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# *Stretching the Federation*

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*The Art of the  
State in Canada*

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EDITED BY  
ROBERT YOUNG



Institute of Intergovernmental Relations  
Queen's University, Kingston, Ontario

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The Institute of Intergovernmental Relations at Queen's University has a mandate to undertake research and to disseminate the results of its research.

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# *Introduction*

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ROBERT YOUNG

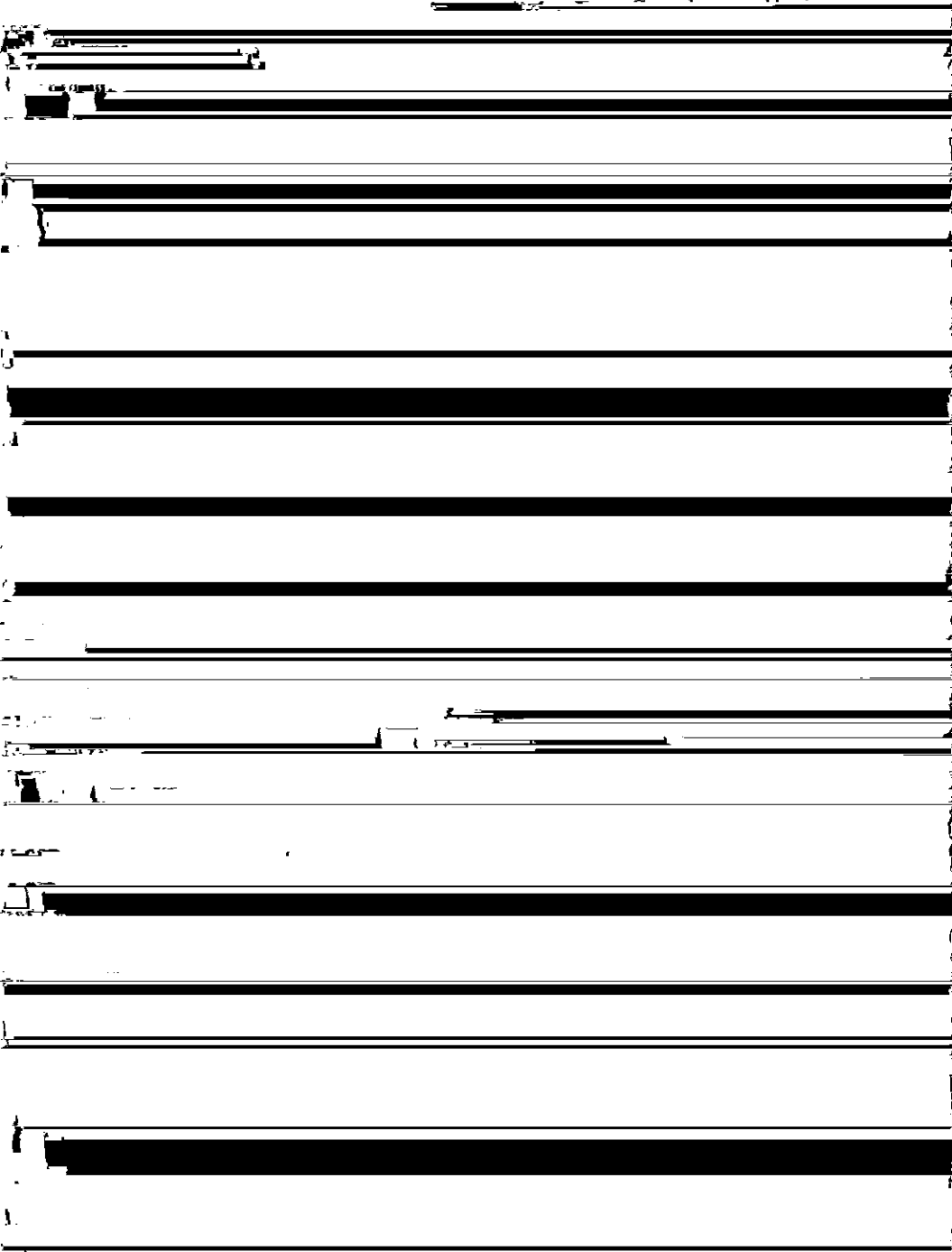
in October 1997. Some time has passed since the



ization from Ottawa and much better federal-provincial coordination. The second, more radical model laid out a system where a great deal would be

of these features could profitably examine Watts's own recent [1996; 1999]

union framework).



7 Introduction



itself rooted in Lockian notions of contract and consent, and subject to the

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tinct identities, as long as there are some common values and a commitment

to the common good. The question of what the common values

are is a matter of the substance of the exchange of loyalty to the

dards in social provision. The enhanced role of government in economic sta-

individualization of social relations and weakening of collective institutions

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or in the case of Canadian provinces, surpluses. In those cases, the

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...the importance of location in some

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... of function and function. This makes it diffi-

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emerged. At the end of the twentieth century, however, when state





petences in all matters under their purview. The European Union has introduced provisions notably in the Maastricht Treaty, to...

[The following text is almost entirely obscured by heavy black redaction bars.]



*Equity*

... of issues concerns equity. Competitive federalism will bene-

have suffered from the effects of the [redacted] [redacted] [redacted]

[redacted]

A fourth issue concerns the "democratic deficit." Federalism and regional devolution have been promoted partly as a means of bringing government

constitutional forms tend to lag behind functional realities. Governing insti-



in an age before language was the primary badge of social identity.  
The 19th-century wars marked by religious wars in which the lines of

conflict cross-cut linguistic cleavages.

decentralization in Canada. Since each district is a

[REDACTED]

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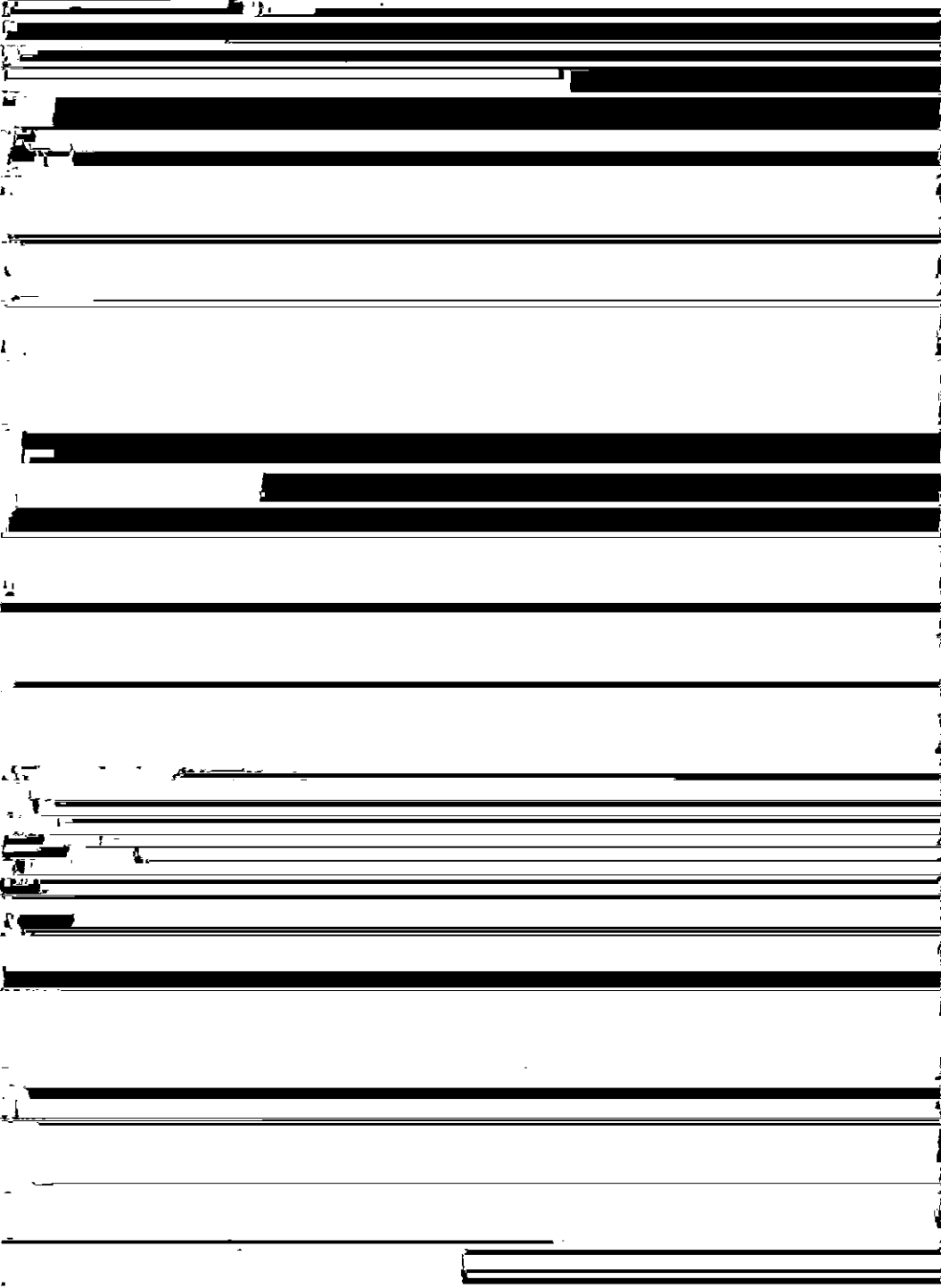
7-10-88 - 1 County of... From the beginning particularly

