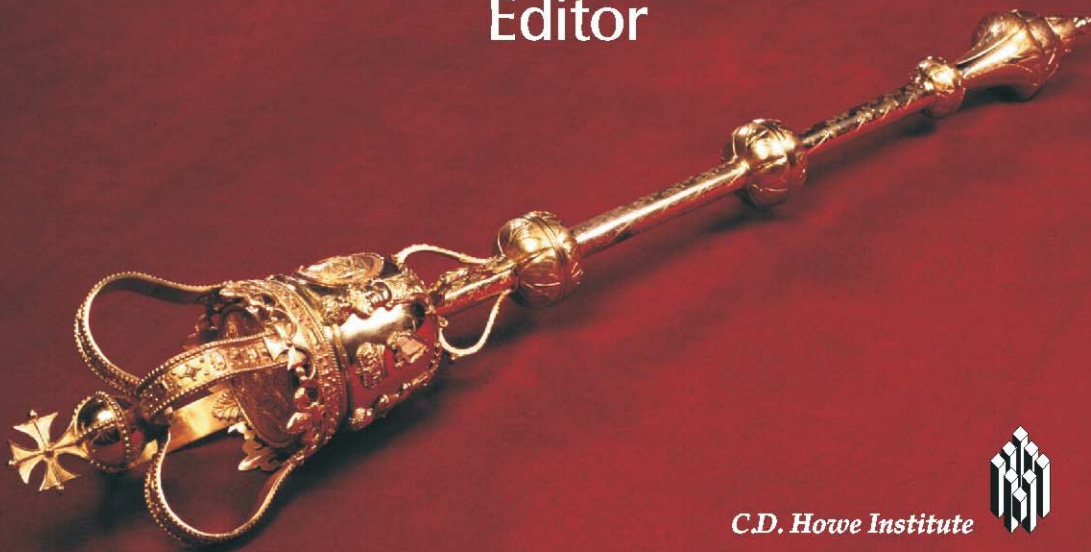




Who Decides?

Government in the New Millennium

Richard M. Bird
Editor



C.D. Howe Institute



Who Decides?

Government In the New Millennium

Richard M. Bird,
Editor

C.D. Howe Institute

C.D. Howe Institute publications are available from:
Renouf Publishing Company Limited, 5369 Canotek Road, Unit 1,
Ottawa, Ontario K1J 9J3
phone: (613) 745-2665; fax: (613) 745-7660;
e-mail: order.dept@renoufbooks.com

Institute publications are also available in microform from:
Micromedia Limited, 20 Victoria Street,
Toronto, Ontario M5C 2N8

This book is printed on recycled, acid-free paper.

National Library of Canada Cataloguing in Publication Data

Main entry under title:

Who Decides? Government in the New Millennium / Copy-edited by Lenore d'Anjou

(Observation, ISSN 0832-7912)
ISBN 0-88806-636-8

[verso page text.

HC115.C2367 2002

338.971

C2002-902609-1

© C.D. Howe Institute, Toronto.

Quotation with appropriate credit is permissible.

Cover design by Priscilla Burry

Photos provided by Library of Parliament / Bibliothèque du Parlement

Photographer's credits:

(Center Block): Mone's Photography

(Senate Mace): Gordon King

(Senate Chamber): Stephen Fenn

Printed in Canada by Ricoh, 205 Industrial Parkway North,
Aurora ON L4G 4C4

August 2004.

Contents

<i>About the C.D. Howe Institute</i>	inside front cover
<i>Foreword</i>	vii
<i>Who Decides?</i>	
<i>An Introductory Essay</i> , by Richard M. Bird	1
Considering the Setting	4
Reforming Political Institutions	5
Comments	8
General Discussion	9
Limiting Political Opportunism	10
Comments	11
General Discussion	12
Reforming the Structure of Canadian Federalism	12
Comments	15
General Discussion	15
Breaking Out of the Box.....	16
Comments	19
General Discussion	20
A Final Note	20
References	23
<i>Federalization (not Decentralization)</i>	
<i>As an Empowerment Mechanism</i> , by Albert Breton	25
Decentralization, Federalism, and Federalization	26
Vertical Competition	29
Horizontal and Vertical Competition	29
The Mechanisms of Vertical Competition	32
Empowerment and Its Application to Politics	34
Achieving Empowerment	35
Local Governments	37
The Empowerment of Local Governments	39
The Italian Example	39
Canadian Possibilities	40
Conclusion	41
References	42
<i>Comment</i> , by Robert P. Inman	45
References.....	49

<i>Comment, by Alain Noël</i>	51
Federalism	52
Federalization	54
The Road from Here to There	55
Conclusion	56
<i>Democracy in the 21st Century:</i>	
<i>New Imperatives, Old Restraints, by Preston Manning</i>	59
Personal Experience with the Growing Democracy Deficit	59
Institutional and Process Reforms	61
Fundamental Problems	64
Political Solutions	67
Canadian Democracy as an Export	69
<i>If it Ain't Broke, You're Not Trying Hard Enough:</i>	
<i>Institutional Reforms and</i>	
<i>Public Policy Outcomes, by Kenneth J. McKenzie</i>	71
Institutional Reform and the Democracy Deficit	74
Some Evidence.....	76
If it Ain't Broke, You're Not Trying Hard Enough.....	78
The Problem of Common Property	79
Legislative Committees	81
Some Answers	84
Conclusions	85
References.....	86
<i>Comments, by Donald S. Macdonald</i>	89
References	92
<i>Gilded Cages and Trojan Horses:</i>	
<i>Taxes, Transfers, and Quality of Governance, by John Richards</i>	94
Economic Development and the Quality of Governance	96
Canadian Case Studies	98
Proposition One: Internalizing Costs and Benefits of Programs	99
Proposition Two: Allowing For Exceptions	102
QUANGOs and Local Governments	104
Some Failures	105
Proposition Three: Acknowledging a Tradeoff	107
From \$160 Million to \$6 Billion	108
From the Canada Assistance Plan to the Health Reform Fund	109

Beyond Transferring Tipping Point	111
Conclusion	119
References.....	120
<i>Comment</i> , by <i>Michael Trebilcock</i>	124
Institutions and Economic Development	124
Fiscal Transfers and Quality for Government	125
Small is Beautiful	127
References	129
<i>The Canadian Dictatorship</i> , by <i>Ronald Wintrobe</i>	131
The Natural Governing Party	133
The Northern Tiger	136
What Makes Canada Democratic?	138
The Glory of Group Power	140
Competition among Groups	141
Threats to Canadian Democracy	143
Asymmetries:	
Those Left Out and Those Who Are Always In	144
Declining Social Capital, Trust and Conformity	146
Declining Social Capital	146
Declining Trust	146
Declining Conformity	147
Contagion	149
Globalization, Group Dynamics, and U.S. Power	151
Conclusion	154
References	156
<i>Comment</i> , by <i>Tom Flanagan</i>	160
References	165
<i>Comment</i> , by <i>Gebhard Kirchgässner</i>	167
Competition of Pressure Groups	169
Basic Human Rights	170
Concluding Remarks	173
References	175
<i>A Comment</i> , by <i>J. Stefan Dupré</i>	177
<i>Contributors</i>	183

Members of the C.D. Howe Institute188

Recent C.D. Howe Institute Publicationsinside back cover

Foreward

Public governance has been a common theme in Canadian history since the constitutional talks that led to Confederation in 1867. Debate continued over the next century and a quarter on new approaches to governance including the Charter of Rights and the amending formula (incorporated in the Constitution Act of 1982) and other exotic proposals including new approaches to electing members of Parliament, voting by referendums and a Triple E (elected, equal and effective) Senate. Prime Minister Paul Martin recently proposed substantial parliamentary reform, giving back-bench MPs more power in committees, for example, and during the 2004 federal election campaign, New Democratic Party leader Jack Layton called for proportional representation. Recently, British Columbia undertook a major consultative effort that could lead to significant democratic reforms, while other provinces have taken more modest steps such as moving to fixed dates for elections.

