

CANADIAN FEDERALISM IN TRANSITION

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ON November 15, 1976, the voters of the province of Quebec elected a provincial government dedicated to taking the province out of the union and making it a separate state. This represents more than a little local difficulty for the rest of Canada. Whether it is the fatal symptom of a terminal disease remains to be seen. Opinion polls in Quebec had shown that, whatever their party preferences, only about 18 per cent. appeared to be in favour of separation, although on the eve of the poll about 30 per cent. were undecided how to vote. It was another case of a government which had defeated itself. The preceding Liberal government had been beset by scandals and had projected the image of a heartless technocracy which seemed to lack a human face. It had also suffered from the effects of inflation and the severe restrictionist measures of the federal government which had fallen heavily on the level of employment and investment. The Parti Quebecois had skilfully planned a campaign which soft-pedalled the separatist issue and concentrated on social and economic issues. Even so they had expected to win *next* time round and their decisive victory astonished them more than anyone else. It was another example of the results of the first-past-the-post system when at least three parties are close together, for only 39 of the 109 members elected gained an absolute majority.

With 71 seats the new government looks to be in a position of considerable strength, with an opportunity to demonstrate its capacity to govern within the present boundaries of the constitution. For no question of separation will arise until it has held the promised referendum some time within the next four years. Even if it wins—and it has the advantage of framing the question—there is still the problem of what to do next. Nothing in the constitution admits the right of secession, or provides any machinery for achieving it. A negotiated settlement will not be easy, though there is always the possibility of UDI. The sky may be falling but perhaps not yet.

Perhaps the first question to ask is whether these events demon-

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strate again the self-destructive characteristics which federal systems are alleged to have. To answer this it is necessary to see what the Canadian federal system was. In the beginning there was a number of different colonies in British North America, which the imperial government preferred to keep separate from one another as a means of avoiding a second revolution in the American colonies. The Federation of four of these colonies came in 1867 in part because it would increase their chances of survival against the threat of absorption by the United States, and in part because the union would provide the fiscal framework for a transcontinental state held together by extremely expensive railways and other public works which were much in the minds of both Canadian promoters and British investors.

The Nineteenth-Century Background

There was always a fundamental ambiguity about the nature of the federal union created in 1867. Federations tend to be of two kinds: those which unite regions broadly similar in language and political culture but separated by geographical barriers which make highly centralised administration out of the question; and those whose components are different in important respects such as language, religion, and political culture. Canada was a mixture of both. The experiment of uniting the two original provinces of Canada, adopted in the wake of the Durham Report, had been a failure. Durham had found that the French Canadians, sitting inertly on the throat of the lower St. Lawrence and doggedly preserving a peasant and deferential society, were an insuperable barrier to the construction of the canals and railways which would open the expanding colony on the Great Lakes to the world markets and ensure growth and prosperity in British North America. The union into one colony in which the colonists of British stock would have a legislative majority did bring about the canals and the railways, but it signally failed to suppress the French Canadians as a unified political force. A wider federal union, it was thought, would solve the problem. It would create a single common government responsible for trade, development, and settlement, and capable of managing and paying for the transcontinental expansion made necessary by the opening of the American west. Meanwhile the French Canadians, restored to a secure majority in their native province, could retain control of their essential cultural values resting on the system of civil law, the strong position of the Catholic Church in education and social

matters, and the opportunity to run their own affairs in their own language and in their own way.

So it was a territorial federation, although one strongly governed from the centre in which the provinces—in an age of *laissez-faire*—had only a modest role in the process of government. In fact it was more of an imperial system, governed from Ottawa, than a true federation. From the lower Great Lakes to the Pacific coast a thinly populated territory had to be opened up for settlement and the federal government played a heavy-handed role of imperial paternalism, reluctantly conceding provincial status to the newly opened territories, firmly disallowing provincial legislation which threatened the interests of overseas creditors whose investment in railways and land was considered essential to development. Twice in the nineteenth century it was necessary to fight what were really small colonial wars on the prairies to subdue the resistance of the original inhabitants.

Subsequently the great depression of the seventies strengthened regional resentment against federal policies and led before the end of the century to a more balanced federal system, in which the exclusive sovereignty of the provinces over their own jurisdiction was achieved and confirmed by a number of judicial decisions. The area of provincial responsibility necessarily became larger and more important as time went on, since much of it lay in the area of growing state intervention in social welfare and the regulation of economic activity which became respectable with the decline of *laissez-faire*.