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... and interdenon

... 12-88

result of these multiple tiers is increased complexity. Another aspect of the trend to multi-tiered...



tionally decentralized unions, federations, confederations, federacies, associated states, and joint functional authorities.<sup>2</sup> Furthermore, within each of

metry in the jurisdiction of constituent units. All of these elements \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

All other studies continue are unimportant (cc

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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*Efficiency, Reliability, or  
Innovation? Managing  
Overlap and  
Interdependence in  
Canada's Federal System  
of Governance*

---

EVERT A. LINDQUIST

INTRODUCTION <sup>1</sup>



monization of environmental protection and regulations, to improve support  
of, and to provide for, development of, and to initiate health care pilot pro

the extent of overlap and duplication between federal and state

administration and governance, the presence of overlap and duplication is regularly viewed in negative terms and cast as dysfunctional. From the ear-

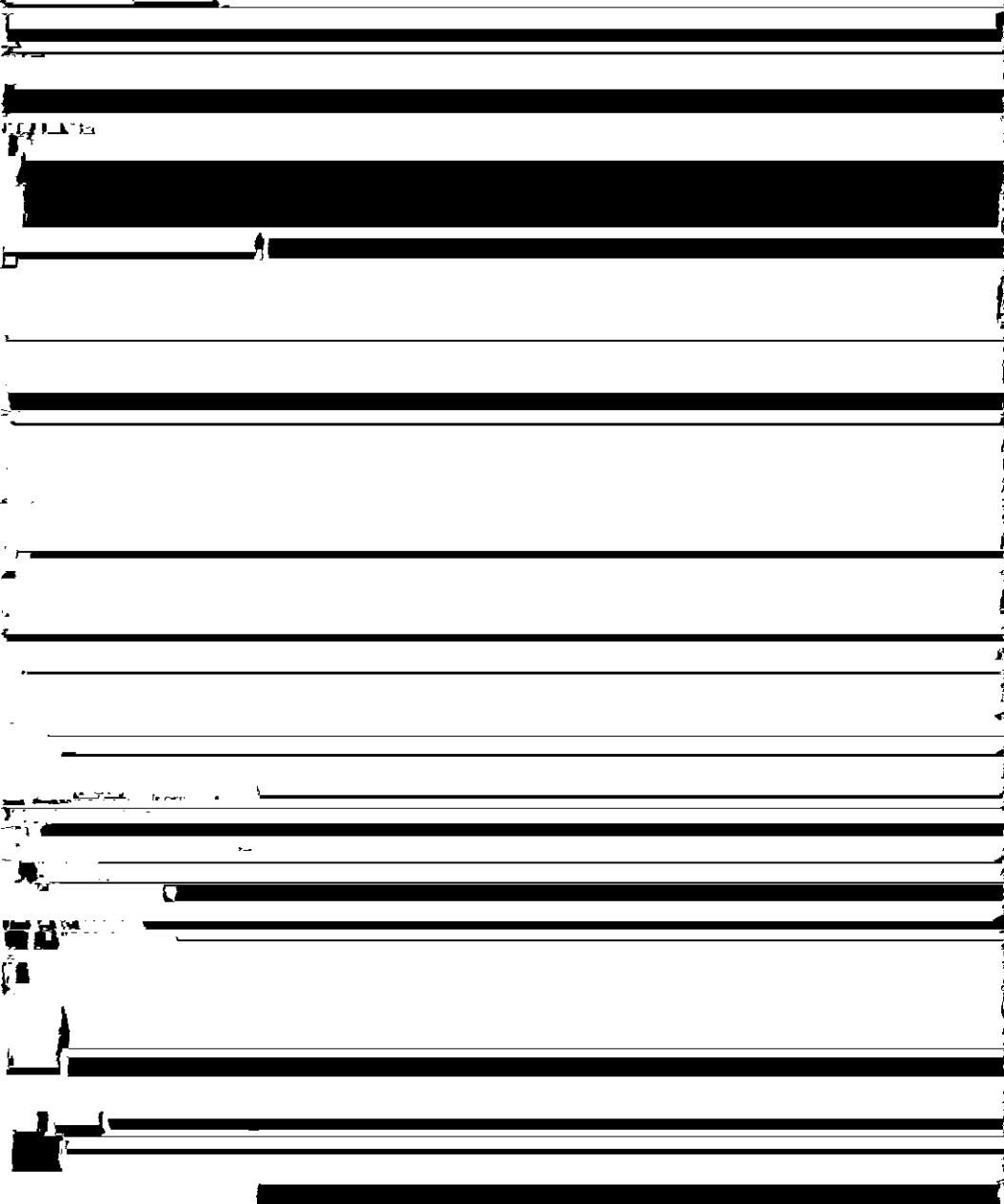
and that public goods are to be provided.

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- *Developing new niches.* Governments are driven, whether through political opportunism or public demands, to identify and respond to

~~emerging problems and~~





the day; they believe that governments should be evaluated and held to



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health delivery systems was about to accelerate dramatically, and the federal government would reduce support to the provinces.

*The Canada Health and Social Transfer (CHST) arrangements*

health systems which include such services as home care, long term care, rehabilitation, and pharmaceutical programs, are provided by provincial/territorial

Health Services, under the provisions of the Canada Health Act

the federal government sought to take

the federal government sought to take

able indeed, and liberate scarce funds for other health services.

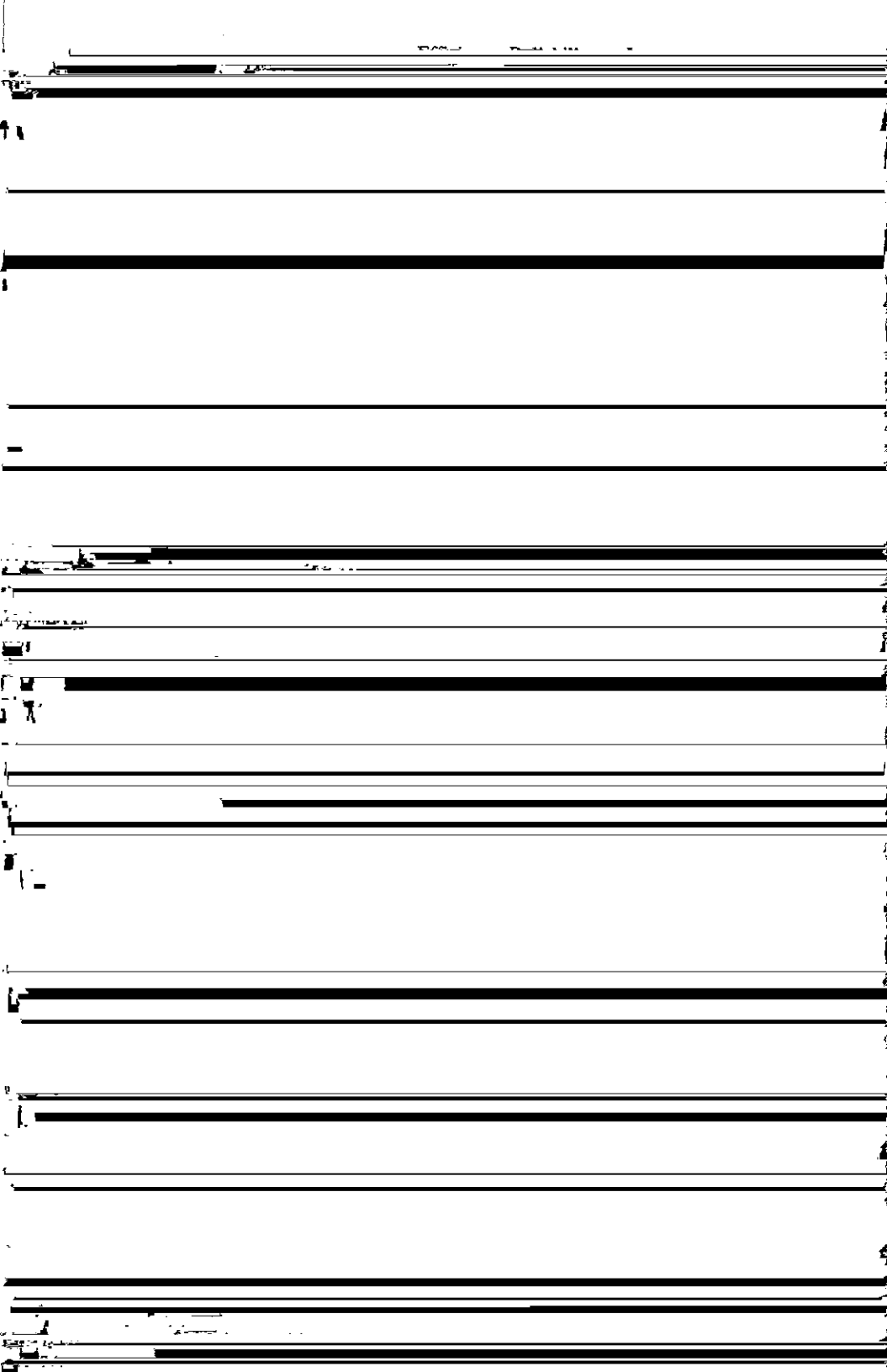
The ... debate over health care can be described as a shift of where

