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# **The COVID-19 Crisis and Canadian Federalism**

**André Lecours  
Daniel Béland  
Nikola Brassard-Dion  
Trevor Tombe  
Jennifer Wallner**



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André Lecours

Daniel Béland

Nikola Brassard-Dion

Trevor Tombe

Jennifer Wallner

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Forum of Federations  
75 Albert Street, Suite 411  
Ottawa, Ontario (Canada) K1P 5E7  
Tel: (613) 244-3360  
Fax: (613) 244-3372  
[forum@forumfed.org](mailto:forum@forumfed.org)



Centre on Governance  
Faculty of Social Sciences, University of Ottawa  
120 University Private  
Social Sciences Building  
Room 5043  
Ottawa, Ontario, Canada K1N 6N5

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## Abstract

This paper examines the potential impact of the COVID-19 crisis on six key dimensions of Canadian federalism: social protection; intergovernmental relations; fiscal federalism; emergency powers; Québec nationalism and politics; and regional alienation in Alberta. On social protection, it suggests that federal politicians and civil servants might explore implementing incremental reforms of Employment Insurance and other components of federal income support as a result of the pandemic. We find little evidence of transformative change in intergovernmental relations, although their frequency has greatly increased during the COVID-19 crisis. From a fiscal perspective, the pandemic has amplified pre-existing pressures for increased healthcare transfers and reform to the fiscal stabilization program. The decentralized and collaborative handling of the crisis has reduced concerns of abuses of power and set a major precedent in terms of respecting provincial autonomy that may have rendered obsolete the *Emergencies Act*. The COVID-19 crisis is likely to consolidate, if not further the decline of both the independence option and the PQ, as it highlighted, among other things, the fiscal might of the federal government. At the same time, it is likely to sustain, if not aggravate feelings of alienation in Alberta as the province will remain a non-recipient of equalization despite the deterioration of its fiscal situation.

Ce texte examine les impacts potentiels de la crise de la COVID-19 sur six dimensions clés du fédéralisme canadien: protection sociale; relations intergouvernementales; fédéralisme fiscal; pouvoirs d'urgences; politique et nationalisme québécois; et aliénation régionale en Alberta. Concernant la protection sociale, le texte suggère que les politiciens et fonctionnaires fédéraux vont probablement explorer la formulation de réformes à l'assurance-emploi ainsi qu'à d'autres mesures d'appui au revenu en conséquence de la pandémie. Au niveau des relations intergouvernementales, rien n'indique une transformation malgré que leur fréquence ait nettement augmenté durant la crise de la COVID-19. Sur le plan fiscal, la pandémie a amplifié des pressions déjà présentes pour une augmentation des transferts en santé et pour des réformes au programme de stabilisation fiscale. La gestion décentralisée et collaborative de la crise a dissipé certaines craintes d'abus de pouvoir et établi un précédent majeur en matière de respect de l'autonomie des provinces qui rend potentiellement caduque la *Loi sur les mesures d'urgence*. Au Québec, la crise de la COVID-19 vient probablement consolider, sinon accélérer, le déclin de l'option indépendantiste et du PQ alors qu'elle a souligné, entre autres, la puissance fiscale du gouvernement fédéral. En même temps, la pandémie aura probablement pour effet de maintenir, sinon d'exaspérer, le sentiment d'aliénation en Alberta alors que la province demeure non-réципиendaire de la péréquation malgré la détérioration de sa situation fiscale.

## Introduction

Major crises have figured prominently in the development of Canadian federalism.<sup>1</sup> The COVID-19 pandemic certainly qualifies as a major crisis, not only in the specific public health domain, but also for its social, economic, and fiscal dimensions. As such, the pandemic comes with potential for change in the policies, processes, and territorial politics of Canadian federalism. Change can occur in many different ways: through the strengthening or exacerbating of pre-existing patterns; the re-shaping of public debate; the introduction of new policy ideas; the establishment of new precedents; the opening of windows for reform; and the emergence of political and/or economic incentives to alter existing programs, rules, and institutions. This paper examines the potential impact of the COVID-19 crisis on six key dimensions of Canadian federalism: social protection; intergovernmental relations; fiscal federalism; emergency powers; Québec nationalism and politics; and regional alienation in Alberta.

