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CANADIAN POLITICAL ECONOMY AND CONSTITUTIONAL REVIEW:

A CASE STUDY OF ONTARIO AND BRITISH COLUMBIA

CANADIAN POLITICAL ECONOMY AND
CONSTITUTIONAL REVIEW: A CASE STUDY
OF ONTARIO AND BRITISH COLUMBIA

by

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A Thesis

Submitted to the School of Graduate Studies

in Partial Fulfilment of the Requirements

for the Degree

Master of Arts

McMaster University

August 1980

MASTER OF ARTS (1980)
(Political Science)

McMASTER UNIVERSITY
Hamilton, Ontario

TITLE: Canadian Political Economy and Constitutional
Review: A Case Study of Ontario and British
Columbia

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SUPERVISOR: Professor Michael Atkinson

NUMBER OF PAGES: vi, 184

ABSTRACT

This thesis examines the growing aggressiveness of the provincial governments in developing their own constitutional proposals by analyzing the interconnection between the economies of the provinces and the provincial government's subsequent proposals. The development of advanced monopoly capitalism has required government intervention into more areas of social and economic planning and this growth of government intervention has occurred in large part at the provincial government level, causing provincial bureaucracies to grow in size and expertise and to more readily challenge federal government policies and initiatives. As well, the regional segmentation of the Canadian economy has caused fractions of the bourgeoisie within each of the provinces to turn to the provincial governments to aid them in capitalist development. This in turn has led provincial governments to seek more power in aiding their particular segment of the economy by asking for revisions in the constitution. This thesis attempts to draw conclusions about this general trend in Canada today by examining two specific case studies, Ontario and British Columbia. These case studies indicate why provincial governments have become so interested in constitutional review and why provincial governments have developed distinct constitutional proposals.

ACKNOWLEDGEMENTS

Thanks is due to a number of people who aided me in writing this thesis. Among them are Michael M. Atkinson, chairman of my thesis committee, for his detailed comments and criticisms at all stages of the research and writing of the thesis. As well, thanks are due to the other members of my committee, Michael B. Stein and William M. Chandler, for taking the time to comment on the thesis at every stage of its development. The help of these three men is most appreciated. A special thanks is due to Simon McInnes for aiding me in conceiving the ideas presented in the thesis and his undying confidence in my abilities. I would also like to thank a number of graduate and undergraduate students in the Political Science Department at McMaster University for their support: Tad Kaweckki, Steve Dankowich, Tom Brown, Geoff Bourne, Rob Wright, Linda Walker and Michael Roche. Thanks also goes to those officials in the Government of British Columbia and the Government of Ontario and Professor Neil Swainson of the University of Victoria for taking time out of their busy schedules to answer my questions. I would also like to express my thanks to Lori Hill for her excellent job in typing the final draft of the thesis. Last but not least, I am indebted to my family for putting up with me while I wrote this thesis.

Teresa A. Rokas
Toronto, Ontario
September, 1980

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INTRODUCTION

The aim of this thesis is to show how economic forces are behind the impulse of provincial governments to revise the Canadian constitution. Since 1927, successive Canadian governments have sought to develop an amending formula for the British North America Act and to patriate. Throughout the years between 1927 and the early 1960s, federal-provincial conferences to discuss these issues were few and far between with the federal government presenting proposals to the provincial governments for their approval or rejection. These issues of amendment and patriation have been linked, however, since the 1960s to more substantial changes in the jurisdictional division of powers laid down in sections 91 and 92 of the BNA Act. This linkage occurred because of the Quebec government's demands in the 1960s for an indepth review of the constitution. The Quebec government was looking for more than mere adjustments to the constitution. It was seeking fundamental changes in the allocation of powers between the two orders of government. The Quebec government was asking for more than national self-determination; the protection of its language and culture. The Quiet Revolution in Quebec aimed not only to separate church and state, but to end Anglophone domination of Quebec's economy. As such, economic motives influenced to some extent the Quebec government's constitutional demands. These included giving the Quebec government all powers necessary for regional planning, the development of natural resources, for social security, a greater share of direct taxes and a new international role that would allow the Quebec government

to conclude treaties with foreign nations.¹

As the Quebec government has linked economic motives to constitutional review, so to have the English-speaking provinces that have no language or cultural heritage to protect. There are demands now for greater taxing powers, control over natural resource revenues, more input into federal economic policy-making and limits to the federal parliament's spending power. It is therefore important to look at the economic aspects of constitutional review. The provincial governments want greater control over their own particular provincial economies and because of the differences in the political economies of the various provinces, their respective constitutional proposals are different. This thesis attempts to show how the growing regional segmentation of the Canadian economy and the subsequent economic power that many of the provinces have come to possess have led provincial governments to demand changes in the Canadian constitution that are primarily based on economic motives. This thesis will also examine through case studies how the differences in provincial economies can account for differences in the substance and style of particular provincial government constitutional proposals as they have evolved and the particular economic goals that these provincial governments hope to achieve through a rewritten Canadian constitution. The thesis does not attempt to address why the governments of Canada have chosen to revise a constitution that has proven to be fairly flexible over the years, nor will it speculate on which constitutional proposals seem to be the most feasible. As well, the thesis does not

concern itself with the actual substance of federal government constitutional proposals, but only with the counter-proposals made by the provincial governments.

No Canadian political economist thus far has subjected the BNA Act to the type of detailed economic analysis that Charles Beard has made of the American constitution. This thesis does not try to offer the same sort of detailed Marxist economic analysis of the Canadian constitution, but does argue through a political economy approach that the BNA Act is primarily an economic document by looking at the economic and class motives behind Confederation in 1867 and shows how these economic motives were reflected in the constitution. There were of course, a host of other motives for Confederation and the economic motives alone probably would not have led to Confederation in 1867. These included the external threat posed by the larger and more powerful United States and the internal difficulties of the Province of Canada in trying to govern within a unitary state two distinct language groups. The economic motives behind Confederation were, however, reflected in the constitution with the federal government being given jurisdiction over the whole range of relationships essential to the formation of capital, from canals and railroads to defence and currency. It was through these assigned powers that the central government in the years following Confederation was able to pursue that set of interrelated goals that became known as the National Policy. Building on the foundation of staples, these policies included support of railway construction, tariffs to encourage domestic manufacturing and the opening of the western hinterland. One

consequence of this policy, however, was the emergence initially of three distinct sectors of the Canadian economy - secondary manufacturing, agriculture and resource extraction - each located primarily in one region and each with divergent interests and aspirations among its dominant class. Thus each provincial government gradually became the spokesman for a distinct set of economic interests: the Ontario government for secondary manufacturing, Manitoba and Saskatchewan for export-oriented agriculture and Alberta and British Columbia for export-oriented resource industries.² The federal government has remained the spokesman for large commercial interests, banks and insurance companies.

The political economy approach as it has developed in Canada in both the liberal and Marxist variations, argues that it is the task of political economy to identify and analyze social relations as they relate to the economic system of production. Both the liberal and Marxist political economists, though from radically different standpoints, have a world view of the present epoch which is conscious of bourgeois relations. Both argue that it is the mode of production that determines the relationship between the economy and society.³ The segmentation of the Canadian economy has produced federal-provincial conflict throughout the Canadian federal system. This conflict should not be seen just in terms of regionalism or dualism, although both play a part, but as a class conflict as well. Stevenson points out that this class conflict began shortly after 1867 with the bourgeoisie and petite bourgeoisie opposing each other.⁴ This type of class

conflict has been replaced for the time being, and we are now in a period where conflict is being fought between different segments of the bourgeoisie. The provincial governments have come to represent more focibly the "narrow and parochial" interests of the segment of the bourgeoisie located within their boundaries, such as the British Columbia government promoting the interests of the lumber industry or the Alberta government promoting the interests of the oil industry.⁵ This has resulted in increased conflict between the two orders of government, as the provincial government in pressing the interests of their regional bourgeoisie have increasingly challenged federal government authority.

To understand how and why this has happened, it is important to note that the primary function of the state in Canada has been to assist in economic growth. This is what American political economist James O'Connor has referred to as the accumulation function, meaning that the state contributes directly to the accumulation of profit. The terms of Confederation, most of which related to economic matters, represented the common denominator of agreement among a variety of interests and objectives in the four original provinces. Confederation did not, however, end this diversity and conflict, and the existence of two levels of government has allowed conflicting economic interests to express their demands either through the central government or through the provincial governments. Class fractions that have found the central government unresponsive to their needs have turned towards their provincial governments.

Provincial governments will then become the spokesman of that class fraction, as well as carrying out the state's accumulation function to aid that class fraction. Efforts will be made by the provincial governments to undermine the federal government by appeals to local autonomy, decentralization and the cultural values embodied in the province. Any increase in taxing, spending or regulatory powers will be welcomed by the provincial government since it enables them to better carry out their accumulation function to aid their regional segment of the bourgeoisie.⁶

This increasing provincial government challenge to federal government authority is the result of a number of post-war changes in the power and prestige of the provincial governments. Provincial government bureaucracies have grown in size and expertise. Among the causal factors leading to this development are the growth of advanced monopoly capitalism which has required an expansion of government activities in social and economic policy-making especially at the provincial level since the growth areas of public policy have come under provincial government jurisdiction; and the shift in the continental trading pattern from east/west to north/south, causing provincial governments to become less reliant on policy decisions made by the federal government.

While other federal states have been moving more towards a centralization of government functions, Canada has been moving more towards decentralization with this increase in the power and prestige of provincial governments. Many of these provincial governments, especially the more economically developed ones

such as Quebec, Alberta, and British Columbia, are not content to merely defend their existing powers, but have sought to shift the balance of power in their favour through revisions to the constitution. In order to better serve their regional segment of the bourgeoisie, the provincial governments are arguing for a change in the division of powers which will give them more economic power.

Federal-provincial conflict has been a feature of Canadian federalism since the time of Confederation. There have, however, been periods of calm in federal-provincial relations in Canada. This is especially true of the period encompassing the Depression and World War II, while other periods have been characterized by intense federal-provincial rivalry such as in the 1880s when Mowat was premier of Ontario and Mercier premier of Quebec. In part, conflict is a feature of federal structures as there are two levels of government, each with a legislature, bureaucracy and judicial system and in Canada there are gray areas in the division of powers which has led to some overlap in policy-making among the two orders of government. Conflict then, is inherent in the system to some extent. As well, today, the increasingly complex and sophisticated apparatus of intergovernmental relations has an interest in preserving itself and without a certain amount of conflict its *raison d'etre* would not exist. Thus, a large degree of federal-provincial conflict is no more than conflict between competing organizations.

Some federal-provincial conflicts have been, however, expressions of class conflict. In the early years of Confederation

provincial governments, especially in western Canada, represented the interests of farmers and provincial government struggles with the federal government were over issues of importance to farmers such as tariffs, transportation and agricultural marketing. In the province of Quebec, the struggle was between a largely Anglophone bourgeoisie and a Francophone petite bourgeoisie. More frequently, however, federal-provincial conflict has represented conflict between different segments of the bourgeoisie, that was noted earlier.

Whatever the type of federal-provincial conflict that was going on in the past, it was solved through discussions or judicial decisions. It was not until the 1960s with the Quebec government's call for constitutional review that provincial governments chose to argue their cases for more jurisdictional power through constitutional review. In the 1930s those who did argue for constitutional change usually thought in terms of transferring provincial government powers to the federal government. With the increase in the power and prestige of the provincial governments the reverse is true today.⁷ The federal government now more than ever is in the position of having to take provincial government proposals for constitutional change seriously. It is no longer the case that the federal government is larger and more powerful than the provincial governments. Many provincial governments can now challenge the federal government as an equal.

The Quiet Revolution brought in its wake an increasingly critical examination by the Quebec government of the nature and

character of the Canadian constitutional system and of the extent to which it acted as a barrier to the realization of French Canadian demands for national self-determination.⁸ English Canada's constitutional thinking was shaped by an abstract conception of federalism in which all the provinces had to have mathematically equal treatment under the constitution. This concept is not entirely true as there have been equalization payments to correct regional disparities and various sections of the BNA Act have established different provisions for various provinces, such as their representation in federal bodies such as the Senate.⁹ With the Quebec government's demands, however, for a revised constitution, English-Canadian constitutional thinking changed as politicians and bureaucrats in other provinces came to realize that just as the Quebec government was using the constitution to protect a certain set of interests, they could also do the same. The regionalized nature of the Canadian economy has meant that a particular segment of the economy will be largely concentrated in one province and will exercise significant economic and political power within that province. So just as the Quebec government has certain cultural and economic interests to protect, so do the other provincial governments. Although the Quebec government's demands can be seen more in terms of a linguistic and cultural battle with economic overtones, the English-speaking provinces have no cultural heritage to protect and their challenges to federal government authority can be seen as being primarily economic.

In order to show why provincial governments have developed the constitutional proposals that they have, we have rather arbitrarily chosen two provincial governments to analyze in detail as to do more would mean to produce an unweildly study. As well, only four provincial governments, Quebec, Ontario, Alberta and British Columbia, have produced comprehensive and detailed constitutional proposals. This thesis will analyze the political economy and the constitutional proposals of the provinces of Ontario and British Columbia. To look at two provincial governments, as we propose to do, may not be representative of the whole, but it will at least point to some general overall trends. The study of the constitutional proposals of only one province would provide little basis for such efforts at generalization. By examining propositions within two distinct provincial jurisdictions we may be able to identify more readily what is occurring in the other provinces as there is a common economic basis to many provincial government proposals and differences in provincial economies can account for differences in constitutional proposals. The provinces that rely on resource extraction in all probability will have common elements to their constitutional proposals.

Alberta and Quebec are probably the most obvious provincial governments to discuss when writing about constitutional review as these two provincial governments have been the most vocal in expressing their dissatisfaction with the present operation of the Canadian federal state. One reason, then, to discuss the constitutional proposals of the Ontario and British Columbia

governments is the fact that very little attention has been paid to them, although they do prove to be interesting case studies. A study of the constitutional proposals of the Ontario and British Columbia governments can then broaden our knowledge of both the constitutional review process and the political economies of these two provinces. As well, in studying Ontario and British Columbia there are certain constants such as the fact that both are wealthy provinces, predominantly English-speaking and both have reputations for strong provincial leadership. We can then concentrate on the variables between the two provinces, in this case economic base and constitutional proposals. The study of these two provinces gives us an opportunity to study two segments of the Canadian economy - the resource based economy of British Columbia and the secondary manufacturing economy of Ontario. The approach that each of these provincial governments has taken towards constitutional review is also different. While the Ontario government is fairly satisfied with the existing constitutional structure, the government of British Columbia is calling for major constitutional revisions. This thesis will argue that some segments of the bourgeoisie have come to be fairly satisfied while other segments are not. It is in those provinces where the bourgeoisie is least satisfied that the provincial governments have actively pursued constitutional review.

The thesis will begin with a discussion of the theory of federalism and its application to the Canadian case. It will then go on to discuss the economic motives behind Confederation

and the National Policy of 1879 and the class interests that supported these. There will then be a discussion of federal-provincial conflict as it emerged after 1867 and how this conflict has developed with the growth of capitalism in Canada. Chapter Two will be an analysis of the growth of provincial government bureaucracies and the move towards a north/south trading pattern that has further segmented the Canadian economy. The chapter will end with an overview of the constitutional review process from the 1960s on and how the provincial governments have come to link their own particular economic motives to the constitutional review process. Chapters Three and Four will be case studies of the Ontario and British Columbia political economies and the constitutional proposals of these two governments. Both chapters will begin by analyzing the particular political economies of these two provinces and then go on to discuss how their particular political economies are reflected in their constitutional proposals. These constitutional proposals will be discussed within the framework of two general time periods. The first time period will be from the mid-sixties when the Government of Quebec first began to call for a fundamentally revised constitution, to the defeat of the Victoria Charter by the Quebec government in 1971. The second time period will be from 1978 to the present.

These time periods were chosen because these are the periods in time when most of the discussions concerning constitutional review were going on and when there have been federal-provincial conferences to discuss the constitution. As well, these two time periods are qualitatively different. In the

First Round of constitutional review the Quebec government dominated and constitutional moves on the part of the other provincial governments tended to be either non-existent or reactive as was the case of John Robarts Confederation of Tomorrow Conference. This first period was characterized by its emphasis on the Quebec government's linguistic and cultural demands. In the Second Round of constitutional review there is a shift in emphasis away from Quebec as the government of Rene Levesque was committed to negotiating sovereignty-association and not in revising the Canadian constitution. As well, many of the English-speaking provinces had begun to present constitutional proposals of their own that were largely based on achieving more control over their particular segment of the economy. The English-speaking provinces had gone from passively attending constitutional conferences to actively demanding a fundamentally revised constitution. During the First Round of constitutional review most of the governments of the English-speaking provinces expressed satisfaction with the existing constitution and all were prepared to accept the Victoria Charter. This no longer holds true.

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CHAPTER ONE

THE ECONOMIC FOUNDATIONS OF CONFEDERATION AND
FEDERAL-PROVINCIAL CONFLICT

Introduction

The process of constitutional review in Canada has changed over the past two decades from being concerned with limited issues such as patriation and an amendment procedure, to such all encompassing issues as institutional reform and the division of powers which could radically alter the way in which the Canadian government operates. In order to understand why this is so, it is important to first look at the development of the Canadian state and the development of federal-provincial relations in an historical and class context. One should do so because provincial proposals for a new constitution are largely economic in intent. As well, it is important to an understanding of the conflict between the federal and provincial governments that is reflected in the constitutional review process to appreciate that this conflict is primarily between regional segments of the bourgeoisie. These segments of the bourgeoisie are to a large extent served by different levels of government in achieving their economic goals.

This chapter begins by expounding a theory of federalism and a theory of federal-provincial conflict in Canada. It then proceeds to analyze the establishment of the Canadian state and the role that early policies had on exacerbating regionalism and factionalizing the bourgeoisie. The final section more specifically discusses federal-provincial conflict and how the growth of the state apparatus has helped push the two orders of government in Canada today into

increased conflict.

Throughout this chapter it will be shown that constitutional proposals have been used as a means by the provincial governments to gain greater control over their regional economies. It will also be pointed out that the development of advanced capitalism has played a role in the call for a revised constitution and greater decentralization. The economic motives of the provincial bourgeoisie are linked to a very great extent to the constitutional proposals developed by provincial governments.

The Theory of Federalism

Federalism is in historical terms a new form of governmental structure, with the first federal government being established in the United States in 1791. Since that time many other nations such as Switzerland, Germany, Australia and the Soviet Union have adopted federal structures. It is not, however, an easily defined term, and there has been much dispute among scholars as to what federalism actually means and what are the specific characteristics of a federal system.

The most frequently used definitions, such as those by Riker, Elazar and Wheare, emphasize legal and institutional criteria: two levels of government; a written constitution specifying the jurisdiction of each; judicial review and so forth.¹ Others, such as Livingston, have used a cultural/sociological approach, stressing the religious, racial,

linguistic and historical diversities within a federal society.² There is then no precise definition of federalism, as there is none for democracy, socialism or liberalism. A definition though that effectively describes the Canadian federal system is one by Stevenson.

[Federalism is] a political system in which most or all of the structural elements of the state (executive, legislature, bureaucracy, judiciary, army or police, and machinery for levying taxation) are duplicated at two levels, with both sets of structures exercising effective control over the same territory and population. Furthermore, neither set of structures (or level of government) should be able to abolish the other's jurisdiction over the territory and population which both have in common. As a colollary to this, relations between the two levels of government will tend to be characterized by bargaining, since neither level can fully impose its will on the other.³

Federalism can be seen as a device designed to accommodate within one country, various distinct cultural, religious and economic communities. It can be argued that in a sense, federalism is an attempt to bring into harmony the often conflicting drives towards association and self-determination.⁴ The units making up the federation are presumed to be able to pursue their own goals and objectives, while at the same time pursuing national priorities in areas of joint enterprise or overlapping purpose. In the Canadian case these would include areas of jurisdiction such as agriculture and immigration. The French political writer of the last century, J.P. Proudhon, saw federalism not as the medium for the expression of political will, but as the only type of political system

that could feasibly work in a culturally diverse nation. He saw the units making up a federation as being distinct segments of a heterogeneous society. For Proudhon the geographical size of the community was irrelevant to establishing a federal system. What is important in establishing federalism is a group of people with distinct traditions, culture and language.⁵ Countries then as vast as Canada or as small as Switzerland have adopted federal forms of government.

The formation of federal systems is an easily accomplished task in comparison to the difficulties that have arisen in trying to maintain them. Federalism is a style of government that is most vulnerable to disunity and disintegration. By uniting diverse economic, cultural or religious groups together under one central government, while at the same time allowing for diversity under state or provincial government, federalism by its very nature promotes the distinct characteristics of its parts.

There are three major approaches to analyzing the conflict that results in a federal system. Those who follow the cultural/sociological model of Livingston see diversity as largely territorially based. As it was noted, it is differences in language, ethnicity, religion and/or historical experience that distinguished one community from another within the federation. In this model, shifts in the power between the federal and provincial governments lie primarily in changes at the level of cultures and attitudes. As such, proposals for resolving conflict are centered on changes in

the educational system and the mass media in order to seek accommodation through attitudinal change.⁶

The second approach is one that has been enunciated by Simeon, Smiley, and Black. For them the strains within a federal system lie in its institutional framework. Inter-bureaucratic competition for support, prestige and territory and the changing nature of demands are seen to reflect the emergence of new elites or new priorities and interests. Proposals for change then, according to this view should take place in the institutional structures of the federation. By changing the framework within which political competition takes place the demands of government can be more adequately accommodated.⁷

The third approach is the political economy approach. This approach, advocated by Stevenson, Panitch and Pratt, looks at the regional diversification of the economy and relates it to uneven and sectoral development. As well, it relates the needs and aspirations of various sectors of the bourgeoisie to the promotion of intergovernment conflict. For those advocating this approach, the historical dynamic of Canadian federalism is linked to the particular development of Canadian capitalism.⁸ This view, as will be seen, is especially relevant to the Canadian case where ten provincial governments are constantly seeking a bigger share of the economic pie. Although at first glance Quebec's dissatisfaction with the Canadian union appear to be cultural and

linguistic, this is only a part of it, although a very prominent part. After World War II elites in a Quebec that had been rapidly industrializing and urbanizing since the turn of the century became more self-aware and began to confront the central government on a number of key issues, such as medicare and shared-cost programs, as it sought to gain greater control over its economic destiny. This was also the case in Ontario and the western provinces, although it was not as readily apparent because the distinct cultural characteristics that separate Quebec from the rest of Canada were not present in the case of these other provinces. It was, however, economic changes within the provinces that caused them to gradually call into question the constitutional structure of the Canadian federation.

It was Marx who noted in his studies of social change that political economy was significant because it was in this sphere that the impetus to social change is to be found. It is important in arriving at an understanding of social forces that one not look at elements of society in isolation. It is by looking at the linkages between politics and the economy that one can arrive at this understanding. Changes in the Canadian economy have resulted in a call for a new constitution. As the capitalist economy in Canada changed, the desire for a new constitution became stronger. The political economy approach then, is the best way of analyzing constitutional review rather than a cultural approach that

does not look beyond religious or linguistic differences or an institutional approach that is limiting in its perspective and does not look beneath the forms of social organization to discover the substance of social relations. The primary problem is not the fact that the institutions of the federal government may appear to be ineffectual or unrepresentative, but that there is a conflict of interest between various sectors of the ruling class. This is not, however, to negate the fact that elements of the cultural and institutional approaches do appear in provincial constitutional proposals, but the political economy approach is the most useful in coming to a clear understanding of the impetus behind the constitutional review process.