A Workable Balance

Since that time the pendulum in the system has swung sometimes in the direction of the provinces and sometimes in the direction of the central government. It would be easy to read too much into this movement as an unmistakable sign of waxing and waning unity in the country. It must be remembered that federal systems have two mechanisms for institutionalising the federal principle. One is the obvious and visible one of the division of powers between the two levels of government. The other is what is sometimes called intra-state federalism in which the major institutions of the central government are constructed on a representative principle which reflects the principal divisions of the country both by region and by religious and cultural differences. Thus it is easy to read too much into the marked centralisation of the period of the First World War when almost all of the powers of government flowed to the centre

under the implied and unlimited powers articulated by the courts and asserted in the War Measures Act. However, the wartime coalition government was one which contained no effective French Canadian representation at all as a consequence of the deep division created by wartime conscription, and as soon as the war was over the pendulum swung far and quickly in the direction of the provinces. In the Second World War a Liberal government in which French Canadians were fully represented was able, on the other hand, to retain a state of federal dominance for a decade into the post-war era.

This illustrates an important point about federal societies. They maintain a workable balance between over-centralisation and dissolution through not only the formal mechanisms of the constitution—which are of course of central importance just because they are based on constitutional guarantees on which insecure minorities can repose confidence—but also in the way in which the various groups are able to exercise both influence and in effect a veto in the operation of the central government. This last is also a flexible and easily adjusted mechanism which can take account of shifts in the power and importance of regions and groups. Thus, in Canada, one of the most important of the various balances which had to be maintained was between protestant and Catholic—a balance which is now of much less significance. I recall a letter from Lord Lansdowne (I think it was) to Macdonald in which he reflected that the Canadians had been much wiser than the British in paying careful deference to the representative principle. Had the British been sensitive to this matter in the nineteenth century, he thought, the Irish question might have proved far less intractable.

What then is the trouble with Canada? Is it in the grip of a fatal and degenerative disease from which final collapse is inevitable? Perhaps, but the causes need to be understood in order to achieve a diagnosis. The problem is that a number of different sources of strain are putting almost intolerable pressure on the polity and the constitutional arrangements which order its operation. One—which is shaking the credibility of governments everywhere (and political scientists have found a new topic, “ungovernability”)—is the abrupt blow to the rising expectations of our time by the universal phenomena of inflation coupled with stagnation and unemployment. The second arises from the devil of hot-eyed nationalism which is such anathema to the rational mind of Prime Minister Trudeau.¹ The

¹ See his essay, “Federalism, Nationalism, and Reason”, in P. A. Crepeau and C. B. Macpherson (eds.), *The Future of Canadian Federalism* (Toronto, 1965).

survival of any bi-national state depends to a large extent in the maintenance of a "cool" concept of common political nationality based on sober compromise and careful calculation. If Canadians have frequently been described as a dull people it should be said that they have needed to be dull because they have realised in their bones that there are things better left unsaid if a stable political order is to be maintained.

"Cent ans d'Injustice"

The strong current of nationalism which provides the momentum for precipitate change in Quebec must be understood for what it is. It is a very different thing from the nationalism which has nourished and sustained French Canada since the conquest. The older nationalism was deeply rooted in the Catholic faith which was seen as the essential preserver as well as the dominant characteristic of French Canadian civilisation. It was a society of hierarchy and order which was given its stability by the great authority of the Church. The political elites readily reached an accommodation and a division of power with the Church. But the essential thing about this kind of nationalism is that it did not represent a challenge to the regime itself, because it accepted the legitimacy of the constitutional and political order in which it operated.

The new nationalism is different, because Quebecois society is very different. The motto of modern Quebec could never be the famous words of the historian Abbe Groulx "*notre maître, le passé*", though the new government has restored to prominence by placing it on automobile licence plates the heraldic motto of the province, "*Je me souviens*". But the past they no doubt wish to commemorate is the particular past of "*cent ans d'injustice*" not infrequently displayed in centennial year. Quebec is going through the pains of industrialisation and modernisation in a very short period of time. The great social changes made by industrialisation—greatly accelerated during the Second World War—seemed to have no visible political effect until the death of Premier Maurice Duplessis in 1959. There followed the dramatic changes of the Quiet Revolution of the sixties, characterised by great increases in state intervention in social welfare and education and by increasing trade union militancy. The effect of urbanisation was that the parish, for the first time, ceased to be the centre of the life of the family. And families became dramatically smaller for children who may be an apparent asset on the rural scene are a heavy burden to the flat-

dwelling urban worker. And this has led to a panic about the declining birth-rate and a fear of statistical genocide. But "*La revanche des berceaux*" is no longer a viable strategy in Canada, for the cradles are empty.