## Social Protection

In Canada as in other federations, the COVID-19 crisis has direct implications for federalism as it intersects with income transfers to individuals and families. Like in most other federations, the federal government took leadership during the pandemic in the field of income security, most of which falls under federal jurisdiction. This is the case because, although social assistance for nonelderly and non-Indigenous people is run by the provinces, the largest pension and family benefit programs are operated by the federal government. The same is true for Employment Insurance, in stark contrast with the configuration prevailing in the United States, where each state operates its own unemployment insurance while receiving financial support from the federal government.<sup>2</sup>

In addition to the fact that, before the crisis, the federal government already played the most important role in the field of income support, in Canada as in other federations, major national crises tend to increase its role in this area, at least in the short run.<sup>3</sup> This is certainly what happened during the Great Depression and the Second World War, for example. The fact that Unemployment Insurance (the name of Employment Insurance before 1996) and Family Allowances were both implemented during the Second World War illustrates this reality. Simultaneously, during the recent Great Recession that followed the 2008 financial crisis, the federal government enacted emergency income support measures. Finally, the 2008 financial crisis helped move the expansion of the Canada Pension Plan onto the agenda, a situation that helped pave the way for the expansion of the program, which was only agreed upon with the provinces in 2016. That was in the aftermath of the formation of the Justin Trudeau's Liberal majority government in 2015.<sup>4</sup> The consequences of the COVID-19 crisis on social protection could generate new debates—for example, on universal basic income) and reforms—for example, in Employment Insurance.

The federal government took the leadership in terms of providing emergency income support to Canadians at the beginning of the COVID-19 crisis. That change occurred when the negative economic effects of confinement became obvious. For instance, on March 25, 2020, the COVID-19 Emergency Response Act came into effect, featuring a new massive yet temporary federal program: the Canada Emergency Response Benefit (CERB). The CERB program provided “a taxable benefit of \$2,000 a month for up to 4 months to support workers who lose their income as of result of the COVID-19 pandemic.”<sup>5</sup>

Other income support measures featured in the *COVID-19 Emergency Response Act* temporarily included the following:

- an increase of Canada Child Benefit payments
- “a special top-up payment under the Goods and Services Tax (GST) credit,”
- “a pause on the repayments of Canada Student Loans,” and
- “a COVID-19 Response Fund that would provide one-time funding of \$500 million through the Canada Health Transfer”.<sup>6</sup>

On March 27, Trudeau also announced “a 75 per cent wage subsidy for qualifying businesses, for up to 3 months, retroactive to March 15, 2020. This helped businesses to keep and return workers to the payroll.”<sup>7</sup> Later on, the federal government adopted other temporary income support programs such as Canada Emergency Student Benefit (CESB), which provided temporary “financial support to post-secondary students, and recent post-secondary and high school graduates who are unable to find work due to COVID-19. This benefit was for students who did not qualify for the Canada Emergency Response Benefit (CERB) or Employment Insurance (EI).”<sup>8</sup>

Grounded in Keynesianism, these measures increased the role of the federal government in Canadian economy and society but they generated limited opposition from the provinces, despite some complaints about how the lack of work incentives embedded in CERB and CEST could undermine specific provincial priorities. For instance, mainly behind closed doors, Québec officials complained about the potentially negative impact of CEST on agricultural summer employment in the province.<sup>9</sup> Yet, overall, sending billions of dollars to individuals and families in the middle of the crisis helped boost the popularity of the Trudeau Liberal minority government in all regions of the country, as the Liberals clearly benefited from the crisis, according to polls.<sup>10</sup>

A potentially controversial issue in the field of income support is the idea of universal basic income, increasingly debated in Canada since the beginning of the COVID-19 crisis. Although popular on both the left and the right for different reasons, universal basic income would be a challenging measure to adopt in a federal country such as Canada. This difficulty stems from the , direct role that provinces play within the field of income support, as they operate social assistance programs for non-elderly and non-Indigenous people. Clearly, Ottawa could not implement a universal basic income program without discussing the issue with provincial leaders, who are unlikely to agree on the terms of such a new program. However, provinces are fine with letting Ottawa *temporarily* occupy more space within the field of income support during the COVID-19 crisis. When it comes to universal basic income, federal proponents would face a much greater challenge when trying to convince the provinces to move out of the field of social assistance or, at least, let Ottawa play a larger role in income support on a *permanent* basis. This is a key intergovernmental issue that even experts sympathetic to universal basic income have recognized.<sup>11</sup>

