights from these bodies of literature and to examine what they seem to imply about how and why federalism might affect the politics of immigration and welfare.

The investigation is divided into three sections, based on three areas in which we might expect federalism to matter: in vertical interactions between higher and lower levels of government, in horizontal interactions between different subnational units, and in the development of policymaking at a more local level. Each section pursues two main questions: (1) which insights from existing literature have important implications for the relationship between federalism and the politics of immigration and welfare? And (2) which factors can be expected to mediate the hypothesized effects of federalism?[2]

Vertical Interactions Between Higher and Lower Levels of Government

The first characteristic of federalism that seems relevant for the politics of immigration and welfare is the presence of multiple autonomous levels of government. For one thing, this increases the number of institutional players that need to agree before some policies can come into being. And the more players need to agree, the harder it will be to reach a decision, and the less ambitious the ultimate outcome will be (see Weaver's discussion of the "joint-decision trap" in this volume). This suggests that sudden expansions in the range of benefits and services available to immigrants are less likely in the context of federalism. By the same logic, however, federalism also seems to reduce the chances of sudden cuts in the programs to which immigrants do have access. In other words, we can expect the presence of multiple veto points to reduce the speed and scope of policy change, but whether this implies inclusionary or exclusionary outcomes for immigrants depends very much on the status quo.

The simultaneous autonomy of national and subnational units can

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2. To be clear, my purpose is not to consider other variables that might *in addition to* federalism influence the politics of immigration and welfare. Instead, my interest is in variables that might *influence the relationship between* federalism and the politics of immigration and welfare.

also encourage what Banting (2005) refers to as competitive state-building: multiple levels of government might vie for authority over a policy area, which in turn could lead to the co-existence of multiple policies serving the identical purpose (see also Weaver's discussion of "turf-claiming"). Because integration services are likely to invoke discussions about national and subnational identity, it seems reasonable to expect the potential for competitive state-building to be largest in this area of the immigration-welfare nexus (Boushey and Luedtke 2011). Indeed, in some federal states national and subnational levels of government have competed for authority on this issue, and in some cases this has led to the co-existence of national and subnational integration services (Paquet 2014; Newton 2012).[3]

Even if different levels of government are not trying to expand their role, some policies will still require careful coordination and cooperation between different levels of government in order to run smoothly. This is not to suggest that unitary states do not face any multi-level coordination and cooperation challenges, but simply that those challenges are likely greater in federal systems. An extreme example can be found in Belgium, where the federal government is in charge of admission policy but the regional governments of Flanders, Wallonia, and the Brussels Capital Region issue work permits and therefore hold much *de facto* authority over who can legally reside on their territory (Martiniello 2012). The larger need in federal systems for collaboration across levels of government is relevant to our discussion for at least three reasons.

First, political motivations and practical challenges can derail such efforts (Paquet 2014; Young 2011). For example, one level of government might attempt to shift the blame for an unpopular policy outcome (Weaver 1986) or divert the costs of an expensive program to another level of government. The most common version of the latter practice is "downloading," the process by which a higher level of government reduces its commitment to a policy in such a way that it produces larger costs for lower levels of government (Evans 2002; Newton and Adams 2009). In Australia there have been frequent accusations of such a practice in the area of immigrant services. For example, Labor Premier Barry Unsworth of New South Wales publicly denounced 1986 cuts in the

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3. Certainly, in some federal countries—in particular Australia and Canada—there has been some evidence of these dynamics in the area of admission policies as well. Even in these two countries, however, the federal level of government has retained the primary authority over admission (Joppke and Seidle 2012).

federally funded but state operated adult migrant education program as "plain stupid" (Jupp 2007, 53), and Liberal Premier John Olsson of South Australia complained in 2000 that the disentitlement of asylum seekers from federally funded settlement services meant that "South Australian tax payers [were] left to pick up the tab" (Schech 2012, 64).

A second possible consequence of coordination challenges is that it can lead to unintended benefit extension to ineligible migrants. If residence status and social programming are determined by different levels of government, any eligibility requirement related to residence status can only be enforced in the presence of effective information-sharing. In Canada, this challenge has become particularly salient in regard to so-called "sponsored" family migrants. Canadian law admits family migrants on the condition that a relative supports them economically during the first years they reside in the country. Yet there is no link between the federal administration of these sponsorship agreements and the provincial administration of social assistance. As a result, there have been multiple cases of sponsored immigrants who were making use of social assistance benefits to which they were technically not entitled (Koning and Banting 2013, 591–592).

Finally, sharing responsibility on immigration-related issues across levels of government might indirectly lead to the intake of more migrants who are weakly protected by the welfare state. Sasha Baglay and Delphine Nakache (2013) illustrate this point forcefully in their analysis of Canada and Australia, two countries that so far have gone furthest in involving subnational units in admission policies. The type of permits Canadian provinces and Australian states can extend are mostly temporary, involve a large degree of dependence on the employer, and come with little eligibility for social services and benefits. In their analysis, then, the federalization of admission policies has primarily led to an increase in the proportion of newcomers who enjoy little social protection.

In sum, the larger number of veto points, the potential for competitive state-building, and the bigger challenge of coordination across levels of government can have important consequences for the politics of immigration and welfare. At the same time, however, we should not expect these consequences to be identical in every federation or in every type of federal arrangement. Two mediating factors are important. First, processes of competitive state-building over integration seem more likely to occur in federations that host territorial minorities (such as Switzerland and Canada) than in more homogenous federations

(such as Germany and Austria). After all, the former contexts are more likely to trigger concern about integrating newcomers into the culture of the subnational unit, and as a result, to create conflict over authority between levels of government.

Second, the type of federal system and the exact way that immigration, integration, and social policies operate across different levels of government matters. Banting's (2007) distinction of the three types of federalism that exist in Canada is helpful to illustrate this point. Structures of "joint-decision-federalism" that require the agreement of the federal government as well as of subnational units seem particularly prone to veto effects, whereas such dynamics are less likely to occur in "classical federalism," where each level of government has exclusive control over one specific area of policymaking. For example, Belgian integration policies largely follow the classic model: the role of the federal government is negligible, and as a result, the regions have been able to determine integration policies without much federal interference (Adam and Jacobs 2014). Similarly, we can expect the likelihood of downloading to depend on the nature of federalism. Such an outcome seems most likely under conditions of "shared-cost-federalism," when the federal government helps to fund programs that are operated by subnational units.

Horizontal Interactions Between Different Subnational Units

The second area where we should look for the possible impact of federalism on the politics of immigration and welfare is in the interactions between different subunits. Two possible effects are particularly important. The first is the well-documented hypothesis that federalism encourages a "race to the bottom": subnational units might worry that if their taxes are much higher and their benefits much more generous than those of other units, they will attract fewer investors and more welfare tourists (see chapter 7 by Weaver). Whereas this hypothesis is most often discussed in the context of intra-federal migration, the relevance to our more specific subject of study seems even larger. After all, especially in the first years after arrival, immigrants are more likely than native-born citizens to move from one subnational unit to another (Borjas 1999). Moreover, since political discourse more likely depicts immigrants as possible welfare tourists than native-born citizens, subnational governments might feel more compelled to start a race to the bottom when it comes to services and programs that are specifically

available to immigrants. Jon Kvist (2004) has found some evidence for such an effect in an analysis of the quasi-federal setting of the EU, where national governments are largely in control of social policies but supranational authorities determine the mobility of people within the Union. Interestingly, he finds that even in the absence of clear evidence that welfare tourism actually takes place, some member states have engaged in a race to the bottom and have strategically responded to restrictive changes in other states by restrictions of their own.

The second possible consequence of horizontal interaction many scholars of federalism have pointed at is policy innovation through experimentation (see also Weaver's discussion of "laboratories of democracy"). When subnational units are responsible for an area of policymaking, so the argument goes, the diversity of policy approaches between subnational units will encourage the development of "best practices." This is exactly how Banting explains the adoption of universal healthcare in Canada: the experimentation with such a program in Saskatchewan quickly led to the adoption of universalism in British Columbia and Alberta, after which a federation-wide adoption followed (Banting 2007; Maioni 2002). In a recent contribution, Bianca Figueroa-Santana (2015) presents an interesting variation on this argument: in analyzing President Obama's deferred action to undocumented migrants, she notes that the entrenchment of policies at the state level can make initially unpopular policies seem more politically palatable.

As this example suggests, most often the effect of policy experimentation is seen as positive for inclusive and generous social policy. But this is by no means a necessity—much depends, of course, on which examples are considered attractive. For example, in the United States the experimentation with restrictive immigrant policies by Southern states has led other states to implement more restrictions as well (Boushey and Luedtke 2011).

Indeed, the observation that the interactions between subnational units might trigger a race to the bottom or encourage policy experimentation should not lead us to expect that these consequences are inevitable or have uniform outcomes across all federal states. Again, the type of federal arrangements and the presence of territorially concentrated minorities matter. For example, fiscal equalization reduces, if not eliminates, the chances of a race to the bottom (Pierson 1995).

Relatedly, we can expect more experimentation effects in asymmetrical federations that grant specific privileges to a territorially concentrated minority. This is not only because of the large societal and political

differences that likely exist between the minority and majority units, but also because of the larger constitutional ability the minority unit has to pursue policies that are different from the rest of the federation (Seidle and Joppke 2012). An obvious case, especially for those who have followed Banting's work, is Canada. Besides the evident distinctiveness of the province of Quebec in Canadian federalism (Laxer, Carson, and Korteweg 2014), we can point at other instances of asymmetry, for example, the comparatively large involvement of the province of Manitoba in the selection of newcomers. In a recent contribution, Banting (2012) notes that there is not much evidence that asymmetries in provincial engagement with immigration and integration have so far produced significant experimentation effects. Nevertheless, the institutional conditions in Canada seem more hospitable to such processes than those in more symmetrical federations.

Finally, whether and how a race to the bottom or experimentation in the area of immigrant policy occurs depends on the extent to which immigration is a prominent subject of attention in subnational politics. This is discussed in more detail in the following section.

Autonomy for Local Policymakers

Finally, federalism can influence the politics of immigration and welfare because it increases legislative activities at the local level. Certainly, subnational units in unitary states can have considerable leeway to shape policies as well, but unlike their counterparts in federations they always face the possibility that the national government unilaterally decides to overturn local decisions or to centralize the policy field altogether. The unitary state of the Netherlands offers a good example. As Peter Scholten (2013, 2014) has repeatedly shown, there are noteworthy differences in the practical implementation of integration services in different Dutch municipalities. But national governments have mostly looked negatively at such local divergence, and in recent years have taken "more and more control over municipal implementation" (Gebhardt 2016, 748).

It seems clear, then, that there is more local autonomous policymaking in federations than in unitary states. However, scholars seem divided on whether a greater involvement of local authorities is good or bad news for migrant populations. On the one hand, some authors reason local policymakers tend to be driven by more pragmatic considerations than their national-level counterparts, who face more incentives to en-

gage in symbolic or populist politics (Poppelaars and Scholten 2008). A related argument is that local policymaking is more flexible and adjustable to the specific needs of migrant populations (Gebhardt 2016; Leo and August 2009). And since immigrant populations are often concentrated in specific regions and areas, it is likely that the responsible local authorities will consider those needs in policy programming (Filindra and Kovács 2012; Spiro 2001). It is not hard to find evidence in support of these expectations. Scholars have documented examples of local governments that promote more inclusionary policies than their national counterparts in a wide variety of settings, including Germany, Italy, the Netherlands, Russia, Sweden, and the United States (Alexander 2010; Hoffmann et al. 2016; Marrow and Joseph 2015; Poppelaars and Scholten 2008; Schmidtke and Zaslove 2014).

Other scholars, however, warn against such optimism, and point at examples of anti-immigrant policies that have been developed by subnational governments (Manço and Kanmaz 2005; Møller 2014). As Christian Joppke and Leslie Seidle (2012, 231) put it, "to the degree that federalism increases the power of the demos, it cannot in principle be good for immigrants, because majority publics are almost everywhere hostile to immigration." In Diane Sainsbury's analysis (2012, 140–142; 254–256), the geographic concentration of immigrants should be expected to foster exclusionary rather than inclusionary reactions. Following the classic argument that policies are most restrictive where benefits are diffuse and costs are concentrated, she reasons that those local governments that host the largest immigrant populations will be most prone to proposing cuts in the benefits they can enjoy.[4]

Again, therefore, it seems important to consider contextual factors if we want to understand the consequences of federalism for the politics of immigration and welfare. As far as the larger autonomy for local

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4. In many respects, this controversy resembles the long-standing scholarly disagreement on whether xenophobia is more likely to thrive in immigrant-dense areas or in more homogeneous settings. Some scholars build on Allport's classic "contact hypothesis" (1954) which explains prejudice primarily as a product of ignorance and therefore predict people who know many migrants to be less negative about them. Others, on the other hand, start from the premise that xenophobia is primarily based on the belief that immigrants compete for scarce resources, and therefore expect frequent contact to exacerbate rather than improve inter-group relations. While this debate is far from resolved, most scholars seem to agree, and most empirical evidence seems to suggest, that a sudden increase of newcomers is likely to increase xenophobia, especially if that increase receives much attention in political discussion.

policymakers is concerned, of particular relevance is how prominently immigration issues appear in subnational politics. Decentralization seems most likely to produce restrictive outcomes in units that have been faced with a sudden increase in the immigrant population and host vocal anti-immigrant politicians (Boushey and Luedtke 2011; Figueroa-Santana 2015, 2245).

Discussion and Conclusion

This chapter aims to explore the possible impact of federalism on the politics of immigration and welfare. To this end, it reviewed what we might expect on the basis of existing literature, in particular the relatively separate bodies of literature on federalism and social policy, on federalism and immigration policy, and on the social rights of immigrants. This review revealed a number of possible dynamics federalism might bring about, in particular regarding the interactions between subnational and national levels of government, the interactions between different subnational units, and the extent to which policymaking takes place at the local level. Table 9.1 summarizes the main insights resulting from the literature review.

   The first conclusion these findings suggest is that federalism can have potentially important consequences for the politics of immigration and welfare, but that whether and how those consequences play out are mediated by contextual factors, in particular the type of federal arrangement under discussion, the local context of immigration politics, and the absence or presence of territorially concentrated minorities. Predictions about what federalism *generally* means for the politics of immigration and welfare, therefore, are potentially misleading. In more methodological terms, federalism is unlikely to appear as an important predictor of cross-national variation in the politics of immigration and welfare, because the number of control variables one would need to isolate federalism's effects is too large for the comparatively small number of federal welfare states that we could include in a cross-sectional study.

   For that reason, future investigations of the question underlying this chapter would benefit from case studies that can be fully sensitive to contextual factors. Intensive study of one federal country, including detailed policy analysis at multiple levels of government and interviews with national and subnational policymakers, therefore seems a valuable avenue for future research. Table 9.1 can serve as a starting point for such investigations.

Table 9.1

Summary of Possible Effects of Federalism on Politics of Immigration and Welfare

Area of focus	Possible effects	Mediating factors
Vertical interactions	Creation of veto players Competitive state-building Blame-shifting and downloading Unintended benefit extension Intake of migrants with weak status	Type of federalism Presence of territorial minorities
Horizontal interactions	Race to the bottom Policy experimentation	Type of federalism Presence of territorial minorities
Local policy-making	Pragmatism over populism Adjustability to local conditions Buttressing of local opposition	Type of federalism Local pressure Local politicization

Source: Author's compilation.

An alternative approach could be to make focused comparisons on this subject between a small set of countries. By carefully comparing a federal state with a unitary counterpart that is similar in the respects that have been found to influence the politics of immigration and welfare in previous research (in particular type of welfare system, level of politicization of immigration, legal context, and size and skill level of the migrant population), one could tease out what kind of unique policy dynamics federalism introduces. Again, Table 9.1 might be helpful for such comparisons, but as mentioned, many of the expectations it contains are contingent on third variables and therefore would be difficult to test in a comparison of only a few countries. Fortunately, however, when taken together these expectations do imply three more general hypotheses about the differences between federal and unitary states when it comes to the subject under study.

Hypothesis I: Everything else being equal, governments in federal states are more likely to search for solutions in adjustments in admission policy than their counterparts in unitary states. Based on the differences in consider-

ations guiding national and subnational politicians, we can expect that politicians at the national level of government face most pressure to respond when concerns emerge about the consequences of immigration for the welfare state system. And because in most federations the federal government has more exclusive control over admission policy than over social policy and integration policy (Seidle and Joppke 2012; Spiro 2001; Zapata-Barrero and Barker 2014), policy change seems most likely in this area. In unitary states, conversely, national governments are able to make unilateral changes to any of these policy areas, and therefore there is less reason to suggest that they will turn to admission policies first. This is indeed one of the explanations Banting (2010, 807) invokes for the comparatively limited attempts in Canada to disentitle immigrants from social benefits: "In many European countries as well as Australia and the United States, such politics led to the adoption of longer residency periods for welfare programs. But the Canadian federal government does not control the terms of social assistance and health care, which are provincial responsibilities. It therefore pulled the lever it does control, admission criteria."

To be clear, this hypothesis by no means suggests a deterministic relationship. It is possible that in some federal contexts, concerns about the welfare use by migrants appear first in subnational units, and as a result solicit adjustments in policies that those levels of government can change. Moreover, there are many examples of benefit exclusion that are closely tied to admission policy in the first place, such as restrictions on benefits for refugee claimants in asylum centres, extensions on the period during which newcomers are on temporary permits with more limited entitlements, or cutbacks in services undocumented migrants can enjoy. The role of subnational units in the determination of social policy, therefore, might not matter as much for those kinds of benefit exclusions.

Hypothesis II: Everything else being equal, there is likely more conflict between levels of government on this issue in federal states than in unitary states. In federal systems, different autonomous levels of government are likely to share the responsibility over the policy areas affected by the complex challenge of reconciling migration and welfare. This can create at least three lines of conflict. National and subnational governments can differ in political motivations; they can disagree about which level of government is best equipped to handle a policy challenge; and they can become frustrated with intergovernmental coordination chal-

lenges.

Of course, one might object that intergovernmental conflict on these issues can also arise in unitary states, and point, for example, at the frustrations of some Dutch municipalities with national policies (Gebhardt 2016; Huisman 2011) or the demands of immigrant-dense municipalities in Sweden for more financial assistance from the national government. But overall the chances seem smaller, not only because a centralized approach facilitates coordination but also because it makes the bargaining position of subnational units much weaker.

Another objection could be that in some areas (in particular the establishment of integration services) some federations extend so much autonomy to lower levels of government that there is actually *less* reason for intergovernmental conflict. We should not ignore, however, that the broader policy challenge of reconciling immigration and social policy is inherently about the connections between one set of policies that in all federations are primarily operated by the federal level (namely, admission) and one set of policies over which subnational units wield considerable authority in most federations (namely, social benefits and programs). In other words, even if a clear separation of powers avoids conflict in one specific area of policymaking, it will not do so when it comes to the more multifaceted challenge of reconciling migration and welfare more broadly.

Hypothesis III: Everything else being equal, the range of integration programs and social policies available to immigrants are more likely to vary within federal states than within unitary states. This is perhaps the most obvious expectation. Compared to unitary states, in federations subnational units have a larger degree of autonomy to set integration and social policies, and are likely to differ more from other subunits in political and socio-economic terms. As a result, we should expect much more variation in those policies from one subnational unit to another. Existing evidence from federal states certainly seems in line with this expectation. Some find larger differences in integration policies across different Swiss cantons than across different countries (Manatschal and Stadelmann-Steffen 2013). Regions in Belgium have not only developed diametrically opposed integration programs, but have also set different requirements that immigrants have to satisfy in order to access social housing and employment services (Dierckx and Van Dam 2014). In the United States, immigrants' eligibility for welfare programs differs dramatically between states such as Alabama and Mississippi on the

one hand and California and Washington on the other (Gerst and Burr 2011). And in Canada, migrants on a temporary permit can be eligible for public healthcare and social assistance in some provinces but not in others (Koning and Banting 2013). Whereas local variation can of course exist in unitary states as well, the magnitude of that variation is likely much smaller.

Collectively, these three hypotheses do not fully cover all the possible effects of federalism that are discussed in this literature review. But they do formulate a set of minimum expectations that could guide future cross-national investigations on this subject. In tandem with case study investigations that more fully explore the possible policy dynamics summarized in Table 9.1, such research could do much to increase our understanding of the possible linkages between the two fields on which Banting has cast so much insight.

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Is There a Tradeoff Between Ethnic Diversity and Redistribution? The Case of Income Assistance in Canada[1]

David A. Green and W. Craig Riddell

Does ethnic, cultural, and religious diversity make it harder for democracies to function well? Does diversity lead to less interpersonal trust and other dimensions of social capital that are characteristic of healthy societies? Does growing ethnic and cultural heterogeneity make it more difficult to maintain progressive social programs—what Keith Banting refers to in his Presidential Address to the Canadian Political Science Association as the "progressive's dilemma" (Banting 2010)? These questions have been a central concern of research and writing by Keith Banting and various co-authors (e.g., Banting 2010; Banting and Kymlicka 2004, 2010; Banting, Johnston, and Soroka 2006; Banting, Johnston, Kymlicka, and Soroka 2006; Banting, Soroka, and Koning, 2013; Johnston, Banting, Kymlicka, and Soroka, 2010; Soroka, Banting, Johnston, and Kymlicka 2017).[2] They have also received attention from policy analysts and researchers in developed and developing countries

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(e.g., Alesina and Glaeser 2004; Alesina and LaFerrara 2000, 2002; Algan, Hemet, and Laitin 2016; Dahlberg, Edmark, and Lundqvist 2012; Easterly and Levine 1997; Luttmer 2001; Putnam 2007) and are intensely debated in Europe at the present time. Our understanding of the Canadian experience—and the extent to which it differs from that of other countries—has been substantially advanced by Banting and his co-authors. Much of their Canadian research uses measures of interpersonal trust and survey-based opinion data on support for various social programs. In addition, their and other researchers' cross-country analyses use measures of a country's support for the welfare state such as the fraction of GDP devoted to social programs.

Research findings that interpersonal trust and other forms of social capital are lower in neighbourhoods that are more racially or ethnically diverse, as well as findings that greater diversity is associated with more negative attitudes towards redistribution are troubling. However, whether such consequences—when and where they occur—are large enough to influence the design of social programs remains an open question. In this chapter, we examine this question for the case of income assistance or social assistance policies (sometimes called welfare) in Canada. We take advantage of two salient features of recent Canadian experience. One is that Canada has experienced dramatic growth in the ethnic and cultural diversity of its immigrant inflows in recent decades, but the extent of this growth has varied substantially across regions. The second is that income and social assistance policies (hereafter IA/SA) vary across provinces, and the ability of the provinces to employ different approaches to these programs has increased since the mid-1990s. Our research thus asks the following question: Is there evidence that provinces that received substantial numbers of immigrants over our sample period (and became ethnically and culturally more diverse as a consequence) reduced the generosity of their welfare programs, relative to provinces that experienced little change in the heterogeneity of their populations?

We use data from the Canadian Census over the period 1986 to 2006 and from the National Household Survey in 2011. The Census, which is carried out every five years (except in 2011 when the NHS temporarily replaced the Census), provides a rich source of information for our purposes. We match our Census data with information on provincial IA/SA benefit levels over the same time period. We prefer measures such as benefit rates that are chosen by governments and thus the outcome

of a political decision process to measures such as the proportion of provincial GDP devoted to social programs that are subject to potentially confounding influences. For example, a country with established integration programs that has a surge in in-migration will experience an increase in the fraction of GDP spent on social programs even if qualification requirements and benefit levels remain constant. Unless properly controlled for, this positive correlation could be interpreted as an increase in diversity leading to greater public support for the welfare state. We focus on benefit levels for four recipient types: single employables; single individuals with a disability; a lone parent with a child aged 2; and a couple with two children, aged 10 and 15.

The chapter is organized as follows: The next section briefly surveys the previous literature on the relationship between ethnic, religious, and cultural diversity and support for redistributive social programs. We then provide some background on the Canadian immigration experience and on the evolution of social assistance programs over our sample period. Section four presents the empirical implications of a political economy model of benefits setting, section five describes our data, and the sixth section presents our empirical results. The final section concludes.

Ethnic and Racial Diversity and its Consequences

A salient feature of the twentieth century was the development of the "welfare state"—especially in Europe, North America, Australia, and New Zealand—with the accompanying substantial expansion in the role of government. Many observers argue that this achievement required a common bond among citizens—a feeling that "we're all in this together." Marshall (1950, 40–41), for example, stated that "Citizenship requires a bond of a different kind, a direct sense of community membership based on loyalty to a civilization that is a common possession." But a growing concern is that increasing ethnic and cultural diversity in many developed countries challenges this bond and represents a threat to maintaining their welfare states. Progressive taxation and social programs require a willingness of the fortunate to help support the less fortunate, and this willingness may decline when those in need of support differ from the fortunate majority on ethnic, cultural, or racial dimensions. There are both theoretical and empirical reasons for taking this concern seriously.

Banting (2010) succinctly summarizes theoretical reasons from sev-

eral disciplines. Social psychologists emphasize the role of group identities and point out that people are more comfortable supporting and trusting members of their own group and less so for "outsiders." From an evolutionary biology perspective, individuals have a natural tendency to be less altruistic towards those with whom they share fewer genetic traits. Models of rational choice focus on the reciprocal nature of altruism, and predict that people will be more willing to assist those who have assisted them previously or are more likely to help in the future. In this perspective, perceptions that ethnic or racial minorities are "free loaders" who do little to help others may reduce support for social programs that support these minority groups. Much empirical evidence is broadly supportive of this perspective. In the United States, most research has focused on the racial dimension. Across US cities, various dimensions of social capital (interpersonal trust, participation in social activities and provision of public goods) as well as the extent of redistribution policies are lower in cities that are more racially diverse (Alesina and LaFerarra 2000, 2002; Putnam 2007). Similarly, states with lower proportions of African Americans provide more generous welfare benefits (Alesina and Glaeser 2004). Across countries (including developed and developing countries), greater diversity is associated with low economic growth and poor governance and public institutions (Alesina et al. 2003; Easterly and Levine 1997). Alesina and Glaeser (2004) find significant negative correlations between their fractionalization measures of racial and linguistic diversity and social welfare spending across a broad range of developed and developing countries.

