THE CANADIAN FEDERAL SYSTEM IN THE CONTINENTAL PARAMETER: DISINTEGRATION OR ADAPTATION

By

JOHN SABA

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Department of Political Science
McGill University
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SABA, John M.A. Political Science

ABSTRACT

In the age of the computer and the post-industrial society, polities are increasingly becoming dependent on their environments and interdependent with each other. In line with this reasoning, this study hypothesizes correlational linkages between the Canadian/American integrative relationship and disintegrative tendencies within the Canadian federal system. This is in contrast to most existing theories of federalism which generally confine explanation of federal disintegration to internally generated factors.

The notion of "linkage politics" is borrowed from James Rosenau to serve as a conceptual bridge between theories of the international system and theories of national behaviour. Integration theory has been employed to highlight the dyadic environment and its feedback effect on the Canadian federal system through an integrative/disintegrative process. A multi-dimensional model is utilized at the dyadic, provincial/American and federal levels with the focus on functional, transactional, neo-functional and attitudinal dimensions.

SABA, John M.A. Political Science

ABSTRAIT

A l'époque de l'ordinateur et la société post-industrielle, les systèmes politiques dépendent de plus en plus de leurs environnements et sont interdépendants. Dans cette perspective, la présente étude aura comme hypothèse fondamentale les liens correlatifs entre le rapport intégrant canado-américain et les tendances vers la désagrégation à l'intérieur du système fédéral canadien. Ceci s'oppose aux théories actuelles du fédéralisme qui bornent l'explication de la désagrégation aux facteurs intérieurement produits.

L'idée de "linkage politics" est empruntée à James Rosenau afin de servir comme pont conceptuel entre les théories du système international et les théories du système national. La théorie d'intégration a été employée afin de mettre en relief l'environnement canado-américaine et l'effet du feed-back vis-à-vis du système fédéral canadien à travers un processus "integrative/disintegrative". Un modèle multi-dimensionnel est utilisé au niveau des rapports canado-américains, au niveau provincial/américain et au niveau fédéral avec l'accent sur les dimensions fonctionnelle, transactionnelle, néo-fonctionnelle et "attitudinal".

PREFACE

In appreciation of their time and supervision, I wish to acknowledge the assistance of Professor Kal Holsti and Professor Michael Stein (who also has been my thesis supervisor). Their respective seminars in Canadian - American relations and Comparative Federalism provided not only the tools of analysis but also the freedom for creativity which permitted me to confront this broad and difficult problem.

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AN INTRODUCTION

In the age of the computer and the post-industrial society, polities are increasingly becoming dependent on their environments and interdependent with each other. The global scale of patterns of interdependency, however, is hard to highlight. Similarly, a regional focus, while more manageable, tends to blur the overall interplay and interpenetration of regional subsystems. The global system, however, by definition equals the sum of its regional parts. Within its boundaries, one can extrapolate intra-national and extra-national subsystems.[1] One can highlight regional subsystems (including dyadic subsystems) or further break them down into nation-states.

The Canadian federal system might be therefore analyzed in terms of its contiguous environment. This study posits that there are <u>correlational</u> linkages between an integrative Canadian/American relationship and the Canadian federal system. Four hypotheses might be put forward regarding this correlation. First, it might be argued that if there is increasing continental integration, it tends on the whole to encourage stability, symmetry and centralization in the Canadian federal system. Second, it might be suggested that if there is growing continental integration, it has little

or no effect on Canadian federalism (this is essentially a null hypothesis). Third, it might be hypothesized that if there is increasing continental integration, it tends overall to encourage instability, asymmetry and decentralization in the Canadian federal system. Last, it might be argued that none of the three above hypothesized correlations stands by itself; rather, a realistic approach acknowledges that there are cross-currents causing stability and instability, symmetry and asymmetry, centralization and decentralization, so that the overall effect is impossible to gauge.

All four hypothesized relationships (they are not, strictly speaking, hypotheses in the sense of being in testable form) add something to existing theories of federalism, which generally confine explanation of the Canadian federal system to internally generated factors. Insofar as there is any recognition in current studies of a possible correlation between the Canadian/American relationship and the Canadian federal system, the tendency is to view the problem in the context of the first, second and fourth hypothesized relationships. In my viewpoint, hypothesis three --- that of a correlational linkage between an

integrative Canadian/American relationship and disintegrative regional cleavages within the Canadian federation --- is intuitively suggestive and deserves to be more seriously examined. Thus, this study focuses on hypothesis three, not with the intention of ignoring the alternatives; but rather, with the hope of more fully developing and highlighting a rather neglected hypothesis.

While it is hypothesized that the process of Canadian/American integration accentuates disintegrative tendencies and decentralization, instability and asymmetry within the Canadian federal system, this thesis is not intended to be a proof of a hypothesis. It is only a first exploratory step; a much more elaborate process of hypothesis construction and testing is required in any comprehensive study of this important problem. Furthermore, it is not suggested that there is any causal relationship. The very broad nature of the subject-matter and the rudimentary tools of social science can at best only provide me with evidence of particular correlational linkages --- <u>not</u> a proof of a causal relationship. Furthermore, I am aware that despite my effort to be objective, the very evidence I produce may be unavoidably tainted by

my desire to support a particular intuition or viewpoint. However, this does not mean that I do not acknowledge that there may be other supporting evidence for an opposite viewpoint.

Before proceeding to the substance of this thesis, certain other important qualifications should be made regarding the approach of this thesis. Firstly, this study acknowledges the significant effect of internally generated (as well as other externally generated) factors in the integrative links of the Canadian federal system. For example: Quebec's nationalistic and cultural aspirations are pressures on the Canadian federation which may either reinforce or reflect the feedback effects emerging from the continental parameter. Thus, it can be argued that certain strong measures that the central government might employ to cope adequately with the continental parameter --- such as a programme to rectify economic disparities within the Canadian federation --- may sometimes place Quebec in an economically or politically or culturally disadvantageous position. In turn, it might be expected that Quebec might reject the federal cure and sometimes prefer the continentalist disease when the provincial

government considers that the disease better suits Quebec's interests. However, despite such qualifications imposed by the real world, for the sake of logical and coherent intellectual discussion I have assumed the near-perfect laboratory-controlled environment of "all things being equal". Thus, the thesis can be focused exclusively on the issue of the Canadian federation within the continental context.

Secondly, the period of time studied does not go beyond August, 1973. This thesis is intended to focus only on the time-span up to that date, although there are a few footnotes acknowledging the significance of more recent events.

Thirdly, there is extensive use of jargon in this study. The purpose of such jargon is to simplify and put in social scientific shorthand complex ideas. Heavy jargonization is characteristic of the integration literature, although it is atypical of the federalism literature. This study was done in the spirit of the former rather than the latter. Nevertheless, I have tried to reduce excessive jargon where it has been possible to do this without creating ambiguity.

Lastly, the approach used in this thesis is an attempt to relate and apply in an original way a number of existing theories and methods. I have attempted to present my arguments in as straight forward and organized a fashion as possible in the circumstances. However, because there is no simple causal link between what occurs along the continental axis and what happens within the federal system --- rather there appears to be a complex web of correlational threads--- the sequence of ideas may seem to be loose in places. To reiterate --- as this thesis will emphasize again and again --- my purpose is limited to examining evidence in support of a particular idea and developing a hypothesis, and not in proving a causal relationship. Nonetheless, I have attempted to organize the arguments as clearly and logically as possible.

Before proceeding to the hypothesis of this essay, it is fruitful to briefly review a number of approaches to federalism.

FOOTNOTES

1 J.D. Singer,"The Global System and its Subsystems: A Developmental View", Linkage Politics, ed. James Rosenau, (New York, 1961), pp. 21-44.

CHAPTER ONE:

APPROACHES TO THE STUDY OF FEDERALISM

Federalism has been defined and analyzed in a wide variety of ways. It is difficult to determine which approach --- or combination of approaches --- is the most authoritative. Thus, there is some need to identify major trends in the approaches to the study of federalism.

