FEDERALISM AND DECENTRALIZATION IN CANADA

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Introduction

Canada is one of the world's oldest and most successful federal systems. Federalism lies at the heart of the country's political life. Together with parliamentary, responsible government and the Charter of Rights and Freedoms, it is one of the three pillars on which the structure of Canadian government rests. Canadian federalism is intimately linked with;

- The practice of democracy in Canada;

- The recognition and accommodation of linguistic, regional and cultural differences; and

- The development and implementation of public policy.

In this chapter, I will examine the institutional characteristics and political dynamics of the Canadian federal system, with an eye to issues that are especially important in a comparative context. I conclude with a more detailed assessment of a question that is crucial to the Canadian experience, but which is of equal if not greater importance for many other countries: given the existence of secessionist movements in divided societies, how might it be possible to keep the resulting debates within the ambit of democratic politics, without escalating either to violent secession, or repressive responses?

Canada is an advanced industrial democracy, but its 135 years of experience with federalism can offer some lessons – and a few cautionary notes -- to others considering the design, practice and reform of federal institutions.

Each of the world's federal systems has its own distinctive characteristics, a product of their unique histories, social and economic makeup and institutional design. Canada is no exception. Relative to other federations, the following characteristics stand out (Simeon and Robinson 1999; Watts 1999)

- In terms of the federal and provincial governments, Canada is one of the world's most *decentralized* federations. But in terms of the role of local and municipal governments, it is one of the most centralized. We have strong provinces, and weak local government.

- Provincial governments have high 'political capacity' in the sense of a strong presence in the identities and loyalties of citizens; high jurisdictional capacity in the sense of

their assigned responsibilities; high fiscal capacity in the sense of their ability to raise and spend public revenues; and high bureaucratic capacity, in the sense of their ability to design and deliver public services.

- Canada combines a high degree of *autonomy* for its constituent governments with a high degree of *interdependence* among them, with the resulting need for intergovernmental cooperation and coordination if the needs of citizens are to be met effectively.

- It is an example of 'divided federalism,' rather than 'shared' or 'integrated' federalism. The design creates two separate orders of government, each free to act in its own areas of jurisdiction. This basic characteristic is played out in other elements of the federal design, and has important implications for the conduct of intergovernmental relations.

- It combines high levels of *cooperation* in specific areas of public policy with considerable *competition* among governments for political strength and public support.

- It combines an emphasis on *nation-wide standards* in critical public services with wide *variation among provinces* as each seeks to meet its own needs in its own ways. Finding the right balance between these is a continuing challenge for the federation.

- Overall, the Canadian system has proven highly adaptable to changing economic, social, and political circumstances, and to changing citizen aspirations and policy agendas, but it also faces a number of contemporary challenges.

All these dominant characteristics are products of the country's history, of its social and demographic makeup, of its political economy, and of the larger institutional structure in which its federal institutions are embedded.

Why federalism in Canada?

One of the most common reasons why a country might choose to be a federal system is the desire to accommodate linguistic, economic or cultural differences, especially when they are territorially concentrated. Federalism provides the framework within which to balance nation-building and a common national community with the aspiration of regional and provincial communities to manage their own affairs. (For the history of federalism in Canada, see Simeon and Robinson 199o; McNaught 1982.)

This was the impetus for federalism in Canada. Prior to 1867, the area north of the United States consisted of a number of separate British colonies. The largest was the united province of Canada, made up of the largely English-speaking Upper Canada (now the province of Ontario) and the largely French-speaking Lower Canada (now the province of Quebec). The two had been brought together in 1840, but were finding it increasingly difficult to govern a society comprised of two such linguistically and culturally different groups. The other colonies – in Atlantic Canada to the east, and in British Columbia on the Pacific coast -- felt increasingly vulnerable in the face of an expansionist United States. The Canadian federation of 1867 was the result of these twin challenges. It was at once a 'coming apart' – as Ontario and Quebec became separate provinces –, and a 'coming together' of different colonial entities seeking greater political and economic strength. (Careless 1967; Simeon and Robinson 1990)

Ontario and Quebec joined with the Atlantic colonies of Nova Scotia and New Brunswick and over the following century the remaining pieces were put in place. The map of Canada from ocean to ocean was completed when Newfoundland, which had been a self-governing British Dominion, voted in a referendum to join Canada in 1949.

Canadian federalism was thus an act of nation building, creating a country that would embrace all of northern North America. At the same time, it would be a nation that would grant substantial autonomy to provinces. Sovereignty and political identities -- to provincial and national communities -- would also be shared, complementary and mutually- reinforcing rather than competing and exclusive.

In the conferences leading up to Confederation in 1867, there was much debate about the kind of federation Canada should become. Some emphasized the role of the new national government in building a new country that would span a continent; others, in Quebec, saw Confederation as a way to ensure that French-speaking Canadians, concentrated in Quebec, would have substantial control over their own destiny, no longer subordinate to the English-speaking majority; yet others in the former British colonies also wished to maintain some autonomy for themselves.

These debates anticipated the continuing Canadian dialogue about the appropriate balance between federal and provincial governments, and between three different images of what the federation should look like. First was an *Ottawa* or *nation-centered* view of Canada; second, a more *decentralized or province-centered* view; and, third, a *dualist* view that sees Canada as a partnership between two great language groups, French and English, with Quebec as a distinct society, reflecting the language and culture of its *Francophone* majority.

The fundamental basis for federalism in Canada, then, was and remains the need to reconcile, balance, and accommodate diversity. Democracy and good governance, which are at the center of many modern debates about decentralization were minor elements in the Canadian discourse on decentralization, though they have attained greater prominence recently.

The Politics of diversity

Four dimensions of diversity are central to the Canadian experience.

The first is linguistic diversity.

Just under one quarter of Canadians are French-speaking *Francophones*. They remain highly concentrated in the province of Quebec, Canada's second largest. Eighty-five percent of its population is French-speaking; the remaining 15 percent are *Anglophone* (native English speakers); *'Allophone'* (immigrants whose first language is other than French or English), and Aboriginal peoples. With this concentration of French speakers, it is not surprising that Quebec considers itself a province 'not like the others,' and that *Francophones* look particularly to the Quebec government to promote and protect their distinctive culture. From this perspective, Canada is a multinational nation. (McRoberts and Posgate 1993).

Quebec governments have consistently resisted the expansion of federal authority in areas of provincial jurisdiction, and have in recent decades argued that the constitution and political practice should recognize Quebec as a distinct society in a form of asymmetrical federalism. The Parti Québécois has taken this a step further, arguing for independence or sovereignty (albeit also calling for a continued economic and political association with Canada).

The presence of Quebec has profoundly influenced the character of Canadian federalism – greatly strengthening pressures for decentralization, and placing the concern for maintaining 'national unity' at the heart of Canadian debate. (Gagnon 1999; Balthazar 1997) As in other linguistically and ethnically diverse countries, we have continued to debate whether accommodation is best found by granting greater autonomy and asymmetrical powers to the minority, or working harder to integrate that majority into central institutions.

