

Getting Radical: Federalism's Only Hope

The challenges confronting our nation are significant. Those trying to save the country, then, had better go beyond tinkering—*way beyond*.

*By William B.P. Robson**

It is remarkable, and disturbing, that the shockwave set off by last October's referendum seems to have dissipated already. In its wake, no new resolve has emerged to confront the intergovernmental tangles of power and money that bedevil Canada. It is tempting to blame the politicians for lack of leadership; Ottawa's improvisations have been lacklustre, and the provinces, too, have been oddly quiet. But elected representatives know well the dangers of forging ahead when opinion leaders and the general public are standing still. It is the mental motionlessness of Canadians generally that is so disturbing, for along with massive public debts, stagnating living standards, and high jobless rates, we now have stark evidence that old attitudes toward power and money in the federation may even lead to national disintegration.

To live and prosper together, Canadians need a serious reduction of friction between one level of government and another, and a strong reinforcement of accountability between all levels of government and themselves. Old habits and preferences will no longer serve. It is time for Canadian federalists to do some radical thinking.

Yet perhaps, in the current climate, an appeal for radical thinking may sound a little too radical. If so, it is probably better first to mentally limber up by taking a small step in a seemingly innocuous direction, and seeing where it leads. To start, then, let us examine the proposal that always makes the top of the list when Canadians are asked how to improve the way Canada works: dealing with overlap and duplication.

Overlap and duplication in service delivery seem to have few fans. Governments are therefore trying to reduce the heat given off by intergovernmental friction—with, for example, the "Efficiency of the Federation Initiative". Indeed, as of late last year, bilateral action plans between Ottawa and eight provinces covered such items as agricultural market development, food inspection, securities regulation, pensions, on-line services, rail safety, and digital mapping.

Yet while Canadians in, say, the food industry will no doubt welcome less abrasive intergovernmental relations, it is safe to predict that no painless administrative rationalization will dispose of turf-conscious bureaucrats, or will preclude major policy battles in sensitive areas like pensions.

So let us take a slightly bigger step. Rather than merely lubricating the high-friction points, why don't we try reducing the amount of actual rubbing? Here too, governments have tried. Buried in the ill-fated Charlottetown Accord were provisions for exclusive provincial jurisdiction in a handful of areas dubbed the "six sisters" (urban affairs, tourism, recreation, housing, mining, and forestry), as well as in training programs. Together, these headings cover a wide range of activities, and a major part of Canada's economy. But even a constitutional provision granting provinces power in these areas would have dealt overlap and duplication no more than a glancing blow. Perhaps—just perhaps—such a provision would have succeeded where a string of federal finance ministers has failed, and done away with Ottawa's \$2 billion-a-year boondoggle, the Canada Mortgage and Housing Corporation. Surely, however, levering Ottawa completely out of activities like tourism promotion abroad was never part of anyone's game plan. And if things like grants for recreation are part of Canada's political culture, then neither constitutional clauses nor federalist harangues will clear away overlap and duplication in the giving and taking of money. More fundamentally, such matters carry little weight in the debate over national survival: if any pollster has examined the contribution of jurisdictional disputes over mining to the size of the "yes" vote in the Quebec referendum, the results appear not to have been worth publishing.

Perhaps we should push a little further, then. Let us try to sort out governmental responsibilities with respect to the environment and culture—headings which are close to all-encompassing, and which bear a correspondingly broad potential for friction. Again, attempts are under way. The federal and

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provincial governments have mapped out a detailed “Environmental Management Framework Agreement”: Ottawa would take charge of national, transboundary, and international matters, while the provinces would regulate within their own territories. Although there is a public consultations gauntlet yet to run, the draft has been hailed as a blueprint for similar efforts in other areas.

So far, so good. Yet the public consultation process is bound to reveal that overlap and duplication do have some fans. After all, grand save-the-world gestures are far from unknown at the provincial level, while those frustrated by provincial legislators’ commitments to their constituents have often turned to Ottawa for a top-down edict. So while a clear, signed agreement would be a nice non-constitutional attempt at friction reduction, its real test would come with the first appeal of a provincial decision—on, say, a dam—to the federal level. Alternatively, if our political culture allows a book publisher, turned down by its province in its quest for a bail-out, to gain a second chance by knocking on doors in Ottawa, then even the cleanest and crispest possible agreement on culture will have little effect on government budgets or national unity.