THE POLEMIC-PHILOSOPHICAL APPROACH

One approach might be termed the polemic-philosophical approach. Harold Laski has been foremost among those pursuing such an approach. While in his earlier writings, Laski tended to be a proponent of pluralism, his later writings increasingly manifested a Marxist collectivist attitude.[1] In line with Laski's own personal philosophical transition from pluralism to collectivism in the period prior to World War II, he suggested that the corrupting growth of industrial capitalism was in the process of destroying democracy in general and federalism in particular.[2]

Although Laski's comments on the obsolescence of federalism tended to be specifically focused on the United

States, there is little doubt that he considered these failures inherent in federalism in general. The basic thesis of Laski was that American federalism, which had begun by seeking to maintain diversity in unity, had ended in 1939 by succumbing to the influence of an expanding capitalism, which was by its nature unfavourable to the diversity which federalism sought to maintain. The underlying assumptions on which the institution of federalism was built were a belief in the validity of the negative state, a general distrust of power, and its division by a system of checks and balances which weighted it against the exercise of power by the chief executive. Indeed, Laski saw the federal system as being slow, variable, negative and incapable of performing a positive role.[3]

Laski envisaged a centre-periphery asymmetry so favouring the federal subunits that the centre failed to adequately perform its integrative function. He considered that these smaller units of the federal system (the cities and states) were inappropriate instruments to cope with modern industrial capitalism. The decentralized character of federalism inhibited the development of standards of uniformity; it had to rely on compacts and compromises which did not consider the urgent category of time; it allowed backward areas a restraint both "parasitic and poisonous" on those who seek to move forward.

> The small unit of government is impotent against the big unit of capitalism. It may

> be that the very power of giant capitalism is no longer of itself compatible with the maintenance of a democratic political structure in society.....a government, the powers of which are not commensurate with its problems, will not be able to cope with them. Either, therefore, it must obtain those powers, or it must yield to a form of state more able to satisfy the demands that it encounters.[4]

Laski's prescription was a shift in the federal-regional relationship in a centralist direction.

One advantage of Laski's model of federalism for the following discussion is that is recognizes the interdependence of the political system and the economic system. This is very much in the Marxist tradition since Laski considered that the state had become the "executive committee" of the dominant bourgeois propertied class.[5] Another benefit of Laski's approach is that he acknowledges that sovereignty in a federal system is not only shared by the central and regional authorities but also by community organizations, the church, cities and even private organizations. The relevance of Laski even today will become apparent later in this essay when the significant role of multinational corporations in the Canadian federal system is discussed.

THE "CLASSICAL" AND "COOPERATIVE" FEDERALISM APPROACHES

The most common form of analysis of federalism has been formal and legal. The classic expression of such an approach to federalism was made by K.C. Wheare[6] in the early post-war period. He was careful to distinguish at least two dimensions of the problem --- the difference between the formal federal constitution and the actual institutional workings of federal governments. A federal constitution was considered "federal" if it embodied the "federal principle". "By the federal principle", Wheare wrote, "I mean the method of dividing powers so that the general and regional governments are each, within a sphere, co-ordinate and independent". He considered that only three countries had such a sharp division of powers and functions --- the United States, Australia and Switzerland. He argued that Canada lacked a federal constitution because the central government had special powers of reservation and disallowance of provincial legislation which placed the provincial governments in a subordinate position. On the other hand, Wheare was concerned with the extent to which the actual working of the government mirrored the relationships specified in the formal elements of a predominantly "federal" constitution. Canada could be considered an operating federal government --- as well as the United States, Australia and Switzerland --- because of the gradual death by atrophy of the federal powers of reservation and disallowance.

Morton Grodzins — and disciples like Daniel Elazer[7] — have preferred the concept of "shared" powers and functions rather than that of a sharp division of powers. In his study of the practice of American federalism, Grodzins redirected the literature on "cooperative" (also called "interlocked", "shared" or "interdependent") federalism by introducing the notion of a "marble cake".

> The American form of government is often, but erroneously, symbolized by a three layer cake. A far more accurate image is the rainbow or marble cake, characterized by an inseparable mingling of differently colored ingredients, the colors appearing in vertical and diagonal strands and unexpected whirls. As colors are mixed in the marble cake, so functions are mixed in the American federal system.[8]

Federalism, conceived of as a device for blending decisions and functions of government, has also been applied to the Canadian system . Canadian scholars have consequently developed an active interest in intergovernmental relations.[9]

The key disadvantage of the "classical" and "cooperative" federalism approaches is that they do not adequately deal with key societal, political and economic variables in the origins, operation and disintegration of federations. However, there have been some attempts to try to transcend some of these difficulties.

One study by James Mallory has attempted to synthesize, to some extent, "classical" and "cooperative" federalism approaches within a developmental framework. He has argued that the pull between centralization and decentralization

in the evolution of Canadian federalism has been characterized by five stages —— "quasi-federalism" during the Macdonald era; "watertight compartments" of "classical" federalism in the pre-World War II period; intermittent extreme centralization of "emergency" federalism in wartime; "cooperative" federalism of the post-World War II era; and "double-image" federalism of today.[10]

The key drawback of Mallory's approach is that in his optimism about an increasingly integrated Canada, he does not acknowledge the possibility of the reversibility of modernization and integration processes. However, an advantage of this study is that it transcends somewhat the tendency of many classical/cooperative federalism writers to be preoccupied exclusively with constitutions or intergovernmental relations. In Mallory's discussion of "double-image" federalism, he suggests that there are certain factors in Canadian society (such as industrialization and technocratization of French Canada) that affect the operation of the Canadian federal system.

CONTEMPORARY APPROACHES TO FEDERALISM

William Livingston heralded in the sociological approach to the study of federalism by concentrating on federalism's functional aspects:

> The essential nature of federalism is to be sought for, not in the shadings of legal and

> constitutional terminology, but in the forces —— economic, social, political, cultural —— that have made the outward forms of federalism necessary.[11]

Livingston emphasized that all societies possess some federal qualities. This was because all societies were "more or less closely integrated in accordance with (their) own peculiar" underpinning social forces.[12]

The concept of "federal society", as developed by Livingston and Watts, broadly refers to that society in which diversities are grouped territorially.[13] However, Michael Stein has narrowed "federal society" to those societies which are both "polyethnic" and multilingual.

> Where a society is constituted of territorially based communities which are clearly differentiated by language and ethnicity, then one can expect to find a federal society. The cleavage defining such a "federal society" may be reinforced by other factors such as religion, geography, and economics....if the aforementioned social conditions are present, then the political leaders of the distinctive communities will "bargain" for sufficient autonomy for themselves and their followers to prevent the establishment of a system more centralized than a federal union.[14]

There is little doubt that the federal bargains in Canada (between Francophones and Anglophones) and Switzerland (among the Germans, French, Italians and even Romanesh) can be subsumed under this definition. The relatively more homogeneous societies of Australia and the United States, however, are unlikely to be considered very federal according to this definition.

Federalism should not be viewed only as a static pattern. In this respect Carl Friedrich suggests considering federalism as a "process":

> Federalism is....the process of federalizing a political community, that is to say, the process by which a number of separate political communities enter into arrangements for working out solutions, adopting joint policies, and conversely, also the process by which a unitary political community becomes differentiated into a federally organized whole.[15]

However, I suggest a reversibility in this process such that a federal system might then become more unitary or even disintegrate into its component parts. For example, as mentioned earlier, Laski saw the federal bargain collapsing when the federal authority increasingly centralized to cope with the growth of the large corporations. Nevertheless, the disintegrative process of a federal system is the focus of this essay.

In assessing the disintegrative potential of federations, Livingston and Watts imply that federations will fail when social cleavages of an ethnic, linguistic, cultural, religious nature, or whatever, become too great. For Livingston, the degree of diversity within the society is the crucial factor: "Federalism cannot make coherent a society in which the diversities are so great that there can be no basis for integration".[16] Similarly, Watts considers that a federal system will be maintained where the forces making for unity and diversity approximate

equilibrium;[17] increasing disequilibrium augurs growing danger for federal integration.