“reliability” and access to high-quality care is to be guaranteed by Canadian

*(Agriculture and Agri-Food, Canada, Defence, Fisheries, and ...)*

[REDACTED]

municipal governments across Canada, one which seemed to focus on the







*Environmental Protection and Assessment:*

[REDACTED]

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ing assertiveness on the part of the federal government that a new regime

...of the review process for a business community...

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[The remainder of the page is obscured by heavy horizontal black bars, rendering the text illegible.]



ments. In April 1997, the Canadian Food Inspection Agency was established by the federal government as part of an overhaul of the national regulatory

*Blueprint for the Canadian Federal Food Inspection System*







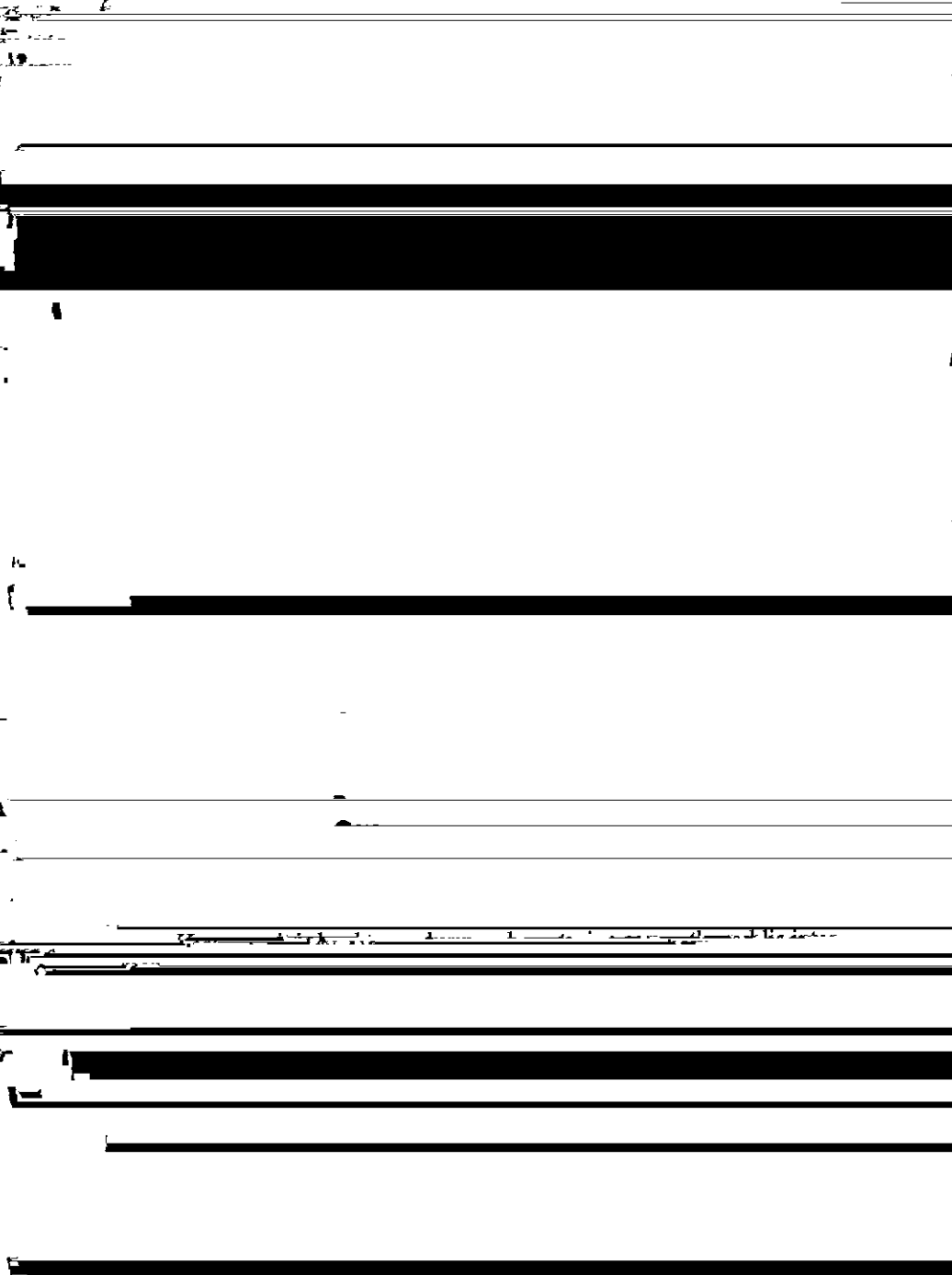
responsibilities in each field. For all the rhetoric about reducing overlap, and without trivializing the efforts to reduce overlap through *ex ante* or *ex*

[REDACTED]

between governments would help field officials to more easily anticipate, adjust, and innovate with programs.

The federal government is not alone in facing these challenges. State and local governments are also facing these challenges. The federal government is not alone in facing these challenges. State and local governments are also facing these challenges.

resource efforts in a given policy domain, and the complexities of the problems and administrative systems at hand. This creates a golden opportunity