Most striking of all is the difference in the character of the elites. The traditional leaders of the nation had come from the older professions—the clergy, the law, and medicine. Now the power and influence of the church has declined spectacularly. No more does one see its visible presence in the numerous soutane-garbed priests and formidably habited nuns. In the main they appear in public in mufti, often a rather mod sort, as if to emphasise their invisibility. And the role of the lawyers, who once had a near-monopoly of political roles, has also changed. Equally changed is the doctor, no longer typically the family physician with his awesome authority, but a specialist member of a profession characterised by high technology and sometimes prone to industrial action to achieve their demands. Who then are the new elites? In essence they are the middle class of managers, engineers, journalists, broadcasters, and trade union officials, mostly products of the greatly expanded universities. Theirs is a secular nationalism which is genuinely revolutionary in the sense that it embodies a challenge to the legitimacy of the whole political regime. Given the unlikelihood of effective penetration of the commanding heights of the big business world which is mostly pan-Canadian or multinational, they are much more amenable to an expanded role of the state and of state-run enterprises where Francophones will dominate. To illustrate the point it should be noted that while the population of Quebec is about 20 per cent. Anglophone, employment in the public sector at all levels is overwhelmingly Francophone. It should be noted also that the non-Francophone population, while it obviously dominates the upper echelons of the banks and the large industrial concerns, also includes its numerous poor, many but not all of whom are among recent immigrants largely from southern Europe. One source of continuing tension is that the immigrants cleave overwhelmingly to the Anglophone side in order to preserve their mobility in North America. Hence the differences stemming from the Quebec Official Language Act, which not only declares French to be the official language of the province but seeks to stream immigrant children into the French school system by imposing rather clumsy language tests on those about to enter elementary school.

Alberta: Western Resentment

While Quebec is the most visible and spectacular challenge to the continuation of the Canadian state, it is not the only one. The west had been conceived and settled as a dependent economic region for the benefit of the metropolitan values of Toronto and Montreal. This eastern dominance has always been symbolised in the eyes of Westerners by the visible presence of the great eastern banks and insurance companies whose massive stone buildings dominated the business districts of prairie towns. Eastern dominance was the object of helpless resentment from the beginning and led to the rise of such third parties of agrarian revolt as the Progressives in the 1920s and Social Credit in the 1930s.

The discovery and exploitation of oil and mineral wealth is now abruptly shifting the balance. Alberta is now a wealthy province, uneasy because its wealth comes chiefly from a wasting and irreplaceable natural resource, and the other western provinces are developing more diversified and growing economies. Western separatism is perhaps an extreme and perhaps as yet weak political force, but the resentment is real. Years ago the Canadian economic historian Harold Innis argued that the reality of the Canadian state stemmed from the exploitation of staple products, from fur to wheat, which must be financed from the east and marketed to the world through coastal ports. And he perceived that a shift in resource exploitation which led to direct export from the producing region to the adjacent United States would undermine the "natural" character of the integrated Canadian economy. This has now happened and the consequences are plain. The essential role of the federal government is in question.

This role has become a very large one. It includes not only its traditional historic control over finance and international trade, but an increasing role in the whole spectrum of social policy. Given the allocation of powers in the constitution, how did this come about? In the 1930s, under the impact of the depression, the first efforts of the national government to regulate the production and marketing of natural products, and to deal directly with unemployment and social insurance, were largely rebuffed by the courts as an invasion of provincial jurisdiction. However, after the Second World War this situation changed. The federal government, with its constitutionally prior rights to the great sources of revenue from direct taxation, possessed the funds to underwrite the great national undertakings such as the Trans-Canada Highway and a universal system

of medical care and social security. It set the national norms and lured the provinces into administering the plans with matching grants. This broad range of policies, partly federally financed and provincially administered, solved the problem of divided jurisdiction. They at first magnified the dominance of the central government in the system. The policies were conceived in Ottawa and the provinces were lured into joining the programmes with the prospect of paying for them with "fifty cent dollars" since only half of the cost would fall on them. But in the process the provinces lost control over their own priorities, for even the wealthiest of them found that their available resources were largely committed to those programmes which the federal government was prepared to finance. As the capability of the provincial bureaucracies grew in response to the need to administer large joint programmes, so also did their desire to have greater freedom to deploy resources in order to respond to their own needs as they perceived them. But their capacity was constrained by their inability to raise revenue in fields dominated by the federal tax collector.