Under a federal regime, Stevenson finds that conflicting economic interests could find expression in one of two ways: either through accommodation and compromise at the central level or through the provincial governments.⁹ The political economy of Canada has produced conflicts between different classes and class factions, and at the same time has caused these contending forces to identify their interests with different levels of government. This has occurred because the primary function of the Canadian state, since before Confederation, has been to assist in economic growth rather than to guarantee internal and external security.¹⁰ This is what James O'Connor has referred to as the accumulation function, meaning that the state directly contributes to the accumulation of profit.

O'Connor argues that the capitalistic state must try to fulfill two basic and often contradictory functions--accumulation and legitimization. This means that the state must try to maintain or create the conditions in which profitable capital accumulation is possible. However, the state must also try to maintain or create the conditions for social harmony. O'Connor states that:

A capitalist state that openly uses its coercive forces to help one class accumulate capital at the expense of other classes loses its legitimacy and hence undermines the basis of its loyalty and support. But a state that ignores the necessity of assisting the process of capital accumulation risks drying up the source of its own power, the economy's surplus production capacity and the taxes drawn from this surplus.¹¹

In Canada the state has provided guarantees and incentives to private enterprise and has intervened directly to supply services such as electric power and transportation. As well, it has appealed to the mass of the population through social welfare measures such as unemployment insurance, medicare and old age pensions.

Immediately following Confederation it was primarily the federal government that carried out the accumulation function. Section 91 of the British North America Act gave the central government the most important economic responsibilities and the most important sources of public revenues. The federal government under section 91 was given powers over the regulation of trade and commerce (91:2), the raising of money by any mode or system of taxation (91:3), the borrowing of money on the public credit (91:4), currency and coinage (91:14), banking (91:15), and a

general power to make laws for "the peace, order and good government" of Canada. The federal government was to be an instrument of national development and as such was primarily concerned with economics.

It was only a short time, however, before certain class factions in geographically limited areas became aware that the national government was not serving their own limited economic interests. These class factions, which were usually important and influential within their own province began to use the provincial governments as their spokesmen against the federal government. It is important to note, however, that the development of class opposition to the national bourgeoisie did not emerge out of nowhere. Rather, it emerged from the same process which had created the bourgeoisie itself. The National Policy, which will be further discussed, had envisioned the settling of the prairies and the development of a wheat economy. This creation of a vast agricultural hinterland producing a staple export commodity meant the creation of a large concentrated farm population with similar interests. This class of farmers was distinctly at variance with the central Canadian bourgeoisie who wished to exploit the hinterland for its own benefit.¹²

This is the pattern today in constitutional review. Provincial Politicians outside of central Canada feel that unfair tariffs, freight rates and other economic measures have limited their ability to develop their provincial economies in their own way. Their proposals for constitutional review have centered upon limiting the federal spending power and opening up new areas

of taxation to the provinces so that they could better perform the accumulation function so vital to their regional bourgeoisie.

Confederation and the National Policy

The union of the provinces of New Brunswick, Nova Scotia, Quebec and Ontario that occurred in 1867 arose from a wide variety of motives and probably no single factor can account for it. Economic factors, however, seemed to have played a primary role in bringing about Confederation. Dikshit notes that Canadian Confederation

...was preceded by the failure of the British North American colonies to float new loans in the London markets; and the Union was in a large measure put through by the British authorities. Heavy British investments were involved in Canadian municipal bonds and in the Grand Trunk railway. While the Grand Trunk had reached a stage of chronic financial chaos, in the depression following 1857 many municipalities had defaulted in payment. Thus, British assistance might be interpreted as an effort to assist in the creation of a great holding company in which could be amalgamated all those divided and vulnerable North American interests whose protection was a burden of the British capital.¹³

Canadian Confederation resulted not from the growth of capitalistic industry as Tyerson maintains,¹⁴ but from the inability of the Canadian bourgeoisie to find a new dependency. As Naylor argues, Canadian Confederation and the subsequent National Policy are "an unambiguous example of merchantilism in action."¹⁵ Both Confederation and the National Policy of 1879 displayed the characteristics of merchantilism as it had developed in Britain. The first characteristic was the edification of state power as the ultimate goal. As Macdonald stated, "There

are national considerations: ...that arise far higher than the mere accumulation of wealth, than the mere question of trade advantage, there is prestige, national status, national dominion..."¹⁶ Subsequently, however, Macdonald and others made fortunes out of the railways.

The second characteristic was a strong paternalistic state that directed the process of accumulation through regulation of the tax base, rationalization of public administration and the provision of social overhead capital; and all in coalition with a merchant, rather than an industrial bourgeoisie. The BNA Act was essentially a document in public finance, reserving for the federal government as it was noted, every power critical to controlling the pattern of economic development.¹⁷

The third characteristic of merchantilism was that policies were adopted to stimulate industrial development. This is quite evident in the Canadian case from the National Policy of tariffs, subsidies, expansion to the West and immigration. It was clearly the merchant-capitalist class that benefitted from the establishment of the Canadian state. The merchant, the banker, the railway and shipping tycoon and the landholder all benefitted from this expansion in economic activity.¹⁸

The BNA Act assumed that growth would be based on the development of the agricultural regions to the West, the emergence of large-scale industry, immigration and a continuation of the commercial system of the British Empire.¹⁹ Professor Alfred Dubuc writes:

In economic terms Confederation was essentially an instrument of public finance whose object it was to make available to those responsible for effecting investment, the resources necessary for the unified economic development of the British colonies in North America.²⁰

The mercantile class was the dominant class in Canadian society in 1867, and it looked to the state to meet its economic goals of establishing an enlarged market within which it could flourish, to float international loans and to construct a trans-continental railway system.²¹ Macdonald's National Policy illustrates how the state apparatus was used in the interests of this Canadian bourgeoisie. Mallory believes that there was a certain "historic inevitability" about the way in which the Canadian state evolved around the economic needs of a commercial system centering on the St. Lawrence River. He finds that the need to organize a high-cost, high-overhead economy compelled economic and political centralizations.²² It was in the National Policy that this political and economic design was realized.²³ The National Policy, building on the foundation of staples, provided the financial backing for the building of the Canadian Pacific Railroad in order to strengthen the east-west trading axis. It also established a protective tariff to encourage the growth of domestic manufacturing and fostered a policy of immigration and settlement of the West.

Aitken argues that the standard interpretation of the history of the Canadian economy is the large role assigned to the state in guiding and stimulating development. An overview of government policies in Canada would show how interventionist

the Canadian state has been in economic development. Aitken writes that "the creation of a national economy in Canada and even more clearly, of a transcontinental economy, was as much a political as an economic achievement."²⁴

After Confederation the central government assumed responsibility for creating a national economy and maintaining the conditions under which it would survive. This is especially true of the National Policy legislation.

The effect of this policy was to lead to uneven economic development across the provinces. What emerged in Canada were three distinct sectors in the economy, each concentrated in different provinces and each with divergent economic interests and class relationships. The sectors that emerged at this time have remained until this day and hence have contributed to the wide variation between the province's present day constitutional proposals. Each provincial government has tended to become the representative and spokesman for a distinct set of economic interests rather than a "microcosm of the country as a whole."²⁵ Secondary manufacturing has centered in Ontario, while export-oriented agriculture was mainly in Saskatchewan, Manitoba and Alberta, although since World War II Alberta has become more of a centre of export-orientated resource industries, as British Columbia has always been. As such, the constitutional proposals of the Ontario government will reflect a desire for the federal government to maintain those powers which it has used to the benefit of central Canadian manufacturers, while the resource-based Alberta and British Columbia government will demand

changes in the federal powers that have enabled the central government to make policies it deems to be unfair to their provinces and a hindrance to their economic development.

Federal-Provincial Conflict

The federal-provincial conflict that emerged after 1867 was primarily a class conflict between the mercantile bourgeoisie that was reaping innumerable benefits from Confederation and the petite bourgeoisie, consisting of independent commodity producers and farmers. The bourgeoisie consisted of that group of financial interests, predominantly located in the Montreal to Toronto area, that were interested in creating a commercial state to further their class interests.²⁶ These were the merchants, bankers, railway and shipping tycoons, and landowners that benefitted from the economic expansion of the National Policy. This was the class that concentrated its attention on the central government, since that government performed the accumulation functions that they were primarily interested in. It was the central government that provided this class with the money to build the CPR, encouraged immigration to build up a population to exploit the agricultural resources of the West, encouraged foreign investment and so forth. The petite bourgeoisie, on the other hand, began to turn towards their provincial governments that seemed more representative of their needs than the central government. In the West, farmers were exploited by both the CPR's transportation monopoly and the tightly cartelized banking system. These practices that they felt were unfair to

them caused the farmers to turn away from the federal government and turn elsewhere for help in meeting their needs and aspirations.

C.B. Macpherson argues that "the peculiarity of a society which is at once quasi-colonial and mainly petite bourgeois is that the conflict of class interests is not much within the society as between the society and the forces of outside capital."²⁷ While there is an element of truth to this argument, it is weak to the extent that Macpherson disregards the fact that in his analysis of Alberta that there was more than just one class. The class structures in all the provinces include to a certain extent, labour, a professional middle class and small independent businessmen. Conflict then takes place not only between the two orders of government, but within each province. There is conflict among rival metropolitan centres, between urban and agrarian interests, between indigenous and external capital and between capital and labour.²⁸

At the same time as there is conflict between the various classes within a province, there is also conflict between the bourgeois class of a particular province and the national bourgeoisie. Federal-provincial conflict is conflict primarily between different segments of the ruling class.²⁹ This is due to the regional specialization of the Canadian economy. Those provinces specializing in the resource industries are not united as the resource base differs from one province to another. There is oil and gas in Alberta, lumber in British Columbia and potash in Saskatchewan. There is no common interest which unites the

whole of the Canadian bourgeoisie. Ontario wants cheap oil prices to fuel its industries, while Alberta wants high prices and hence higher profits.

The provincial states speak on behalf of what Stevenson terms "narrow and parochial interests" of one segment of the bourgeoisie, while the federal government speaks on behalf of the more general and long-term interests of the bourgeoisie as a whole. These narrow and specific interests, such as the oil companies in Alberta or the forestry industry in British Columbia, can more easily recruit a provincial government to speak on its behalf than they can the federal government, which is exposed to a much wider and more general range of influences.³⁰ It is obvious that the interests of the British Columbia forest industry are not going to take top priority in a national government as it only affects one area of the country. This is not to say, however, that they will be totally ignored either. Regionally concentrated interest groups have used the provincial governments as a method of defence against national policies or international pressures, and it is only with great difficulty that the governments of the provinces can avoid being responsive to them.³¹ In the current constitutional discussions the provincial states are being responsive to the financial interests of the capitalists within their province by pressing demands that will give provincial governments greater autonomy over their economies. The provincial class factions of the bourgeoisie unable to constitute a unity with their counterparts through political parties or economic coalitions, have used

the provincial governments to express their interests.³²

One finds that many of the institutions of the federal government, such as the Senate, Supreme Court, and boards and commissions, do not adequately reflect regional aspirations, nor do they have sufficient regional representation. This fact has caused provinces such as British Columbia to suggest in their constitutional proposals fundamental restructuring of these institutions to give the provinces more input in national policy-making, especially in economic matters. As well, the present electoral system has worked against certain regions. This fact was extremely evident from the results of the federal elections of May 1979 and February 1980. Under the Clark government, Quebec was severely underrepresented in the cabinet as the Conservatives only managed to elect three Members of Parliament from that province. In the present Trudeau government there are no Liberal Members of Parliament west of Manitoba. In such circumstances, in order to have their demands heard, the provincial bourgeoisie of these regions has looked to the provincial governments.

Canada is unique among federations in the way that regional economic interests have used the provincial states as means to satisfying their demands. While the trend has been towards centralization in federal systems, Canada is moving more towards decentralization. In the United States for example, there has been a gradual erosion of the federal system as monopoly capitalist groups and the federal executive have been working together to increase federal power in local affairs. This

is reflected in central government policies ranging from national clean air and water standards to grants-in-aid programs.³³ The reasons for this dispersion of state power in Canada are complex, and include the racial, geographic and historical factors that Marx felt were central in examining specific societies. In Canada these factors include the binational nature of Canadian society, the fact that it was formed as an amalgam of British colonies and the fact that within Canada there emerged a quasi-colonial relationship between central Canada and the hinterland regions. Moreover, the persistence of provincial state power is to be understood in terms of the continued differing class structures of the regions and in terms of the regional interests of a fraction of the bourgeoisie.³⁴

Miliband, in The State in Capitalist Society, includes among his six elements making up the state system, the sub-units of the central government. His five other components are government, bureaucracy, coercive apparatus, judiciary and parliament. Miliband analyzes these units of the central government in the following manner:

In one of its aspects, sub-central government constitutes an extension of central government and administration, the latter's antennae or tentacles. In some political systems it has indeed practically no other function. In the countries of advanced capitalism, on the other hand, sub-central government is rather more than an administrative device. In addition to being agents of the state these units of government have also traditionally performed another function. They have not only been the channels of communication from the centre to the periphery, but also the voice of the periphery, or of particular interests at the periphery; they have been a means of overcoming local

particularities but also platforms for their expression, instruments of central control and obstacles to it. For all the centralization of power, which is a major feature of government in these countries, sub-central organs of government have remained power structures in their own right and therefore able to effect very markedly the lives of the populations they have governed.³⁵

Miliband's view of the units of government, however does not adequately describe the situation in the Canadian federation. In all federal states the sub-central units in fact contain each of the other five components of the state set down by Miliband, reproducing on a smaller scale a government, bureaucracy, coercive apparatus, judiciary and parliament. But while the other western federations such as the United States seem to be moving towards more centralization, leaving their sub-units with limited responsibilities, Canada has been moving in the opposite direction.

In Canada, the provinces have actually grown in power and vitality since the end of the Second World War. Many of the provinces are not merely interested in defending their existing powers, but have sought to shift the balance of power in their favour through constitutional changes in the division of powers, bringing the federal and provincial governments into further conflict. This is especially true in the more economically developed provinces such as Alberta and British Columbia. Also, the provinces still have important reserved areas of jurisdiction and they intrude constantly into areas of central government activity such as foreign affairs.³⁶

Since the end of World War II there has been a general

tendency for the functions of the state in advanced capitalist nations to multiply. The governments of Canada today find themselves making policies that effect almost every aspect of the lives of Canadians. The government today for example, dispenses welfare benefits, regulates major sectors of the economy and operates in its own right some of the largest financial, commercial and industrial enterprises such as Petrocan, Air Canada, Polymer and Eldorado Mining and Refining. While it is true that in Canada the government has always played a key role in the economy, and always a more extensive role than in the United States, it is equally true that the size, the forms and the relative constancy of that role have altered radically, especially in the post-war period.³⁷

The size and scope of state intervention in Canada has increased throughout the twentieth century. Since World War II, however, the quality of intervention has changed. As Laux argues:

The dramatic changes in the twentieth century have been, firstly, a secular trend to increasing size, as measured by government expenditures (the rise of the welfare state), secondly the shift from sporadic to permanent intervention (the Keynesian revolution) and, finally, the post-war shift in emphasis not only to a more extensive indirect role in production but also to a more consistent direct role (state enterprises).³⁸

In order to fulfill its accumulation and legitimization functions in a changing capitalist environment, the governments of Canada have had to increase their functions.

There has been a transition in Western capitalist

societies in the period roughly since World War II from a system of "market" to "monopoly" capitalism. This transition can be understood in terms of the following characteristics:

- 1) an enormously enlarged productive capacity;
- 2) a significant increase in the size of the productive units, the corporations;
- 3) a noticable shift among these corporations from being national to international in scope;
- 4) the domination by these huge multi-national corporations of major industries which, combined, form the monopoly sector of Western economies;
- 5) the replacement of market instability in this monopoly sector by corporate planning through: a) the manipulation of consumer demand through advertising rather than price competition; b) increased dependence on a highly sophisticated technology and a mobile, relatively, skilled work force; c) integration of corporate decision-making through inter-corporate ownership and interlocking directorships.³⁹

This transition has required the state to play a far more decisive and complex role in social and economic planning.

Among its specific tasks are:

- 1) the politically structured guidance of capital into sectors neglected by the market through subsidies, regulation, and fiscal and taxation policy;
- 2) the improvement of the material infrastructure in transportation, communication, urban and regional planning, housing;
- 3) the improvement of the non-material infrastructure: promotion of science, research and development, granting of patents;
- 4) increasing the productivity of labour through universal education, vocational training, manpower retraining;

- 5) unproductive state consumption, e.g.,
military spending.⁴⁰

In Canada the transformation from competitive to monopoly capitalism came about very gradually. The Canadian state had, however, very early on developed the structures of state participation in capital accumulation. The federal state in Canada could never be termed laissez-faire. The state has historically underwritten the private risks of production at public expense through grants, subsidies, fast write-offs, depreciation allowances and so forth. It also played a crucial role, through control of land policy and immigration policy, in creating a capitalist labour market. In most recent decades, the Canadian state has absorbed the social cost of production of capitalist enterprise through medicare, unemployment insurance and educational facilities. As well, it has directly provided the technical infrastructure for capitalist development through state ownership of railroads and public utilities and state construction and operation of airports and highways.⁴¹ There have also been many programs developed by the federal government to aid industry. These programs are outlined in the appendix to this chapter.

After World War II, the economic transition to monopoly capital accelerated, requiring the expansion of these state activities. In the immediate post-war period, Ottawa took on the burden of providing these services through increased centralization in economic, social and fiscal policy. In the 1950s, however, Quebec under the leadership of Maurice Duplessis,

refused to go along with federal initiatives and hence set a trend that future premiers followed. As well, constitutional authority in most cases lay within provincial jurisdiction. Provincial jurisdiction over highways, education, natural resources and so forth, has ensured that the rapid postwar growth in the state brought on by the transition to monopoly capitalism has taken place mainly at the provincial level.

Canada than, has differed from other advanced capitalist nations in one important respect. While the growth of state functions since 1945 has occurred at the central level of government in all other nations including those with federal systems, Canada has experienced this growth at both the federal and provincial levels. The growth at the provincial level, however, has been more rapid and extensive, resulting in a more decentralized federal state in Canada. This post-war strength of the provinces can be attributed to a large extent to the expansion of the resource industries. The Canadian economy has been dominated at various times by different resource industries that were dependent upon foreign markets. These were the "staples" that Innis saw as being decisive factors in the social, political and economic development of Canada. In recent years the most important staples have been pulp and paper, lumber, mining, and oil and gas, and each one has been situated in a particular region of the country. Pulp and paper, and lumber have dominated the British Columbia economy, mining the Ontario economy, and oil and gas the Alberta economy. For the most part, these resources have been exploited by American firms using American

capital.⁴²

All natural resources fall under provincial jurisdiction and control under section 109 of the BNA Act. In 1867 resources were considered of little importance and hence were assigned to the provinces. As resources developed, however, they increased the power and importance of the provinces in relation to the federal government. However, since resources are unevenly distributed among the provinces, this has led to greater regional disparities. Those provinces with resources such as Alberta and British Columbia have developed highly specialized economies that are dependent on United States markets.⁴³ This point will be further clarified and analyzed in the next chapter, but it is still important to note at this juncture that the specialization of regional economies and American intervention has led to a dominantly north-south trading pattern, rather than the east-west pattern that the Fathers of Confederation had hoped to establish through the National Policy. This shift in the nature of the economy and the north-south trading pattern has meant that large sectors of the Canadian bourgeoisie have looked to Washington rather than Ottawa to perform the functions of the central government, such as manipulating interest rates and protecting investments. As well, this has led to an increased balkanization of the national economy as the provinces became more closely tied to their American neighbours and less integrated with one another.⁴⁴

It is important to note, though, that there are certain constraints within the BNA Act that restrict absolute provincial

control over resources, and which the resource-oriented provincial governments hope to change through constitutional review. The federal government has the right to regulate trade and commerce and has the freedom to employ any mode of taxation. As well, the federal general power for "peace, order and good government" along with the federal powers over transportation, agriculture and fisheries, have upon occasion restricted provincial government initiatives.

Even though the federal government's powers have not decreased over the years, they have been increasingly challenged by provincial governments many of whose powers have become more important, including those in the resource areas. The centralized control over most economic and social matters that the federal government had assumed in the post-war years, is lessening today. Many provincial governments have opted-out of shared-cost programs, more tax room has been given to the provincial governments and so forth. Stevenson finds that the development of the provincial governments has had a three-fold effect.

In the first place, and most obviously, the modernized provincial state was a far more effective instrument for the promotion of bourgeois interests than the primitive small-scale state of earlier years. Secondly, ties between the provincial state and the bourgeoisie were strengthened, particularly by the merit system which in a capitalist economy almost ensures a circulation of elites between the corporation and the state, as well as the isolation of state administration from the influence of political parties that may represent other classes. Thirdly, a vast number of state functionaries at the provincial level emerged, and their interest in supporting the power of their provincial state vis-a-vis

Ottawa reinforced, and was often even stronger than, the interest of the bourgeoisie in doing likewise.⁴⁵

This growth of the provincial state, however, did not occur simultaneously and some provincial states, especially in the east, are still in a position of relying on equalization grants and regional development programs from Ottawa. The resource provinces such as British Columbia, Alberta, Saskatchewan, Ontario and Quebec, have since 1945 become more closely tied to the American economy and hence have become less reliant on the Canadian government. It is the political leaders from these provinces who, for the most part, have since the 1960s played an increasingly active role in the constitutional review process. Through this review they hope to achieve a clarification of powers between the two levels of government, as well as a change in the distribution of powers. This change in the distribution of powers would enable the provincial states to better carry out their accumulation function and therefore better enable them to serve their regional bourgeoisie.

The growth of the public sector and government expenditures in Canada have a number of different, although related economic and political ends which directly or indirectly serve corporate interests. The major determinants of government expenditures at all levels of government have stemmed from the general and specific interests of the corporate community as a whole or of specific industries.⁴⁶ The ruling class as a whole, however, cannot be considered as being homogeneous, except in the broadest sense, that they are all concerned with profits.

There are conflicts between the common long-run interests of the ruling class as whole and the short-run interests of particular segments of it.⁴⁷ In Canada the various short-run interests of particular segments of the bourgeoisie have caused them to turn for the most part to the provincial states to serve their interests. The growth in the size of provincial bureaucracies and provincial expenditures has reflected the fact that the provincial government has become the spokesman of the bourgeois class faction within its province, as well as the ally and supporter of private enterprise.⁴⁸ In order to fulfill this function, however, many of the provincial states feel that they need more jurisdictional room to manoeuvre within. This has led them to see constitutional review as a tool to achieve this room. Proposals for more taxing powers and a reduction of the federal spending power reflect this fact.