signaled. Governments should not demand that

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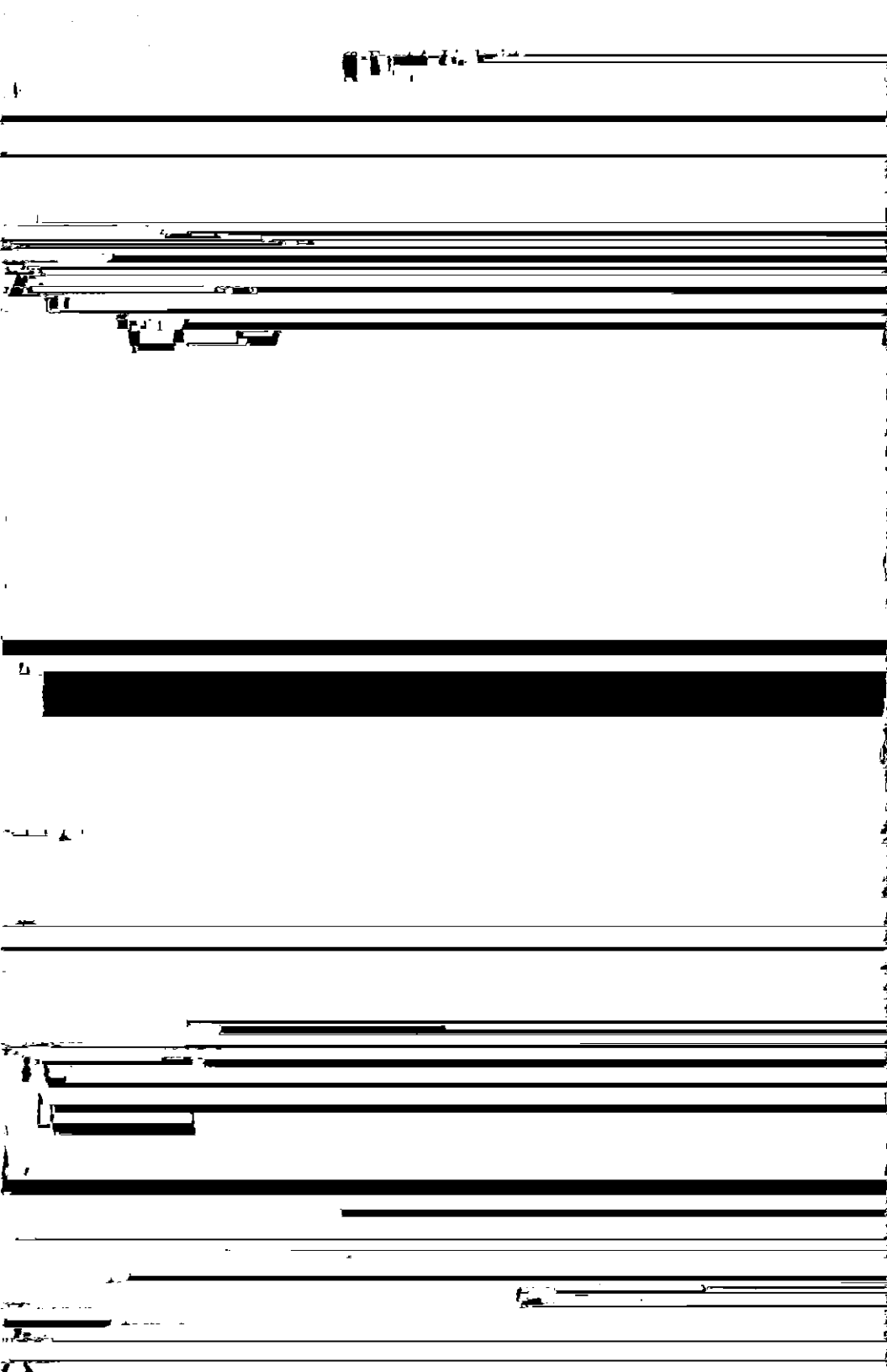
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have an incentive to do so because, regardless of their ambitions, they will inevitably find themselves contending with overlap and managing interdependence as their predecessors have done. Better information and the adroit use of language will not bring an end to opportunism by political leaders, for







COMMENTS ON  
EVERT LINDQUIST'S PAPER  
J. PETER MEEKISON

This is a thought-provoking paper which looks at the practice of federalism.

The introductory section —

[REDACTED]

sive case law on this subject. Such debates over jurisdiction also conjure up images of watertight compartments. From the perspective of an intergovernmental negotiation, that is a realistic place to start a dialogue.

Professor Lindqvist, as Professor Lindqvist correctly observes, that

interdependence is a principal characteristic of public policy today.

interdependence leads to overlap, and to a lesser extent, duplication. As

sigtown Graham and ... ..

1941  
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1943

its profile is much greater. A potential difficulty with the latter is that if the

conflict may have been sown.

#### REGULATION

Lindquist's other two case studies, environmental harmonization and the Canadian Food Inspection Agency, are equally informative, but their impor-



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Average
4,861
77
921
5,859

Average
1,513
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492
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846
207
5,859

revenue, are received almost exclusively by provincial governments. Net

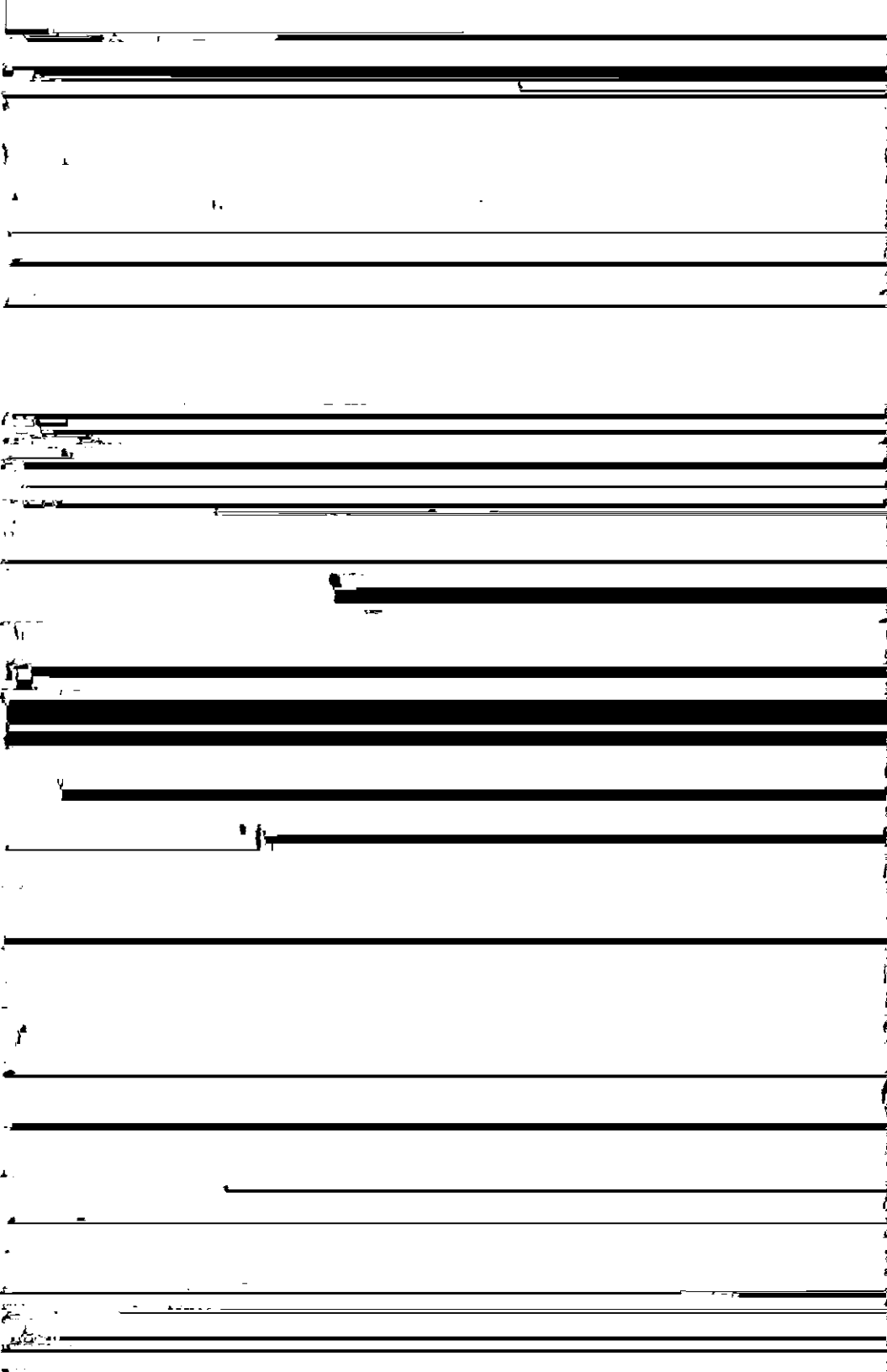
tance of transfers both as a federal expenditure and as a contribution to

$$\sum_i DS_i = \overline{DS}$$

$$\sum_i TrR_i = \sum_i TrE$$

In words, the sum of individual taxes must equal the total taxes collected in







- a) Local programs. Examples include health, education, social services, training, and infrastructure.
- b) Provincial debt service.

government to the provinces. This is the net result of shifting \$12.3 billion

while the remaining EI premiums are transferred to the provinces to

fund training.

f) Other: shared by governments at both levels with provinces dominant

One adjustment is worthy of note. Our methodology assumes that the

tal 34 - 34

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89 Paying for ACCESS

	BC	Total
1	5,648	34,785
2	(1,471)	(9,914)
3	(3,059)	(21,960)
4	1,222	7,477
5	894	6,747
6	-	-
7	(1,966)	(7,301)
8	-	-
9	1,269	9,834

	BC	Total
1	8,002	51,298
2	(1,471)	(9,914)
3	(3,059)	(21,960)
4	1,222	7,477
5	894	6,747
6	-	-
7	(1,966)	(13,278)

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On the revenue side, federal net revenues fall 1.4% to \$22.2 billion



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2 For example, see the discussion in Hobson and St-Hilaire, 1994.