The second dimension of diversity is the importance of regional differences across the country and the accompanying focus on 'regionalism.' (Gibbins 1998; Carty et. al. 2000; Cross 2002; Tanguay 1999)

Canada's ten provinces and three Territories differ greatly among themselves.

They vary in size and population. Ontario and Quebec, often described as 'Central Canada,' are much the largest provinces. Next come the western provinces of British Columbia and Alberta, then the two prairie provinces of Manitoba and Saskatchewan, and then the Atlantic provinces of New Brunswick, Nova Scotia, Newfoundland and Labrador, and Prince Edward Island.

The provinces also differ in many other ways. Seventy per cent of Ontario's citizens live in large cities; none do in Prince Edward Island. Demographic differences reflect the different historical settlement patterns of the country.

Their economies differ considerably in terms of per capita income and their economic base

These and other regional differences have had important consequences for the Canadian pattern. They have ensured the persistence of strong regional attachments and identities, and have thus helped maintain political support for strong provincial governments. Differing regional economic interests have made agreement on national policies often difficult. They have also generated conflicts – for example between richer provinces arguing for more autonomy, and poorer provinces more dependent on federal financial assistance; between larger provinces confident of a strong voice in Ottawa and smaller provinces who often feel left out in national policies; and between the central Canadian provinces – historically the centers of manufacturing and finance -- and the other provinces that are more heavily dependent on natural resources.

Again, there has been a long standing debate on which is the better way to accommodate and reconcile these differences: by emphasizing provincial autonomy and variation – or by emphasizing nation-wide standards and a central government capable of fully representing all regions?

The third dimension of Canadian diversity is one not usually linked to discussion of federalism and decentralization, yet it is has many parallels. That is the presence in Canada of Aboriginal peoples, or 'first nations.' Historically, they were exploited and subordinated in Canadian politics. Yet, like aboriginal groups in many other countries, they have in recent decades mobilized to assert their claims to land, resources and an increased measure of self-government. These remain highly contentious issues. But a significant part of the solution lies in a greater measure of self-government for aboriginal nations – a 'Third Order of government as it has been called -- and in the logic of federalism, increasingly labeled as 'treaty federalism.' (Abele 1999; Abele and Prince 2002; Tully 1999; Cairns 2000; Macklem 2001)

Fourth is what Canadians call multiculturalism. (Kymlicka 1998) Canada has always been an 'immigrant society' drawing its population from many different countries. In recent decades, it has explicitly embraced 'multiculturalism' as a defining characteristic of the country. Canada has one of

the highest levels of immigration in the world, and today most newcomers are of non-western background. They have concentrated in a few major urban centers – Vancouver, Toronto and Montreal.

These developments have not had a direct effect on Canadian federalism, but they may have indirect effects. First they challenge the idea of Canada as a partnership of 'two nations;' now the country is more likely to be seen as a partnership of two linguistic communities, ten provinces, aboriginal nations, and many cultural groups. Second, because immigrants are so strongly concentrated in a few cities, this may in the future stimulate a stronger demand for greater autonomy for municipal governments, which, under the Canadian constitution, remain creatures of the provinces.

All this shows that Canada is at its heart a 'federal society,' characterized by strong regional interests and identities. This fundamental social and economic reality helps to ensure that Canada remains one of the most decentralized federations in the world. Federalism is predicated on a balance and a dynamic interplay between shared and common values and commitments expressed mainly by the central government, and provincial values and interests largely expressed through provincial governments. (Beauchamp et. al. 1999) But citizenship rooted in territory, language and region interacts in complex ways with other conceptions of citizenship and identity – class, gender, and multiculturalism. (Cairns 1991, 1995; Jenson 1995)

The Institutional Setting for Canadian Federalism

How these regional, linguistic and other differences are played out is profoundly affected by the broader institutional framework within which federalism is embedded.

First, Canada is a parliamentary federation. Like Australia, it follows the Westminster pattern of responsible parliamentary government at both federal and provincial levels. The Prime Minister and the cabinet are elected by and responsible to the legislature, tying the legislative and executive branches tightly together; unlike systems where they are separated, as in the United States. Authority is concentrated in the hands of the executive, especially the Prime Minister or Premier. This helps account for one of the dominant characteristics of intergovernmental relations in Canada. It is 'executive federalism, in which the primary contacts are between the First Ministers (Prime Minister and Premiers), ministers, and senior officials of the two orders of government. It is a government-to-government relationship that has also been called 'federal-provincial diplomacy.' (Simeon 1972) Legislators and legislatures play little role in the system. (Simeon and Cameron 2002)

Second, *Canada has a weak second chamber, the Senate.* In many federal countries the chief role of the second Chamber in the national parliament is to represent the constituent units in the national legislative process, thus ensuring that the central government will be responsive to regional and provincial views. The Canadian Senate fails to achieve this because Senators are appointed by the central government and do not represent either the provincial governments or their voters. In recent years, a variety of proposals have been made to reform the Senate – one of which is the idea of a 'Triple E' Senate – elected, with equal representation of all provinces, and effective. No such proposals have been adopted and it is unlikely that they will be in the foreseeable future. (Smiley and Watts 1985)

There are, indeed, many formal and informal elements of regional representation in Ottawa, such as a guarantee that three of the nine members of the Supreme Court of Canada should be from Quebec, and the norm that all provinces should be represented in the cabinet. But the basic logic of the Westminster system is that it is a 'winner take all' model, so that regions not well-represented in the

governing party can feel excluded. It is also based on strict party discipline, with the result that the ability of Members of parliament to speak for the regional interests of their constituents is limited.

These characteristics of the national government are reinforced by the national party system, which is also highly regionalized. Only one Canadian national political party, the governing Liberals, is able to maintain a nationwide base of support, and even that is tempered by weakness in Western Canada. All the opposition parties are essentially regionally based. The first-past-the post, or single member electoral system works to further exaggerate regional differences in party support in Parliament. Moreover, there are often few links between the national and provincial parties of the same name, and there is little mobility of political leaders from one level to another. (Carty, et. al. 2000)

The result is that Canada's national institutions are not effective in bridging and accommodating regional differences, and that citizens of many provinces feel frozen out or excluded from influence in the national arena. (Tanguay 1999) The tendency, then, is to turn to strong provincial governments to defend their interests, reinforcing Canada's decentralized pattern.