Many of the recent efforts at democratic change reflect a growing dissatisfaction among Canadians with our democratic institutions. The federal election had a turnout of little more than 60 percent of eligible voters — one of the lowest in Canadian history.

This volume brings together a number of leading experts who examine various issues related to “Who Decides”. The main theme of the book is well-articulated and skillfully presented in the introductory essay by Editor Richard Bird. People care about results, not just the process of getting to results. However, political institutions and processes, from bicameral legislatures, to voting systems and decentralization of expenditure and tax powers to provincial and local communities, have a major effect on the behaviour of politicians and the outcome that results from their conduct. It is critical for Canadians to understand how different political institutions can affect policy.

I wish to thank Richard Bird and Danielle Goldfarb for organizing the conference that gave rise to this volume, as well as the excellent contributors to both the conference and the volume. I am especially indebted to Stephen Jarislowsky whose passionate con-

cern about Canadian democracy led to his support for the organization of the conference and the publication of its proceedings. Also, my thanks for the hard work taken on by the Institute's Editor Kevin Doyle, and assistant to the editor and cover designer Priscilla Burry, as well as copy editors Lee d'Anjou and Barry Norris, who undertook the sometimes challenging task of getting the volume published.

Jack M. Mintz
President and
Chief Executive Officer

An Introductory Essay

Richard M. Bird

Canada and Canadians have done well over the last century by almost any standards. More people live better in this country than ever before. Governments, good and bad, have managed to deliver the good life to most of us, or at least have not prevented it from arriving. Any readers who may doubt how well we are doing in comparative terms should look at John Richards's chapter in this volume and the sources cited there.

Nevertheless, many Canadians seem increasingly unhappy with our system of government. They feel that while it may have worked in the past, it now seems to be working less and less well for them.¹ The changing world economy, the new continentalism of our economic policy and the resulting ever more marked domination of the United States in our lives, the continuing uncertainty about separatism at home and terrorism and war more generally — such pressures accentuate the unease that many people feel.

On the other hand, recent technological changes have, in principle, made feasible completely new forms of citizen participation in government, if we want them. Various countries around the

I am grateful to Jack Mintz and Finn Poschmann for helpful comments. I am even more grateful to Danielle Goldfarb, who not only provided helpful comments but also did most of the hard work of organizing the conference.

1 As Ken McKenzie notes in this volume, only 22 percent of respondents to a recent poll thought that government policy reflected the interests of the general public. Exactly what such numbers mean may not be clear, but it is certainly evident that a lot of people seem to be somewhat unhappy with how we are governed.

world are beginning to experiment with limited forms of “transparent government,” and “participatory democracy” at least to some extent. An obvious question thus arises for Canadians: to what extent are new forms of political organization and restructured political institutions now practicable, desirable, and perhaps even necessary, if Canada is to continue to be one of the world’s lucky countries. So far, the country has survived, indeed grown and thrived, with a set of political institutions that has changed little in essentials for 137 years. But is this the best we can do? In a nutshell, this question was the one posed to the group of Canadian and foreign experts and practitioners who took part in a November 2002 conference, held by the C.D. Howe Institute in Toronto, that led to the present volume.

Although far from complete in its coverage of this vast subject, this little book nonetheless casts new light on some basic issues related to the interaction among political institutions, policy outcomes, and citizen satisfaction — or lack of it. Unsurprisingly, given the breadth and complexity of the issues, neat solutions do not emerge from this discussion. But it does raise some interesting and important questions that everyone concerned with making Canada a better country should take carefully into account in beginning to think through how we, as a society, can grapple effectively with the myriad changes to which we are, willy-nilly, going to be subject over the years to come.

The relevant questions come up at many levels of discourse. Current and recent discussions of campaign finance, independent voting by members of parliament (MPs), elected senators, and the like are typical. Much in the Canadian tradition, most such discussions are about small, incremental changes, not radical reformulations of political institutions. This approach may be — probably is — not only what we will use (if we use anything) but what we should do.² Nonetheless, we should also consider more basic questions.

2 As I argue at length with respect to the particular policy area of taxation (Bird [1970] 2002).

May the answer, or part of it, lie in more direct democracy or, on the contrary, in politicians who pay less attention to opinion polls? In more federalism or less? In more citizen empowerment or less? Irrespective of where the answer or answers may lie on these various spectrums, how can or should we alter our existing political institutions to cope better with the uncertain future? These questions are not small, and the diverse approaches taken to them in the papers collected here illustrate only a few of the many ways in which we may move in the future in an attempt to grapple effectively with issues.

Such matters doubtless seem terribly abstract not only to the proverbial man or woman in the street but even to many who spend their lives thinking about such things. We are all — as Preston Manning notes in the speech included in this volume — more at ease in dealing with questions of gopher poison than how to spend \$6 billion. Even harder is connecting our discomfort about some aspects of the results of the policy process with the choice of institutions within which that process plays itself out. Yet it is at that highly rarified level that we have to deal with the fundamental questions raised in this volume: Who should decide? How should whoever it is decide?

The conference showed both that the democratic ideal is far from dead in Canada and also that we are far from agreement about exactly how best to attain that ideal. Some participants wanted more ways for individuals and community groups to be heard in the political process; others seemed to like things more or less as they are, while still others thought that the answer is to select “better” leaders who need not necessarily be more popular but have the courage of their convictions and act in what they think to be the best interests of all, regardless of the political consequences for them.

The balance of this brief introduction sets out in a little more detail the issues originally posed to the authors and discussants. It then outlines how their answers, which are presented in this book, and some of the discussion at the conference itself, relate to the broad questions posed with respect to Canada’s political institutions: essentially, how are we doing, and how can we do better?

Considering the Setting

Canada today is not the Canada of 50 or 100 years ago. The world has changed enormously over the last century. Empires have risen and fallen. New countries have emerged. Old countries have disintegrated. Nations have fought wars. Population has soared. Living standards have risen enormously for many, though much more for some than for others. Technology has changed the world in which we live in many respects, most but not all beneficial. Understandably, much has been said and written in recent years about the new economy. Much less has been said about the new polity, however, perhaps because at first glance there seems to be much less to say.

Yet, although the evolution of political institutions notoriously lags that of economic markets, life in the political sphere has also changed over the last century. Around the world, many more people than ever before in history now live in some kind of democracy and have, at least occasionally, some limited say in how they are governed. As in the 19th century, however, the most important political institution everywhere continues to be the nation-state. Moreover, surprisingly little has changed in the basic structure of most established democracies in recent years. Certainly, this is the case in Canada.

The Fathers of Confederation, one suspects, would have no difficulty in recognizing today's versions of the basic political institutions they created in 1867. In the world at large, however, many variants of democratic institutions exist and, to varying degrees, operate more or less successfully. We see different voting systems, different legislative structures, different types of party organization, different roles for different levels of governments, different relations among the legislature, executive, and judiciary and very different levels of popular participation in the political process.

As Ken McKenzie discusses in his C.D. Howe Institute Benefactors Lecture (2001), over the last few decades scholars have increasingly explored the relation between such political institutions and economic results and are finding many intriguing, though yet-not-well understood, linkages. One example is that public spending as a proportion of gross domestic product (GDP)

is less under presidential regimes than parliamentary governments. Another is that social transfers are smaller when the electoral system is first-past-the-post, rather than some form of proportional representation. The world thus offers a potentially rich laboratory of experiments in different governance structures that may be associated with different policy outcomes. What can Canada learn from this experience?