3 The paper was subsequently published in a 1996 issue of *Canadian Business Economics*.

4 The proposal was the subject of a 1996 conference and panel sessions and presentations at the 1997 Learned Societies' meetings in St. John's, Newfoundland.

5 *Order Access* 3-1-97



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*Decentralization in Health  
Policy: Comments on the  
ACCESS Proposals*

---

ANTONIA MAIONI

---

the debate over decentralization. It is least controversial in the lofty sense that, according to the mantra of values and "identity," Canadians share an

"convention" (1996a: 2).

ters, including hospitals (section 92.7) and local and private matters (section 92.16). There are two reasons why these powers were allocated to the state. First, they were not deemed to be very important in 1867 since

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social-democratic government in Saskatchewan. By insisting on these conditions, and on the portability of benefits for all Canadians, the federal government and the federal-provincial governments to whom it has made its

then froze, then cut EPF transfers while at the same time insisting that the provinces still abide by the conditions of the CHA. The *coup de grâce* in this regard was the 1995 federal budget which announced that funding for provincial health systems would be amalgamated into a super-grant, the

Health and Social Transfer (HST) which would substantially



strated the intention to take a leadership role in social policy renewal, a process that would involve further decentralization in health policy. The

1995 Ministerial Council's Decision to Reorganize the Health System





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services in order to ensure efficiency. Nevertheless, this should be qualified by pointing out that while the process of transfers and enforcement may be





Central Government. There exists substantial decentralization



unilateral federal decisions about the CHA are contrary to the spirit of provin-



### III Decentralization in Health Policy

4.1 "The Role of the State in the Provision of Health Services to the provinces"

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will have to retire gracefully from the health policy field; (2) since the social union can only work with a convention among its members, the provinces will have to agree on these principles; (3) since standards can only exist if

and by setting the boundaries of subsequent health reform. The existence

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cial reaction to Courchene's model suggests, then it may be difficult to envis-





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Columbia would comply?

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CONCLUSION

COMMENTS ON  
ANTONIA MAIONI'S PAPER  
JOHN RICHARDS

Should Goodfellow more explicitly designate his list

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From the Second World War, when the British government was

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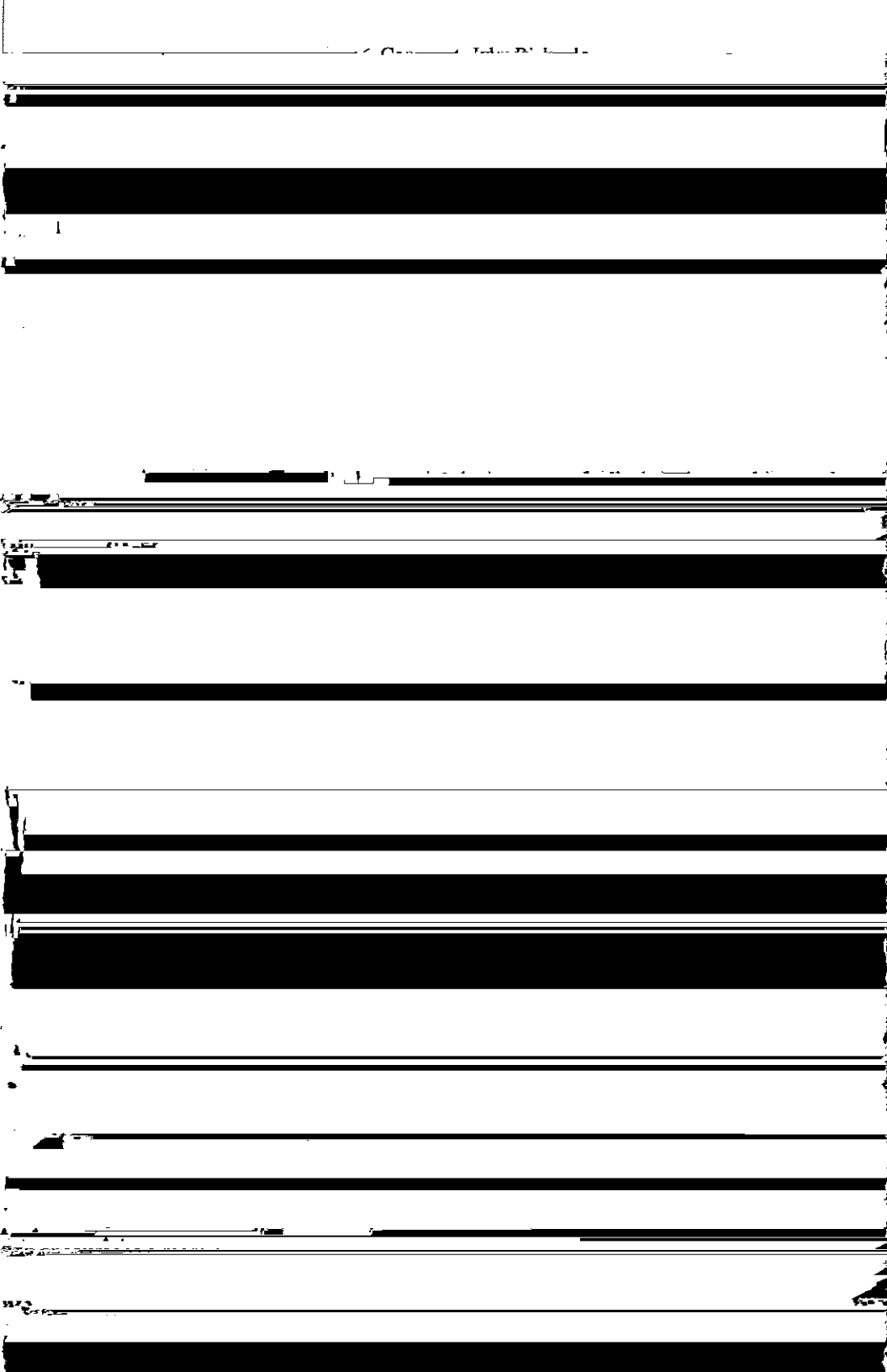
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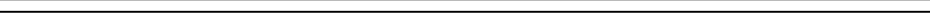














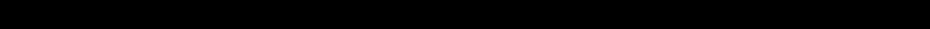










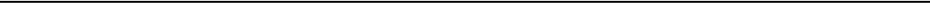






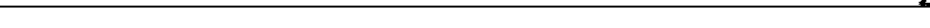


take processes of creative destruction to adapt social programs to changing conditions and new knowledge.

But the efficiency of universal health programs requires that





secedes from Canada. in which case all social policy coordination between





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*The PIT and the  
Pendulum:  
Reflections on Ontario's  
Proposal to Mount  
Its Own Personal Income  
Tax System*

---

THOMAS J. COURCHENE

1. INTRODUCTION

The purpose of this paper is, in turn, to document Ontario's concerns with  
[REDACTED]

---

the current PIT system, to elaborate on the key features of the PIT status quo, to focus on the pros and cons of a separate Ontario PIT, to present a range of federal alternatives to the status quo (and in particular to focus on the possibility of converting the current system to...)

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in 1917. In the revenue-strapped 1930s all governments intensified their PIT activities. Of special interest, for the purposes of this paper, is Ontario

## Ontario's PIT proposal once again languished.

This brings us back to Finance Minister Don Cousens' 1992 proposal to

1997 Ontario Budget 97-98 1992

There are also costs to Ontario taxpayers from participating in the tax collection

agreement. For example, the federal government collects over \$1.5 billion in

income tax purposes. And Ontario would no longer be bound by the exist-



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Table 1  
 A Schematic Approach to the Shared PIT  
 (Ontario)

| Conceptual Step         | Ontario   | Federal |
|-------------------------|---|---------|
| 1. Definition of income | e.g., employment income, capital gains, investment income, etc. | federal |
|                         | equals "total income"   |         |
|                         | less:   |         |
| 2. Deductions           |   |         |

at this point that the provinces enter the picture. Under the shared PIT pro-



| Share of<br>Federal<br>*** (%)<br>(8) |
|---------------------------------------|
| .24                                   |
| 0.31                                  |
| 1.41                                  |
| 1.86                                  |
| 12.91                                 |

| Share of<br>Average<br>Basic Federal<br>Tax*** (%<br>) |  |       |  |
|--|--|-------|--|
| .4   |  | 3.16  |  |
| .7   |  | 2.56  |  |
| .5   |  | 10.02 |  |

Share of  
sic Federal  
tax\*\* (%)  
(8)

13.80

verage net tax for 1997.

ted.