On the other hand, Karl Deutsch argues that such factors as social mobility and communication patterns are crucial in the persistence of federations. The increased amount of such interaction supposedly positively encourages federal integration; a diminishing degree of interaction presumably has a fragmentary effect.[18] This approach is in sharp contrast to the "consociational democracy" theory of Arend Lijphart. He contends that in culturally fragmented societies, the weakening of elite accomodation or increasing communication between subcultures at the mass level may be dysfunctional to national integration.[19]

The importance of sociological factors both in the integration and disintegration of federal systems cannot be denied. However, political and economic variables are far too often underemphasized. William Riker's[20] focus on political parties in maintaining the federal bargain and Richard Simeon's[21] emphasis on intergovernmental bargaining relationships are instructive exercises in the study of political factors. Correspondingly, Watts' preoccupation with regional economic disparities, exploitation and competition has heuristic value.

It can be argued that an exclusive emphasis on neither institutional nor sociological, nor political, nor economic

factors is sufficient to account for the actual performance and disintegrative cleavages within a federal system. Indeed, it seems likely that there is a complex interplay among all these variables. Watts' assessment of the newer federations can also be applied to more developed federations like Canada.

> It is in the interplay and the interactions of the social foundations, the written constitutions and the actual practices and the activities of government that an understanding of the nature and effectiveness of recent federal experiments is to be found.[22]

In other words, a multidimensional approach would be most helpful.

I have chosen integration theory as my tool of analysis of the Canadian federal system. It can be applied along many dimensions in terms of both the continental dyad generally and the Canadian federal system specifically. Furthermore, such an approach permits a much more systematic and methodical form of analysis than existing approaches to federalism.

FOOTNOTES

1 SEE Herbert Deane, The Political Ideas of Harold J. Laski, (New York, 1955). Chapters 7-9 are especially relevant for our discussion since they give an excellent synopsis of the intermingling of pre-World War II events (for example: the Spanish Civil War, the rise of Fascism and Naziism) and Laski's own philosophical transformation To Marxism.

SEE Bernard Zylstra, From Pluralism to Collectivism, (Assen, the Netherlands, 1968). This book places a greater emphasis on the pre-1930 pluralist era of Laski's thought, although there is also an excellent discussion of Laski's Marxian thought.

2 For an excellent refutation of Laski, SEE Nelson A. Rockefeller, The Future of Federalism, (New York, 1964). The Godkin Lectures at Harvard University, 1962. "Freedom and Federalism", "Federalism and National Life", "Federalism and Free World Order". The Rockefeller response, on the other hand, raises faith in the federal system as an adapatable and creative form of self-government, emphasizing the dynamic leadership which is summoned forth in a federal system.

3 Harold J. Laski, "The Obsolescence of Federalism", New Republic, Vol. 98, (May 3, 1939), pp. 367-368.

4 Ibid. p. 367

5 SEE Harold J. Laski, "Why I am a Marxist", Nation, Vol. 148, No. 3, (January 14, 1939), pp. 59-61.

6 SEE K.C. Wheare, Federal Government, 4th edition, (London, 1963), especially chapter 1.

7 SEE Daniel Elazer, American Federalism: A View From the States, (New York, 1966).

8 Morton Grodzins, "The Federal System", American Federalism in Perspective, ed. A. Wildavsky, (Boston, 1967), p. 257.

9 An excellent selection of short articles is in J.P. Meekison (ed), Canadian Federalism: Myth or Reality, 2nd ed., (Toronto, 1971), Part IV. SEE particularly Donald V. Smiley, "Cooperative Federalism: An Evaluation", pp. 320-338.

10 James R. Mallory, "The Five Faces of Federalism", The Future of Canadian Federalism, ed. P.A. Crepeau and C.B. Macpherson, (Toronto, 1965), pp. 3-15.

SEE also J.R. Mallory, Social Credit and the Federal Power in Canada, (Toronto, 1954). This earlier study was based on a pluralistic model explaining the conflict between a particular province (Alberta) and the central government in terms of: the disallowance power, the judicial review of legislative power, and the adjustment functions of political parties. Furthermore, this study acknowledges some correlation between foreign investment and the central government/ regional authorities equilibrium of power.

11 William S. Livingston, "A Note on the Nature of Federalism", American Federalism in Perspective, (Boston, 1967), p. 36.

12 Ibid. pp. 36-45. For an excellent critique of Livingston (and Watts), SEE Michael Stein, "Federal Political Systems and Federal Societies", Canadian Federalism: Myth or Reality, pp. 32-33

13 Livingston, p. 37.

14 Stein, p. 34.

15 Carl J. Friedrich, Trends of Federalism in Theory and Practice, (New York, 1968), p. 7.

16 Livingston, p. 41.

17 R.L. Watts, New Federations, Experiments in the Commonwealth, (Oxford, 1966), p.95.

18 Karl W. Deutsch, Politcal Community in the North Atlantic Area, (Princeton, 1957), p. 58.

19 SEE Arend Lijphart, "Consociational Democracy", Issues in Comparative Politics, ed. R. Jackson and M. Stein, (Toronto, 1971), pp. 222-233.

20 SEE William Riker, Federalism: Origin, Operations, and Significance, (Boston, 1964), p.11.

21 SEE Richard Simeon, Federal - Provincial Diplomacy, (Toronto, 1972).

22 Watts, p. 15.

CHAPTER TWO:

A FRAMEWORK OF ANALYSIS

The idea of "linkage politics", according to James Rosenau, is to make conceptual allowance for the interdependence of national and international systems.[1] As I use the concept, linkage refers to a two-way relationship between the level of Canadian-American (dyadic) integration and its influence spilling over into the Canadian (federal) subsystem and its corresponding subunits. This means it serves as a conceptual bridge between theories of the international system and theories of national behaviour.

The notion of "linkage" is implicit in much of the integration literature. Haas, for example, diagnoses an inverse relationship between the level of integration at the global and regional levels.[2] Karl Deutsch's transnational paradigm implicitly postulates a relationship between manifestations of integration at the international and domestic levels by defining international integration as a relative increase of the latter.[3]

The Canadian federal system and its dyadic environment clearly lends itself to this "bridge-building" analysis.

POLITICAL INTEGRATION

Even though the theory of political integration is implicitly applicable to all levels of political analysis, applying it to a modern, developed society requires some adaptation of this body of literature. If we take only two of the major definitions of an integrated union, that of Karl Deutsch and that of Amitai Etzioni, we see that Canada has already achieved the status of "amalgamated security community" or political union.

According to Deutsch, an amalgamated security-community can be described as follows:

> A security-community, therefore, is one in which there is real assurance that the members of that community will not fight each other physically, but will settle their disputes in some other way.... By amalgamation, we mean the formal merger of two or more previously independent units into a single larger unit, with some type of common government after amalgamation.[9]

And according to Etzioni, a political community is described as follows:

> A political community is a community that possesses three kinds of integration: (a) it has an effective control over the use of the means of violence....; (b) it has a center of decision-making authority that is able to affect significantly the allocation of resources and rewards throughout the community; and (c) it is the dominant focus of political identification for the large majority of politically aware citizens.[10]

Yet, despite these definitional difficulties, in both cases, and throughout the literature, integration is seen not as an "either/or" proposition where an entity is integrated or not, but rather as a "more or less" proposition where increases or decreases in the level of integration are of principal concern. Thus, even though Canada has achieved a rather high state of integration as measured on almost any dimension, interesting questions can be asked about the probability of increases or decreases in integration. Similarly, dyadic integration is a question of more or less.

Thus, by political integration, I mean the adaptation and orientation of actors to a political structure at a given level of generalization.[11] This broad definition has been put forth by Morton Kaplan —— integration is a "process by which separate subsystems develop a common framework which allows for the common pursuit of some goals and the common implementation of some policies".[12] This definition is applicable at the dyadic as well as at the national level.

Moreover, the Canadian union is a federal system, in existence for only slightly more than a century, with a heterogeneity of language, culture and economies. And other nation-states, particularly the German and the Swiss confederations, have served as historical laboratories

for the development of the theory of integration, providing important precedents.[13] Further precedent of applying of integration theory to federal states is provided by David Mitrany, who, in his elaboration of the early principles of the Functional approach to international integration drew upon the United States as a primary example.[14] All of this suggests that the application of the theory of integration to the Canadian federal system clearly does not fall beyond the intended scope of the theory.