Moreover, technological developments seem to be encouraging further possibilities, even in large countries. For example, holding instant referendums on virtually every policy decision of any government appears perfectly feasible. Would a move in this direction be a good idea? Why, or why not? What we get in the form of policy depends, it seems, on how we collectively decide to organize ourselves as a society — “institutions rule,” at least to some extent, as the point has been put. Academics interested in political economy, political activists who want to change policy, and ordinary citizens concerned with what is going on in the world face few matters more important than deciding how to decide.

Reforming Political Institutions

Perhaps the first and most obvious place to look when considering who decides is at the formal political institutions in which laws are formulated and made. Over the years, commentators and analysts have suggested many possible reforms to the traditional political institutions of Canada’s Westminster-style parliamentary democracy, seeking many different objectives: to curb the power of the prime minister’s office (PMO), to reflect the wishes of the people more accurately, to change the way in which political parties function, and so on.

Among the many questions that arise in this context are the following:

- What would be the effects of introducing a fixed election date, thus removing what is often seen as a major advantage for the government in power?
-

- Would a move to some system of proportional representation (PR) be desirable?
- Which of the many possible variants of PR would be preferable?
- How might such a change affect the size and growth of government?
- Should voting be made obligatory?
- Are coalition governments inherently weak?
- Would such governments pay more attention to issues of distribution than to growth?
- Would more attention to distribution be a problem?
- How would legislative behaviour change if party leaders were bound by caucus vote?
- What difference does it make how party leaders are chosen?
- Does it matter how committees are organized in Parliament?
- How should political parties and election campaigns be financed?
- To what extent does the judiciary play a role in the political process?
- How should judges be chosen?
- Is the system attracting the right people for the job?
- What can and should be done to get better people into politics — or does it matter?
- Why not select MPs, the members of provincial legislatures, and municipal councilors, like jury members, by lot?
- What are the implications of different systems of setting the pay of politicians, and how, if at all, should their pay levels be related to those of civil servants and judges?
- Would better pay produce better politicians? Better officials? Better policies?

Some of these issues have been extensively discussed in Canada in recent years. Others have not, but came up in the conference discussion. Still others, perhaps because they are considered completely beyond the pale — for example, the idea of selecting representatives by lot — do not appear to have been discussed seriously anywhere. Yet, as revealed in parts of several of the conference papers — for example, Ron Wintrobe's discussion of why Canada

is not a dictatorship, and John Richards's explanation of why Canada is not like Bangladesh — posing extreme alternatives is sometimes an illuminating exercise. How can one tell if only incremental change is desirable unless one at least thinks about the implications of radical change?

Although such blue-sky thinking appeals to some people, many readers will probably be grateful that this volume's paper by Ken McKenzie, which deals specifically with reforms in political institutions and their possible implications for policy, takes a generally incremental approach to the subject. McKenzie, like Preston Manning, focuses on such questions as voter participation and reforms in parliamentary committees. At one level, his argument is simply that good policy analysis is never institution-neutral, but must always be sensitive to the key features of the particular political institutions within which policy is formulated and implemented. At another level, however, McKenzie's argument is that in reforming political institutions, as with any change, one must be wary of "unintended" consequences. Drawing on the growing political-economy literature, he notes in particular that efforts to reduce the so-called democratic deficit by reducing the (temporary) monopoly power a majority government holds in our system might result in more spending than "we the people" really want.

Whatever one may think of this particular argument, an important general point that emerges from the McKenzie paper is surely right. When an institutional equilibrium exists — as one clearly does in the astoundingly stable Canadian political system — changing one component of it usually necessitates changes elsewhere in the system. For example, McKenzie argues, if one reduces the power of the PMO, one had better be prepared to put some other compensating checks and balances in the system to avoid unintended changes. As Albert Hirschman (1967) noted years ago, actions have no such things as side-effects; there are only effects. Good evaluations of reforms must take into account all relevant effects, not just those related to the specific objective for which the reform is made.

Comments

In his comments on the McKenzie paper, British economist Tim Besley, himself one of the leading practitioners of the dark art of analyzing political institutions, emphasizes that the self-interest motivation underlying the economic approach, although powerful, does not tell the whole story. Partly for this reason, he stresses the importance of the incentives McKenzie emphasizes, and also selection. What matters is not only what is done, but who does it and for what motives. Besley further stresses the role of the media in monitoring and exposing what really goes in politics, noting that Bismarck's famous dictum — to retain respect for sausages and laws, one must not watch them in the making — may be one reason for our present winter of political discontent in this era of investigative and sensationalist journalism.

Besley concludes that we do not know nearly enough about who goes into politics and public service, or why they do so. Of the Canadians who made such a choice in recent decades, a leading exemplar is surely Donald Macdonald, *inter alia*, a former minister of finance. Quite appropriately, he is the second commentator on the McKenzie paper. In true Canadian political tradition, Macdonald takes what some may consider a somewhat partisan stand on the reasons for the present malaise surrounding federal politics, but he agrees with Besley on the importance of the role of the media in affecting policy. Macdonald's spin is interestingly different, however, in that he rightly stresses that a key job of any politician in a democracy is to persuade the electorate that the policies proposed are correct.

Taking Macdonald's position further than he may want to go, readers may perhaps infer from his comments on Ontario's recent reversal of policy on the privatization of the electricity market that the former High Commissioner to London might even accept the corollary: If the public does not accept a policy, it should not be implemented, no matter how good it might be in some respects. Under this rule, would we have a goods and services tax (GST)? Would we have a free trade agreement with the United States? Would we be better or worse off as a result? Under our present system, if a majority government wants to do something, it can. If peo-

ple do not like what is done, they can vote the government out in the next election. As indeed they did. Of course, this is not the same as saying that a policy should not be implemented until it is accepted. The fact is that we still have both the GST and free trade — if not the party that put them into effect.

General Discussion

The subsequent general discussion made it apparent that many of those present were what might be called true Canadians in that, like Donald Macdonald and indeed Ken McKenzie, they think we are doing quite well with our present system and no serious evidence suggests that our existing political institutions require any real changes. The irreversible policy disasters doomsayers so frequently predicted as a result of the alleged democratic deficit have not occurred so far and, many appeared to think, were unlikely to do so. A carefully considered incremental change here or there might be all right, but the prevailing idea seemed to be that we can keep on successfully muddling through in the future as we have in the past.

A cynic might say that this overall contentment reflects the fact that being present at the conference was, to some extent, evidence that one had done quite well under the current system. In contrast to the general acceptance of the status quo, a vigorous debate arose in response to Tim Besley's emphasis on the importance of getting good people into the political game. Many speakers agreed about the critical importance of selecting decision makers who somehow have a sense of what might be called *trusteeship*, (though no one seemed to have a clear idea of how to do this). Some were more skeptical, noting that it does not seem to be a good idea to have a political system that performs satisfactorily only if managed by saints rather than by ordinary human beings.

Institutions should, as one participant said, be robust in the sense that they perform acceptably even if those who run them are not always chosen from the best and the brightest. The cynic mentioned above might reflect that, by this test, Canada's quite good performance (see, for example, the comparative references in John Richards's paper later in this volume) suggests that its current institutions must indeed, as most of those present seemed to feel, be good.

Limiting Political Opportunism

In different ways and perhaps to different degrees, all three presenters in the opening session appeared to accept that the people rule in Canada, and that they should do so. Nonetheless, no matter how politicians are chosen and no matter the precise details of the formal political institutions within which they function, the reality in any large, complex modern society is usually that those who lead inevitably end up making decisions at some remove from those whom they supposedly serve. An eternal central problem of representative democracy is thus how and to what extent to constrain political decisions in order to reduce opportunism and to ensure that, to the extent feasible, politicians serve the public interest rather than themselves or their particular friends.

Among the questions that might perhaps be considered in this context are, for instance:

- Is there a place for constitutional limitations on the power of government — for example, balanced budget rules, limits on taxation, and so on?
- Should Canadians consider a move to a presidential system of government?
- Should the power of the prime minister be limited? If so, how?
- Can existing Canadian political institutions be redesigned in other ways to reduce the room that politicians (and officials) have to make decisions that are not in accord with the wishes of their constituents?
- Should institutions be so redesigned?