Column 1 of Table 2 presents the range of tax credits by province. British Columbia heads the list with nine tax credits, with Nova Scotia and Saskatchewan tied for second with seven each. Note that these tax credit data refer to calendar year 1995. In 1996, Ontario had seven tax credits – a labour-sponsored investment fund tax credit, an employee ownership tax





Two further comments are in order here. The first is that this tax-on-base

*Alternative avenues for  
achieving the same goals*

- Programs like day care, etc., are probably just as effective.
  - Other provincial programs, such as the level of university funding and OSAP, probably have more impact.
  - Modifications in existing equalization program.
  - Could be accomplished via a system of tax credits if there were sufficient flexibility.
  - System of tax credits for savings.
  - Much could be accomplished through corporate tax credits.
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*Elaboration*

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Federal government would still have the power to alter the base and thereby bind the provinces, since base changes would affect their revenues.

Federal government would lose some control over vertical equity in the tax system; but if the provinces utilized the currently allowable tax decreases and surcharges they could come close to replicating a tax on base.

Could be combined with a joint consultative process and/or a tax base.

Would change the current structure more in terms of degree than substance.

ordination, since the  
Indeed, extending the  
the provinces most of  
their own PITs. Apart  
discriminatory tax credits,  
sources of income not

provincial)  
ncy losses.

inal table.



nizes that Ontario, or other provinces, could be forced into the position of designing and implementing their own PITs in the event that unilateral federal changes to the present system were implemented.

Chart 1

Panel A: Combined Commonwealth, State and Territory Deficit

Panel A: Combined Commonwealth, State and Territory Sector

Percent of GDP

Percent of GDP





1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.



The second and related point is that Ottawa has altered the stabilization

[redacted]

change in Ontario's welfare system, CAP payments to Ontario in the 1990s recession would have been well in excess of actual CAP payments under the [redacted]

from Ontario's welfare enrichment.

With the advent of the CHST in the 1995 federal budget, Ottawa block-funded welfare and pulled it into the [redacted]

By way of summary to this point, the federal government has clearly  
stepped out of its traditional economic stabilization role. To be sure, this state-

One could argue that the provinces could engage in stabilization under

value of CHST entitlements.

... of the preceding year

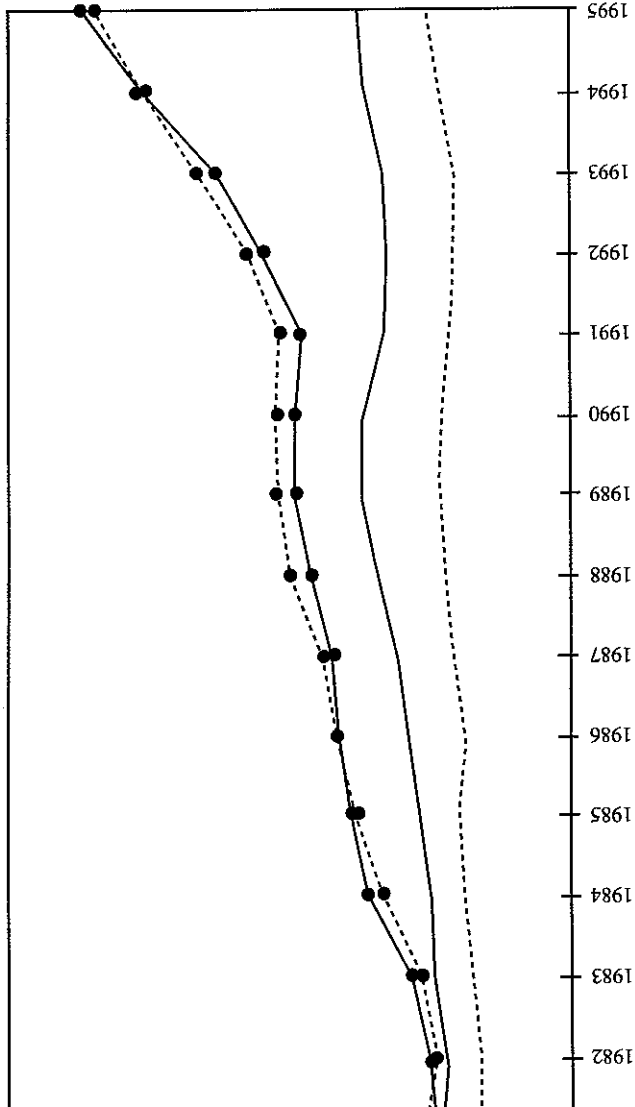
the Jeffersonian ...

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Scenario Trade

— Exports to ROW    -●- Imports from ROW    — Exports to ROC    - - - Imports from ROC



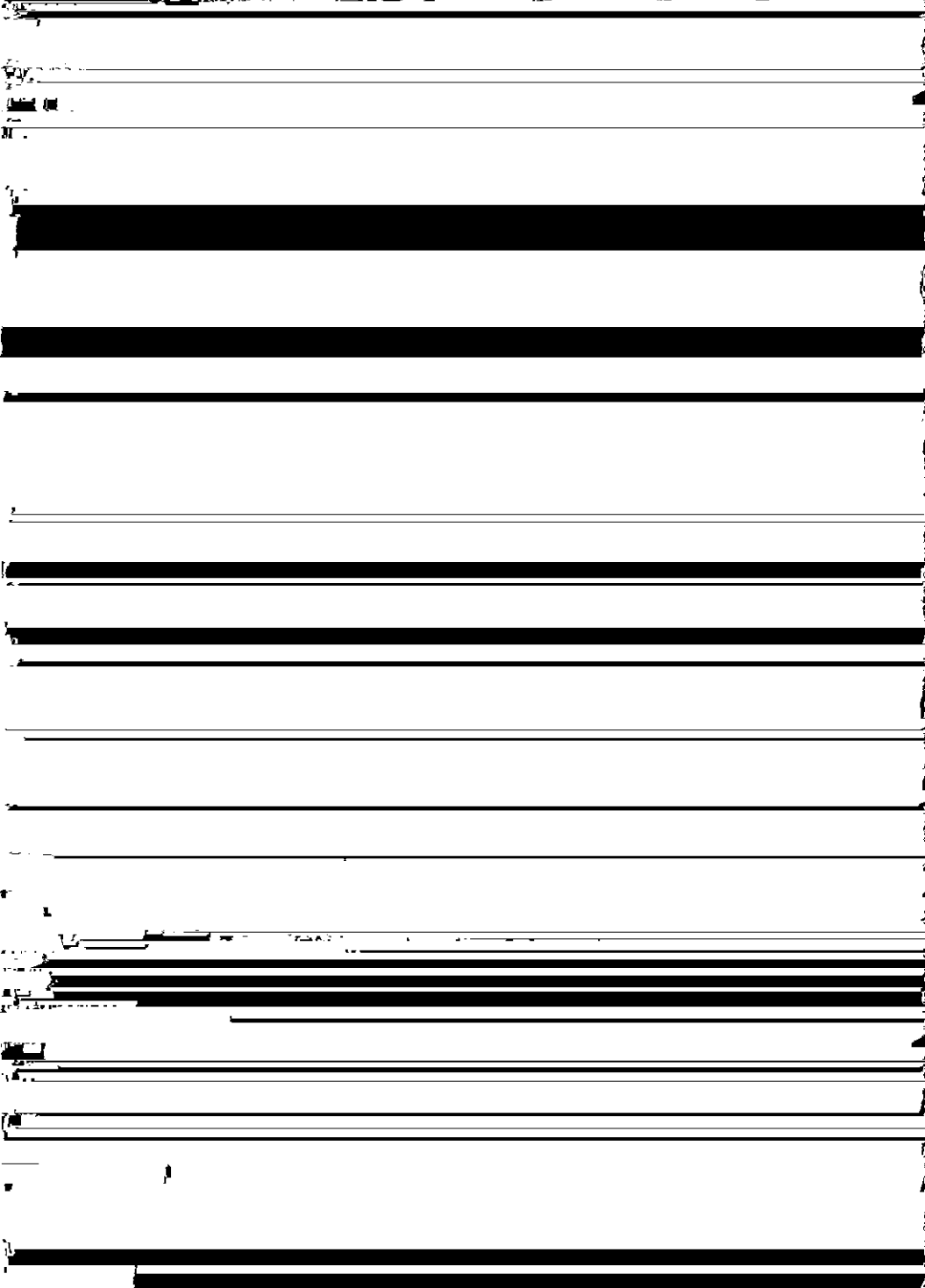
Produced from Courchene and Teimer (1998, Chart 9.1)

the world (predominantly to the U.S.) now accounting for 45 percent of Ontario's GDP and with Ontario's international

