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Introduction

REGIONS, RESOURCES, AND RESILIENCY: INTRODUCTION AND OVERVIEW

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As recent Canadian debates about resource development, “Dutch disease,” and employment insurance demonstrate, regional tensions remain alive and well in the Canadian federation. Past regional disputes often centred on questions of federal government “fairness” to particular provinces, most notably Quebec. The outcome of the 2012 Quebec election has not yet significantly reopened and broadened those debates, presumably because of the challenges faced by the minority government. In any event, the economic, political, and social implications of the unequal distribution of natural and human resources among provinces will remain. In the current market, natural resource-rich provinces, including Alberta, Saskatchewan, and Newfoundland and Labrador, enjoy fiscal capacities far superior to other provinces, and wrestle with labour market supply challenges. At the same time, provinces with fewer natural resource industries, including Ontario and Quebec, struggle with manufacturing industry decline and relatively high unemployment. Such differences lead to (often heated) discussions about the impact of natural resource economies on the value of the dollar, the appropriate model for employment insurance, and the federal equalization program, among other issues.

The State of the Federation 2012 conference, held in Kingston on November 30–December 1, 2012, brought together academics, policy-makers, and politicians to engage in a constructive dialogue about regionalism, resources, and the resiliency of the Canadian federal system. Questions considered included the following:

- How do provincial and regional differences in economic capacity impact on Canadian federalism? Do the current economic strains represent a unique

challenge to Canadian national unity, or do they simply reflect the country's long history of regionalism?

- To what extent do Canada's natural resource industries benefit the Canadian economy? To what extent do they create pressures for other industries?
- Do Canada's federal institutions hinder or promote the ability of the economy to respond to global economic shifts?
- Should Canada pursue national policy approaches, such as a Canadian energy strategy, in areas of provincial or concurrent jurisdiction? If so, what approaches are needed and how can they be achieved?
- Do current intergovernmental structures allow for constructive dialogue about national policy issues? Are other institutional arrangements required?
- Does Canada need new concepts of provincial and regional "fairness" and "equity"?
- What lessons, if any, might be learned from other federal systems? What lessons might be learned from Canada's past?

This volume includes the papers that were presented at the conference. The conference discussants and participants provided valuable feedback to the authors.

While the theme of the conference sought to broaden the debate beyond the consequences of natural resource disparities, in one way or another more than half the chapters touch on energy issues. The Leuprecht, Coulombe, Gattinger, and Courchene chapters are very focused on energy. The chapters by Béland and Lecours, and by Brown, necessarily deal with energy but not as their sole issue. Andrew Coyne's luncheon speech, not reproduced in this book, vigorously challenged the need for an energy strategy.

Functional institutions in a federal or multilevel context are an essential requirement for the effective resolution of issues, a point illustrated by the Wood and Motard chapters. Unexpectedly, the latter chapter, on the Quebec-Cree regional government agreements, previews the theme of the 2013 State of the Federation conference, namely, multilevel Aboriginal governance.

Finally, the chapters by Nieguth and Raney, and by Graves, Smith, and Valpy, remind us that Canada is not only about physical disparities but about common and not-so-common identities and values.

Another way to view this volume is that it continues to assess a question raised in the State of the Federation 2011 conference, namely, whether and to what extent there is and will be, again, a shift in the balance between federal and provincial governments, a shift in influence, and a shift in leadership. Implicit in a number of chapters, and more explicit in the discussion at the conference itself, however, are a set of underlying questions about the relationship of state and society. Throughout our discussions, participants pointed to the importance of trust and moral legitimacy for the operation of our federal institutions. This emphasis on legitimacy raises the question of the extent to which federal institutions are reinforced or, conversely,

placed under stress by societal structures. We need, that is, to consider the degree of federalism in Canadian *society*.

- Does the structure of networks, identities, social institutions, and markets make for a “federal society”?
- What social institutions or networks buttress or frustrate structures of federal governance? Have recent developments strengthened or weakened these networks? One of the panelists, Jim Carr, for example, spoke about the process leading to the “Winnipeg consensus” around a national energy strategy, a process that involved representatives from think tanks and business associations. Wood, conversely, noted the withdrawal of federal funding from and consequent weakening of a number of intermediary organizations in the labour market and social services policy arenas.
- What *tensions* exist between market flows and federal institutions and policies, and how can these tensions be managed? Leuprecht’s chapter treats the tensions between transborder energy flows and territorial institutions of governance as presenting problems of maintaining institutional equilibria. These problems in turn raise the question of how, if at all, institutions or intergovernmental relations should be adapted to market flows in the energy arena – for example, should they be managed through the development of cap-and-trade regimes involving particular subsets of jurisdictions within and across the Canadian and American federations?
- To what extent will *market and society* responses be able to address the concerns that motivated this conference *without* change in or action through institutions of intergovernmental relations? For example, Elizabeth Beale, in discussing the economies of the Atlantic provinces from the perspective of the Atlantic Provinces Economic Council, suggested that some of the economic stresses within the federation will be eased as firms adapt to changes in terms of trade. Coulombe, however, in his chapter on “Dutch disease,” is more circumspect, drawing attention to the costs of such adjustment. At the very least, differences in the terms of trade across provinces will strain the federation in the course of an acute episode of costly adjustment. At worse these differences will result in a chronic problem of Dutch disease.

One real test of the dynamics of state-society relations within the Canadian federation will be the capacity to act on an imperative recognized by all participants at the conference: the need to adopt a price on carbon and to manage disparities in the resulting revenue flows.

