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BACKGROUND PAPER

THE PRIVATE SECTOR AND INTERGOVERNMENTAL RELATIONS

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I. INTRODUCTION

Ancient reality: government is here to stay, and the private sector will be more successful by learning how to work with government. Continuing reality: the private sector is here to stay, and government will be more successful by learning how to work with the private sector. New reality: the world is changing very fast, not the least of which is that the frosty clarity of the cold war has given way to the fog of peace.

One extreme view is that there should be *no* government; another extreme view is that there should be no private sector of free markets. Human experience, whether federation models of governance or not, has set aside these fringe views. Feudalism was rejected long ago. Communism (undemocratic socialism) was rejected more recently. Issues of our time, and into the millennium, are how much government, how to ensure effective and fair governance process, and how to organize the extent and style of government in respective societies. In much of the world *laissez faire* arrangements have become perceived as *laissez unfair* for the ordinary citizen, let alone those powerless to protect themselves.

Civility of society must be delineated and enforced by government. How much government does this take? What are the "rules of the game" that pertain to all with fairness? When it is necessary to intervene toward social or economic objectives, what are government's choices and how should it decide? More to the point of this important conference, is there a consensus model of federalism that better ensures that elusive mix of economic prosperity with social progress and security? Virtually all world economies are mixed ones. In Canada, for example, government spending is over 40 % of its economy. USA is about ten percent lower, and several modern European countries are about ten percent higher. What is the right balance? Should these proportions be the same, or are there good reasons for the differences? Whether federations or not, who better to judge the answers to these questions than the citizens of those jurisdictions? They are the ones who pay the taxes and receive the presumed benefits. In a democracy, citizens are expected to tote their benefit/cost analysis perceptions and vote accordingly.

A comparison of Canada with the United States of America may constitute a useful benchmark. Despite histories that are more similar than different, and

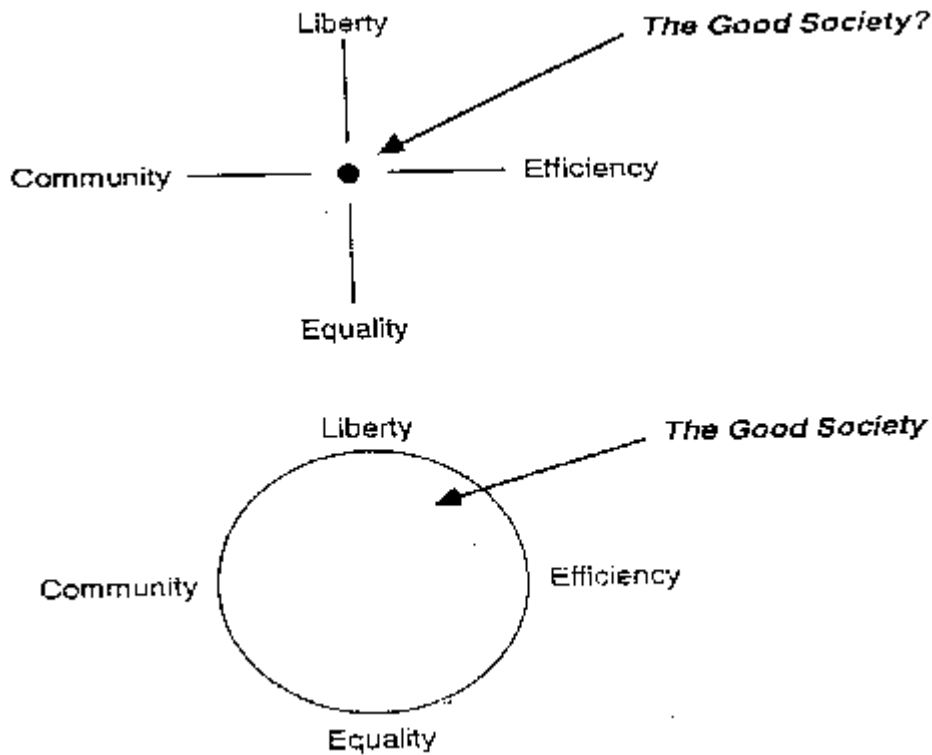
each having federal systems of government, prevailing attitudes to government differ. Americans tend to think of government as a necessary evil, concluding that the less of it the better. Canadians tend to think of government as a public good; thus it is to be judged more by efficiency and fairness of process, rather than merely size. While most federations would lie somewhere on this implied gradient of government importance, more are like Canada in attitudes than like the USA. As relentless globalization advances, new pressures will be invoked that affect different forms of federal governments in different ways, including economic prosperity and social resilience results for people.