Pushing Canada into a future of less friction, clearer lines of accountability, and better-focused public services will take more than spot lubrication, partial transfers of jurisdiction, and wobbly intergovernmental agreements. Truly large gains require radical moves aimed at the squabbles that arise when federal spending clashes with provincial services. This is tricky territory, however, because the worst problems are in some of the biggest programs: health, welfare, and unemployment insurance.

Health care is probably a radical federalist’s toughest challenge. In the three decades since its inception, federal involvement in medicare has become widely regarded as a defining national characteristic—hence the federal government’s decision, after proposing in last year’s budget to put federal grants for health, post-secondary education, and welfare services into one (smaller) “Canada Social Transfer”, to shoehorn “Health” into the name.

Yet this “national glue” perspective on Ottawa’s role in health care is at odds with history: Canada lasted a century before medicare’s inception, but the country’s survival has been consistently in question ever since. It also rests on inaccurate ideas about how medicare works. For example, Ottawa does not share costs with the provinces. It provides “block” grants, which have fallen steadily in importance over the years; never amounting to more than one-third of provincial health spending, they now make up only about fifteen percent of it. Even the “national standards” specified under the Canada Health Act hide enormous differences both in actual access to care and in outcomes across the country.

What the Canada Health Act principally does is allow the federal government to grandstand, talking tough with certain provinces (though not others) over certain treatments (though not others). If costs rise or quality deteriorates as a result, it is

the province and its citizens that take the hit, not the federal government. It would be far better for the federal government to stop the transfers and let the provinces raise the equivalent amount in their own taxes. (The equalization program, which reduces differences in the taxing capacity of various provinces, would ease this transition for the poorer provinces.) As a result, provinces would have greater flexibility in responding to the differing needs of their citizens, and would be held clearly accountable to those who use and pay for the system.

What makes sense for health also makes sense for welfare. Here too, the merits of the Canada Assistance Plan, which restricts Ottawa’s welfare-related transfers to programs involving no residency or work requirements, are doubtful. When in 1990 Ontario’s ballooning welfare benefits made the strain on the Plan’s previous 50-50 cost-sharing formula intolerable, the federal government capped the growth in payments to the three richest provinces. British Columbia reacted by imposing a three-month welfare eligibility waiting period on immigrants to the province, and federal threats to withhold yet more money as a result have led to a confrontation in court. By contrast, when the prohibition on work for benefits threatened to derail the “New Brunswick Works” program in 1992, the federal government waived the requirements—and kicked in a large amount of money from the unemployment insurance program as well.

Once again, a better system would involve federal-provincial disentanglement in this area. Indeed, by proposing the Canada Health and Social Transfer, the federal government has already signalled its intention to back out of welfare. Not only would this make the federal budget several billion dollars slimmer, but it would also mean less grandstanding and favouritism, and more opportunities for provinces to coordinate their welfare programs with other labour market and training efforts, making for a better-functioning federation.

Another program in need of radical change is unemployment insurance. In 1972, the UI program was bulked up and rejigged with enriched and extended benefits that might as well have been deliberately calibrated to ensure unemployment, and it is no coincidence that the persistent gap between Canadian and U.S. unemployment rates dates from the early 1970s. Since then the story of UI policy has awkwardly bifurcated. On the one hand, Ottawa has incrementally scaled back the program’s features that most discriminate against steady employers and workers as compared to their fellows in the same region. On the other, however, it has tried to mollify the poorer provinces at each stage by intensifying the discrimination against steady employers and workers in the richer provinces.

One result is that the UI program is grossly unfair when provinces are compared: the pay-out for every dollar sent to Ottawa in UI premiums is five times higher for Newfoundlanders than it is for Albertans. More than this, UI benefits have affected not only work practices, but also provincial make-

work, job training, and welfare programs in ways that only compound the work-penalizing effects of high UI premiums.

Subnational control of unemployment insurance programs is common around the world, even in countries much smaller than Canada. Quebec wants it; so why not let that province, and all the others as well, have it? UI would thereby be transformed from Canada's pre-eminent dysfunctional social program into a showcase example of flexible, reform-oriented federalism.

Now we're really getting somewhere. Getting rid of the frictions arising in health, welfare, and UI would cool some of the federation's worst hot spots. But is this not perhaps a little too radical? What about the national standards in social programs that, we are repeatedly told, are so crucial to national unity?