These findings are either correlations or partial correlations, and do not necessarily imply that diversity causes the observed differences. Nonetheless, the magnitudes of the implied effects are non-trivial. For example, Putnam (2007) finds that the difference between living in a highly homogeneous city (Bismark, North Dakota) and heterogeneous Los Angeles is equivalent to the gap between an area with a poverty rate of 7 percent and one with a poverty rate of 23 percent. The estimates of Alesina et al. (2003) imply that moving from complete homogeneity to the maximum observed level of heterogeneity is associated with a reduction in a country's growth rate of 2 percent per year. Perhaps most striking is Alesina and Glaeser's conclusion that approximately one-half of the difference between the United States and continental western Europe in the size of the welfare state can be attributed to the difference in ethnic diversity between the two regions. This research

paints a rather ominous picture for Canada, a country that has become ethnically and culturally very heterogeneous in recent decades. As stated by Banting, Soroka, and Koning (2013, 166), "If diversity really is the enemy of redistribution, then the Canadian welfare state is in serious trouble." It also raises major concerns in numerous western European countries as societies that historically were very homogeneous are increasingly becoming less so. However, an examination of the Canadian experience and associated research yields a more comforting picture.

Beginning first with cross-country analysis, Banting, Johnston, Kymlicka, and Soroka (2006) focus on OECD countries (a subset of those studied by Alesina and Glaeser [2004] and others) and examine the consequences of diversity for changes in (rather than levels of) social spending over the period between 1970 and 2005. They find a slight negative but statistically insignificant partial relationship between the change in social welfare expenditure and immigrants' share of the population, suggesting that countries with a relatively large stock of migrants fared no worse in terms of maintaining social spending than countries with fewer immigrants. An additional result is that there is a much steeper (and statistically significant) association between the change in the share of immigrants in the population and changes in social spending, indicating that the rapidity of change in the ethnic and cultural make-up of society may be more of a threat to established welfare states than the level of diversity.

Canada provides an important case study, as one of the world's leading immigrant-receiving countries and because of its recent dramatic growth in ethnic and cultural diversity. Most Canadian research has focused on impacts of heterogeneity on measures of interpersonal trust and public attitudes toward minorities and redistribution programs. In both these aspects, the Canadian research adds nuances and potentially valuable insights.

Canadian evidence is consistent with US research in finding that interpersonal trust is lower in more ethnically diverse neighbourhoods (Soroka, Helliwell, and Johnston 2007; Soroka, Johnston, and Banting 2007). However, among minorities, levels of trust are highest when the Caucasian majority group is most dominant and their trust in their neighbours increases as ethnic diversity rises. Thus, there are offsetting forces at work within the neighbourhood as a whole. In addition, there are noteworthy differences within the majority group. Those who have lived in the area for a long time are least likely to trust their neighbours as heterogeneity increases, while those who recently moved into the

area exhibit greater trust, consistent with those most comfortable with diversity selecting into those types of neighbourhoods.

In Canada, as in the US, diversity appears to reduce interpersonal trust, but does this translate into less support for redistribution? The answer appears to be no. Soroka, Johnston, and Banting (2007) find no evidence that respondents' ethnicity or the ethnic composition of their neighbourhood influences support for social programs. If anything, it is the ethnic minorities, not the Caucasian majority, that are less supportive of redistribution.

Johnston, Banting, Kymlicka, and Soroka (2010) also explore the role of national identity, and conclude that identification with Canada mitigates opposition to welfare state policies and reduces any negative consequences of immigration. However, these estimated impacts differ across programs. Support for welfare programs and publicly provided healthcare declines with affluence for both "low identity" and "high identity" groups, but the impact of strong identification with Canada is much greater in the case of healthcare than in the case of welfare.

Immigration and Social Assistance: The Canadian Experience

The main focus of our study is the relationship between recent immigration—and the associated increase in ethnic diversity—and the evolution of IA/SA benefits. This brief section provides some background on Canada's experience.

Canada, like Australia and the United States, has long been one of the world's major immigrant-receiving countries. Figure 10.1 shows annual inflows over the period 1860 to 2014, expressed as a percentage of the population. Two points are noteworthy. Immigrant arrivals were very large during certain time periods, especially the early 1900s and the early post-World War II period. Second, there is substantial variation over time, with in-migration falling to very low levels during recessions (especially during the Great Depression) and during wartime. But the key overall point is the long-term consistency of sizeable inflow rates: Canada is indeed a "country of immigrants" and this long-term historical experience may play a role in current public attitudes toward immigration.

While the magnitudes of immigrant inflows (relative to the size of the population) since the late 1970s are not large by historical standards, the source country composition has changed dramatically (Figure 10.2). Prior to the 1960s, the focus of immigration policy was on unskilled

Figure 10.1

Immigrants as a Percentage of Canada's Population: 1880–2014
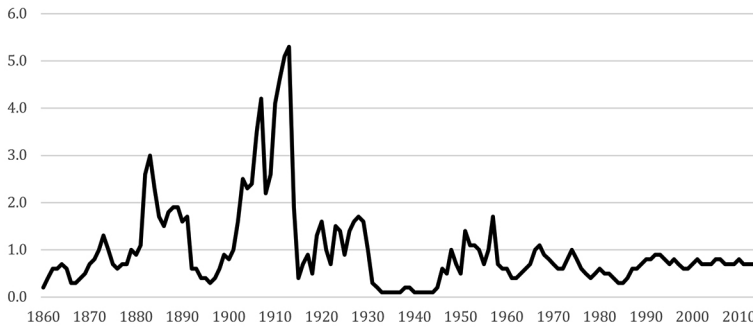
Source: Statistics Canada: "150 Years of Immigration in Canada," https://www150.statcan.gc.ca/n1/pub/11-630-x/11-630-x2016006-eng.htm

workers and a key feature was that of "preferred" and "non-preferred" source countries. Preferred source countries were the US, Great Britain, and northern continental Europe. Entry into Canada from non-Caucasian countries was limited. These two key features changed with the adoption of a formal selection system in the late 1960s. Selection of "economic migrants" was no longer based on source country, but on having skills regarded as suitable for Canada's labour market. A key consequence of these changes in immigration policy was a dramatic increase in the ethnic and cultural diversity of immigrant inflows during the past several decades. As Figure 10.2 makes clear, this striking development is especially evident since the early 1980s. Importantly for our empirical work, these ethnically diverse inflows were not evenly spread across the country, forming particular concentrations in Ontario and British Columbia. This variation across provinces and over time plays a central role in our empirical analysis.

Despite greater selectivity associated with the selection system and increased emphasis on economic migrants, recent immigrant cohorts have been experiencing worse economic outcomes than those who arrived in the 1970s and earlier. The earnings gap between non-immigrants and

Figure 10.2

Immigration to Canada by Source Region, 1955–2015
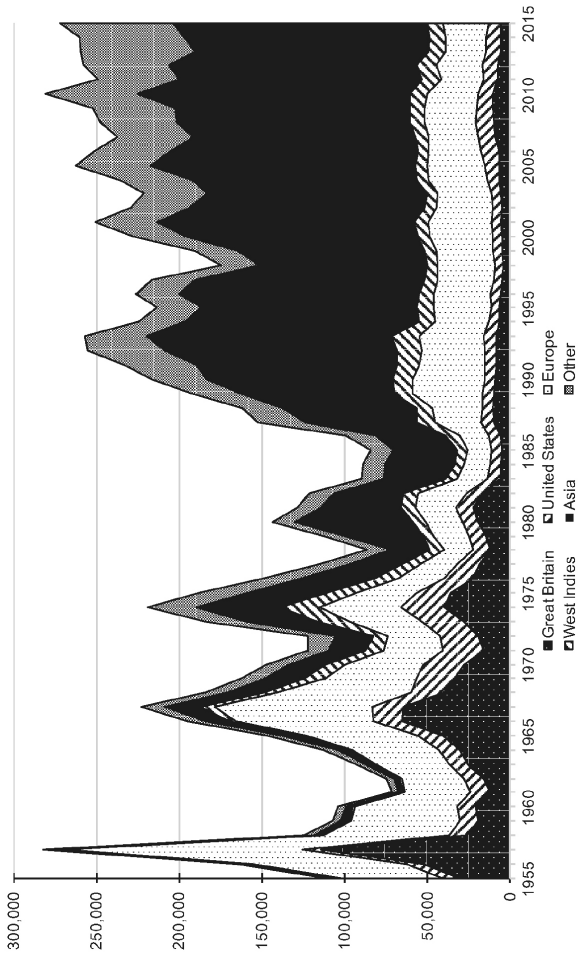
Notes: "Europe" is total Europe minus Great Britain. "Other" is the total of other regions/countries not otherwise listed; notably, Africa, Australasia, and Central and South America.
Source: Authors' tabulations based on data retrieved from CANSIM, Statistics Canada (1955–2013), Table 051-0006 and for 2013–15, CIC Admissions of Permanent Residents by Country of Citizenship, see "Permanent Resident Admissions by Source Country," http://open.canada.ca/data/en/dataset/ad975a26-df23-456a-8ada-756191a23695.

otherwise comparable immigrants (e.g., controlling for factors such as gender, education, and work experience) has steadily increased from 15 percent for the 1975–1979 arrival cohort to over 40 percent for the 2000–2004 cohort (Hou and Picot 2016). Unlike earlier cohorts, recent arrivals appear unlikely to ever catch up to otherwise comparable native born. In addition, poverty rates (the incidence of low income) have been on an increasing trend for immigrants since the early 1990s, while poverty among native-born Canadians has been declining (Hou and Picot 2016). As a consequence, there has been a noteworthy shift in the use of income assistance between immigrants and natives. In the beginning of our sample period, immigrants were less likely than the native born to receive welfare (Baker and Benjamin 1995). However, since the late 1990s, the fraction of immigrants receiving social assistance has consistently been above that of natives (Banting, Soroka, and Koning 2013). Canadians continue to hold generally favourable views toward immigration, and most Canadians agree with the statement "immigrants are good for the economy" (Riddell, Worswick, and Green 2016). The combination of worsening labour market outcomes and greater reliance on income assistance may undermine these positive views. Recently, substantial changes have been made to immigration policy with a key objective being to improve the economic outcomes of entering immigrants. Initial indications are that these changes are having the desired effect, at least to some extent (Ferrer, Picot, and Riddell 2014). However, little is known about the medium- to longer-term consequences of these policy changes. The success of these new policies may be important for maintaining Canadians' positive opinions about immigration.

There were also noteworthy changes in provincial IA/SA programs during our sample period. Although social assistance falls under provincial jurisdiction, federal funding played an important role under the Canada Assistance Plan (CAP) that operated from the mid-1960s until the mid-1990s. The federal government contributed 50 percent of IA/SA benefits provided that the province complied with CAP requirements (which all did). This imposed considerable uniformity on provincial welfare programs. This cost-sharing arrangement continued until 1995 when the CAP was replaced with a block transfer under the Canada Health and Social Transfer (CHST). The CHST provided block funding for all previously cost-shared programs in the areas of education, health, and income assistance. For social assistance, the only condition that the provinces needed to meet was the absence of provincial residency requirements. Thus, since the mid-1990s the provinces have

had more discretion in the design of their welfare programs, and IA/SA has competed for funding with other demands on provincial budgets such as education and healthcare.

As would be expected of a key component of the "safety net," receipt of social assistance benefits increased substantially during the 1981–1982 recession—by most measures Canada's worst year of the post-War period. However, the proportion of the population receiving welfare did not return to its pre-recession level during the subsequent strong economic expansion. In the early 1990s, Canada was again hit with a major downturn. During the 1990–1992 recession and its long-lasting aftermath, IA/SA receipt rose to unprecedented levels. By 1994, welfare receipt had increased to 12.5 percent of the non-elderly adult population. The combination of this "ratcheting up" of social assistance participation and large budget deficits led to major reforms to income security programs, including social assistance and unemployment insurance. The replacement of the federal-provincial cost-sharing arrangement by block funding under the CHST was a central component of these reforms, as were major changes introduced in 1996 to the unemployment insurance program, renamed Employment Insurance. In addition, most provinces made significant changes to their IA/SA programs in the latter half of the 1990s and/or the early 2000s, changes that play an important role in our empirical analysis.

The experience with rising welfare recipiency in the 1980s and early 1990s resulted in considerable interest in policies that encourage the movement from welfare to work. One such policy that is relevant for our analysis occurred in 1998 with the federal government's implementation of the National Child Benefit (NCB) program that was integrated with provincial IA/SA benefits. Provinces were encouraged to reduce IA/SA benefits for families with children by the amount of the child tax credit, thus leaving these families no better (or worse) off than prior to the introduction of the NCB, but lowering the "welfare wall" and providing a financial incentive for these families to enter the workforce. Five provinces (PEI, Nova Scotia, Ontario, Manitoba, and Alberta) did "claw back" IA/SA benefits by the amount of the NCB and a further three provinces (Quebec, Saskatchewan, and BC) reduced their provincial child benefits to account for the federal child tax credit. Newfoundland and New Brunswick did not claw back the NCB or reduce their provincial child benefits. These changes (or lack of changes) to provincial welfare benefits paid to families with children play a role in our empirical analysis.

Model Implications

In an appendix available from the authors, we set out a simple model of politicians deciding on levels of social assistance benefits and taxes. The model is not intended as a complete characterization of the related issues but rather as a way to guide our thinking about our empirical specification. To that end, we set up the model to capture what we take to be real world elements of transfer benefit setting: the potential roles of ideology, the state of the economy, and the presence of deficits, among other features.

The model generates a list of empirical implications but the ones of most interest to us here relate to the direct effect of added immigration. Added immigration can affect benefit rates in several ways. First, immigrants can have direct effects on the fiscal situation even if there is no discrimination. To see this, note that new immigrants earn below average wages and have lower than average employment rates. As a result, new immigrants add less tax revenue and take more benefits per capita than prior arrivals and the native born. Thus, increased immigration inflows will put the budget out of balance, requiring reductions in benefits to re-establish balance. Second, immigrants could affect the wages and employment rates of other workers. There is much debate on the extent of such immigrant impacts on the labour markets of receiving countries but our reading of the economics literature on the subject is that such impacts tend to be small. The third channel is through discrimination—the extent to which voters dislike their tax dollars going to benefits for "other" group members. This effect will be larger when immigrant employment rates are lower (or, more generally, when immigrant benefit usage is higher).

To the extent we find any effects from immigration on benefit setting, we are interested in which of these channels is most important. It is the third channel, in particular, that has been emphasized as a potential challenge to the ability of countries to maintain a generous welfare state in the face of substantial immigration. Holding median earnings and the employment rate constant will effectively eliminate the first two channels. To the extent that our measures of earnings and employment are somewhat blunt (since, for example, the fiscal situation depends on more than just median income), controlling for the size of the deficit can provide an extra means of holding the first channel constant. Any remaining impact of immigration shifts would then reflect the third channel. Channels 1 and 2 both imply larger expected effects if immigrants

are more likely to receive benefits. We will examine that implication by checking whether any estimated effects are larger if the proportion of immigrants who are low income or low educated is larger.

Data

Our data comes from a combination of sources. We use the 1986, 1991, 1996, and 2001 Canadian censuses and the 2011 NHS to form our measures of the proportion of the population who are immigrants, our employment rates, and our income measures. We form these separately by province and year. Our income measure is median market income (i.e., income before taxes and transfers) for the head of the household in real (2001) dollars.[3] We also obtain the mean market income and, following the earlier literature (in particular, Meltzer and Richard [1981] and the papers that follow it), include the ratio of the mean to the median income in some specifications as a measure of inequality in the income distribution. Our employment rate measure is taken from the information on labour force status in the Census survey week.

Our measure of diversity is immigrant status. It would be potentially possible to define measures of diversity based on country of birth but the country-of-birth definitions changed substantially by the public's understanding of the term in Census over our sample years and are partially masked in the Atlantic provinces in some years, making implementing consistent versions of such variables impossible. Given the substantial shifts in the source country distribution of immigrants shown earlier, increases in immigration go hand in hand with increases in ethnic diversity in this period. As discussed in the model section, we are interested in identifying not just the proportion of people who are immigrants but, further, the proportion who are immigrants who are more likely to use benefits. To this end, in each year, we also obtain the proportion of immigrants who are high school drop-outs.

Figure 10.3 contains plots of the proportion immigrant for each province for our sample period. Perhaps the most striking feature of the figure is the very different levels of the different provincial curves. By 2011, the proportion of the provincial population who were immigrants ranged from a low of 0.02 in Newfoundland to a high of 0.35 in Ontario. In our main empirical specification, however, we will include province-specific effects which will remove the persistent cross-provincial

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3.   We used the Bank of Canada's core version of the CPI to deflate our series.

variation. The remaining identifying variation is the changes in proportions within each province over time. While the lowest proportion provinces show only mild variation in these proportions, the rest experienced both rises and falls in the proportion, implying that there is good variation to seek to identify effects of immigration on benefit setting.

We also used the Census data to construct measures of the proportion of the population in a province and Census year who are part of a visible minority (along with low income and low education visible minority proportions). However, these measures should be treated with caution. Prior to 1996, visible minorities were identified by Statistics Canada using combinations of self-reported ethnicity and immigrant status. After that, respondents were asked to self-identify their visible minority status and a non-response category became more prominent. The result is a visible minority variable that is not easily comparable over time. For that reason, we present immigration-based definitions of diversity as our main results and show the visible minority results as additional evidence.

For our ideological variables, we define all provincial New Democratic Parties (NDP) as left wing along with the Parti Quebecois, which has a history as both a separatist and a social democratic party, in Quebec. The right wing parties are more difficult to identify. The Social Credit in the western provinces, the recent Liberal Party in British Columbia and the recent Conservative government in Alberta are all clearly right wing. However, other Conservative parties, particularly earlier in our period, seem more centrist than purely right wing. We considered different definitions of right wing but settled on declaring all Liberal governments (apart from the most recent BC government) to be centrist and all Conservative governments to be right wing. This is the most straightforward definition and, thus, less prone to the accusation that the definitions of left and right are being chosen to obtain a particular result.

Finally, we obtained our measure of the ratio of the provincial government deficit to provincial GDP in each year from the RBC online posting "Canadian Federal and Provincial Fiscal Tables," 1 September 2016.

Our dependent variable is full year equivalent social assistance benefits for different recipient types from the National Council of Welfare's (NCW) annual reports. The NCW provides calculations of total benefits available to recipients in each province in each year of our sample peri-

Figure 10.3

Immigrant Proportions by Province, 1986–2011
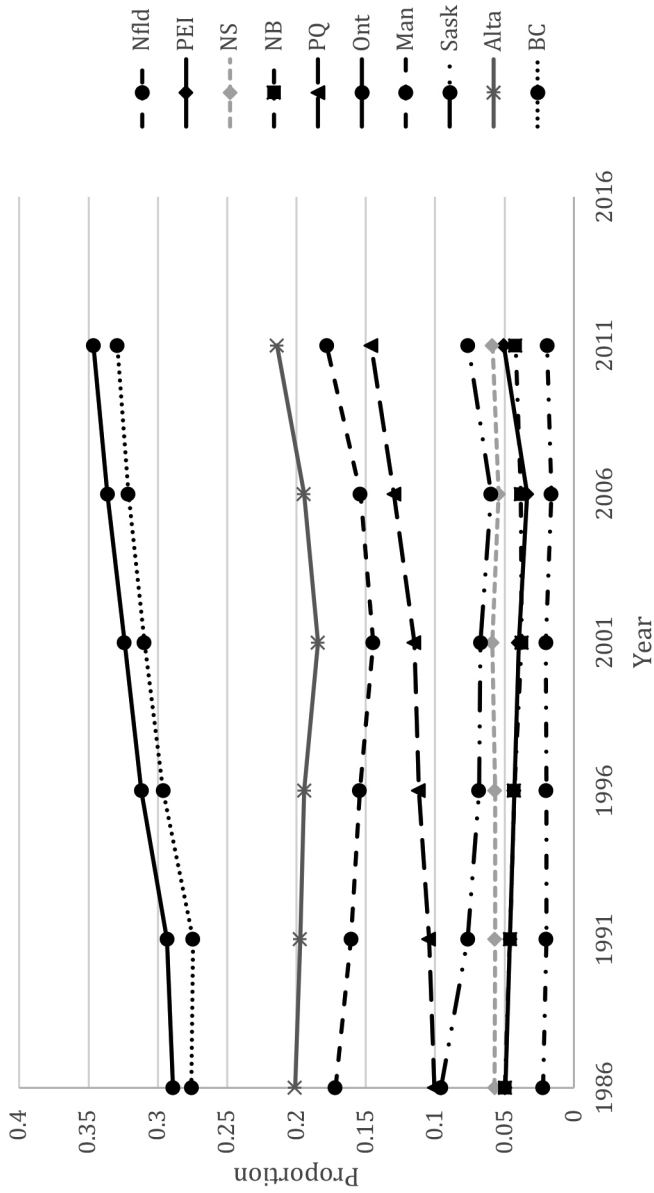
Source: Authors' compilation, Canadian Census, various years, and 2011 National Household Survey.

od, converted to an annualized basis (e.g., the amount a person would receive if they were on benefits for a full year). We use the benefits for four recipient types: single employables; single individuals with a disability; a lone parent with a two-year-old child; and a couple with two children, aged 10 and 15. The earlier economics literature examining the effects of diversity on redistributive policy used the total welfare benefits as their measure of redistributive generosity. Such a measure is problematic because it moves, in part, in response to endogenous choices by immigrants and others on whether to take up benefits. In contrast, our measure captures the actual policy parameters being set by the government. The four different recipient types allow us to examine different features of policy setting. If benefit setting does reflect negative opinions on transferring money to a group of "others" one might expect (or, at least, we expected) that this effect would show up most strongly for single employables—a group who might be perceived as "free loaders." Single with disabilities, in contrast, might be perceived as being more "deserving." A lone parent with a child of age two was considered not employable in most provinces through most of our time period and thus these benefits focus attention on generosity toward children, something that received increased attention over this period. As we will see, a couple with two older children is a particularly interesting case given the changes that occurred in provincial systems in our time period.

We present the real annualized benefits for each of our family types in Figures 10.4 to 10.7. The series show a notable shift at the time of the policy changes in the late 1990s. For all four benefit types, the mean fell for the period before versus after 2000, with the decline being over 10 percent for all types other than Lone Parents. There is also a notable decline in variation before versus after 2000. For the Couples with Children benefits, the variance dropped by two-thirds. Thus, interestingly, after the federal government withdrew its oversight of IA/SA spending, the variation across provinces declined, which, together with the declining averages, might support the notion of a race to the bottom once the provinces were independent agents. Importantly, though, a careful examination of the series shows that there are provinces in all the five-year periods that are moving against the dominant trend. If this were not true then there would be no variation for us to examine once we take out common time trends.

Figure 10.4

Annualized Real Single Employable Benefits By Province, 1986–2011
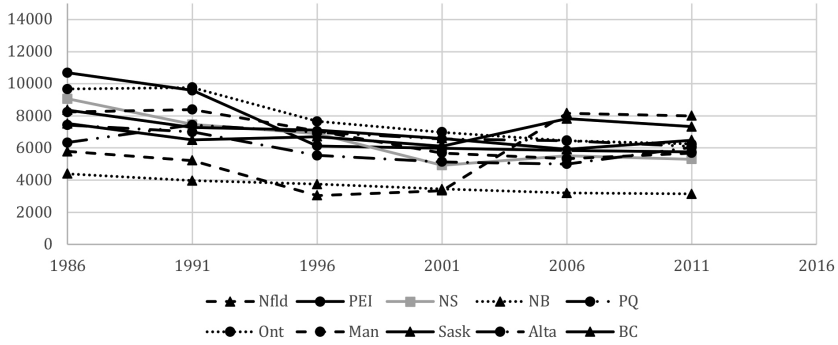
Source: Authors' compilation from National Council of Welfare Annual Report, various years.

Empirical Specification and Results

Our main empirical specification takes the form:

$$\ln(b_{kjt}) = \beta_{0k} + \beta_{1k} \ln(\text{imigp}_{jt}) + x_{jt}\gamma_k + \theta_{jk} + \psi_{tk} + \varepsilon_{kjt}$$

where k indexes our four family types; j indexes province; t indexes year; imigp_{jt} is a measure of the proportion of residents in province j in year t who are immigrants (or low educated immigrants or visible immigrants in some specifications); x_{jt} is a vector of controls indicated by the model; θ_{jk} is a province time-invariant effect; ψ_{tk} is a common time effect; and ε_{kjt} is an error term which our model indicates reflects amenity shifts. The inclusion of the province and time effects implies that we identify the effects of the immigrant proportion and the other covariates using within-province over-time variation. This eliminates variation in levels of benefits and immigration across provinces in order to get closer to causal interpretations of our estimates. Without the province effects, our estimates could pick up persistent differences in other factors across provinces. For example, more prosperous provinc-

Figure 10.5

Annualized Real Single With Disability Benefits By Province, 1986–2011
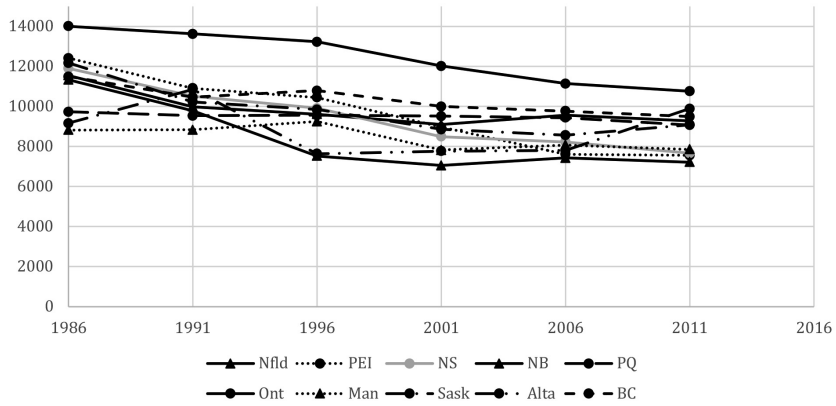
Source: Authors' compilation from National Council of Welfare Annual Report, various years.