The conference's discussion of this topic, although focused almost entirely on the last of these questions, was particularly interesting and lively, in part because of the provocative way in which Ron Wintrobe approached the question in his paper on "The Canadian Dictatorship."³ Drawing on his previous creative analy-

3 The title of Wintrobe's paper is of course a play on the title of a recent book by Simpson (2001).

sis of the economics of dictatorship (Wintrobe, 1998), in this paper Wintrobe considers seriously the proposition some have put forth recently: that what Whitaker (1977) calls Canada's natural governing party at the federal level may, owing to the demise of effective opposition, have become the eternal government party. Although, unsurprisingly, Wintrobe concludes in the end that Canada remains a solid democracy, in the course of his analysis he raises a number of controversial points, such as what he sees as the central role of the Charter of Rights and Freedoms in counterbalancing potentially excessive executive power. In Wintrobe's view, even the strongest democracy needs to pay constant attention to ensuring the fundamentals of genuine political freedom for all its citizens, not least in times of crisis.

Comments

As Swiss economist Gebhard Kirchgassner says in his comment on Wintrobe, however, *freedom* in this sense rests not on democracy, *per se*, but on the rule of law. He argues that both democracy and the rule of law are critical elements in a modern liberal society, but that the two principles are quite different and sometimes conflicting. This conflict and representative democracy itself give rise to some potential problems. One way to escape them and to keep potentially wayward representatives in check, Kirchgassner suggests, is to introduce more elements of direct democracy, as Switzerland has done.

The second commentator on Wintrobe's paper, political scientist Tom Flanagan, gives perspective to the concern some people expressed about "one-party rule" at the federal level in Canada, noting that the roads to the good state are many, and we are certainly still on one of them. He also argues that in addition to the Charter and the rule of law, our Constitution imposes many barriers to dictatorial power. Examples are federalism and the nature of representative and responsible government.

Like Macdonald, Flanagan appears to view our current political system as not perfect but very far indeed from the worst possible. And like Macdonald and Besley, Flanagan emphasizes the

great importance of public opinion in a democracy and the need for those who would change policy outcomes to first persuade the public that they are right before spending too much time dreaming up quick institutional fixes that might, they hope, magically turn policy in the direction they consider desirable.

General Discussion

Much of the general discussion during this session turned on the difficult and convoluted issue of individual versus group rights and the role of interest groups in shaping policy. What one participant referred to as the “fundamentally anti-democratic” views of the Fathers of Confederation, as epitomized by their desire to insulate the law from the people, seems still alive and well in Canada. As in the earlier discussion of how to select those who decide, a number of speakers expressed deep distrust of populism in its various guises. Few shared either Wintrobe’s very positive assessment of the role of the Charter in improving Canadian democracy (perhaps too far left for the Canadian comfort zone?), or Kirchgassner’s strong views on the importance of property rights and the potential role of direct democracy in checking elite power (too far to the right?).

Reforming the Structure of Canadian Federalism

In the Canadian context, as Flanagan notes, the rough functional equivalent to some of the checks and balances associated with the U.S. constitution may be less in judicial oversight than in the nature of the provinces and their increasing strength over the last half-century or so. On the other hand, some people argued — for example, with respect to the health system — that decentralization may not be the solution but the problem. Whichever way one leans on this argument, Canada’s federal structure has certainly not lacked suggestions for changes over the years:

- Is it possible or desirable for a country to become more economically unified at the same time that it becomes less politically unitary?
-

-
- What are the implications of greater decentralization from federal to provincial levels when at the same time there is increasing centralization from local to provincial levels?
 - How might policy be affected by introducing a Senate that represented provincial interests more directly?
 - Does a federal system have to treat all components of the federation equally?
 - May some degree of asymmetry be necessary and desirable?
 - How can a federal system deal with the increasing asymmetry that results from North American integration?⁴
 - Most Canadians now live in cities, which have no significant role in our present political system. Should they be given more weight?
 - How might this be done?
 - Is there a role for city-regions or even city-provinces?
 - If more decentralization to local governments is good, why not go all the way and decentralize more decisions about public-sector issues directly to citizens?
 - For example, to what extent can local governance be implemented by groups, such as urban Aboriginals, and not just those living in territorially defined areas?

Albert Breton is a veteran of many years in the unending Canadian discussion of federalism. In his paper in this volume, he leaves aside the somewhat sterile and overworked federal-provincial turf wars to take a new and provocative look at more basic problems in Canadian democracy. To begin, he clearly distinguishes *decentralization* from what he calls *federalization* (in which powers that are transferred or delegated to particular levels of government cannot be taken back) — and then goes on to argue that what Canada most needs is for *local* communities to empower themselves.

This argument is, as Breton notes, an extension of his earlier work (Breton 1996; 2000) and turns, to a considerable extent, on the

4 Although this issue was not discussed much at the conference, some recent authors consider it. See, for example Bird (2003).

critical role he attaches to what he calls the “wicksellian connection” — the tightness of the connection between decisions on public spending and on its financing — in determining whether public policy decisions are right in the sense of being in accordance with citizens’ wishes. The more closely spending and taxing decisions are linked by being made by the same body at the same time, the better government — viewed in its economic manifestation as a provider of services — will function. Moreover, different governments can then be viewed as competing to be the most efficient provider in order to maximize their political support.

Of course, no real-world country perfectly fits this (or any) theoretical framework, but Breton (1996) argues that Canada comes surprisingly close to doing so at the federal and provincial levels.

As he notes in his paper, however, Canada fails miserably by this criterion when it comes to local governments, which most directly provide public services. The logical conclusion would thus seem to be that local governments should become more responsible for their actions. Drawing on the sociological literature on empowerment, however, Breton goes on to argue that this can be achieved only when, as it were, local governments are willing to rise up, shake off the golden chains of fiscal transfers, and demand to be treated like adults responsible for making and (as Richards also suggests, in a slightly different context, in his paper in this volume) largely financing their own decisions.

The vision of mayors and councils throughout the land marching arm in arm on provincial legislatures to demand less money in transfers and more revenue-raising power of their own may strike readers as remote from present reality, which is characterized more by the outstretched municipal hand than the upraised municipal fist. Nonetheless, Breton’s key points surely deserve close attention. First, the local level is where the who-decides question is most salient to the daily lives of most Canadians. Second, self-respecting people need to be essentially self-controlled, which means largely self-financed. And, third, self-respect cannot be thrust upon one from above; rather, it must be developed from within and acted upon to secure the respect of others.

Comments

Robert Inman and Alain Noël, the commentators on Breton's paper, recognize the ingenuity and power of his arguments, but both raise questions about them. Inman, a U.S. economist, doubts the extent to which even empowered local governments can really be expected to act in the full interests of their citizens when those interests obviously extend well beyond local boundaries. Moreover, for reasons essentially similar to those put forward in McKenzie's paper, he concludes that it is simply not possible to have one's cake (full citizen empowerment) and eat it too (provide services as efficiently as possible): the democratic deficit cannot be solved by pretending that this tradeoff does not have to be faced.

In his comments, Noël, a political scientist, first raises some questions about the real content and meaning of some of Breton's terms, such as federalization and empowerment. He then argues that, although Breton's approach may have some relevance to a real community — such as an Aboriginal group, which exists whether it is recognized or not — local governments in general are inherently artificial creations and hence an unlikely vehicle for empowerment, even if one could imagine a way for them to achieve such a goal. In his words, "empowerment should be left to truly disempowered peoples and communities." Whether one agrees with this position or not, in the end, as Noël says, we cannot escape politics. By this statement he means the need for some degree of agreement between the relevant social actors — he includes the provinces and Aboriginal Peoples, but not cities in this group — if reforms are to be made in what he sees as more fundamental issues, such as federal-provincial fiscal imbalance and more democratization of our democratic institutions.