## 5. AN ONTARIO PIT AS BARGAINING STRATEGY

As Courchene and Telmer (1998) point out, from the Peterson Liberals  
Ontario has been increasingly affable with federal policy in gener

unusual step of commissioning Informetrica Inc. to document the compara-



THE DISCOVERY OF A SEPARATE

ONTARIO PIT

... that ... Ontario ... is a fair account? The

For my purposes, I have chosen to focus on the first two.

The first of these is the question of the nature of the PIT.

The second is the question of the nature of the pendulum.

The third is the question of the nature of the pendulum.

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The twenty-fourth is the question of the nature of the pendulum.

The twenty-fifth is the question of the nature of the pendulum.

The twenty-sixth is the question of the nature of the pendulum.

The twenty-seventh is the question of the nature of the pendulum.

The twenty-eighth is the question of the nature of the pendulum.

The twenty-ninth is the question of the nature of the pendulum.

The thirtieth is the question of the nature of the pendulum.

The thirty-first is the question of the nature of the pendulum.

The thirty-second is the question of the nature of the pendulum.

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The thirty-fourth is the question of the nature of the pendulum.

The thirty-fifth is the question of the nature of the pendulum.

The thirty-sixth is the question of the nature of the pendulum.

Great Lakes states would not fall into this "overt discrimination" category.

*Decentralization and an Ontario PIT*

Courchene and Telmer in *From Heartland to North American Region State* (1998) argue that as a result of increasing north-south integration, federal

... Ontario ... its policy over south

*Ontario Taxpayers and a PIT*

*What is the impact of the Ontario ...*

The table contains several rows of data, but the majority is obscured by thick black redaction bars. Only the top row and some faint text are visible.



compliance costs, since taxpayers will still have to fill out the federal tax form. Surprisingly, perhaps, this is also the case for collection costs – apart from some potential federal savings in administering Ontario's tax credits,

is so because the calculation or two relating to the Ontario portion of the

tion benefits are not taxable. Ottawa could withdraw this privilege.

YY [REDACTED] 1-1-1 1100-00 11-1-1 1-1-1 1-1-1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

ment credit is included with the federal family benefits payments and, as in  
the case of the other states, the amount of the credit is limited to the amount of federal income taxes owing to

Ontario and Quebec. Starting April 1, 1997, Revenue Canada will collect a harmonized sales tax for Nova Scotia, New Brunswick and New C...

... It also collects sales tax ...

make tax policy, but its administration would formally and legally be in the hands of an arm's length Agency.

Informed sources indicated that the legislation pursuant to the CCRA proposal would be introduced in Parliament in December of 1997 (although this has now been delayed). It now appears that this legislation will be cast to a

...that the CCRA is only an administrative agency

(Austria's) concerns. It reveals the same thing. Since D.C. has a 10% ...

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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fast in the same way as the rest of the world. (1990, p. 10)



cies which are deemed to be prejudicial to Ontario interests and therefore should not be magnified by binding the Ontario portion of the PIT.

6. ... as a defensive reaction to the concrete PITs of other

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

our preference would be for the federal government to allow complete provincial flexibility here.

Second, all PIT revenues should be collected by the proposed CCRA, struc-

go a long way to assuage Ontario's (and other provinces') articulated concerns with respect to the functioning of the TCA.

addressed by the above five provisions have been major provincial concerns at least since the 1983 OEC position paper and probably much before this. The TCA system has not been well served by bilateral federal stonewalling as various provinces have brought their concerns to the fore. If Ottawa is serious about ensuring that the TCA does not unwind, this is the time for it to

process of solidifying the spirit of cooperation and collaboration.

*Notes*

Perhaps the fifth, since Doz government insiders indicate that Treasurer

Floyd Laughren was seriously considering a similar proposal, either in its own right or to exert pressure on Ottawa to allow Ontario to levy a

a set of concerns around tax levels and competitiveness, as well as tax-transfer integration and personal-corporate tax integration. He also deals with the separate PIT as a bargaining strategy for Ontario in the face of Ottawa's sus

*The Pros*

I agree with Courchene that its own PIT would help Ontario integrate its

school-training-work transitions. I have trouble, however, with the argument that its own PIT would help Ontario much in coping with Ottawa's dis-

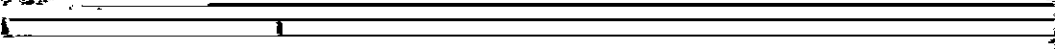
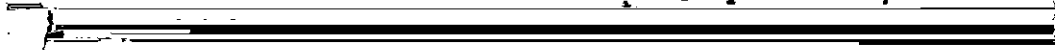
*See from the following table the number of cases in each of the following categories.*



Ottawa over other issues. What might we look for when the bargaining begins?

*The Tax Collection Agreements*

As the tax collection agreements would allow provinces to express



*Employment Insurance*

Ottawa's stewardship of EI leaves much to be desired. Overall, the

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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Certainly one of the main impressions conveyed in this paper – one that is rather astonishing for those who come from other provinces – is that

More importantly in my view, however, this paper provides ample evidence of what can only be described as the dysfunctional state of our federal sys-

has been determined that the information is not releasable under the provisions of the Freedom of Information Act.

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

whole range of issues, including the division of tax room between the fed-

---

*Is Decentralization*

---

*Is Decentralization*

---

---

*Contemporary Debate on  
the Canadian Welfare State*

---

ALAIN NOËL

The problem of centralization is not just a problem of Quebec versus the rest of

... that ...

...

[REDACTED]

[REDACTED]

... of ...

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

ernments; progressive arguments privilege the community and promote political participation, democracy, and development.



This argument seems particularly powerful because it evokes systemic pressures, at play regardless of the actors' intentions. As such, it is akin to

[REDACTED]

[REDACTED]

[REDACTED]

CONFIDENTIAL - SECURITY INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]





country's national income than of its political life and institutions (Esping-

*Social Forces Arguments*



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the actual results achieved" (Howse, 1996: 12). But this is not the end of the

ments are also Canadian governments.

A third institutional argument claims that redistribution works best when it is hidden. "In comparison to the political certainty of the transfers hidden

ization plus equalization would be a high-risk strategy for poorer regions"

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

*Philosophical Arguments*

A final set of progressive arguments against decentralization contends that a broader, more inclusive redistribution arrangement is intrinsically superior

... presented in Canada, this argument

... (b) (7) - (C) ... There is no evidence that ...

... (b) (7) - (C) ...

... (b) (7) - (C) ...

... (b) (7) - (C) ...

This understanding of the role of the state is still very present in the

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

reform proposals and actions were found to be consistent with the

[REDACTED]

[REDACTED]

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[REDACTED]



state. The idea is to use the state as a lever to empower persons and com-

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becomes an amorphous sum of individuals, holding no values or principles

... (omitted) ...

...

In Canada, federal programs had this procedural, individualistic character: they "addressed Canadians as individuals more than as members of regional collectivities" (Gunn, 1995: 109). The Canadian welfare state

Journal of the American Academy of Religion, 1997, 65, 1-15

1. Introduction

2. The Problem of the "Other"

3. The Problem of the "Self"

4. The Problem of the "Community"

5. The Problem of the "Culture"

6. The Problem of the "History"

7. The Problem of the "Future"

8. Conclusion

9. Notes

10. Bibliography

11. Index

finds that while high-benefit states seem influenced negatively by bene-

states' benefits by *increasing* their own benefit levels" (Tweedie, 1994:

tive in terms of either the motives of those who support it, or its distributional consequences, or both. As Alain Noël observes, the evidence adduced in support of this proposition takes several forms and comes from corners of the intellectual map as different as philosophy and economics. To challenge

a mission with little hope of success.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]









is needed not only to maintain any semblance of a compassionate social policy, but also to preserve the unity of the country. Challenged to identify the core values that characterize Canadian society, defenders of centralism will

— an social policy. Anything that weakens federal authority, they argue, necessarily weakens the protection of these values and ends by undermining the

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*Rapporteur's Summary*

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DAVID CAMERON





...and ... ..