Finally, Canada has *a constitutional federalism.* The powers and responsibilities of the two orders of government are set out in the *Constitution Act, 1867*, which has been amended on several occasions. They are not subject to unilateral change from the center. Most amendments require the approval of the legislatures of the federal government, and seven of the provinces that together comprise at least 50 percent of the population; a few require unanimous agreement. Thus, provincial interests are strongly protected in the amendment process. The requirement for wide consent to constitutional change is a necessary result of Canada's divided nature. Its consequence, however, is to make constitutional change extremely difficult to achieve; the emphasis, instead, is on non-co0nstitutional forms of adaptation. (Lazar 1998)

In 1982, Canada adopted a constitutional Charter of Rights and Freedoms, with important implications for federalism. The Charter provides a set of common rights that apply to all citizens and all governments in Canada. It contains a limited set of minority language protections and ensures 'mobility rights' – the right of everyone to live and work anywhere in the country – thus barring provinces from discrimination against residents of other provinces. The Charter has given additional political resources to groups, such as women, whose interests cut across those of province and region. After its adoption, many predicted that the Charter might transform the Canadian political culture through its emphasis on national rights and national citizenship, guaranteed by the national institution of the Supreme Court. The social forces empowered by the Charter have, indeed, had a major impact on Canadian politics, but in contemporary Canada 'Charter values' co-exist with regional and provincial values and interests; they have not displaced them.

Finally, constitutional federalism ensures that the Supreme Court of Canada is the authoritative interpreter of federal and provincial powers and the referee in any disputes between them. Decisions made by the highest courts have had major impacts on the evolution of Canadian federalism at several points in its history. As with the Senate, members of the Supreme Court are appointed by the national government. It has been argued that this is inconsistent with federalism: surely the umpire between the two orders of governments should not be appointed by just one side? In reality, however, the Supreme Court has played a careful and effective role in ensuring balance between the two orders of government.(Baier 2002; Des Rosiers 1998; Russell 1983)

Thus the structure and operation of federalism in Canada are greatly influenced both by the country's social and economic characteristics and by the larger institutional framework.

The Design of Canadian Federalism

But what about the federal design itself? (Simeon1998; Watts 1999a)   It includes the following central elements:

- The constituent units that make up the federation

- The division of legislative powers

- The power to raise and to spend public revenues or fiscal federalism, and

- The machinery of intergovernmental relations (IGR)

The Constituent Units in Canadian Federalism

As in other federations, the primary orders of government are the federal government, and the ten provinces. Sovereignty in Canada is shared among them. Each order of government is endowed with full legislative and executive powers.   That is to say that within its own jurisdiction, the federal government both enacts legislation and implements it; just as the provinces do in their own areas of responsibility. Each is responsible and accountable to its own legislature.

There are at present no significant boundary disputes among provinces. Some have argued, however, that if Quebec were to secede at some point in the future, boundaries would become a critical issue, as predominantly English-speaking areas in Quebec might demand to remain within Canada, resulting in a 'partition' of the province.

As we have noted, provinces vary hugely in size, wealth, etc. On occasion, there have been movements to unite the smaller, poorer Eastern provinces. While there is much cooperation among them, there is almost no possibility that such dramatic change will occur.

Local or municipal governments play increasingly important roles in the lives of Canadians, but under the constitution, they are creatures of provincial governments, which define their boundaries, powers, method of election, and revenues. There is increasing pressure for larger municipalities to gain greater jurisdictional and fiscal autonomy, and for the federal government to develop a stronger direct relationship with cities. Provincial government resistance to such developments is, however, strong. (Sancton 2002)

In addition, Canada's vast and thinly populated northern reaches have remained as *Territories* (the Northwest Territories, Yukon, and Nunavut) that are the constitutional responsibility of the federal government. Two recent developments have considerably affected their status. First, the powers of elected territorial governments have been steadily extended, with a Leader acting much like a provincial premier. As a result, territorial governments are increasingly coming to look and act like provincial governments.   They are now fully involved in the various mechanisms of intergovernmental relations. Second, a newly created territory of Nunavut is the first government in Canada responsible to a predominantly aboriginal electorate. It is thus a critical testing ground for aboriginal self-government.

Finally, there are *Aboriginal governments.* Canada has not constitutionally established a third order of aboriginal governments (though the principle was included in the 1992 Charlottetown Accord, which was not adopted.) However, some innovative alternative means of achieving a measure of self-government, in provinces such as Quebec and British Columbia, have been achieved through negotiation of Aboriginal land claims. Responding to Aboriginal claims for self-government,

building effective Aboriginal institutions not subject to central government paternalism; and integrating these institutions into the larger federal system are perhaps the chief challenges to federal governance in Canada.(Abele and Prince 2002)

The Division of Powers or Competencies

The original constitution of 1867 divided legislative authority between the federal government and the provinces into two separate lists in Sections 91 and 92. (*Constitution Act, 1867*; Simeon and Robinson 1990, Chapter 3)

The federal government was assigned primary responsibility for building the new nation north of the 49th parallel, both politically and economically. It was to create a new political, economic, and social union. Provinces were assigned important responsibilities for their own economic and social development.

Section 91 empowered the federal parliament to make laws for the 'Peace, Order, and Good Government of Canada' in relation to any matter not specifically assigned to the provinces. This general attribution of power was then supplemented with a set of more precisely defined responsibilities. They included the regulation of trade and commerce, an unrestricted power to raise revenues, the postal service, defense, shipping and navigation, fisheries, money and banking, patents and copyright, 'naturalization and aliens' (citizenship), the criminal law and others.

The 'exclusive powers' of the provinces initially appeared more limited. But they included some areas that were to become of major importance later. Provinces were to own and manage publicly owned lands. They would regulate 'hospitals, asylums, charities and eleemosynary institutions,' a 19th century phrase that has come to be seen as allocating primary responsibility for health, education and welfare to the provinces. Jurisdiction over 'property and civil rights,' and 'local works and undertakings,' and the incorporation of companies, would all provide provinces with many tools to regulate commercial activities. Provinces were also responsible for the administration of justice and 'generally all matters of a merely local and private nature in the province.'

This bare bones recitation does not do justice to the actual distribution of authority in Canada's federal system or to the ways it has evolved over time in response to changing citizen concerns and changing conceptions of the role of government.

A number of features make this Canadian division of powers distinctive, however:

- The division of powers is relatively *permissive.* It gives both orders of governments a wide range of tools and instruments through which they can act. For example, there are two 'residual' clauses – the federal power to enact laws for the 'peace, order and good government of Canada,' and the provincial power over 'property and civil rights.' Both orders have wide jurisdiction to raise revenues. Both have a broad power to spend public funds without strict limits imposed by the allocation of responsibilities. One result has been that, as new issues and challenges such as the environment or consumer protection have arisen, both orders of government have become involved, increasing the potential for overlap, duplication and contradiction. If any government feels compelled to intervene in a specific area, it can usually find some head of power in the constitution that can justify it.

- Despite this, the basic principle for the allocation of powers is that they are *separate lists* of federal and provincial powers. The original conception was one of *'water-tight compartments*. Only two powers are defined as shared or *concurrent* in the 1867 Constitution – immigration and agriculture. Pensions were added later.

- There is however much *de facto concurrency.* Many of the issues and challenges that today's governments confront spill across jurisdictional boundaries. As the role and complexity of the modern state increased, so did the actual area of shared power. In many critical particular policy areas such as the environment, social policy or the economy, both levels are able to act. For example, federal environmental initiatives can be justified under the constitutional heads of foreign affairs, interprovincial trade, the criminal law power, the taxing power, the spending power, and federal control over navigable waters and fisheries. Provinces can use their powers over public lands, property and civil rights, and regulation of business.