General Discussion

Perhaps because of the rather unfamiliar framework within which Breton couched his argument, the discussion in this session was considerably less robust than one usually encounters in Canadian tussles over federal issues. Apart from an inconclusive debate over whether cities were too big or too small to be empowered, one of

the few points of general interest that participants raised was that the fundamental question in considering reform of our basic federal structure may be the dynamic dimension or what might be called the strength of the error-correction mechanism built into the system.

As Noël stresses in his comments, a key characteristic of federal systems is that the constitution locks in certain features. This rigidity is, as Breton also says, one of federalism's strengths. But it may also be a weakness to the extent that it means some key institutional features are blocked from evolving to meet changing conditions. The Swiss, for example, recently revised their constitution, which dates from 1848, to recognize the reality of urban agglomerations as legitimate participants within a certain range of governmental functions (Dafflon, 2003). Is Canada capable of doing the same? Should it do so? Such matters have been little discussed. They should be.

Breaking Out of the Box

Changes such as those discussed in the first three papers presented at the conference would essentially push out the margins of the existing political system — in some cases, very far out — but they would not fundamentally change its nature. Apart from Breton's controversial but not detailed discussion of a possible newly empowered role for local communities, none of the papers deals with, for example, what some consider the key issue of citizen empowerment. All over the world, one sees the rise of a civil society of non-governmental community and activist groups that some people envisage not as complementing but as replacing conventional governments. At one level, this rise of communitarianism is surprising in a world in which we are told that community is breaking down — in which we are, in the words of Robert Putnam's 2000 book title, increasingly "bowling alone" — a notion that Wintrobe explicitly disputes in this volume. Still, the rising interest in fostering essentially voluntary interest groups — from single-interest advocacy groups through traditional charitable organizations to more general protest groups — as a way to aggregate and articulate specific political concerns provides some evi-

dence of the perceived failure of the existing political institutions. However, it also leaves many open questions:

- Who speaks for ordinary citizens in a complex modern society?
- What would happen if they had the power to make their own voices heard and heeded?
- What do trends such as those mentioned mean for the traditional role of political parties in representative democracies?⁵
- Should politicians and officials be made to heed the wishes of the people through institutions of direct democracy such as referendums?
- What would be the effects of such changes?
- Would more recourse to direct democracy alleviate or exacerbate the increasing dissatisfaction, or at least apathy, with which many citizens seem to view our present political institutions?
- It is now technologically possible for Canada to have direct democracy in the sense that every citizen could be asked to vote (electronically) at any time on any issue. To what extent should such direct political participation be encouraged?
- How would it alter policy outcomes?
- Would governments be bigger, smaller, or just different?
- How does this possibility relate to political decentralization and the role of civil society?

A quite different way of thinking about many of the issues raised here is in terms of moving the margin between the public and private sectors — that is, to consider the issue of what governments should do. To gain a better understanding of the possible effects of alternative configurations of the political institutions sketched above, still other questions have to be considered:

5 Canadians may not realize how unusual our system of essentially unrelated federal and provincial parties is in the world. Parties in Canada often do less to bring together regional and national interests than to play them against one another.

- Do new methods of providing traditional public services (privatization in various forms, performance targeting, and so on) offer the possibility of, for example, better health and education services?
- Should people be allowed to self-select into various forms of service provision?
- What are the dangers and opportunities of multi-tier provision?
- When do the rights of some citizens to opt out of public provision damage — or help — the right of other citizens to opt in? This issue comes up with respect to non-reserve Aboriginal populations, for example, but it is in principle much broader.⁶

Yet another approach to some of these questions is taken by John Richards in the final paper in this volume. He begins his discussion of Canadian government in Bangladesh, which may seem a strange choice, but his argument leads logically from the importance of good government for economic prosperity, which he raises in the international context, to some powerful concerns about the potentially declining quality of government in at least some parts of Canada. Space limitations preclude describing the many rich examples Richards offers in his paper, but I can reduce his central argument to his three key propositions.

First, a crucial element of good governance is — though he does not use the same terminology — precisely what Breton earlier labelled the “wicksellian connection.” Secondly, in order to provide some support to poorer communities that cannot finance nationally acceptable levels of key services from their own resources at reasonable tax rates, he suggests an interesting set of ways of securing a quasi-wicksellian link between taxes and expenditures through means such as selecting good officials and external monitoring.

Finally, like both Inman and Noël, Richards notes that some tradeoff between efficiency and other goals (equity or participation), is inevitable at some level. And he argues specifically that

⁶ For two interesting explorations along this line, see Tullock (1994) and Frey and Eichenberger (1999).

Canada has likely gone too far in the direction of equity for its poorer provinces, to the detriment of their good governance

Comments

The two commentators on Richards's paper took very different tacks. Political scientist Stefan Dupré explores one of the questions initially posed to conference participants: What does globalization imply for Canadian political institutions? He spins a fascinating tale of one of the many innovative ways in which our governments individually and collectively, have been attempting to deal with what is often called the knowledge-based economy (which old-style monarchists may be surprised to learn is what KBE now stands for among policy wonks).

Dupré tells his story from the perspective of one who has been closely involved with the events he recounts. As the cases he discusses show, all of the forces of "federalism, democracy and citizen empowerment" seem to be interacting nicely in the KBE.

The other issue he raises, however, is the total lack of clarity about whether the convoluted political and budgetary processes being followed in this area will result in either good policies or happy people.

Finally, in the last formal comment in the volume, lawyer and economist Michael Trebilcock comes out swinging at Richards's key proposition that governments perform better if they have to raise their own funds from their own people. On the contrary, Trebilcock argues, so long as the governments receiving transfers are responsive to their people, they surely have every incentive to spend every cent they get, no matter where it comes from, equally well. And contrary to the small-is-beautiful thread he sees running through Richards's argument, Trebilcock further states that the results of bigger governments (regional rather than local) may often be more beautiful — presumably in the eyes of the affected citizens, although he does not make this point clear.⁷

⁷ And it would be disputed by many, such as Bish (2001).

General Discussion

At the conference, Trebilock's robust defence of what an unfriendly critic might characterize as business-as-usual and the dominant elite view of politics appeared to strike a resonant note for most of those present.

A Final Note

Although many of the conference participants displayed a surprisingly high comfort level with things more or less as they are, several nontrivial themes emerged as I reflected over the papers included in this volume and the conference discussion as a whole.

First, as theory and analysis — and as McKenzie's 2001 lecture as well as his paper in this volume — tell us, institutions matter. Jack Mintz's forward to McKenzie's lecture puts an optimistic twist on this conclusion by saying that, since any given set of institutions can produce different policy choices, policy does matter. Unfortunately, subsequent work now indicates that institutions not only matter but, as Rodrik (2002) puts it, "institutions rule" in the sense of completely dominating policy choices. If one is concerned about improving human welfare, this literature tells us, one must focus not on policy reform but on institutional reform.

People may care only about results, but if the outcomes we get depend more on the way in which we decide on policies than on which policies we decide, we had all better start paying a lot more attention to institutions. The major objective of this conference was simply to begin to encourage participants to think a little more systematically about possible institutional reforms and their possible policy consequences.

But is this a real problem (or opportunity, as some might see it)? After all, despite some expressed discontent, pollsters tell us that most Canadians, like most of those who attended this conference, still seem to trust their institutions, as Wintrobe notes in his paper. They may not like the results, but they attribute them mainly to the unfit crowd in charge, rather than to flaws in the design of the ship of state. A question expressed several times at the conference was, how do we get better decision makers? Nonetheless, over the course

of the conference many participants raised questions, expressed worries, and suggested alternatives for many levels — for instance, parliamentary reforms (in caucuses, committees, staffing), electoral reforms (in boundaries, in campaign finance, in voting systems), and what may perhaps be called boundary reforms in both the territorial (cities, provinces, regions, even international regions) and the organizational (public-private, civic society) sense.