A Diminishing Federal Role

For the past 15 years the tide has begun to turn. The federal government has gradually begun to withdraw from the income tax, corporation tax, and estate duties fields by making a proportion of these taxes paid to the provinces deductible from federal tax liability. Hence the present discussion between the two levels of government is over how many "tax points" (percentage points of tax levied at standard rates) would be yielded to the provinces. The federal argument for retaining dominance in the tax field is two-fold. On the one hand it thus retains the capacity through counter-cyclical budgeting to control the economy. But how much of the tax field must it retain in order to exercise effective control? 50 per cent.? Or less? The experts differ. A second reason for the federal dominance is the need for equalisation. The poorer provinces could never afford the level of service available in the rest of Canada without heavy federal subsidies. Only three or four richer provinces could do so. So even joint-cost programmes have to be sweetened by unconditional grants to the poorer provinces. The present five-year tax-sharing agreements run out in 1977 and hard bargaining is going on, partly over the issue of tax-points versus unconditional federal grants on a basis of fiscal need—an issue dividing the richer provinces from the poorer ones. A second issue is that, under present

arrangements the federal commitment to shared cost is an open-ended one in such expensive programmes as medical and hospital care and post-secondary education. The federal authorities in a desire to retain resources available for new and unforeseen programmes now wish to limit their commitments to these expensive programmes, thus forcing the provinces to seek drastic administrative economies in major programmes. The change of government in Quebec has not altered the character of the debate significantly. Now that the major social programmes based on principles of universality and portability have been achieved everyone—including the federal government—wishes to see a diminished federal role in them. But the major struggle is still over the allocation of available financial resources between the two levels of government. This is always the central problem in a federal system, for the end result will settle the relative importance of the two levels in the system.

This poses a pretty problem for the nine provincial premiers in their dealings with Quebec. The Levesque government is committed to comport itself like any other provincial government unless and until a favourable referendum gives it a mandate to seek separation. Like the other provinces it seeks greater financial resources, both through tax points and through unrestricted "equalisation" payments. Even more than they, it wishes to negotiate a diminished federal role in those provincial matters in which there are now joint programmes in operation. But for the other provincial premiers the other side of the coin must be inspected. They now have a much greater stake in preserving the visible utility of a central government, which means that they cannot push too hard in seeking to diminish its role. Nobody loves a government which seems to do nothing except levy taxes, while other levels of government seem to provide all of the visible benefits. This is a peril which the federal government seeks above all to avoid.

The Constitution and the Courts

It must also be recalled that the most important divisions of authority in a federal system are not readily modified by political negotiation, for they are enshrined in the constitution, the ultimate guardian of which is the judicial branch. One of the most notable characteristics of most federal systems therefore, as Dicey noted, is the legislative role of the courts. A change in social values leads to new demands on governments. Matters which were once of only local significance assume a national dimension, such as the substitution of

social insurance for the Victorian poor law. Federal systems fix the jurisdiction and therefore the role of different levels of government in amber, and a shift from one jurisdiction to another is apparently only possible through the complex and difficult process of constitutional amendment. Furthermore, the contest between the *status quo* and social reform takes on a constitutional dimension with every proposed increase in the role of government—at either level—fought out on constitutional grounds in the courts. And the courts are both slow and conservative, reluctant to take on the role of social engineers by re-interpreting the constitution to adapt it to modern conditions.

In the 1930s the struggle to increase the role of the state in social and regulatory matters was fought largely in the courts, delaying the introduction of the beginnings of the welfare state by a generation, and severely straining the viability of the Canadian federal system. But the problem in Canada today is no longer the need to break out of a constitutional straitjacket. Why is this so? Essentially the answer is two-fold. In the first place the giant economic vested interests whose long purses could fund the pervasive litigation before 1940 have largely, but not wholly, abandoned the litigious struggle against the enhanced role of the modern state. For the large corporation, particularly the multinational, stability is always preferable to disorder and unpredictability, and it is better to join governments than to try to beat them in the courts.