Within the field of income support for the unemployed, the federal government enacted massive temporary programs instead of simply beefing up the existing Employment Insurance (EI) program. This move reinforced the widely shared belief among social policy scholars that EI is rather inadequate, as it covers less than half of the unemployed, due in part to stringent eligibility criteria, which vary from region to region. The obvious flaws of Employment Insurance led Ottawa to bypass the program during the COVID-19 crisis through the enactment of massive, temporary programs such as CERB. Although hardly uncontroversial from a regional standpoint, fixing Employment Insurance



after the crisis is an option that would probably stir much less intergovernmental conflict than the more radical idea of universal basic income. Federal politicians and civil servants might explore implementing incremental reforms of Employment Insurance and other components of federal income support rather than focusing on the much more politically risky universal basic income.<sup>12</sup>

## Intergovernmental Relations

The COVID-19 pandemic puts in stark relief the deep interdependence of Canada's federal-provincial-territorial (FPT) governments. From the Prime Minister's earliest press release on COVID-19, which explicitly underscored the allocation of additional funding to provinces and territories "for critical health care system needs and support mitigation efforts as needed",<sup>13</sup> to any discussion of implementing a universal basic income, Canada's capacity to respond to this crisis involves concerted, sustained, and competent intergovernmental activity.

Compared to those of other federal countries, however, Canada's mechanisms and arrangements for intergovernmental relations (IGR) are relatively *ad hoc* and poorly institutionalized. Traditionally, collective interactions among the Prime Minister and the premiers happen at most annually, if at all, and always "at the pleasure" of the Prime Minister. Typically, these high-level meetings garner some media attention and produce vague press releases, with little else. Key actions, such as adjustments to federal transfer payments, are often made unilaterally by the federal government with little public consultation carried out with provincial and territorial premiers and ministers of finance. The more sustained and substantial workhorses of IGR are found at the sectoral level, with dedicated tables led by ministers and supported by deputy ministers to achieve some degree of coordination in such areas as immigration, the labour market, health care, and the environment. To be sure, the Pan-Canadian Accord on Climate Change negotiated through First Ministers Meetings supported by a sectoral table dedicated to the environment marked one deviation from this pattern; but this exception largely confirms the rule.

The impact of the COVID-19 crisis on IGR can be clearly seen in the changes observed in the *frequency* of high-level intergovernmental interactions. It seems that federal leaders have drawn lessons from experiences gained through the recent negotiation of two major international agreements and applied them to help manage the current crisis. When laying the groundwork for the Comprehensive Economic and Trade Agreement (CETA) in 2009, representatives from the provinces and territories participated in drafting the negotiation mandate and became full participants in the proceedings.<sup>14</sup> More recently, during the re-negotiation of NAFTA – now known as USMCA – federal, provincial, and territorial representatives worked closely to maintain a united front and secure the best possible agreement for the country. During the peak of the process, the prime minister held weekly phone calls with his counterparts across the country to keep them apprised of developments and hear feedback on key priorities.

Through the COVID-19 crisis, Prime Minister Justin Trudeau and Deputy Prime Minister and Minister of Intergovernmental Affairs Chrystia Freeland, who had previously served as Minister of Foreign Affairs and led Canada's NAFTA renegotiation team, were drawing lessons from these experiences, staying in close contact with provincial and territorial leaders and other members of the executive. Essentially, there is a weekly First Ministers Meeting via telephone conference call, to ensure that leaders are up-to-date and have the chance to share information directly with each other. It was



through these meetings, for example, that the Prime Minister raised the idea of invoking the *Emergencies Act* to oversee and manage the COVID-19 pandemic and recovery. The premiers were swift on the follow-up call with the Prime Minister: the premiers declared that there was a collective consensus that such a measure was unnecessary at the time.<sup>15</sup> While this frequency of activity could mark the beginning of a new tradition of virtual and more regular exchanges, such interactions will inevitably rely on the outlook and approach of each prime minister to come.

So far, in other dimensions of IGR, we find little evidence of transformative change emerging from the COVID-19 pandemic. The federal government has issued statements outlining directed measures for Indigenous Peoples. However, no direct participation of Indigenous Peoples has emerged in the development of the measures or the ongoing response to the pandemic. Municipalities also remain sidelined from the ongoing conversations, even though the major Canadian cities play a critical role in combatting the spread of COVID-19, as witnessed in Toronto and Montreal. And the crisis is reconfirming Canada's weak data collection systems, particularly in public health.