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[REDACTED] *and the Economics of*

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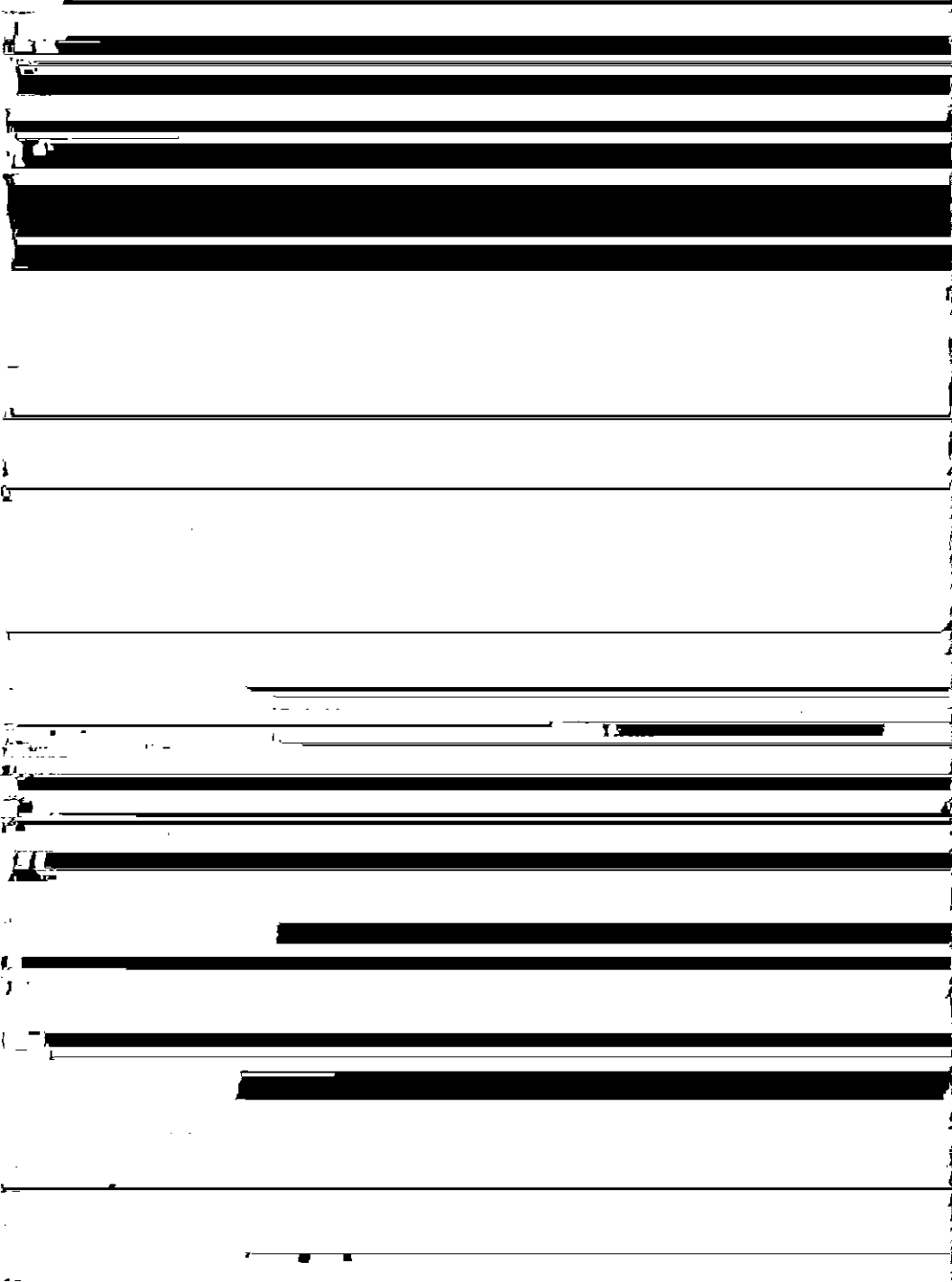
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... (1996) "Introduction" et

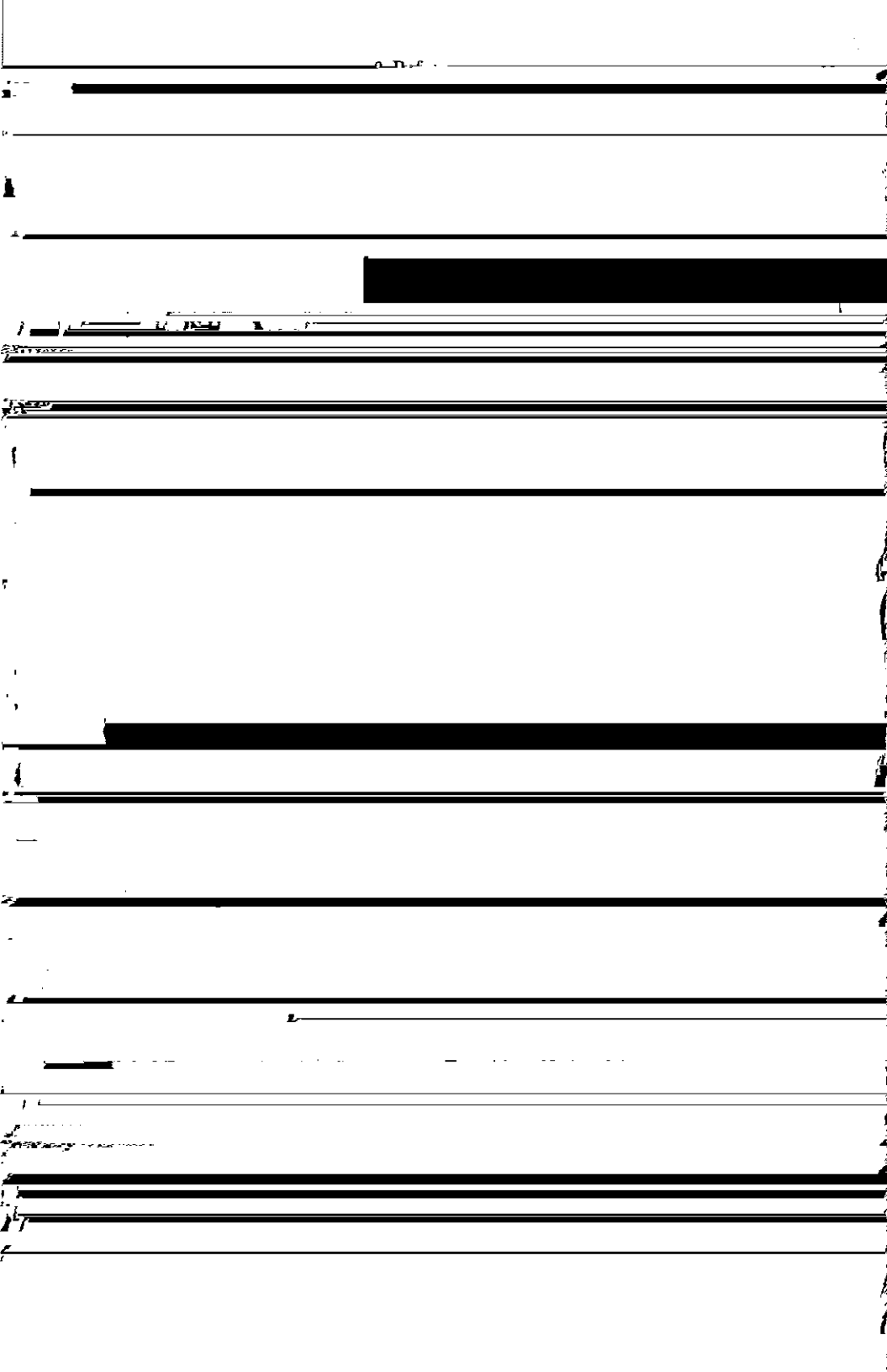




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