INTEGRATION: DISINTEGRATION

On the whole, the study of regional integration —— much like the study of modernization —— has been reluctant to acknowledge the possibility of stagnation, of degeneration and decay.[15] Yet, a successful model should be sensitive to the reversibility of the process with evidence of disintegration in some sectors of intra-state relations. For this purpose, I propose a multidimensional model based on the differentiation of a broad concept of political community.[16] As I conceptualize the process, integrative relationships are those tending to increase the preconditions for the merger of previously separate national political units.[17] Disintegrative relationships, on the other hand, are those tending to reverse or decrease the preconditions of integration.

There has been reference in some of the literature to disintegrative relationships —— such as the Caribbean and Mali Federations.[18] There is little work, however, that has been done in tracing the disintegrative feedback effects from a regional subsystem to a dyad, or from a dyad to a national system. This makes analysis somewhat more difficult, in that lower levels of analysis tend to alter some of the integration logic.

A basic problem in any relationship centres around outlining those conditions under which a change in the degree and direction of the integrative or disintegrative interactions are likely to occur. For example, it has been hypothesized that the integration/disintegration process is somewhat the reflection of the degree of geographical contiguity, of racial and cultural homogeneity, of shared experience.[19] Needless to add, to a large extent, the degree to which policy choices of states favour or impede integration becomes a function of a size and level of economic development. For example, it is often hypothesized that less developed provinces are more likely to pursue non-integrative policies than more developed ones.[20]

Integration theory is characterized by an implicit assumption that integration entails an accelerating process for the merging of separate political units. At the level of the dyadic relationship, the implied assumption is

that increasing cross-national links will inevitably see the smaller unit integrated into the larger.

I do not, however, equate Canadian-American integration with absorption. There is perhaps a negative correlation between national cohesion and the degree of penetration, but the American parameter is most likely to result in federal conflict and disintegrative situations.

DYADIC AND FEDERAL ASYMMETRICAL INTERDEPENDENCY

Though analysis of the international system and federal system have increasingly postulated that interstate and intrastate relationships are positive sum games, diagnosed patterns of interdependency are not necessarily synonymous with equality. Both at the dyadic and federal subsystemic levels "interdependency" can often assume an asymmetrical flavour. The power differential is a key variable.

Asymmetrical interdependence can be defined as those situations in which integration —— or disintegration —— is taking place between two or more units of unequal power. Integration theorists at the regional level have suggested different interpretations of how disparate power relationships affect integration. For example, Deutsch, in his study of the North Atlantic security community, emphasizes the importance of a dominant core area to the

integration process.[21] Schmitter, on the other hand, found that disparate power discourages integration.[22]

Asymmetrical interdependency is also fundamental to the integration/disintegration relationship. The dyadic pattern of interdependence is manifested at the federal level; the related accentuation of Canadian disintegrating tendencies is asymmetrical in that similar intra-actor effects are not manifested in the American centre. Indeed, as Karl Deutsch contends:

> To consider problems of federation....apart from (the) fundamental fact of the uneven distribution of interdependence and power would invite the delusion of omnipotence.[23]

Disproportionate power can be measured through such indicators as military capability, size, level of economic development, total population and the like. These capabilities are likely to impose certain parameters on dyadic and federal bargaining relationships. The point is that at the federal level, specifically:

> It is scarcely conceivable that all parties to the federal bargain at all times and in all places seek the same things, in the same proportions, for the same reasons....At best the federal compact can only be a formalized transaction of a moment in the history of a particular community.[24]

Charles Tarlton offers a framework for distinguishing between symmetric and asymmetric federal systems. A

symmetric federal system is one consisting of "conformity and commonality in the relations of each separate political unit of the system to both the system as a whole and to the other component units".[25] In other words, the component territorial units are "miniature reflections of the important aspects of the whole federal system".[26] On the other hand, the asymmetrical model expressesthe the extent to which the component subunits do not share in these common features.[27] In the context of the latter situation, where intense federal-provincial and interprovincial conflict is likely, Tarlton conceives of a disintegrative "secession-potential" within the federal system.[28]

In line with this reasoning, within the parameters of the dyad, one may conceive that federal subunit perceptions of the internal disparate power relationship —— present to some extent in all federal systems —— can exaggerate or underestimate the asymmetry. If the subunit perception is that of an acute disparity of power, resistance to the federal system[29] and interprovincial and federal-provincial conflicts can be catalyzed. This, in turn, further accentuates asymmetry and can be disintegrative.

METHODOLOGY

The definitions of integration are almost as numerous as the approaches to the subject. One general definition of regional integration suggested by Haas considers it to be "the study of how and why states cease to be sovereign", or "how they voluntarily mingle, merge and mix".[30] But apart from this broad conceptualization, there is little consensus on the process to be defined or how it can be measured, Integration, for example, has been referred to both as a process[31] and as an outcome;[32] the dependent variable has varied from a federal union[33] to a political community.[34] Integration has been quantified according to political, economic and social indicators;[35] for the most part, neo-functionalists and transactionalists have been conceptually apart.

Charles Pentland[36] has suggested a multidimensional model transcending much of the polemic regarding an optimal methodology. The multidimensional approach provides a useful way of analyzing integration both at the dyadic and federal levels. Apparently at both levels, there is broad variation in the extent of integration existing along the different dimentsions. This model is a useful tool for testing the disparate dyadic integrative - federal disintegrative hypothesis. Indeed, each dimension of continental integration can be analyzed for its feedback effects on the corresponding dimension at the federal level.

In this essay, four of the principal categories of Pentland's model will be used: functional integration; transactional integration; neofunctional integration; and attitudinal integration.

I Functional Dimension

One of the preoccupations of traditional integration theory was with the institutions and structures at both the national and international levels. Functional integration, as postulated by David Mitrany, is essentially concerned with policy outcomes rather than the decision-making process itself. In this context, the emergence of transnational and even national organizations can be conceived as a functional response to needs which transcend national or subunit boundaries.[37]

The basic element of this approach to integration is that any collectivity —— whether formally a nation-state or a multi-state system —— can be conceived of as a set of economic, social and technical needs in pursuit of a limited range of resources which must be organized so as to meet them. In other words, a community can be considered integrated to the degree that it possesses the institutional ability to solve functional problems.[38]

II Transactional Dimension

The "pluralist" view of integration conceives of a political community as primarily an intense and enduring pattern of communication, transaction and interaction.[39] Despite the continued significance of communication and interactions, in this essay I focus upon economic transactions in terms of trade and investment. Thus, transactional integration assumes that "integration takes place as a self-reinforcing process of growth in volume, salience and mutually-perceived value of transactions."[40]

In this context, both the independent and dependent variables are described in terms of patterns of social behaviour. It is important to recognize, however, that transactional analysis of integration only describes a process of informal community formation that it postulates as prior to formal institutional integration.[41]

III Neofunctional Dimension

The neofunctional dimension refers to political integration in the context of the development of institutions and practices of common decision-making among a group of traditionally autonomous states. Haas and Schmitter have argued, for example, that political union "implies any arrangement under which existing nation-states

cease to act as autonomous decision-making units with respect to an important range of policies", and where the "politicized decision-making process has acquired legitimacy and authority".[42]

IV Attitudinal Dimension

Only recently have the attitudes of the elites and masses been attributed much significance by integration theorists. In the theoretical literature on integration, we can, however, distinguish two distinct but related hypotheses about the development of attitudes among the population toward integration; one concentrates on the utilitarian aspects while the other focuses on the identitive aspects.

The first, postulated by Amitai Etzioni, sees the social support for integration as deriving from the exercise of integrative power by the decision-making centre of the union. This utilitarian integrative support refers to a shifting of political and economic attention from the unit level of decision-making to the union level, as the result of perceptions that it is the more important centre of political and economic decision-making and that more pragmatic benefits can be achieved by directing attention there.[43]

The second dimension of attitudinal integration can be characterized as "learning theory" or "shifting of loyalties", and underlies the basic argument of the Functionalist theory of integration. This identitive integrative support refers to the development of more affective ties to the union, growing out of feelings of mutual solidarity and sentiments of oneness across units of the union, based on such ties as common language, culture, religion, national heritage, or even sharing a common national fate.[44]

FOOTNOTES

1 James Rosenau (ed.), Linkage Politics, (New York, 1961), p. LI.

2 Ernst Haas, "The Study of Regional Integration: Reflections on the Joy and Anguish of Pre-Theorising", International Organization, Vol 24, No. 4, Autumn, 1970, pp. 607-648.