On May 21<sup>st</sup>, the premiers shelved their own annual meeting of the Council of the Federation, which was scheduled to be held in Québec July 22 to 24, postponing it to the fall.<sup>16</sup> And so, one of the more robustly structured intergovernmental organizations in the country is not being deployed during the pandemic. In the meantime, individual premiers, like Blaine Higgs from New Brunswick, are instead using the media to publicly sound an alarm on the long-term stability of federal transfer payments to the provinces and territories in the face of the massive economic downturn that is taking hold across the country and around the world. It appears that despite all these challenges, IGR practices and perspectives are showing few signs of meaningful, substantive, and long-term adjustment.

## **Fiscal Federalism**

The COVID-19 pandemic may have important implications for fiscal federalism in Canada. There are important advantages to a decentralized federation such as Canada. Such federal countries allow provincial governments to tailor public services to local circumstances and preferences. A decentralized federation also facilitates policy experimentation that can benefit all regions by revealing what works well and what does not. But there are also disadvantages. Provincial governments, for example, may neglect spillover effects on other regions. A pandemic event puts this concern directly in the spotlight, as actions to control the spread by one provincial government directly benefit others. Mobile individuals also mean that, for example, education spending in one region can benefit others if individuals move later in life. In addition to spillover effects, there can be lack of economies of scale and inefficiencies in taxation. Also, significant autonomy may exacerbate regional inequalities. COVID-19 may increase the importance of some of these disadvantages of a decentralized federation such as Canada, and therefore provide incentives for changes in fiscal transfer arrangements.

Economies of scale and more efficient taxation, for example, mean fiscal constraints do not restrict government actions nearly as much federally as they do provincially. The federal government can borrow at lower rates and, in extreme circumstances, leverage its authority over the central bank and monetary policy. The scope of COVID-19 means the federal government is best positioned to borrow for funding many of the pandemic-related costs. The federal government is also best situated – and motivated – to pool the risks nationally. This is because COVID-19 is causing more severe contractions in some provinces where the pandemic spreads more broadly. The pandemic is also

leading to other uneven pressures on different provinces and territories from falling world trade and lower commodity prices.

Two pre-existing arrangements—the federal Disaster Financial Assistance Arrangements and the Fiscal Stabilization programs—may be adapted to provide short-term support to provincial governments and pool certain risks.<sup>17</sup> The former program is, to date, used only for natural disasters. Pandemic events are explicitly excluded, but COVID-19 may lead to a re-evaluation of this policy, as we have seen elsewhere. This year was, for example, the first time the United States used the Stafford Disaster Relief and Emergency Assistance Act for a pandemic. The Fiscal Stabilization program, meanwhile, addresses sudden and sharp revenue reductions for provincial governments. The current program is limited to no more than \$60 per capita for cash grants, and five-year interest-free loans beyond that. Various provinces—notably Alberta—raised concerns about the program prior to COVID-19, and the federal government agreed to review reform options. This pandemic may motivate changes to, at the very least, the limit on cash grants, or it could lead the federal government to provide interest-free loans, which would be a first.

Even if the federal government avoided such changes, COVID-19 created the conditions where other changes—minor, yet still important—will be difficult to resist. Most notably, the two largest federal transfer programs—the Canada Health Transfer (CHT) and Equalization—are tied to a three-year moving average of nominal GDP growth (*i.e.* GDP growth not adjusted for inflation). If, due to COVID-19, economic contraction in 2020 is severe (above 10%) then the three-year rolling average could be -1% (even if recovery in 2021 is robust). This will shrink the pool of equalization dollars by that amount and slow the growth of CHT to its floor of 3%. The effect is modest but meaningful: federal transfers may be approximately \$1.25 billion below business as usual. To avoid adding to provincial fiscal strain, the federal government would need to amend the *Fiscal Arrangement Act* to adjust the equalization and CHT formula. And opening that door may motivate the federal government to make other changes, as the political fixed cost of changing the Act would be already paid.

Longer-term changes to Canada's fiscal federalism may also result from COVID-19. This is particularly the case where inter-provincial migration may result.

Researchers have long recognized the potential inefficiency of sub-national governments engaging in progressive taxation—taxing those with high incomes at a greater rate than low-income taxpayers. When taxes are disconnected from public service benefits, some wealthy taxpayers might just move out of the jurisdiction.<sup>18</sup> Though not the only consideration, this is an important argument for the federal government maintaining a large presence in the income tax field and transferring any excess revenue beyond its own expenditure needs to provincial governments. This intuition may help understand potential changes to health transfers in Canada, especially following COVID-19.