- In some federations such as Australia and the United States, a broad interpretation of the national powers over trade and commerce and foreign affairs has extended federal authority, but judicial interpretation in Canada has limited the scope of these powers, preserving provincial autonomy. And the federal power to negotiate treaties has been limited by judicial decisions that retain provincial jurisdiction over any provisions of international treaties that fall into their set of powers. In the critical judicial decision on this mater, it was argued that even when the 'ship of state sails on international waters, it retains its watertight compartments.'

- In many federations, the central government has extensive powers to monitor provincial activity and to intervene when they consider provincial actions dangerous. Several such powers are found in the 1867 Constitution, but they are now considered completely obsolete. Ottawa has very little power to dictate to provinces.

Symmetry and Asymmetry

Another common debate within federalism is about symmetry and asymmetry -- whether all provinces should exercise identical powers. In Canada, Quebec has sought 'distinct' or 'special' status to reflect its role as the primary political expression of the French-speaking minority. This has conflicted with a strong emphasis on 'the equality of the provinces,' a view widely held in the rest of the country. (Whitaker 1993; Gagnon 2001)

Despite this formal symmetry, there is a great deal of informal or *de facto asymmetry*. For example: Quebec operates its own contributory pension plan, while the federal government operates a single Canada Pension Plan for the rest of the country; Quebec collects its own income taxes, while Ottawa acts as the collection agent for the other provinces; by intergovernmental agreement, Quebec has a larger say in the selection of immigrants to Canada than do other provinces; and in the 1960s, Quebec 'opted out' of a number of shared programs, in return for a greater share of income tax revenues. In addition, of course, the larger, richer provinces such as Ontario, Quebec, B.C., and Alberta, tend to have a different relationship with the federal government than do the smaller and poorer provinces.

Evolution of the Division of Powers

Federalism, it has been said, is a 'process,' not a fixed state. This is certainly the case in Canada, The country has seen wide swings in the relative power and influence of the federal and provincial governments. (Norrie Krasnick and Simeon 1985; Simeon and Robinson 1990) In the early years, Ottawa vigorously exercised its extensive powers over the provinces. By the 1920s, a combination of growing provincial resistance and self-confidence, along with a set of judicial interpretations that greatly limited   federal powers, meant that the division had become much more equal.

Then came the great economic depression of the 1930s. Provinces alone simply could not manage, and Ottawa had to bail them out.

Following the war, Canada, like all other western democracies, embarked on the construction and extension of the welfare state. Most of the constitutional responsibility for the building blocks of the new order – welfare, health, and education – lay with the provinces. But at the time, the federal government was the only government with the resources and the national viewpoint to bring it about.

One response would have been to transfer jurisdiction for these new state responsibilities to Ottawa. But strong provincial resistance, led by Quebec, ensured that a fundamental transfer of responsibilities would not happen. Canada did develop the welfare state, but it did so within the framework of federalism. Responsibilities for providing insurance for unemployed workers, and for a national old age pension system were shifted to Ottawa, which also created a national system of family allowances. But in other areas, such as welfare, health, and education, the primary tools were cooperative federalism and federal financial contributions to provincial programs. These included the federal assumption of half of the cost of post-secondary education, the Canada Assistance Plan that jointly financed a broad range of welfare policies; and, perhaps most notably, the country-wide Medicare program that shared the costs of hospital and physicians' services.

Though the 1950s and 1960s, the fastest growing areas of public spending lay in fields that were the primary responsibility of the provinces: schools and universities, hospitals and highways were needed to serve a rapidly growing and urbanizing population. As a result, provincial government spending and employment increased at a faster rate than at the federal level.

By the 1970s the welfare state had been put in place and fiscal pressures were intensifying. The policy agenda was shifting, and with it the dynamics of Canadian federalism. Increasingly assertive provinces increasingly sought to limit federal influence in their assigned areas of responsibility, and to exploit their own broad powers. Shared cost programs came to be seen by some governments as illegitimate 'intrusions.' There was less willingness to accept federal conditions that might limit provincial freedom, and more opposition to the unpredictability of federal funding. The federal government was also becoming disenchanted with shared cost programs. On the one hand, a federal commitment to a cost-sharing formula subjected important elements of the federal budget to the results of provincial spending decisions; on the other hand, the federal government felt it was not receiving sufficient public credit for its contributions.

The 1950s were the high water mark of post-war federal influence; since then – with important exceptions – the overall trend in Canada has been in a decentralizing direction.

In fact, Canada has two strong orders of government, each endowed with broad authority to act. But in few areas do they act alone. The federal government has responsibility for foreign affairs and defense, but consults extensively with the provinces on matters dealing with foreign trade and investment, and international dimensions of environmental policy. It is responsible for immigration, refugees and border security – but in all these areas depends heavily on provincial cooperation.

Health care, education, welfare and municipal affairs are the primary areas of provincial jurisdiction, and account for the great bulk of provincial spending – but Ottawa is involved in all these areas too. It supports research and student aid in the post-secondary education sector, and bilingual education at the elementary and secondary level. It supports health care through the testing and licensing of food and drugs, and through its financial contributions under the Canada Health Act.

Fiscal Federalism: The Division of Revenues and Spending

Another way to assess the respective roles of federal and provincial governments is through their ability to raise and spend revenue. Fiscal federalism includes:

- The 'vertical balance' or the division of revenues and spending between federal and provincial governments

- The 'horizontal balance' among the provinces

- The federal 'spending power' and intergovernmental transfers

The Constitutional Allocation of Taxing Powers

Both levels of government have wide discretion in financial affairs. Ottawa can raise revenues 'by any mode or system of taxation,' and has responsibility for customs and excise duties (once a major source of federal revenues, these have rapidly diminished in importance as a result of movements towards freer trade). (Brown 2002; Centre for Research and Information on Canada 2002; Lazar 2000)

 Provinces also have broad revenue-raising powers, including the power to levy personal and corporate income taxes, property taxes, license fees and revenue from public ownership of resources. They can borrow on national and international markets on their own.

The Vertical Balance

Ideally, revenues and spending requirements should match, with each government having the revenues appropriate to its spending requirements. In practice, such a neat fit is seldom easily achieved, and in Canada, as in other federations, fiscal arrangements are subject to much political debate. (Canada 2002; Quebec 2002; Finance Ministers of Western Provinces and Territories 2002)

In fiscal terms, Canada is, together with Switzerland, perhaps the world's most decentralized federation. For example, the federal share of all revenues is about 45 percent – much less than in Australia (69 percent) or the United States (66 percent). The federal share of spending is even less – 37 percent – compared with 61 percent in the United States, 53 percent in Australia, and 41 percent in Germany (where most national programs are implemented at the state level). In recent decades, the provincial and local shares have steadily increased, a result not so much of declining federal spending, but of the rapid growth in provincial spending.