3 Karl Deutsch et al, "Political Community and the North Atlantic Area", International Political Communities: An Anthology. (New York, 1966), pp. 1-90.

4 Rosenau, p. 46.

5 Fred M. Hayward, "Continuities and Discontinuities Between Studies of National and International Political Integration: some implications for future research", International Organization: 24:4, 1970, p. 922.

6 Ibid, p. 422-923.

7 David Apter, The Politics of Modernization, (Chicago, University of Chicago Press, 1965), pp. 240-243.

8 Hayward, p. 921.

9 Deutsch, p. 2.

10 Amtai Etzioni, Political Unification: A Comparative Study of Leaders and Forces, (New York, 1965), p. 4.

11 Hayward, p. 927.

12 Morton Kaplan, Systems and Process in International Politics, (New York, 1957), p. 98.

13 SEE Deutsch, "Political Community and the North Atlantic Area".

14 SEE David Mitrany, A Working Peace System, (Chicago, 1966).

15 SEE Samuel Huntington, "Political Development and Political Decay", World Politics 17:3, 1965, pp. 386-430.

Also SEE A.W. Johnson, "The Dynamics of Federalism in Canada", Canadian Federalism: Myth or Reality, 2nd edition, ed. J.P. Meekison (Toronto, 1971), pp. 83-99. This is a singular study of Canadian federalism that considers the federal system as dynamic and in the context of its environment. The significance of this article is that it acknowledges the reversibility of the federal process.

16 SEE Joseph Nye, "Comparative Regional Integration: Concept and Measurement", Issues in Comparative Policies, ed. M. Stein and R. Jackson, (Toronto, 1971), pp. 144-163.

17 Johan Galtung, "A Structural Theory of Integration", Journal of Peace Research 5:4, 1969, pp. 375-397.

18 SEE Thomas M. Franck (ed), Why Federations Fail, (New York, 1968).

19 SEE, for example, P. Jacob and R. Teune, "The Integrative Process", in Jacob and Toscano e.d. The Integration of Political Communities, (Philidelphia, 1964), Chapter 1.

20 SEE, for example, Eric Nordlinger, "Political Development: Time Sequences and Rates of Change", World Politics 20:3, 1969, pp. 494-520.

21 Deutsch, p. 10.

22 Philippe Schmitter, "A Revised Theory of Regional Integration" in International Organization, Volume 24, No. 4 (1970), pp. 836-838.

23 Karl Deutsch, National and Social Communication quoted in Ivo Duchacek, Comparative Federalism, (Montreal, 1970), p. 276.

24 Rufus Davis, "The 'Federal Principle' Reconsidered", American Federalism in Perspective, ed. A. Wildavsky, (Boston, 1967), p.31.

25 Charles D. Tarlton, "Symmetry and Asymmetry as Elements of Federalism: A Theoretical Speculation", Journal of Politics, 27, (1965), p. 867.

26 Ibid. p. 868.

27 Ibid. p. 861.

28 Ibid. p. 870.

29 Duchacek, p. 282.

30 Haas, p. 610.

31 SEE Deutsch, "Political Community and the North Atlantic Area".

32 SEE Etzioni, Political Unification: A Comparative Study of Leaders and Forces.

33 SEE Ernst Haas' summary of the Federalist approach, p. 623.

34 Leon Lindberg and Stuart Scheingold, Europe's Would-Be Polity, (Englewood-Cliffs, 1970), Chapter 4.

35 SEE Nye, "Comparative Regional Integration: Concept and Measurement".

36 Charles Pentland, "The Integration of Political Communities at the International Level: A Multi-dimensional Perspective", Interuniversity Seminar on International Relations, Dec. 4, 1971.

37 SEE Joseph Nye and Robert Keohane, "Transnational Relations and World Politics: An Introduction", International Organization, 25:3, 1971, pp. 329-349.

38 Pentland, p. 10.

39 Ibid. p. 11.

40 Ibid. p. 12

41 Donald J. Puchala, "International Transactions and Regional Integration", International Organization: 24:4, 1970, see pp. 732-763.

42 E. Haas and P. Schmitter, "Economics and Differential Patterns of Political Integration", Quoted in Pentland, pp. 7-8.

43 Etzioni, p. 4.

44 SEE Henry Teune, "The Learning of Integrative Habits", in P. Jacob and J. Toscano, The Integration of Political Communities, (Philidelphia and New York, 1964), pp. 247-282.

CHAPTER THREE:

FUNCTIONAL INTEGRATION/DISINTEGRATION

The first dimension of integration/disintegration this study focuses upon is the functional aspect of the process. I intend to highlight Canada's position of asymmetrical interdependency and the disintegrative feedback effect on the Canadian federal system itself.

I CONTINENTAL INTERDEPENDENCY: THE DYAD

Dyadic integration, along the functional dimension, can be indicated by such formal arrangements as the Defence Sharing Agreements and the Automotive Products Agreement. Informally, functional integration can be said to exist insofar as any corporation organizes its operation on the assumption of a single North American market for goods and services. This process may develop despite federal government policies discouraging it in certain economic sectors.

Formal Arrangements

A number of formal arrangements have contributed to the

continental functional integrative process. The series of Defence Sharing Agreements concluded between Canada and the United States is an example of formal arrangements contributing to functional integration. They institutionalized an imperfect form of sectoral free trade in the continent's defence production industries. The Defence Sharing Agreements have helped Canada's balance of payments which rose from a $4 million deficit over the period 1951 - 58 to a $508 million surplus in 1971.[1] This program of functional specialization has also been of benefit to Canadian employment, to the technological efficiency of Canadian industry, and to Canadian defence needs.[2]

There has, however, been an element of asymmetry in this dyadic relationship, favouring the Americans. The Agreements have prompted the American takeover of Canadian firms in the defence industries. Although most Canadian defence industries were American-owned before these 1959 Agreements, the process has accelerated since that year.[3] Furthermore, as will be shown later, such agreements contribute to disparities in regional development and asymmetry in the federal economy by favouring the industrialization of southern Ontario.

A second formal arrangement contributing to continental functional integration is the Automotive Products Agreement signed in 1965. It completely eliminated the Canadian-American

boundary in terms of the production and sales of new car parts. Canadian-American facilities, in terms of production specialization, became functionally integrated in the classic example of a sectoral customs union. Prior to the pact, Canada's automotive industry had been a miniature, high cost duplication of its American counterpart, With a small domestic market isolated by tariff barriers, the industry had been unable to achieve high levels of efficiency in producing a wide range of products.[4]

It was with hope that through functional specialization, production and employment would be increased in Canada, that the Auto Pact was signed. Under the monopoly of the American "Big Four" and affiliate automotive parts companies, Canadian motor vehicle output rose from 671,000 units in 1964 to 1,353,000 units in 1969. In the same period, the automotive labour force grew some 30%. Perhaps the most significant benefit of the agreement has been its positive effect on the Canadian-American trade balance. Between 1964 and 1969, exports to the United States increased by some 53%.[5]

Although the benefits accruing from the Auto-Pact have sometimes favoured Canada, there have also been a number of drawbacks. Firstly,functional integration of the automotive market provides a protected status to American subsidiaries, but the Canadian consumer is forced

to pay a 17.5% tariff on a foreign import (for example: JapaneseToyotas) that otherwise would be considerably cheaper than its North American counterpart. Furthermore, the Canadian consumer indirectly subsidizes through taxes, losses that American producers would otherwise have to pay.[6] In other words, Ottawa is subsidizing increased foreign investment, especially in Ontario. This is at the expense of consumers and taxpayers in other provinces. This is a symptom of federal asymmetry ultimately contributing to the profit of American multinational corporations.

The second basic drawback of the Auto-Pact is that in areas integrated into the continental automotive sector, Canadian employment and regional development ——as well as the symmetry of the federal system —— is potentially dependent on decisions made by the multinational automotive giants and American governmental officials. For Canada, dependent on foreign investment and trade, and supporting 31% of its exports through motor vehicles and parts, a Washington decision to opt out of provisions of the pact could have catastrophic consequencs. Yet, Canadian policy-makers, viewing an indefinite timespan to the Agreement, continue to rely on foreign capital to generate employment.