Healthcare costs, after all, may create a similar wedge between local public service benefits received by individuals within a province and the taxes they pay. Younger people may leave provinces with older populations to avoid the high and rising costs of healthcare delivery, which is largely borne by provincial governments. Such migration erodes local tax bases and may trigger inefficiently high marginal tax rates in provinces with older populations, which can increase the number of those fleeing from these provinces.

Federal transfers to share healthcare costs help, and COVID-19 may amplify pre-existing pressures for increased healthcare transfers as populations age. Currently, the Canada Health Transfer

is equivalent to just over 21% of provincial healthcare spending and is slated to gradually decline in the coming years. With the added strain COVID-19 has placed on provincial healthcare systems, increased federal healthcare transfers may occur. An increase the CHT by \$6 billion would increase the federal share to 25%. And a growth rate of approximately 4.5% would, roughly, maintain that share in future years.

But beyond this efficiency argument for federal healthcare transfers, COVID-19 is creating health challenges that cross provincial borders. Many activities in the health sector with benefits to all regions may be best done federally, as provinces would otherwise under-produce services that had positive spillover effects on other provinces. Vaccine development, for example, is appropriately federal. But coordinating testing and contact tracing across provincial boundaries, especially when travel patterns normalize, may become an area of more active federal involvement. Federal cost-sharing arrangements may be one example of such involvement. Indeed, in early June, the federal government announced a new \$14 billion transfer to provinces to offset incremental costs for coping with the pandemic and the reopening of activity afterwards.

There will be trade-offs to consider with any changes to fiscal arrangements — especially the moral hazard concern that increased federal transfers will insulate provincial governments from the consequences of fiscal decisions. This is a particularly relevant concern for oil producing provinces of Alberta, Saskatchewan, and Newfoundland and Labrador. Federal policy changes must also balance the ever-present tension between provincial autonomy and broader national concerns. Healthcare transfers are largely unconditional and moving away from this approach will be difficult and potentially undesirable. Regardless of the details, and how governments navigate these challenges, the COVID-19 pandemic will create challenges for fiscal federalism that may lead to material reforms. Those may be smaller or larger, depending on policy preferences of governments. But the pressures for reform will be real and potentially significant.

## Emergency Powers

As the infection rate of the coronavirus began to rise at an alarming pace in the Spring of 2020, many wondered why the federal government did not invoke the *Emergencies Act* to offer a rapid and uniform response to a situation that had taken national proportions.<sup>19</sup> Indeed, the pandemic meets the definition of a public welfare emergency under s. 5 of the Act, given that every province has registered cases of the disease. Pursuant to s. 8(1), declaring a public welfare emergency would grant the federal Cabinet the authority to exercise extraordinary powers, many of which are constitutionally reserved to the provinces and would infringe on civil liberties. Yet, the unprecedented restrictions on gatherings and inter-provincial/territorial mobility, along with widespread closures, have instead been imposed by provincial and territorial governments. Historical and political factors explain why parliament did not declare a national emergency to the public welfare, a decision that could represent a significant precedent for federal government behavior in future crises.

Canada has an unenviable track record regarding its use of emergency powers. Approximately 8,000 people of German or Austro-Hungarian origin identified as “enemy aliens” were interned in Canada between 1914 and 1929, and an additional 80,000 were placed under regular surveillance.<sup>20</sup> During the Second World War, nearly all 22,000 residents of Japanese origin living in British Columbia had their property seized, were detained or interned in camps, then permanently displaced throughout

Canada.<sup>21</sup> Finally, any reference to emergency powers almost inevitably resurfaces uneasy memories of the October Crisis and Prime Minister Pierre Trudeau's brash "just watch me" response to a journalist asking how far he was willing to go to quell the activities of the *Front de Libération du Québec* (FLQ). Ultimately, under the powers of the *War Measures Act*, almost 500 people suspected of ties to the FLQ were arrested and detained without charge throughout the conflict that cost the life of provincial cabinet minister Pierre Laporte.<sup>22</sup>