II. A POLITICAL VALUES QUADRANT

What is the objective? What is the "good society"? How can a given federation "get there from here"? While there is a plethora of leadership and governance books, a particularly useful one is selected here (O'Toole; 1993). The political values quadrant paradigm developed is one of society needing to balance four parameters: liberty, efficiency, equality and community (Ibid., p 9). It is shown diagrammatically as [Figure 1](#). The role of government is to orchestrate the needed parameters. Orchestrate is a fitting word, as in leading an orchestra, where major components as well as nuances must be led and timed to optimize overall results.

Liberty: can it be a good society wherein freedoms of choice and association and expression are unduly restricted? Libertarians believe in the maximum freedom of the individual and in government being limited to the courts, defence, and law enforcement. They believe that a free economy is necessary for a free polity. USA is more libertarian than Canada, yet Canada prides itself on the measures of merit and freedom that guide decisions in our society. Whether it is good enough cannot be determined on a stand-alone basis, but in a context of the other vital parameters. Surely any federation would choose greater liberty if *no* tradeoff against efficiency, equality or community aspects. In the medium-to-longer term, it is imaginable that greater liberty can complement the other aspects listed. After all, all old ideas were once new ones!

Figure 1 -- The Good Society: A Political Values Quadrant



Source: O'Toole, pp 106-7

Efficiency: albeit some commentators would dispute efficiency being held as a political value, I do not. Economic development across world federations is hobbled by economic waste (with sorrow, I observe it from my summer 1999 trip to Russia); economic success substantially depends on taking advantage of existing opportunities and resources, as distinct from new ones of each. Economic value and strength must be present to have prosperity to (re)distribute, so the first order of business is to establish and reliably retain the socio-economic climate and order wherein efficient economic activity can take place. Marketplace decision making does it best; markets may not be perfect, but they are better than the alternatives. An issue is whether market economics is the hand-maiden of democracy, or not. Economic freedom facilitates the creation of economic value (Gwartney/Lawson/Block; 1996). But there is a symmetric argument that economic strength is conducive to greater freedom of all kinds. There can be overwhelmingly important other economic building blocks to consider such as an extraordinary resources endowment, (eg Australia, Canada) and access to tidewater.

Equality: some of the world has experimented with the an equality of results objective (ie the "British disease"); the blunting of incentives and numbing of behaviour has put that thinking into retreat today. But that is an argument about the way to equality, not the need for equality of *opportunity* as the economic and social pathway to success for the able and energetic. This is congruent with important objectives for employment equity regarding aboriginal persons, gender, disabled, and visible minorities. In the best cases of governance, there is a "Robin Hood" double-effect towards fairness via the taxation system and also the priorities of budget allocations. In the worst cases, "Hood Robin" effects can result from the klentocracy of unfettered capitalism and from the already.

powerful exercising undue influence on government budget decisions (eg corporate business subsidies).

Community: here is where the "rubber hits the road"! The amalgam of the other three poles of the society quadrant link and here meet each other where persons and families live. Quality of life issues abound, individually and collectively. Environmental integrity is a core concern. A civil society will bridge these communities across future generations too. Government is unavoidably involved in these issues, albeit often trying to avoid the search for consensus that seems like maddeningly elusive. Is civil society on the decline? Framing an analysis on social capital, and specifically identifying trust, civic engagement and connectedness as parameters, a conclusion of decline is reached and explained (Putnam, pp 27-36; 1997). Similar alarm is raised by a distinguished Canadian public policy analyst and commentator (Maxwell, pp 4-24; 1996).