Figure 10.6

Annualized Real Lone Parent Benefits By Province, 1986–2011
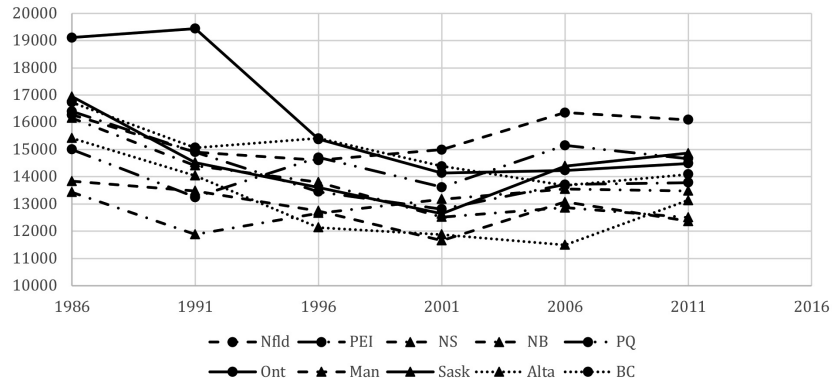
Source: Authors' compilation from National Council of Welfare Annual Report, various years.

Figure 10.7

Annualized Real Couple With Children Benefits By Province, 1986–2011
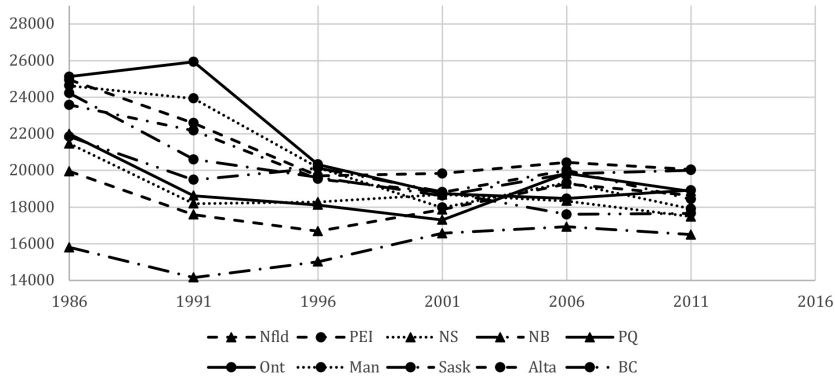
Source: Authors' compilation from National Council of Welfare Annual Report, various years.

es may both attract more immigrants and be able to afford higher benefits, generating a spurious positive estimate of the effect of immigration on benefits.

Table 10.1 contains our base set of results for Single Employable and Single Disabled benefits. Column 1 shows the effect of the log of the proportion of the population who are immigrants on the log of the annualized income assistance benefits for Single Employables controlling only for province and time effects. The estimated effect is negative but far from statistically significantly different from zero at any conventional significance level. In column 2, we add the controls suggested by our model. The log of median income has a positive effect that is significant at the 5 percent level, fitting with our model prediction that more prosperous economies can afford to pay higher benefits. None of the other controls are even close to statistical significance, and the proportion of immigrant effect becomes much smaller and, again, not statistically significant. Interestingly, even the left versus right wing status of the party in power does not affect the level of benefits. This is in contrast to minimum wage setting, where the ideology of the gov-

ernment has a strong influence (Green and Harrison 2010). In the third column, we add two additional controls. We add the proportion of the population with a university degree to see if greater education shifts preferences related to redistribution. The coefficient on that variable is large but very poorly defined. We also added the ratio of the mean to the median income. Meltzer and Richard (1981) argue that in a median voter model, government benefits will be higher when this ratio is higher because the decisive median voter gets a typical government benefit but has to pay less tax for it if there are more well-off fellow citizens to pay for it. Our estimate, in contrast, shows a negative effect which is not significant at the 10 percent level here but will show up as significant in some of our other specifications. The negative sign may fit with the kinds of models proposed by Joseph Stiglitz in which richer individuals have disproportionate influence on policy making, with that influence rising in their income. Then, as the incomes of the 1 percent pull away from the incomes of others, they would be increasingly able to shift policy away from taxes and benefits—benefits from which they do not directly benefit. Indeed, the results in Johnston et al. (2010) indicate that support for welfare programs declines with the affluence of the survey respondent. Adding these variables does not change the conclusion that the proportion immigrant variable has a small and not statistically significant effect.

Columns 4 through 6 repeat these exercises with the dependent variable being the log annualized benefits for Singles with Disabilities. Here, the proportion immigrant variable has a statistically significant positive effect whether or not we include other controls. This might fit with an idea that people who are both supportive of transfers but are socially distant from immigrants in their outlook could increasingly decide to favour transfers to the "deserving poor"—the disabled—when the proportion of immigrants rises. In this regard, it is interesting that right wing governments implement higher Disabled benefits than centrist governments.

In Table 10.2, we repeat these exercises for Lone Parent and Couples with Children benefits. For both types of benefits, the conclusions are the same as for the Single Employable benefits: the impact of the proportion immigrant variable is small and statistically insignificant, especially once we include other controls. As in the earlier table, only median income and, in one case, the mean-to-median ratio enter substantially and statistically significantly.

One possible explanation for our estimated non-existent effects for

Table 10.1

Benefit Regressions for Single Employable and Single Disabled

	(1) Single Employable	(2) Single Employable	(3) Single Employable	(4) Single Disabled	(5) Single Disabled	(6) Single Disabled
Proportion Immigrant	-0.42 (0.55)	-0.064 (0.42)	0.024 (0.35)	0.35* (0.13)	0.44* (0.15)	0.46** (0.12)
Median Income		1.30* (0.48)	1.25* (0.39)		0.76** (0.20)	0.81** (0.20)
Employment Rate		-0.027 (0.032)	-0.028 (0.029)		-0.030+ (0.014)	-0.029+ (0.013)
Deficit GDP Ratio		0.035 (0.024)	0.028 (0.022)		0.0071 (0.0062)	0.0039 (0.0056)
Left-wing Government		0.087 (0.11)	0.053 (0.14)		0.057 (0.043)	0.051 (0.054)
Right-wing Government		0.12 (0.094)	0.069 (0.098)		0.083* (0.030)	0.068+ (0.033)
Mean Median Ratio			-0.26 (0.15)			-0.15** (0.026)
Proportion University			-3.67 (3.08)			-0.57 (0.88)

Table 10.1, continued

Benefit Regressions for Single Employable and Single Disabled

	(1) Single Employable	(2) Single Employable	(3) Single Employable	(4) Single Disabled	(5) Single Disabled	(6) Single Disabled
Constant	7.13**	6.36**	7.44**	10.7**	10.4**	10.6**
	(2.14)	(1.92)	(1.54)	(0.52)	(0.67)	(0.56)
Observations	60	60	60	60	60	60
R^2	0.72	0.77	0.80	0.82	0.86	0.88

Notes:

Standard errors in parentheses

$+ p < 0.10$, $* p < 0.05$, $** p < 0.01$

All specifications include a full set of province and year effects. The dependent variables are the log of annualized benefits for the family type. Proportion Immigrant is in logs.

Median income is in thousands of dollars and logs. The Left- and Right-wing Government indicators are lagged by one year. Standard errors are clustered by province.

Source: Authors' compilation.

three of the benefit types is that immigrants are not perceived, as a group, as being likely to make excessive use of income assistance benefits. This might be the case based on immigrants being selected under the point system for market related skills. However, not all immigrants are highly educated or otherwise skilled. As we have seen, immigrant poverty and their propensity to use IA/SA benefits has increased over recent decades, and there could be a negative reaction to immigrants in places where less skilled immigrants tend to concentrate. This fits with our model implication that voters would be more concerned about transfers to immigrants if the immigrants have characteristics that make them more likely to receive benefits. We investigate this possibility by replacing the proportion of the population who are immigrants with the proportion who are low educated immigrants (high school dropouts). We also estimated specifications in which we used the proportion of immigrants who were in the lowest quintile of the national income distribution. The two approaches produce very similar results and for brevity we only show the education-based results here. The results for Single Employable benefits in Table 10.3 are similar to those when using the total immigrant proportion in Table 10.1. For Single Disabled, however, the positive relationship with immigration evaporates when we focus just on the low educated. We are not entirely sure what to make of this difference. It suggests that the earlier positive effect does not stem from concerns about immigrant benefit usage. It may, instead, be related to the preferences of immigrant voters to have benefits focused on the "deserving poor."

In Table 10.4, we show the results for the low educated, immigrant proportion effects for the other two benefit types. For Lone Parent benefits, there continues to be a lack of evidence of any substantial effects. But for Couples with Children, we now see negative and statistically significant immigrant proportion effects. Recall from the discussion of our model that, given that we get these effects even when controlling for median income, the employment rate, and the size of the deficit implies that the estimated effect reflects the discrimination channel rather than one of the fiscal channels for affecting benefit rates. The effect is not large in magnitude: given our log-log specification, the estimated coefficient of approximately -0.03 implies that a 10 percent increase in the proportion immigrants variable is associated with a 0.3 percent decline in real annual benefits. To put this in perspective, over our time period, the low educated immigrant proportion in Ontario decreased by 50 percent. From our estimate, this would imply a 1.5 percent in-

Table 10.2

Benefit Regressions for Lone Parents and Couples with Children

	(1) Lone Parent	(2) Lone Parent	(3) Lone Parent	(4) Couple w children	(5) Couple w children	(6) Couple w children
Proportion Immigrant	-0.10 (0.21)	-0.059 (0.21)	-0.0066 (0.17)	-0.16 (0.21)	-0.079 (0.17)	-0.065 (0.16)
Median Income		0.43** (0.11)	0.36** (0.095)		0.35+ (0.18)	0.36+ (0.20)
Employment Rate		0.0071 (0.0098)	0.0059 (0.0083)		0.013 (0.011)	0.014 (0.0098)
Deficit GDP Ratio		-0.012 (0.0086)	-0.015 (0.0081)		-0.0058 (0.0088)	-0.0073 (0.0089)
Left-wing Government		-0.017 (0.038)	-0.039 (0.048)		-0.024 (0.031)	-0.028 (0.035)
Right-wing Government		0.019 (0.030)	-0.0077 (0.035)		0.0093 (0.026)	0.00029 (0.030)
Mean Median Ratio			-0.096+ (0.045)			-0.070 (0.049)
Proportion University			-2.42 (1.32)			-0.46 (0.97)
Constant	9.37** (0.83)	8.04** (1.07)	8.75** (0.93)	9.34** (0.81)	8.10** (0.98)	8.23** (0.96)

Table 10.2, continued

Benefit Regressions for Lone Parents and Couples with Children

	(1) Lone Parent	(2) Lone Parent	(3) Lone Parent	(4) Couple w children	(5) Couple w children	(6) Couple w children
Observations	60	60	60	60	60	60
R^2	0.74	0.80	0.83	0.77	0.82	0.83

Notes:

Standard errors in parentheses

+ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$

All specifications include a full set of province and year effects. The dependent variables are the log of annualized benefits for the family type. Proportion Immigrant is in logs.

Median income is in thousands of dollars and logs. The Left- and Right-wing Government indicators are lagged by one year. Standard errors are clustered by province.

Source: Authors' compilation.

crease in real benefits. Over the same periods, the highest value of real benefits in Ontario was 59 percent above the lowest value. Thus, shifts in immigrant proportion would appear to be a bit player in the determination of benefit variation over time within a province.

We are interested in examining our results further in light of the changes in income assistance financing and interactions between federal and provincial programs that occurred in our sample period. Recall from the discussion earlier that in 1996 funding moved from including federal government oversight and requirements to having no real strings attached. That could imply that the provinces would have more leeway to set IA policy in ways that reflect the opinions on transfers to immigrants after the funding formula change. Moreover, the CHST block grant had a zero-sum feature: since the grant was for expenditures on welfare, health, and education, more spending on welfare meant less on health and education. If immigrants are perceived as higher users of welfare but all citizens benefit from health and education spending then this zero-sum formula could serve to exacerbate concerns about welfare transfers to "others." To the extent that is true, we might see larger estimated effects after, versus before, the change. In addition, the federal National Child Benefit, introduced in 1998, was intended as a federal transfer that would be offset by matching reductions in IA benefits in order to eliminate the "welfare wall." But the provinces were not forced to claw back the benefits and, as we have seen, not all did. Thus, the introduction of the NCB generated a period of extra variability in benefit rates where, again, one might see negative reactions to immigrants reveal themselves. On top of these changes at the federal level, as we discussed earlier, the period beginning in the mid-1990s was one of substantial retrenchment in IA payments, with access to benefits for single employable being particularly targeted. It is interesting to think about our results to this point, which use variation that spans this period of major cut-backs in benefit rates. Our estimates indicate that the retrenchment for the single employables was not particularly acute in places with larger immigrant inflows.

All three of these changes in the IA systems were initiated in the mid-1990s. We check to see whether they had an impact on the relationship between benefits and diversity by interacting our log of proportion immigrant variable with a dummy variable equaling one for the years after 1996. In Table 10.5, we present the results from a specification including the covariates indicated by our theory for each of the four benefit types. For all benefit types, the proportion immigrant effects for the 1996 and

Table 10.3

Benefit Regressions for Single Employables and Single Disabled Using Proportion Low Education Immigrants

	(1) Single Employable	(2) Single Employable	(3) Single Employable	(4) Single Disabled	(5) Single Disabled	(6) Single Disabled
Proportion Immigrant HS Drop Outs	-0.039 (0.041)	-0.024 (0.024)	-0.040 (0.026)	0.0087 (0.014)	0.013 (0.017)	0.0084 (0.015)
Median Income		1.32* (0.41)	1.24** (0.33)		0.67** (0.20)	0.75** (0.22)
Employment Rate		-0.030 (0.029)	-0.034 (0.025)		-0.033+ (0.015)	-0.032* (0.014)
Deficit GDP Ratio		0.039 (0.024)	0.032 (0.021)		0.00040 (0.0092)	-0.0014 (0.0097)
Left-wing Government		0.065 (0.091)	-0.0058 (0.12)		0.023 (0.041)	0.020 (0.055)
Right-wing Government		0.086 (0.065)	-0.0029 (0.081)		0.076* (0.026)	0.063 (0.041)
Mean Median Ratio			-0.31+ (0.15)			-0.12+ (0.060)
Proportion University			-4.28 (3.72)			0.40 (1.86)
Constant	8.59** (0.20)	6.63** (1.11)	7.65** (0.76)	9.38** (0.074)	9.09** (0.53)	8.99** (0.64)

Table 10.3, continued

Benefit Regressions for Single Employables and Single Disabled Using Proportion Low Education Immigrants

	(1) Single Employable	(2) Single Employable	(3) Single Employable	(4) Single Disabled	(5) Single Disabled	(6) Single Disabled
Observations	60	60	60	60	60	60
R^2	0.72	0.78	0.81	0.79	0.83	0.84

Notes:

Standard errors in parentheses

$+p < 0.10$, $*p < 0.05$, $**p < 0.01$

All specifications include a full set of province and year effects. The dependent variables are the log of annualized benefits for the family type. Proportion Immigrant is in logs.

Median income is in thousands of dollars and logs. The Left- and Right-wing Government indicators are lagged by one year. Standard errors are clustered by province.

Source: Authors' compilation.

Table 10.4

Benefit Regressions for Lone Parents and Couples with Children Using Proportion Low Education Immigrants

	(1) Lone Parent	(2) Lone Parent	(3) Lone Parent	(4) Couple w children	(5) Couple w children	(6) Couple w children
Proportion Immigrant HS Drop Outs	-0.014 (0.012)	-0.0056 (0.011)	-0.012 (0.011)	-0.028* (0.011)	-0.025+ (0.011)	-0.031* (0.011)
Median Income		0.45** (0.10)	0.36** (0.10)		0.37+ (0.17)	0.37* (0.15)
Employment Rate		0.0069 (0.011)	0.0040 (0.0097)		0.010 (0.012)	0.0092 (0.011)
Deficit GDP Ratio		-0.011 (0.0081)	-0.014+ (0.0072)		-0.0017 (0.0064)	-0.0039 (0.0056)
Left-wing Government		-0.017 (0.028)	-0.055 (0.043)		-0.046 (0.025)	-0.065+ (0.035)
Right-wing Government		0.014 (0.034)	-0.029 (0.039)		-0.025 (0.024)	-0.051 (0.030)
Mean Median Ratio			-0.11* (0.045)			-0.11* (0.039)
Proportion University			-2.63+ (1.42)			-1.07 (1.09)
Constant	9.71** (0.058)	8.23** (0.57)	8.86** (0.44)	9.83** (0.059)	8.42** (0.54)	8.67** (0.38)

Table 10.4, continued

Benefit Regressions for Lone Parents and Couples with Children Using Proportion Low Education Immigrants

	(1) Lone Parent	(2) Lone Parent	(3) Lone Parent	(4) Couple w children	(5) Couple w children	(6) Couple w children
Observations	60	60	60	60	60	60
R^2	0.75	0.80	0.84	0.81	0.85	0.86

Notes:

Standard errors in parentheses

$+ p < 0.10$, $* p < 0.05$, $** p < 0.01$

All specifications include a full set of province and year effects. The dependent variables are the log of annualized benefits for the family type. Proportion Immigrant is in logs.

Median income is in thousands of dollars and logs. The Left and Right wing government indicators are lagged by one year. Standard errors are clustered by province.

Source: Authors' compilation.

Table 10.5

Benefit Regressions Allowing for a Structural Break post-1996

	(1) Single Empl	(2) Single Disabled	(3) Lone Parent	(4) Couple w chldrn
Proportion Immigrant	0.32	0.44+	0.060	0.15
	(0.46)	(0.21)	(0.23)	(0.18)
Proportion Immigrant	-0.15	0.00086	-0.046+	-0.089*
Post 1996	(0.083)	(0.057)	(0.023)	(0.030)
Median Income	1.10+	0.76**	0.37**	0.23+
	(0.49)	(0.23)	(0.063)	(0.12)
Employment Rate	-0.049+	-0.030*	-0.0000086	-0.00033
	(0.024)	(0.013)	(0.010)	(0.013)
Deficit GDP Ratio	0.052	0.0070	-0.0067	0.0048
	(0.030)	(0.0071)	(0.0089)	(0.0094)
Left Govt	0.078	0.057	-0.019	-0.029
	(0.13)	(0.043)	(0.041)	(0.037)
Right Govt	0.092	0.084*	0.010	-0.0067
	(0.088)	(0.032)	(0.028)	(0.024)
Constant	9.36**	10.4**	8.97**	9.91**
	(2.05)	(1.13)	(1.24)	(1.15)
Observations	60	60	60	60
R2	0.79	0.86	0.81	0.87

Notes:
Standard errors in parentheses
+$p < 0.10$, *$p < 0.05$, **$p < 0.01$
All specifications include a full set of province and year effects. The dependent variables are the log of annualized benefits for the family type. Proportion Immigrant is in logs.
Median income is in thousands of dollars and logs. The Left and Right wing government indicators are lagged by one year. Standard errors are clustered by province.
Source: Authors' compilation.

earlier period (the Proportion Immigrant variable) are actually positive, though only statistically significant for the Single Disabled benefits. For Single Employables, the coefficient on the interaction variable indicates the effect of the immigrant proportion was smaller in the post-1996 period. However, this coefficient is not statistically significantly different from zero at standard significance levels. For Lone Parent and Couples with Children benefits, on the other hand, the estimates of the interaction effects are both sizeable and statistically significant at the 10 and 5 percent levels, respectively. We should mention that if we include the mean-to-median income ratio variable the Lone Parent interaction effect falls to insignificance, while the effect for Couples with Children remains much the same.

In Table 10.6, we repeat this exercise using the proportion of low educated immigrants. With this measure, the 1996 and before effects are very small and statistically insignificant. For Single Employables benefits, the coefficient on the interaction term indicates the effect of the low educated immigrant proportion is much larger and more negative in the post-1996 period. However, this coefficient is roughly the size of its standard error, implying that we cannot reject a zero effect at any standard level of significance. The combination of the large point estimate and the large standard error opens the possibility that there was some emergence of negative reactions to diversity after 1996 but nothing can be said with any certainty. For Couples with Children benefits, the post-1996 effect is significant and larger than what was estimated for the entire sample period. The small effects for 1996 and before plus the larger effects post-1996 indicate that federal strings attached to transfers for IA may have restricted local reactions to diversity from showing up in IA benefit setting. If the post-1996 effects were just about the removal of the financial strings in general, though, we might expect to see effects showing up in all benefit rates. The fact that they are most clearly observed in the rates related to children suggests that the special features of the NCB claw back allowed provinces to make big changes in benefits at lower cost to their own bottom line in a way that shines a light on preferences about diversity. In essence, when the provinces had the opportunity to give benefit increases to recipients funded by the federal government, this happened to a greater degree in provinces with lower immigration. This fits with the notion of trade-offs between redistribution and diversity. It is noteworthy, that the two main provinces that did not claw back benefits (Newfoundland and New Brunswick) are the two lowest proportion immigrant provinces (.02 and .045

Table 10.6

Benefit Regressions Allowing for a Structural Break post–1996, Low Educated Immigrants

	(1) Single Empl	(2) Single Disabled	(3) Lone Parent	(4) Couple w chldrn
Proportion Immigrant	0.0036	-0.012	0.0039	-0.0073
HS Drop Outs	(0.023)	(0.0088)	(0.0090)	(0.010)
Proportion Immigrant	-0.076	0.067	-0.026	-0.050+
HS Drop Outs Post 1996	(0.072)	(0.048)	(0.020)	(0.022)
Median Income	1.16*	0.82**	0.39**	0.26+
	(0.49)	(0.20)	(0.095)	(0.13)
Employment Rate	-0.043+	-0.021+	0.0024	0.0017
	(0.023)	(0.010)	(0.0093)	(0.012)
Deficit GDP Ratio	0.044	-0.0046	-0.0088	0.0020
	(0.026)	(0.0074)	(0.0080)	(0.0077)
Left Govt	0.068	0.020	-0.016	-0.044
	(0.10)	(0.037)	(0.030)	(0.029)
Right Govt	0.097	0.066*	0.018	-0.017
	(0.072)	(0.023)	(0.034)	(0.026)
Constant	7.70**	8.14**	8.60**	9.13**
	(0.84)	(0.52)	(0.51)	(0.49)
Observations	60	60	60	60
R2	0.78	0.84	0.80	0.86

Notes:
Standard errors in parentheses
$^+p < 0.10$, $^*p < 0.05$, $^{**}p < 0.01$
All specifications include a full set of province and year effects. The dependent variables are the log of annualized benefits for the family type. Proportion Immigrant is in logs.
Median income is in thousands of dollars and logs. The Left and Right wing government indicators are lagged by one year. Standard errors are clustered by province.
Source: Authors' compilation.

in 2011, respectively). Once again, though, the effect, even post-1996, is not large. For Couples with Children benefits, the observed decline in the proportion of low educated immigrants in Ontario would imply a 2.5 percent increase in the benefit level across our period.

In Table 10.7, we switch our measure of diversity to the proportion Visible Minority. We split visible minorities into Aboriginals and other visible minorities because we find the two groups have different legal interactions with the transfer system. Because of the change in the visible minority definition with the 1996 census, we use only the 1996 and subsequent Censuses. For the proportion Other Visible Minority, the estimated effects are small and not statistically significantly different from zero for all benefit types. Being forced to use fewer observations inflates our standard errors but the point estimates are also small. The conclusion is that the negative estimated effects we find in places for immigrant proportion are not reflecting visible minority diversity per se but, rather, something about newcomers, possibly interacting with other diversity elements. This raises the interesting possibility that in an ethnically diverse, immigrant country such as Canada, the notion of "outsiders" emphasized in the social psychology literature is associated with the most recent arrivals (people who may not have learned the local social norms yet) rather than with ethnicity or skin colour. Soroka et al. (2016) find exactly this in an experimental setting with subjects from Canada and the United States. For the proportion Aboriginal, there is a negative, sizeable, and significant effect on Single Disabled benefits but, in general, the estimates are very badly defined and we can say little about them.