What these executive decrees had in common is that they were subject to no parliamentary debate or oversight and contributed to a sense of mistrust among many Canadians towards the use of emergency powers. For the *War Measures Act* left the declaration of an emergency entirely to the discretion of Cabinet.<sup>23</sup> Assented to in 1988, the *Emergencies Act* repealed and replaced the controversial *War Measures Act* proclaimed in 1914. If invoked, any use of the Act's powers must comply with the constitutional *Charter of Rights and Freedoms* and the principles of the rule of law (s. 58), and cannot "unduly impair the ability of any province to take measures... for dealing with an emergency in the province" (s. 8(3)(a)). Consequently, for historical reasons including the October Crisis and constitutional patriation process in the early 1980s, the name Trudeau carries a legacy of intrusion into provincial jurisdiction. When Justin Trudeau's Liberals were returned to power on October 22, 2019, the result of the federal election revealed a divided country. The Conservative Party all but swept the entire Prairie region, where Alberta and Saskatchewan Premiers Jason Kenney and Scott Moe warned of a growing sense of alienation and called for a "new deal" on Canadian federalism to avoid a "national unity crisis".<sup>24</sup> Moreover, to maintain the confidence of the House of Commons, the minority Trudeau government needs the support of the Bloc Québécois, elected with the third most seats and a fierce opponent to federal intrusion into matters of provincial jurisdiction. Thus, the short-term consequence of not declaring a public welfare emergency may have been to avoid further political instability by adding an intergovernmental crisis on top of a public health crisis.

In fact, part of the political reasons the *Emergencies Act* was not invoked to contain the spread of COVID-19 involves an awareness of the importance of respecting provincial autonomy. While international borders and powers of quarantine are federally regulated under s. 91 of the *Constitution Act*, 1867, property and civil rights, along with health care, fall within the exclusive powers of provincial legislatures in Section 92. Provincial premiers unanimously rejected Trudeau's offer to invoke the *Emergencies Act*, which requires consultation with the provinces.<sup>25</sup> Even Deputy Prime Minister, Chrystia Freeland, has called the Act a "last resort", a feeling shared by the federal Health Minister, Patty Hajdu.<sup>26</sup> Put simply by Ontario Premier Doug Ford, "every province is different, so we need to make sure we still have the power to take the necessary decisions for the health and economy of each province".<sup>27</sup>

In fact, although the situation has reached national proportions, the spread of the coronavirus is highly uneven across the federation, ranging from slightly over 3,900 confirmed cases in five provinces, to well over 5,700 deaths in Quebec and over 2,700 deaths in Ontario. As a result, the medium-term consequence to Canadian federalism of this decentralized response to the pandemic will be felt during the deconfinement phase that is bound to be much less symmetrical than the confinement phase. If the larger economies of Ontario, Quebec, and Alberta – which so far account for 93% of confirmed cases – are unable to fully contain the spread and must prolong restrictions, this will cause further damage to the national economy, not to mention tensions at the border with provinces experiencing little to no new cases and eager to relax their own restrictions on civil liberties.

Given the asymmetrical effects of the coronavirus, a decentralized approach has nevertheless proven to be a more sensible response and one that is far more conducive to long-term collaboration

among premiers than invoking the *Emergencies Act*. It avoids the excessive use of force and intrusion into provincial jurisdiction that, when done in the past, created lasting bitterness and mistrust. Moreover, while the normal channels of accountability are not functioning optimally, namely legislatures and the judiciary, the executive branch of each order of government had to play a pivotal role in keeping one another in check. An appropriate and effective response to a public health crisis in a federal democracy demands a measured reaction that cultivates the mutual trust between citizens and their government, and amongst governments themselves. Because, ultimately, all have important responsibilities in preventing the further spread of the virus. So far, the decentralized and collaborative handling of the crisis has reduced concerns of abuses of power and set a major precedent in terms of respecting provincial autonomy. This collaboration between governments might have rendered obsolete the *Emergencies Act*, at least in response to a pandemic.

### Nationalism and Politics in Québec

A central mission of federalism in Canada has been to ensure the survival of the country by providing Québec with the necessary accommodation, most notably autonomy, to keep it part of the federation. Before the pandemic, two relatively new developments had occurred with respect to the place of Québec within the Canadian federation. First, the independence project had lost much momentum and support. Second, that project's main political voice, the *Parti Québécois* (PQ), had fallen to third place (tied with *Québec solidaire* in terms of number of seats) at the 2018 Québec elections, with the autonomist nationalist *Coalition Avenir Québec* (CAQ) forming a majority government. The COVID-19 crisis is likely to consolidate, if not further, the decline of both the independence option and the PQ, and to help the CAQ and its autonomist nationalism, despite the fact that Québec's death rate, as broken down provincially and compared with other countries, is 598.1 per million, higher than Italy's (562.3) and just below that of the United Kingdom (611.7).<sup>28</sup>