The phrase "national standards" does indeed give most Canadians a warm, fuzzy feeling. But if its users intend to harness that warm, fuzzy feeling in the service of a centralizing agenda, federalists should balk. That agenda promises more of the familiar—and perhaps fatal—tensions over power and money that plague the country. If its users are suggesting, on the other hand, some notion of benchmarks for government services across the country, federalists should challenge them to say what those benchmarks are and how they will work. If "national standards" is to be an effective rallying cry for future federalists, the phrase must be given new meaning, and government services must be steered by benchmarks different from those in use today.

What do "national standards" really mean at present? Take UI: run directly by Ottawa, UI might be expected to be a program where national standards would be a reality. The opposite is the case, however: for every five Ontarians who are classified as unemployed, there are two recipients of UI benefits; for every five unemployed New Brunswickers, there are six! Meanwhile, health spending per person varies enormously between adjacent provinces, with differentials of 40 to 50 percent on payments for physicians services and drugs. In welfare too, differences exist: the highest spending province, for example, provides welfare benefits for various recipients that are two to three times as high as those provided by the lowest spender.

To radicals of an earlier era, this diversity might appear to call for more energetic policing from the centre, lest the varying needs and desires of Canadians in different provinces cause the country to come totally unstuck. But before turning once more to a tool that has time and again proved unsuitable to the task, it makes sense to stop and ask exactly what lies behind this urge.

National standards are often compared to rights of citizenship, comparable to the right to vote. In a federation of democratic provinces, however, the idea that "rights" must be imposed from the centre rings false. It is unclear, to say the least, how the rights of a province's citizens are enhanced when health reforms favoured by a government that they

themselves have elected are blocked by Ottawa. It is of course true that denying opportunities to live and work in a province to fellow Canadians is a serious affront to national unity, and the federal government does well to energetically oppose such practices. But when it comes to the design and delivery of social services, an onerous burden of proof lies on those who feel that the elected representatives in one province are somehow incapable of steering as sensible a course as their colleagues next door. Canadians should—indeed must, if the country is to survive—be respectful of each other's preferences.

A radical federalist, then, would see national standards not as something to be imposed from the centre, but as something that Canadians in different regions may aspire to. Such standards would arise to the extent that Canadians, in thinking about social programs, see the experiences of their fellow Canadians as relevant. From this starting point, the radical federalist view suggests a more constructive approach. Citizens must challenge governments to set up benchmarks for health services around the country, publishing annual figures for waiting times, for example, or infant mortality. Similar efforts could be made in all kinds of services: crime prevention, job training, water quality, and so on.

Demands from citizens that their provincial governments match the best practice in the rest of the country would be a different force in the creation of national standards, all the more powerful for being bottom-up rather than top-down. Quebecers could spend less time in social policy squabbles with Ottawa, and more time asking their own government if anything could be done to raise life expectancy in Quebec to the levels that prevail in western Canada. Citizens in other parts of the country could return the compliment by asking their own governments why they cannot achieve infant mortality rates as low as those in Quebec. Debates along these lines would be a great deal more uplifting, and productive, than those consisting of federal health ministers haranguing their provincial counterparts over abortion clinics.

Unfortunately, it is doubtful whether governments themselves are up to the task of meaningful interprovincial benchmarking. Among the provinces, only Alberta has engaged in a formal benchmarking exercise. A look at primary and secondary education is instructive. Huge differences exist across the country: tests of student achievement show that variations between the best and worst provinces are comparable in size to the variations between the best and worst countries in international comparisons. Yet when governments got together to conduct a national reading and writing test in 1994, they deliberately obstructed meaningful comparisons by permitting ad hoc exclusions of the weakest students.

In the cause of over-the-top radicalism, then, one final suggestion seems in order for those Canadians active in business and non-profit groups in relevant areas: Do it yourself! Though governments may complain about the resulting

overlap and duplication with their own activities, that kind of friction should generate light as well as heat.

Much of this may seem uncomfortable and unfamiliar. Yet while existing intergovernmental arrangements and public programs may look well entrenched, the fact is that Canada has seen many sweeping reorganizations in the past as policy fads have come and gone and as popular preferences have shifted. It is time for another one. The task for Canadians is to

make the most of the flexibility and responsiveness that are the principal virtues of a federal system, while minimizing the overlap, duplication, and friction that are its principal vices. But our problems are large; our solutions must be correspondingly ambitious. The frightening referendum result and our recent poor economic performance are, each in their own way, signalling one key message: it is time for Canadian federalists to get radical!