In the 1990s, under the pressure of debts and deficits, both orders of government adopted stringent measures of fiscal restraint. Federal program spending as a proportion of GDP declined from a 1992 peak of about 18 percent to 12 percent in 2001-2002, while provincial spending declined from 20 percent to just under 16 percent. By the end of the decade, a combination of tight budgeting and

robust economic growth had restored both the federal government and most provinces to surplus positions. Nevertheless, these difficult adjustments placed considerable strain on intergovernmental relationships, as the federal government dramatically reduced transfers to the provinces (and provinces reduced theirs to local governments, school boards and the like). By the year 2000, modest spending increases again became possible, and a significant increase in federal transfers for health care, children's services and other programs was accomplished.

There are no clear rules for establishing whether the distribution at any given time is or is not appropriate; again it is a matter of political debate. In recent years, provinces have argued that their spending needs, especially in rapidly growing areas like education and health care, are outpacing their revenue raising abilities. The federal government replies that its own needs are as great, that it carries most of the burden of the public debt, and that there is no constitutional barrier to the provinces raising taxes by themselves – and accepting the resulting political price.

The joint occupancy of the major tax fields could easily generate high levels of conflict. In fact, there is considerable cooperation, achieved largely through a set of Tax Collection Agreements. Under these, a federal agency acts as the common income tax collector for all provinces except Quebec (and Ontario for the corporate income tax).

Provinces are able to set their own tax rates and designate their own tax credits, as long as they use a common income base. Federal conditions under the Tax Collection Agreements (TCAs) have been steadily relaxed to allow more provincial freedom, but some provinces, wishing even more latitude to define their own tax systems, have recently debated leaving the arrangements. In general, however, the TCAs have allowed a high degree of coordination within an otherwise highly decentralized revenue-raising regime, and have greatly simplified the paper burden facing taxpayers.

Both the federal government and the provinces (except Alberta) impose sales taxes. Both are free to borrow on domestic and foreign capital markets. There is no formal coordination in this area, but there is considerable informal discussion. Similarly, each government prepares its budget independently, but regular meetings of finance ministers and officials help ensure that they work from common economic data and premises.

Horizontal Equity: Canada as a 'Sharing Community'

As in other federations, Canadian provinces vary widely in their wealth and per capita income, and hence in their capacity to raise the revenues necessary to fulfill their constitutional responsibilities. This could be a dangerous problem in a federation as fiscally decentralized as Canada. With its high oil and gas income, Alberta's ability to raise revenues far exceeds that of any other province; Ontario too has relatively high per capita revenues. The two poorest provinces (Newfoundland and Prince Edward Island) are able to raise on their own only about two-thirds of the national average.

The Canadian answer to this problem is 'Equalization.' (Boadway and Hobson 1998) It is designed, as stated in S. 36 of the *Constitution Act, 1982,* to permit each province to generate 'comparable levels of services, with comparable levels of taxation.' Under this program, the ability of each province to raise revenues across all important revenue sources is compared with the average of all provinces. The federal government then makes a payment to each province, in order to bring its revenues up to what is called the 'five province standard.' The sum involved was $9.64 billion in 1999-2000, ranging from $1,928 for each resident of Newfoundland, to $276 per resident in Saskatchewan. The critical points here are:

- That the transfer is completely unconditional

- That a *federal* program compensates for differences in *provincial* revenue-raising ability; there are no direct transfers between provinces.

- That the program substantially, but not entirely, enhances the ability of poorer provinces to serve their citizens to the same standard as richer provinces, and

- That despite the large transfers of wealth between the two richest provinces and the others that the program entails, public opinion surveys show strong support for its maintenance. Equalization is a critical element of the 'Confederation bargain,' and of the idea of Canada as a 'sharing community.'

Sharing Responsibilities: The Spending Power

The most common way in which federations get around the mismatch of revenue and spending responsibilities is through transfers between the central government (which usually has a comparative advantage in access to revenues) and provinces, which often have the major spending responsibilities. In Canada, as in other federations, this has been made possible by the federal 'spending power' – its ability to spend money in areas of provincial responsibility, and to attach conditions to the sums transferred. (Watts 1999b)

The spending power was the critical instrument through which Canadians built their welfare state. Through a wide variety of 'shared cost programs,' the federal government provided funds (usually 50 percent of the total cost) to allow provinces to establish their own programs. For example, in the 1960s, universal, publicly provided health care was provided through the Medicare program, initially 50 percent funded by Ottawa. In the same period, Ottawa assumed half the costs of provincially provided post-secondary education and welfare.

But such programs have become less prominent recently. Provinces are now much less dependent on federal transfers to maintain their revenues than are the units in other federations. In 1999, Canadian provinces received on average 13 percent of their revenues from the federal purse, down from over 20 percent in 1970. This figure (which includes equalization) ranged from 39 percent of revenue in Newfoundland to only 7 and 8 percent in Alberta and British Columbia. In Germany, the figure was 18 percent; in the U.S. 30 percent, and in Australia 41 percent. Canadian provinces are more autonomous not only in policy terms but also in fiscal terms relative to other federations.

Moreover, the trend in Canada has been towards fewer, rather than more, conditions attached to federal transfers. The only field where substantial conditions remain – apart from a requirement not to discriminate against citizens from other provinces – is in health care, and even these are heavily contested. The decentralist trend in Canadian federalism is demonstrated by the fact that only 17 percent of the total federal transfers to provinces have significant conditions attached to them; in the 1950s, over 70 percent of transfers were conditional. In other federations, conditionality is much more common – virtually all federal grants in the U.S. are conditional, as are 65 percent in Germany, and 53 percent in Australia.

Nevertheless the use of the spending power in the Canadian system remains controversial. In health care, for example, while all provinces are committed to the five principles set out by Ottawa, some worry by the conditions attached to Medicare which may constrain their attempts to experiment with alternative forms of service delivery. Provinces have also objected to federal initiation of programs without adequate consultation, and changes in funding formulae without notice. For its part, the

federal government is concerned to ensure that it wins some political visibility and credit for programs that it helps fund. A recent intergovernmental agreement, the Social Union Framework Agreement (SUFA) partly addresses these problems. The federal government has agreed not to start new shared cost programs in areas of provincial jurisdiction without prior agreement of a majority of the provinces; and to give notice before any changes in the financial arrangements. Quebec has remained deeply hostile to any use of the federal spending.

Intergovernmental Relations

The discussion so far has demonstrated both that Canada has two strong, autonomous, self-confident and competent orders of government. But it has also shown that these governments intersect at many points. They are highly *interdependent.* There are few important issues in public policy that do not cross-jurisdictional lines, and few areas in which the actions of one government do not affect other governments. There is thus a strong need for coordination and cooperation among them if the needs of Canadians are to be met. Indeed, recent surveys show dramatically that Canadians are little concerned with the relative powers of governments; what they look for is intergovernmental cooperation. Hence managing the intergovernmental relationship is a critical aspect of Canadian federalism.