There are many ways to explore the applicability of the "Good Society" via the political values quadrant. It is important to note that the quadrant "poles" can link to one another; in some circumstances they can be complementary or mutually supporting, but in many realities there will be tradeoffs that necessitate tough decisions. A focus of this conference is the critical dimension of federation governance. There are many variants. In many parts of the world, including Canada, an important history underlies the federal form of government. A federation can be a union of previously independent jurisdictions (Taylor/Warrack/Baetz, p 6; 1999). The original four provinces of Canada had been independent; another example is Scotland within Britain. Alternately, a federation can be a governance structure where the central government decides to diffuse power to geographically distributed entities. History also counts for a great deal, whether long or short. Canada has a short history yet one enriched by British, French and American influences; paltry little of Canada's history is taught in its schools. But perhaps too much historical memory is bad, such as in the (former) Yugoslavia and in Ireland. Forum of Federations delegates and attendees will know their own histories, and will need to interpret their impacts on today's prospects into the new millennium.

III. DEFINING THE ROLE

A foundation set of classical roles can be defined for business-government relations. One is that the private sector does provide substantial public goods and services, including those of a collective nature. Thus private sector business is important in meeting the goals and needs of society. A second is that market allocations are more efficient. This advantage flows from lesser "deadweight loss" (Ibid., pp 52-3), and a less fettered ability to adapt more quickly to changing circumstances including the era of globalization. It stands to reason that decisions made on a basis of economic value will result in *more* economic value, whereas the value otherwise not created is deadweight loss. A final role (so final it dates to Adam Smith's *Wealth of Nations*!) is government's willingness and capacity to create and nurture the social and economic climate required for private investment leading to economic growth and stability. Among these economic climate variables are rights to private property, laws enforcing sanctity of contracts, equal rights and due process under the law, transparency of public information, and many many other important variables.

Government's role in an economy can be categorized in a set of functions needed by society. Five economics functions of government are suggested (Ibid., pp 49-50). They are: (1) the provision of public use goods and services; (2) regulation;

(3) redistribution; (4) stabilization; and (5) infrastructure provision. Goods and services are made available by government, directly and indirectly, priced (fully or partially) and non-priced; in most countries, issues of funding health and education abound. The quality and quantity of services, and choices of their provision, significantly affects the size and shape of the public sector. Government asserts both social and economic regulation. Later in this paper some policy alternatives to regulation are identified. With varying levels of priority, modern governments concern themselves with issues of economic prosperity distribution. The approach can be toward equality of results (leftish) or equality of opportunity (rightish), and the size and focus of government will be altered by the selected approach. Redistribution can take place according to the government's tax regime, with progressive taxation if competently administered. And redistribution can be achieved via the budget structure of government. Federalism makes governance more complex, therefore adding to the risk that businesses have to take. More risk, with the multiple-levels of government (eg Canada), is implied by federated rather than unitary governance structure.

The government's economic function of stabilization is not well understood, especially the second of two parts. The macro stabilization part is reasonably well understood as reducing investment risk, thus stabilization is conducive to stronger *economic* growth. Nearly all governments, federations or not, declare economic stability as an objective on the foregoing grounds. But there is a vital and less understood microeconomic and strongly social driver toward economic redistribution. In an economic downturn, especially when severe, the worst adverse impact (eg early and protracted unemployment) is on those workers and their families that already are the worst off. Moreover, at the inflationary top of an economic cycle the disadvantaged are less able to protect themselves than the wealthy. As a result, there are both social and economic reasons for governments to engage the economic function of stabilization. Social progress is the point of economic progress.