Informal Process: Creating a Canadian Hinterland

An informal process of multinational corporate activity also contributes to continental functional integration. Often the corporations organize their operations on the assumption of a single North American market (a significant illustration is the automotive industry as discussed above). The functional logic of such a one market approach encourages these very large corporations — usually with head offices in the United States — to invest in Canada, buying up established companies or creating subsidiaries here. The statistics of this process will be discussed later in the context of transactional integration.

There are some advantages to the functional logic of a single North American market concomitant with American investment in Canada. It permits Canadian consumers to have an access to a broader range of products. Increased investment also means more jobs for Canadians (although not as many are necessarily created as one might assume; this will be discussed below). The federal government also profits from corporate income taxes paid by American subsidiaries — over half of all direct profits from foreign investment remains in Canada in the form of taxes.[7]

Yet, the functional logic of a North American market should not be allowed to obscure the costs of American corporate activity. The disadvantages might be deemed to

outweigh the advantages, thereby contributing to asymmetric interdependency in the Canadian-American relationship. First: inasmuch as the parent is assured a market for component or finished products, it can manipulate costs to the detriment of its subsidiary's host.

The second —— and probably most significant ——drawback to American investment and ownership of Canadian industry is that so often it is channelled into resource extractive industries or distribution depots. The "spin-off" of this pattern of American corporate activity has, according to the Science Council of Canada, made Canada a mere supplier of raw material for the North American Continent (despite the Defence Sharing Agreement and Auto-Pact). This is somewhat substantiated by the fact that in Canada unlike most industrial countries, end-products account for less than 1/5 of total exports.[9] Both trade and investment tend to lie in resource extractive industries.[10] Thus, the capital intensive nature of so much of the American corporate activity in Canada does not help to the extent it might in the creation of jobs in Canada. Also, discouraged from exploiting export markets and locked into the branch plant industrial structure, American subsidiaries are not amenable to an industrial climate that fosters the managerial and other skills necessary for industrial growth.

To conclude: doubtlessly, there are certain economic

advantages resulting from multinational corporate activity in Canada. However, insofar as the American susidiaries either act as distribution depots for American finished products or focus on resource extraction, to this extent, the Canadian/American interdependent relationship is asymmetric in favour of the United States.

II THE INTEGRATION/DISINTEGRATION "LINKAGE": THE PIVOTAL ROLE OF THE PROVINCES

A specific aspect of the Canadian/American integrative process is the functional integration of the Canadian provinces with the United States. This in turn has affected federal-provincial and inter-provincial relations within a parameter of increasing federal asymmetry.

First, in terms of federal-provincial relations, the process of functional integration tends to encourage the growth in significance of provincial governments vis-a-vis Ottawa. This may be advantageous for the selective interests of each province in seeking greater trade and investment from the United States. However, the concomitant decreased reliance on centralization and coordination reinforces dyadic integration and catalyzes federal disintegrative tendencies. Kari Levitt has posed the dilemma in this way:

> The effect of the American corporate presence on relations between central and provincial governments is clear; the linear transcontinental axis, which once integrated the nation under an active and strong central government, has largely 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.[12]

The pattern of functional integration between the provinces and the United States is a key factor in enhancing provincial power vis-a-vis Ottawa. American markets and

investment very often encourages specialization in provincial economies in the direction of either primary or secondary industry. Since the British North America Act and constitutional practice have institutionalized provincial jurisdiction and direct control over resources like forestry, minerals and hydro power, provincial power is enhanced by the development of primary industry.[13]

That pattern of functional integration leading to specialization in provincial economies tends to sometimes make provincial governments spokesmen for economic interests that depend on American markets and capital. The pattern of American investment in encouraging either primary or secondary industry in different provinces is an important factor in accentuating regional disparities and economic asymmetric interdependency between "have" and "have not" provinces (discussed below). On the one hand, certain provinces have resource-based economies with ready markets in the United States —— and often in Ontario as well. For example: the economy of Alberta is tremendously dependent upon exports of crude oil and natural gas to both domestic and American markets; and the seller's market of such resources today has contributed greatly to the development of that province. Similarly, British Columbia is heavily dependent on resource-extractive industries —— fish packing, wood products, paper products and primary metals compose half of the provincial product.[14] In other words, the labour-intensive

manufacturing sector of these provinces is relatively small despite federal and provincial government attempts to broaden the industrial base.

On the other hand, Ontario has managed to develop the most diversified industrial base of any Canadian province with concomitant labour-intensive employment benefits. Secondary industry, stimulated even further by the Auto and Defence Agreements, has developed most notably in Southern Ontario; Ontario accounted for 93% of all automotive exports to the United States in 1970. This is especially significant in that motor vehicles and parts accounted for 55% of all Canadian exports to the United States.[15] More generally, Southern Ontario, in that it is geographically close to the Chicago-New York manufacturing belt, is the major location for many American subsidiaries. According to the Gray report, Ontario accounts for 58.2% of the taxable income of foreign owned manufacturing corporations. Whereas American branch-plants generate only one-twentieth of manufacturing employment in the Atlantic Provinces, in Ontario, the figure was about one-third.[16]

Both federal-provincial and inter-provincial relations have been affected by the manner in which the central authorities have applied their tools of federal economic development. Ottawa's policies have sometimes contributed to federal asymmetry. For example: the national tariff has

historically been especially controversial. The protective tariffs and related commercial policy devices were originally designed to not only prevent functional economic integration with Britain and the United States, but also to create a stronger national economy.[17] Ironically, the tariffs have tended to depress the Canadian level of output per person by encouraging product diversity. Rather than encouraging the concentration on efficient production in which Canada has a comparative advantage, the tariff's "production effect" has contributed to the regional gap in productivity levels and a significant difference in the average levels of real standards of living between Canada and the United States.[18]

The tariff reinforces the asymmetric interdependency between a manufacturing-oriented province like Ontario and resource-extraction provinces like Alberta and agriculture-based economies like Saskatchewan. To some extent, Ontario is the most functionally integrated with the United States on this level.[19] In terms of consumption, the tariff has resulted in the Maritimes and the prairie provinces paying a higher cash cost for certain commodities from the United States than do Quebec and especially Ontario. Meanwhile, Ontario, by obtaining a sheltered Canadian market for its manufactured commodities, is not forced to compete with the producers of other provinces in an international market made difficult by higher production and transportation costs.[20]

This brings the discussion to the analysis of federal asymmetric interdependency.

III FEDERAL ASYMMETRY

The Canadian/American integrative relationship imposes constraints and rigidities that, within the Canadian federal system, make for asymmetrical interdependency as well as disintegrative tendencies. To examine this, the thesis focuses on three problems: first, regional disparities; second, establishing or maintaining national standards; third, the growth of regionalism "per se".

Asymmetrical Interdependency: Regional Disparities.

To reiterate, in the Canadian/American relationship, there has been an integrative process that involves interdependence between the two political systems (and not necessarily exploitation of one political system by another as certain theorists of neo-imperialism contend), although this interdependence is asymmetrical in favour of the United States. On the other hand, the federal/provincial and inter-provincial relationships can be conceived of as accelerating a disintegrative process that still involves interdependence among the provinces. However, this interdependence is becoming increasingly asymmetrical in favour of "have"

provinces like Ontario, Alberta and British Columbia to the detriment of "have not" provinces like Quebec and those of the Maritimes. A basic link has been traced between the process of functional integration between the United States and Canada and the concomitant accentuation of regional disparities within the Canadian federal system.

This asymmetrical interdependence is especially characteristic of the relationship of the more prosperous provinces —— like Ontario and British Columbia (and even Alberta) —— vis-a-vis the less prosperous provinces. The significance of the American-dominated manufacturing industry in southern Ontario and parts of British Columbia is parallelled by the competition among other provinces to attract American investment. The "have not" provinces sometimes make demands designed to increase provincial power often perceiving their unexploited resources as the route to development. Ironically, the "have not" provinces' pursuit of federal symmetry pushes them into a quagmire of resource development which only provides short-term benefits that may not be sufficient to counter-balance the long-run disadvantages of the growth of capital-intensive rather than labour-intensive industries.