The way we do these things now developed in the past and was inevitably shaped by the ideas and interests of the time and by what was then technologically feasible. Until recently, for example, only people in the very smallest communities were able to decide for themselves about most things in the political sphere. Representative democracy may have many positive merits compared to direct popular democracy. It may, for example, be more conducive to reflective, rather than emotive, decisions. It may be capable of taking a longer view. It may enable us to select representatives who are somehow particularly able (if only because they have specialized knowledge) to make good decisions.

All of this may or may not be true. But what is definitely the case is that in the past, we really had no choice of how to conduct public business in a large democratic country: it was representative democracy or nothing. This is not true now. It is technologically feasible in this country for everyone to be able to vote on anything at any time — if we want to follow this path.

There may be good reasons why we should not do so and should instead stick with the tried and true systems we have. But there are also bad reasons for doing so, including what appears to be many elites' deep distrust of ordinary people.

In what seems to be a modern version of the ancient rationale for keeping the poor in that condition in their own interests — give them a penny more and they'll just spend it on drink — some commentators seem to think that the last thing any sane person would do is to give more power to the people. The wail is that they'll act emotionally, irrationally, and against their own long-term interests.

It may well be true that people are and would remain rationally ignorant of most public policy issues. It may also be true that few would be willing to put in the hard work needed to make such

power-sharing really worthwhile and that the process might — despite technology — be slow and inefficient (and, perhaps even more dangerously, be seized and controlled by a self-selected few). More widespread and direct political participation, like more transparency in government in general, would not only make the lives of governments more difficult, but might also bring to the surface fundamental disagreements on norms and hence increase rather than reduce conflict. And, of course, it may also be true that the result would be less growth and more redistribution. Still, are such concerns sufficiently strong to block further explorations in this direction?

If democracy, as Churchill once said, is the worst of all governments except for all the rest, might not the same be true of more participatory democracy, despite the fact that sharing power is always a scary exercise — at least for those who now have the power?

Was P.T. Barnum right when he said there's a fool born every minute, and would the fools dominate the rest of us? Or was Lincoln right when he said that you can fool all of the people some of the time and some of the people all of the time, but you cannot fool all of the people all of the time? Perhaps only time will tell us the answers to such questions as those raised, though certainly not resolved, in this volume.

References

- Bird, Richard M. 1970/2002. "The Tax Kaleidoscope: Perspectives on Tax Reform in Canada", *Canadian Tax Journal*, 18 (Sept.-Oct., 1970): 444-78; reprinted in *Canadian Tax Journal*, (Nov. 2, 2002): 668-92.
- . 2003. "Asymmetric Decentralization: Glue or Solvent?" Working Paper No. 03-09, International Studies Program, Andrew Young School of Policy Studies, Georgia State University, Atlanta. April.
- Bish, Robert L. 2001. *Local Government Amalgamations: Discredited Nineteenth Century Ideas Alive in the Twenty-First Century*. C.D. Howe Institute Commentary 150. Toronto: C.D. Howe Institute. March.
- Breton, Albert. 1996. *Competitive Governments : An Economic Theory of Politics and Public Finance*. New York: Cambridge University Press,
- . 2000. "Federalism and Decentralization: Ownership Rights and the Superiority of Federalism." *Publius: The Journal of Federalism*, 30 (no.2.): 1-16.
- Dafflon, Bernard. 2003. "Accommodating Asymmetry Through Pragmatism: Reflections on Swiss Fiscal Federalism." BENEFRICENTRE Centre for Studies in Public Sector Economics, University of Fribourg. March.
- Frey, Bruno S. and Reiner Eichenberger. 1999. *The New Democratic Federalism for Europe*. Cheltenham UK: Edward Elgar,
- Albert O. Hirschman. 1967. *Development Projects Observed*. Washington: The Brookings Institution.
- Hutchinson, Bruce. 1948. *The Unknown Country: Canada and Her People*. rev. ed. Toronto: Longman.
- McKenzie, Kenneth. 2001. *A Tragedy of the House of Commons: Political Institutions and Fiscal Policy Outcomes from a Canadian Perspective*. C.D. Howe Institute *Benefactors Lecture*. Toronto: C.D. Howe Institute.
- Putnam, Robert. 2002. *Bowling Alone*. New York: Simon and Schuster.
- Rodrik, Dani et al. 2002. "Institutions Rule." Kennedy School of Government, Harvard University, October.
- Tullock, Gordon. 2002. *The New Federalist*. Vancouver: Fraser Institute.
- Simpson, Jeffrey. 2001. *The Friendly Dictatorship*. Toronto: McClelland and Stewart.
- Whitaker, Reginald. 1977. *The Government Party: Organizing and Financing the Liberal Party of Canada*. Toronto: University of Toronto Press.
- Wintrobe, Ronald. 1998. *The Political Economy of Dictatorship*. New York: Cambridge University Press.
-

The Contributors

Timothy Besley is Professor of Economics and Political Science and Director of the Suntory Toyota International Centres for Economics and Related Disciplines at the London School of Economics. Educated at Oxford University, he taught at Princeton before joining the LSE. His research is mainly in the fields of economic development, public economics and political economy. He is a Fellow of the British Academy and of the Econometric Society. He is currently a co-editor of the *American Economic Review* and a past managing editor of the *Economic Journal*.

Albert Breton received his BA from Collège de St. Boniface, University of Manitoba, Fort Gary, and his Ph.D. in Economics from Columbia University. He has taught at the Université de Montréal, Carleton University, Université Catholique de Louvain, The London School of Economics, Harvard University, the Università di Perugia, the Université de Paris I (Panthéon-Sorbonne), the Institut de Sciences Politiques de Paris, and the Institute for Social and Economic Change (Bangalore, India). He is currently Emeritus Professor of Economics in the Department of Economics, University of Toronto and Research Professor in the Dipartimento di Economia, Università di Torino. From 1970 to 1979, Professor Breton was Special Advisor to Prime Minister Trudeau.

J. Stefan Dupré has been a professor of political science at the University of Toronto since 1963, and has served as a chairman and member of more than a dozen provincial and federal councils, commissions and task forces. He chaired the Royal Commission on Matters of Health and Safety Arising from Use of Asbestos in Ontario. In Ottawa, he has been a member of the National Research Council, and the Social Sciences and Humanities Research Council of Canada, among others. In 1958, he received a Ph.D. in political economy from Harvard University.

Tom Flanagan received his Ph.D. in political science from Duke University. He has taught at the University of Calgary since 1968. In academic circles, he is best known for his books on Louis Riel, Metis land claims, and aboriginal rights. He took a leave from the university to manage Stephen Harper's two leadership campaigns as well as the Conservative Party's national election campaign of 2004. He is a member of the Royal Society of Canada.

Robert P. Inman is the Richard K. Mellon Professor; Professor of Finance, Business and Public Policy, Real Estate and Economics, The Wharton School, and Senior Fellow, Leonard Davis Institute of Health Economics. Professor Inman, who received his Ph.D. in economics from Harvard, is also a research associate of the National Bureau of Economic Research. He has served as a consultant to the city of Philadelphia, the State of Pennsylvania, CitiGroup, Chemical Bank, the U.S. Department of the Treasury, and the Financial and Fiscal Commission of the Republic of South Africa, among others. His research is currently focused on fiscal federalism, the urban fiscal crisis, and the political and legal institutions of fiscal policymaking.

Gebhard Kirchgässner is Professor of Economics and Econometrics at the University of St. Gallen, and Director of the Swiss Institute of International Economics and Applied Economic Research at the University of St. Gallen. He is also President of the Economic Advisory Board (Commission pour les questions conjoncturelles) of the Swiss government. He is a member of the German Academy of Natural Scientists Leopoldina, Economics and Empirical Social Sciences Section and President of the European Public Choice Society.