Instruments and Mechanisms of Intergovernmental Relations (IGR)

Intergovernmental relations in Canada focus on the relations among federal and provincial executives – First Ministers, Ministers, and senior officials. These relationships serve a number of purposes. They provide the forums for the exchange of information, for bargaining and negotiation, and, on limited occasions, for collective decision-making. (Cameron 2002; Cameron and Simeon 2002; Dupré 1985; Noel 2001)

These mechanisms remain largely informal. They are not part of the 1867 Constitution and do not have any current constitutional status. Nor do they have any basis in law or statute. They have developed on an *ad hoc* basis, in response to the political requirements of the time.

First Ministers' Conferences

At the apex of the system, bringing together Canada's most senior political leaders, are First Minister Conferences (FMCs). There is no regular schedule for holding such 'summit' meetings and their frequency has varied considerably over time, depending on the political agenda and the preferences of the Prime Minister. In general, provinces have called for more frequent, at least annual, meetings, since they provide the opportunity to influence federal policy and provide a national form for provincial leaders. By the same token, federal governments are less keen on frequent meetings, fearing loss of their freedom of action.

In fact, FMCs have become highly politicized events. While they often provide the opportunity for governments to find common purposes and chart general policy directions, they are also arenas in which question of status, 'turf protection,' the winning of political credit, and the avoidance of political blame are prominent. Cooperation is often easier to find lower in the political hierarchy, where the participants share common problems, and similar client groups.

A number of proposals have been made to establish FMCs as a more integral part of the Canadian policy process. Chief among these has been the idea of requiring in the Constitution or by statute that

there should be at least annual meetings of First Ministers. Other suggestions include establishment of a dedicated bureaucracy to serve the First Ministers, and the possibility of giving formal legal status to intergovernmental accords and agreements. Governments, however, are generally wary of constraining their own autonomy, or of changing the basic parliamentary principle of accountability to their own legislatures.

Provincial-Territorial Meetings

Provinces and territories have intensive relations with each other, both to search for solutions to common problems and to coordinate responses to federal initiatives. The centerpiece is the Annual Premiers' Conference (APC), held each summer since the 1960s. It has provided an important forum for reconciling differences among the provinces, and coordinating their approach to the federal government. The Western provinces and the Atlantic provinces each have their own regional groupings, both of which have developed contact with parallel associations of Governors in the United States.

Ministerial Meetings

Much of the real work in intergovernmental relations takes place in a growing number of Councils of Ministers responsible for developing cooperation in specific policy fields from the environment to social policy. Fourteen such Councils now exist. While they vary considerably, some have become highly institutionalized, with regular meetings, often co-chaired by federal and provincial ministers, and with strong bureaucratic support. Several have also developed working relationships with interest groups involved in their policy fields. In all, 35 meetings of federal and provincial ministers took place in 2000 along with a host of meetings among senior officials.

Thus, the Canadian political landscape is heavily populated by intergovernmental mechanisms, which ensure a high level of communication among governments. But they are no guarantee of harmony or cooperation; and they remain much less institutionalized than the intergovernmental machinery in a number of other federations.

Intergovernmental Agreements

A major reason for the relatively ad hoc and informal structure of intergovernmental relations is the primacy in the Canadian system of 'responsible government,' which requires that every government be accountable only to its own legislature and electorate. This means that the FMC cannot become a kind of 'super-legislature.' It cannot make decisions that are formally binding on the federal partners. In general, intergovernmental meetings are forums for the exchange of information, and for negotiation and persuasion; they are not decision-makers.

Yet at the same time, governments have felt the need to come to agreements in a number of policy areas, in which they will make broad commitments to common purposes. They reflect the view that despite the autonomy and independence of each government, they are *collectively* responsible for governing all of Canada. Some observers have used the term 'collaborative federalism' to describe the movement to formalize cooperation in intergovernmental agreements and 'Accords.' (Cameron and Simeon 2002).

Thus, there are agreements on internal trade, designed to reduce trade barriers among the provinces; on the 'social union,' designed to help coordinate social policies, on the environment, designed to

harmonize federal and provincial regulation and to combine environmental enforcement; on labor force training, and other fields. (See *A Framework to Improve. . . 1999*)

All these agreements are responses to the reality of interdependence and the expectation of Canadians that governments will work together in their behalf.   Nevertheless it is important to recognize their limits. All the agreements contain clauses to the effect that their contents do not derogate from the jurisdiction of any government; and none of them are judicially enforceable. (Choudhry 2000)

Challenges to Canadian Federalism

Like all federations, Canada remains a work in progress. Since its inception, the balance of influence between the orders of government has shifted back and forth, in response to political and social developments, the issues of the day, shifting public values, and the changing roles of government. Similarly, relationships among governments have shifted between cooperation and competition. Such shifts are likely to continue into the future, as Canadians continue to negotiate their common life together.

Despite the 'complexities of federalism,' the Canadian federal system has generally served the needs of its citizens well.

Nevertheless, the Canadian federal system faces a number of important challenges.

The 'policy deficit'

First is the capacity of the institutions of federalism and intergovernmental to respond to the major policy challenges that the country faces. Many of these are related to the pressures on Canada resulting from globalization and from its extraordinarily close economic integration with its giant neighbour to the South. Fragmented jurisdiction – for example between federal responsibility for international trade and provincial ownership and control over natural resources – have made it difficult for Canadian governments to coordinate effectively on trade disputes with the U.S., or on such broad issues as Canada's response to the Kyoto Accord on global warming.

More generally, the intergovernmental process often seems to be more preoccupied with arguing over process than it is over the substance of policy problems. Governments frequently seem to focus on struggles for 'turf,' for visibility, and for winning credit for popular policies and avoiding blame for imposing costs. Often intergovernmental agreements embrace little more than vague commitments, and 'lowest common denominator' solutions with few clear objectives, rules, or standards. (Bakvis and Skogstad 2002)

The 'democratic deficit'

There are powerful arguments that sustain the idea that in general federalism and decentralization. support and promote democracy. Yet decentralization poses challenges for democracy as well. Canadians have adopted a term common in discussions about democracy in the European Union – the 'democratic deficit.' The term refers not only to the inherent complexities of multilevel government, where responsibilities are shared among many institutions, but also to the specific problems that arise in intergovernmental relations. We have defined Canadian intergovernmental relations as 'executive federalism.' It is conducted by senior politicians and bureaucrats, with very little participation or involvement by ordinary citizens, or by members of the provincial and federal legislatures. Much of the discussion is conducted behind closed doors. Indeed the Canadian Freedom of Information Act

treats intergovernmental communications as being in the same category of secrecy as international relations. Thus, one part of the democratic deficit in Canada is the lack of transparency.

A second is accountability. In the Parliamentary system, the key is the accountability of each government to its legislature. But intergovernmental relations introduces an element of governments' accountability to each other. In fiscal relations, for example, the fewer the conditions attached to transfers from the federal government to the provinces, the less the ability of the legislature to hold the federal government accountable for the use of funds that have been voted. But provinces reply that if we have to be accountable to Ottawa for what we do, we become less accountable to our own legislatures. These are difficult issues that Canadians have not yet resolved.