Our overall conclusion from our empirical exercises is that there is some evidence that provinces that experienced higher inflows of low educated immigrants had reduced benefits but only for Couples with Children benefits and, even then, the effects are not large. These effects show up most in benefits for families with children because of the post-1996 IA/SA policy changes that made this the easiest place for large benefit changes to occur. It is interesting to consider these results in light of the earlier literature. As we have seen, Soroka, Helliwell, and Johnston (2007) and Soroka, Johnston, and Banting (2007) find that higher ethnic diversity lowers trust in a location but does not lower support for redistributive policies. We find that the lower trust translates into lower benefits in situations where the provincial governments had more leeway and where interactions with the federal government made relatively large changes feasible (e.g., in families with children

Table 10.7

Benefit Regressions Using Visible Minorities (1996 and After)

	(1) Single Empl	(2) Single Disabled	(3) Lone Parent	(4) Couple w chldrn
Proportion Visible Minority	-0.028	0.0087	-0.027	-0.0070
	(0.22)	(0.056)	(0.042)	(0.039)
Proportion Aboriginal	-0.11	-0.18*	-0.018	0.057
	(0.21)	(0.068)	(0.076)	(0.060)
Median Income	0.19	1.04	0.34	0.16
	(1.51)	(0.55)	(0.24)	(0.30)
Employment Rate	0.045	-0.016	0.012	0.020
	(0.070)	(0.024)	(0.011)	(0.0092)
Deficit GDP Ratio	0.034	-0.0030	-0.017*	-0.015*
	(0.026)	(0.012)	(0.0062)	(0.0055)
Left Govt	0.089	-0.022	-0.021	-0.020
	(0.22)	(0.044)	(0.039)	(0.043)
Right Govt	0.10	0.030	0.0053	0.016
	(0.18)	(0.036)	(0.031)	(0.037)
[1em] Constant	5.39	6.47***	7.96***	8.62***
	(3.28)	(1.23)	(0.75)	(0.70)
Observations	40	40	40	40
R2	0.75	0.91	0.88	0.83

Notes:
Standard errors in parentheses
$^+p < 0.10$, $^*p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$
All specifications include a full set of province and year effects. The dependent variables are the log of annualized benefits for the family type. Proportion Immigrant is in logs.
Median income is in thousands of dollars and logs. The Left and Right wing government indicators are lagged by one year. Standard errors are clustered by province.
Source: Authors' compilation.

benefits after 1996). However, even here the effects are not substantial. Thus, we reach an overall conclusion that the results in the earlier papers on opinions largely carries over to actual benefit setting.

Conclusion

Keith Banting and a list of co-authors have provided a rich body of research on the relationship between diversity and support for the welfare state in Canada and internationally. In this chapter, we investigated the next step in the logical chain: did the lack of effect in stated opinions on redistribution translate into a lack of impact on actual policy setting? We believe this is a useful step since responses to surveys might be coloured by concerns about how respondents are perceived that might not show up when they step into the anonymity of the polling booth. Our examination involves estimations of the effects of the proportion of immigrants on IA/SA benefit rates for four family types: Single Employables, Single Disabled, Lone Parents, and Couples with Children. We implement our specifications using Census and NHS data over the period from 1986 to 2011. Our main finding is that there is limited evidence of effects of the proportion immigrants on any of the benefit types apart from Couples with Children benefits. Importantly, the latter effects arise entirely in the post-1996 period when the federal government had removed strings from transfers for IA/SA and also when the implementation of the NCB allowed provinces a moment in which they could make large changes in the effective benefits received for families with children at no additional cost. The provinces who took the option of increasing benefits were mainly the ones with lower proportions of low-educated immigrants. This provides an interesting insight into funding of programs in a federation and fits with Pierre Trudeau's statements that he worried about more parochial decisions being made at the provincial level. Nonetheless, the estimated effects are not large and the overall conclusion from the earlier literature that Canada stands as an example in which diversity has not generated reduced redistribution remains.

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DIVERSITY AND SOLIDARITY

Multiculturalism Policy and Support for the Welfare State

Stuart Soroka, Matthew Wright, Irene Bloemraad, and Richard Johnston

In the last half century, immigration has transformed advanced democracies into demographically "multicultural" societies of significant ethnic, racial, and religious diversity. In Canada, only 4 percent of residents reported non-European origins (including Aboriginal) in 1951; in comparison, almost half of all residents reported British origins (48 percent), almost a third French background (30 percent), and a bit over one in six listed other European origins (18 percent; Li 2000, 2). In 2011, by contrast, Canadian residents reported more than 200 ethnic origins, almost one in five self-identified as a visible minority, and over a million identified as Muslim, the largest non-Christian religion in the country (Statistics Canada 2013).

The governments of rich, liberal democracies have taken distinct paths in responding to population diversity. Some have ignored it by retaining the cultural dominance of the majority group (e.g., Japan) or by promoting a colour-blind, republican nationalism (e.g., France). Other countries, such as Canada, have re-crafted national identities to incorporate, even celebrate, diversity in public discourse and institutions, and have advanced specific policies of multiculturalism.

But does multiculturalism make for good public policy? How might multiculturalism affect other policy goals? Various observers, within

and beyond Canada, have argued for multiculturalism on normative grounds of advancing equality, justice, and fairness for cultural minority groups (e.g., Kymlicka, 1995; Modood 2013; Parekh 2006; Taylor 1994; Young 2000; but see Barry 2002). These normative debates were, however, initially set apart from possible repercussions for other policy objectives. Then, early in the new millennium, some political observers began to wonder whether public policies recognizing and accommodating minorities might not undermine the modern welfare state, generating the so-called "progressive's dilemma" (Goodhart 2004; Pearce 2004). As Keith Banting put it, in asking whether Canada faced such a dilemma, "How can we reconcile growing levels of multicultural diversity... [with] the capacity to pursue collective projects and social solidarity?" (2010, 797).

This question is particularly acute given contemporary economic inequality and concern over states' willingness to mitigate inequality through the tax system, public benefits, and social assistance. In Canada, as in other rich, Western countries, income inequality has been growing: the richest members of society experience large gains in the salaries, profits, and dividends they collect, while many working class and middle class citizens face economic stagnation. Banting and Myles (2013) document that, starting in 1995, inequality measures began to rise in Canada as transfers and taxes were unable to erase growing inequality in market income. "The redistributive state is fading in Canada," they conclude (Banting and Myles 2013, 1).

Is public support for the welfare state, and the welfare state itself, being eroded by multiculturalism policies (MCPs)? This question lies at the intersection of two major research programs where Keith Banting's work has been pivotal. Theoretically, redistribution and multiculturalism may be linked through the concept of "welfare solidarity," defined by Banting and Kymlicka as "support for redistribution towards the poor and vulnerable groups; support for the full access of people of all backgrounds, including newcomers, to core social programs; support for programs that recognize and accommodate the distinctive needs and identities of different ethnocultural groups" (2013, 14). Solidarity of this kind is viewed as an essential (indeed, almost axiomatic) underpinning of welfare state regimes in modern societies. Without a sense of shared obligation to redistribution, citizens will be unwilling to support the social programs that define modern welfare states; without public support, the programs themselves will wither and fade. Some argue that multiculturalism policies undermine such solidarity by rei-

fying distinct cultural groups rather than the collective "we," or that newcomers, because of their lack of roots in the society, undermine reciprocity norms built on the calculation that we help or cooperate with others because they have helped and cooperated with us in the past (Banting 2010).

In this chapter, we tackle these questions of welfare solidarity, redistributive policy, and multiculturalism through two lines of inquiry. First, we probe, at the aggregate level, relationships between multiculturalism policy, welfare state spending, and ethnic diversity across developed democracies over the past thirty years. Much of this exposition reflects past findings, but with new data. Reassuringly, especially from a Canadian perspective, there is no clear connection between a country's adoption of multiculturalism policies and welfare state spending.

We are not off scot-free, however, and subsequent sections consider two methodological issues that arise in the literature, both with important theoretical and substantive implications. The first is the level of analysis: evidence on the relationship between multiculturalism policies and the generosity or breadth of the welfare state is almost always offered at the state level, that is, by correlating government policies of redistributive spending with public policies around diversity (or other issues). Yet the corroding or amalgamating effects of multiculturalism, as outlined by opponents or proponents of such policies, rely at least in part on individual-level effects, especially what is going on in the minds of voters.

The second issue is one of mechanisms and their implications for the direction of causal effect. Even in research that does consider public opinion, it is very difficult to know whether multiculturalism policies are the product of voters' views, with no effects for attitudes on other policies, or whether multiculturalism policies actually change attitudes, with subsequent effects for opinion on redistributive policy.[1] In this chapter, we explore the first problem, using individual-level data from the Identity Diversity and Social Solidarity (IDSS) survey. We discuss the second further below, but it remains an issue for future research.

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1. A second order question is whether and how public opinion, changed by public policy or not, enters into the political process that subsequently generates new policies, changes existing ones, or ends past practice.

Linking Multiculturalism, Solidarity, and the Welfare State: Theories and Mechanisms

The argument that the existence of demographic multiculturalism requires public recognition, support, and accommodation—that is, that diversity demands multicultural policies—is questioned from a variety of perspectives. Here, we are especially interested in the consequences for the welfare state. Banting and Kymlicka (2006) outline three arguments for the potential negative effects that an investment in multiculturalism policy may have on the welfare state: crowding out, misdiagnosis, or corroding. The "crowding out effect" holds that potential supporters of the welfare state are distracted by MCPs (e.g., Gitlin 1995). Attention is a limited resource, and so attentiveness to one policy domain comes at the cost of attentiveness to the other. The "misdiagnosis effect" suggests that attention to MCPs leads people to under-appreciate the other race- and class-based difficulties that minorities face (e.g., Barry 2001). MCPs focus attention on cultural marginalization rather than economic marginalization. Welfare states suffer (or at least stagnate) accordingly, especially if redistribution comes under attack from the political right. Processes of crowding out or misdiagnosis suggest that we should find, at the aggregate level, a negative relationship between MCPs and welfare state investment.

Alternatively, multiculturalism might have what Banting and Kymlicka call a "corroding effect": citizens are less inclined to cooperate on redistributive issues as "solidarity" is undermined, a process that occurs as diversity increases, and is further catalyzed when multiculturalism makes it even more salient. Some scholars ground their arguments in human psychology, arguing that public acknowledgement and celebration of cultural or religious background reinforce distinct sub-group identities (e.g., Wolfe and Clausen 2000). These ethnic or religious identities are presumed in turn to undermine national identities posited as necessary for collective projects. This is an argument frequently advanced by those who hold strongly to the French Republican tradition. An alternative argument is that by allowing group membership to matter, instead of individual equality, multiculturalism erodes trust and reciprocity norms by feeding the notion that some groups receive special privileges or exemptions (e.g., Barry 2002). Other scholars are less focused on psychological mechanisms, but they share a concern that policies of difference fray a sense of common nationalism presumed necessary for collective solidarity (e.g., Miller 1995). Irrespective

of theoretical orientation or mechanism, a notion of solidarity—based on individuals' attitudes towards others, and cast as a broad membership community, usually at the national level—is central.[2]

These concerns about multiculturalism and solidarity have led, in everyday politics and the academy, to a multicultural "backlash." In 2008, the Council of Europe concluded that multiculturalism has been at least as harmful as the assimilation approach it replaced, political leaders in major European countries such as France, Germany, and the United Kingdom subsequently announced the failure of multiculturalism, and far-right parties in smaller, traditionally progressive countries from the Netherlands to Sweden have experienced unprecedented electoral success by attacking immigration and multiculturalism. In 2016, anti-diversity politics arguably helped fuel the vote to pull the United Kingdom out of the European Union and Donald Trump's victory in winning the keys to the White House. In Canada, debates about cultural rights are more sporadic, but nevertheless flare up on a regular basis, whether focused on the "reasonable accommodation" of minorities in Quebec, proposals to allow sharia law during arbitration in Ontario, or the right to wear the niqab during federal citizenship ceremonies. As Besco and Tolley argue in this volume, up to a third of Canadians have negative views of ethnic diversity, and perhaps another third are "conditional multiculturalist," favourable to the idea in the abstract, but more supportive of limits and resistant in application.

Multiculturalism Policy and the Welfare State: The Dog that Didn't Bite

Surprisingly, despite widespread, heated political rhetoric, almost all developed countries have *increased* their commitment to multicultural policies over the past thirty years. This point is well illustrated in tracking the adoption or abandonment of multicultural policies over time, which we do here by drawing on the Multicultural Policy Index (MCPI) created by Keith Banting and Will Kymlicka. The immigrant minorities' MCPI

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2. A focus on individuals' psychology and notions of solidarity are only one approach to understanding the trajectories of redistributive policies. Alternative models would point to electoral politics, political economy, the relative power of interest groups, institutional configurations, and so forth. Besco and Tolley (this volume) argue, for example, that broad public attitudes on immigration and diversity are relatively weak predictors of Canadian policy because government decision-making is driven by electoral considerations centred on the concentration of "in play" ridings in immigrant-rich urban areas and the generally pro-diversity stance of political leaders.

measures eight types of multicultural policies across twenty-one Western nations at three time points (1980, 2000, and 2010). To capture "some level of public recognition and support for minorities to express their distinct identities and practices" (Banting and Kymlicka 2013, 582), countries were evaluated for an official affirmation of multiculturalism, multiculturalism in the school curriculum, inclusion of ethnic representation/sensitivity in public media and licensing, exemptions from dress codes in public laws, acceptance of dual citizenship, funding of ethnic organizations to support cultural activities, funding of bilingual and mother-tongue instruction, and affirmative action for immigrant groups.

Figure 11.1 plots values for 1980 (small circles) and 2010 (large circles) on the Banting-Kymlicka index. The figure misses some decade-to-decade variation, but the overall trend is obvious: of the twenty-one countries for which Banting and Kymlicka collect data, there are two which show no overall change (Denmark and Japan), two which show minor (less than one point) decreases (the Netherlands and the United States), and *seventeen* that have increased their multicultural policy commitments, in many cases by three to four points (on an eight-point scale). The Banting-Kymlicka index stands as a major contribution to the study of multiculturalism policies, and the trend evident in Figure 11.1 offers a strong justification for a focus on the effects of MCPs. Contested or not, there simply are many, many more multiculturalism policies now than just thirty years ago.

What does the increase in and diffusion of multicultural policies mean for the welfare state? Banting and Kymlicka draw on academic and popular debate to identify a "misdiagnosis" argument: multicultural policies (inappropriately) shift the conception of inequality as a problem from being about economic causes to being about cultural marginality. A second, crowding out argument is less about identifying problems and their causes but rather about political attention and energies; multiculturalism simply diverts activists, pundits, voters, and decision makers to focus their attention on identity politics rather than shoring up or expanding the welfare state. There are academic literatures that focus on each of these substantively different possibilities. For our purposes, however, the two are not fundamentally different: each is about shifting the focus of citizens away from the existing welfare state and an attendant decline in welfare state commitment. In our data, the observable implications of each mechanism are identical.

Are these predictions held up in the data? Figure 11.2 plots twen-

Figure 11.1

Immigrant Multiculturalism Policy, 1980–2010
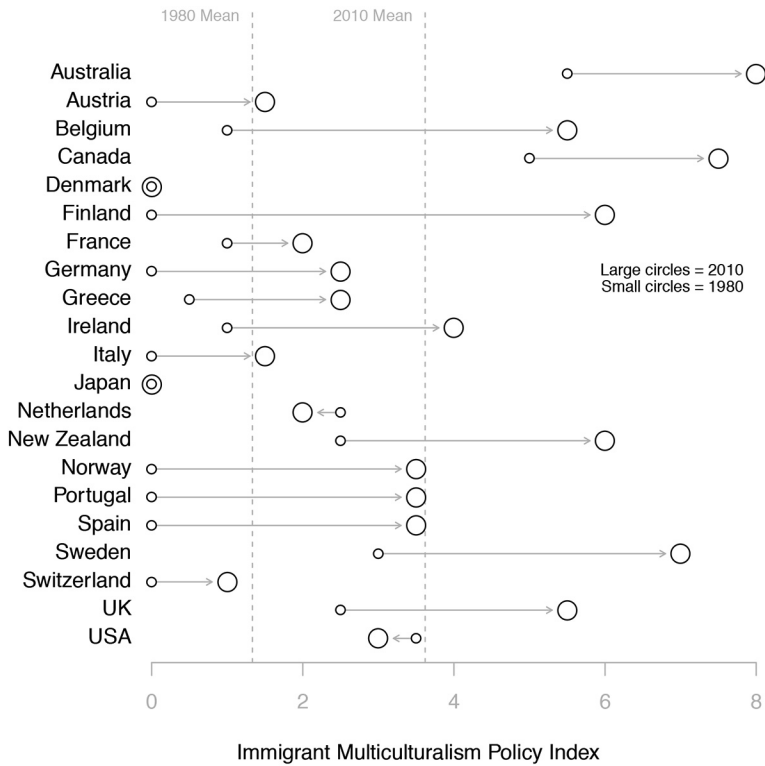
Source: Authors' compilation based on the Multicultural Policy Index.

ty-one countries on two dimensions. The x-axis shows overall levels of immigrant MCPs, based on an average of the Banting-Kymlicka index from 1980 to 2010. The y-axis shows change in social spending as a percent of GDP. Spending data are drawn from Soroka et al. (2015), which relies on data from the OECD SOCX database. The regression line is shown as a grey dotted line in Figure 11.2—there is a slight downward slope, but the coefficient is insignificant. In short, we do not find a sig-

Figure 11.2

MCPs and Change in Social Spending
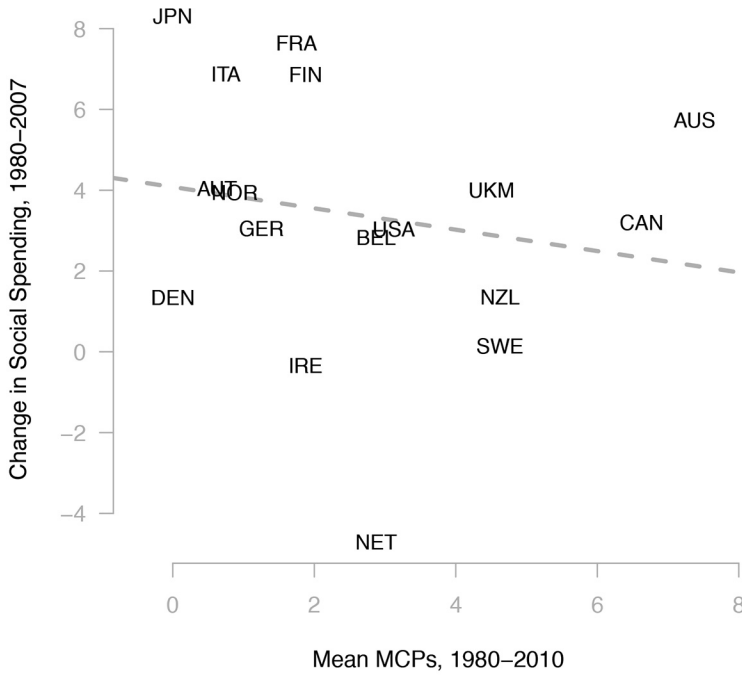
Source: Authors' compilation based on the Multicultural Policy Index and the OECD SOCX database (Soroka et al. 2015).

nificant correlation between the two series (Pearson's r = -.17, p = .49).[3]

Alternative understandings of the data are possible. There are hints of a curvilinear relationship: an initial negative relationship between MCPs and change in social spending becomes a positive relationship when MCPs are extensive. Or perhaps we can identify a separate,

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3. Note that the relationship is weaker, and the putative direction of the relationship becomes positive, when we compare changes in social spending to change in MCPs (rather than mean MCPs) from 1980 to 2010. In that instance, the Pearson's r is .11 (p = .67).

positive trend between MCPs and change in social spending amongst Anglo-American states (a possibility also raised in Banting et al. 2006, Table 2.4). If there is anything to Anglosphere exceptionalism, it would require deeper analysis than we can give here. On one hand, the distinctiveness is counterintuitive as all five cases are so-called liberal welfare states (Esping-Andersen 1990) and as such, researchers usually view them as more vulnerable than the other welfare regimes to experience retrenchment (Korpi and Palme 2003). On the other hand, four of the five "Anglo" countries are traditional immigrant settler societies with a logic for identity politics that may differ from other societies.

Irrespective of these alternative readings of the data, there is just no real sign that increasing a country's commitment to MCPs has been systematically at odds with investment in the welfare state. This is in line with previous work, using slightly different data and time periods. The accumulating body of evidence consequently makes it difficult to sustain an argument in support of either the crowding out or misdiagnosis arguments.

What of the corrosion argument? A corrosive effect may undermine support for redistribution generally, a finding that would be consistent with Putnam's (2007) notion of "hunkering down." But we could just as easily imagine support for welfare in a general sense remains intact in a context of increasing diversity and MCPs, but that it becomes coupled with an increasingly exclusive set of rules over eligibility, especially against ethno-racial minorities, or an abstract "poor" population that is associated with a particular racial minority status, religious background or immigrant origin. In this case, we must be on the lookout for increased "welfare chauvinism," as well as declining support overall.

Here it is important to distinguish two distinct sets of possible relationships between diversity and the social welfare state. As noted above, "multiculturalism" sometimes signifies demographic diversity. As it stands, a rather large body of evidence links demographic diversity to reduced welfare state commitments, with the United States often serving as the ideal-typical case (e.g., Alesina, Baqir, and Easterly 1999; Alesina and Glaeser 2004; Burgoon, Koster, and Van Egmond 2012; Freeman 1986; Nannestad 2007). However, in line with our focus, multiculturalism also refers to a specific set of public policies. Whereas the negative link between *demographic diversity* and social welfare spending seems relatively clear, the link between *multiculturalism policy* and social welfare spending is less so.

The argument for a corroding effect suggests that MCPs should have

a moderating influence. One argument is that MCPs, by validating ethnic diversity, end up increasing the negative psychological and political effects already inherent in that diversity. However, Banting and Kymlicka raise the possibility that we might expect exactly the opposite dynamic, namely, that MCPs may help to build tolerance and social cohesion amongst increasingly diverse populations and, by augmenting collective solidarity, mitigating demographic corrosion such that MCPs may be associated with increased support (or at least sustained support) for the welfare state. Multiculturalism policies, in these accounts, either threaten the welfare state by making citizens more cognizant of diversity, or inoculate the welfare state by making citizens more accepting of diversity.

Figure 11.3 explores the possibility that MCPs moderate the impact of immigration on welfare state spending. First, we see evidence for demographic "corrosion." The y-axis again shows percentage-point change in social spending as a percentage of GDP. The x-axis measures change in the percentage of the population that is foreign born, over the same time period. Again, data are drawn from Soroka et al. (2015). The now well-established negative relationship between changes in foreign born and changes in social spending is as evident in Figure 11.3 as in past work. (Note that Soroka et al. 2015 use data from 1970 onwards, so the fact that results in Figure 11.2 are no different, even if we use data from 1980 onwards, is a useful robustness check.)

The basic pattern cannot speak, however, to the moderating role of multiculturalism policies. This possibility is instead captured by comparing countries with lower-than-average MCPs (shown in a smaller grey font) with countries with higher-than-average MCPs (shown in a larger black font).[4] If MCPs moderate the link between immigration and social spending, we would expect the two sets of countries to exhibit different slopes. But there is no evidence for distinct trends: it does not appear as though the relationship between changes in migrant stock and spending is fundamentally different in one set of countries versus the other.[5] Put differently: as the proportion of foreign born residents in a country increases, we see a (roughly similar) pattern of decreased spending, irrespective of whether a country has high or low levels of

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4. The average is 2.68 amongst the seventeen countries in our sample.
5. This is borne out in regression analyses as well, though we do not want to place too much emphasis on interactive models with just seventeen cases.

Figure 11.3

Changes in Foreign Born and Change in Social Spending
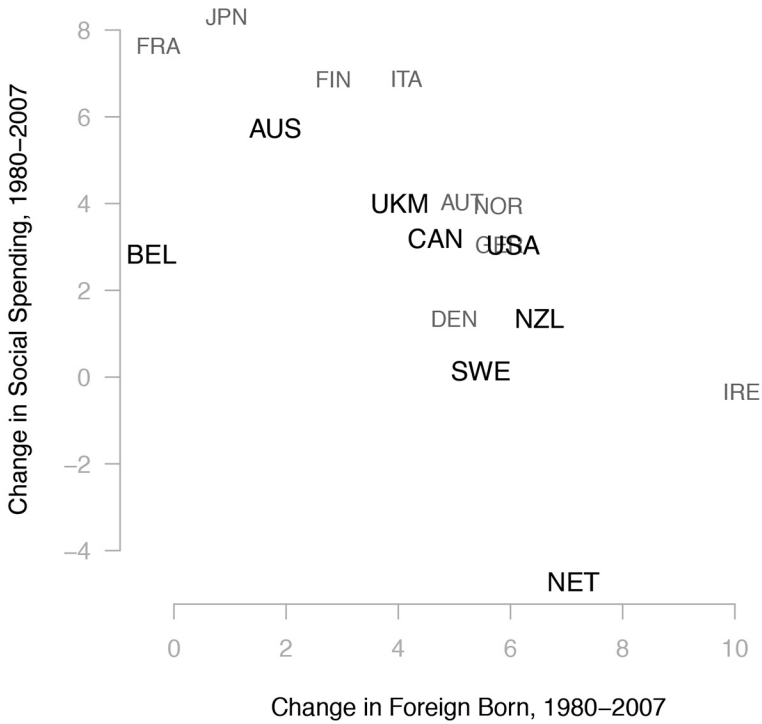
Source: Authors' compilation based on Soroka et al. (2015).

MCPs.[6] In short, whether we examine the relationship between MCP with spending, or an alternative argument about MCPs exacerbating or moderating the negative effects of immigrant-generated diversity

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6. Note that results in Figure 11.3 do not contradict what we have seen in Figure 11.2—changes in the proportion or number of foreign born can be correlated to change in social spending, even as changes in MCPs are not linked. This is because the connection between MCPs and change in foreign born residents is nonexistent (Pearson's r = -.08, p-= .75).

on spending, we find no evidence for a relationship—direct or indirect—between state-level commitment to multiculturalism policy and increases in welfare state spending.