Hon. Donald S. Macdonald, P.C., CC. was first elected to the House of Commons in 1962. He served as MP for Toronto-Rosedale for 16 years, nine of them as Minister in the Cabinet of Pierre Trudeau, holding, in succession, the portfolios of: Government House Leader, Minister of National Defence, Minister of Energy, Mines and Resources, and Minister of Finance. From 1982 to 1985, Mr. Macdonald was Chairman of the Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission), and from 1988 to 1991 he was High

Commissioner for Canada to the United Kingdom. He is currently Senior Advisor, Public Policy, to the law firm of Lang Michener.

Preston Manning was a Member of Parliament from 1993 to 2001. He founded two new political parties — the Reform Party of Canada and the Canadian Reform Conservative Alliance — both of which became the official Opposition in the Canadian Parliament. Mr. Manning served as Leader of the Opposition from 1997 to 2000 and was also his party's critic for Science and Technology. After retiring from Parliament in 2001, Mr. Manning became a Senior Fellow of the Fraser Institute and the Canada West Foundation. He is also a Distinguished Visitor and lecturer at the University of Calgary and the University of Toronto. In 2002, he released a book *Think Big* (McClelland & Stewart) describing his use of the tools and institutions of democracy to change Canada's national agenda.

Kenneth J. McKenzie is a Professor in the Department of Economics at the University of Calgary, where he has taught since 1992, following two years at the University of Toronto. He received his B.Comm. from the University of Saskatchewan (1982), his M.A. (Economics) from the University of Calgary (1985), and his Ph.D. (Economics) from Queen's University (1990). He spent two years (1984-to-1986) as an economist in the Tax Policy Branch of the federal Department of Finance. Kenneth McKenzie specializes in public economics, with an emphasis on taxation and political economy. He is the EnCana Scholar in Public Policy with the C.D. Howe Institute.

Alain Noël is Professor in the Department of Political Science of the Université de Montréal and Director of the Centre de recherche sur les politiques et le développement social (CPDS), at the same institution. He is the author of several studies on federalism and on social policy in Quebec and in Canada. In recent years, he has also acted as an expert consultant for the Quebec government and served as a member of the province's Commission on Fiscal Imbalance. During the academic year 1997/1998, he was Visiting Scholar at the School of Social Welfare and John A. Sproul Postdoctoral Fellow in Canadian Studies at the University of California, Berke-

ley. In 2004/2005, he was a visiting scholar at the Université de Grenoble.

John Richards grew up in Saskatchewan and served as a member of that province's legislature during the first term of the Blakeney government from 1971 to 1975. For the first two years of his term, he was legislative secretary to the minister of health. In mid-term, he crossed the floor and sat as an independent socialist. In his words, he has "since mellowed and rejoined the NDP." Trained as an economist, he currently teaches in the business faculty at Simon Fraser University. He has written on resource policy, labour relations, and public policy.

Michael J. Trebilcock is Professor of Law and Director of both the Law and Economics Program and the Centre for the Study of State and Market at the University of Toronto. He specializes in Law and Economics, International Trade, and Contract and Commercial Law. He has served as National Vice-President of the Consumers' Association of Canada, Chair of the Consumer Research Council, and Research Director of the Professional Organizations Committee for the government of Ontario. From 1982 to 1986, he was a member of the Research Council of the Canadian Institute of Advanced Research, and in 1987 he was elected a Fellow of the Royal Society of Canada. He is a Research Fellow with the C.D. Howe Institute.

Ronald Wintrobe is Professor of Economics at the University of Western Ontario. He is the author of numerous articles in economics and political science journals, as well as editor or co-editor of nine books, including *The Political Economy of Dictatorship* (Cambridge University Press 1998) and, most recently, *Political Extremism and Rationality* (Cambridge University Press 2001, co-edited with Albert Breton, Gianluigi Galeotti and Pierre Salmon). Currently, he is putting the finishing touches on a new book, *The Political Economy of Extremist Groups*.

Members of the C.D. Howe Institute*

Corporations, Associations, and Universities

Accenture Inc.	British Columbia Securities Commission
Acklands-Grainger Inc.	Brookfield Properties Corp.
Advocis	Bruce Power L.P.
AGF Management Limited	Burgundy Asset Management
Alcan Inc.	Burlington Resources Canada Ltd.
Allstream Inc.	Burnco Rock Products
AON Consulting	Business Council of British Columbia
ARC Financial Corporation	Business Development Bank of Canada
ARC Resources Ltd.	Cadillac Fairview Corp. Ltd.
Association of Canadian Pension Management	CAE Inc.
Association of International Automobile Manufacturers of Canada	Cameco Corporation
ATB Financial	Campbell Strategies
Bank of Nova Scotia	Canada Deposit Insurance Corporation
Barrick Gold Corporation	Canada Life Assurance Company
BCE Inc.	Canada Overseas Investments Limited
Belcorp Industries Inc.	Canada Post Corporation
Bell Canada	Canadian Association of Petroleum Producers
Bennett Jones	Canadian Bankers Association
The Birks Family Foundation	Canadian Chamber of Commerce
BMO Financial Group	Canadian Chemical Producers' Association
Boardwalk Equities Inc.	Canadian Energy Pipeline Association
Bombardier Inc.	Canadian Federation of Independent Business
Borden Ladner Gervais LLP	Canadian Finance & Leasing Association
BP Canada Energy Company	Canadian Imperial Bank of Commerce
Brascan Corporation	
British Columbia Hydro and Power Authority	

* The views expressed in this publication are those of the authors, and do not necessarily represent the opinions of the Institute's Board of Directors or members.

Members of the C.D. Howe Institute

The Canadian Institute of Chartered Accountants	Ernst & Young LLP
Canadian Investment Review	Export Development Canada
Canadian Life and Health Insurance Association Inc.	Fairmont Hotels and Resorts
Canadian Manufacturers & Exporters	Falconbridge Limited
Canadian Pacific Railway	Fednav Limited
Canadian Tax Foundation	Fidelity Investments
Canadian Tire Corporation, Limited	Finning International Inc.
Canadian Western Bank	Ford Motor Company of Canada, Limited
Canam Manac Inc.	Forest Products Association of Canada
Candor Investments Ltd.	Four Halls Inc.
CanWest Global Communications Corp.	Four Seasons Hotels Limited
Cargill Limited	Fraser Milner Casgrain LLP
Clairvest Group Inc.	General Electric Canada Inc.
CMA Holdings Inc.	George Weston Limited
CN	Gibson Energy Ltd.
Cogeco Inc.	Gluskin Sheff + Associates Inc.
CompCorp	Goal Group of Companies
Credit Union Central of British Columbia	Goldberg Group
Crown Investments Corporation	Goodmans LLP
Deloitte & Touche LLP	Great-West Life Assurance Company
Desjardins Ducharme Stein Monast, General Partnership	The Harold Crabtree Foundation
Deutsche Bank AG, Canada Branch	Harvard Developments Inc., A Hill Company
Dofasco Inc.	HET Corporation
Donner Canadian Foundation	Historica Foundation
Duke Energy Gas Transmission Canada	Hollinger Inc.
DuPont Canada Inc.	Honeywell Canada
Economap Inc.	HSBC Bank Canada
Economic Development Edmonton	HSD Partners Inc.
Edco Financial Holdings Ltd.	Hydro-Québec Production
E-L Financial Corporation Limited	IBM Canada Ltd.
Elk Valley Coal Corp.	Imperial Oil Limited
Emera Inc.	Imperial Tobacco Canada Limited
Enbridge	Inco Limited
EnCana Corporation	Industrial Alliance Life Insurance Company
Energy Council of Canada	The Institute for Competitiveness and Prosperity
Ensign Resource Service Group Inc.	Insurance Bureau of Canada
Ensis Growth Fund Inc.	Investment Dealers Association of Canada
EPCOR	