Economic and fiscal considerations have always been the Achilles heel of the independence project. The COVID-19 crisis has reminded Quebeckers of the fiscal and financial might of the federal government, which has launched several impactful social programs (described above) in a short period of time. At the same time, the crisis provided Quebeckers with a glimpse of the exposure an independent Québec (presumably without its own currency, central bank, and military) would have to pandemics. The request by the Québec government for over a thousand members of the Canadian armed forces to be deployed to care for seniors in the *Centres hospitaliers de soins de longue durée* (CHSLD) was a striking reminder of the resources of the federal government. Making the argument for independence, which was already a tough task before the pandemic, has just become even more difficult. Even sovereigntist columnists have understood the impact of “pandemic federalism”.<sup>29</sup>

For political actors still thinking about another independence referendum, the pandemic probably means reverting to a “soft” question scenario. Quebeckers' concerns about the economic and fiscal strength of an independent Québec led the PQ to speak, for decades, of “sovereignty-association” (1970s and 1980s) or “sovereignty-partnership” (1990s) instead of outright independence. In recent years, as the independence option receded (and also as a result of the question in the 2014 Scottish independence referendum),<sup>30</sup> PQ politicians and other independence supporters had moved towards a preference for a more straightforward question, without notions of association or partnership. To the extent that a referendum question is still debated amongst supporters of independence, the pandemic most likely forces a return to the “hyphen”. As Michel David remarked in the context of the 40<sup>th</sup>

anniversary of Québec's first independence referendum, the pandemic "*confortera plusieurs dans l'impression que le lien avec le Canada a été plutôt bénéfique*".<sup>31</sup>

The detrimental effect of the pandemic on the independence project means the PQ will be the Québec party in the most difficult political position after the pandemic.<sup>32</sup> As the historical voice of the independence project, but already unsure before the pandemic about how strongly it should focus on the national question, the PQ will likely struggle to make electoral headway in the 2022 Québec elections, whether it chooses to speak seriously about another referendum (a notion that will probably seem incongruous in the immediate post-pandemic context) or elects to forego the idea (in which case, it de-mobilizes its most fervent militants). *Québec solidaire* also favours independence, but it has a clear socialist and environmentalist program, as well as a foothold amongst a younger generation of Quebeckers, which might help mitigate the consequences of a further softening in support for independence.

The CAQ's autonomist nationalism<sup>33</sup> exhibits a fair degree of pragmatism (for example, the decision to request the presence of the Canadian armed forces in CHSLDs despite the bad optics of such a move for a nationalist party), which puts it in a good position to keep its strong electoral support during and coming out of the pandemic. Premier Legault effectively combined frequent references to the Québec nation (and how proud he was of it) with a willingness to collaborate with the other governments in the federation. As we explained above, conflict with Ottawa was somewhat surprisingly kept to a minimum. Québec was objectively the province worst hit by the pandemic in Canada, with CHSLDs being particularly disastrous. Yet the CAQ government, while admitting some measure of responsibility, invoked a general lack of preparation (especially within CHSLDs) that can easily translate into blame-shifting towards its Liberal predecessor. Indeed, the Couillard government remains associated with austerity and with a reform of the structures of the health system that emphasized a top-down centralization that seemed to make the system unresponsive to the crisis. In short, the CAQ should not come out of the pandemic weakened, especially since its adversaries are likely to be more perturbed by the new context and its legacy.

### **Regional Alienation in Alberta**

Western alienation, centered in Alberta, is a phenomenon that is both enduring and fluctuating. Contrary to the conditions set for the founding provinces, Western provinces (except for British Columbia) were not allowed to reap the full benefits of their natural resources, as the federal government argued it needed financial resources to populate the West and build the railway. These provinces struggled for the ownership of their natural resources until it was finally granted to them in 1930.<sup>34</sup> In this context, feelings of alienation from the federal government and the central provinces developed early on. Western alienation was always strongest in Alberta where it experienced ebb and flow. A peak in alienation occurred in the early 1980s, when the Pierre Trudeau's federal Liberal government implemented the National Energy Program (NEP). This program regulated the price of oil, preventing Alberta from taking full advantage of rising oil prices. The NEP episode led to the slogan 'Let the Eastern Bastards Freeze in the Dark,' very much representative of the Western alienation felt at the time. The late 2010s represented another peak period for alienation in Alberta, and the COVID-19 crisis is likely to sustain, if not to aggravate, these feelings.