The Individual-Level Psychology of the Relationship

The fact that there is no link between MCPs and welfare state spending at the country level does not preclude the possibility that any of the three effects—crowding out, misdiagnosis, or corrosion—are at play. These processes could operate but effects on spending might be masked by institutional dynamics (e.g., veto points, policy creep), opposing political mobilization, or countervailing attitudinal changes among sub-sets of citizens (see, e.g., Citrin, Levy, and Wright 2014). The data presented thus far are only state-level data; usually, when we speak about "a country" losing interest in the welfare state because it pays attention to multiculturalism, we really mean that (some) *individuals* (often, voters) are doing so. Thus, a negative relationship between support for MCPs and support for redistribution may still occur at the individual level.

To be clear, the aggregate-level results suggest that even if some crowding out, misdiagnosis, or corrosion to solidarity is happening among individuals, the trend is not strong enough or widespread enough to a make a difference to overall outcomes. That on its own is important. Nevertheless, even as country-level data suggest that MCPs do no damage to investment in the welfare state, individual-level results may reveal trends masked in the aggregate, patterns that—if they grow in amplitude—might carry redistributive impact in the future.

How can we explore this possibility? One major constraint in the past was that measures of support for multiculturalism *policy* are weak. Measures exist for support for immigration and diversity. But one might support "diversity" in the abstract yet not support specific policies designed to give minorities recognition or advantage. Conversely, a voter might oppose immigration for fear of job competition, but support cultural protection for existing ethno-racial or religious minorities. To the extent that we care about isolating policy *effect*, we need to distinguish policy *support* from underlying attitudes about diversity or immigration, and then explore the possibility that opinion on multiculturalism policy conditions support for the welfare state.[7]

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7. Ideally, we would also capture a possible contextual process in which variation from country to country in multicultural policy affects individual support for the welfare state. Such an analysis is beyond the scope of this chapter.

To investigate this possibility, we turn to a battery of questions in the Identity Diversity and Social Solidarity (IDSS) survey, an online survey fielded simultaneously in Canada and the United States in February 2014. The survey includes three separate samples: roughly 1,000 French-language respondents in Quebec, 1,000 English-language respondents in the rest of Canada (ROC), and 2,000 respondents in the United States.[8] The survey includes a battery of questions that capture respondents' attitudes towards multiculturalism policies alongside measures of welfare state support. The three variables we focus on are described below.

Multicultural Policy Support.

We capture MCP support with questions tied explicitly to the Banting-Kymlicka index:

> Please indicate how much you support or oppose [Canada's/
> America's] government doing the following:

[Respondents were presented with radio buttons with the following options: support strongly, support somewhat, neither support nor oppose, oppose somewhat, oppose strongly.]
[Respondents received one of questions 1–3 by random assignment.][9]

> 1. Passing a law declaring that ethnic and cultural diversity is a fundamental characteristic of [Canadian/Quebec/American] identity.

> 2. Ensuring that schools teach about the role of minorities and immigrants.

> 3. Requiring that the mass media represent minorities fairly.

8. Further details of the survey are provided in Wright et al. (2017).
9. Aside from a general concern with the overall length of the questionnaire, we were concerned that whichever of these three items came first would anchor response to the others. Support for item 1 was modestly lower than for 2 and 3, which were effectively indistinguishable. When estimations involving the MCP index were replicated with controls for random assignment, shifts in coefficients occurred only in the third decimal place.

[The following item was administered in two versions by random assignment.][10]

> 4. Requiring employers to [make a special effort to hire/give special preference in hiring] members of minority groups, including immigrants.

[All respondents received each of the following:]

> 5. Allowing persons in the police or armed forces to wear religious headgear (e.g., turban, headscarf, or skull cap) instead of the standard uniform while on duty.

> 6. Allowing immigrants to keep citizenship in the country they came from after they become [Canadian/US] citizens

> 7. Requiring that, where many immigrant children do not speak [English/French], public schools offer classes in their native language.

We created a five item MCP support measure by summing responses to whichever one of the first three questions a respondent received, plus their response to their variant of the fourth question, and then their responses to questions 5 to 7, inclusive. The distribution, rescaled from 0 to 1, is shown in Figure 11.4, which also indicates the mean values for the measure across the three samples (the vertical dotted lines). Differences across samples are not marked, and all means are below 0.5, which is just slightly towards the "oppose" side of the index. Opposition thus appears to outweigh support, but there clearly is real variance across individuals. Standard deviations are .25 for the ROC; .19 for Quebec; and .24 for the US.

Support for Redistribution

One issue is the impact of MCPs on general support for redistributive policy. The latter we capture with the following questions:

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10. We have a substantive interest in the distinction between equal opportunity and affirmative action, hence this randomization. Assignment on item 4 was orthogonal to the assignment across items 1–3. Here too, control for assignment has a miniscule effect on the estimations reported below.

Figure 11.4

The Distribution of Support for MCPs
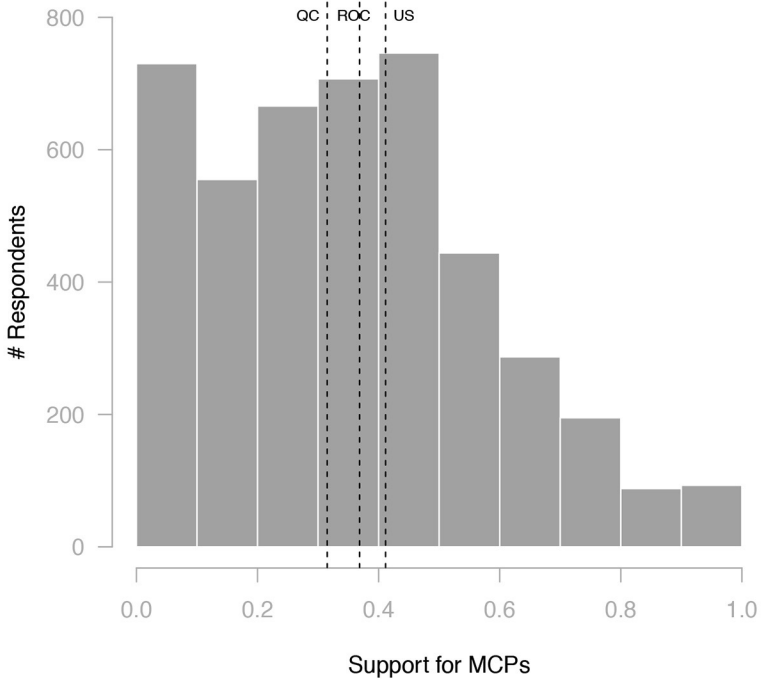
Source: Authors' compilation with data from the Identity Diversity and Social Solidarity survey.

> 1. The government should: see to it that everyone has a decent standard of living/leave people to get ahead on their own.
>
> 2. The government should: spend more on programs even if that means that taxes go up/reduce taxes even if that means cuts in programs.

Response options are presented as nine-point sliders, with each end labelled as above. Responses to the two items are then summed and rescaled from zero to one. Means (standard deviations) for the final

measure are .56 (.21) for the ROC; .53 (.20) for Quebec; .50 (.25) for the US.

Welfare Chauvinism

Another possibility is welfare chauvinism, restrictions on immigrants' access to an otherwise unchanged welfare state. Although this is a growing theme in the comparative literature, little seems on record for opinion on the phenomenon itself. Scheepers, Gijsberts, and Coenders (2002) look at "Ethnic Exclusionism" as a general proposition but do not focus on access to the welfare state in particular. Welfare chauvinism is implied as part of the policy appeal of the New European Right, but most research on sources of the New Right vote examines more generalized determinants, such as labour market and cultural factors (e.g. Kitschelt and McGann 1995; Oesch 2008). Recent research captures strong welfare chauvinism effects when it comes to native-born targets, such as African Americans in the United States and Aboriginals in Canada (Harell, Soroka, and Ladner 2014), but explicit attention to immigrants is rare.[11]

We propose a measure focused on immigrant-oriented welfare chauvinism. It is a sum, again rescaled from zero to one, of responses to three variables:

> Thinking of immigrants, after how many years living in [Canada/the United States] do you think they should obtain the same rights to government benefits and services as citizens already living here?

[scale spanning 0-10 years]

1. Publicly funded health insurance
2. Old-age pensions
3. Cash welfare

Means (standard deviations) for the final measure are .51 (.24) for the ROC;

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11. Though note that, reporting on the attitudes of a sample of registered California voters, Bloemraad, Silva, and Voss (2016, 1663) find that between 13 to 40 percent of respondents would restrict social security, emergency healthcare, Medicare and Medicaid, food stamps, and welfare benefits to only citizens, barring both undocumented and legal noncitizen immigrants.

.47 (.26) for Quebec; .56 (.28) for the US. We use the index to explore two possibilities. First, is welfare chauvinism just a further expression of hostility to the welfare state? Second, to the extent that welfare chauvinism has its own sources, does opinion on multiculturalism condition chauvinist sentiment?

Beyond our main variables of interest, our models also include demographic controls for gender, age, and socio-economic status. These variables are coded in the following way: female is a dummy variable equal to one for female respondents; age is captured using dummy variables for 40–64 years, and 65 years or older (with under 40 as the reference category); education is a dummy variable equal to one for those who complete some schooling beyond high school; and income is a nine-category variable. Diagnostic tests indicate that the models are not significantly different across our three samples,[12] so for the sake of parsimony we include only pooled and unweighted three-sample results here.

Table 11.1 shows a series of OLS regression models exploring the relationships between these variables. The first column looks just at demographic predictors of MCP support, where the constant, 0.49, captures the mean for male, under-40, low-education, low-income respondents. Results suggest that support for MCPs declines with both age and income but increases with education. None of this it at odds with what past work has revealed about support for diversity generally.

Much of the second model, which looks at the correlates of support for redistribution, also fits with past work: redistribution support is higher among female, working-age (40–64), educated, low-income respondents. The last variable in this model, however, MCP support, offers a new individual-level test of the possibility that focusing on MCPs is correlated with declining support for redistribution. This clearly is not the case. Indeed, at the individual level, support for MCPs is *positively* correlated with support for redistribution: the coefficient in Table 11.1 suggests that moving across the range of the MCP support scale is associated with an average 0.14-point increase on the (0–1) support on the redistribution scale.[13]

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12. To be specific, in an estimation identical to that in the rightmost column of Table 11.1 but also including a fully-dummy-interactive setup for sample, neither the "main effect" for redistribution nor the interaction of redistribution with MCP varies significantly across samples.

13. We do not include partisanship or ideology as independent variables in Table 11.1, as doing so is not straightforward for a pooled Canadian-US model. But support for

Table 11.1

Support for MCPs, Redistribution, and Welfare Chauvinism

	Dependent Variable:				
	MCP Support	Redistribution	Welfare Chauvinism		
MCP Support		0.143***	-0.202***	-0.182***	0.130**
		(0.018)	(0.023)	(0.022)	(0.045)
Redist. Support				-0.249***	0.029
				(0.020)	(0.040)
MCP * Redistribution					-0.623***
					(0.078)
Female	-0.002	0.042***	0.006	0.016	0.017
	(0.007)	(0.008)	(0.009)	(0.009)	(0.009)
Age: 40–64	-0.125***	0.037***	-0.004	0.006	0.007
	(0.008)	(0.009)	(0.011)	(0.011)	(0.011)
Age: 65+	-0.181***	-0.004	-0.009	-0.010	-0.006
	(0.010)	(0.011)	(0.014)	(0.014)	(0.014)
Education	0.020**	0.016*	-0.028**	-0.024*	-0.022*
	(0.007)	(0.008)	(0.010)	(0.010)	(0.010)

Table 11.1, continued

Support for MCPs, Redistribution, and Welfare Chauvinism

	Dependent Variable:				
	MCP Support	Redistribution	Welfare Chauvinism		
Income	-0.005***	-0.012***	0.008***	0.006**	0.006**
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Constant	0.492***	0.472***	0.590***	0.716***	0.574***
	(0.010)	(0.014)	(0.018)	(0.020)	(0.027)
Observations	3,913	3,770	3,112	3,112	3,112
R2	0.096	0.046	0.033	0.077	0.096

Notes:
Cells contain OLS regression coefficients with standard errors in parentheses.
* p<0.1; ** p<0.05; *** p<0.01

Source: Authors' compilation with data from the Identity Diversity and Social Solidarity survey.

We take this as a confirmation that aggregate-level results finding no link between MCPs and welfare state spending are not hiding a negative relationship at the individual level. Indeed, if anything, the relationship is positive (exactly as Banting and Kymlicka suggest). In individual attitudinal data there does not appear to be a progressive's dilemma.

What about the possibility that MCPs moderate the impact of diversity on the welfare state? We explore this in the final three models in Table 11.1, on welfare chauvinism. The first suggests that education decreases welfare chauvinism, and income increases it. Most importantly, support for MCPs is negatively related to welfare chauvinism. This is perhaps as we should expect: although respect for diversity can be independent of opinion on the welfare state, it seems implausible that willingness to validate diversity as such should accompany a focused concern to protect the welfare state from a prime source of diversity. The subsequent model adds support for redistribution to the model, confirming that the negative relationship between MCP support and welfare chauvinism holds when we control for support for redistribution generally. Support for redistribution also seems to be negatively correlated with welfare chauvinism: those most supportive of redistribution are most willing to share it with immigrants.

A final model allows for an interaction between support for MCPs and redistribution. We see the interaction as a test of the possibility that the relationship between redistribution and welfare chauvinism is moderated by support for MCPs—that different levels of support for MCPs produce different connections between redistributive support and welfare chauvinism. They do, and we illustrate the interactive effect in Figure 11.5.

The grey line in Figure 11.5 shows the relationship between support for redistribution (x-axis) and welfare chauvinism (y-axis) for respondents who express no support for MCPs. For these individuals, there is no connection between support for redistribution and welfare chauvinism. Rather this group is just generally chauvinist. The black line shows the relationship between support for redistribution and welfare chauvinism for respondents who express strong support for MCPs.[14]

MCP is related to partisanship and left-right ideology, however, and sample-specific estimations indicate that controlling party identification and ideology shaves, on average, about one-third of the MCP effect presented in Table 11.1.

14. The measure runs from 0 to 1 in principle, but in our data the highest value is .85.

Figure 11.5

The Impact of Support for Redistribution on Welfare Chauvinism, Moderated by Support for MCPs
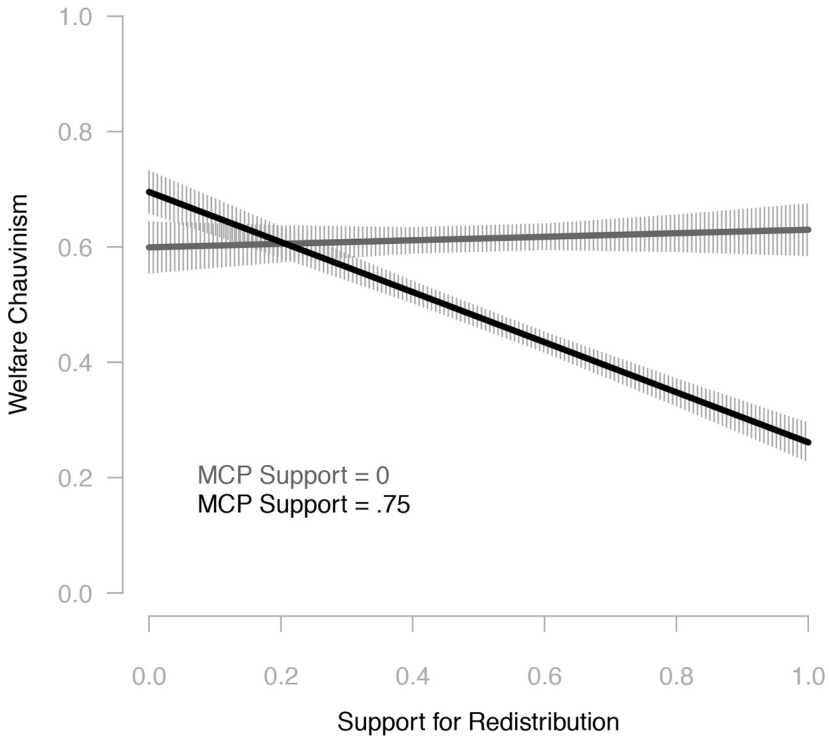
Source: Authors' compilation.

For these individuals, the negative relationship between support for redistribution and welfare chauvinism is robust. In short: for those who support multiculturalism policy, increased support for redistribution tends to come alongside a willingness to make the welfare state more

We use .75 here, roughly the 90th percentile, to offer a somewhat more conservative estimate.

readily available to newcomers.

What do these individual-level data tell us about the mechanisms that might drive a relationship between multiculturalism policy and the welfare state? We cannot make strong causal claims since we examine relationships between attitudinal variables (support for MCPs, support for redistribution, and welfare chauvinism) for which causal arrows may run in multiple directions. Perhaps views on multiculturalism influence views on redistribution, but the reverse might also be true, or some alternative factor might be influencing both.[15]

We also are constrained by having data only from the United States and Canada. But these two states are commonly viewed as liberal welfare regimes; as such, they are posited as more likely than universal regimes to retreat from redistribution or to impose criteria on beneficiaries (Korpi and Palme 2003). We might expect the progressive's dilemma to be particularly acute in these cases. Yet the shift to individual-level data and analysis does not reveal a negative correlation between support for MCPs and support for the welfare state hidden amongst null results in aggregate-level analysis. If anything, our evidence suggests the opposite.

The Causal Effects of Multiculturalism Policy

Shedding light on individual-level relationships helps disarm portrayals of multicultural policy as eroding welfare solidarity writ large. Indeed, the correlation appears to run in the direction opposite of what the alarmists would have us believe, albeit only for groups who have "bought into" the multiculturalism project.

This is not grounds for ending the inquiry, however. What we have is evidence for two correlations that cast multiculturalism in a benign and even positive light: first, supporters of multicultural policy also tend to support welfare redistribution generally; second, conditional on supporting the multiculturalist policy, welfare solidarity extends outwards to include immigrant groups.

Tantalizing though they may be, such findings prompt as many questions as answers. First, are these correlations spurious with respect to something deeper going on in the minds of the individuals under the microscope? What lurking forces might drive people to support *both* redistribution and multiculturalism at the same time? At the struc-

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15. Indeed, as note 13 acknowledges, party preference and ideology are in play here.

tural level, the obvious candidate is multiculturalism policy itself: by re-shaping peoples' understanding of the relationship between diversity and the national "we," policy drives inclusivity and, ultimately, welfare solidarity of the kind that concerns us here. This is the possibility—indeed, the hope—articulated by Banting and Kymlicka (2006). There is, as we have seen, empirical support for this idea; but the evidence is correlational in nature, and the possibility remains that some deeper aspect of society facilitates both the adoption of strong redistribution and strong multiculturalism.[16]

The answer, as always, lies in theory and, in particular, the *mechanisms* that putatively link multiculturalism to attitudes about redistribution. If policy matters, then *how* does it matter? We might subdivide this issue into questions about *salience* and *process*. The former boils down to the question of if and how people absorb the extent of their country's multiculturalism policy. The literature generally assumes a kind of "trickle down" model, whereby policy reaches the masses through long-term socialization in the manner of Almond and Verba's classic "civic culture" study (Weldon 2006; Wright 2011): psychology comes to mirror policy through official channels (e.g., formal education, media set-asides, and so on), and also because policy redefines everyday social interactions in subtle yet profound ways. An alternative vision of salience—what we might refer to as the "flashpoint" model—holds that most people do not think much about diversity and their society's relationship to it, but the issue pops onto their radar when political elites campaign against it (as we have recently witnessed in Europe and elsewhere), or when minority groups use policy for claims-making. These models are not mutually exclusive, and they may be mutually reinforcing. We simply do not yet know.

The issue of *process* differs from salience because it concerns how, once it has become salient, multiculturalism shapes peoples' political attitudes toward other policy goals in a psychological sense. Here, the standard assumption is that multiculturalism plays its tune on people's "identity," and in particular their subjective definition of the national "we." The logic is straightforward: people want to redistribute to the in-group, and they define that in-group via favourable social comparison. For some, multicultural policy will expand this psychological cir-

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16. Note that this is as true of the individual-level models in the preceding section as it is of aggregate-level results: It may be that some deeper aspect of *individuals* leads to both the adoption of strong welfare and strong multiculturalism.

cle, and for others the opposite will hold.

As plausible as the "identity" model might seem, other models exist. For example, one might reason along more legalistic lines. On this view, redistributive solidarity is not about rewarding people whom we like because they seem like us in some important way, but rather giving people their due based on the prerogatives of citizenship. In some sense, multiculturalism may help people understand that immigrants are for the most part citizens too, and thus eligible for all the benefits to which citizens are entitled. The difference between this legalistic conception and identity-based reasoning is subtle, but meaningful. And the evidence as it currently stands provides precious little leverage on a "thick" notion of membership based on common concern versus a "thinner" notion of rights due to people within a legal category.

Importantly, while much research remains to be done, the survey-based research we offer suggests, at a minimum, that aggregate-level relationships do not greatly mischaracterize individual-level ones. Nevertheless, we cannot distinguish the *effects* of MCPs, or MCP support, only some correlates. We regard that as an important addition to the literature, but clearly there is a good deal more to be done.

Concluding Thoughts

The progressive's dilemma sits right at the intersection of Keith Banting's scholarship on multiculturalism and the welfare state. How the welfare state is shaped or transformed by other institutions—and how it affects them—has preoccupied him from the start of his career. His demonstration of how federalism shaped the Canadian welfare state was a contribution to state-centred analysis. Later he turned the tables and pondered how the welfare state—especially universal, compulsory medical insurance—sustained the overarching sense of a nationality in the face of centrifugal pressures in the federation. In this century, the recognition and accommodation of diversity became front and centre, only to turn Banting's attention back to where he started—with the welfare state. Multiculturalism was controversial from the start, to be sure. But early attacks came from the political right and characterized multiculturalism as yet another intrusive government program, all the more unpopular for its focus on minorities and for its unsettling of long-standing identities. To the left, the multicultural agenda was embraced as a logical extension of concerns traditionally expressed in relation to class. But as identity politics threatened to move the prime

beneficiaries of the welfare state to the political right, the political left now was forced to worry about a progressive's dilemma. Not only has Banting's scholarship been critical to articulating the dilemma, he has also identified a critical component of the data to address it. This is the multicultural policy index, on which much of this chapter hangs.

This chapter confirms that immigration slows the growth of the welfare state. This is consistent with earlier work by us and others. So the progressive's dilemma is not an illusion, and international migration is one of its sources. But multiculturalism, one response to migration-induced increases in diversity, does not appear to exacerbate the dilemma. In cross-national data, changes in social spending are barely, if at all, affected by countries' commitment—or lack of commitment—to multicultural policy. Among individuals, for Canadians and Americans at least, multicultural orientation may even be a backstop against selective cutbacks targeted at immigrants.

Even so, we still have a long way to go. The work that remains is not simply about filling in details, collecting more data, and the like. Fundamental questions remain about the psychological forces at play, and how these in turn play out on the political stage. We do not know enough about when and how people come to think of multiculturalism at all, let alone associate it with something like their position on welfare. "Civic culture," immigrant claims-making, rhetoric from political elites, and the media's portrayal of it all play a role. As Besco and Tolley (this volume) remind us, the way that diversity policies make their way through political institutions, net of attitudes, is also important, and the same can be said about the politics of redistribution. It is still impossible to say, in a convincing way, just how these distinct processes come together. These questions are not easy to answer, but they are essential if we are to complete the journey that Keith Banting has helped us begin.

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Does Everyone Cheer? The Politics of Immigration and Multiculturalism in Canada

Randy Besco and Erin Tolley

The conventional wisdom is that Canada is a tolerant country, accepting of immigration and at peace with diversity. To be sure, there are occasional problems. But in comparison to other countries, Canada is often regarded as exceptional. Keith Banting made precisely this argument in his 2009 presidential address to the Canadian Political Science Association, which was entitled "Is there a Progressive's Dilemma in Canada?" Banting noted that in comparison to other OECD countries, Canadians' attitudes toward immigrants are "strikingly positive" (2010, 803). Soroka and colleagues look at Canadian attitudes to multiculturalism policies in their contribution to this volume, and they similarly conclude that there is an element of Canadian exceptionalism.

   We complicate this narrative. We present attitudinal data showing that although Canadians are generally supportive of immigration and ethnic diversity, there are some—perhaps as many as one-third—who have clearly negative views. Another third are what we call "conditional multiculturalists": they approve of immigration and ethnic diversity, but only under certain conditions. The era of positive attitudes toward immigration is both recent, dating only to the mid-1990s and, we suggest, is driven by economic factors rather than generalized acceptance. In fact, for much of Canada's recent history, most Canadi-

ans have wanted fewer immigrants. Attitudes toward racial diversity are also significantly less positive than those toward immigrants, and arguably have not improved significantly in the last three decades. If anything, this makes Banting's findings about the lack of tension between support for the welfare state and social diversity—the so-called progressive's dilemma—all the more important to understand.

Path dependency plays a role in the policy explanation favoured by Banting. Specifically, the introduction of a points system and increased emphasis on immigrants' economic contributions cut the link between economic ideology and immigration. In essence, if immigrants are not on welfare, then economic conservatives have no reason to oppose immigration. Similarly, as Banting (2010) argues, Canadian nationalism is tied up with multiculturalism, and this eliminates the potent combination of patriotism and anti-diversity sentiment. This, he suggests, is a product of an extended campaign by the government in shaping the meaning of Canadian nationalism. We agree, but this also requires explanation. Why have governments, which are controlled by political parties, promoted immigration and multiculturalism? Why are issues of racial diversity not polarized between parties, as in so many countries?