The third element is participation. To the extent that the time, effort and resources of government officials are devoted to managing the intergovernmental relationship, there is less room for consultation with citizens and interest groups. To the extent that individual legislators are excluded from the process, there is less effective monitoring and scrutiny of executive action than there should be in a fully democratic system.

In recent years, there has been increasing awareness of these policy and democratic deficits, and a wide variety of suggestions for improvement. (Simeon and Cameron 2002)

The role of Quebec in the federation

In 1995, Quebec voters came within a hair's breadth (less than one per cent of the vote) of choosing to opt for the status of a sovereign nation, which would be combined with an 'economic and political partnership' with the remainder of Canada. While the sovereignty movement had existed since the 1960s, and the *Parti Québécois* had first formed a government in 1976, the close result led many to believe for the first time that secession might actually happen. And with that came the realization that the country was woefully unprepared to deal with the political and economic consequences of a breakup. (Cameron 1999; Young 1998)

A series of earlier Constitutional negotiations had failed to find agreement on a formula that could recognize Quebec's distinct status as the primary government of Quebecers. (McRoberts and Monahan 1993; Russell 1993) Canadian outside Quebec had come to believe strongly in the idea of 'provincial equality,' and many followed former Prime Minister Pierre Trudeau in arguing that recognition of special status would constitute the first step down a slippery slope that would inevitably lead to secession is not sooner, then later.

The federal government had become convinced that it was essential to clarify the rules of the game that should accompany the debate on secession. In particular, it believed that the question that had been put to Quebecers was unfairly stacked by offering the accompanying promise of continued 'partnership.' Moreover, no decision as profoundly important as this could be made by a simple majority of Quebecers, acting alone. (For comment on both sides of this issue, see Monahan 2000; Ryan 2000)

Hence the federal government submitted a 'reference' to the Supreme Court of Canada, asking it to rule on the question of whether any provide had the right to secede unilaterally, either under existing Canadian constitutional law, or under international law governing self-determination.

In another example of its playing a mediating role in major federalism conflicts, the Court concluded that neither source of law provided a right of unilateral secession. But it added that in the event that Quebec were to vote for secession 'by a clear majority,' and on a 'clear question,' then the rest of

Canada would have a 'constitutional obligation' to negotiate the matter. The Court found the justification for this in its analysis of the principles underpinning Canadian federalism – democracy, federalism, constitutionalism and the rule of law, and respect for minorities. (Supreme Court of Canada 1998)

This was a fundamentally important decision for Canada. For the first time it was now acknowledged that secession is constitutionally possible; but that it could only happen in an orderly, and constitutionally valid process.

The federal government, followed this decision up with the "Clarity Act,' which asserted that the federal Parliament would reserve to itself the judgment whether any referendum question was fair, and whether the majority was sufficient. (Canada 1999) Quebec responded with its own legislation, asserting the right of Quebec to secede on its own decision, and with a simple majority. (Quebec 1999). Whether and how two societies as deeply intertwined could negotiate their separation remains deeply uncertain. (Simeon 1999; Young 1999)

This is where the matter stands in 2003. In the meantime, larger forces have greatly eroded the support within Quebec for another referendum on sovereignty; and support for the sovereignty option itself has declined (to about 40 per cent of Francophone voters in Quebec), though it remains significant. (Centre for Research and Information on Canada 2002; Coulombe 1998) Thus the stage may be set for an exploration of more informal ways for Quebec to develop within the context of Canadian federalism. (Salée 2002; Gagné and Langlois 2000)) Any increased flexibility on the Quebec side, however, will need to be accompanied by flexibility on the side of other Canadians. Gibbins and Laforest 1998)

Debating Secession

Canada has experienced a powerful secessionist movement for four decades. At several points the survival of the country as a unified federation has been in doubt. The debate has often been highly contentious and divisive. But what is most striking from a comparative perspective is the cardinal fact that the debate about 'national unity' has been conducted with remarkable civility. The only time at which the debate turned violent was a brief episode in 1970, when a small radical group of Quebec separatists kidnapped a British diplomat, and then kidnapped and killed a federalist Quebec cabinet minister. The episode was quickly over. Otherwise, the debate has been democratic, non-violent, and peaceful.

Given the frequency with which such movements in other countries descends into violence and civil war, it is worth asking what it is about the Canadian case that has permitted such a free and open debate on such a vital issue.   A tentative answer to this question includes the following factors.

1.   *A democratic culture.* Both in Quebec and in the rest of Canada, there is a powerful commitment to democratic values, and to free and open discussion. This has meant that there has been an open democratic space for the expression of secessionist ideas. Virtually no voices in the Rest of Canada have declared the secessionists to be 'traitors' or 'treasonous.' None argued that they should be denied the opportunity to express their ideas, elect a provincial government, and send Members of parliament to Ottawa. The result was that the separatist movement was never driven underground, never forced to the margins, never excluded. There was no need for it to resort to violent means. Credit for this must go both to the tolerance of citizens and of their leaders, both in Quebec and the rest of Canada. It is also notable that few, if any, politicians outside Quebec have suggested that the secession of Quebec should be denied absolutely; all have accepted either tacitly or explicitly that their

commitment to democracy might at some point mean that they would have to accede to a secession. This view has now been made part of Canada's constitutional law through the decision of the Supreme Court of Canada: in the *Secession* Reference it concluded that Canada is divisible, but only through constitutional and democratic processes. The lesson is that the more open the democratic space, the greater the chances of a peaceful process, whatever the outcome.

2. *Predominantly 'civic' nationalisms.* Given its historic attachments to Britain, its multiculturalism and its regional differences, some wonder if there is such a thing as 'English-Canadian' nationalism. In fact, there is a strong sense of national identity. But its history as an immigrant society and its current diversity means that English-Canadian nationalism has never been rooted in an ethnic definition of the country. Nor has its conception of the country ever focused on a European style conception of a Napoleonic unitary state. Thus while Canadians outside Quebec are deeply concerned to protect the Canadian political union, advocates of alternative arrangements, even fundamental ones, are not considered fundamentally illegitimate.

The Quebec case is a bit more complex. First, Quebec nationalists strongly identify with Quebec as the primary object of loyalty. But not all such nationalists are *'indépendantistes.'* In fact, opinions on the national question in Quebec range along a continuum -- from those calling for a 'renewed federalism' to those advocating sovereignty with a continuing association with the rest of Canada, to those who want a fundamental break. Second, the Québébecois identity is indeed rooted in language, seeing Quebec as a predominantly French-speaking society; and support for sovereignty is overwhelmingly concentrated in the *Francophone* majority in the province. Nevertheless, Quebec is also a diverse, multicultural society, and the rhetoric of the PQ vehemently asserts that its nationalism is an inclusive rather than an exclusive one.