Conclusion

From the foregoing discussion two general points can be made. First, the Canadian state has from Confederation played a large role in the economy; Canada has never been what can be termed a laissez-faire state. Secondly, federal-provincial conflict is based on class conflict between segments of the bourgeoisie. The changing nature of Canadian capitalism has required a change in the quantity and quality of state intervention in the economy. These changes have occurred at both the federal and provincial levels of government. However, for the most part, these changes have been more dramatic at the provincial

level, as constitutionally most of the new functions of the state have come under provincial jurisdiction. This development has brought the two orders of government into greater conflict, as the federal government is reluctant to abandon the centralizing role that it assumed in the immediate post-war years. As well, many of the provincial states find that they are unable to effectively carry out their accumulation function on behalf of their regional bourgeoisie under the existing constitutional framework. The process of constitutional review has become the tool whereby the provincial states hope to change the balance of power in Canada, producing a more decentralized federal system in Canada.

APPENDIX

Programs to Assist Industry

ACT	PROGRAM	PURPOSE	COMMENTS
	Defence Industry Productivity Program (DIP)	To enhance technological competence of defence industry	Deals primarily with civilian aspects of industry. Does carry a Defence capability, e.g.: Aircraft Ind.
	Industrial Design Assistance Program (IDAP)	To improve the competitive position of Canadian Industry through improved designing	Deals with consumer products. Directed at people to improve designing
Industrial Research and Development Incentives Act	Industrial Research and Development Incentive Program (IRDIA)	To expand scientific research and development in Canada	(Grant) Deals with applied research along lines followed by MOST long-range research and development
	Program for the Advancement of Industrial Technology (PAIT)	To encourage industrial growth and efficiency through improved products	Assistance directed at fostering the development of a particular product to encourage follow-up
	Program to enhance Productivity (PEP)	To encourage industrial growth and productivity	This is directed at a new product. It was directed initially at small firms--assist-consulting and product imp. second phase development.

General Adjustment Assistance Program (GAAP)	(Financing) To assist Canadian manufacturing industry to improve its position in meeting international trade competition	Loan and Grant to engage consultants to improve financial position of companies (originally automotive Industry) now includes service and manufacturing
Pharmaceutical Industry Development Assistance (PIDA)	(Financing) To increase the efficiency of drug production and marketing in Canada	August 1967 To foster competition adopted to assist pharmaceutical industry to offset disadvantage from allowing importation of foreign drugs to lower price
Grains and Oilseeds Marketing Incentives Program (GOMI)	To achieve a sustained expansion of the total effective market for Canadian grains and oilseeds	Directed specifically at the agricultural sector
Agricultural and Food Products Market Development Assistance Program (MDAP)	To encourage sustained growth for the sale of Canadian agricultural and food products in export and domestic markets	Assistance to promote the sale of agricultural products--assist the agricultural sector. Export oriented
Program for Export Market Development	To bring about a sustained increase in the export of Canadian Production	
Promotional Projects Program	To promote the export of Canadian products and services through trade fairs and missions	Directed at any industry requiring assistance

ACT	PROGRAM	PURPOSE	COMMENTS
	Building Equipment Accessories and Materials Program (BEAM)	To increase productivity and efficiency in building operations	
	Fashion Design Assistance Program (FDAP)	To increase Canadian international competitiveness in the apparel textile, leather and footwear industries	Designed to assist the clothing and footwear industries in particular as compared to IDAP - above.
	Machinery Program (MACH)	To allow users of machinery to acquire capital equipment at the lowest possible cost	Designed to encourage productivity. Industries can import machinery at lower tariff
	Ship Construction Subsidy Regulation (SCSR)	To assist the shipbuilding industry by subsidizing construction at a level comparable to the tariff protection given to other industries	New program designed specifically for the shipping industry
	Shipbuilding Temporary Assistance Program (STAP)	To provide grants to shipbuilders	Discontinued Program
	Counselling Assistance to Small Enterprises (CASE)	Provides an opportunity for owners and managers of small businesses to benefit from managerial experience	Designed specifically for small businesses. Has been transferred recently to the Federal Business Dev. Bank

ACT	PROGRAM	PURPOSE	COMMENTS
	Shipbuilding Industry Assistance Program (SIAP)	Since March (1975) provides a subsidy paid on both construction and ship conversion	Introduced after the discontinuation of STAP

Source: Richard W. Phidd and G. Bruce Doern, The Politics and Management of Canadian Economic Policy (Macmillan, 1978), pp. 574-576.

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CHAPTER TWO

THE GROWTH OF PROVINCIAL GOVERNMENTS AND
CONSTITUTIONAL REVIEW

Introduction

This chapter illustrates the growth of provincial governments and the north-south trading pattern with the United States. The increasing regionalism brought about by these two factors has led to a movement to revise the Canadian constitution in a most fundamental way.

A prime factor in the expansion of provincial bureaucracies and provincial government expenditures and revenues in the post-war era is the growing importance of new nonrenewable staple products such as pulp and paper, potash and oil, as opposed to the old, renewable staple products such as timber and wheat. The resource-rich provinces have increasingly based their economies on one staple product, such as oil in Alberta. In developing these staples, the provincial governments would like to chart their own course, unhindered by the restrictions of the federal government in such areas as external relations and transportation policy. As well, in seeking to develop their resources, provincial governments have become reliant upon United States investment. This has caused business and political elites in a province to feel that they have more in common with corresponding regions of the United States than with neighbouring provinces in Canada, further exacerbating regionalism.

This regional break down of Canada has caused the provincial governments, led initially by Quebec, to demand constitutional changes that would benefit their particular

provincial economy. These constitutional changes have included changes in the distribution of powers and demands that provincial governments have more input into central decision-making agencies. All three issues; resource development, north-south trade and constitutional review are based on provincial governments developing their particular economies to their utmost potential.

The Growth of Provincial Governments

One of the most interesting aspects of Canadian federalism has been the survival and growth of provincial governments, especially in English Canada, which has no clearly discernable linguistic or cultural heritage to protect. Since the 1950s there has been a growing strength among the individual provinces, despite the highly centralized nature of the BNA Act which constitutes most of the written portion of the Canadian constitution. One reason for this is to be found in the federal system itself. Confederation created competitive political and bureaucratic elites at two levels of government, each with jurisdictional, financial, administrative and political resources for meeting their objectives. The post-Confederation history of Canadian federalism may be seen as a chronology of the efforts of governing elites at two levels to increase their power and prestige.¹

In this ebb and flow in the assertion and exercise of power by the federal government and the provincial governments, the federal government has had a definite advantage. The

distribution of powers between the two orders of government, as outlined in sections 91 and 92 of the BNA Act, gave the major economic powers such as taxation by any mode, control over banking, and so forth, to the federal government. As well, the federal government was the symbol and focus of new national ambitions and was staffed by the most notable political luminaries of the day such as John A. Macdonald and Georges E. Cartier. This advantage, however, has not prevented an alteration in the assertion of power by the federal government or the provincial governments.

In the 1880s, a number of significant decisions rendered by the Judicial Committee of the Privy Council, such as *Citizens Insurance Company v. Parsons* (1881-1882) and *Hodge v. the Queen* (1883), had the effect of enlarging the provincial grant of powers. At the same time, a number of strong provincial premiers including Honoré Mercier of Quebec and Oliver Mowat of Ontario, appeared on the scene and exerted a great deal of influence in their fight for more provincial rights.

This trend towards provincial power began to reverse itself with the election of Wilfrid Laurier as Prime Minister in 1896. Laurier diffused the growing demand on the part of provincial premiers for more provincial rights by bringing Premiers Mowat of Ontario, Fielding of Nova Scotia and Blair of New Brunswick into his federal "Ministry of All Talents."² As well, Laurier revived the image that Macdonald had established, of the federal government as being the nation-builder through a series of policies that increased immigration and trans-

continental railway construction. The pendulum of political power and prestige that had been swung towards the federal government by Laurier remained there during World War I, by dint of the national emergency, the Union government and the extraordinary powers exercised by the federal government during the war years.

With the return of peace, power again began to ebb away from the federal government and flow towards the provinces. In 1921 the Progressive Party won 64 seats in a House of Commons whose members were divided among four parties. The Progressives held the balance of power and for the first time since Confederation, the Prime Minister was faced with the problem of leading a minority government. Between 1920 and 1930, the federal government ran through six different administrations. The provinces, on the other hand, were experiencing government stability. Taschereau had commenced his reign of sixteen years in Quebec, the Liberal party was establishing itself solidly in power in Saskatchewan, in Nova Scotia the Liberals were completing an uninterrupted run of forty-three years of rule, the United Farmers of Alberta won power where they were destined to remain for fourteen years and the Progressives in Manitoba were to hold power for twenty-one years.³ Also the powers of the provincial governments were strengthened by the decisions of the Judicial Committee of the Privy Council in three important cases: The Board of Commerce Act, Fort Francis Pulp and Power Co. v. Manitoba Free Press and Toronto Electric Commissioners v. Snider.

With the Depression, this phase of provincial ascendancy was brought to a close. The provincial governments, which were responsible for the relief of the unemployed went into debt and the federal government stepped in to alleviate the provincial burden. With the advent of the Second World War, the federal government gained prestige as the heart of the national war effort and the provincial governments, understanding the emergency situation, abstained from exercising their full powers. The federal government continued to enjoy greater prestige and power than the provincial governments in the early post-war years. There were, however, several factors that led once again, to an increase in provincial government power and prestige.

On the federal side there was a series of minority governments between 1957 and 1968 and federal parties were becoming regionalized with the Liberals winning most of the seats in the House of Commons in Quebec, while the Conservative Party took most of the seats west of Ontario. There were eight major factors on the provincial side that have led to increases in provincial government power and prestige. They were:

- 1) the Quiet Revolution in Quebec, 2) the growing number of strong and able provincial premiers such as Lesage in Quebec, Robarts in Ontario, Lougheed in Alberta and Bennett in British Columbia, 3) very strong majorities on the governmental side of the legislatures in a number of the provinces, 4) an upsurge in the significance of the functions of government assigned by the BNA Act to the provinces, 5) an increase in provincial spending, 6) growth in the number and quality of provincial

civil servants, 7) growth of the resource-based industries, and 8) a form of cooperative federalism which has given the provincial governments a greater voice in the determination of policies that affect them.⁴

The growing challenge to the central dominance of Canada occurred mainly because of economic transformations. There has been a shift in the relative importance of staple products such as wheat and timber, that were exploited by a small population, to resources such as oil, gas and potash, that are exploited by a large and growing population. This has led to the rise of new technological, bureaucratic and business elites in the provinces, who emphasize planning and development, leading in turn to a previously unheard of series of challenges to the type of federalism promoted by the federal government.⁵ The provincial governments have become vastly more sophisticated than previously in designing and implementing comprehensive economic policies and in challenging federal authority in many areas.⁶

Spurred by increasing fiscal and bureaucratic strength, by their control over natural resources, by conflicting economic interests and by a feeling that federal policies have been ineffective or unfair to their province, provincial governments have increasingly asserted that they reflect the interests of their regions better than the federal government and that they should engage in developing and implementing their own development strategies. This provincial government challenge to federal authority has led to increasing conflict between the

two orders of government.⁷

Simultaneous with the growth of provincial power, federal government power has also been expanding. During the Depression and the war, the federal government was able to establish a highly centralized regime in Canada and was able to continue doing so in the immediate reconstruction period, especially with its fiscal and monetary policies. However, many areas in which governments began to play increasingly interventionist roles fell under provincial government jurisdiction, such as transportation, communication, health, social welfare, education and natural resources. Partly with federal financial help, provincial bureaucracies grew, and the provincial governments increasingly sought to promote their own social and economic development.⁸ The result has been not so much the decline of federal government power, but the interaction of two powerful levels of government, each responding to its own political and economic interests. "Intrusions" Simeon points out, have become a "two-way street," with each level of government seeking to develop policies in a broad range of fields.⁹ Provincial governments have begun to act in areas of federal government jurisdiction such as external affairs. As well, no clear jurisdictional lines exist today as governments intervene in areas of policy such as telecommunications, that were not even envisioned by the Fathers of Confederation.

The reconciliation of federal and provincial objectives is facilitated when one or another level of government is passive, when one level of government is clearly dominant, when the scope

of government activity is minimal or when the two levels deal with clearly defined and distinct sectors of the economy and society.¹⁰ Unlike the early years after Confederation, when there were few jurisdictional conflicts, today they abound; there is also a mechanism of federal-provincial consultation. As Cairns has written:

...jurisdictional isolation is gone forever, and none of the other agreement-facilitating situations now prevails, or is likely to do so in the future. Both levels of government are strong. Neither can dominate the other. Both pursue increasingly comprehensive and integrated goals with a consequent decline in their willingness to defer to the interests of external governments. Provincial willingness to defer to Ottawa has diminished with the development of administrative skills and professional competence in the provincial capitals.¹¹

The classical federal model is based on a division of powers between the two orders of government. The central government is responsible for areas of national concern, while the provincial governments are responsible for more local matters. Such a distinction, as indicated in sections 91 and 92 of the BNA Act, has broken down in Canada today. On the one hand, government in advanced capitalist societies is more involved in the workings of every facet of life than previously. This creates a complexity and interconnectedness in all policy matters. On the other hand, because of the increased effort of provincial governments to represent regional interests at the national level and because of their desire for increased freedom to promote their own regional development, they have come increasingly into conflict with the central government.¹²

The reality today is that we have two levels of aggressive governments, often pursuing competing goals. With this development of two aggressive orders of government, has come a shift in the issues which predominate in federal-provincial discussions. The major issues in the immediate post-war period centered mainly on conditional and unconditional grants and tax rental agreements. Today, as provincial governments have become more assertive, the focus in federal-provincial discussions is on economic development and provincial governments have demanded a greater say in national policies that affect this goal.¹³ In their constitutional proposals, provincial governments have demanded greater representation in national policy-making institutions such as the Senate and boards and commissions, as well as more taxing power and restrictions on the federal parliament's spending power.

During the war years and well into the 1950s, the balance of bureaucratic competence ran heavily in favour of the federal government. In economic and other policy matters the federal Liberals worked in close harmony with highly trained and skilled civil servants. On the provincial government level bureaucratic expertise was limited and provincial government reactions to federal government initiatives were seen by Smiley as "somewhat amateurish."¹⁴ With the development of resources in the "hinterland" provinces, however, the provincial governments have been able to entice those types of bureaucrats with skill and expertise that had previously been more attracted to the federal civil service. This development has been most spectacular in Quebec,

but is occurring in other provinces as well. It has resulted in the federal government's having to deal with equals rather than subordinates.

The province-building drive is fuelled by grievances and frustrations at unfair federal policies and unrepresentative national institutions. In part the challenging of federal power and purpose was the result of the deficiencies of federal policies in satisfying the needs of important sections of Canadian society. Many provincial governments feel, as Irvine notes, that "their economic priorities, if not their economic future, have been ignored by the central government."¹⁵ There is in Canada today a strong sense of regional community and identity backed by the wealth of resources and driven by the desire on the part of the provincial governments to develop their economies hindered by federal economic policies that in many ways work to the benefit of one region and not others.¹⁶

The passive "policeman" state of the nineteenth century concerned with the protection of persons and property and the collection of modest taxes, has given way to the "positive" state of the twentieth century, which in addition to its traditional functions, now legislates in almost all areas of concern to its population. The state in Canada today now dispenses health and welfare benefits, regulates major sectors of the market economy and operates some of the largest financial, commercial and industrial enterprises in the country.¹⁷ Pratt has argued in reference to Alberta that the powers and resources of an interventionist positive government are being employed to

"nurture the development and to defend the province-building entrepreneurs, urban professionals and state administrators."¹⁸

The goal of the regional bourgeoisie in the provinces has been to strengthen its control over its provincial economy and to reduce dependence on the federal government.

The origins and development of the public sector are rooted in the past. Traditionally the public sector in Canada developed to complement and meet the needs of the profit-making sector of the economy, such as was the case in the building of the CPR. The public sector developed to build the necessary technical infrastructure for the corporate sector, to generate investment and to meet the social overhead cost of private profit-making production through its legitimization role. The public sector of the economy has developed in such a way as to directly or indirectly support and meet corporate needs so that there are public costs in the form of taxes and private benefits of production in the form of profits in the corporate sector.¹⁹ Government budgets at all levels are continuously expanding as a result of the increasingly complex and interrelated nature of economic production which demands a greater quantity of public services which can only be funded through government. The steady expansion of government budgets is a result of the increasing expenditure requirements of the corporate sector of the economy.²⁰ The development of the public sector provides the framework for stability and growth of the corporate sector by absorbing the costs of maintaining the technical infrastructure by providing railroads, highways, schools, universities, hydro-electric power

and so forth.²¹ In many cases today, these activities are carried out by provincial governments working on behalf of a regional segment of the bourgeoisie, such as the oil interests in Alberta or the lumber industry in British Columbia. With the development of advanced capitalism in Canada the public sector has grown, both at the federal and provincial levels of government.* Hodgetts and Dwivedi argue that:

The expansion of government employment is a function of increasing population and the changing characteristics of that population; it is equally attributable to changing philosophies of state intervention, which in turn provide support for new roles and functions for the state, as well as for enlarged expectations of the province for more and better services. The demands on the positive state have resulted in a proportionately faster growth of the provincial government's civil services.²²

The provincial bureaucracies are now staffed by members of what has been termed "the new middle class." Although the emergence of this new middle class is usually perceived as a phenomenon of the province of Quebec, it has also been taking place in other provinces, but in a less dramatic fashion. It is essentially a post-war occurrence. With the growth and increased size of large-scale business and government organizations, the middle class was transformed into, as Guindon describes it, a "bureaucratically employed white collar group with professional and semi-professional status, displacing the dominant entrepreneurial, self-employed character of the middle class in the last century."²³

* see appendix, chart I

The growth of provincial bureaucracies has brought the federal and provincial governments into greater conflict. The provincial governments have established in a sense, their own internal diplomatic corps through ministries of intergovernmental relations, whose sole raison d'etre is to look out for and promote their government's interests. Federal-provincial conferences have become an end in themselves for bureaucrats in these departments. Moreover, increased provincial competence and increased access to information, mean that the provincial governments are now able to confront the federal government as equals.²⁴

As well, the modernization of Canadian society has given the provinces the chance to exercise their initiative in areas assigned to them under the BNA Act, but of little or no consequence in 1867. The provincial governments possess impressive constitutional responsibilities in areas of expanding government concern, such as welfare, education, highways and most importantly, natural resources. With this expansion of their responsibilities there occurred the previously noted increase in bureaucratic competence. As well, many of the provincial governments came to be headed by dynamic and ambitious political leaders who were willing to fight with the federal government for their province's right to develop free from federal interference.²⁵ As Cairns writes:

They (the provincial governments) took full advantage of the historical accident which gave them jurisdictional control of the growth areas of government. The provinces were no longer the overblown municipalities

that the Fathers of Confederation had intended them to be. The leaders of the larger provinces managed ministates, impressive in wealth and geographic extent. They saw their tasks as positive and managerial and they developed visions commensurate with their enlarged responsibilities. They began to take deliberate control of their provincial societies and economies. They took up the slack in their constitutional powers and extended them into new domains.²⁶

As well as using their constitutional powers to the fullest, provincial governments have used the constitutional review process to alter the division of powers between the two orders of government. There is a call from provincial governments, in an effort to serve their respective regional bourgeoisies, for greater provincial control over the crucial tools of regional development; oil, gas and minerals in the West, fisheries and off-shore minerals in the East, and so forth. As well, provincial governments at constitutional conferences and in their position papers on the constitution, have argued that the trade and commerce power should not override provincial resource ownership; the federal declaratory, spending and emergency powers should be restricted and subject to provincial veto; and there should be direct provincial input into federal policies which affect them through a reformed Senate and so forth.

Quebec is not alone in arguing for a greater decentralization of power away from Ottawa and towards the provincial capitals. Canada is increasingly a collection of regionally based societies of which Quebec stands out distinctly because of its ethnic and linguistic differences. Provincial premiers are calling for a new constitution that will benefit their individual provinces.

As was noted in chapter one, the BNA Act was expressly designed to benefit the capitalist class in Ontario. Not only are the other provincial governments challenging the federal government, but they are also challenging the predominant role that Ontario has played in Confederation. Premier Allen Blakeney of Saskatchewan, has charged that the federal government was determining what price Saskatchewan may ask for potash, Alberta for oil and British Columbia for natural gas. Ontario, however, was not being instructed by the federal government as to what price it could ask for its nickel. In his view, therefore, a definite double standard exists in Canada.²⁷ Through constitutional revision this type of double standard could be reversed by reforming federal government institutions such as the Senate and boards and commissions, by giving other regions of the country more representation in policy-making and thereby counter-balance central Canadian input.

In a country as large and as vast as Canada, made up of a wide variety of people, a significant amount of regionalism is bound to appear. In Canada, regional identification has been enhanced by the pattern of the local endowment of land and natural resources. There is in Canada three distinct sectors of the economy, each with different economic interests and class relationships. One of the three sectors - agriculture, secondary manufacturing and resource - are found in almost absolute isolation in each province. Even for example, among provinces whose economies are based on the extraction and export of natural resources, there is a divergence of interests, as oil based Alberta has goals

distinctive in a large degree to those of the lumber industry of British Columbia. The regional specialization of the economy has meant that the common interests of the whole Canadian bourgeoisie, which would have to be pursued through a strong federal state, are relatively limited. The common interests of the bourgeoisie in a particular province, on the other hand, are clearly defined by the predominant industry of that province and may place them in opposition to the bourgeoisie of other provinces. For example, Ontario wants cheap oil, while the Alberta government wants high prices.

The regional concentration of the three sectors of the economy in Canada have contributed most of all to disunity in Canada today. As was shown in chapter one, different segments of the bourgeoisie have used different levels of government to achieve their goals. Frank Underhill noted this fact in 1935 in a paper presented at the annual meeting of the Canadian Political Science Association.

The root conflicts which divide our ten million people are not between national and provincial governments, or between central provinces and outlying provinces. They are conflicts between various economic groups all of whom strive with varying success to use the political machinery of federal and provincial governments to assist them in achieving their purposes, i.e., in staking out for themselves vested claims to their share of the collective income.²⁸

The resource industries provided the regional impetus for the expanding economic functions of the provincial states, but as Stevenson points out, the process did not end there. After World War II the influx of large American investment was taken

for granted, but the recession of the late fifties slowed this investment down considerably, causing the provincial governments to start competing with each other to attract direct investment, or encouraging one province to lure it away from other provinces through tax concessions and subsidies.²⁹ The effect was that this new pattern of north-south trade and investment based on resource development and branch-plant manufacturing has contributed to further disunity in Canada. Since there are no tariff barriers between provinces, it is not necessary for a foreign firm to establish operations in each province. The provinces in which foreign investment takes place will benefit from increased employment, royalties and so forth. Provinces then will be pitted against one another in order to gain the economic benefits of foreign investment.