In his work, Banting argues that Canada's policy framework has insulating properties that inhibit the development of anti-immigrant sentiment and nativist backlash. In explaining the absence of radical right-wing parties in Canada, Ambrose and Mudde (2015) also emphasize the policy landscape. Those who favour institutional explanations tend to argue that those institutions stymie the very development of negative attitudes toward immigration and multiculturalism. We suggest something slightly different. We argue that the raw ingredients for anti-immigrant or anti-multicultural backlash are present in the attitudinal mix, but political institutions inhibit their mobilization. This point is illustrated by Ryan (2010, 2016) who has catalogued an eye-opening set of strongly worded attacks on multiculturalism to demonstrate the depth of dissent against multiculturalism in Canada. Even Mudde (2016, 353) admits he "was honestly surprised by some of the openly Islamophobic critique published in fairly mainstream media outlets."

The lack of political conflict over immigration and multiculturalism in Canada is remarkable, both relative to other countries and given the distribution of public opinion. Canadian governments are quite unyielding to democratic opinion on these issues. It is striking that even Brian Mulroney's right-of-centre government sharply increased immigration rates (Milan 2009), despite some 60–70 percent of Canadians

saying they wanted less immigration (Environics Institute 2015). Stephen Harper's Conservative government raised immigration levels to their highest in five decades despite an economic downturn (Milan 2009) and even Ryan, who is critical of the Harper government, admits that they "did not *directly* oppose multiculturalism" (2016, 347). All of the major political parties nominate and elect racial minorities, and in terms of descriptive representation, the presence of racial minorities in the House of Commons is relatively close to their percentage of the population.[1] In other words, while parties try to politicize these issues to their advantage, rarely does this take the form of openly opposing immigration or advocating anti-diversity positions.

We are thus presented with a puzzle. Canada is a country with a comparatively positive record on immigration and multiculturalism and yet two-thirds of the population either opposes multiculturalism or accepts it only with conditions. Such a situation would seem rife for political exploitation. This is a set of issues that drives a wedge between voters and allows parties to distinguish themselves from their opponents. These are precisely the conditions that have motivated anti-immigrant parties in much of Europe (Ambrose and Mudde 2015). And yet, that is not what has happened in Canada. Instead, as we demonstrate, immigrant and minority politicians occupy key positions in government, immigration and multiculturalism have rarely been central election issues, and opposition to such policies has never propelled a Canadian political party into government.

Picking up on Banting's institutional focus, we point to several political institutions that we argue are central to deciphering this apparent puzzle. Although Banting believes institutions—and the policy framework in particular—inhibit the *development* of anti-immigration and anti-multicultural sentiments, we argue that such sentiments exist, but political institutions inhibit their *mobilization*.[2] So how do institutions stem the onslaught of nativism?

First, since opposition parties have little to no political power, the parliamentary system demands a focus on winning government. This means parties need to appeal to a broad range of voters in as many

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1. "Racial minorities" refers to "persons, other than aboriginal peoples, who are non-Caucasian in race or non-white in colour," a definition that is consistent with Statistics Canada's use of "visible minority" (Statistics Canada 2007a).
2. We are grateful to Keith Banting who read an earlier draft of this chapter and, in typical fashion, articulated our argument more precisely than we initially had ourselves.

electoral districts as possible. Moreover, the single-member district plurality electoral system generally discourages the emergence of small (potentially anti-immigrant) parties and thus provides little incentive to parties wishing to promote such goals (for a counterpoint, see Huber 2012).

Second, Canada's electoral geography makes it difficult to win a majority government without the support of immigrant and minority voters, since such voters are concentrated in the battleground ridings around the country's large urban centres. This creates greater incentives to promote a pro-immigration and pro-multiculturalism stance than to rail against it. In other words, parties have not really pursued voters who explicitly resist immigration and multiculturalism because doing so would close off electoral opportunities in the suburban and exurban ridings that they most need to win. Canada's electoral geography, with its concentration of immigrants and minorities in vote-rich ridings and its distribution of reluctant and opposed multiculturalists across more sparsely populated ridings minimizes the electoral payoff of an anti-immigrant and xenophobic policy platform.

Third, and importantly, the power of party leaders in the Canadian system allows them to enforce a pro-immigration and pro-multiculturalism stance with little threat of rebellion among the party faithful. Leaders can deny a candidate's nomination, threaten to relegate an insurgent to the backbenches or limit the opportunities afforded to candidates and members of parliament (MPs) who do not toe the line. Ambrose and Mudde (2015) suggest that the state works to actively repress anti-immigrant and anti-multicultural dissent, an argument that Ryan (2016) critiques convincingly. Although the anti-discrimination and hate speech laws that Ambrose and Mudde point to send an important signal about the centrality of equality to Canadian discourse and public life, we agree with Ryan that they have not been used to overtly suppress dissent, nor have they created a climate free of opposition to immigration or multiculturalism, as the polling data we present confirm. Instead, this legislative framework has created a climate where opposition exists but, in part because of political institutions, has not yet been successfully mobilized.

Of course, favourable political institutions are not the only explanation. Canada has also benefited from its selective immigration policy and its geography, explanations that have been advanced elsewhere (Ambrose and Mudde 2015; Kymlicka 2004). The country's remote geography means there are very few "illegal migrants," the segment of

the immigrant population that most typically raises citizens' ire. This, combined with the country's highly controlled immigration system, has two consequences. First, it all but ensures Canada is the beneficiary of an immigrant population that is well educated and proficient in at least one of the country's official languages. Newcomers to Canada do encounter difficulties, and there is a persistent wage gap between immigrants and the Canadian-born, but relative to migrant populations elsewhere, the foreign-born in Canada could be considered among the best and the brightest. The second consequence of the country's immigration policy is the signal it sends to Canadians about the importance of immigration and diversity in this country. It says "immigrants are legal and wanted" and they are here because they contribute to the economy and to society (Ambrose and Mudde 2015, 227). Although Canada does not currently accept a sufficient number of immigrants to offset a below-replacement birthrate, the conventional wisdom is that immigration is needed to support the country's ageing population and to fulfill important gaps in the labour market. Any political party advocating a more restrictive approach to immigration would have to overcome this perception of immigration as a necessity.

The central argument of this chapter is as follows: Canadians are comparatively open to immigration and multiculturalism, but there is a large proportion of society whose views are more negative or conditional. Canadian institutions not only dampen xenophobic and anti-immigrant sentiment, but the structure of our political institutions largely prevents parties and governments from appealing to, and being influenced by, those opinions. Our chapter analyzes Canadians' attitudes toward immigration and multiculturalism and then demonstrates the effectiveness of our political institutions in mitigating the potential for extremist politics.

Public Opinion on Multiculturalism, Immigration, and Racial Minorities

Current Opinion

At the outset, we argue that a more nuanced portrait of Canada's storied acceptance of immigration and diversity is needed. We discuss public opinion in three related areas: multiculturalism, immigration, and the acceptance of racial and ethnic minorities. These are tied together, both in the minds of citizens, and as matters of public policy. However, as we show, they are not identical, and can receive quite different levels of

public support.

Canada has a reputation for accepting and approving of multiculturalism, and there is a good deal of truth to this. A majority of Canadians has supported multiculturalism, at least since 1989 (Dasko 2003), ranging from a low of 50 percent in 1995, to a high of 70 percent in 2002, when pollsters appear to have stopped asking specifically about support for multiculturalism. More recent data are less clear: some surveys show that 84 percent say that multiculturalism is one of the best things about Canada (Soroka and Robertson 2010), while others report only about 60 percent think multiculturalism has been good for Canada (Angus Reid 2010, 2012).

Opinion on immigration is also quite positive, at least in the sense that most Canadians are accepting of current levels of immigration. In recent years about 60–70 percent of Canadians think that immigration levels are either about right or should be even higher (Environics Institute 2015; comparable results in the Canadian Election Study). Most Canadians do not see immigrants as a serious economic threat: only 25 percent say that immigrants take away Canadian jobs, and 80 percent say that immigrants are good for the economy.

Views on racial and ethnic minorities are less favourable. Only 48 percent see increasing numbers of visible minority Canadians as a "positive development" (Soroka and Robertson 2010), only 58 percent say that the "growing variety of ethnic and racial groups" is good for Canada (Soroka and Robertson 2010), and 41 percent say that Canada is "changing too quickly because of all the racial minorities we have here now" (Soroka and Robertson 2010). This underscores that Canadians can have positive views of immigration and multiculturalism in the abstract, but that a segment of the population remains suspicious of racial minorities.

Global Context

Canada has a reputation for being an exceptionally tolerant country, and certainly this is true when compared to other countries (Ambrose and Mudde 2015). As Tables 12.1 and 12.2 show, Canada is more tolerant than many countries—by some measures, the most tolerant of those examined here. However, the differences between Canada and its comparators—including Australia, Italy, Norway, Romania, and Spain—is actually quite small. Canadians are a lot like people in many other countries, and certainly not an outlier when it comes to their attitudes

Table 12.1

Would Not Like to Have as Neighbours

	Different Race	Country's Difference from Canada	Immigrant	Country's Difference from Canada
Australia	5%	3%	6%	2%
Canada	2%		4%	
Finland	11%	9%	16%	12%
Germany	7%	5%	13%	9%
Italy	11%	9%	14%	10%
South Korea	36%	34%	38%	34%
Netherlands	8%	6%	9%	5%
Norway	3%	1%	5%	1%
Poland	12%	10%	14%	10%
Romania	18%	16%	16%	12%
Russia	17%	15%	32%	28%
Slovenia	15%	13%	18%	14%
Spain	7%	5%	7%	3%
Ukraine	12%	10%	19%	15%
United Kingdom	5%	3%	14%	10%
United States	4%	2%	13%	9%

Source: Data from 2005–2009 World Values Survey; questions not available for all countries.

Table 12.2

Attitudes about Immigration Policy

	Permissive	Restrictive	Country's Difference from Canada
Australia	55%	42%	-2%
Canada	57%	40%	
Finland	48%	50%	-9%
Germany	47%	47%	-10%
Italy	56%	42%	-2%
Japan	42%	50%	-15%
Norway	56%	42%	-1%
Poland	45%	49%	-12%
Romania	61%	32%	4%
South Korea	59%	41%	2%
Spain	54%	44%	-3%
United States	42%	55%	-15%

Source: Data from the 2005–2009 World Values Survey; not available for all countries. *Permissive* combines "Let anyone come" and "As long as there are jobs." *Restrictive* combines "Strict limits" and "Prohibit people coming." *Difference from Canada* is country's permissive score minus Canada's: negative is more permissive.

Figure 12.1

Attitudes Toward Immigration

"Too much immigration"
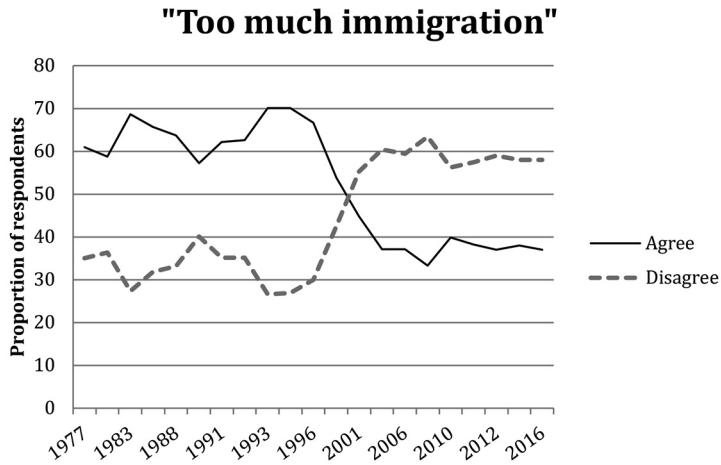
Source: Environics Focus Canada surveys. All respondents included.

about immigration.

Changing Opinions

Many believe that societies are becoming more tolerant, and in a *policy* sense, this is evident. For example, drawing on data from the Multiculturalism Policy Index compiled by Banting and his collaborator, Will Kymlicka, Soroka and colleagues (this volume) show that policies toward immigrants and minorities have become more favourable over the past thirty years in nearly all of the countries included in the index. In terms of *attitudes* toward immigrants and minorities, however, the Canadian story is really one of a period of sharp increase in favourable opinion between 1995 and 2005, with long periods of stability before and after (see Figure 12.1). The change was greatest in attitudes towards immigration, with much less change in attitudes toward racial minorities and multiculturalism.

Historically, Canadians' views on immigration have been quite neg-

ative. From the 1970s, most Canadians (60–70 percent) said Canada was admitting too many immigrants, and 50 percent said immigrants take jobs from Canadians. Similarly, 60–70 percent said too many immigrants do not adopt Canadian values (Environics Institute 2015). A substantial majority of Canadians had negative opinions of immigrants from at least the 1970s through the mid-1990s.

There was a large shift in opinion about immigration over a roughly ten-year period from 1995 and 2005. As is shown in Figure 12.1, during this timeframe, public opinion became dramatically more positive. People who said that there is "too much immigration to Canada," declined by some twenty points, from about 60 percent to 40 percent, while the number of people who disagreed that "immigrants take away jobs from other Canadians" fell by some twenty points (data not shown).

Conversely, opinion toward multiculturalism and racial minorities shows distinctly less improvement. While there are little data on these questions prior to 1988, attitudes toward multiculturalism were essentially static between 1989 and 1997, followed by an increase of twelve points between 1997 and 2002 (Environics Institute 2015). More recent data (though with slightly different wording), suggest approval for multiculturalism continued to remain around 60 percent, at least until 2012 (Angus Reid 2010, 2012). Similarly, the proportion of Canadians who think multiculturalism is an important symbol of Canada has increased sharply from 37 percent in 1997, and then remained relatively constant (around 55 percent) from 2000 to 2015 (Environics Institute 2015). Both multiculturalism and immigration feature patterns of change that started in the mid-1990s, followed by more recent stability, but the increase in support for multiculturalism was smaller than that for immigration.

With respect to attitudes toward racial minorities, as Figure 12.2 shows, there is no clear trend. Interestingly, where there are changes, most of the movement is between "less" and "about the same," while the proportion wanting to do more for racial minorities hardly changes; we find something similar when we look at attitudes toward immigration levels below. For the "feeling thermometer" in which respondents express their level of like/dislike for racial minorities, there is little, if any, change.

Why has Canadian opinion on immigration changed so much during this specific period, but less so on related issues like multiculturalism and attitudes toward racial minorities? The change in opinion on immigration is dramatic and has persisted for many years. This cannot be

Figure 12.2

Attitudes Toward Racial Minorities

"How much should be done for racial minorities?"
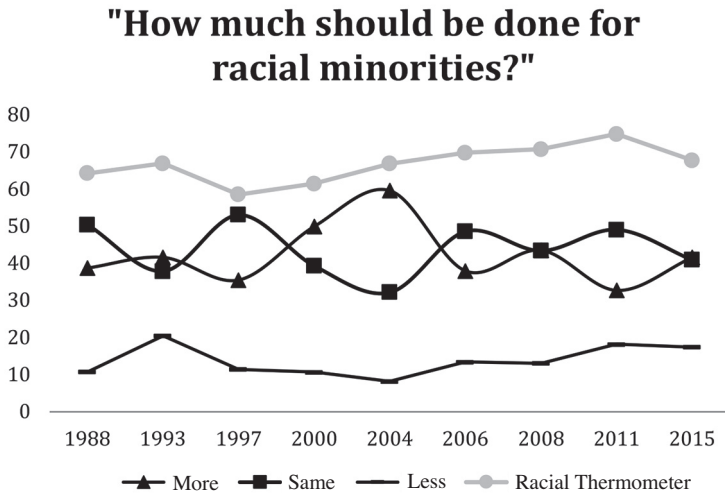
Source: Canadian Election Study Data. The 2015 data are drawn exclusively from the telephone version of the survey. White non-immigrant respondents only. The racial thermometer (i.e., "How do you feel about racial minorities" on a 0–100 scale) is mean score.

accounted for by media coverage of a particular event or annual changes in immigration levels, which fluctuated between 1995 and 2005, but stayed within a range of 0.7 to 0.8 percent of the country's overall population. One possible explanation for the shift in attitudes is economic context. Attitudes toward immigration are strongly influenced by the state of the economy, including unemployment and competition for jobs. Palmer (1996), for example, notes that the aggregate level of support for immigration in Canada is closely correlated with the unemployment rate, and this is consistent with cross-national research (Chandler and Tsai 2001; Mayda 2006). By the mid-1990s, the Canadian economy had recovered from the 1992 recession and experienced an economic boom: unemployment fell more or less steadily from 11.3 percent in 1992 to 6.8 percent in 2007, which was a thirty-two year low

(Statistics Canada 2007b).

The economic explanation is supported by data from the Canadian Election Study, which show the 1995–2005 shift in opinion is almost entirely a result of respondents moving from the "less immigration" category to the "about the same as now" category. The number of people saying Canada should admit more immigrants has essentially remained static in this period (Bilodeau, Turgeon, and Karakoç 2012; updated by authors using 2011 and 2015 data, not shown). This is important given that pro-immigration and anti-immigration sentiment is actually quite different (Wilkes and Corrigall-Brown 2011). Specifically, pro-immigration sentiment is driven by (pro-diversity) ideology, while anti-immigration sentiment is driven by economic considerations. Of course, there are those who are anti-immigrant for ideological reasons, but most people accept the immigration status quo when economic times are good and switch to desiring less immigration when economic conditions deteriorate. Conversely, those who say they want more immigrants typically have ideological reasons and desire immigration as a way of expressing their acceptance of diversity. This is quite independent of economic circumstances.

This economic argument and the observation that changes in opinion on multiculturalism and racial minorities have been smaller than opinion shifts on immigration suggests that Canadians have indeed become more accepting of diversity, but less so than the typical narrative would have us believe. If pro-immigration sentiment is a better measure of the underlying non-economic opinion about immigrants, an argument made convincingly by Wilkes and Corrigall-Brown (2011), then Canadian opinion about immigration has not improved at all in the last half-century and is conditional on economic circumstances. Opinion on racial minorities is less clear. There is some evidence that it has become more positive, but not dramatically so. Finally, over the course of the last fifty years, it appears that the proportion of Canadians who accept multiculturalism has climbed by just ten percentage points. These are improvements, but small ones, and at a very slow pace.

Conditional Multiculturalists

We argue that although support for immigration and multiculturalism in a generic sense may be wide, for many Canadians this support is strongly conditional. The people we call "conditional multiculturalists" support immigration, approve of multiculturalism, and have positive

opinions toward racial minorities *if, and only if,* certain conditions are met. It is difficult to ascertain people's true beliefs, and certainly these issues are subject to social desirability effects; to some degree this might be disguised prejudice. But this only suggests support for immigration and multiculturalism is even lower. We think it is very possible that these are sincere beliefs: people can have well-reasoned limitations or conditions under which they will agree with policies. Importantly, this conditional support means that public opinion might shift dramatically depending on the circumstances at a particular time, or how an issue is portrayed and framed.

Conditional multiculturalists support multiculturalism, but not if it means distinct culture or values: 70–80 percent of Canadians say "ethnic groups should blend into Canadian society," and 65 percent believe that "too many immigrants are not accepting of Canadian values" (Environics Institute 2015). Notably, this number dropped by 10 percent between 1997 and 2004, but has otherwise remained steady since 1985. Given that only 30 percent of Canadians think that there are too many immigrants, and only 30 percent (depending on the measure) object to multiculturalism, it seems that a large number of people both accept multiculturalism and the current rate of immigration *if* immigrants integrate and blend into Canadian society.

Any time the rights (or privileges) of immigrants and people born in Canada conflict, conditional multiculturalists tend to side with "Canadians" and against minorities or immigrants. For example, 67 percent say "we should look after Canadians born in this country first and others second," and 72 percent of Canadians choose "letting the majority decide" over "protecting the needs and rights of minorities." Moreover, when the issue is who must adapt, most (57 percent) say minority groups should change to be like other Canadians (Gidengil et al. 2008).

The conflict faced by conditional multiculturalists was illustrated neatly in the debate surrounding the wearing of the niqab during citizenship ceremonies. The issue emerged in 2011 when the Conservative government issued a policy directive prohibiting face coverings at citizenship ceremonies. The acquisition of Canadian citizenship requires that applicants take a public oath, meaning that a ban on face coverings would deny citizenship to anyone wearing a niqab. At the time, Jason Kenney, then the minister of citizenship and immigration, referred to the citizenship oath as a "public declaration that you are joining the Canadian family." He underscored that the niqab ban "is not simply a practical measure. It is a matter of deep principle that goes to the heart

of our identity and our values of openness and equality" (Smith 2011, A1). The government framed the issue as one of equality: if some are permitted to cover their faces, then the rules do not apply equally, and this is an affront to the "Canadian family." After the courts struck down the original ban, the Conservative government introduced new legislation on the eve of the 2015 federal election and said they would appeal to the Supreme Court of Canada if necessary.

The niqab ban was widely supported by Canadians. Polls found that as many as 80 percent of Canadians were in favour of a prohibition on face coverings at citizenship ceremonies, with the proportion even higher in Quebec (Beeby 2015; Loewen 2015). Many Canadians seem to support multiculturalism in the abstract, but reject it in these circumstances. In an interview, Minister of Citizenship and Immigration Chris Alexander said that covering one's face is "not the way we do things here" (Ling 2015, online). Even Canadians who are notionally supportive of immigration reject particular multicultural practices.

Conditional multiculturalists think minorities should be treated equally, but not have special treatment. When differential treatment is suggested, there is strong opposition. Fully 85 percent of Canadians reject the idea that "minority groups need special rights" (Soroka and Robertson 2010). Further, only 41 percent of (non-Quebec) Canadians, and 28 percent of Quebecers support "modifying specific laws and norms when they could affect minorities" (Angus Reid 2009). On the other hand, when the issue is framed as equality, opinion is quite different. In such cases, 62 percent of Canadians say "recent immigrants should have an equal say about Canada's future," and only 31 percent agree "it makes me angry when recent immigrants demand the same rights as Canadian citizens" (Soroka and Robertson 2010). Keep in mind that although equal rights for minorities could be seen as obvious and deserving of universal support, this is not the case. One only needs to glance at the opinion pages or social media to find people who think that racial profiling and special measures against Muslims are warranted, or that Black citizens are more likely to commit crimes and therefore extra police investigation is perfectly acceptable. So far as public opinion is concerned, there are thus three possible positions: special rights, equal rights, or less-than-equal rights.

The structure of opinion on diversity issues in Canada thus roughly follows a rule of thirds: one third of Canadians are clearly positive, one

third are clearly negative, and one third are "conditional."[3] For example, if 40 percent of Canadians want less immigration and 30 percent oppose it, the middle 30 percent are conditional multiculturalists who approve of immigration but also believe that too many immigrants do not accept Canadian values. On rights for minorities, some 30 percent of Canadians are made angry by minorities demanding equal rights, and at the other end of the spectrum, 15 percent think that minorities should have even more—that is to say, special—rights. Conditional multiculturalists are the middle 55 percent, who accept equal rights but not special rights. On multiculturalism, about one-third of Canadians disapprove of it, while two-thirds approve. But two-thirds also say ethnic groups should assimilate and blend in with Canadian society. Conditional multiculturalists are the middle third of Canadians who approve of multiculturalism, but also want immigrants to blend in.

These conditional multiculturalists are especially important because they might support or oppose certain policies or decisions based on how they are framed. What counts as special or equal treatment? When is a policy "multiculturalism," and when is it preserving a separate culture? Should we only accept immigrants who accept Canadian values? Not only will opinion shift depending on how these issues are defined, the balance of opinion—which side has the majority—often changes. Who holds political power and has the ability to frame these messages is important because it can influence whether Canadians regard an activity as a minority right worthy of protection or as an example of a "barbaric cultural practice." All of this tells us something about Canadians' openness to immigrants and minorities, but it also sheds light on the mechanisms that might facilitate political inclusion. Are diverse voices included in Canada's elected institutions? This is the subject to which we turn next.

Diversity in Canada's Elected Institutions

When he appointed his first Cabinet in 2015, Justin Trudeau boasted it was "a Cabinet that looks like Canada." Media coverage suggested that the diverse faces of his ministers were emblematic of Canada's multiculturalism and proof that the country embraces and accepts diversity.

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3. Positivity bias might account for some of this difference. In a survey, respondents might want to appear agreeable, so they would say yes to multiculturalism and yes to limits, rather than to disagree with either. If so, our estimate of conditional multiculturalists is likely high, while our estimates of support for and opposition to multiculturalism are both low.

That immigrants and minorities have the opportunity to run for office, that voters are willing to elect them, and that the head of government saw fit to entrust them with a portfolio suggests a degree of institutional and attitudinal openness to diversity in politics. Although the Multiculturalism Policy Index does not include measures related to the election of immigrants and minorities, in some of his other writing, Banting has made reference to this measure as an indicator of political integration (e.g., Banting 2008).

How, then, does Canada fare? Are immigrants and minorities participating in elected institutions at levels that mirror that of white, Canadian-born citizens? Or does the excitement over the appointment of a more diverse Cabinet conceal cracks in the political foundation? Our data suggest that elected institutions more or less mirror the ethnocultural diversity of the Canadian population. For example, following the 2015 federal election, racial minority MPs occupied 14 percent of seats in the House of Commons, which is just shy of the percentage of racial minority citizens in the Canadian population, a number that stands at 15 percent. It was also a significant increase from the 2011 election, when 9 percent of MPs had racial minority backgrounds. There are also forty-five MPs who were born outside of Canada (13 percent), although this proportion is unchanged from 2011 and falls short of the 21 percent of Canadians who were born outside of this country.