The fifth and final economic function to be explained is that of infrastructure emplacement. Economic activity builds infrastructure and must be taken care of once built. Which government should provide the infrastructure such as roads, airports, seaports etc.? Which government should regulate what infrastructure? Infrastructure can be either physical or social in character; it lessens or deletes obstacles to economic development through the private sector or other levels of government. In federations like Canada, with sparse demography across vast geography, a greater proportion of modern infrastructure must be provided by government rather than the private sector. This results in a larger public sector, and because such projects are highly capitalized, a higher debt loading for such governments. If a government is effective in converting tax revenues into public services including financing needed infrastructure, is size then the issue? Poorer public services, especially to the disadvantaged, and decrepit infrastructure, could permit smaller government and lower debt -- but is this good government?

Debate about the role of government must include the issue of its size. The debate is intense with respect to economic proportions and debt; Canada's government sector not only exceeds 40% of the economy, its debt -to-economy size still exceeds 60%, and over a quarter of taxes revenues go to interest on the national debt. These are large numbers, even by non-North American comparisons. Arguments that government's role is too large focus not only on the debt problem, but that an unduly large government sector impairs economic growth (Henderson, pp 33-6; 1999). While the Keynesian conception of the economic role of government included being a mitigator of risk, beyond some

threshold size it can be argued that government is actually a source of risk. Counter-intuitive as it may seem, data and analysis suggest that Canada's debt problem is *not* due to spending during recession but rather due to deficit spending during prosperity (Taylor/Warrack/Baetz, p 49; 1999). In addition to the macro stability drive argued earlier, an intriguing explanation of the growth of government is pursuant to the results and public perceptions following World War II (Slater, pp 6-13; 1997). Government asserted a large role in the economy, and cemented relations with the business sector, during the successful war effort. Then why could the same approach not be effective in tackling domestic economic and social issues? The Canadian public apparently concluded the answer to be positive, and supported the rapid expansion of size and role of government. False expectations appear to have been held, so government expanded more rapidly than the capacity to pay for it. More recently the financial/fiscal reality incidence has fallen onto current taxpayers, including fiscal management problems and constant jurisdictional squabbling within the federation (Musgrave, pp 1-54; 1994). Alas, a current reality has become widespread cynicism about governments and politics.

IV. GLOBALIZATION

Globalization is an oft-used word, but it is not trite. The word is relevant to the new reality that the people of each federation play on a global canvas. Trade is economic and cultural and linguistic; aided by distance-collapsing technology, the "world is shrinking". Both good things and bad things can be witnessed nearly instantaneously. Both cooperative linkages and conflicts are perceived readily. Some of it isn't pretty.

The importance of trade has been historically important in most federations of the world. This is a true statement for Canada. But sentiment and consequent policies accelerated trade in the post-World War II period as high tariffs on industrial goods were reduced. The General Agreement on Tariffs and Trade (GATT) was signed by 23 countries in 1947, and can be viewed primarily as a reaction to the costly trade wars of the 1930s. GATT became the basis for our current multi-nation trading system. Countries that cooperated in the war effort found they also could cooperate for mutual gains in trading goods and investment opportunities.

GATT provides three basic functions: i) a common set of rules for the conduct of international trade; ii) an independent forum for the monitoring, discussion, and settlement of trade disputes; and iii) a sponsor for multilateral negotiations on trade policy. Disputes are not resolved by enforcement, but by a mediation role based on moral authority. Eight multilateral "rounds" of trade negotiations have been sponsored by GATT. The first two rounds were between 1949 and 1951. Trade liberalization has been generic to each round, resulting in significantly lower tariffs. More recent rounds have added other vital aspects of multilateral world trade. Moreover, the scope of trade has expanded from commodities to include services, intellectual property and financial flows.

Two other notable rounds were the Tokyo (1973-79) and Kennedy (1964-67) Rounds. The latter round succeeded in across-the-board tariff cuts for manufacturing industries; this marked the end of Canada's policy of trade protectionism for manufacturing. The Tokyo Round made additional reductions in manufacturing tariffs, but its main objective was to reduce or restrict the use of non-tariff barriers to trade. Much earlier progress with tariff reductions had been

offset by less formal but insidious and effective other barriers.