The North-South Trading Pattern

After Confederation, in order to protect local industry, the Conservative government of John A. Macdonald enacted the National Policy of 1879, which raised tariffs on imported goods and helped to reinforce an east-west trading pattern. The Americans responded by building factories in Canada in order to process the raw materials here. Today approximately one-third of all American dollars invested world-wide are invested in Canada. American investment is especially high in the resource industries, as Canada's economy has continued to be primarily based on staples.³⁰ As the east-west pattern of the National Policy has evolved, however, to a north-south pattern, the

staples have changed from fish, fur, timber and wheat to petroleum, minerals and pulp and paper.³¹

Canada's dependency is a function not primarily of geography and technology, but of the nature of Canada's capitalist class. In Canada, the process of penetration by direct investment has been aided considerably by the legacy of merchant capital, with its overdeveloped transportation and financial infrastructure which drains funds away from industry. As Naylor argues:

The tightly cartelized banking system cannot provide long-term risk capital, but is concerned primarily with liquidity. Life insurance companies prefer fixed interest securities and government bonds and mortgages, and invest only in very gilt-edged securities, which naturally are those of big established American concerns... These factors, together with the reluctance of American firms to issue minority shares in their subsidiaries, twist the Canadian capital market so that Canadian capital continues to flow into utilities, agriculture, housing, merchandising and government bonds, thus robbing industry of funds.³²

As well, the National Policy played a role in submerging local industry, by encouraging branch plants which could turn to their parent company when short of funds. Any part of Canadian industry that has survived the National Policy has been tightly cartelized and closely held for generations.³³

The Canadian business class has been dominated traditionally by mercantile capitalists who have made their profits on the exchange of Canadian staples in return for manufactured goods. At no stage in the development of the Canadian national has an industrialist class that profited from the production and sale of manufactured goods dominated Canadian capitalism. Canadian capitalism is inherently weak in relation to that of outside

imperialist countries, such as Britain in the earlier part of our history and now the United States. Laxer writes that "dependency has shaped the character of Canadian capitalism and has created a capitalist class that has needed continued dependency for its continued well-being."³⁴

Empires built on direct investment are in Leninist terms the highest stage of imperialism. A correct definition of imperialism according to Lenin will include the following five essential features:

- 1) the concentration of production and capital, developed to such a high stage that it has created monopolies which play a decisive role in economic life.
- 2) the merging of bank capital, with industrial capital and the creation, on the basis of this financial capital, of a financial oligarchy.
- 3) the export of capital, as distinguished from the export of commodities, becomes of particularly great importance.
- 4) international monopoly combines of capitalists are formed which divide up the world.
- 5) the territorial division of the world by the greatest capitalist powers is completed.³⁵

Innis has argued that in Canada the impetus for development was not manufacturing but the growth of staples or raw materials for export. In his "staples theory" Innis explained the stages of Canadian economic development in terms of the export of staples, such as fur, fish and lumber, at different times in our history to different imperialist powers. Innis argued that Canadian capitalism would be unable to transcend its basic role as a raw materials supplier in the world economy. He argued that

the staples-producing economy would not be transformed by industrialization and that the original division of labour would remain fundamentally the same. Canada would continue to be a net exporter of resources and a net importer of manufactured goods, as well as continuing to rely on borrowed technology and capital. The reason for this is because imperialism would continue to prevent Canada from becoming a net producer of manufactured goods. The money made in selling resources could not be used to build an industrial sector because Canada does not control where the money goes. The allocation of resources and the use of capital and labour are determined externally by the needs of the imperial power, in Canada's case, first with France, then Britain and now the United States.³⁶

During the regime of British finance capital, the imperial nexus required a strong state structure to mediate flows along an east-west axis. The National Policy produced a linear monocentric political economy ruled from Ottawa by Toronto and Montreal merchant capitalists who, in turn, were answerable to Britain. Staples flowed from west to east, manufactured goods from east to west, finance capital from London to Montreal and Toronto, and interest payments back to London.³⁷ The new staples industries such as pulp and paper, oil and natural gas, and the rise of branch plant industrialism has changed this pattern. The change in staples has allowed the provincial governments to gain financial powers through the extraction of resources and the royalties that can be collected from them. The provincial governments can then use these royalties and other tax sources to try and persuade secondary industry to locate in their sphere

of authority.³⁸

The colonies of Great Britain that joined to form Canada in 1867 had no underlying ideological force to bring them together. Their union was a marriage of convenience and each developed economically separate from each other. The only common denominator was the fact that the economic development of each was shaped by imperial needs for staples. As such, the fishing economy of Newfoundland had little in common with the timber economy of New Brunswick or the agricultural economy of Ontario and Quebec or the fur trade in the west. In the twentieth century though, the east-west linkage forged by the staple trade in fur, timber and wheat weakened with the change in staples, encouraging a linkage of Canadian regions to the United States and promoting the balkanization of Canada.³⁹ Concentrations of direct investment tend to fragment national markets and balkanize the state structure. American corporations involved in the oil industry have tended to concentrate all of their investment in Alberta, while secondary manufacturers have invested in Ontario. Federal-provincial relations then degenerate into arguments over the distribution of the spoils as each provincial government requires an increasing share of total government revenue to entice branch plant industry or resource-extracting firms to locate in its sphere of authority.⁴⁰ Provincial governments then demand constitutional changes that will give them total control over resource management and the ensuing royalties, as well as demanding greater taxing powers.

The post-war trend in the Canadian economy has been the

increasing dependence on foreign demand for resources and foreign capital for the development of these resources. The post-war boom in foreign investment in resource exploitation is one manifestation of the disintegration of the national economy in Canada in favour of a series of regional economies whose destinies are inextricably bound to economic decisions made outside the country.⁴¹ Dominance by the continental American economy and the multinational corporation has effectively made the regions of Canada into regions of the American economy. The very thing that Confederation and the National Policy were designed to prevent - absorption into the growing United States economy - has come about. One major reason for this is the fact that the National Policy has not adapted to changing economic needs. The major implication of a growing north-south, rather than east-west trading pattern is that the economy cannot be controlled by economic policies implemented by the federal government. Increased continental integration in the post-war period has placed the overall level of economic activity in Canada beyond the federal government's control. This means that federal economic policies are less able to handle the cyclical instabilities of the economy or of affecting regional inequalities.⁴²

In order to help their particular regional economies, provincial governments must try to attract American investment. If they fail to do so, chances are that their economies will remain underdeveloped with high unemployment rates and so forth. Secondary manufacturers, particularly multinationals, do not usually locate in depressed regions, despite the attraction of

lower wages. Manufacturers of consumer goods like to be near their markets. Another factor that is considered by corporations in locating branch plants, is where their own head office is located. Corporations prefer to have their branch operations close to the head office. Winnipeg is more likely to get a branch plant if the head office is in Minneapolis, than if it is in Boston or New York, while Vancouver is more likely to receive a branch plant if the head office is in California rather than Chicago or Detroit.

When Canada is referred to as an industrial nation what is really meant is that the southern Ontario and Montreal regions are industrialized, while the rest of the country can be more aptly referred to as a resource hinterland.⁴³ In British Columbia the resources are wood, pulp and paper, and some hydro-electric power; in the Prairies they are gas, oil, potash and wheat; in Quebec they are mining, pulp and paper, and hydro; and in the Atlantic region, pulp and paper and fish. These resource hinterlands feed the industrial heartland of Canada, as well as the United States markets, with their resources and in turn, consume some of the manufactured products from these regions.

The continuing availability of American direct investment has stimulated a competition among the provincial governments to attract the most investment. The absence of tariff barriers between the provinces means that it is unnecessary to locate within a province's borders to capture its market. Thus the provincial governments are under constant pressure to lure industry to create "growth" and "jobs." In part this is done by such

traditional methods as keeping down minimum wages, discouraging labour organization and creating a climate favourable to private enterprise.⁴⁴ But as Stevenson points out, "the greater mobility and bargaining power of American corporations, as well as the characteristically Canadian assumption that they offer managerial and technological benefits unobtainable elsewhere, have, however, exacerbated the competition and forced the provinces increasingly to resort to more direct methods."⁴⁵ Corporations that agree to locate or expand their operations in a province are offered direct grants, loans, tax concessions or provincial government guarantees of their securities. Most of the provincial governments, have also created economic development or planning agencies whose major task is to compete with the other provinces for foreign investment. Provincial governments have opened offices in the United States to publicize the incentives available and placed ads in American periodicals and newspapers, and provincial politicians have gone to the United States to discuss these matters with business leaders.⁴⁶

Activities such as these have directly affected the distribution of decision-making power in Canadian federalism. The provincial governments have moved into areas where the federal government has traditionally predominated, such as economic development and transnational relations. At the same time the provincial governments are demanding additional access to tax fields so that they can manipulate incentives more effectively and reduce some of the burden that new development programs have

had on their treasuries.⁴⁷

The American corporate presence in Canada has had a significant impact on the relationship between the federal and provincial governments. As Levitt argues:

...the linear transcontinental axis, which once integrated the nation under an active and strong central government, has disintegrated. The new pattern of north-south trade and investment based on resource-development and branch-plant manufacturing, does not require a strong central government. The central government is left to manage the old infra-structure of communications and commercial institutions carried over from the previous era.⁴⁸

While true in respect to the larger provinces of British Columbia, Alberta, Ontario and Quebec, the smaller and less developed provinces still depend to a great extent on federal equalization payments.⁴⁹ Nevertheless, even these provinces, partially because of the failure of the federal government to eliminate regional disparities, must compete to attract foreign investment, further regionalizing the country.

The economic goal of Confederation was the creation of a continent-wide trading system. The BNA Act assumes growth based on the development of the new western agricultural regions, the emergence of national industry, large-scale immigration and a continuation of the commercial system of the British Empire. All the necessary powers to carry out such plans were given to the central government. As things turned out, however, the major basis for development in much of Canada in the years after Confederation were in resource development, which comes under provincial government jurisdiction. After World War II, with

new staples such as oil and natural gas, the provincial governments have developed even further and have emerged as important power structures within Canada.⁵⁰

As the regions of Canada have become more closely tied to their corresponding regions in the United States, they have become less closely tied to the other regions of Canada. Provincial governments find themselves competing with other provincial governments to attract American investment and thereby strengthen their regional economy. As well, provincial governments have felt restricted by federal policies in pursuing their particular economic goals. In their constitutional proposals, provincial governments have demanded more provincial input into the making of federal policies, thereby allowing themselves a say in national economic policies that may or may not benefit their region. As well, there have been demands for greater taxing powers which would give provincial governments more capital with which to intice foreign investors through ad campaigns, trips and so on. Other provincial government proposals for constitutional change have argued for giving provinces a legitimate role in certain areas of international relations. Others request that the constitution be clarified in order to re-affirm the provinces' authority to tax and collect royalties from the sale and management of their natural resources. All of these issues are tied to the fact that the provinces in the post-war period have increased their expertise in managing their own economies and have become tied more closely to corresponding regions in the United States and less integrated with other

Canadian provinces. Provincial governments in their constitutional proposals are demanding more freedom to develop economically free from federal government interference.

The Constitutional Review

The story of Canadian federalism from the late 1950s onward is that of the relative strengthening of the power and authority of the provincial governments. This growth in provincial government power and authority is attributable to the several factors noted earlier in this chapter. What this increase in power and authority has meant is that provincial governments have increasingly challenged the federal government's intrusion into areas of provincial jurisdiction such as resources, housing and consumer and corporate affairs. As well, the provincial governments have intruded into areas of federal government jurisdiction such as international affairs. There were also areas of concurrent jurisdiction such as immigration, labour and agriculture, where the two orders of government clashed.

In times of crisis or breakdown, Stevenson notes, there have emerged demands for wide-ranging constitutional review. In the 1930s these changes were desired because provincial governments were unable to respond to the consequences of the Depression. Today the demand for substantive changes have come from provincial governments that wish to extend their jurisdictional power at the expense of federal power, and the discussions of procedures for amending the constitutional and related matters are again being shaped by the prevailing economic circumstances

in the country.⁵¹

The present constitutional crisis stems from the fact that the existing constitution of Canada has proved unable to control and channel the activities of governments in order to minimize their self-defeating competition with each other.⁵²

The federal and provincial governments no longer exist in policy-making isolation from each other. These governments today compete with and confront each other over almost every policy issue. The distribution of legislative powers between the federal and provincial governments is one of the outstanding characteristics of the government of Canada. This distribution of powers is the focal point of federal-provincial conflict.

In a country with such diverse regional communities, the adjustment or accommodation of regional interests is a primary function of the federal system. This criterion is especially important in an evaluation of constitutional proposals because of the growing discontent felt by regional interests over their lack of accommodation at the centre. As has been described by Simeon, Parliament, the Cabinet, the Supreme Court, and the party system have not served as adequate mechanisms for the accommodation of regional interests in the policy-making process.⁵³

Many provincial governments feel that their economic priorities have been ignored by the central government. The province of Quebec is not alone in arguing for greater decentralization. Canada is increasingly becoming a collection of regionally based economies.

Black has described the decade of the sixties as the period of the greatest crisis the Confederation has yet encountered. The minority governments at the federal level after the elections of 1962, 1963 and 1965 made the federal government seem weak and ineffective. In contrast to this were the provincial governments, most of which were led by strong premiers, backed by strong ministers and able public services. Almost all were making good cases for increased financial resources and legislative room.⁵⁴ The most vocal of the provinces at this time was Quebec. By the mid-1960s the prevailing currents of thought and policy in the Quebec government had come to reject what Smiley terms "constitutional conservatism" and to assert that the province's interests required radical constitutional change.⁵⁵ The first of Quebec's leaders to call openly for a new Canadian constitution was Daniel Johnson in 1965.

The best way to get equality for the French Canadian nation in a truly binational Canada would be to lay the ground immediately for Quebec independence, which will be inevitable if a new constitution is not passed.⁵⁶

With the election of Jean Lesage and the Liberals in 1960, Quebec began undergoing a transformation, popularly termed the "Quiet Revolution." In the period dating roughly from 1960-1966, Quebec built up an infrastructure of a modern capitalist society. It trained a bureaucracy able to administer a modern state and it established an educational system that placed more emphasis on the technical, scientific and administrative aspects of education than had the former church-run school system. The government began to take an active role in regulating the economy and

several state enterprises, such as Hydro-Quebec were set up.⁵⁷ With this modernizing revolution, the Quebec government began to make demands on the federal government for "special status." Premier Lesage went to Ottawa with demands for increased jurisdiction in taxation, social welfare and foreign and cultural policy. The Quebec government found that it simply did not have the power to institute nor the revenue sources to pay for many of the reforms of the Quiet Revolution, and its politicians did not like the idea of having to get the federal government's approval and perhaps revisions of many of these programs.⁵⁸

The federal government was clearly in a position of having to respond to the new Quebec government's demands for changes in the distribution of powers by taking some action in negotiating the constitution. The first concrete initiative, however, came from the Ontario government in the form of the Confederation for Tomorrow Conference in November 1967. As Premier Robarts remarked:

My government considers it appropriate for Ontario, as one of the founding provinces of Confederation, to provide the inspiration and setting for such discussion.⁵⁹

The provinces had clearly taken the initiative and Ottawa had to respond. It did in February 1968 with the first constitutional conference. As the content of these conferences will be dealt with in more detail in later chapters, it is only important to note at this juncture that this first federally sponsored conference was followed by three other meetings in February 1969, December 1969 and June 1971. At the final conference the federal government brought forth its package for a new constitution, the

Victoria Charter.

When constitutional talks first began in the sixties, except for the Quebec government, the other provincial governments were disinterested and Ontario's attitude was ambivalent. On the one hand, the Ontario government was fairly satisfied with the existing constitution, as Ontario benefitted the most of it. On the other hand, however, Robarts felt that constitutional adjustment was necessary to keep Quebec in the federation and that Ontario could assume the mediator role. Most of the other provincial governments were either opposed to constitutional review or simply uninterested, even though many current grievances had a constitutional dimension to them, such as finances and shared-cost programs.⁶⁰

But once the decision was made to undertake a comprehensive review of the constitution, the stage was set for a wide-ranging debate about the inadequacy of the existing document and about possible substantive changes. The leaders involved in the constitutional discussions first injected into the debate those matters which were of most concern to them. This brought about the raising of many "non-constitutional" issues. Initially with Quebec and then with the other provincial governments, agreement on amendment became bound up with the search for changes in content in the distribution of powers. As Simeon points out, "we cannot agree on patriation because we cannot agree on amendment; increasingly we cannot agree on amendment because we cannot agree on substance."⁶¹

The Victoria Charter failed because the Quebec government

would not agree to an amendment formula unless it was linked to a new division of powers which gave jurisdiction over social policy to the provinces. The Victoria Charter did not resolve the problems which had earlier led the Quebec government to request a constitutional review. Instead the federal government chose other subjects to include in its Victoria package: repatriation of the constitution, a formula for constitutional amendment, fundamental rights, the preamble to the constitution, regional disparities, the mechanisms of federal-provincial relations, the Senate and the judicial power. The only small concession to Quebec on the division of powers question was the inclusion of international relations on the agenda.⁶²

With the defeat of the Victoria Charter the first round of constitutional negotiations came to an end. This is not to say, however, that the federal and provincial governments were not still concerned with revision of the constitution. Then justice minister John Turner visited every provincial premier in 1975 to discuss constitutional review with them personally and there was a series of correspondence on the same matter between the prime minister and the premiers. By 1976 many of the provincial governments had begun to develop constitutional proposals as comprehensive as Quebec's. The Ontario government reestablished its Ontario Advisory Committee on Confederation in 1977, that it had first set up in 1965; the Western Premiers' Task Force on Constitutional Trends has met every year since 1977, and Alberta and British Columbia have issued exhaustive proposals of their own. As the Quebec government has linked an

amendment formula to a new division of powers, so these provinces have linked legalistic constitutional proposals such as amendment, patriation and a Bill of Rights to their own economic goals. The Ontario Treasurer in the Budget Statement of April 1975 made the following statement:

The Prime Minister Mr. Trudeau, has suggested that the federal government and the provinces should renew discussions concerning patriation of the BNA Act. The Ontario government again pledges its full support and cooperation towards this objective. However, patriation as such does not provide any solution to the more important constitutional issue, such as disentangling and recasting federal-provincial spending responsibilities, and more appropriate intergovernmental financing arrangements.⁶³

The growing wealth and influence of the Western provinces have caused provincial political leaders there to become as dissatisfied as the Quebec government with the existing constitutional structure of Canada. As in Quebec, economic alterations have been fundamental. The decline in the relative importance of the old, renewable staples that were exploited by a small population, and the growing significance of new, nonrenewable staples exploited by a large and growing population, has simultaneously brought those provinces west of Ontario a new measure of economic power, new technological, bureaucratic and business elites, and a new concern for its economic future. This shift has led to a fresh emphasis on planning and development which in turn, has inspired an unprecedented series of western challenges to the kind of federalism championed by the federal government.⁶⁴

The constitutional basis of Canada, to many provincial

premiers, is no longer adequate in serving regional economic needs and aspirations. It seems now as if the BNA Act will not have an amendment procedure until the most fundamental objectives of each provincial government are taken into consideration. For many provincial premiers, the constitutional review process is more than just patriation and amendment. Considering the economic basis of the BNA Act, many provincial premiers are demanding that the economic balance of power be shifted over to the provincial governments, so that they may fully realize the economic potential of their province.

Conclusion

The growth of provincial bureaucracies, the continental economy and the move towards constitutional review are all inter-related. Provincial bureaucracies grew in part to facilitate the move to a north-south trade pattern and constitutional review came about because the provincial governments felt that their province's economic potential was being thwarted by federal government policies.

APPENDIX

Chart One

Civil Service Employment, Provincial and Federal Government, 1946-1971 (Selected Years)

Jurisdictions	1946	1951	1956	1957	1958	1959	1960	1961	1962	1963
Nfld.	--	1,860	3,463	4,896	3,379	5,900	7,065	6,313	6,786	7,717
P.E.I.	303	400	762	981	1,045	863	1,034	1,151	933	1,154
N.S.	1,022	1,941	2,830	3,178	3,444	3,696	3,777	3,878	4,062	4,255
N.B.	1,700	2,080	2,615	2,839	2,936	2,908	2,867	3,347	3,698	4,025
Que.	11,832	13,272	18,347	19,192	19,782	20,849	22,167	22,494	23,477	23,931
Ont.	8,998	14,100	21,100	22,950	27,360	30,235	32,302	34,599	36,468	39,970
Man.	2,531	3,346	3,878	4,003	4,417	4,758	5,201	5,346	5,626	6,035
Sask.	3,889	4,659	5,692	5,767	6,067	6,293	6,540	6,573	6,655	7,296
Alta.	3,431	N/A	4,619	4,943	5,248	5,565	5,916	6,800	8,418	8,989
B.C.	4,664	7,994	9,270	9,621	9,263	9,819	10,035	10,233	10,303	10,445
Total, all provinces	38,370	49,652	72,576	78,370	83,341	90,886	96,914	100,734	106,426	113,817
Federal government	120,557	124,580	145,083	133,300	135,627	136,856	131,953	135,922	137,298	137,818

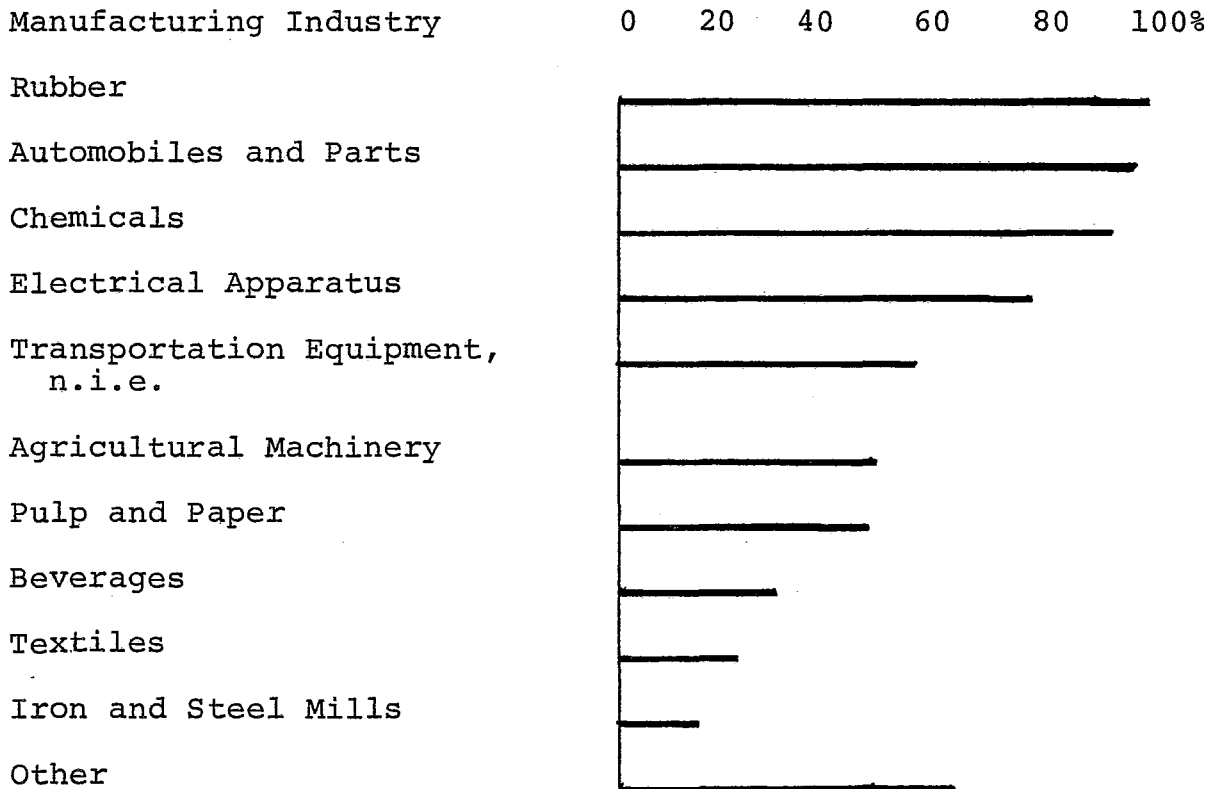
Chart One Continued

Jurisdiction	1964	1965	1966	1967	1968	1969	1970	1971	Increase, 1946-1971	
									Numerical	Percent
Nfld.	6,175	6,883	7,369	8,840	10,163	9,599	10,205	11,319	9,459	508.5
P.E.I.	1,297	1,398	1,435	1,413	1,421	1,507	1,671	1,948	1,645	542.9
N.S.	4,454	4,684	5,113	5,759	6,852	6,848	7,315	7,584	6,562	642.1
N.B.	4,259	5,155	6,140	6,369	6,615	6,767	6,759	6,955	5,255	309.1
Que.	31,956	35,105	38,877	45,423	45,206	46,800	49,600	52,400	40,568	342.9
Ont.	41,415	43,141	45,867	50,507	55,733	57,375	62,280	64,996	55,998	622.3
Man.	6,376	6,669	7,348	7,777	8,344	8,822	9,622	9,165	6,634	262.1
Sask.	7,146	7,049	7,478	7,659	7,742	7,299	7,299	7,604	3,715	96.8
Alta.	9,680	10,191	14,614	15,534	16,790	17,460	17,460	18,648	15,217	443.5
B.C.	10,940	12,437	23,373	24,368	25,438	27,081	27,081	29,141	24,477	524.8
<hr/>										
Total, all provinces	123,688	132,712	157,614	173,649	184,304	189,558	200,036	209,760	171,390	446.6
<hr/>										
Federal government	133,666	140,206	145,783	200,329	200,321	199,720	198,701	216,488	95,931	79.6
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Sources: Data for the federal government for 1946-56 are from Statistics Canada, Canada Year Book; for 1957-66 from Civil Service Commission, Annual Reports; for 1967-71 from Public Service Commission, Annual Reports.