In comparative terms, however, Canada's parliament seems more open to immigrants and minorities than legislatures in other countries, even traditional immigration countries like the United States and Australia. While 12 percent of the US population is foreign-born, just 1 percent of members in the 114th Congress were (Gao and Bell 2015). With respect to the representation of minorities, while Latinos make up 15 percent of the US population, they held just 5 percent of the seats in the House of Representatives, whereas Asian Americans and Pacific Islanders who make up 5 percent of the population had fewer than 1 percent of the seats (Bloemraad 2013). In Australia, where 10 percent of the population has non-European origins, just 2 percent of the seats in the 2005 House of Representatives were held by individuals with non-European backgrounds (Bloemraad 2013). Meanwhile, 13 percent of members and senators elected in the 44th Parliament were born outside of Australia (Parliament of Australia 2015), compared to 27 percent of the population. In the United Kingdom, a similar pattern of under-representation prevails. For example, while immigrants make up 13 percent of the population, just 3 percent of MPs are foreign-born (Fernandes,

Morales, and Saalfeld 2016), and while minorities were 12 percent of the population in 2010, they held just 4 percent of the seats in the House of Commons (Bloemraad 2013).

Maybe this is a story about successful political integration. Through its immigration system, Canada selects individuals with high levels of education and official language fluency, characteristics that are predictive of their success. According to this argument, if immigrants and minorities are succeeding in Canadian politics, we have the policy framework to thank. But other countries with selective immigration policies do not see the high levels of political integration exhibited in Canada. Take Australia, for example. Its framework for selecting immigrants is similar to Canada's; both use a points system and privilege applicants with official language fluency, advanced education, and marketable experience. Moreover, like Canada, Australia has a policy of official multiculturalism and, indeed, scores highest of all the countries included on Banting and Kymlicka's Multicultural Policy Index. Even so, when you look at the proportion of immigrants and minorities elected to federal office, Canada's record is superior. In other words, to the extent that immigrants and minorities are politically integrated in Canada, the policy framework is not the only correlate.

The opportunity to elect immigrant and minority candidates is in part premised on those candidates putting themselves forward for elected office. In that respect, one institutional feature that facilitates political integration is the country's relatively open pathway to citizenship. Foreign-born permanent residents are eligible to apply for citizenship after just four years in Canada, and there are relatively few barriers to acquisition. As a result, immigrants are granted the right to vote and run for office at all levels of government quite soon after arrival in Canada. Moreover, the Canada Elections Act allows for the participation of non-citizens in the nomination of candidates for elected office. This provides a venue for exercising democratic rights even prior to the extension of citizenship. However, it is political parties that typically mobilize these democratic rights, leveraging the voting power of immigrants and minorities. They do this by erecting relatively few barriers to participation. Non-citizens can vote in nomination contests, and there are few rules about length of membership in most parties. Criticisms are raised periodically, often after immigrant or minority candidates win nominations by signing up new members from their co-ethnic communities, but parties for the most part encourage such engagement. Although the citizenship policy framework is important,

it is political parties that realize its effects.

Politicizing Multiculturalism

Parties of all stripes have, for decades, considered immigrants and minorities to be an important source of potential political support (Champion 2006). So-called ethnic engagement strategies have ranged from the maintenance of lists of supporters from cultural communities, appearances at multicultural events and places of worship, and the promotion of policies that appeal to immigrant and minority voters.

The Liberals' introduction of a points system for assessing applications from potential immigrants—a policy that reduced the reliance on race-based criteria—as well as their openness to family reunification and the initiation of an official policy on multiculturalism solidified the loyalty of many immigrant and minority voters (Blais 2005). The Liberals are not alone, however. It was the Progressive Conservatives who enshrined multiculturalism in law and, as Abu-Laban (1998, 193) points out, when higher immigration levels were proposed to Brian Mulroney's Cabinet, the argument was that "more immigrants would provide a new source of voters supportive of the Conservative party." Although the Reform Party called for the abolition of the federal multiculturalism program and proposed caps on annual immigration levels when the unemployment rate exceeded 10 percent, this more restrictionist approach was abandoned by the Canadian Alliance (Tolley 2017).

The Conservative Party recognized the necessity of engaging new blocks of supporters and after the 2004 election when it failed to make inroads in Quebec, they turned their attention to immigrant and minority voters, many of whom they saw as "natural Conservatives" (Tolley 2017). During the 2008 federal election, a leaked document revealed the party's targeting of "very ethnic ridings," which showed plainly that the Conservatives were intent on chipping away at the Liberals' support among immigrant and minority voters, focusing their outreach and multicultural policy initiative on the groups that they had identified as likely supporters (Griffith 2013). By 2011, the strategy paid off, and the Conservatives formed a majority government, with an Ipsos exit poll suggesting 42 percent of immigrants had voted for the party (Todd 2011).

Nonetheless, analysis of the 2011 election suggests that Conservative support among so-called ethnic voters was segmented. The Conserva-

tives did best among white immigrants, especially those with Italian, Polish and German backgrounds, while the Liberals' support from racial minority voters remained resilient (Chignall 2015; Harell 2013). Notably, only 12 percent of Muslim Canadians said they supported the Conservatives in 2011 (Todd 2011). Nonetheless, the Conservatives seemed to be encroaching on traditional Liberal strongholds, particularly those with large numbers of immigrant and minority voters, a phenomenon that commentators declared "the big shift" (Bricker and Ibbitson 2013).

During the 2015 campaign, the Conservative position changed substantially, both compared to 2011 and throughout the campaign. The rhetoric became perceptibly less pro-diversity. The Conservatives promised to ban niqabs from citizenship ceremonies and mused about doing so in the federal public service, while also proposing a tip line so that Canadians could report "barbaric cultural practices." They emphasized security concerns and said they would only accept 10,000 Syrian refugees. The Liberals took aim at the Conservatives' refugee policy, which they argued was not in keeping with Canada's humanitarian tradition. They proposed to bring in 25,000 Syrian refugees by year's end, a promise that dwarfed the Conservatives' proposal. Canadians were largely ambivalent until they were confronted with the image of Alan Kurdi, a three-year-old boy who had drowned while attempting to flee Syria (Lawlor and Tolley 2017; Wallace 2018). With that, immigration had become a major election issue. The New Democrats also came out strongly against what they framed as the Conservatives' anti-Islamic sentiment, a decision that would ultimately hurt the NDP's electoral prospects in Quebec where attitudes against the niqab are more hardened (Radwanski 2015; Tasker 2016).

The 2015 election revealed that immigration and multiculturalism can be polarized between parties. This is not the only time a right-wing party appealed to anti-immigrant or anti-multicultural attitudes: recall the Reform Party's position twenty years before. Yet, these episodes are few and far between, and generally conservative parties in Canada have been relatively positive on diversity issues. Certainly, they have avoided making immigration and multiculturalism an object of polarization between the parties. In their study of the relationship between immigration and electoral politics in Canada, Black and Hicks (2008) note that there is a fairly broad consensus on immigration among political elites. It might be tempting to explain this in terms of public opinion, but as shown earlier, it is not at all clear that Canadians are

uniformly positive. In fact, a majority of Canadians supported restrictive positions (Forum Research 2016).

Public Opinion and Political Institutions

If a majority of Canadians supports restrictive positions on many diversity-related issues, why does no party take this position on a regular basis? Throughout his work, Banting has called attention to institutional factors that tamp down the development of anti-immigrant and anti-multicultural sentiment in Canada. We add to this explanation by focusing specifically on two political institutions, namely the electoral system and the party system. Although we agree that Canadians' attitudes are more positive than those in some countries, there still seems to be enough dissent to reward anti-immigrant or anti-multicultural political appeals. However, we argue that institutional structures limit the rewards associated with straying too far to the electoral or policy margins. As a result, parties can ignore the demands of supporters who are more negatively or conditionally predisposed toward immigration and multiculturalism: political institutions prevent the mobilization of these attitudes.

Canada's system of government is parliamentary and relies on a single-member district plural system of election and, in the first place, this might contribute to the election of members of parliament with immigrant and minority backgrounds. In noting the apparent absence of voter bias against racial minority politicians, scholars typically point out the relative unimportance of local candidates to vote choice in Canada. The political system is leader- and party-centric, so it would not be surprising for voters to pay less attention to local candidates than they do in other systems (Carey and Shugart 1995). Moreover, party nomination processes allow local party members considerable autonomy in the selection of their riding's candidate. Because most local riding associations are made up of just a few hundred members, individuals can win their party's nomination through the mobilization of a fairly small number of community members. Even in ridings that are largely white, prospective immigrant and minority candidates who are well organized and able to call on a strong network of supporters have a good chance at winning a party's nomination. This, coupled with the apparent absence of voter bias in general elections against racial minority candidates (Black and Erickson 2006), may contribute to the comparatively large proportion of members of parliament with minori-

ty backgrounds.

Canada's electoral system often produces majority governments, but even when it does not, minority governments generally govern alone with ad hoc support rather than entering into formal (or even informal) coalitions. In this kind of system, the governing party essentially has all the political power, and opposition parties have little or no influence on government policy. As Johnston (2008) has argued, this "winner take all" system produces very strong incentives to win government and, in addition, punishes small parties. Party supporters are caught between two conflicting desires: to have their party express their true preferences and to have their party win, and the parliamentary system tilts towards a desire to win. Similarly, the electoral system punishes small parties, especially those that are geographically dispersed (Johnston 2008). This helps explain why—unlike many European countries—no party has emerged to represent the significant numbers of Canadians who want fewer immigrants and dislike racial diversity. Any such party would be unable to win government, and would disappear or merge with other parties. This is precisely what happened with the Reform Party, a populist movement that espoused caps on immigration and the abolition of Canada's multiculturalism policy. It never formed a government and eventually merged to form the Conservative Party.

Canada's electoral geography plays a crucial role. Specifically, racial minority voters are concentrated in swing ridings in the Greater Toronto Area (GTA) and parts of British Columbia (Marwah, Triadafilopoulous, and White 2013). Taking just one example, there is a higher proportion of racial minorities in the suburban areas of Richmond (70.4 percent), Burnaby (59.5 percent) than the city of Vancouver itself (51.8 percent; Statistics Canada 2013). Not only are many immigrant and racial minority MPs elected from these areas, but these are the ridings that decide elections. In 2011, the ratio of minority residents to total voters was a full 26 percent higher in ridings decided by less than 5 percent than in the rest of the country (analysis by authors using census and Elections Canada data, not shown). As Taylor, Triadafilopoulos, and Cochrane (2012) further note, of the twenty-eight seats in the GTA that the Conservatives gained from the Liberals between 2004 and 2011, eighteen of these had an immigrant population of more than 40 percent (Taylor et al. 2012). Changing riding boundaries make comparisons to 2015 difficult, but the Conservatives lost all but two of their seats in the GTA while the Liberals won twenty-four, solidifying their majority government. This distribution of immigrant and minority

voters in swing ridings magnifies their electoral importance, and their number will only grow in the future. Parties generally avoid politicizing immigration and multiculturalism in part because they are competing for immigrants' and minorities' votes in suburban and exurban ridings around metropolitan centres. The result is that it is difficult for any party to win government with an anti-immigrant or anti-multicultural message. Indeed, none have done so, at least not since the Second World War.

The role of racial minority voters in Canada suggests a different version of Huber's (2012) argument that parties will appeal to minority voters if those voters are believed to be pivotal, even in majoritarian parliamentary systems. Huber uses the United States as one example of minority voters' pivotality, observing that the Democrats could not win without African American support. But African Americans are a rock-solid base of support for the Democratic party; they are not swing voters who decide election outcomes. Conversely, in Canada, it is difficult for any party to win a majority government without a reasonable level of support from minority voters. The key distinction here is whether it is possible for at least *one* party to win without support of minority voters. This is the case in the United States, which results in polarization along minority issues. But if *all* parties need support from minority voters, as they do in Canada, there will be competition for minority votes, and (perhaps paradoxically) ethnicity will be less salient to vote choice. Determining pivotality is complex, but in recent years it is clear that in Canada all parties *believe* minority voters are pivotal and will rebel against an anti-immigrant and anti-multicultural platform. Parties behave accordingly. They do not want to alienate voters whose support they believe they need to win.

These features of the Canadian system incentivize parties to avoid anti-immigrant and anti-multicultural messaging, while strong leaders and strong party discipline allow party leaders to enforce a pro-immigration and pro-multicultural position. Ambrose and Mudde (2015) suggest that Canada's anti-discrimination and hate speech laws are what suppress this dissent, but as Ryan (2016) demonstrates in his rebuttal, there is no shortage of inflammatory speech. However, there is a norm within political parties to clamp down on candidates who stray too far from a pro-immigration and pro-multicultural message. Party leaders can refuse to sign the nomination papers of local candidates, and they can effectively expel members of parliament from the caucus and party. These mechanisms can be used to contain those who are

opposed to immigration or to minorities, which leaders will employ in order to maintain the appearance of a moderate stance on diversity issues. Finally, the election of party leaders by members, rather than caucus as in other parliamentary systems, gives the leader legitimacy and independent authority. This sharply limits the opportunity for "insurgent" candidates like in US primaries, or the emergence of party factions like the Tea Party. These institutional control mechanisms reduce the potential pay-off of going rogue.

Conclusion

Keith Banting's scholarship reminds us of the importance of institutions, and this institutional focus extended through his research on federalism, social policy, and the welfare state. In his later work on immigration and multiculturalism, he extended his reach, collaborating with researchers who demonstrated the importance of public opinion to the policy framework. Because of Banting's comparative focus, his work often presents Canada in a fairly positive light when it comes to the acceptance of immigration and multiculturalism. We do not disagree, but in shifting the focus inward, we have shown that public opinion is complex, and there are points of fragility. Indeed, it appears that only about one-third of Canadians espouse a multiculturalist orientation that comes without any strings attached. Other Canadians are more circumspect, a finding that contradicts some of the mythology around our acceptance of diversity. If we were to look only at the opinion data, we might expect the presence of anti-immigrant parties or divisive policy appeals. This is because, as the data show, there is a segment of Canadians who could quite easily be persuaded by messaging that appeals to xenophobic tendencies. Happily, from our perspective, this is not what has happened in Canada, and the credit goes partly to our political institutions.

That said, there are examples within Canada and abroad that stray from our tidy institutional explanation. If political institutions incentivize a pro-immigration and pro-multicultural position, why did the Parti Quebecois politicize the issue with its proposal for a Charter of Values? The institutional arrangement is similar to that in the rest of Canada, and yet political discourse in Quebec differs. One possibility is the attitudinal mix, which is arguably different in Quebec (Bilodeau et al. 2012). Nativism may flourish more readily in a province like Quebec where the threat of cultural and linguistic colonization is a central axis of citizens' identity. Moreover, the electoral geography is different, with

the concentration of immigrants and minorities not being significant enough to make such voters pivotal as they are in some other ridings in Canada. As Soroka and colleagues conclude in their chapter examining the link between multiculturalism and attitudes toward redistribution, we need to look at both process and salience. Political processes are similar (but not identical) in Quebec and the rest of Canada, but the salience of the issues at hand is quite different. What about Britain? This is a country upon which Canada's political institutions are modelled and yet anti-immigrant rhetoric prevailed in the Brexit referendum, while the UK Independence Party boasted a strong showing in the 2015 British election, partly on the basis of its nativist orientation. Why has xenophobia gained a toehold in Britain, but not Canada? Again, the attitudinal mix and the country's electoral geography are important, but so is the policy framework, which according to the Multiculturalism Policy Index is somewhat less hospitable to immigrants and minorities than is the case in Canada. As a result, the potential for anti-immigrant sentiment to even develop is higher in Britain than in Canada. Political institutions can have a dampening effect, but may not insulate the political community completely, particularly in the face of strong populist anti-immigrant anxiety.

Fortunately, even when there is a segment of the population that objects to immigration and multiculturalism, the configuration of Canada's political institutions weakens the potential payoff of mobilizing those extremist positions and increases the incentives of espousing policies that appeal broadly to immigrants, minorities, and the committed multiculturalists. This is why we see fairly high numbers of immigrants and minorities holding public office and, in addition, why no modern Canadian political party has ever gained office on the strength of an anti-immigrant or anti-diversity message. The positive outcomes that we observed are not because negative sentiment simply does not exist. As we have shown, when it comes to immigration and multiculturalism, not everyone in Canada cheers, but our political institutions buffer the potential for public backlash.

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13

The Life and Death of Multiculturalism[1]

David Miller

Not least among Keith Banting's many significant contributions to the study of public policy has been his analysis of the nature and functions of multiculturalism. Alongside, and often in collaboration with, Will Kymlicka, he has championed the Canadian version of liberal multiculturalism, and sought to explain to its many critics, in Europe especially, why celebrations of its death are not only exaggerated but misguided. In particular, he has defended, persuasively, and with appeal to solid evidence, the following three propositions:

1. Despite widely heard claims, from the mid-2000s onwards, that multiculturalism as public policy is dead, the comparative evidence suggests no such thing. Although there are significant cross-national differences in the extent to which multicultural policies have been introduced, across the liberal democracies as a whole there is no evidence of a retreat from multiculturalism, but on the contrary a small shift in its favour (Banting and Kymlicka 2013).

2. There is little evidence for the existence of a "progressive's dilemma" according to which a political choice must be made between support for multiculturalism and support for socially progressive welfare policies. Neither in Canada nor elsewhere has the introduction of multicultural policies been accompanied by a weakening of policies promoting economic redistribution, or public healthcare and the other components of the welfare state (Banting 2010; Banting, Johnston, Kymlicka, and Soroka 2006).

3. Multiculturalism is not at odds with the integration of immigrants. On the contrary, the evidence suggests that multicultural policies help immigrants to become more quickly and more effectively integrated into the host society, no matter whether integration is understood in economic, political, or attitudinal terms (Banting 2014; Banting and Kymlicka 2010).

In this chapter, I shall not attempt to challenge any of these propositions. Assuming that they are true, I want to try to make sense of the dissonance between Canadian support for multiculturalism and the view, loudly voiced in Europe, that multiculturalism is dead, said in a tone implying not that multiculturalism having achieved many good things over the course of its working life can now enjoy a comfortable retirement, but that it was a mistake, a wrong turning, for which liberal societies are now paying a price. Examples of this claim can be found both in the academic literature and in public discourse—for example, the leaders of the three most powerful European democracies, Merkel, Cameron, and Sarkozy, all made announcements to this effect in the course of 2010–2011.[2] To Banting (2014, 66–68), as to many other Canadians, these statements have appeared deeply puzzling. It seems that the two sides must be talking past each other: whatever the "multiculturalism" is that Europeans have come to reject, it cannot be the same multiculturalism that Canadians, after some initial doubts, have warmly embraced.[3] Or does the explanation lie elsewhere? Is Canada exceptional in being able to pursue multicultural policies without experiencing the malign effects they allegedly produce in other countries?

I begin, therefore, by asking what "multiculturalism" means. I am by

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2. Among academic commentators making this claim, see Joppke (2004) and, more guardedly, Vertovec and Wessendorf (2010). For discussion, see Modood (2013, chapter 7).

3. For evidence that multiculturalism faced more political opposition in Canada in the 1980s than it has in the recent past, see Ryan (2010).

no means the first to suggest that terminological ambiguity has helped to sow confusion in the debate over its supposed demise. Indeed, participants in the debate reveal this when they attach qualifying labels to "multiculturalism" (though without necessarily specifying what the qualification is meant to exclude): David Cameron trains his fire on "state multiculturalism," while Will Kymlicka staunchly defends "liberal multiculturalism," for example. So we need some mapping of the terrain to get started.

Let me first set aside the purely *descriptive* sense of multiculturalism, whereby a society counts as multicultural when it contains a plurality of groups with distinct cultures. In this first sense, it is not controversial to say that almost all modern liberal societies, including the ones that have officially repudiated multiculturalism, are significantly multicultural. Of course, one needs then to explain what counts as "culture" for this purpose. To make light work of a difficult task, I shall say that a group has its own culture when its members share distinctive beliefs and values governing the conduct of their life, and these beliefs and values are displayed in the way members behave, the social norms they share, the rituals they perform, and so forth. This definition is intended to encompass both groups in which religion plays a large role in defining group culture and those in which lifestyle features—dress, cuisine, music, etc.—are more central. In offering it, I do not intend to foreclose debate about the extent to which different groups in modern liberal societies do indeed have distinct, as opposed to overlapping, cultures, or about how far individual members will draw eclectically from different sources in forming their identities.[4] These are empirical questions (though they have normative implications as we shall see later). At this point I am merely attempting to clarify what it means to describe a society as multicultural.

The descriptive sense of multiculturalism needs to be distinguished from two others, of which the first is *multiculturalism as public policy*. This refers to the set of policies that many liberal states have adopted to aid cultural groups that might otherwise be relatively disadvantaged by culture-blind laws and policies—policies of the type included in the relevant part of Banting and Kymlicka's "Multiculturalism Policy In-

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4. Many of those writing on multiculturalism raise critical questions about what James Tully (1995, 10) has called the "billiard ball" concept of culture, which presents cultures as "separate, bounded and internally uniform." See for example Waldron (1992), Benhabib (2002, chapter 1), and Phillips (2007).

dex," such as special exemptions from laws that groups find burdensome, the funding of group organizations, changes to school curricula to reflect cultural diversity, policies to ensure the representation of different groups in public life, and so forth.[5] These policies are not all of a piece, and part of my aim here is to scrutinize the conventional list of "multicultural policies" to see how they might be justified, but at this stage they are to be taken together, and distinguished from the third sense of multiculturalism I want to isolate.

This is *multiculturalism as ideology*, a justificatory theory which explains how liberal states should respond to cultural pluralism, or multiculturalism in its first descriptive sense. The key ideas here are that cultural diversity is intrinsically valuable, that it matters greatly to people that their cultural identities should be protected, and that the state should grant equal recognition to each group culture that is substantially present on its territory.[6] Multiculturalism in this third sense, then, makes a claim about the significance of culture, and a further claim about what the state should do in response. It should neither ignore cultural questions completely—practice cultural laissez-faire, if you like—nor actively promote the culture of the majority, or the country's historic culture, assuming there is such a thing. It must recognize cultural claims, but do so in such a way that no group is made to feel inferior to, or less worthy of respect than, any other.

The distinction between multiculturalism as public policy and multiculturalism as ideology is important. It is tempting to think that mul-

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5. This index comes in three parts, one made up of policies designed to assist immigrant ethnic groups, a second comprising policies for national minorities, and a third, policies for indigenous groups. For details, see Banting et al. (2006, especially 56–57). In this chapter, I shall discuss multiculturalism only in the narrow sense where it applies to minority ethnic groups of immigrant origin—which reflects the normal usage of the term in European contexts. Near the end, I comment on the wider use of "multiculturalism" in Canada.

6. What does it mean for the state to extent equal recognition to cultures? It means first recognizing the *significance* of culture, so that claims that have a cultural basis are treated differently from mere preferences. It next means refraining from making (or acting on) judgments about the relative value of different cultures—not regarding some as "higher" or "lower" than others. And third, it means giving equal weight to all cultural claims when laws and public policies are made. Such claims may of course be quite diverse in their nature, so what is at issue is nothing so simple as dispensing equal resources to each group. It is consistent with equal recognition to ask about the cost of a proposed policy, the number of people who will benefit from it, and the importance (to the group) of what it will deliver. What is ruled out is favouring certain cultures over others, symbolically or materially.

ticulturalism sense three is what informs and justifies multiculturalism sense two. But this overlooks the possibility that many of the policy items that are included under multiculturalism sense two can be defended on altogether different grounds.[7] If it turns out to be so, then we have one explanation for the paradox of multiculturalism with which I began. Even in places where multiculturalism is said to be dead—in the sense that few people are now willing to accept its key premises—multiculturalism as public policy may still be alive, either because of institutional or policy inertia—there are enough people with a stake in the relevant institutions to make it costly to dismantle them—or because policies formerly known as multicultural can be defended in other ways and without reference to that idea.

To explore this possibility, I want to contrast multiculturalism in its third sense, as defined above, with a rival perspective that I will call "liberal egalitarianism." This is the form of liberalism associated particularly with John Rawls, and applied to questions of culture with some vehemence by Brian Barry (2001). It would be wrong to call this form of liberalism culture-blind, since it responds to the fact of cultural pluralism in a society (or multiculturalism sense one) but it does so by endeavouring to create a neutral arena that provides individuals with equal opportunities regardless of their cultural background, and cultural groups with a fair chance to flourish. In contrast to multiculturalism three, it attaches no intrinsic value to cultural diversity, and does not seek to protect or grant public recognition to cultural identities—it recognizes them only as *facts* that liberal institutions must take into account. It is therefore worth asking how far policies of cultural accommodation can be justified in liberal egalitarian terms, and without invoking multiculturalist ideology. What principles might serve this purpose?

The first relevant principle is fair equality of opportunity, which in John Rawls' classic formulation requires that "in all sectors of society there should be roughly equal prospects of culture and achievement for everyone similarly motivated and endowed" (1971, 73). In particular, access to sought-after educational opportunities, careers, and other so-

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7. Banting et al. (2006) are aware of this possibility, which they discuss through distinguishing between multiculturalism as policy and multiculturalism as discourse or rhetoric. Having noted cases of divergence, however, they assert that "while multicultural policies and multicultural political rhetoric are not the same, they are likely to be highly correlated, and testing the former is arguably a good proxy for testing the latter" (53). Part of my aim here is to subject this claim to critical scrutiny.

cial positions should not depend on factors other than a person's own talents and motivation, and although Rawls was mainly concerned about eliminating the effects of inherited class differences, it is natural to extend the principle to cover cultural belonging: people should not be disadvantaged, compared to others who are similarly motivated and endowed, by virtue of their ethnic, religious or other cultural attributes. Extending the principle in this way so that it addresses simple discrimination on the basis of culture is straightforward. What is less straightforward is deciding how it applies to cases in which someone is denied an opportunity by virtue of a rule or practice that they are unable to comply with for cultural reasons—say a dress requirement, or a rule about working hours (for a fuller discussion, see Miller 2002, 2013, chapter 4). The problem is that a liberal will be tempted to treat compliance with cultural norms as something the complier chooses to do; so if, say, a Haredi Jew adopts the community's traditional form of dress and consequently finds many avenues of employment closed to him, this is no breach of the equal opportunity principle.[8] But a different liberal argument is also possible: one can ask why an employer needs to impose the dress requirement in the first place: is it merely a conventional expectation on the part of customers that they will be served by someone dressed in a particular way, or is it essential for health or safety reasons to have a dress code? If it is the former, the cause of equality can be advanced by challenging the convention. One can also ask whether it is fair to present compliance with community rules as an individual choice, given the costs that may be imposed on a rule-breaker by the group he belongs to: will the Haredi man be ostracized if he abandons his frock coat and black hat? So the equal opportunity principle is open to different interpretations, but pressed in one direction it can be used to demand quite extensive revision of existing practice by employers and others to provide members of minority cultural groups with equivalent opportunities to those in the mainstream.