The Uruguay Round (1986-94) was the most recent one; its twin focus was on non-discrimination and trade liberalization. Non-discrimination means that each country should have a unified structure of tariffs with respect to all other GATT countries. Trade in agriculture issues was divisive, specifically due to subsidies (especially in the European Union and USA) whereas domestic subsidies would distort prices in export markets. There were other issues such as intellectual property rights and trade in services. As the Uruguay Round concluded, GATT had 125 members.

The Uruguay Round Agreement created a new international organization, the World Trade Organization (WTO). WTO is now the pertinent institution for multilateral world trade. GATT has become an agreement, within the broader aegis of WTO as an institution for world trade. These changes took effect 1 January 1995.

As well as the world-wide GATT system, numerous regional groups enhancing trade were formed. Likely any federated government of the world will belong to at least one of them. Examples are: NAFTA in North America, Mercosur in South America, APEC on both sides of the Pacific Ocean, and the European Union. There are vital world organizations, some within the auspices of the United Nations, that play an important role in global linkages. Recognizing it is inadequate to merely list certain such organizations, ones that come to mind are the World Bank, the International Monetary Fund, G-7, and OECD.

It is essential to note that regional trading blocks may not be entirely complementary with GATT. One side of the debate is that with regional trade agreements, more trade takes place so the results are congruent with GATT. The opposite perspective is that such regional arrangements inherently exclude those countries *not* included, and that this is discriminatory, including against many of the poorest nations.

An important implication is the notion of "glocalization", and that it is transforming the nation state (Courchene, pp 1-20; 1995). Glocalization is the integration of global and local, the tendency for economic power to shift both to global (upward transfer) and to local (downward transfer) levels. Think of the European Union, and of North America. Economic production nodes may become mostly local ones (and mostly cities); concurrently, markets are becoming increasingly international in scope. The outcome can mean that national boundaries matter less and less over time. For federations, there would be a decentralizing effect with less power at the centre and more of it in the regions closer to economic activities. The power shift would be significant.

Across the world, where a very large number of jurisdictions governed as federations, a "sea change" took place in November 1989. As the Berlin Wall fell the half-century old world order, defined by the *cold war*, was changed. Likely forever. Many certainties vanished. Now what? Imagine the many federations caught up in the sudden changes, where often there had been so little change for so long. Euphoria soon was tempered by new complexities and rivalries.

The new post-cold-war world countries, and the many federations encompassed within them, fall into three categories (*Economist*, pp 41-43; 20 December 1997). One category, regrettably characterized by chaos, is charitably referred to as "pre-modern". The opposite category, mostly in Europe and North America

can be termed "post-modern". Between these category extremes is the array of "modern" countries. To the pre-moderns, world linkages have historically meant domination and exploitation by other countries; the rich world has at times extended a humanitarian hand, but too often a punitive one. Pre-modern economies are dominated by agriculture, some with a limited natural resources economic base. For every reason, social and economic, there is a compelling need to assist pre-moderns advance to greater prosperity and freedom. The moderns tend to believe strongly in state sovereignty, and the right to exist without interference from other states; they are nationalist and seek the power to assure self-determination. These economies have industrial mass production capacities added to their agricultural base. Finally, the post-moderns in large measure have moved sovereignty to a low level of priority; their governance systems emphasize mutual independence and are strongly influenced by the balance of soft powers such as candour, transparency and trust. These economies increasingly are characterized by services and technology.

Federations exist in each of the three categories, but fewer in the first. It is difficult to compare private sectors in the federations of each category. Apart from a few very large and often foreign companies, the "pre-modern" state private sector usually is dominated by micro-businesses at the family level. With the "modern" category there is likely to be a similar pattern, except also with a few large government-run corporations that squeeze the investment options of the private sector. Among "post-modern" countries and federations, the noted trading patterns persist and the private sector opportunities may flourish and have excellent future prospects.