The second reason is equally important. The courts themselves have never asserted the claim to be a third branch of government superior to the other two. There is, of course, in the Anglo-American legal tradition, a strand stemming from Coke, which sought to place the courts and the constitution above Parliament. This tradition failed in England with the Revolution Settlement of 1688, but it survived in the United States and to a lesser degree in Canada because in federal systems the courts cannot avoid reviewing the constitutionality of legislation. Nevertheless, as the Chief Justice of Canada has said: "judges no less than the commentators on judicial decisions on constitutionality are keenly aware of the narrow line between the wisdom of legislation and its validity: the latter alone is for the courts".² Far more than their American brethren, Canadian judges have shown a reluctance to overturn legislation on constitutional grounds. This stems in part from the stronger survival

² Bora Laskin, "The Judge as Legislator and Administrator", *Transactions of the Royal Society of Canada* (1973), Fourth Series, Vol. XI, p. 185.

in Canada of a deference to parliamentary sovereignty. And the courts have in recent years cast a benevolent eye on a variety of administrative devices which have made co-operation possible between the two levels of government operating together in fields which a strict constitutionalist view of the constitution would have assigned exclusively to one or the other.

The comparative modesty of the courts is further reinforced because the Supreme Court of Canada is not entrenched in the constitution but a body created by the Parliament of Canada and filled by appointments made exclusively by the federal executive. Without any effective assertion of provincial interest, Parliament could enlarge the court, alter its jurisdiction, or even abolish it. And provincial politicians, particularly in Quebec, are suspicious that a court so constituted, and possessing the final power to determine their jurisdiction, will naturally be made up of "federalists" to a man. No matter that judges are in fact unpredictable and judicial independence is a well-known characteristic of the judiciary in the Anglo-American world. The fact remains that the authority, as distinct from the jurisdiction, of the court is to a degree suspect. This makes it cautious about asserting its authority.

Back-Room Decisions

Thus it is that the courts no longer seem to be the most visible as well as the most important of the mechanisms of conflict resolution in the Canadian system. Indeed, federal-provincial relations which at one time seemed mainly to be conducted at arms length in zero-sum conflicts in the courts have now been characterised instead by the continuous diplomacy of intergovernmental conferences. This is in part because the jurisdictions of the two levels of government have been thoroughly co-mingled and the provinces in particular prefer bargaining situations in which they can hope to maximise their gains in the conflict for the control of both programmes and fiscal resources and also to avoid the much higher risk of a legal conflict which poses the alternatives of total defeat or total victory.

Accordingly, most of the controversies among the constitutional lawyers of a generation or so ago have become curiously dated. The exaggerated hostility to the baneful effects of judicial review seems in retrospect to have been misplaced. The new era of co-operative or, as it has become, confrontation federalism has been returned very largely to the arena of political and bureaucratic negotiation. And yet the courts do have an important role in any constitutional order,

not least as the only agency with a capacity to control the abuses which come with the growing power of the state apparatus. In this field, as in the general area of civil liberties, the Canadian courts have not played an undistinguished role. And on the really big issues, which go to the heart of our constitutional arrangements, the courts—as Mr. Dooley pointed out—tend to follow the election returns.

The fact that so many of the big policy questions raise essentially federal issues and thus tend to get sorted out in the back-room atmosphere of political and bureaucratic negotiation has had a further side-effect. It has increased the tendency for the focus of discussion to shift away from the open confrontation of the various publics and the political parties in Parliament. This is a general problem but the nature of the Canadian constitutional system has given it a peculiar and special form.

Sometimes, however, the questions are too big to be managed in the closet, and that is clearly the case now. And the conflict will not be settled in isolation, but in a context of the economic pressures which emanate from the troubled outside world. Nor will the debate necessarily take place wholly on the terms which either Trudeau or Levesque seek to impose on it. It is not just the present federal system or its breakup, but a search for other and not necessarily wholly new alternatives which are bound to be canvassed.

“French Power” in Ottawa

Trudeau, in his early writing on the subject, tended to argue that—even given the necessity and desirability of close collaboration between the two levels of government in defiance of the canons of a “classical” federalism which he doubted had ever really existed in Canada—“encroachments”, particularly of the federal government into spheres which were exclusively provincial, were particularly to be avoided in the case of Quebec simply because this tended to strengthen a narrow provincialism in that province. A “scrupulous respect” for the postulates of federalism, on the other hand, could only strengthen the hands of those in that province who were seeking to create a more open society, and in the end make it more likely that “the debate between autonomy and centralisation can be resolved through rational rather than emotional discussion”.³ Well, Quebec is in many ways a more open society with reformers in the

³ “The Practice and Theory of Federalism”, in Michael Oliver (ed.), *Social Purpose for Canada* (University of Toronto Press, Toronto, 1961), p. 385.

saddle, but the debate on both sides is, if anything, more emotional than ever.