The most recent manifestation of alienation in Alberta is once again linked to oil, more specifically to pipeline politics. Before the pandemic, the oil production capacity of Alberta exceeded its ability to take it to foreign markets other than the United States, where almost all of its oil export currently goes. In a context of high international demand but also of a production boom in both Canada and the United States, being able to sell oil to Asia and Europe seemed to hold the key to Alberta's economic growth.

To take its oil to these markets, Alberta, as a landlocked province, needs expanded or new pipelines to the West and/or East coast. From the moment he ran for the leadership of the United Conservative Party of Alberta (UCP), Jason Kenney attacked the federal Liberal government for wanting to destroy Alberta's economy by preventing pipeline expansion. Kenney also denounced the ingratitude and hypocrisy of provinces like Québec who receive equalization while opposing pipeline developments.<sup>35</sup> As Premier, Kenney has continued in the same vein, setting up the Fair Deal Panel to explore how to get the best "deal" for Alberta within the Canadian federation.

The COVID-19 pandemic is unlikely to quell current feelings of alienation in Alberta for several reasons. First, while the approval ratings of Jason Kenney are relatively mediocre, the UCP remains in good shape to form a majority government after the next elections. Still, the overwhelming majority of premiers have seen their approval ratings go up, even skyrocket, during the pandemic; Kenney is an exception.<sup>36</sup> Facing political difficulty at home, it may be tempting for Premier Kenney to ratchet up rhetoric against a perceived common enemy, namely the federal Trudeau Liberal government. Second, the pandemic comes with significant economic and fiscal consequences. Most notable for Alberta is the collapse of oil prices, which has already led to Premier Kenney pleading with the federal government to do more to so support the oil industry. Consequently, there is certainly no appetite for Alberta to increase government revenues by implementing a sales tax or increasing income taxes for residents, despite the consistent recommendations from economists throughout the country.<sup>37</sup> Also, the further weakening of the Alberta economy during COVID-19 will involve a shrinking in the federation's territorial economic and fiscal disparities, which could make equalization even more intolerable to the Alberta government.

Finally, the report stemming from the Fair Deal Panel consultations, which represented major manifestations of Western alienation, was submitted in mid-June 2020. The panel's 25 recommendations focus heavily on measures to increase the scope and power of the provincial government and could further galvanize alienation sentiments. One of these recommendations is the organization of a provincial referendum, scheduled for late 2021, to ask whether Albertans favour removing Equalization from the Canadian Constitution. Despite provincial governments having no legal role in the existence or design of the program, the referendum would raise tensions to unprecedented levels.

In addition, the panel called for many other recommendations, including these:

- the creation of a separate provincial police force
- withdrawing from the Canada Pension Plan
- continuing to challenge federal legislation through the courts
- asserting more control of immigration flows to Alberta
- opting out of cost-sharing arrangements with the federal government



The government rejected none of the panel recommendations, and explicitly accepted 22 of the 25. The process of exploring and reporting on the possible implementation of each of these recommendations will likely keep feelings of alienation in sharp focus for some time to come.

## Conclusion

The COVID-19 pandemic presents potential for change in Canadian federalism, primarily in the areas of social protection and fiscal federalism. In these areas, such potential is linked to the emergence of new ideas and debates as well as to providing additional momentum for reforms that were already considered or requested before the pandemic. New policy ideas include a universal basic income or improving Employment Insurance, and opening the Disaster Financial Assistance Arrangements to pandemics. Reforms to federal transfer programs such as Fiscal Stabilization, Canada Health Transfer and even Equalization appear possible, even probable. The pandemic may also have created important precedents. For example, it is hard to see how the federal government would invoke the *Emergencies Act* in future disease outbreaks considering the rather harmonious and effective intergovernmental relations that characterized the management of the COVID-19 crisis. The frequency of interactions between premiers as well as ministers during the COVID-19 may also induce more regular high-level federal-provincial-territorial contact. On territorial politics, the pandemic is likely to strengthen two important trends in the Canadian federation: the weakening of secessionism in Québec, which involves more problems for the PQ and favours the autonomist nationalism of the CAQ, and a surge in feelings of regional alienation in Alberta. The details of the future course of Canadian federalism remain uncertain. Yet these adjustments and adaptations spurred by the global pandemic are probable. Moving forward, what will be needed is concerted and dedicated leadership to determine the best course of action Canada should take in its quest to continually renew and improve the federation.

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