Chart Two

Foreign-Controlled Share of Capital Employed
in Selected Canadian Manufacturing Industries, 1972

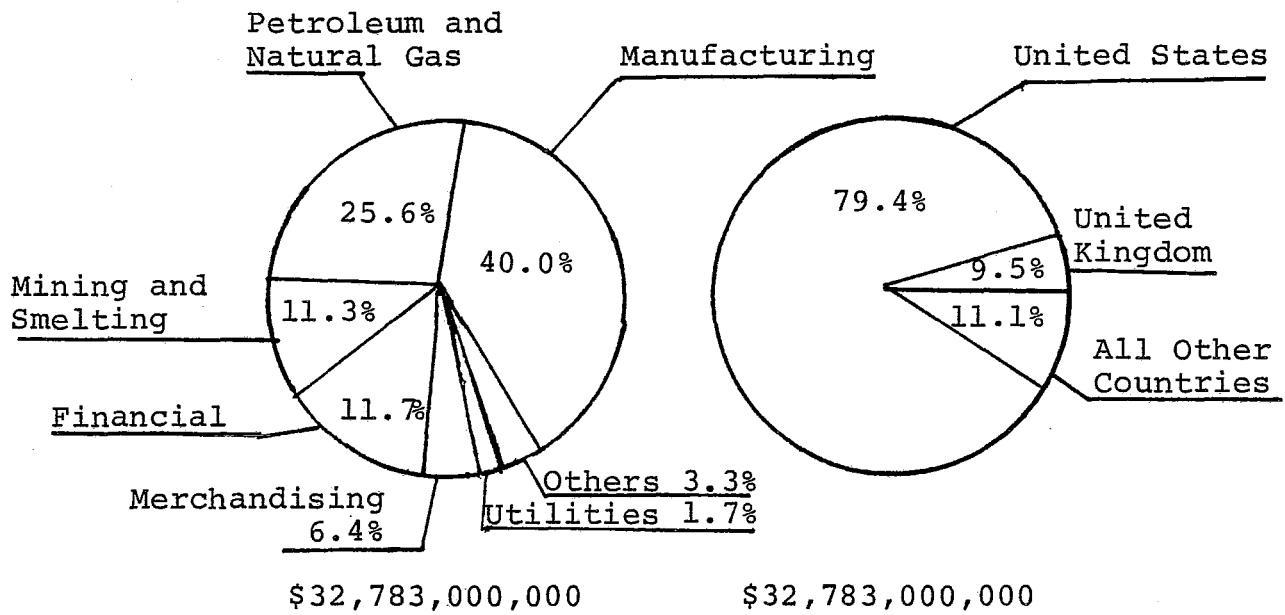


(Chart Two Continued)

Foreign Direct Investment in Canada
1973

by Industry Group

by Areas of Ownership



Source: Canada's International Investment Position
(67-202)

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CHAPTER THREE

THE ONTARIO POLITICAL ECONOMY
AND CONSTITUTIONAL REVIEW

Introduction

The perception that the Ontario government holds of the place and role of its province within Confederation has directly influenced its constitutional proposals. This chapter begins by briefly outlining the historical aspects of relations between the federal government and the government of Ontario, pointing to the ambiguities inherent in the Ontario government's fight on the one hand for more provincial powers and on the other for a strong central government that would help promote its expansionist desires.

Through its central geographic position and the economic power that it obtained through federal economic policies, Ontario has become the dominant province in the Canadian federation. The position that it holds has a profound effect on the position that the Ontario government has taken throughout the constitutional review process. At one and the same time, as it has done traditionally, the Ontario government has advocated provincial rights, as well as strong central government. Although taking the lead in constitutional review by calling the Confederation of Tomorrow Conference, the Ontario government has expressed its contentment with the existing structure of Canadian federalism and saw its role as being that of the mediator between the federal government and the Quebec government. As the other provinces such as Alberta and British Columbia, however, have gradually come to perceive that the constitution could be used

as a bargaining tool to improve their regional economies through constitutional changes that could give provincial governments greater economic powers, the Ontario government has had to fight to try and preserve a system from which it has reaped innumerable benefits.

Unlike the Quebec, Alberta or British Columbia governments, however, the Ontario government itself has proposed no concrete constitutional proposal and has limited itself to vague statements supporting federalism and strong central leadership, although the Ontario Advisory Committee on Confederation in its reports issued in 1978 and 1979 have offered a constitutional reform program. Many of the committee's suggestions, however, are in line with the thinking of the Ontario government and the committee has come out supporting a centralized federation. As well, the government of Premier William Davis has used the Advisory Committee as an alternative source of information, but not as government policy.

Ontario in Confederation

An early Canadian nationalist, William Alexander Foster, predicted that in an independent Canada Ontario would rapidly become the principle centre of activity.¹ This was hardly a profound prediction since Confederation was to a large extent engineered by expansion-minded Ontarians who saw large economic and political benefits from a British North America stretching from sea to sea. It was probably inevitable that Ontario would be the pivotal province in Canada, as it had the largest popula-

tion and the greatest growth potential. As Upper Canada, Ontario had supplied both the intense dissatisfaction with the old legislative union and also the bulk of the leadership in establishing the new system.²

Today in many ways, other than geographic, Ontario is the central province of Canada. Ontario's central position in the Canadian union is due to factors of population, industry, resources, revenues and foreign investment. The figures for 1973 show Ontario with one-third of Canada's population, 51 per cent of the nation's manufacturing, 27 per cent of cash receipts from farming, 35 per cent of construction, 40 per cent of metallic metal production and a per capita income 27 per cent higher than the national average. So bountiful have been Ontario's blessings that Premier Mitch Hepburn at one point suggested that God was certainly on Ontario's side.³ Ontario has been favoured with superb natural advantages: the Lower St. Lawrence and Great Lakes waterways, proximity to the most heavily industrialized regions of the United States, abundant mineral resources including the world's largest nickel deposits, and some of the best agricultural land in Canada.⁴

The province of Ontario, however, is not one homogeneous unit. In fact, Ontario can be seen as being a microcosm of the regional inequalities of Canada. In Northern Ontario the same problems arise as in the northern resource exploitation communities across the country, such as high paying but unstable jobs and isolated single industry communities. Northern Ontario has been described as a "crown colony" of Southern Ontario, with

decision-making and institutions of financial control centered in Toronto.⁵ The Ontario north which comprises the territory from Sudbury to Manitoba and the western borders of Quebec, is a region that is principally engaged in mineral extraction, cutting timber, producing pulp and paper, fishing, trapping and tourism.

The manufacturing industries, the commercial centres and the large mass of the Ontario population, is on the other hand, mainly to be found in the southwest corner of Ontario from Peterborough to Windsor. Within 300 miles of Toronto the majority of Canadian manufacturing takes place. This is due in large measure to the proximity of this region to the United States auto industry which duplicated itself in the areas in Canada closest to it, the easy access the steel industry had to coal and iron sources and to the availability of water resources which gave the southern Ontario region an early start in the development of low-cost hydro-electric power.⁶ These basic factors have a cumulative effect in locating the main commercial retail, wholesale and financial institutions close to the manufacturing plants. As well, the rapid and steady growth of population creates a large concentrated market, which in turn attracts more population and industry. In this region, there are fourteen large urban centres with a combined population of 4.25 million people or twenty per cent of the Canadian population.⁷ The Ontario Budget Paper of 1975 reported that in 1974 Ontario had an interprovincial trade surplus of \$4.2 billion and gained \$739 million from tariff protection for its manufactured goods.⁸

Ontario leaders since Confederation have seen Ontario as being the "linchpin" of Confederation and although it identifies its own interests (i.e., southern Ontario) with those of Canada as a whole, because of its dominant economic position it is also the region most integrated into the American empire. Of all United States controlled employment in Canada, 45 per cent of it is within 100 miles of Toronto and 64 per cent within 300 miles.⁹

The great advantages which stem from the accident of location, have been used by Ontario politicians and capitalists to give the province economic supremacy within Confederation. The political and economic elites of Ontario were the most favourably disposed towards Confederation and Ontario has been the chief beneficiary of the Confederation arrangement. Politically this arrangement gave Ontario "representation by population" which its political elites had wanted, but could not obtain under the Act of Union. With the instituting of representation by population, Ontario politicians would dominate the House of Commons as it would control the largest single bloc of members in an era before party lines were firmly established. As well, Ontario elites were pleased with the division of powers set down in sections 91 and 92 of the BNA Act, as the centralization of finance, trade and tariffs, would in effect, make the economic life of the new Dominion dependent upon the capitalist class of central Canada, while the provincial control of property assured the Ontario businessmen the opportunity to fashion provincial policies to aid and promote the development of capitalist enterprise.¹⁰

The National Policy of 1879 did not conflict in any way with the interests of the Ontario elites. As the chief beneficiary of the Confederation arrangement, Ontario's industrial and financial growth was systematically secured by tariff protection and the opening of the West. Through the National Policy Ontario was able to participate in the building of a great east-west transcontinental system. Under the protection of high tariffs, Ontario industry grew both in Canadian controlled enterprises and by encouraging American industries to establish branch plants on the Ontario side of the tariff wall.

The development of the American connection, largely through provinces like Ontario that had the resources that United States industry sought, created a division between the pull of the east-west trading axis that Canada was founded upon and the pull of the north-south trading axis. Yet as far as Ontario elites were concerned, this presented no problem as they could benefit from both trading patterns.¹¹ As well, Ontario spokesmen fought every attempt made by other provincial governments to weaken or undermine the policy of high tariffs. But when the Ontario government wanted an exception to be made to benefit Ontario industry, the Ontario government was able to secure free-trade in automobile manufacturing.¹²

The Ontario provincial government also aided capitalist development within the province. The development of hydro-electric power as a publicly-owned provincial resource enabled private industry to purchase electric power at a far lower cost than would have been possible under private ownership. As well,

the discovery of mineral deposits in Northern Ontario led to the development of provincial government sponsored railroads and highways, along with legislation to protect and promote these resources.¹³ As a result of these measures, Northern Ontario became subordinate to the control and direction of the Toronto business community which made the North a hinterland for Southern Ontario's industry and commerce.

Within Ontario every class and group known to modern capitalist society is represented: working class in primary and secondary industries, and in construction; farmers, prosperous and marginal; big and small capitalists, financiers; industrialists and entrepreneurs. Among these classes there is the further distinction of those who are part of the American branch plant network and those who are with Canadian enterprises.¹⁴ As Penner notes:

Within its provincial boundaries, Ontario is ...a composite cross-section of a highly developed capitalist society, with all the tensions, conflicts and political divisiveness which flow from that. While Ontario is still only a province, it is the dominant one, vitally concerned with both federal and provincial policies...¹⁵

The Ontario government despite the major benefits that it received from Confederation, has not hesitated to challenge the federal government. There has been a long-standing and sometimes bitter rivalry between the Ontario government and the federal government over which jurisdiction was better suited to make policies, especially in the economic field.¹⁶

The first premier of Ontario, John Sandfield Macdonald, although not an ardent provincial rights advocate, challenged

the federal government on many matters during the four years of his premiership and actually increased the prestige and status of the Ontario government. It was Macdonald's successor as premier, however, Oliver Mowat, who presented the first major Ontario government challenge to federal government authority. This move on the part of the Ontario government to demand more jurisdictional powers over the years has been termed by Armstrong as "The Mowat Heritage in Federal-Provincial Relations." The Ontario government has had, however, a very selfish motive in promoting the extension of provincial powers. The Ontario government is not concerned with the needs, wants or ambitions of the other provinces in Canada. As Armstrong explains:

Ontario has committed themselves fully to the cause of provincial rights and so given expression to its particularism or, as some might say, its imperial ambitions. In this they have reflected the desire of Ontarians to fasten their version of Canadian nationalism upon the rest of the country, making little copies of what they see as the "real" Canada.¹⁷

Even in the years immediately following Confederation, Ontario elites thought about a transcontinental country ethnocentrically modelled on old Upper Canada and dedicated to unrestricted material progress. The Toronto Globe, on June 2, 1869, declared that "we hope to see a new Upper Canada in the North-West Territories...a new Upper Canada in its well regulated society and government...in its education, morality and religion."¹⁸

In trying to extend their influence and dominance over the rest of Canada, Toronto capitalists in 1867 established the

Bank of Commerce, with George Brown as a major shareholder and the reformer, William McMaster, as its first president. The role of the bank was to challenge the dominance of the Conservative support of the Bank of Montreal. Led by Senator McMaster, the Bank of Commerce was able to pressure the federal government into withdrawing a bill that would have allowed the Bank of Montreal to control all credit through its exclusive role as issuer of Dominion bank notes. This defeat of financial centralism by regional interests represented a crucial setback to Sir John A. Macdonald's original concept of Canadian federalism. An important aspect of Macdonald's political and economic thinking had been the necessity of central Canadian (Montreal and Conservative) domination of Confederation, how that domination was being challenged by the Toronto-led regional financial interests. In an attempt to counter-balance Montreal's influence with the federal government, Toronto economic interests looked increasingly toward the Ontario provincial government as an alternative political base to advance their interests.¹⁹ As Hodgetts and Edwards argue: "after all, Upper Canada, now Ontario, had a great manifest destiny to dominate, one way or another, the British half of the continent."²⁰ The way to accomplish this goal seemed to be through the provincial government. Before the turn of the century Ontarians were able to significantly alter Confederation without any major revisions to the BNA Act. Through the political skills of Mowat and the decisions of the Judicial Committee of the Privy Council, the federal government

was forced to abandon several policies.²¹ Although the pendulum has swung back on occasion to strong federal powers, the province has not, however, returned to the subordinate position that was envisioned by the Fathers of Confederation.

Beginning with Mowat, as it was previously noted, successive Ontario premiers have challenged the federal government for more power and authority. When he assumed office in 1872, Mowat used provincial power over the administration of justice to pursue the Ontario government's claims to the northwestern portion of what is now Ontario. As well, he challenged Sir John A. Macdonald's government over federal power to disallow provincial legislation over the inadequacy of the federal-provincial transfer payments defined in the BNA Act.²² In addition, control over liquor licensing became the core issue of several Ontario-federal battles because liquor was of great use to Mowat in obtaining votes.²³ After Mowat entered Laurier's cabinet in 1896 as justice minister, however, there were few battles between the two orders of government until the accession of Mitch Hepburn as premier in 1934.

The conflict between Prime Minister Mackenzie King and Premier Hepburn was over control of the Ontario wing of the Liberal Party. This conflict was aggravated, however, by differing priorities at the two levels of government in policy areas such as hydro and King's war policies.²⁴ After the war, Hepburn's successors challenged the federal government fairly consistently over economic planning policies and the division of revenue from direct taxation. In August 1945 a federal-

provincial conference was called to discuss the post-war development of the Canadian economy. In a series of proposals known as the Green Book Proposals, the federal government presented a series of recommendations calling for the provincial governments to give up their right to levy personal and corporate income taxes as well as succession duties in return for per capita grants from the federal government. As well, the Green Book Proposals included in its package a number of shared-cost programs dealing with old age pensions, health insurance, public health and hospital insurance. Premier Drew of Ontario, Hepburn's successor as premier, flatly rejected the federal government proposals on the grounds that they would limit provincial government autonomy.²⁵

This stance by the Ontario government was continued in a number of other instances. In 1947 the Ontario government along with the Quebec government did not enter into the Federal-Provincial Tax Agreements which were signed by all the other provincial governments. Neither did the Ontario and Quebec governments sign the Federal-Provincial Tax Sharing Arrangements of 1956, although the Ontario government in 1957 signed an agreement with the federal government to rent its personal income tax.²⁶ The Ontario government has consistently argued for a greater degree of fiscal autonomy, as these few examples show and has strongly resisted any attempts by the federal government to bring about greater fiscal centralization. As well, the Ontario government under Premier William Davis has attacked shared-cost programs on the grounds that they distort provincial government priorities,

policy changes by the federal government leave the provincial governments to carry the burden of federally initiated programs, provincial administrative structures are interfered with and administrative costs are unnecessarily high.²⁷

An added dimension to the struggle between the federal and Ontario government's over fiscal and economic centralization since the 1960s has been the growing expertise of the Ontario bureaucracy. John Robarts when premier saw the calibre of the advisors that Premier Jean Lesage of Quebec has grouped around him and undertook to assemble a comparable advisory group.²⁸ The relationship between the Government of Ontario and the Government of Canada is becoming increasingly complex as experts on both sides fight to control scarce fiscal resources. Each government feels that it is the most competent to govern its population and hence neither the federal government nor the Ontario government is willing to tolerate a rival that will eclipse its paramouncy.²⁹

Despite the fact that successive Ontario governments have challenged federal government supremacy, they have also sought to preserve federal government authority and have supported such federal government policies as high tariffs when they were in the best interests of Ontario capitalists. Ontario, Conway points out, has two faces:

...It is the modern, highly urbanized industrial state, the industrial and financial centre of Canada, powerful and conscious of its power, believing that in the end where Ontario leads the rest of English-speaking Canada will follow. It is also Upper Canada, with all that the term implies. In contrast to British Columbia,

Ontario does have a past and a tradition. It has families that have been rich and educated and rooted in the same place for generations. It has, with one or two Maritime exceptions, the oldest and most prestigious schools and universities outside the province of Quebec. Ontario is at the forefront in industry and finance; and at the same time it is aware that it and Quebec were the founding provinces of Confederation and that it antedates Confederation.³⁰

The Ontario government has expressed in its constitutional proposals the need to maintain a strong, centralized union despite its arguments with the government in Ottawa. This could be a consequence of the historically central role that Ontario has played in Confederation and the fact that it still is the most economically secure region and that a strong central government is crucial to an economic well-being which most benefits Ontario. Fletcher, in a survey he did of Ontario newspapers from November 15, 1976 to May 1, 1977, found that the citizens of Ontario are more likely than residents of any other province to identify with Canada and see the federal government as being more important than the provincial government.³¹ This conclusion is supported by a random sampling of adults in Ontario done by Schindeler before and after the federal election of June 1968. (See Appendix.)

Constitutional Review - Round One

The impetus for full-scale constitutional review came, as was pointed out in the previous chapter, from the Quebec government. The Quebec government's Throne Speech in December 1966 stated that the new provincial government would do its

utmost to achieve a new constitutional order for Canada.³²

The Ontario government was once more in the position of Janus. In the late 1870s, it supported the National Policy, while at the same time striving to gain more provincial rights. Almost one hundred years later it was fairly satisfied with the existing constitutional basis of Canada, while at the same time feeling the need to pursue constitutional review in order to keep Quebec in Canada.

The Ontario and Quebec government's have had close economic and political relations throughout most of Canadian history despite some bitter rivalries. In the disputes between the federal government and the Ontario government over which government was better suited to make policies, especially on the economic front, the Ontario government has found a useful ally in the Quebec government and vice versa. Despite the growing realization that something had to be done to pacify the Quebec government and its growing demands for a new constitutional structure for Canada, the federal government was most reluctant to set the constitutional review process in motion. The fact that there was now a need more than ever to reevaluate Confederation, in order to prevent the Quebec government from moving closer to the separatist option, especially since a relatively important political separatist movement had already appeared in the Rassemblement pour L'Independance Nationale (RIN), led Premier Robarts to call the Confederation of Tomorrow Conference in November 1967. Given the close ties between the two provinces, the Ontario economy in a Canada without Quebec could be seriously

hurt. It was therefore in the best interests of Ontario politicians to strive to keep Quebec in Canada. In this manner the Ontario government worked towards constitutional review, while at the same time remaining fairly satisfied with the present constitutional structure of Canada. The ambiguous position of the Ontario government on the question of constitutional review was made quite evident by a speech by Premier Robarts at the Confederation of Tomorrow Conference.

I might say that I don't think Ontario necessarily searches or is anxious for a complete rewriting of the constitution of Canada. On the other hand, I would say, as I have said before, Ontario has no fear or trepidations about change in the constitution. If changes are necessary, then we are quite prepared to play our part and to examine them, even though they may not be matters which we think are of particularly large concern to us.³³

As one of the founding provinces of Confederation, the Ontario government saw itself as playing a key role in maintaining a viable Canadian state structure. The Ontario government was therefore willing to make some concessions to the Quebec government in constitutional review, as long as its own dominant position in the nation could be preserved.

The Ontario government was the first English-speaking province to develop in a systematic and comprehensive way expertise on all aspects of federal-provincial relations. This Ontario government initiative began in the early 1960s and paralleled to some extent the development of the provincial mechanisms of intergovernmental relations that were being developed in Quebec City.³⁴ As well, Robarts established a para-governmental advisory group in 1965, the Ontario Advisory

Committee on Confederation, that lasted until his retirement in 1971.

The Advisory Committee was a non-partisan, professional group chosen to advise the premier on matters of federalism and intergovernmental relations. For the most part it was composed of academics and included among its membership Bora Laskin and Eugene Forsey. Robarts used his Advisory Committee for the development of alternative policies and as a testing ground for his own ideas on the direction the Ontario government should take in constitutional review.³⁵ As well, the Advisory Committee published two volumes of background papers and reports in 1967 and 1970, covering a full range of federal-provincial issues. These volumes did not set down a definitive Ontario position on Confederation as in many cases two opposing views of the same subject were presented. This is clearly the case in the Advisory Committee's discussion of the nature, organization and composition of the Supreme Court of Canada.