Furthermore, the most visible development of the Prime Minister's public life since he entered the Cabinet in 1967 has been to emphasise that other aspect of federal societies—the intimate participation of sectional groups in the machinery of central government. In terms of both number and quality, the extent of "French power" in Ottawa has never been so great. One consequence of this has been a conflict between Quebec Ministers in Ottawa and their counterparts in the provincial government in Quebec City as to which has the greater legitimacy, a struggle which has tended to be perceived by both parties as one of the legitimacy of the federal government itself. It has been argued that one inevitable consequence of a greatly enhanced status for Quebec within the federal system will be to erode, and perhaps ultimately destroy, the credibility and role of federal M.P.s and Cabinet Ministers from Quebec. This argument was frequently employed in the debate in the sixties over a major constitutional change which would in effect have given "special status" to Quebec, perhaps to the extent that there would emerge in Canada a structure of "Associate States" in which the federal government would be the national government of the other nine provinces, while most—but perhaps not all—of its role in relation to Quebec would be performed by the government of the province.

Quebec—a Special Status?

This notion may indeed contain all of the instability and dangers which wise men attributed to it. But it will not go away, because it is to a degree rooted in fact. Much semantic confusion results in the use of words like "nation"—particularly if they are indiscriminately used in both French and English. French Canadians (to the extent that they live in Quebec, as about four-fifths of them do) do live in a distinct territory (even though they share this territory with a million other people): they have a distinct culture, a distinct language, a predominant religious faith—all of which set them apart from the more plural society of the rest of Canada. But nation nowadays implies national independence, and the United Nations now contains a large number of such nations. If Barbados can be "decolonised", why not Quebec? And we do not speak any more about the two Founding Races—that is racist. The Government of Canada, understandably, exercises great care not to refer in any

document to "the two nations", although "*peuple*" seems to be an acceptable substitute.

Nor is special status for Quebec quite the constitutional anomaly that its opponents represent it to be. There has always been a sense in which Quebec has not been a province like the others. The constitution recognises the continued existence of its distinctive system of civil law in contrast to the common law which prevails in the other provinces. It even labours under restrictions which other provinces do not, of which the most conspicuous is the guarantee in the British North America Act of the right to use English in the courts and legislature of Quebec. No other province is bound under the constitution to recognise French in its public institutions. There are a number of less formal arrangements already which in fact treat Quebec differently from the others. Not least was the expedient of "opting out", conceived in 1965, by which any province could "opt out" of certain established federal-provincial programmes and receive extra tax room in lieu of federal contribution, though binding itself to continue the programme on the same lines as before. Of course only Quebec opted out, and the federal government soon repented at the failure of this transparent device to maintain the fiction of treating all provinces equally.

A respected newspaper columnist, and former federal public servant, has suggested that the federal system might not be seriously weakened if Quebec were conceded control over those matters which touch most distinctly on its cultural survival in the areas of culture and social policy.⁴ Even the Canadian Broadcasting Corporation, with its statutory dedication to national unity, has not in fact been a unifying force since its French language service has operated with almost complete autonomy. Like most journalistic institutions it has tended to play an "opposition" role, particularly to the federal government. Were it a wholly Quebec institution it might be expected to transfer this critical role to the government of Quebec. And what of the field of social policy? Already there are practical arrangements which enable the provinces to vary the standards of the combined federal and provincial welfare payments according to provincial requirements. The Quebec Pension Plan from the beginning has been distinct from the Canada Pension Plan which applies to the rest of the country, although benefits are portable in both directions for citizens who move in and out of Quebec.

And what of Unemployment Insurance, which became a federal

⁴ Douglas Fullerton, *Le Devoir*, 29 decembre, 1976.

programme after a constitutional amendment in 1940? It is no longer a simple insurance plan but in essence a system of assistance for the unemployed whose huge deficits are funded by the federal treasury. Much might be gained by a considerable federal withdrawal from such programmes in Quebec, provided that the federal government retained its essential fiscal and jurisdictional control over the major economic policy fields, since one of its principal economic roles is one of equalisation between the rich and the poor areas.

These changes would have the advantage, Fullerton argues, of removing areas of major friction which nourish opposition to the system in Quebec. An enhanced special status for Quebec, combined with a successful exercise of federal policy in regaining a growing and more equitable Canadian society, may yet do the trick. Since its inception the Canadian federal system has been essentially pragmatic and problem-oriented. It has survived so far by a combination of luck and leadership. So indeed have most countries.