VI. CHOICES

Government has choices. Business has choices. Each would prefer more choices rather than fewer. Government has choices of structure, policies, and style of governance process. One choice of generic government is whether a federation or not, and if structured as a federation how intergovernmental relations are to be conducted. Individual businesses, and the business sector as a whole, have to make choices. Their set of admissible choices will, however, be very different depending on whether the governance structure is federated or not. Two premises will prevail in the remaining discussion of this paper. First, consistent with the focus of this Forum of Federations Conference, a federal structure is taken as a given. Unitary or other non-federation governance structures are set aside. Second, intergovernmental relations will be viewed as an analogy with tenets of business-government relations. Just as economic prosperity and social civility are enhanced by rational and cordial business-government relations, so too is the need for effective intergovernmental relations. Sadly, Canada is an example of progress being impaired by conflicts in the federation from the 1970s onward to now.

Government --

Governance in a federation is complex. To steal a phrase from academic Deans, it is like "herding cats"! Not only do the governance parameters differ with the level of government, but they vary (often dramatically) between the federated parts. Generally, a government can govern by some combination of mediation, negotiation, or directives. It has a wide range of potential governing instruments, either in relation to the private sector or to intergovernmental partners if a federation (Taylor/Warrack/Baetz, p 97; 1999). Government can undertake to persuade or regulate or usurp -- these choices will depend on level of

government and philosophy/style. Government to government choices are constrained by the political wariness of each other; it is easier for a government to "bully" the private sector.

Whether dealing with the private sector or with constituent units -- should the approach be to "steer or row"? Indeed, the root of the word government means "to steer" (Osborne & Gaebler, p 25; 1992). A typical pattern of behaviour is for a central government to begin to steer, but influenced by the hard edge of bureaucracy seeking power and authority, begin to row. A social union (the term used in Canada) suffers severe strains, especially if a federated state perceives the attitude to be a permanent affliction. Every undertaking needs clear rules. But old rules (eg Constitution), even if once clear and internally consistent, are unlikely to remain clear into new and totally different realities. Tension is predictable when a central government sets itself up as judge and jury for all the rest of the governments' apparatus. Another temptation (and Canadian experience) is for one government to "purchase jurisdiction" by offering money outside its jurisdiction; tension is compounded when, at a future date, the funding is withdrawn (costs down loaded) onto the federated jurisdiction.

A Canadian experience demonstrates that federated states (provinces) are not necessarily fully responsible. The example is the restriction of interprovincial trade in Canada, despite the legal clarity since the beginning of Canada as a federated nation and affirmed in the Constitution Act of 1982. The Free Trade Agreement (FTA) between Canada and the USA took effect on 1 January 1989; it was extended to include Mexico and form NAFTA five years later. What about Canadian internal trade? Major economic prosperity gains are being foregone as well as the country's integrity as a nation (Canadian Chamber of Commerce; 1996). Imagine: if a province leaves Canada and joins NAFTA, it then has freer trade with Canadian provinces than it had when in Canada! Efforts have been made since 1982 to resolve Canada's constitution problems. The most recent effort has been an initiative of the provinces (Canada West Foundation; 1998). But agreement remains elusive, perhaps largely due to enduring mistrust.

Should government be managed as a business? Or only businesslike? Some would trumpet the triumph of capitalism and hence all federations should follow the dictum and live happily ever after. Equally extreme, but opposite in philosophy, are those who believe only government can deal with public matters leaving the private sector with the crumbs of the economy left over. Where has either extreme worked?

Henry Mintzberg argues that wherever society succeeds, it is a triumph of balance (Mintzberg, *HBR*; May-June 1996 & *ROB Magazine*, October 1996). Identified are five models of government: Government-as-Machine, Government-as-Network, Performance-Control, Virtual-Government, and Normative-Control models. Each is not described here, but the point is -- there is no one best model! Well-managed government, federations or not, utilize each of them. The object of democracy is free people, not free institutions. Needed is an optimized eclectic mix or balance of the models according to circumstances. A balance is essential among the different sectors of society; this speaks to a balance between business and non-business interests. The delicate yet sustaining balance must be resilient to dynamic changes, and especially so in the era of globalization. The logical extension argued in the present paper is for similar balance between levels of federated governments. Overly centralized government is prone to hardening of the mental arteries, and risky because inevitable mistakes tend to amplify over geography and time. Canada's National Energy

Program is a perfect example. Yet highly decentralized (especially if also chaotic) government is mistake-prone and tends to hand undue powers to balkanized fiefdoms that can thwart the will of a common-sense majority. Again in Canada, British Columbia's intransigence about interprovincial trade freedom provides a regrettable example.