Not much, however, emerged during Robarts' tenure as premier in terms of a definitive statement on Confederation or a comprehensive list of Ontario government constitutional proposals. In the first round of constitutional conferences held between 1968 and 1971, the Ontario government did not have any priorities over what constitutional issues should take precedence over other issues.³⁶ The Quebec government, on the other hand, was most concerned with language rights, and the division of powers. The Ontario government rather, saw itself in the role of moderator. In the first constitutional

conference Robarts declared that Ontario represented the moderates and as such was willing to exert its influence to keep the extremists on either side of the debate from destroying the Canadian union.³⁷ In playing this moderator role, the Ontario government took the position of defending in general terms French language rights and culture, but not special status within Confederation.³⁸

Although the federal government was controlling the agenda at the constitutional conferences which it sponsored, issues other than those strictly constitutional began to arise. As Simeon notes:

Economic issues, which many premiers felt were both more important and more comfortably discussed, were to continually vie for attention with the more remote, abstract and confused questions of constitutional purpose and principle.³⁹

The emphasis at the constitutional conferences was gradually beginning to shift to substantive economic issues. The provincial governments began to realize, especially the developing ones such as Alberta and British Columbia, that the constitution could be used as a bargaining tool for them to gain more substantial control over their particular regional economies. Late in 1968 the Government of Ontario submitted a series of propositions to the federal government. In these propositions one complained that one of the most serious defects in the present system was the fact that provincial government responsibilities for social and welfare policies far outweighed their revenue sources and that this deficiency should be corrected.⁴⁰

From this point on, although still concerned with the symbolic aspects of constitutional review, such as patriation, a bill of rights, the unifying effect upon Canadians that a new constitution could prove to have, and the satisfying of the Quebec government's complaints against the present Confederation arrangement, the Government of Ontario began to press its economic concerns more forcibly. At the June 1969 meeting the Ontario government directly attacked the federal parliament's spending power. The Ontario government saw the unrestricted spending power of Ottawa as having serious effects on federal-provincial harmony, despite the benefits that could be obtained. The following example was provided by the Ontario government:

In 1966 ... the federal government was able to assert a jurisdiction unilaterally over manpower training in industry by granting training allowances directly to employees and training subsidies directly to employers. This had the effect in Ontario of sharply curtailing the operations of two of the province's departments and effectively upsetting budget and program planning. Ontario, therefore, strongly opposes any direct use of the spending power by the federal government in such a way as to effectively enforce a federal government interpretation of the constitutional distribution of powers and to avoid the necessity of negotiations with the provinces to clarify constitutional responsibilities⁴¹

As in the days of Oliver Mowat, Ontario elites were seeking a strong provincial government that would serve its interests, as well as a federal government whose policies reflected the aspirations of Ontario capitalists. These Ontario capitalists of 1879 wanted the National Policy of Macdonald as well as the provincial rights advocated by Mowat. At the Victoria Conference in June 1971, Premier Davis advocated decentralization, while

at the same time calling for a strong role for the federal government "as the balance wheel of our federation."⁴²

According to Davis there is a need to find a workable equilibrium between the values of unity and diversity within the Canadian federation. In the postwar period, however, he found that this balance had become distorted as the activities of the central government have multiplied. At the Victoria Conference Davis asked that the next stage of constitutional review consider the distribution of powers question.⁴³ The federal government had not included the division of powers on its agenda for the Victoria Conference. Davis's argument was that the present distribution of powers between the two orders of government may not reflect the contemporary needs and values of Canada.⁴⁴

When the Canadian federation was established in 1867, even the most ardent advocates of provincial rights could not envision the phenomenal expansion of the scope of government activities that was to take place in Ontario in the first century of its existence.⁴⁵ In previous chapters we have seen that many fields of provincial government jurisdiction such as welfare, education and resources have been enhanced as Canadian society has matured. As society has evolved and become more sophisticated the provincial government has had to extend services to the people, such as those provided by the Ontario Council for the Arts, the Ontario Human Rights Commission, the Ontario Research Foundation, the Department of Tourism and Information and so on. Along with these legitimated functions,

the Ontario state has also had to increase its activities concerning its accumulation function and the attraction and preservation of foreign investment. With increased specialization in agriculture and industry, improved means of transportation and communication, and the massive rural to urban population shift, the provincial government has become more involved in every aspect of society. Economic and social interdependence have been an impetus to government intervention and gradually people have come to expect government to take an active role in establishing a prosperous economy and a "good society."⁴⁶

It is then, the increasing role of the state in the postwar period, especially at the provincial level, that has in part prompted the Ontario government to not only suggest constitutional revisions in the strictly legalistic sense, such as an amending formula, but also to gradually come to suggest that there be a shift in revenue bases and the division of powers. The Ontario government, it was noted earlier, has long had grievances against the federal spending and taxing powers and since other provincial governments had come to tie their particular economic grievances to the constitution, such as the British Columbia government had done in regards to the tariff and freight rates, so to the Ontario government attached its own economic grievances against the federal government to constitutional review. Despite the fact that the Ontario government under first Robarts and then Davis began to develop to a small extent their own distinct constitutional proposals, the position of the Ontario government on the question of constitutional review remained

somewhat paradoxical. As one of the original provinces in Confederation and the centre of the country, the Ontario government with all the benefits that it had reaped from the establishment of the Canadian nation, wished to maintain the federation as it was, while at the same time arguing, as it had done historically from Mowat's era through successive premiers, for more provincial autonomy, especially with regard to the collecting and spending of revenues.

Although the Ontario government declared its satisfaction with the existing constitution, it could not avoid committing itself to the constitutional review process if it wished to maintain Ontario's status within Confederation. With a fundamentally revised constitution, the western provinces could achieve their demands for an end to unfair freight rates and the high protective tariff. The Ontario economy could suffer grave repercussions from such changes and reduce its dominant position within Confederation. As well, the Ontario government has come to realize that there could be some changes in the constitution that it could benefit from. These included controls over the federal government's spending power which in the past had wrapped many provincial government priorities in areas such as medicare and so forth, and an increased tax base for the provincial government so that the Ontario government could better carry out its jurisdictional responsibilities.⁴⁷

In this first round of constitutional conferences, the Ontario government took a leadership role, aligning itself first with the Quebec government over matters of bilingualism and the

division of powers, and then with the federal government when the Quebec government pushed its demands too far.⁴⁸ Throughout the conferences, Premiers Robarts and Davis sought out the middle ground hoping to find an area of some promise between the federal authorities and the Quebec government. While the Ontario government perceived that there were changes to be made in the constitution to keep Quebec within Confederation, it also did not wish to see the far-reaching reform of the Canadian political structure advocated by the Quebec government. While challenging the federal spending power, the Ontario government was seeking no more than mere adjustments to the existing constitutional arrangements. The Ontario government while seeing that there could be benefits from changes to the constitution, was also, as the major beneficiary of Confederation, very much in favour of preserving a strong federal state.

In keeping with this middle position, first supporting the Quebec government's demands and then siding with the federal government, meant that the Ontario government during this period did not develop any comprehensive constitutional proposals of its own. By doing so it may have lost the flexibility that it felt it needed in playing a moderator role. From the constitutional conferences that were held between 1968 and 1971 we have only a series of vague statements based mainly on political rhetoric, made by Premier Robarts and his successor William Davis. In the second series of constitutional conferences beginning in October 1978, the Ontario government's ambiguous position towards constitutional review is even more apparent. By the

late seventies, other English-speaking provinces, Alberta and British Columbia being foremost among them, have followed the precedent established by the Quebec government and have set up their own ministries of intergovernmental affairs and have developed their own counter-proposals on constitutional reform. The Ontario government was then in the position of not only trying to find a middle ground between the federal government and the Quebec government, but also of trying to protect its own position in Confederation from other provinces who began attacking Ontario for the benefits it has received from federal policies that have hurt their own regions, such as tariffs and freight rates. In the second round of constitutional conferences, the Ontario government began to side more and more with the federal government in the hope, perhaps, that it could maintain its dominant position in the Canadian nation through a strong federal government. The growing wealth and prestige of Alberta and British Columbia posed a threat to this dominance and by siding with these provincial governments the Ontario government could find its provinces in a weakened position.

Constitutional Review - Round Two

Between the conferences of 1968-1971 and 1978-1980, constitutional review was not a dead subject. Prime Minister Trudeau was still discussing patriating the constitution and developing an amendment formula through correspondance with the provincial premiers and visits by his justice minister to all of

the provincial capitals. In 1978 the Ontario Department of Treasury, Economics and Intergovernmental Affairs was divided in two, giving intergovernmental affairs full departmental status. As well, in April 1978 the First Report of the newly recommissioned Ontario Advisory Committee on Confederation was published. Ontario politicians at this time were also active in stating their opinions as to what direction Canada should be taking. Ontario Treasurer, Darcy McKeough, at the October 1977 Conference on the Future of the Canadian Federation, vocalized what can be seen as the growing fear that Ontario could be the loser in a totally restructured Canadian federation.

We court massive failure, particularly on the economic front, if we persist in working at cross-purposes on key opportunities in the areas of natural resources, foreign investment or industrial strategies. I am all for regional expressions, but not if the price is to charge off in wildly disparate directions, thereby damaging our capacity to act together on some very critical matters.⁴⁹

As to what he felt should be contained in a new constitution, McKeough limited himself to four points. These were language, an amending formula, limitations on the federal government's spending power and institutional reforms at the federal level.⁵⁰ McKeough's proposals do not in any substantive way conflict with proposals offered by the federal government. By providing brief and ill-defined propositions for change, the Ontario government was able to avoid committing itself to any one position and allowed itself enough flexibility to counter propositions from other provincial governments that were not in Ontario's best interests.

Premier Davis, in his statement to the Task Force on Canadian Unity, called for a "more effective federal parliament and government."⁵¹ In a position paper issued shortly afterwards, the Ontario government called for a greater degree of provincial jurisdiction over education, health, welfare and so forth, and for greater federal government control over the economy.⁵² The federal government's interference into the area of social policy had long been an area of contention between the two governments. Robarts during his premiership had stated that medicare was "a deliberate attempt by the federal government to use federal fiscal policy to intrude into areas that are the constitutional responsibility of the province."⁵³ Ontario, however, had done well under federal economic policies and the benefits derived from them could only be jeopardized in a decentralized federation with each provincial government making fiscal policies in accordance with only their own needs and aspirations. If the Alberta government were able to set its own price for oil, Ontario would find its costs escalating, making it an unattractive environment for investment and industry.

The Ontario government in this second round of constitutional talks, consistently argued for a strong federal government to control the economy. The Ontario government, however, wanted the federal Parliament's spending power reduced. It was this spending power that the federal government used to create social policies that the Ontario government preferred to do itself. As well, the Ontario government in its proposals stated that the federal government should consult the provincial

governments in making broad-based economic policy to ensure that no region would suffer from an unfair policy.

The Ontario government becomes more explicit in the kind of Canada it is searching for at the Nineteenth Annual Premiers' Conference in August 1978. There, it set down a series of six fundamental principles from which it was willing to judge proposals for constitutional change:

- 1) the maintenance of responsible government
- 2) respect for the integrity of the federal system
- 3) an independent judiciary
- 4) the official languages of Canada
- 5) an economic union
- 6) federal-provincial consultation⁵⁴

Although Davis did expand on what he meant by each of these principles, number 3, 4 and 6 basically speak for themselves.

In number one, responsible government, Davis was referring to democratic and parliamentary principles, as well as to the retention of the monarchy. In discussing the federal system he spoke of two equal orders of accountable government, each with their own clear and distinct set of responsibilities. Finally, an economic union would entail the continued development of one nationwide economy, in which the federal government continued to have the lion's share of economic powers.⁵⁵ It would seem from this that the Ontario government was in effect calling for a new national policy, similar to the one established by Macdonald in 1879.

It is quite evident from these principles that what the Ontario government really wants is to maintain a federal system very much like the one already in existence. The Ontario

government is fighting a rearguard action to preserve its dominant position in Canada. The Ontario government has nothing to gain from a fundamentally new constitution, but much to lose. This desire to hold onto its central role is evident in Davis' speech at the October 1978 constitutional conference.

Those who advocate the rule of unanimity in an amending formula do so on the assertion that all provinces have an equal voice in Confederation. What they overlook is that the principle must be accommodated to the principle of democratic government and majority rule.⁵⁶

Obviously, an amending formula based on majority rule could give the Government of Ontario, with the largest percentage of the Canadian population residing within its borders a great deal to say over any new additions to the constitution.

Besides discussing the amending formula at this conference, the Ontario government referred to seven other "specific areas" of the constitution to which it attached high priority. These were basically reiterations of earlier proposals and were in fact not any better defined than previously. Once again the Ontario government called for a readjustment in the distribution of powers to "strengthen provincial responsibilities for activities of local importance, and federal responsibilities for economic and fiscal matters of national impact."⁵⁷ What the Ontario government was looking for was more jurisdiction over those policies that affect its population the most: health care, welfare measures, social policies and so forth. Anything in other words, of a "local or private nature."

Also included among the Ontario government's priorities

were: new practices for intergovernment consultation, provincial government input into the selection of Supreme Court justices; the free movement of individuals, goods, capital and services across Canada; human rights; official languages; and preservation of the monarchy.⁵⁸

Davis also made constitutional proposals that were very similar to the federal government's proposals. By making a case for strong central government, Davis hoped perhaps to persuade the Quebec government and other provincial governments that the present constitutional arrangement that worked so well for Ontario was worth keeping. It would probably have worked to Davis' disadvantage to attack the federal government in the same manner as Bennett, Loughheed or Levesque. Even though the Ontario government was often in conflict with the federal government, the Ontario government, in the desire to keep Canada from disintegrating around it, saw strong federal government at this time as its only reasonable alternative. The federal government did not always make policies that were of benefit to Ontario, but it had done well under the present arrangement regardless and the Ontario government sought to preserve its dominant position within Canada.

Premier Davis in the months following the Parti Quebecois election victory saw that the unimaginable had occurred. The province of Quebec may in fact leave Confederation. As it was noted earlier, the separation of Quebec from the Canadian union could prove to have serious economic consequences for the province of Ontario. If the Ontario government wished to

preserve its economic dominance it would do best to try and keep Quebec in Confederation. Davis at this time donned the mantle of a "contemporary Father of Confederation" in a manner similar to Robarts.⁵⁹ Davis re-established the Ontario Advisory Committee on Confederation in early 1977 to work out specific proposals for the Ontario government's approach to federal-provincial relations and the BNA Act. As well, he also financed the organization of a public conference "Destiny Canada" with the same objectives as the Advisory Committee.

The new Ontario Advisory Committee on Confederation was predominantly a political or "lay" group, unlike Robarts' non-partisan, "expert" committee.⁶⁰ The Davis committee not only did as its predecessor had done and identified the main policy alternatives, but also advanced a program for constitutional reform of its own. In the First Report, presented in April 1978, the Advisory Committee suggested two broad options for Canadian Confederation: a wholesale decentralization of power in favour of provincial autonomy or fundamental reform of federal institutions to make them more responsive to regional concerns and interests in making national policies. The committee in this report choose the second alternative. The committee also suggested that a new constitution should be drawn up, establishing a short list of federal powers, a short list of provincial powers and a longer list of concurrent powers.⁶¹ Although in this First Report it was more specific than the Ontario government, the committee did echo many of the same sentiments that Robarts and Davis had voiced at the constitutional

conferences.

As a vast, widely differentiated territory, Canada needs a strong central government to maintain and develop the national economy, and to enhance a sense of national identity and purpose. At the same time, it must be recognized that there is a growing demand in provincial and regional communities for greater control of their own destiny and for government institutions which are closer to their own people.⁶²

Not unlike the provincial government the Advisory Committee was advocating a situation that would give Ontario the best of both worlds: a strong central government to protect their economic interests, as well as a powerful provincial government, reflecting what they presumed to be the values and aspirations of Ontarians.

The major proposal in this First Report was the replacement of the Senate with a "House of the Provinces," appointed by the provincial governments. This new body would have thirty members, six being appointed by each of the five Canadian regions: British Columbia, the Prairies, Ontario, Quebec and the Atlantic Provinces. Provincial premiers and cabinet ministers could be appointed to the House of the Provinces. This body would have a right suspensive veto for up to one year over all bills passed by the House of Commons, but no power to initiate legislation. It would also have the power to confirm or reject all federal appointments to the Supreme Court and boards and commissions.⁶³ The report also briefly discussed a new amending formula and a bill of rights for Canada, but said nothing that had not been said before except that both major language groups had the right

to education in their own language when numbers warranted.⁶⁴

The much longer and more substantial Second Report, on the distribution of powers, was presented in March 1979, and reiterated many of the ideas that the First Report had discussed, but in a slightly more comprehensive manner. The committee did, however, choose to stay on the middle ground, offering proposals that did not weigh too heavily either towards centralization or decentralization. The committee, in its own words, "tried to establish clear federal responsibility in those areas fundamental to Canada's existence as a national society and economy."⁶⁵ These were: the maintenance of the Canadian national market; the redistribution of income among regions and persons; economic stabilization; international and interprovincial trade; defence and foreign policy; and criminal law.⁶⁶ As the provincial government had done, the Advisory Committee advocated giving the major economic functions of government to the federal level. The committee did not, however, spell out exactly what powers the provincial government's should have, other than saying that the provincial governments should have "independent scope to promote the economic cultural and social interests of their residents."⁶⁷

Just what the Advisory Committee means by this is difficult to determine. On the one hand, it is proposing giving the federal government the major control over the economy, while on the other hand advocating that provincial government should have the power to develop their own particular economies. This ambiguity is one that the committee never really clarifies in its report, although an attempt is made. It points out that the

Canadian economy, and the role of government in it, can be viewed from two different perspectives. In one sense Canada consists of one national economy in which the wealth and prosperity of each region needs to be promoted in order to strengthen the whole. In another sense, Canada is a collection of divergent regional economies, with secondary manufacturing, agriculture and resource extraction being found in almost total isolation in any one province, with each provincial government seeking to maximize its own development, independent of the others.⁶⁸ What this could probably mean is that the federal government should be responsible for controlling economic factors such as inflation and unemployment, while the provincial governments should be able to intice investment into their own province, as many of them already do through advertisements in foreign periodicals, meetings between provincial politicians and businessmen and the establishment of trade offices in foreign nations.

The distribution of economic powers in the constitution, according to the Advisory Committee, must seek to reconcile these two opposing views. For the committee, as for the Ontario government, the best way to do this would be through giving the federal government the major instruments of economic control.

If a country is to mean anything, it must be a fully integrated national economy, with minimal internal barriers to the freedom of movement of goods, capital and people. The national market requires measures to ensure that it can function efficiently which in turn requires a basic national infrastructure of transportation and communications. It also requires that fiscal and monetary policies be developed on a national basis and that some efforts be made to plan and develop the overall Canadian economy to ensure balanced

growth, to emphasize the complementary strengths and linkages of different regions and sectors, and to enhance the Canadian economy as a whole in the face of the profound effects of external forces.⁶⁹

The provincial governments the committee proposes, should be given access to both direct and indirect forms of taxation in order to most effectively carry out its responsibilities.⁷⁰ Besides this, provincial governments should play only two roles in economic development: the already noted power to promote their own economic development activities through foreign investment, and the ability to influence federal government economic policies through possibly the new House of the Provinces.⁷¹

Premier Davis, however, has not felt obligated to put forth the Advisory Committee's recommendations at constitutional conferences. At the constitutional meetings held in 1978 and 1979, Davis did not even repeat the recommendations of the committee. Such non-elected committees seem to be in his view, there to put forward alternative proposals and are not a substitute for the government's own constitutional proposals.⁷² As such no mention has been made by Davis of the Advisory Committee's proposed House of the Provinces and so forth.

Conclusion

The proposals of both the Government of Ontario and the Ontario Advisory Committee on Confederation reflect the basic position that Ontario holds in Canada. As Resnick points out, the institutions of ideological hegemony are centered in Ontario - the CBC, the major publishing houses, and the principal

universities.⁷³ Also, Ontario as was pointed out earlier in this chapter, has the largest population of any province, the biggest labour force, is responsible for the highest share of the Canadian GNP, and the majority of the financial and economic institutions of the country. Although the Ontario government feels, as do many of the other provincial government's, left out of national policy-making and has in its Ontario Advisory Committee on Confederation reports of 1978 and 1979, made recommendations for increased provincial government input into such bodies as a reformed Senate, the Ontario government, by and large is content with the present structure of Canadian federalism. As it is reflected in the Ontario government's constitutional proposals, it is not prepared to see a major revamping of the federal system. Ontario's economic security has been guaranteed by the present system and its constitutional proposals suggest this quite clearly.

The Ontario government has no desire to see its province lose its dominant position among the Canadian provinces or to suffer a decline in its wealth and prosperity. By taking a moderate position on constitutional review, the Ontario government was basically stating its desire to keep reaping the benefits of a system that has always worked in its favour. Also, by seeking minor alterations it can hope to be in an even better position than previously. As Macpherson has argued,

...one of the main achievements of Canadian economics has been to show in some detail the close inter-dependence of political and economic structures. The constitutional structure of Canada has been to a large extent determined by the need to secure capital at favourable rates of interest and to promote the expansion of the economy ... and because the different regions of Canada, being unevenly

developed ... there is constant struggle both within federal politics and between federal and provincial governments for more favourable considerations for every region.⁷⁴

While the other provincial governments, then, may be seeking fundamental alterations in a system that has not been to their greatest advantage, the Ontario government is striving to maintain a Canadian federalism that has worked in favour of Ontario-based capitalists.

APPENDIX

Questions asked to a random sampling of adults in Ontario before and after the general federal election of June 25, 1968. 1598 people were interviewed. 805 were interviewed before the election and 793 were interviewed after the election.

Thinking about the most important problems facing us today, which government would you say handles most of these: the federal government, the Ontario government, or your local government?

28 - no answer	122 - any combination
800 - federal government	32 - none of these
287 - provincial government	243 - don't know
86 - local government	

As far as you are concerned personally, which government is more important in affecting how you and your family live from day to day: the federal government or the provincial government in Toronto?

31 - no answer	612 - provincial government
574 - federal government	28 - neither
182 - both	171 - don't know

While most people think it is important to vote in all elections, it isn't always possible to do so. If it were necessary to make a choice in which kind of election would you say it was most important to vote: federal, provincial or municipal?

46 - no answer; not applicable	33 - federal and provincial
741 - federal	13 - federal and municipal
168 - provincial	8 - provincial and municipal
204 - municipal	333 - all equally important

Generally speaking, which level of government in Canada do you think is most powerful today, the federal or the provincial?

46 - no answer	202 - provincial
1132 - federal	15 - it depends
84 - equal	119 - don't know

Source: Fred Schindeler, "Perceptions of Federal-Provincial Relations in Ontario," unpublished paper presented at the Canadian Political Science Association, Annual Meeting, June 1972, pp. 5-8.

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CHAPTER FOUR

THE B.C. PROVINCIAL ECONOMY
AND CONSTITUTIONAL REVIEW

Introduction

It will be argued in this chapter that the province of British Columbia has some truly distinct characteristics that set it off from the rest of Canada. This will be done by examining the place that it has within the Canadian federation and by examining its economic base. It will be shown that the reliance of the British Columbia economy on natural resources has meant that it has certain needs that the British Columbia government feels are not being taken into consideration by the federal government when establishing policies.