The problem of regional disparities, however, is not one that is peculiar to the Canadian setting. Disparities in growth and devolopment among various regions are a world-wide phenomenon; and even relatively small federations such

as Switzerland (and non-federations such as Luxemburg) have expressed concern over the differences in prosperity within their frontiers.

In its Canadian aspect, however, the problem has reached acute proportions. Given the relatively high level of industrialization in Canada, there exist surprisingly high disparities among the various regional economies. One important aspect of the problem in Canada has been the stubborn persistence of these disparities over time. In a recent article, working with income levels over a period of 36 years, McInnis has underlined the seriousness of the problem of federal economic asymmetry.

> Over the period 1926-1962 taken as a whole the level of variability of relative per-capita income among regions has been approximately constant....On the basis of this evidence, the trend of income differentials in Canada appears to have been roughly a constant; there has been neither a convergence or a divergence.[21]

Table 1 - Relative Levels of PER CAPITA Income Canada and Regions, 1926-1962.[22]

Canada - 100

Years	Maritimes	Quebec	Ontario	Prairies	British Columbia
1926-27	64	86	115	107	120
1930-32	70	95	126	73	126
1940-42	68	88	124	86	122
1950-52	64	82	118	106	118
1960-62	65	86	118	96	114

The persistence of the disparities in income levels and employment among regions, despite federal and provincial government efforts to relieve them, suggest that there are inherent characteristics among the regions and in the federal system as a whole that frustrate attempts to redress them. The source of regional disparities lies invariably in the process of economic growth; but their persistence cannot be explained by reference to economic factors alone. Political, social and psychological factors are inevitably also fundamental to the analysis. More broadly, the continental parameter places constraints on any regular pattern of economic growth and symmetric regional development within the federal system. In other words, the benefits of development have been unevenly distributed over the federation as a whole with the result that income and employment opportunites differ markedly among the various regions.

Disparities in levels of employment, income, wealth and expenditure per-capita among the regions, have implications far beyond the statistics to which they give rise. H. Scott Gordon, in a pamphlet dealing with the Economic Council of Canada's analysis of regional disparities, makes this point eloquently:

> Part of the problem that is demonstrated by the statistics is a non-problem so far as the economics of the case is concerned. If we were free to redraw provincial

> boundaries at will, one could markedly reduce the statistical measurement of "regional disparity" by making Montreal Island part of New Brunswick or one could increase it by making a separate province out of southern Ontario....The disparities that should receive our attention are the inequalities of income between men, not between ground plots.[23]

It will be instructive, nonetheless, to look at just what the statistics do have to say on this problem (provided we keep the above remark in mind).

The Economic Council of Canada, in analyzing regional disparities, defines a region as a "geographic area that is essentially homogenous in respect of one or more important attributes. Among these may be included physical features, resources, structure of economic activity, market size, economic performance, administrative jurisdiction and social and cultural features."[24] On this basis, it divides the country into 5 distinct regions; namely, the Maritimes, Quebec, Ontario, the Prairie Provinces and British Columbia.

The following table shows the increase in per-capita income over a period (1948-1963) in the various provinces:

Table II - Percentage Increase in PER CAPITA Income 1948-1963[25]

Newfoundland	118
P. E. I.	113
Nova Scotia	93
New Brunswick	81
Quebec	93
Ontario	89
Manitoba	70
Saskatchewan	104
Alberta	70
British Columbia	80
Weighted Mean (Canada)	89

Further, taking personal income as a percentage of the Candian Average between the regions, we get a clearer picture of the disparities.

Table III - Personal Income as Percent of Canadian Average 1944-1968[26]

	1944	1946	1950	1955	1960	1963	1965	1968
Newfoundland	N.A.	N.A.	52	54	58	58	59	55
P.E.I.	53	58	58	55	64	63	60	63
Nova Scotia	79	86	75	73	76	74	76	78
New Brunswick	65	75	66	66	69	66	69	71
Quebec	80	82	85	85	85	87	90	90
Ontario	119	115	121	120	117	117	117	115
Manitoba	92	103	101	95	100	97	95	100
Saskatchewan	106	97	91	93	95	107	96	90
Alberta	97	108	103	103	102	100	96	99
British Columbia	111	114	118	122	117	114	113	107

The table shows that over the last 45 years, the per-capita income in the Atlantic Provinces has remained far below the Canadian average. Quebec follows in the category of low incomes. Reflecting fluctuations in the wheat market, Saskatchewan shows marked variation while Ontario and British Columbia remain firmly above the national average.

If employment statistics were added they would merely confirm the same general picture of federal economic asymmetry. The point is that these regional disparities have the potential of creating perceptions that the existing federal economic arrangements are not adequate to cope with the particularistic needs of provincial development.

Dissatisfaction in this respect is more likely to characterize "have not" provinces (such as Quebec and the Atlantic provinces) rather than "have" provinces (such as Ontario and British Columbia).

The Problem in Establishing National Standards

Federal disintegrative tendencies along the functional dimension are also manifested by the provinces' refusal to accept federally defined "system-wide rather than particularistic standards".[27] Provincial resistance extends not only to areas within both provincial and federal jurisdiction —— for example: the problem of conditional grant programmes —— but also to areas strictly within federal jurisdiction. For example, recent federal-provincial activity has highlighted growing provincial hostility to conditional grant programmes parallelled by the federal government's retreat from its previous insistence on such programmes as a means of maintaining "national standards".[28] Despite motivation of these grants to achieve greater equalization, they do not guarantee harmony in federal-provincial and interprovincial relations. On the one hand, the provinces are constantly in fear that the central government will either end or restrict its contribution to existing conditional grant programmes.[29] On the other hand, both the "have" and "have not" provinces have complained about the financial implications of conditional

grants. The richer provinces resent the implicit equalization of certain grants-in-aid which compel them to pay a higher proportion of the total costs incurred in the relatively deprived provinces. Even the poorer provinces have complaints; although they are the most significant beneficiaries of conditional grant programmes, they still object to the amounts of money they must spend from their limited revenues as a result of such programmes.[30]

The nature of the problem has been perceptively outlined by Donald Smiley:

> In a federal system, the extent and nature of conditional grants are a useful indicator of the relative strength and vigour of the central and regional governments. When currents towards country-wide integration are running strongly, we can expect grant-aided activities to proliferate and the federal authorities to be willing and able to enforce their own standards of appropriateness on the state or provincial administrations. Conversely, when influences towards regional autonomy are strong, we see resistance by these jurisdictions to the restrictions on their autonomy inherent in such procedures.[31]

It might be hypothesized that , within the last decade, since "influences towards regional autonomy" have been growing stronger, there has been increasing resistance by provincial jurisdictions to conditional grant programmes. By their very nature, they restrict the autonomy of the provinces in matters within their jurisdiction. On the other hand, until the early 1960's there was ——except for

Quebec — little principled provincial oppostion to conditional grant programmes. This began to change at the 1960 Dominion - Provincial Conference, in which several provincial Premiers attacked this form of inter-governmental financing. Later, in 1965, the Canadian Parliament enacted the Established Programmes (Interim Arrangements) Act which allowed the provinces to contract out of five established conditional grant programmes and receive compensation in the form of fiscal equivalents.[32]

No new major conditional grant programmes have come into effect since the sharing of medical insurance costs that began on July 1, 1968. A number of federal and provincial proposals have been put forward as alternative means of intergovernmental financing. Notably, there was the federal government's proposal during the discussion on revision and review of the Canadian constitution that had started in 1968. The scheme suggested that a general conditional grant arrangement could be established only if a "national consensus" involving most of the provinces was obtained.[33] In other words, the enactment of such programmes has been made much more difficult.

The resistance to conditional grant programmes is an aspect of a broader process largely instigated by Quebec. However, although the Quebec government has been the decisive force "in accentuating the centralized fiscal and

economic regime which had been built up during the war and perpetuate afterwards", Quebec's strong stand for much autonomy was "for the most part in harmony with the emergent aspirations of the other provincial governments".[34] A hypothesis of this thesis is that the "emergent aspirations" of the provinces for greater autonomy has been partly catalyzed by the process of continental integration which in turn reinforces and reflects federal asymmetry.