Members of the C.D. Howe Institute

The Investment Funds Institute of Canada	Ontario Hospital Association
Investors Group	Ontario Medical Association
IPSCO Inc.	Ontario Municipal Employees Retirement System (OMERS)
J.D. Irving Limited	Ontario Power Generation Inc.
J.P. Morgan Securities Canada Inc.	Ontario Teachers' Pension Plan
Jackman Foundation	Osler, Hoskin & Harcourt LLP
Jarislowky, Fraser Limited	Penn West Petroleum Ltd.
John Dobson Foundation	Petro-Canada
KPMG LLP	Phillips, Hager & North Investment Management Ltd.
La Jolla Resources International Ltd.	Pirie Foundation
Lehigh Inland Cement Limited	Power Corporation of Canada
Lockerbie & Hole Inc.	Pratt & Whitney Canada
Lombard Canada Ltd.	PricewaterhouseCoopers LLP
Maclab Enterprises	Procter & Gamble Inc.
Magellan Aerospace Limited	Property and Casualty Insurance Compensation Corporation
Manulife Financial	Provident Energy Ltd.
The Maritime Life Assurance Company	The Railway Association of Canada
Marsh Canada Limited	RBC Capital Markets
Masonite International Corporation	RBC Financial Group
Max Bell Foundation	Régie des rentes du Québec
McCarthy Tétrault LLP	Rogers Communications Inc.
McMillan Binch LLP	Samuel Son and Co. Limited
Mega Bloks Inc.	Saskatoon & District Chamber of Commerce
Mercer Human Resource Consulting Limited	Sceptre Investment Counsel
Merrill Lynch Canada Inc.	Shell Canada Limited
Monitor Group	Sherritt International Corporation
Moosehead Breweries Limited	SNC Lavalin Group Inc.
Morneau Sobeco	Sun Life Financial Services Inc.
N M Rothschild & Sons Canada Limited	Suncor Energy Inc.
National Bank of Canada	Syncrude Canada Limited
National Hockey League Players' Association	Tax Executive Institute
National Leasing	TD Bank Financial Group
New Brunswick Power Corporation	Teck Cominco Limited
Nexen Inc.	TELUS
Nexfor Inc.	Tembec Inc.
Noranda Inc.	The Thomson Corporation
NorskeCanada	The Toronto Board of Trade
Northam Realty Advisors Limited	
NOVA Chemicals Corporation	

Members of the C.D. Howe Institute

The Toronto Stock Exchange
Inc. Torstar Corporation
Torys LLP
TransAlta Corporation
TransCanada Corporation
Transcontinental Inc.

UBS Global Asset Management
(Canada) Co.
Via Rail Canada Inc.
Weston Forest Corporation

Individuals

Keith P. Ambachtsheer
Harry G. Baumann
David E. Bond
R.A.N. Bonnycastle
Pierre Brunet
Robert Buttke
J. Nicholas Ross, C.A.
William Molson
Robert C. Caldwell
John P. Mulvihill
Ken Chapman
Ben Cherniavsky
Kenneth Christoffel
Jack Cockwell
Marshall A. Cohen
E. Kendall Cork
Marcel Côté
E. James Arnett, Q. C., of Counsel
Glen Cronkwright
Paul R. Curley
Thomas P. d'Aquino
Catherine A. Delaney
Steven Devries
Wendy Dobson
William F. Empey
Morrey M. Ewing
John T. Ferguson
Aaron Fish
Jim D. Fleck
Robert Foster
Julia Foster
Thomas H.B. Symons

Christine Girvan
Peter Goring
John A.G. Grant
James K. Gray
Geoffrey Hale
Susan J. Han
Victor Harding
G.R. Heffernan
Lawrence Herman
William L. Holt
H. Douglas Hunter
Lou Hyndman, Q.C.
Joseph Kruger II
W. Edwin Jarmain
Robert Johnstone
James T. Kiernan
Frank F. Kolb
R. John Lawrence
Jacques A. Lefebvre
J.W. (Wes) MacAleer
William A. Macdonald, Q.C.
James P. McIlroy
Robert M. MacIntosh
Frank McKenna
Georg Marais
John D. McNeil
Bruce E. Mintz
Russell J. Morrison
F.W. Orde Morton
Edward P. Neufeld
William Orovan
Andy Perry

Members of the C.D. Howe Institute

James S. Palmer, C.M., ADE, Q.C.

Donald S. Reimer

Barrie D. Rose

Guylaine Saucier

Hugh D. Segal

Lindsay K. Shaddy

Gordon Sharwood

Philip Spencer, Q.C.

Wayne Steadman

Morley Stock

Harry Swain

Christopher Sweeney

Frederick H. Telmer

Jack H. Warren

David J.S. Winfield

Alfred G. Wirth

Adam H. Zimmerman

Honorary Members

John Crispo

Grant L. Reuber

Paul Leier

Recent Publications of the C.D. Howe Institute

- June 2004 "Half Full at Best: Challenges to the Council of the Federation." Ian Peach. *Backgrounders* 82.
- June 2004 "Mandatory Retirement and Older Workers: Private Practice and Public Policy." Jonathan Kesselman. *Commentary* 200.
- May 2004 "Follow Quebec's Lead: Removing Disincentives to Work after 60 by Reforming the CPP/QPP." Yvan Guillemette. *Commentary* 199.
- May 2004 "The Kyoto Conundrum: Why Abandoning the Protocol's Targets in Favour of a More Sustainable Plan May Be Best for Canada and the World." Joseph A. Doucet. *Backgrounders* 83
- April 2004 "Employment Insurance: What Reform Delivered." David Gray. *Backgrounders* 82
- April 2004 "Aboriginal Off-Reserve Education: Time for Action." John Richards and Aidan Vining. *Commentary* 198.
- April 2004 "Immigrants' Declining Earnings: Reasons and Remedies." Christopher Worswick. *Backgrounders* 81.
- March 2004 "The Morning After: Optimal Greenhouse Gas Policies for Canada's Kyoto Obligations and Beyond." Mark Jaccard, Nic Rivers and Matt Horne. *Commentary* 197.
- March 2004 "Has Ottawa Got a Grip on Spending? The Doubtful Projections in the March 2004 Federal Budget." William Robson and Finn Poschmann. *e-brief* 2.
- March 2004 "Getting a Grip: A Shadow Federal Budget for 2004." Finn Poschmann and William Robson. *Backgrounders* 80.
- February 2004 "The 2004 Business Tax Outlook: Lowering Business Taxes Would Spur Investment." Duanjie Chen and Jack M. Mintz. *e-brief* 1.
- February 2004 "Sticking to Its Knitting: Why the Bank of Canada Should Focus on Inflation Control, not Financial Stability." David Laidler. *Commentary* 196.
-

Who Decides?

Government in the New Millennium

Richard M. Bird Editor

Many more people than ever before now live in some form of democracy and have at least some say in how they are governed. Meanwhile, as in the past 350 years, the most important political institution everywhere remains the nation-state. At first glance, little seems to have changed in the basic structure of political democracies.

What an illusion that is.

Closer examination shows us that democratic institutions differ profoundly in their voting systems, legislative structures, types of party organization, roles for different levels of governments, relations among legislatures, executives, and judiciaries, as well as in the levels of popular participation in the political process.

Out of this mass of differences, are there common threads that, when exposed, provide an understanding of how decisions are made and by whom? And are changes afoot that will affect these patterns in ways that touch all of us in the post-Millennium world?

The answer to both questions is Yes.

The purpose of this rich collection of papers is to present the thinking of leading social scientists about what these changes are and what they will mean as the 21st Century unfolds for governments, nations and individuals.

ISBN 0-88806-636-8
ISSN 0832-7912
\$21.95