The feeling in British Columbia that these federal policies have been unfair has been expressed, though in different forms, by Premiers W.A.C. Bennett and W.R. Bennett at the constitutional conferences. While the former was content to handle the constitutional review process in a rather random and undirected manner, the latter has chosen to present a detailed and comprehensive set of constitutional proposals. Reasons for this difference in method will be analyzed. It will be seen, however, that the underlying motivation behind the two premiers' proposals have been the same. Both, in trying to establish a better economic climate for the British Columbia bourgeoisie, have sought to make the federal government more responsible to the particular needs of British Columbia.

The Political Economy of British Columbia's Position
in Confederation

British Columbia historian Margaret A. Ormsby has stated that British Columbia is in, but not of Canada."¹ Perhaps more so than in any other province, the people of British Columbia have, since pre-Confederation times, seen themselves as constantly emerging from some form of colonial status, seeking to establish independence from parental control, yet at the same time showing some reluctance to relinquish the benefits gained from association with first Britain and then Canada. As Burns states:

From earliest colonial days to the present time, even in the face of a lack of supporting evidence for the dream fantasies, there has been a tendency in the province to think of itself as an outpost of Empire - first of Great Britain, then of Canada - from which the "riches of the Indies" have flowed to enrich the fortunes of those who remained behind. As one experienced observer has noted, even today British Columbians like to visualize themselves as pioneers resisting to the end of their birthright by the grasping effete financiers of the East.²

In terms of geography, economic base, trade patterns, labour relations and political culture, the people of British Columbia often view themselves as being unique in comparison to the rest of Canada. In British Columbia the two most important geographic factors are its mountainous terrain and its maritime position. The Rocky Mountains have in effect cut British Columbia off from the rest of Canada and have made communications and transportation difficult. Its access to the Pacific Ocean has prompted the development of large port facilities. The geography of British Columbia has also been to a large extent, a major determining factor in the nature of the province's economic

base. British Columbia's primary sector is led by forestry, followed by fishing and mining. British Columbia's trade patterns are highly dependent on this extraction of natural resources. Most of British Columbia's resources are exported to foreign markets such as the United States and Japan, as well as to the rest of Canada. It is dependent upon manufactured goods from the rest of Canada and from foreign markets, due to its small industrial base. As well, British Columbia is the most highly unionized province in Canada and labour relations have been characterized by many long and bitter strikes. British Columbia's political culture can also be seen to be different from the rest of Canada. The public's level of trust in their politicians and political system are the highest in Canada.³

British Columbia joined the Canadian federation in 1871 more out of necessity than of want. The Canadian government wanted the Pacific colony to fulfill its leaders dreams of a nation "stretching from sea to sea" and to prevent the United States from taking over British Columbia needed the financial support of Canada. As Black argues, the British Columbia government literally bought Confederation in the contract known as The Terms of Union.⁴ For many of the financial and political elites in British Columbia, Confederation was largely a matter of good business. The colony's economy in the late 1860s and early 1870s was in a desultory state. The public debt was mounting and poor transportation facilities from isolated communities prevented access to markets. Confederation with Canada promised financial aid, so that much needed public works could

be undertaken. But most importantly, the Canadian government promised to build a railroad which would stimulate the growth of population, investment and wealth through the expansion of internal and external trade. Dr. John Sebastian Helmcken argued in the debates leading up to Confederation that:

No union between this colony and Canada can permanently exist unless it be to the mutual and pecuniary advantage to this colony to remain in the union...The people of this colony have, generally speaking, no love for Canada; they care, as a rule, little or nothing about the creation of another Empire, Kingdom or Republic; they have but little sentimentality and care little about the distinctions between the forms of government of Canada and the United States... Therefore no union on account of love need be looked for. The only bond of Union outside of force - and force the Dominion has not - will be the material advantage of the country and the pecuniary benefits of the inhabitants.⁵

The Terms of Union spelled out the trade-offs that the British Columbia government made with the Canadian government by joining Confederation. In return for the control and collection of custom duties and a substantial land grant to support the CPR, the federal government assumed liabilities for the debts of the British Columbia government, provided an annual grant in support of services rendered by the provincial government and promised construction of a railroad, dry dock, penitentiary, hospital and lunatic asylum.⁶ The British Columbia government's disenchantment with its place in Confederation stemmed from the signing of the Terms of Union and has a solid foundation in economics. The separatist sentiments sometimes expressed in British Columbia have dated from the time it joined Canada and are almost invariably manifested in assertions that the province

would be better off economically as an independent sovereign state. Black writes that "few indeed have been the public figures who supported the Canadian attachment in non-material terms."⁷

The traditional claim of successive British Columbia governments for "Better Terms" has revolved around the province's cost-benefit analysis of its position in the federal system. Local British Columbia politicians have traditionally agreed that the province contributed far more to the federal treasury than was spent on the province by the federal government. Successive provincial governments have argued that the costs of British Columbia of providing public services were higher than those of any other province, with per capita expenditure for government being considerably higher than the average for the other provinces. These high costs of government were directly attributable to difficult topography, the scattered nature of settlement and the lack of municipal organization. Also playing a part in the British Columbia government's dissatisfaction with the Canadian union have been the high freight rates charged in a province which imported a large number of its manufactured goods from Eastern Canada.⁸

The anti-federal postures of successive British Columbia governments are rooted in what Robin terms "an insular regionalism qualitatively different from the communal nationalism of Quebec."⁹ British Columbian politicians have never described British Columbia as a nation and neither have its people been conquered like the French population in Quebec. Ethnic, religious and

cultural survival in a predominantly English-speaking Canada was never a major historical or political theme in the province of British Columbia. Rather class and regional divisions have been more important threats to social cohesion. British Columbia's politicians have deflected these internally divisive sentiments onto the external authority of the federal government and have argued that the federal government has not been fair to British Columbia's interests, in order to lessen the class and regional conflicts within the province.¹⁰

The British Columbian economy is heavily based on the production and sale of natural resources and as such is reliant on world trade. British Columbia is a net exporter of primary and partly processed resources to the United States, Japan and Western Europe and a net importer of manufactured goods from eastern Canada and abroad. The British Columbia economy is far more narrowly based and resource-intensive than Ontario and is extremely vulnerable to any fluctuations in international prosperity.¹¹ This dependence on world trade has caused the financial elites of British Columbia to express displeasure about certain aspects of federal economic policy. The necessity of selling abroad and buying in protected domestic markets has coloured the British Columbia government's attitude towards the federal union for many years. Since the days of the National Policy, the federal government, British Columbia politicians believe, has been overly concerned with the welfare of central Canada, even though at various times concessions have been made to the hinterland regions.¹²

In a 1978 position paper, the British Columbia government noted that federal industrial policies have had serious consequences for regional economic development.

Regions outside the central manufacturing corridor in Quebec and Ontario have not developed a strong industrial base to serve the Canadian market. In many cases resource-based industries have formed the backbone of these regional economies and this has tended to constitute a two-fold disadvantage. Resource-based industries must compete in a relatively free international market and have received little or no protection. On the other hand, needed machinery and other fabricated inputs frequently have high rates of protection and are therefore more expensive to these firms than would otherwise be the case.¹³

The British Columbia economy is dependent, directly and indirectly, on the extraction of natural resources, particularly forest, mineral and water resources. The primary extractive industries, producing goods and services for sale outside the province and the country, form the hub of the economy. Auxiliary industries which supply goods to the other industries of the province and the consumer-oriented industries, are both dependent on the primary industries.¹⁴ British Columbia can be seen as being a hinterland region within a larger capitalist world, tied by bonds of varying intensity to Eastern Canada, the United States, Britain and Japan. As a hinterland region, British Columbia has served primarily as a source of raw materials and staple products for metropolitan markets and as a market for finished products from these centres. The economic structure of British Columbia has traditionally reflected a bias towards primary production and the relative absence of secondary manu-

facturing, compared to Southern Ontario and the Montreal region.¹⁵

Not only does British Columbia differ economically from the industrial heartland of Canada, but it also differs from the Prairie region. The Prairie provinces had been settled by independent commodity producers who owned their own means of production, produced agricultural commodities for export and refrained from employing wage labour except on a small scale. British Columbia society on the other hand, developed as a corporate frontier and the agrarian sector has always played a small part in its economy.¹⁶ Neither has the structure of the British Columbia economy changed over the years. The province is still very reliant on the extraction of primary resources. Enjoying the economies of large-scale production, British Columbia has long been a "company" province and the large enterprise, rather than the small family farm, is the dominant structure on the social landscape. Scattered throughout the province are company towns, single-enterprise communities subsisting on the activities of resource extraction. Very early in British Columbia's history, the owners and managers of these resource companies acted in concert with political parties and used the state as a means of consolidating company empires.¹⁷

What is also unique to British Columbia as compared to other hinterland regions of Canada, is the fact that the British Columbia bourgeoisie has had its own direct links to Europe, the United States and Japan and was never in quite the same position of dependency on eastern Canada as, for example, the wheat economy of the Prairie provinces. The staple products that were produced

in British Columbia did not have to be shipped through Toronto or Montreal, but could be exported directly from the port of Vancouver.¹⁸

The British Columbia bourgeoisie has traditionally forged strong links with other nations. In the early and middle nineteenth century, its main links were with England, but from the middle of the nineteenth century onwards it began to develop significant links with the United States, especially the West coast and the mining states. It was among members of this class that opposition to Confederation arose and in 1869 many of them signed an Annexationist Manifesto with the United States government. These members of the regional British Columbia bourgeoisie saw their interests being bound up with a larger international community, rather than Canada.¹⁹ Elements of this feeling are still to be found among the British Columbia bourgeoisie today.

One of the main results of Confederation, however, was the forging of closer links between the British Columbia bourgeoisie and eastern Canadian capitalists. British Columbia became, as did the Prairies, an economic colony of eastern Canada, with freight rates and tariff policies benefitting eastern manufacturers. These eastern Canadian capitalists, along with the British, built economic empires in British Columbia, such as the CRP, Consolidated Mining and Smelting Corporation and Noranda Mines, taking from British Columbia a good deal of its wealth.²⁰

The pattern of federal-British Columbia relations has, however, long been one of friction. Delegation has succeeded delegation to Ottawa demanding a better economic deal for the

province. In its brief to the Rowell-Sirois Commission, the Pattullo government summed up the historical grievances of the British Columbia bourgeoisie when it declared:

British Columbia bears an unduly large share in the support of Confederation.

It is estimated that approximately eighty per cent of the manufacturing commodities imported into British Columbia are imported from Eastern Canada, while approximately seventy-five per cent of our main primary products, apart from agriculture are sold in open competition in the world's markets.

British Columbia buys in a protected market and sells in an unprotected one.²¹

The Pattullo government requested the federal government to assume the entire responsibility for relief of the victims of the Depression, to aid the province in easing its debt, to allow the province to raise revenues through any mode of taxation, to absorb the Pacific Great Eastern Railroad in the national railway system. to pay all costs of old age pensions and mothers' allowances, to make grants in aid to the province for health and welfare services, to pay for vocational training and to further adjust the tariff and freight rates to aid local interests.²² What British Columbia based capitalist most wanted, however, was free trade, something that central Canadian capitalists would never agree to as it would not be in their best interests. What is significant, however, is the fact that these British Columbia based capitalists did not argue for the development of secondary industry in the province.²³

Having direct links with the United States and Japan, with its major exports directed outside Canada, has enabled

the British Columbia bourgeoisie to exercise a great deal of autonomy and freedom of maneuver within Canadian capitalism, and this can account for the considerable political independence from and even opposition to Ottawa on the part of British Columbia governments. Resnick argues that British Columbia was the only province, other than Quebec, that could seriously envisage an alternative to Confederation, such was the quasi-autonomous power base of the British Columbia bourgeoisie.²⁴

Up until World War II, entrepreneurial capitalists and robber barons were very much the norm in British Columbia. The provincial government was used by these people to foster capitalist exploitation through such devices as alienating crown land and providing the militia for use against strikers. The government itself, however, remained fairly underdeveloped in terms of providing an infrastructure for capitalist development. The British Columbia government was not a major economic force in its own right. Tax revenues were low, projects like the Pacific Great Eastern Railroad floundered and by the 1930s the government was on the verge of bankruptcy.²⁵ It was these circumstances that prompted the Pattullo government to make the demands that it did on the federal government in its 1938 submission to the Rowell-Sirois Commission.

The decades following the war, however, saw a take-off in the demand for British Columbia staples, particularly lumber. In no sector was there such exuberant growth as in the forest industry. American investment in British Columbia's forests increased drastically in the post-war years. After 1942, when

the United States became the major source of investment in British Columbian forests, American ownership expanded until, by the mid-fifties, more than half of the investment in the forest industry was American. Ten years before the war 45 per cent of lumber exports went to Britain and 26 per cent to the United States. By 1950 only eight per cent of lumber exports went to Britain, while 84 per cent was exported to the United States.²⁶ The provincial government became far more important at this time to the British Columbia capitalists, providing a whole array of services and much of the infrastructure for capitalist development. Through a system of highways and port development, the British Columbia government was able to facilitate the transportation and export of British Columbia resources, while B.C. Hydro offered the inducement to investors of cheap and plentiful power. As well, the British Columbia government offered political stability and tax incentives to investors.²⁷

The British Columiba bourgeoisie, however, still has very few ties with the broader Canadian bourgeoisie. Only seven of the top one hundred corporations on the Financial Post's 1972 listing, were based in British Columbia, none of the top twenty-five Canadian financial companies is head-quartered there and British Columbia residents hold a mere fifteen directorships of the total of 228 in the five principal Canadian banks.²⁸ British Columbia capitalists are significantly underrepresented in the dominant institutions of Canadian capitalism.

It is these features of the British Columbia economy that have for the most part coloured the constitutional proposals

of successive British Columbia governments, since the constitutional review process began in earnest in the mid-sixties. There is an increasingly clear divergence between the economic interests of Western Canada and those of central Canada. Much more consistently than French Canadians, British Columbians have been a political minority in Ottawa. There has never been a prime minister or opposition leader from British Columbia and British Columbia has been sadly underrepresented in the cabinet and on federal boards and commissions. As a self-perceived economic minority, the British Columbia bourgeoisie now feels much the same impulse as the linguistic minority of Quebec to build up the authority of the provincial government that they control.²⁹

Constitutional Review - Round One

The Social Credit government of British Columbia under the leadership of W.A.C. Bennett was, to use Robin's terminology, the "abettors and captives of the corporate frontiersmen."³⁰ Although coming to power in 1952 on a platform of helping the little man, Bennett in fact, was just as willing as his predecessors to cater to corporate needs. The workingman was still exploited, while the corporations drew in huge profits. Robin argues that

The political messianism of the Premier, his sunny northern vision, his nervous urge to men of all North, his subordination of the out-back to the party machine and its exploiting partner, the large company, his war cry against the Ottawans and socialists to keep their hands off the provinces resources - so that the companies could better exploit them - bespoke a

narrow provincial imperialism which disguised a real subordination to outside powers. Six decades after Sir Richard McBride waltzed into Victoria, British Columbia remained an abject hinterland whose residents hewed the wood and drew the water for faceless companies. During sixty years, only the direction and extent, not the fact of subordination, had changed. More scientifically managed, exploitation proceeded apace.³¹

The economy of British Columbia had grown enormously in the post-war period. It did not, however, change significantly from being resource-based, even though Vancouver gained in importance as a commercial and transportation centre. As such, the provincial government's behaviour towards the federal government had not appreciably changed. Throughout Bennett's twenty years in office, he continued the tradition of British Columbian governments in pressing for better economic terms for the province. The issues of the National Policy such as tariffs, freight rates and transportation policies remained major areas of contention between the federal and British Columbia governments during the reign of W.A.C. Bennett. However, new economic issues such as equalization payments, shared-cost programs and taxing powers, also emerged at this time, which were to become integrally linked to the constitutional review process.

All through his twenty years in office, Bennett never once relented in his attacks on Ottawa, despite his Canadian nationalist protestations. At highway opening ceremonies, he rarely neglected reminding his audience that Ottawa failed to contribute a penny to the maintenance of British Columbia highways or that the British Columbia ferry fleet was a part of

the Trans-Canada Highway system and as such deserved federal subsidization. During budget speeches and at federal-provincial conferences, he complained about what he felt were unjust equalization payments to the "have-not" provinces and trotted out his usual reference to the federal government's treatment of British Columbia as "a goblet to be drained."³² The more intensified that regional and class conflicts became in British Columbia, the more Bennett attacked the federal government and blamed it for the problems that besieged British Columbia. Bennett charged that the federal government was run by three men, all French: Secretary of State Pelletier, Minister of Regional Economic Expansion Marchand, and Prime Minister Trudeau. Bennett claimed that the people of British Columbia were in thrall to Quebec and were paying for Quebec's mistakes.³³ The worse problems became in British Columbia the more Bennett went to war with the federal government. At the federal-provincial conference in September 1970, he complained about the heavy financial load of the British Columbia government resulting from immigration from other provinces, and accused the Department of Regional Economic Expansion of totally ignoring British Columbia and demanded \$500,000,000 a year compensation from the federal government.³⁴ Bennett's narrow provincial outlook reached a high point, however, in 1971 when he had the British Columbia section of the Trans-Canada Highway renamed B.C. 1 and replaced all the signs along the highway accordingly. Bennett overlooked the fact that Ottawa had contributed over a span of twenty-one years \$124,000,000 towards the construction of the highway in

British Columbia.³⁵

When the issue of revising the constitution was first being contemplated in Ottawa in the early sixties, Bennett announced in a 1963 speech that

If any people have wrongs they should be righted, but as far as any changes in the BNA Act or the 1871 agreement under which we entered Confederation, we will not listen or agree to any basic changes in Confederation at any time.³⁶

As the process of constitutional review gained momentum, however, Bennett retreated from this statement in order probably not to miss the opportunity of attacking the federal government and perhaps also in order not to miss the chance of gaining some concessions for British Columbia. Being almost frantically devoted to the protection of provincial rights, Bennett sought through the constitutional review process a "new deal" for British Columbia in the Canadian federation and stated that his commitment was to "guard against the danger of administrative centralization" and to press for a devolution of federal powers.³⁷

Bennett, however, did not bother to attend the Ontario sponsored Confederation for Tomorrow Conference in 1967 and instead sent his Attorney-General R.W. Bonner. Bonner's main contention at this conference was that the constitution had no effect whatsoever on the way that people lived. He did go on, however, to say that at some point the problem of amending the Canadian constitution needed to be re-addressed. There was no mention of a change in the distribution of powers or economic issues.³⁸

This was left to Bennett to articulate at the First

Constitutional Conference sponsored by the federal government in February 1968, where he argued that the fundamental stresses within the Canadian federation were primarily economic and fiscal and not constitutional in nature.³⁹ As Stevenson points out, Bennett was the only premier outside of Quebec to abandon all pretence of restraint or moderation and adopt the centrifugal concept of federalism without qualification.⁴⁰

Bennett's characterization of economic issues and constitutional issues as being separate categories, however, is somewhat misguided and shows that the premier was unable to grasp the underlying tensions in the Canadian federal system. He was unable to perceive that the constitution was, as was noted in earlier chapters, an economic document and that therefore economic issues could not be separated from constitutional issues.

At the Second Constitutional Conference in February 1969, Bennett, in his opening remarks, stated that he felt that the BNA Act had proved its worth as a constitutional document. He went on, however, to say that major alterations in the present document were necessary, especially in the area of fiscal capacity.⁴¹ Still further on he called for the withdrawal of the federal government from the field of direct taxation, and urged that restrictions be placed on the spending power of the federal parliament. He reiterated at this point his view that the problems facing the Canadian nation were primarily economic and financial in nature and not constitutional.⁴²

Bennett did not seem to take this constitutional review

process very seriously and was in the habit of leaving the conferences early, after he had made his attacks on unfair federal government policies. At the four conferences that he attended as Premier of British Columbia, he stuck to the same points and never really expanded upon them. Bennett had not assembled around him a group of constitutional experts as the Ontario government had done with its First Ontario Advisory Committee on Confederation or the Quebec government with its Department of Intergovernmental Affairs under then deputy-minister Claude Morin. Without the input of such knowledge that these bureaucrats could provide, Bennett's constitutional proposals remained largely superficial and undefined.

At the Third Conference, Bennett again drove home his point about his fears of too much centralization in Canada. He stated that education, social welfare and so forth could best be handled by the individual provincial governments that knew the needs of their population better than the central government.⁴³ At this conference Bennett also restated many of the themes that had been a preoccupation of British Columbia governments since Confederation. In a general statement he proclaimed that "In every case British Columbia has had a bad deal..."⁴⁴ He also attacked protective tariffs, which he said had never been of any benefit to a British Columbia that relies heavily on world trade.⁴⁵

British Columbia does not receive the benefits of the so-called national policy on tariffs. Tariffs are against all the best interests of British Columbia. They hurt our great basic industries such as forestry, mining, oil,

natural gas and all our other basic industries. It is true that parts of Canada get great benefit from the national tariff policy but British Columbia is putting its hand behind its back because we have to compete on world markets and with world standards of wages without any protective tariff.⁴⁶

The other two unfair federal practices towards British Columbia that Bennett reiterated were those of equalization payments and freight rates. Bennett attacked equalization of provincial government revenues as being unfair. Although Bennett said he understood that equalization payments were designed to equate provincial government revenues on a per capita basis, they failed to take into account the fact that the costs of administering government from province to province were different. British Columbia with its mountainous terrain, vast land mass and remote communities, had greater costs than many of the other provinces.⁴⁷ As well, he attacked freight rates, saying that they worked against the best interests of British Columbia. He pointed to the fact that the cost is greater for British Columbia to ship goods from Vancouver to the Prairies than it is for eastern manufacturers on similar mileage to ship goods into the Prairies.⁴⁸

At the Victoria Conference in June 1971, Bennett again restated the arguments against the federal government that he had made at the three previous constitutional conferences, as well as throughout his entire reign as premier of British Columbia. Bennett again argued that the constitution was not the number one priority for the government of British Columbia, but rather that economic issues were. Bennett also reiterated

that British Columbia has been unfairly treated by federal government policies and gave as two examples equalization payments and regional economic development programs. Bennett expressed alarm at the fact that the resource-rich province of Quebec was receiving equalization payments while British Columbia was not. As well, Bennett complained that while British Columbia receives no payments from regional economic development programs, its industries still have to compete with federally subsidized industries in other provinces.⁴⁹ Bennett, however, would have been willing to accept the Victoria Charter and be done with constitutional review once and for all.⁵⁰

W.A.C. Bennett did not offer any substantial or well thought out proposals for change in the Canadian constitution. Rather, he used the constitutional conferences as a forum to restate the theme of successive British Columbia governments that British Columbia deserved a "better deal" from Confederation. Again the charges that the protective tariff and freight rates were unfair to British Columbia's industries were vocalized. As well, Bennett added to his list of grievances against the federal government, equalization payments and regional economic expansion grants, of which British Columbia received neither. Bennett never offers any concrete solutions to these grievances, but rather simply stated that changes should be made to rectify the inequities in Confederation that he felt had worked against British Columbia's economic interests.