Private Sector --

In the preceding it was noted that, in dealing with business, government can use suasion or regulation as policy instruments to reach certain objectives. It also can nationalize businesses. The private sector, in dealing with government, can use suasion. The private sector has fewer choices than does government; even regarding (de) regulation or privatization, the private sector only can seek to influence government. The power relationship is non-symmetric. Private sector scope and opportunities for success are crucially affected by the structures, policies and styles of governments. Among these structures is whether government is federated or not. As noted earlier, for the purposes of this paper federation is taken as a given.

What does private-sector business want when it deals with government? Whole books are written on that question, but here three answers are suggested. First, *clarity* is requested of government's policies. What is the policy and who (including what levels of a federation) is responsible for what? Crucially, overlap can catch business in the internecine crossfire of jurisdictional battles between governments. Most federations likely have had difficulty providing clear and consistent policy answers so that the private sector can perform with efficacy. Second, *consultation* is essential. This is a two-way street; governance is more effective when open and frank consultation takes place with business, and business prospects are enhanced when it seeks to understand governments and keeps abreast of its dynamics and pressures. Even if business does not agree with a particular policy, input can help to rationalize how a policy works and result in "damage control". Third, *stability* is vital. This includes "no surprises"! The private sector can strategize its investments and operations around virtually any government policy, so long as it has assurance that a determined policy will be in place for a plannable period of time and is not subject to change willy nilly. The National Energy Program in Canada violated all of the above.

Government regulation, economic and otherwise, is a heavier weight that most citizens perceive. What can be seen is a "tip of the iceberg"; most of the regulation is less than fully transparent, constituting "indirect government" (*Economist*; 27 July 1996). Thus it can be insidious and subject to status quo resistance to change. Regulations often sustain as policy far beyond their usefulness. As well, compliance costs are substantial. The private sector can legitimately ask government "if a particular regulation did not already exist, would you initiate it now?" If the answer is no, the regulation should be expunged. There are regulations and programs, funded by taxpayers, that actually do harm (McMahon, pp 37-41; 1996). Then there are costs to the public that are direct in money, and also the indirect opportunity cost of the perverse harm imposed.

Four regulatory reforms or innovations are suggested here (Taylor/Warrack/Baetz, pp 162-3; 1999). They apply to a particular government jurisdiction or to the combination of governments making up a federal system. The first is for a *priority-setting* "triage" exercise. This undertaking would facilitate a broad and linked view of regulations rather than each in isolation

Decision making on a "first things first" basis would be more sensible. Each department would submit their set of proposed new/changed/lessened regulations, with the prospective for same in the coming year. The purpose is to engage a planned process at both the department level and the government as a whole. Such an exercise would be expected to result in more important actions being taken while holding off lesser priorities. The second innovation is for regulatory impact analysis to be weighed in the decision process. Benefit-cost analysis (BCA) is recommended as being essential. Too often regulations are decided without clear analytical guidance; devoid of hard analysis, benefits are too easily assumed and costs are too easily ignored.

The third suggestion for reform deals with *timing*. An aspect of timing is advance notice. Another need is for expeditious decision making to reduce the length of the regulatory approval process; it especially is important to reduce risks by bringing stability and predictability to the process. With a major investment "on the bubble", lengthy delay can be the same as a negative decision. The fourth innovation is for systematic review and evaluation of all regulatory programs over a continuous cycle, perhaps seven years. Such a periodic reassessment would identify no-longer-needed and obsolete regulations, so only necessary and relevant regulations should continue to be imposed.