I do not wish to exaggerate this point: there is hostility to bilingualism among some elements in English-Canadian society, and some Quebec nationalists espouse a more ethnic model of Quebec identity. Nevertheless it is striking that such views are considered illegitimate on both sides of the linguistic divide. Thus, despite deep differences on the desirable political structure, the debate is not cast in terms of mutually hostile ethnic identities.

3. *Common political values.* The fundamental difference between Quebec and the rest of Canada lies in language – in the predominance of French in Quebec and English elsewhere. There are some other cultural differences – such as a slightly more social democratic approach to policy in Quebec and perhaps a stronger emphasis on a more European 'associative' or consensual model of policy-making. But these appear to be relatively minor differences – and certainly no larger than the differences that exist among the other provinces. Indeed, what is more striking is the s*imilarity*, with only small differences between Quebecers' views about the role of the state and public policy and those of other Canadians. Thus the Canada-Quebec debate is not one of competing and antithetical world-views. These are two very similar societies, seeking to manage their political relationship.

4. *Provincial autonomy: Building out.* The Canadian federal system has provided a high degree of autonomy to Quebec. Indeed one federal Minister has described the government of Quebec as the most powerful sub-national government in the world. The danger here, of course, that with such a powerful government, it may seem only a small step to full secession. But the positive side is that the federation has been flexible enough to accommodate a great deal of the nation-building impulse of successive Quebec governments – whether in measures to preserve and promote the French language in the province, to pursue economic development, or to establish a distinctive social policy. Quebec political leaders have often described federalism as a 'strait-jacket' blocking Quebec's national aspirations, and have seen the federal government as bent on centralization. In fact, as

discussed earlier, Quebec governments have a wide range of jurisdictional and fiscal resources at their disposal. And successive federal governments have frequently tempered any desire to exert greater central control over important policy areas with the realization that such action would alienate Quebec. Thus while Quebec has been unable to achieve constitutional recognition of its distinct status, it has had a wide scope for initiative and discretion within Canada; and de facto Canada has experienced a high degree of asymmetry. The lesson is that decentralization, to give minority groups control over matters important to their identity and survival, and to protect them from the imposition of the will of the majority can, under some circumstances provide an effective means of accommodation.

5. *A multi-unit federation.* The dynamics of secession might play out very differently were Canada to be a two-unit federation where the dynamic was one of Quebec versus a cohesive Canada. In fact, within a federation of ten provinces, Quebec plays a dual role: it is one of 'two nations' and one of 10 provinces. This has meant that only on a few occasions has Quebec been fully isolated. These moments – such as Quebec's rejection of a 1982 constitutional settlement that did not address Quebec's aspirations – have indeed been the most crisis-ridden periods in Canadian politics. But on most contentious issues, Quebec has had allies among the other provinces – with Ontario, its large neighbour, on fiscal issues; with the western provinces on issues to do with resisting federal 'intrusions' into provincial jurisdiction; and with the Atlantic provinces with whom it shares an interest in the continuation of regional equalization programs. All this further integrates Quebec into the Canada-wide fabric of politics, and reduces the sole focus on the Ottawa-Quebec confrontation. The lesson appears to be that polarization is less likely to occur when the federation has multiple units.

6. *Integration at the centre: Building-in.* So far we have focused on the capacity of federalism to embrace autonomy as a major reason for the relative civility of the debate. Now we turn to the other side of the coin. Quebec and Quebecers have also been built into the national structure. This happens in many ways. At the most basic political level, it is virtually impossible to form a federal government in Canada without substantial support from Quebec. All governing parties in Canada are coalitions, but Quebec is always part of the coalition. With only very brief interludes, all Canadian Prime Ministers since the 1960s have been Quebecers. In addition, a federal Royal Commission that reported in the 1960s' found that Francophone Quebecers were under-represented in the most senior cabinet positions and in the senior public service, and that virtually all those who were in the system were required to work in English. This under-representation has now been virtually eliminated. Canada is an officially bilingual country, and the Official Languages Act is designed to provide protection and services to linguistic minorities both in Quebec and in the rest of Canada. Thus the 'building-out' of a high level of autonomy is accompanied by a large measure of 'building in' – ensuring that Quebecers are linked to and participate in the country-wide government. This is why the secessionist movement has realized that it must couple its proposal for sovereignty with the notion of 'partnership' or 'association' if it is to have any chance of success in a referendum. The lesson is that autonomy for minority groups is one element in a larger accommodation, but equally important the integration of the minorities into the central political system.

7. *Distinct but interdependent societies.* In many respects, language is fundamental. It sustains Quebec's distinctiveness and identity in many ways. For example, popular culture, the media, and associational life do take on the character of 'two solitudes,' with relatively few connections between them. But in other respects, Quebec and the rest of Canada are deeply intertwined. Despite globalization and North American integration, economic linkages within Canada remain strong. Geographically, Quebec lies at the centre of Canada; it is not an easily severed outlier.

This too moderates the intensity of the debate. Neither side wishes to threaten economic relationships that are critical to the well-being of both.

8. *The presence of the United States.* In general, United States policy has assiduously avoided intervention in the Canadian debate. Nevertheless, both sides recognize that the U.S. has a major stake in political and economic stability of the country on its northern border. This too appears to have a moderating effect both on Quebec separatist strategies (one reason for the emphasis on continued association once independence is achieved) and on reactions in the Rest of Canada.

9. *Saying no to violence.* Finally, I return to the one case in which there was violence, in 1970. The reaction of the federal, and provincial, governments to the kidnappings and murder was swift and draconian. Emergency powers were invoked; troops deployed; many innocent persons arrested; and so on. Some, including this writer, felt at the time that the reaction was much too harsh. But perhaps the key fact is that this assertion of authority was quickly followed by a return to normal, open, democratic politics. There was no continuing crack down. The democratic space was quickly re-opened. It thus became clear that violence would not be tolerated, but that free expression, even of radical separatist views, would be fully accepted. Hence the violent movement quickly disappeared, and Quebec nationalism continued on the democratic path. The lesson is that while violence must be stopped, the channels for democratic politics must be kept open.

These and perhaps other factors appear to explain why Canada has been able to conduct a debate about secession -- indeed about the very political future of a political entity called Canada -- with remarkable civility and within the framework of peaceful, democratic politics. No single country can serve as a model for others, since the circumstances of each will differ. Yet, the Canadian pattern does suggest some conclusions that may be applicable elsewhere. Most important are:

- The commitment to democratic values and tolerance
- The 'building out' to ensure that distinct minorities have a measure of self-government and empowerment to manage their own affairs
- The 'building-in' to ensure that these minorities are included rather than excluded in the larger political system.
- The use of coercive strategies only to reject violent strategies
- The need to ensure that debates about political futures are carried out within the parameters of democracy, constitutionalism and the rule of law, and respect for minorities -- the values espoused by the Supreme Court of Canada.
- The realization that whatever the outcome of the secession debate, close linked societies will continue to co-exist as neighbors and traders.

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