Although Bennett in his 1963 statement claimed that he would never agree to any basic changes in Confederation and

although he kept stressing at the constitutional conferences that economic issues were more important than constitutional issues, in fact he was calling for changes in the status quo of Confederation. The BNA Act, and the National Policy stemming from it, had worked up until this point to the general benefit of central Canada. By calling for changes in the tariff and freight rates, Bennett was calling for a change in the status quo. Bennett wanted the British Columbia economy to benefit from policies that had worked to the general advantage of the Ontario economy. He did not, however, see these issues of tariffs and freight rates as being tied into the constitutional question. He discussed these economic issues at the constitutional conferences, but stressed that they were outside of the constitutional arena. Bennett saw the constitution in narrow terms, encompassing only such items as patriation and amendment. He did not perceive the economic basis of the NBA Act, and in failing to do so he made an arbitrary division between constitutional and economic issues.

Constitutional Review - Round Two

After the rejection of the Victoria Charter by Quebec in 1971, there was not another constitutional conference until October 1978. In the intervening period, however, the question of constitutional review was kept alive, both on the part of provincial premiers and the federal government under Pierre Trudeau. Dave Barrett, the NDP Leader who became premier of British Columbia in 1972 and remained in office until November

1975, did not attend any constitutional conferences. Barrett's attitude, however, did not differ markedly from that of W.A.C. Bennett or earlier premiers. Bennett proved to be just as quick as his predecessors to blame the federal government for the problems that plagued British Columbia, as well as to ignore any help that the federal government may have provided. Barrett was also ready to claim full credit for programs such as Pharmacare and other welfare measures, with little public acknowledgement of the financial contributions made by the federal government. The Barrett government's attitude towards the federal government was aggravated by such events as the federal government's refusal to allow companies to deduct provincial royalties from their federal taxes and by inaction on existing inequities in tariffs, freight rates and ferry subsidies.⁵¹ These were the same issues about which every other premier in British Columbia had complained to the federal government.

At the Western Economic Opportunities Conference in the summer of 1973, Barrett stated that "from very early in our country's development, the economic, financial and tax policies of the federal government favoured and assisted the concentration of the nation's business and industrial activity in central Canada."⁵² As examples of this favouritism towards central Canada on the part of the federal government, Barrett pointed to the tariff, transportation policy (i.e., freight rates), and incentive programs to industry which gave the lion's share to the well-established industries of central Canada.⁵³ Barrett was so vehement in his attacks on the federal government, that

Barrett-Trudeau quarrels became almost a regular occurrence at federal-provincial conferences over such issues as income security, banking, energy and Barrett's request for jurisdiction over unemployment insurance and family allowances.⁵⁴ Barrett, however, never attended a constitutional conference, and therefore cannot ascertain how he would have handled constitutional negotiations as compared to W.A.C. Bennett.

It was with the election of W.R. Bennett in 1975, that the British Columbia government first began to develop a comprehensive set of constitutional proposals. The younger Bennett has taken a far greater interest in constitutional review than his father ever did. W.R. Bennett has established a cabinet committee on confederation, set up an academic advisory group and attached a constitutional affairs branch onto the premiers' office.⁵⁵ The scope of government activity in British Columbia had grown enormously in the post-war years to include Hydro, Medicare, public housing, pollution control and so forth. As bureaucrats gained more expertise in these fields it is not surprising that some expertise would be developed in constitutional review. As well, it would be of no benefit to the British Columbia government to handle constitutional review in the same haphazard manner as previously, when other provincial governments such as Alberta, and Saskatchewan were developing along with Ontario and Quebec, were developing a more comprehensive approach to federal-provincial relations in general and constitutional review in particular. A British Columbia government by relying on its old tactics would be unable to compete with

these other provinces, to achieve those goals it perceived as being essential to the maintenance of its government and economy. It was therefore seen as in its best interests to develop its own set of constitutional proposals.

In November 1976, the government of W.R. Bennett issued a paper entitled, "What is British Columbia's position on the Constitution of Canada?" In this paper Bennett developed his five region concept of the Canadian federal system. The paper in noting the inadequate recognition of the "emergence of the West" in the Victoria Charter proposals, called for the approval of each of Ontario, Quebec, two of the three Prairie provinces, two of the four Atlantic provinces and British Columbia for constitutional amendments. British Columbia, the paper argues, is a distinct region of Canada due to its geography, population, economic base and political culture.⁵⁶ Other implications of the five region concept, with British Columbia being a separate region in the same way that Ontario and Quebec are, is a correction in the "unfair imbalance" in the Senate by an increase in the number of British Columbia senators from six to twelve, and restructuring of the role of the Senate. As well, Bennett called for an increase in the number of Supreme Court justices from nine to eleven, so that the province of British Columbia would at all times have representation on the court.⁵⁷

In this 1976 position paper, Bennett also criticized a number of federal Crown Corporations and federal administrative agencies such as the CBC, the CRTC, the Canadian Development Corporation and the Bank of Canada. Bennett saw these bodies

as being "little more than national government institutions rather than being genuinely federal in nature."⁵⁸ Bennett demanded that the governing bodies of these agencies be appointed in a process involving both the federal government and the provincial governments. Bennett also asked for a strengthening of the role of provincial governments in the taxation of primary production from lands, mines, minerals and forests.⁵⁹

Bennett, in the following months and years, refined and clarified this original constitutional position that he had established. In his submission to the Task Force on Canadian Unity in February 1978, Bennett consolidated and extended his five region proposal in a general bid for the "restructuring and development of genuine federal-provincial institutions" and for the "revision and modernization of our Constitution."⁶⁰ Then in May 1978, in an address to the Men's Canadian Club of Vancouver, Bennett rejected both sovereignty-association for Quebec and the federal government's so-called "status quo federalism." In their place he offered a "third option" for Canada. Bennett called for the restructuring of federal institutions such as the Supreme Court, Senate, and federal boards and commissions, to give the province an effective voice in the decision-making process in Ottawa.⁶¹ In this manner Bennett had gone beyond simply asking for more British Columbia representation on these bodies. Bennett was now demanding greater decentralization of the federal system and for provincial government inclusion in the federal government's decision-making processes.

It was at the 1978 First Ministers' Constitutional Conference, that Bennett first presented a detailed set of proposals on constitutional review. These were in the form of nine booklets: 1) Towards a Revised Constitution for Canada, 2) British Columbia: Canada's Pacific Region, 3) Reform of the Canadian Senate, 4) Reform of the Supreme Court of Canada, 5) Improved Instruments of Federal-Provincial Relations, 6) A Bill of Rights and the Constitution of Canada, 7) Language Rights and the Constitution of Canada, 8) The Distribution of Legislative Powers, and 9) The Amendment of the Constitution of Canada.

The proposals set down in these booklets are basically more detailed descriptions of the proposals Bennett had made in speeches and although largely political rhetoric, do call for some substantial restructuring of Canadian federalism. There is a reprise of Bennett's five region concept of Canadian Confederation, the Senate should be restructured to resemble the German Bundesrat and be appointed by the provincial governments, the membership of the Supreme Court should be increased, British Columbia should have a veto power over constitutional amendments, language and human rights should be provincial responsibility and there should be a change in the distribution of powers between the federal and provincial governments.⁶²

The Government of British Columbia's paper on the distribution of powers points out that it is still studying the implications of sections 91 and 92 of the BNA Act and is therefore unprepared to make extensive recommendations. What its studies

have so far shown, however, is that changes need to be made in five areas - disallowance and reservation, the declaratory power, the emergency power, the spending power and the allocation of taxing powers. The British Columbia government's proposals call for abolishing the federal power of disallowance and reservation and the opening up of all fields of taxation to both orders of government. The declaratory power, emergency power and the spending power of the federal government, the British Columbia government's proposals argue, should be part of the powers of a reformed Senate.⁶³

Although the government of British Columbia believes that individual rights and freedoms should be ensured, it is of the opinion that this could be done through legislative action at both the federal and provincial levels, the federal government dealing with those aspects coming under its jurisdiction and the provincial governments dealing with those coming under its jurisdiction.⁶⁴

The government of British Columbia in its proposals states that it respects the language rights of French Canadians, but is of the opinion that broad constitutional language guarantees are not appropriate to the whole of Canada. The British Columbia government proposes instead allowing provincial governments to develop language policies as need dictates within a particular province. The French-speaking population in British Columbia in 1976 only composed 1.6 per cent of the population. The British Columbia government, however, has given parents a choice of either official language as the language of instruction

in the educational systems.⁶⁵

The government of British Columbia argues in its paper on the amendment procedure for the constitution that the federal parliament amend unilaterally those areas of concern to them only, while the provincial legislatures may amend unilaterally those areas of concern to them. Subject matters of concern to the federal government and some of the provinces should be amended by those governments. Matters of concern to all the governments should be amended by the votes of the House of Commons, the Atlantic region, Quebec, Ontario, the Prairie region, and British Columbia.⁶⁶

In reforming the Supreme Court of Canada, the British Columbia government proposes that both the federal and provincial governments make the appointments and that the membership of the court be increased by two members to ensure that British Columbia always has a member on the court.⁶⁷

The primary purpose of a restructured Senate, the government of British Columbia feels, is to institutionalize regional participation in the national law-making process. Its secondary purpose would be to review legislation enacted by the House of Commons. As well, there should be equal representation in the Senate of the five regions of Canada. Senate members should be appointed and removed by provincial governments and the leading Senator from each province would be a provincial cabinet minister. The government of British Columbia advocates giving the Senate an absolute veto over appointments to the Supreme Court and federal boards and commissions, over the creation of federal laws

to be administered by provincial governments, and over the approval of the federal government's spending power in areas of provincial jurisdiction.⁶⁸

The current proposals of the British Columbia government, then, are based to a large extent on institutional reform. British Columbia cabinet minister K. Rafe Mair, when appearing before the Special Senate Committee on the Constitution in September 1978, pointed out why the British Columbia government is so interested in institutional reform. By describing what he referred to as a "glimpse" of the history, geography and trade patterns of British Columbia, he tried to show that British Columbia was a separate and distinct region of Canada. As well, he said this was

...also to show that these factors and the great distances that separate us from central Canada tend to support feeling of alienation and remoteness from the national capital and national institutions. These centrifugal forces which work contrary to nation-building can be overcome; they can be counter-balanced if the central institutions of federalism are structured in such a way as to properly take into account those distinctive regional needs that are British Columbia's. At the present time the central institutions of our federal system are simply not structured to take these factors into account.⁶⁹

Among the distinctive regional needs of British Columbia are those needs which arise from its resource based economy and its competition on the world market. Political institutions, such as the Senate, Supreme Court and boards and commissions play a role in supporting the capitalist relations of production. The government of British Columbia could better serve the interests of the capitalist class within British Columbia if it had

more say in the national economic policies being established in Ottawa. The April 1979 Budget Speech by the British Columbia government made reference to its constitutional proposals, stating that a greater provincial role was required in the formulation of federal government policies. The feeling the government expressed in the Budget was that if central government institutions could be made more responsive to British Columbia's economic policy concerns, then they would contribute favourably to the economic well-being of British Columbia.⁷⁰

Unlike the government of Quebec, for example, that sees the best interests of its economic elites being met through a great degree of decentralization, the British Columbia government is of the opinion that it could best serve the interests of its capitalist class by having more say in those federal institutions that play a role in establishing tariff policies and freight rates. As the third largest province after Ontario and Quebec, British Columbia, in restructured national institutions would have almost equal representation with these two provinces and more than the Prairie or Atlantic provinces. This stronger voice in policy-making could mean that federal programs and policies would be adjusted to take more account of the government of British Columbia's interests.

Conclusion

The government of British Columbia's constitutional proposals over the years have reflected a growing sophistication and comprehensiveness. This has occurred as the constitutional

review process has gained momentum and as other provincial governments besides Quebec's have taken a greater interest in the revision of the constitution.

Although the themes that the British Columbia government has expounded have remained consistent since it joined Confederation - better terms, unfair federal government policies and so forth - the form the government has used to present these themes has evolved from haphazard and ill-defined, to a comprehensive and detailed pattern. In order to have its grievances taken seriously by the federal government, the British Columbia government has gone to great lengths to prove that its complaints against Confederation are valid and need rectifying.

The concerns of past and present British Columbia governments have been with creating and maintaining a strong economy based on the extraction of primary resources. The interests of the capitalists involved in the resource industries in British Columbia were being thwarted, the British Columbia government maintained through federal economic policies that benefitted central Canada, such as the protective tariff and freight rates. W.A.C. Bennett did not see constitutional conferences as being the forum for remedying the grievances that the British Columbia government had against the federal government and as such did not offer any formula for change. W.R. Bennett, on the other hand, seems to have perceived the constitutional review process as an arena in which British Columbia could bargain to have British Columbia's particular economic goals met. As such he and his government have produced one of the most detailed sets

of constitutional proposals of any provincial government.

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⁴⁴Ibid., p. 172.

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⁵⁰Lorne J. Kavic and Garry Brian Nixon, The 1200 Days: A Shattered Dream, (Coquitlam, British Columbia, 1978), p. 67.

⁵¹Interview, Professor Neil Swanison, University of Victoria, member academic advisory group to the British Columbia Cabinet Committee on the Constitution, June 6, 1979.

⁵²Honourable D. Barrett, Verbatim Record, Western Economic Opportunities Conference, (July 24-26, 1973), p. 23 - when speaking of central Canada, Barrett is referring only to the province of Ontario.

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⁶³Paper No. 8, "The Distribution of Legislative Powers".

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CONCLUSION

This thesis has argued that the motives behind constitutional review for many of the provincial governments are primarily economic. The initial question of why look at constitutional review as an economic process has been answered by our analysis of the economic motives for Confederation, the National Policy, federal-provincial conflict as class conflict between segments of the bourgeoisie, the growth of provincial bureaucracies, and the north/south trading pattern. We have seen that Confederation and the National Policy were tools whereby the dominant class in Canada at the time could improve their economic standing through the establishment of an enlarged market, the ability of the new Canadian government to float international loans, the emergence of large-scale industry, increased immigration, and a protective tariff. The Canadian government in 1867 assumed a large role in guiding and stimulating the Canadian economy and this is clearly evident in the powers given to the federal government in the British North America Act for regulating trade and commerce, raising money by any mode of taxation, borrowing money on the public credit, currency, banking and a general power for assuring the "peace, order and good government" of Canada. As it has been pointed out in Chapter One, Canada's was never a laissez-faire economy and the ties between the government and capital have always been strong.

With the federal government supporting the interests of the capitalist class in Canada, other classes and class segments felt unrepresented. Independent commodity producers and farmers in the West especially began to align themselves with their

respective provincial governments in the hope that this level of government could meet their needs and aspirations. Federal-provincial conflict as it developed in the years immediately following Confederation took on the character of a class conflict between the bourgeoisie and the petit-bourgeoisie. As the Canadian economy became more specialized and more regionalized though, this class conflict developed into one between different segments of the bourgeoisie. As the Canadian economy has matured into an advanced capitalist economy, regional segments of the bourgeoisie such as the oil industry in Alberta or the forestry industry in British Columbia, have found it easier to recruit a provincial government to speak on their behalf rather than the central government that has a broader range of interests being presented to it.

As well, in the post-war era there have been a number of changes in the Canadian political economy that have added to the power and prestige of the provincial governments. Provincial governments have grown in size and expertise as the transition to monopoly capitalism has required governments to take a far greater role in social and economic planning and as areas under provincial government jurisdiction such as education, social policy and resources have subsequently grown in importance. Also the shift from a predominately east/west trading pattern to a north/south trading pattern has meant that provincial governments have assumed responsibility for establishing the infrastructure for foreign investment in their provinces to aid their regional segment of the bourgeoisie. As well, the increase in foreign

investment in the provinces has made provincial governments more responsive to economic policies made in the United States, rather than by the federal government. Many of the provincial governments have found, however, that the centralization of the major economic function of government have thwarted many of their initiatives and do not allow them the freedom in economic planning that they desire. The modernized provincial state, as such, has become a far more effective instrument for the promotion of the interests of their segment of the bourgeoisie than the small-scale provincial government of previous times. With the Quebec government's demand for a new constitution in the early 1960s and the federal government's agreement to review the constitutional basis of Canada, many of the other provincial governments gradually came to see that their particular economic interests could be protected through changes in the constitution in much the same way that the Quebec government hoped to protect its cultural heritage through revisions to the constitution.

Of the two provinces studied in this thesis, the Ontario government was the first to develop the machinery of inter-governmental relations and to take an interest in constitutional review. The Ontario government under Premier John Robarts helped to set the stage for full-scale constitutional review by sponsoring the Confederation of Tomorrow Conference in 1967. The British Columbia government on the other hand, did not develop a detailed and comprehensive set of constitutional proposals until the late 1970s. The Ontario government felt a certain

sense of urgency about constitutional review as the Ontario economy and the Quebec economy are closely tied together and any change in the status quo of Confederation as the Quebec government was proposing could have serious ramifications for the Ontario economy. The capitalist class of Ontario had been the major beneficiary of the Confederation agreement and it in alliance with the Ontario government had a certain interest in maintaining a federal system in Canada that had worked in their favour. The British Columbia bourgeoisie, on the other hand, has always felt a detachment from the rest of Canada and felt that federal economic policies such as the protective tariff and freight rates had worked against its best interests. The British Columbia government in the 1960s and early 1970s did not see how the constitutional review process could change these economic disparities and Premier W.A.C. Bennett did no more than make brief statements at constitutional conferences, basically reiterating the British Columbia government's traditional grievances against Confederation. Premier W.R. Bennett, however, has perceived that the constitutional review process could be used as a means to correct what the British Columbia government views as unfair federal economic policies towards its province. The Ontario government, as the other provincial governments have joined the Quebec government is calling for a fundamentally revised constitution, has worked to maintain its dominant position within Confederation that could be drastically reduced with a new constitution. The Ontario government despite its grievances against the federal government has in recent years supported a

strong centralized federation.

By examining the economies of these two provinces one can see why the Ontario government has no real desire to see the constitutional structure of Canada altered, while the British Columbia government has been fairly active in the past four years in developing a comprehensive set of constitutional proposals. The Ontario economy has benefitted greatly from the present constitutional structure of Canada while the British Columbia economy has suffered through high freight rates and the protective tariff. Through the examination of the constitutional proposals of the Ontario and British Columbia governments a linkage has been established between constitutional review and the economic motives of the dominant segment of the bourgeoisie in each of the provinces. The economy of British Columbia, based on export-oriented resource industries has different priorities in constitutional review than does the secondary manufacturing economy of Ontario. The Government of British Columbia has seen its province as a resource hinterland of central Canada, while the Ontario government has viewed itself as the major beneficiary of Confederation. One provincial government is trying to maintain its economic dominance while the other has sought constitutional changes that would end the economic exploitation of its natural resources by central Canada.

The political economy approach has indicated why the British Columbia government then is so aggressive in its approach to constitutional review, while the Ontario government is fairly passive. The political economy approach has shown why

some segments of the bourgeoisie are satisfied while others are not. It has also shown how certain long-term economic interests have become bound up in constitutional review. The political economy approach has also indicated to us why provincial governments have gradually taken a greater interest in constitutional review. The political economy approach, however, does fail us somewhat when we come to discussing specifics. The approach cannot reasonably account for everything in constitutional review. John Robarts may have had a sincere interest in keeping Canada united when he called the Confederation of Tomorrow Conference in 1967. So too may the constitutional proposals of these two provincial government and other provincial governments be tied in to the character of the Premier, the Cabinet Minister responsible for intergovernmental affairs or top bureaucrats. In part, the differences in the personalities of Premier W.A.C. Bennett and Premier W.R. Bennett of British Columbia may explain the increased interest that the British Columbia government has shown in constitutional review in recent years. As well, the interest that the British Columbia government has expressed in constitutional reform may in part be attributable to the feeling among British Columbians of being cut off from the rest of Canada by the Rocky Mountains and the fact that British Columbia is in a time zone that puts it three hours behind Ottawa making it difficult to get in touch with people in that city. More representation in federal institutions could alleviate this feeling of remoteness, although as it has been shown there are still economic elements to consider such as increased input into national economic

policy-making, but the British Columbia government could have chosen to put more emphasis on other aspects of constitutional review and still achieved its economic goals. The emphasis that the British Columbia government puts on institutional reform then, may not be totally attributable to economic factors.

There are certain other weaknesses as well with the political economy approach. For one, the terminology of the approach is not clearly defined and one is not sure of the precise meanings of terms such as alienation and exploitation, which this thesis has tried to avoid. As well, the political economy approach is rather too general as it attempts to encompass the whole of Canadian political and economic development within one large, grand theory. More work needs to be done by political economists in Canada to add a further precision to their terminology and to further document their theories. Granted there is a relationship between segments of the bourgeoisie and the provincial governments, but more empirical work needs to be done to prove this point conclusively. Also, more documentation is needed to show the relationship between the Canadian bourgeoisie, the American bourgeoisie, the provincial governments and the United States government. While in the early years of Confederation the interconnection between the government and the corporate world was easy to determine as many politicians and bureaucrats held both public office and positions in corporations, this is no longer the case. The complexity of an industrial society has required a relatively autonomous state capable of responding to various capitalist class fractions

and other demands from other sectors of the society to provide the necessary conditions for political stability. There have, however, been studies done by Clement and Olsen that examine other types of connections such as career-switching, kinship ties, and advisory posts, all of which reflect an affinity and community of interest between the higher echelons of the government and the corporate world. There are still though gaps in our knowledge. While there are connections between fractions of the bourgeoisie and the various governments in Canada, we are not certain of the extent of these connections or how much influence individual members or several members of a fraction of the bourgeoisie may have on influencing policy-decisions made by governments. Neither has the terminology been clarified in the case of class fractions. We do not know exactly who composes these class fractions, how the bourgeoisie is divided into these fractions or whether there is a difference between class fractions and elites. Neither has much research been done to clarify the relationship between fractions of the bourgeoisie and segments of the economy.

The political economy approach is also somewhat ambiguous as political economists in Canada have spanned the whole political spectrum from right to left and have been classified in a broad number of categories, each overlapping with the other. These categories include the founders, the state theorists, the U of T practitioners, the hinterlanders, the post-Innisians, the launderers, and the neo-Marxists. In attempting to write about

Canadian political economy one finds that there has not been a large body of work done by any one group and that one must therefore pick and choose among all the categories, once again leading one towards imprecision. The political economy approach then needs further refinement and precision, although as it stands it still proves to be an insightful and useful tool of analysis.

The political economy approach that was used to analyze the constitutional proposals of the provincial governments has proved useful in that it points to the relationship between the state and economic life in Canada. It helps in drawing out the economic goals of the provincial governments and how these goals have been expressed in their constitutional proposals. By focusing on political economy we do not deny the relevance of other factors that have influenced constitutional review. The political economy approach allows us to look at constitutional review in a much broader fashion than either the institutional or cultural approaches. The political economy approach has enabled us to look at the relationship between the government and the bourgeoisie, the effects of foreign investment on the Canadian economy and the regional segmentation of the bourgeoisie and how these factors have contributed to the constitutional proposals that the provincial governments have developed. The institutions of Canadian federalism do reflect the regional segmentation of the economy in Canada to some extent, but constitutional review is based upon more than just reform of bodies such as the Senate and Supreme Court. Constitutional review is also

not totally based on French/English relations in Canada, especially now that English-speaking provincial governments are actively pursuing constitutional review. A dualistic approach to constitutional review focus basically upon only one provincial government and its constitutional proposals. A large part of constitutional review today is based upon economic differences and economic inequalities between the provinces.

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