Although federalism complicates an already complex process, intergovernmental coordination and harmonization has taken place successfully in several regulatory areas. Canadian examples are environment, weights and measures and interprovincial trucking. In Australia, railways standards are being rationalized.

There are two key ingredients for any successful business-government relationships. One is identification of the most influential *targets*; the other is choosing the most effective tactics by which to approach and influence those targets (Taylor/Warrack/Baetz, p 178; 1999). A unitary governance structure means the task is simpler. But it is higher risk, because there is less recourse to a "wrong" answer. The permutations of targets and tactics is far more complex in a federated governance system, but it is lower risk because there are more avenues of influences and appeals, and (for some issues or investments) a wider range of competing choices. Private sector thinking tends to be unidirectional, but governments must and do think circuitously (Ibid., p 202). Whilst the former has the luxury of generally functioning in a deterministic economic system, the latter can only succeed by functioning effectively in a complex and fluid social system.

All too typically the private sector approach to government consists of whinging (protracted and negative complaining). Business tends to complain after the fact, having missed the opportunity to exercise influence in the right place at the right time. Few business people, with Canada's Finance Minister Paul Martin being an outstanding exception, are willing to accept the personal/familial hassles and low pay of "walking the plank" in running for political office. Dealing with any order of government, there is a need for greater private sector understanding and maturity about the social complexity and diversity that confronts modern governments. Another great need is for the private sector to be proactive, making its case *prior* to public policy decisions being made. Such decisions are much more difficult to reverse than to influence during the decision process. Especially dealing with federation governance systems, the private sector will achieve better results by initiating input to the diverse range of government levels and mosaic. Choosing the correct level to provide input to government is

very important. Going to the top is over rated! Why? It is a poor strategy to: annoy those at the top with items that can be dealt with by others, antagonize those lower in the organization that could help you if you would let them, and forestall future appeals. It is important to be "street smart" in dealing with any organization, including federated governments.

VI. CONCLUDING COMMENTS

This paper is intended to apply to federation structures of governments. It is hoped that the its content is useful for the "modern" and "post-modern" countries as identified earlier. It does not purport to speak to those jurisdictions that are "pre-modern".

The paper is intended to apply to responsible democracies. It seeks to contribute within a core notion of democracy -- the *consent doctrine*. This doctrine has two parts: those that govern do so with the consent of those being governed, and those being governed have a responsibility to participate in the governing process. It is applicable to all individuals and private sector entities, and applicable to all individual and collective components of a governance federation. Each person should self-evaluate how well they meet the tenets of the doctrine. So too should each business, and also the business sector collectively. Ignoring government induces being ignored, due to wizened visibility and credibility. Moreover, insufficient participation invites abuse of the neglected democratic system and process. To quote the English statesman Edmund Burke "The only thing necessary for the triumph of evil is for good men (persons) to do nothing". When the private sector fails to participate fully and proactively, it helps government to fail; oddly, business then will complain bitterly and cynically about the government!

Like our textbook *Business and Government in Canada: Partners for the Future*, this background paper subscribes to and adds emphasis to the approaches of O'Toole and Mintzberg. Both of them argue strongly for common-sense *balance*, or optimizing among constraints, between government and business. Here the call for balance is interpreted in terms of governments comprising a *federation*. One size does not fit all. The key private sector strategy must be that of proactive cooperation and consultation that identifies and persuades "win/win" solutions for both the private and government sectors.

While it is for the involved and informed citizens of each federation to determine their own democratic destiny, two overriding opinions are offered in conclusion. First, the future will be better-served by the balance of erring in the direction of looser and more *decentralized* federations; people are entitled to self-determination, including making their own mistakes and accepting the consequences. Second, the increasingly *globalized* world is evolving concurrent with sub-national technology-based economic nodes; private sector economic successes and societal contributions will be enabled by flexible public policies that are more likely in decentralized federation structures. The fundamental task of any legitimate government is to secure "the good society" for its citizens and the world, now and as it is increasingly globalized.

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