A second context in which liberal egalitarian principles may lead to

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8. A liberal of this stripe may be inclined to present cultural preferences as "expensive tastes" that should not be allowed to influence the distribution of social resources: see, for example Cohen (1999). Cohen, however, sees this as a reason to incorporate welfare elements into the "currency of equality," abandoning a strictly resourcist form of liberalism. Barry (2001, chapter 2) also flirts with the idea that religious convictions should be treated as "expensive tastes," but later drops this approach by allowing exemptions on religious grounds from rules (such as uniform requirements in schools) that can be shown to serve legitimate social purposes.

demands for cultural accommodation is the provision of public goods. Since liberal states typically devote substantial resources to providing recreational, sporting, cultural, and other services to their citizens, it is pertinent to ask what liberal justice requires in this area. A plausible principle is that the state should respond even-handedly to people's actual preferences for public goods, so that footballers and ice-skaters, say, have roughly the same chances to practice their favourite sport: this can be described as either liberal neutrality or liberal equality (for the neutrality reading, see Patten 2012, 2014, chapter 4). Spelling out what this means in greater detail is quite tricky (for an attempt, see Miller and Taylor 2018), but for present purposes what matters is that cultural preferences will count too, so where sustaining a cultural practice requires public support, a liberal state will attach the same weight to the resulting claim as to any other preference shared by a number of its citizens. Thus, a cultural or religious festival could be funded on the same basis as a sports competition or a music concert, according to the numbers wanting to take part and an estimate of the benefit they would derive from the event.

As a result, several of the policy indicators that are listed by Banting and Kymlicka as "immigrant multiculturalist policies" can be explained and defended on liberal egalitarian grounds. Such a defence is quite straightforward in the case of "exemptions from dress codes" or "affirmative action for disadvantaged immigrant groups," since these may be justified by appeal to equality of opportunity, while "the funding of ethnic group organizations to support cultural activities" may be licensed by the equality principle for public goods. In each case, the policy is driven by a concern for equal treatment and social justice, rather than preferential treatment on grounds of culture. Other items—ethnic representation in the public media, and bilingual or mother-tongue education—are more ambiguous, depending on whether the aim is to ensure fairness, or instead something more like cultural recognition or protection. For the latter is what a liberal egalitarian approach to cultural groups excludes: it cannot ask the state to "recognize" such groups in the sense of endorsing them or affirming their value; it recognizes their existence only in the sense that it sees their members as people whose preferences in certain public goods-related fields may be different from those of the majority, and who may also require special protection against prejudice and discrimination. Nor does it attach any weight to cultural protection as such. The disappearance of a culture would be of concern only if it could be shown to have been the result

of discrimination or of majority practices that made it unfairly cost-ly for members of the relevant group to sustain it. This is the point at which liberal egalitarianism parts company with an ideology of multi-culturalism that seeks actively to create an environment in which group cultures can flourish, and regards public recognition of their particular identity as essential to the well-being of group members.[9]

Having drawn some relevant distinctions, we are now in a position to understand what multiculturalism means to those who find it objec-tionable: multiculturalism as ideology, together with policies that can only be defended from that perspective—policies, in other words, that aim to recognize and protect immigrant cultures, in the sense of "recog-nize" explained above. So with the target now in sharper focus, I turn to examine the critique itself. And what quickly becomes apparent is that the charges laid at multiculturalism's door are many and varied, with no single perspective that unites its critics—indeed the criticisms offered may sometimes be mutually incompatible. So if multicultural-ism (sense three) is indeed now dead, in many places, it is as a result of having too few friends and too many enemies. Without claiming that the list that follows is exhaustive, I shall distinguish between five main lines of attack.

1. Any public policy that aims to extend recognition to cultural groups has to single out the cultures that deserve to be officially recognized. In the process, state authorities will inevitably privilege some cultures, or some versions of some cultures, at the expense of others. Cultures, the critics claim, are internally heterogeneous, and also open ended.[10] But if the state is going to provide public recognition, or financial support, or political access, to particular groups, it has to identify which groups (or which leaders or spokespersons) these are going to be. Such groups

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9. Thus, the first two items in the immigrant MCP Index—the affirmation of multi-culturalism by political bodies, and the adoption of multiculturalism in the school curriculum—seem to me to require the support of multiculturalism in sense three. This is obvious enough in the first case, and it is true in the second case if having a multicultural curriculum means *celebrating* minority cultures, and not merely record-ing their presence as a significant part of the country's history.

10. Among the critics who bring this charge are Phillips (2007) and Benhabib (2002). Kymlicka (2015) suggests that it is unclear what the target of the "essentialist" cri-tique of multiculturalism actually amounts to, and he has a point. However, he does not in this essay address the specific question raised in the paragraph above, which concerns how policies of recognition cannot avoid endorsing certain identity claims to the detriment of others.

will be favoured and empowered relative to others. The problem can be illustrated fairly readily in the case of religious minorities. The state cannot possibly extend recognition (in the normative sense) to every variety of religious belief. If it wants to recognize major religions such as Islam and Judaism, it then has to decide which of the several subdivisions of these faiths it is going to accommodate. Who should be taken on board as partners in dialogue? Which leaders should be recognized as having the authority to speak for the community as a whole?

In the case of Muslims, for example, should recognition be granted only to Muslims who remain within the Islamic faith community, or also to those who come from an Islamic background but are not themselves believers? The state will have to decide whether being Muslim is a religious or an ethnic identity. If it is a religious identity, which of the many rival strands within Islam should be singled out for support? Who will be recognized to speak on behalf of "the Muslim community"? In Britain, especially, this has proved highly controversial. For many years the Muslim Council of Britain was awarded privileged status as the government's correspondent on Islamic matters. But this body was dominated by conservative Islamists, some with links to groups such as Jamaat-e-Islami in Pakistan, and the British government began to sever its connections from the mid-2000s onwards, looking for other, more amenable, partners in dialogue (Bowen 2014, 89–94).

The problem here is not, as might be suggested, that political authorities are encumbered by holding a mistaken "essentialist" notion of culture, so that once they have understood that cultures are fluid and internally contested all will be well. The problem is that a policy that aims to recognize and support cultures must be targeted. It cannot be infinitely flexible. If cultural groups are going to be offered guaranteed places in various institutions, for example, those places will be limited in number, and so someone has to decide who is qualified to fill them. If cultural festivals are going to be offered financial support, then a choice needs to be made about which cultural practices qualify, and which community leaders get the money. The problem, then, is partly one of unavoidable arbitrariness, and partly one of helping to consolidate cultures around the officially favoured poles, by providing incentives for people to identify themselves with the version of their culture that attracts state recognition.

2. This leads naturally to the second line of attack, which is that individual people may find themselves being misidentified, in the sense

of being pushed against their will into one or other predefined cultural box, because they have characteristics that supposedly make them an X according to conventional understandings (see, for example, Appiah 2005, Phillips 2007). But they may think of themselves either as a different kind of X altogether, or just as an unaffiliated citizen: they may wish to repudiate an inherited cultural identity entirely, and simply adopt the national identity of the country to which they now belong. This reaction to multiculturalism was well expressed by the Trinidadian-Canadian author Neil Bissoondath (1994)—one of whose main points was that he did not wish to be identified in the hyphenated way I have just done.

It may be asked why anyone should consider themselves to have been harmed by such misidentification: if the state is offering recognition to people who are Xs—providing them with various forms of special treatment—and you are reluctant to be identified as an X, then you will simply opt out of the policies in question, whether this is a matter of not asking for preference under an affirmative action program, or not bidding for your share of culture-supporting resources. But this overlooks some of the predictable side-effects of official recognition. It is likely to create a privileged version of the culture which then acquires normative force for those who are regarded as affiliated to it, whether or not they accept it, so they will be expected to adhere to the relevant cultural values, behave in approved ways, and so forth. Furthermore, if the group is receiving special treatment in the form of financial aid or affirmative action programs, then even the non-identifiers risk being regarded as beneficiaries by the wider society, so their achievements may be surreptitiously downgraded. They are less likely to be regarded as having succeeded on their own merits if they are identified with a group whose members generally benefit from multicultural policies.

3. The third critique has come from feminists and supporters of gay rights, who claim that the effect of multiculturalism has been to validate and protect cultures that are internally discriminatory against women and gays. A landmark text here is Okin (1999), where it is argued that many of the cultures supported by a multicultural regime will be patriarchal in nature, and anti-discrimination rights, though helpful to women, will not be sufficient to free them from social norms inside the culture that remain powerful and largely dictate their life choices. What women from these groups need, she argues, is not protection of their inherited cultures, but the radical transformation of these cultures in

the direction of greater freedom and equality.

Now defenders of multiculturalism, such as Kymlicka (1995, chapter 3), draw a distinction between rights that allow groups to impose internal restrictions on their members, and rights that provide the group with external protection against the wider society, and argue that liberal multiculturalism would not grant rights of the former kind. But it is not clear how this will deal with the problem that Okin and others identify. A patriarchal group need not claim a legal right to prevent its female members from taking on employment outside of the home—it may be perfectly happy with a legal regime that grants women this freedom—because it can rely on a powerful group norm that says this is not appropriate behaviour for a woman, so a woman who makes this choice will very likely be criticized and shunned by other members. The question, then, is whether the external protections that Kymlicka defends would not also have the effect of insulating the group from challenges that might transform it towards greater equality inside, as feminist liberals like Okin are demanding.[11]

4. The fourth line of critique has come from social democrats—or democratic socialists—who claim that multiculturalism has had the effect of fragmenting the progressive coalition that in the period following World War II was able to tame the capitalist economy through enhanced workers' rights, redistributive taxation, and the provision of essential services on a non-market basis, creating a form of social citizenship as theorized by T. H. Marshall and others (see Barry 2001, Gitlin 1995, and Goodhart 2013). Ethnic and racial minorities, especially blacks in America, could be expected to join this social-democratic consensus and to benefit from it through the enforcement of equal rights in education and employment and through general economic redistribution. But the rise of multiculturalism, it is claimed, has fragmented this consensus. It focuses political debate on cultural questions, often of a symbolic nature, and allows redistributive issues to slip off the agenda; it sets one group against another, and makes it difficult to form a broad-based coalition in favour of equality; and at best it delivers symbolic

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11. In his brief reply to Okin's essay, Kymlicka (1999) says that liberal opposition to internal restrictions within groups should extend to non-legal norms of the kind she identifies, but he does not explain how a multicultural policy that provides external protections to cultural groups is going to deal with cases where the culture that is being protected is one that also provides the rationale—say of a religious kind—for the oppressive social norms.

benefits to minority groups, whereas their real interests are in policies that would deliver them jobs, housing, healthcare and other tangible benefits as part of a general redistribution in favour of the worse off.

The various strands of this critique have been set out in greater detail by Banting and Kymlicka (2006), who then go on to show that there is no evidence that the adoption of multicultural policies has led to a reduction in social spending on the welfare state across liberal democracies as a whole (Banting et al. 2006). Although this is an important finding, it is not clear that it responds fully to the social democratic critique of multiculturalism, as I have argued (Miller 2006). Perhaps the most striking defeat for social democratic values over the last decade has come not in the form of cuts in welfare expenditure, but in the general sharp rise of inequalities in both income and wealth that democratic governments have been unable or unwilling to prevent. The absence of a progressive movement to tackle inequality reveals itself in the difficulty that social democratic parties in almost all European countries currently face in attracting sufficient votes to form majority governments—Canada here may again be an exception. Of course, this crisis of social democracy has multiple roots and is certainly not just attributable to the rise of multiculturalism. The question, however, is whether multiculturalism might be an exacerbating factor.

At this point it is necessary to say something about the relationship between multiculturalism and immigration policy. They are certainly not one and the same, but they are intertwined insofar as there is something incongruous about promoting an active multicultural policy while at the same time pursuing an immigration policy that is very restrictive, or is aimed at admitting people from cultural backgrounds other than those being supported via multiculturalism. One would be saying, in effect, to the disfavoured groups "we celebrate your contribution to our cultural life, but we don't want too many of you to come in and join us." Voters are therefore likely to perceive a pro-multiculturalism policy as also amounting to a pro-immigration policy, even though strictly speaking they are independent of each other. The immigration issue, in Europe at least, tends to divide the electorate along lines that are not helpful to parties of the left. Those most favourable to immigration are likely to be the immigrant minorities themselves and members of the metropolitan elite; those most hostile will be the white working class in the provincial towns and cities. This makes it very difficult to include immigration in a coherent policy package that could bring together disadvantaged whites, ethnic minorities, and the liberal

intelligentsia to recreate the social-democratic coalition. The tendency on the left has been to ignore or at least downplay the immigration issue in the hope that it will go away. Unfortunately for social democrats, it remains high on the agenda for many voters. So long as this remains the case, social democrats will be reluctant to espouse multiculturalism as ideology. They may support policies that work to the advantage of cultural minorities, but will defend them by appeal to general social justice principles, rather than to cultural recognition.

5. The final critique of multiculturalism that I shall consider may overlap with the fourth: it concerns the fate of national identity in societies that choose to embrace multiculturalism. Leave aside at this point the complications introduced by the presence of national minorities, and consider the case where the non-immigrant majority share a common culture, the culture of the group that has been living in the state's territory for several centuries at least. Now the declared aim of multiculturalism is not to attack or destroy this culture, but to reform it in certain ways, so that the minority cultures of immigrant groups can find a place within it, and their members enjoy an equal share of cultural recognition and support. The image presented is one of peaceful co-existence. But matters may not be so simple. The question is whether the pursuit of multiculturalism does not unavoidably involve demoting the inherited national culture, lowering its status and subjecting it to criticism wherever it runs contrary to the cultural beliefs and values of the newly arrived groups. For a national culture unavoidably includes taking pride in what the nation has achieved historically, whether this involves advances in the arts and sciences, building an empire, or rolling back a frontier. These achievements need not be regarded only as causes for celebration; there is room for criticism and apology where the nation can be shown to have behaved badly or caused harm to outsiders. But what cannot reasonably be demanded is the wholesale repudiation of the national past in order to accommodate the rival claims of immigrant groups. The majority cannot be asked to cease valuing those things that up to now have defined them as belonging to a particular people. Or consider the case where religion has been a defining feature of national identity for centuries. Must the church now be disestablished, and each religion treated in exactly the same way as every other? If these are indeed the implications of multiculturalism, then it might seem to require that the majority should become alienated from the beliefs and attitudes that have hitherto been part of their collective

self-definition.[12]

How might defenders of multiculturalism respond to this national identity challenge? One response is to deny that national identities should have any kind of priority. If people choose mainly to identify themselves with some historic nation, they are entitled to do so, but they should not expect the state to privilege this identity. A modern plural society is best understood as a kaleidoscope of individual and group identities of different kinds, each to be given equal recognition. This is Iris Young's "politics of difference":

> … a just polity must embrace the ideal of a heterogeneous public. Group differences of gender, age, and sexuality should not be ignored, but publicly acknowledged and accepted. Even more so should group differences of nation or ethnicity be accepted. In the twentieth century the ideal state is composed of a plurality of national or cultural groups, with a degree of self-determination and autonomy compatible with federated equal rights and obligations of citizenship. (1990, 179–80)

One might question whether such a polity is actually feasible. But the relevant point for the purposes of this chapter is that if multiculturalism means the demotion of national identity to just one individual identity among others, then it will be opposed by all those who value their existing national identities and want to see them preserved (not in aspic, but in their general, inclusive character) as a source of solidarity and a link between past and future.

Not all defenders of multiculturalism follow Young down the path of unqualified celebration of difference. Authors such as Modood (2013) and Kymlicka (2001) argue that multiculturalism and national identity can be conjoined, indeed that multicultural policies can be designed in such a way as to encourage immigrant groups to identify themselves with the nation whose state they are joining. But they concede that in order to for this to happen, long-established national identities will have to change. Many cherished beliefs and values must be abandoned

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12. One form that this majoritarian critique of multiculturalism has taken in Canada—in Quebec especially—is advocacy of interculturalism as a better alternative to multiculturalism. There is some dispute over the nature and extent of the contrast between these two "isms," which I shall not try to resolve, but the relevant point seems to be that interculturalism allows that some degree of precedence may be granted to the society's inherited culture, whereas multiculturalism does not. See the essays collected in Meer, Modood, and Zapata-Barrero (2016).

in order not to contravene the competing beliefs and values of immigrants. So what form will the reformed national identity take? One possibility is that it should be a narrowly political identity, or "constitutional patriotism," formed out of liberal and democratic principles and their various institutional embodiments in law and government. But the limitations of this proposal are obvious and well-rehearsed—and indeed accepted by the multiculturalists I am considering here. Given the widespread endorsement of basic liberal principles such as freedom of speech and the rule of law, it makes no sense to present these as constituting the political identity of any particular state or people—these values are the shared possessions of many peoples. Nor can such abstract principles motivate people in the way that national identities of a more traditional kind can: people may indeed fight for democracy, but the democracy they fight for is *their own* democracy, in other words the democracy of a *people* identified independently of the state they seek to defend.[13]

So if a reformed national identity is to perform the functional role that traditional national identities have played in supporting democracy and other values like social justice, it will need to have more substance than is offered by a purely civic form of identity. But where is the substance to be found?[14] Which ingredients does a commitment to multiculturalism allow to be included? Religion is divisive. Culture, in the more specific sense of music, art, film, literature, and so forth, is divisive (whose books shall we read? Whose films shall we watch?). History is divisive, insofar as celebrating what we have achieved in this place also means, by implication, devaluing the societies that have failed to achieve anything of comparable worth. In all of these areas intercultural dialogue is possible and some measure of compromise may

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13. I do not mean that individuals never fight in defence of another nation's democratic institutions. The International Brigades in the Spanish Civil War are an obvious counter-example. But these are people showing exceptional courage and commitment, and in the case cited motivated also by international solidarity in opposition to the rise of fascism in Europe.

14. Varun Uberoi (2008) accepts that the adoption of multiculturalism will change national identities, which he portrays as a relatively straightforward process of an older generation of citizens being superseded by a re-educated younger generation. But the content of the new identity turns out to be a series of negations: racism is impermissible, Christianity is no longer the only acceptable religion, and many episodes in the nation's past history were shameful rather than glorious. It is hard to see how this could form the basis of a common identity that people could cherish as something that distinguishes their community from others.

be achieved, but what cannot be expected is the seamless accommodation of minority cultural identities. In countries that have indigenous cultural majorities, national identity will unavoidably remain primarily the identity of that group if it is to remain substantial and significant. If preserving national identity matters, therefore, we have reason to reject multiculturalism as ideology (though not, as I have been at pains to argue, all of the policies that some might want to defend by appealing to it).

I have sketched five perspectives from which multiculturalism can be challenged. As I noted earlier, these perspectives are quite different and may even come into conflict. Thus, if someone attacks multiculturalism for unavoidably privileging some identities at the expense of others, that person is also likely to find fault with nationalist positions, even liberal ones, for prioritizing a particular form of individual and collective identity. The point of the sketch was not to suggest that there was a single coherent alternative to multiculturalism waiting in the wings, but that multiculturalism was vulnerable to attack from too many quarters, leaving it with few friends and many enemies. Broadly speaking, the first three critiques point towards a liberal egalitarian position that gives priority to principles of individual freedom and social equality, and counsels the state to avoid becoming entangled in cultural questions. The fourth and fifth critiques are more concerned about collective identity, for instrumental reasons in the former case, and partly for intrinsic reasons in the latter; in that light, they look on multiculturalism as a disintegrating force that threatens to create a divided society inimical both to democracy and to social justice.

Since all of these concerns have been voiced in Canadian debate as well as in societies of the Old World, we must ask why Canada remains wedded to multiculturalism, at least at the level of elite discourse, while Europe has turned against it. I am not certain of the answer, but will offer three suggestions.

First, whereas in Europe, multiculturalism is understood as an ideology and an associated set of policies targeted specifically on ethnic minorities of immigrant origin, in Canada it forms part of a wider political settlement that embraces the two nations that founded the state, as well as the Indigenous groups. This is plain from the circumstances of its conception, in responses to the report of the Royal Commission on Bilingualism and Biculturalism—such as Pierre Trudeau's 1971 speech to the Canadian parliament in which he announced that "a policy of multiculturalism within a bilingual framework commends itself

to the government as the most suitable means of assuring the cultural freedom of Canadians." Although at first the idea of multiculturalism was not embraced enthusiastically by either Quebec nationalists or Indigenous spokesmen, over time its meaning has expanded to include language rights for French speakers, self-determination rights for First Nations, and so forth. This is made explicit in seminal texts such as Kymlicka's (1995) *Multicultural Citizenship* (and subsequent writings) which adopt and defend the expanded conception. Multiculturalism so understood can draw political support from a wide variety of interests who have something to gain from the package, as they would not have from a narrower immigrant-focused form of multiculturalism. Thus, Indigenous groups, although sometimes objecting to multiculturalism as ideology for failing to recognize the special nature of their claims, are undoubtedly among the direct beneficiaries of multicultural policies.

Second, Canadian multiculturalism, in both theory and practice, has specific features that have helped it deflect some of the criticisms laid out above. On the one hand, it has acquired a strongly liberal complexion by virtue of existing under the aegis of the Charter of Rights and Freedoms, which governs the interpretation of multicultural policy. As Banting (2014, 74) notes, "the individual rights and equality rights embedded in the charter also stand as a barrier to the danger that multiculturalism might run amok. The charter constitutes a legal frame that circumscribes the range of cultural traditions deemed legitimate, helping to ensure that accommodation of difference does not slide into a justification for discrimination or the denial of basic equalities, such as the equality of men and women." On the other hand, multiculturalism for immigrants specifically is aimed at civic integration, with more resources being given to policies and programs designed to lead them into the Canadian mainstream (language classes and so forth) than support for "heritage" events (Banting 2014, 71–73). Thus, both liberal-individualist and communitarian-integrationist attacks on multiculturalism are blunted by the specific form that multiculturalism has taken in Canada.

Third, one important respect in which Canada differs from European societies is that it has no Indigenous majority with deep historical roots. So although the claim that, First Nations aside, "all Canadians are immigrants" is somewhat misleading—since its implied egalitarianism overlooks the way that British (and to a lesser extent French) institutions and practices have defined the country—it has enough superficial plausibility to make the idea of a national identity centred on multiculturalism acceptable. There *are* majority cultures, in English- and

French-speaking Canada respectively, but they cannot claim the kind of privileged status, by virtue of historical primacy, that European national cultures claim, and that render multiculturalism as ideology problematic. Admittedly, this leaves people who identify themselves with one of these majorities in a somewhat tortured relationship to their own heritage. They are being asked to accept that Canada only became its own authentic self in the late 1960s, or early 1970s, when it officially embraced multiculturalism, and this requires a great deal of the historical "forgetting" that Renan (1882) insisted was vital to nationhood.[15] Might a Canadian version of populism one day revive those dormant memories of Canada as a settler society? Until that happens, and with multiculturalism proudly proclaimed as Canada's special contribution to world civilization, the clash between national cultures and minority (especially immigrant) rights that has erupted in other places is unlikely to occur in that country.

My conclusion is that Canadians should not be surprised or offended when Europeans reject multiculturalism, while continuing to pursue many of the policies formerly known as multicultural (as featured in the Banting/Kymlicka index). They should look askance only if said Europeans further claim that multiculturalism is bound to fail in Canada too. They should recognize that the integration of immigrants—a pressing issue that all liberal democracies have to face—needs to be pursued in ways that match the historical trajectory of each country. Multiculturalism provides Canada's solution, and one that might also work for other post-colonial societies, but it is no panacea.

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15. "L'oubli, et je dirai même l'erreur historique, sont un facteur essentiel de la création d'une nation … l'essence d'une nation est que tous les individus aient beaucoup de choses en commun, et aussi que tous aient oublié bien des choses" (Renan 1882, 7–9).

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Federalism and the Welfare State in a Multicultural World
Edited by Elizabeth Goodyear-Grant, Richard Johnston, Will Kymlicka, and John Myles

Social policy is integral to mitigating divisions of class, region, language, race and ethnicity, and its underlying values of solidarity and risk-sharing also make it a critical mechanism for nation-building. Whether social policy actually accomplishes these goals is variable and contested, however. The mere fact of pooling risk poses the question of who "we" are, with exclusionary implications as much as inclusionary ones.

Despite various challenges, until the 1990s there was some evidence that Canadian social policy played an integrative role, providing a counter-narrative to pessimistic claims that federalism and diversity undermine the integrative potential of social policy. Today, however, the Canadian model is under strain, reflecting changes in both the welfare state and the immigration-citizenship-multiculturalism regime. As the volume illustrates, there are clear trends that, if unchecked, may exacerbate rather than overcome important social cleavages. We are therefore at a crucial moment to re-evaluate the role of social policy in a federal state and multicultural society, the central task of this volume. If federalism and diversity challenge traditional models of the nation-building function of social policy, they also open up new pathways for social policy to overcome social divisions. Complacency about, or naive celebration of, the Canadian model is unwarranted, but it is premature to conclude that the model is irredeemably broken, or that all the developments are centrifugal rather than centripetal.

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