Secondly, the federal government's right to establish national standards, even within its own sphere of jurisdiction, has increasingly been challenged even though particularistic provincial standards have always been taken into consideration. No longer merely satisfied with federal cabinet representation as a means of safeguarding provincial interest, the provinces are demanding the right to be consulted. Provincial demands now encompass the right to be directly involved in such federal policy-making areas as taxation, external trade, interest rates and the regulation of foreign investment.[35]

The Growth of Regionalism

Continental functional integration, concomitant with the failure of the federal government to adequately perform an integrative function, has resulted in attempts by the provinces to rectify perceived federal asymmetry. Accentuation of federal-provincial and inter-regional cleavages

has catalyzed cooperation and coalescence among provinces with regional interests. Thus, those very pressures which are centrifugal nationally push in a centripetal direction regionally.

The provinces, in coalescing regionally, are demanding greater participation in decision-making; they are finding the growth of federal power through "osmosis by financial and structural means" increasingly irritating.[36] This has the effect of making the existing federal system sometimes dysfunctional.

> Traditional political units are proving increasingly unsatisfactory in meeting the demands of urbanization, industrialization and secularization. The functional responsibilities have spilled out over political boundaries while authority to perform them remains firmly chained to the traditional units of administration.[37]

Strong provincial governments and regions with different and conflicting viewpoints can place great strains on federal cohesion. As shown in Table IV below, a number of shifting convenient alliances among the provinces increasingly confront Ottawa according to different issues. These alliances increasingly are underpinned by regionalist interests. To illustrate: controversy concerning interprovincial equalization and national economic policies may not only reinforce but also sometimes cut across traditional economic cleavages. The

following table is a suggestive exercise of classifying the interest and policies of provinces according to the area of conflict.

Table IV - Areas of Conflict[38]

	Contending Provinces		Provinces whose attitudes are ambiguous
Interprovincial equalization	Quebec and the Atlantic provinces	Ontario Alberta British Columbia	Saskatchewan Manitoba
National economic policies	Quebec Ontario	Atlantic and Western Provinces	
Cultural duality	Quebec Ontario New Brunswick	British Columbia Alberta Saskatchewan Newfoundland	Nova Scotia Manitoba P.E.I.

Some issues polarize the provinces in an almost predictable pattern of behaviour. For example, Quebec joined the Atlantic provinces in fighting for a larger share of the potential revenues that may accrue from oil discoveries in the Gulf of St. Lawrence and the Atlantic. It is interesting to note that the Quebec-Western Provinces cleavage (manifested in terms of all three areas of conflict) is more marked in relation to the "have" provinces of Alberta and British Columbia, than to their "have not" counterparts. On the other hand, there may be conflicts of

a transitory nature that do not encourage alliance patterns as described above. For example: Alberta, Saskatchewan, Ontario and Quebec have recently contested federal communications policy.

What is of particular interest within the parameters of continental integration, however, is the process of integration of provinces into stronger regional subunits. The four Western provinces are especially susceptible to regionalism. The Western provinces continue to consider that present federal arrangements discriminate in favour of central Canadian (Ontario and industrial parts of Quebec, notably Montreal) industry and commerce. Thus, over the years, the Western provinces have developed common views on freight rates, agriculture, banking and regional economic development. In the last few years, the growth of Western regionalism has been encouraged by the governments of three of the four Western provinces coming under the control of New Democratic Party leaders — British Columbia, Saskatchewan and Manitoba. This has led to the strengthening of the interprovincial machinery of what is popularly termed "consultative federalism". Ironically, despite Alberta having a Conservative government, policy differences between the Conservatives and NDP have often been buried when a matter of regional interest is involved. Thus, at a recent Western Premiers Conference, the one Conservative and the three New Democrat premiers

confirmed their intention to present a united front vis-a-vis Ottawa at the impending federal-provincial conference. Similarly, at the Western Economic Opportunities Conference of 1973, Ottawa was confronted with an almost intransigent Western bloc. The greatest grievance of the West, as articulated by Premier Lougheed, persists in being that too much industrial development is concentrated in the "golden triangle" of Southern Ontario and the St. Lawrence River: "We want to make sure that from now on this nation grows on a much more balanced basis", Lougheed has maintained.[39]

Harry Strom's speech at the February 1969 Federal-Provincial Constitutional Conference offers another example of the disintegrative impact of regionalism. Strom's position was that Western alienation threatened the continuation of the federal system; according to his perceptions, Ottawa was either reluctant or incapable of realizing the problems and aspirations of his constituency.

> What Western Canadians legitimately desire.... is that our raw resource industries be given the same priority in the manufacturing industries of Eastern and Central Canada[40]— So we ask the Federal Government not to pursue policies that restrict the flow of foreign capital into our regions, but rather to pursue policies which will encourage it.[41]

It is also apparent that the Maritime provinces are not prepared to accept the conditions and risks of federal

asymmetrical interdependency that relegates them to being a chronically dependent region in the Canadian federal system. It is true that the Maritimes are generally more vocal in their demands for federal regional economic grants than other provinces (ironically, the subsequent competition among themselves tends to be counter-productive). It now appears, however, that while the Maritimes may not be firmly on the road to a form of union,[42] extensive informal cooperation and some structured formal cooperation are indices of some form of integrative process within this region. This Maritime bloc can be expected to exercise increased regional pressures in federal-provincial negotiations. For example, a few years ago, the heavy criticism hurled by the Maritime Economic Council at certain federal regional economic development programmes resulted in federal modifications.[43]

Although Quebec and Ontario are generally considered separate and distinct regions (together they are sometimes popularly referred to as Central Canada), it is gradually becoming apparent that these two provinces do constitute some type of distinct and integrated sub-national economy. Although at present Statistics Canada does not compile data on interprovincial transactions regarding particular commodities, it is generally recognized that in disproportionate trade terms Quebec provides the raw materials and Ontario provides the manufactured goods. This gradual

integrative process is somewhat substantiated by the perceptions of Quebec's Minister of Industry and Commerce. In a recent attack on the federal government and Ontario, Guy St. Pierre accused Ontario of reaping disproportionate benefits from Confederation of Quebec's expense. He suggested, instead, a new "partnership" between Ontario and Quebec as a step toward changing Canada's image, a change from an "integrated homogenous economy" to a "collectivity" composed of "several distinct economies". According to Mr. St. Pierre, an Ontario-Quebec cooperative alliance can resolve internal differences, harmonize developmental activities, adjust to international trading relationships, and thereby lay the principal economic foundation of a new form of cooperative federalism in Canada.[44]

As a general conclusion, it might be suggested that the continental integrative process tends to accentuate federal-provincial and inter-provincial cleavages. These pressures tend to further federal asymmetry in two directions; first, by reinforcing (not necessarily causing) certain centrifugal factors such as the problems of regional disparities and the problem of establishing or maintaining national standards; and second, by strengthening centripetal pressures regionally. The latter situation involves stronger regional voices making it more difficult for the central authorities to cope with a conflicting regional viewpoint. In the end, however, the above evidence

regarding the functional dimension of the integration/ disintegration process should not be considered alone; but, must be treated in the context of the transactional, neo-functional and attitudinal components of this process.

FOOTNOTES

1 John Kirton, "The Consequences of Integration: The Core of the Defence Production Sharing Agreement", Inter-University Seminar, p. 13.

2 Ibid. pp. 14-15.

3 Ibid. pp. 16-17.

4 Carl E. Beigie, The Canada-U.S. Automotive Agreement: An Evaluation (Montreal National Planning Assoc., 1970), pp. 1-19.

5 Statistics Canada, Canada Year Book: 1972, (Ottawa, 1972), pp. 1065-1067.

6 SEE Antal Deutsch, "Roll out the Tariff", Queen's Quarterly, LXXII, No. 1, (Spring, 1965).

7 U.S. Department of Commerce, Survey of Current Business, November 1970, Table 2, pp. 16-17.

8 Kari Levitt, Silent Surrender, (Toronto, 1970), SEE Chapter 6.

9 Financial Post, Oct. 30, 1971, p. 2. This figure does not include end-parts from automobiles.

10 SEE also this thesis, pp. 69-73, for investment and trade statistics on transactional integration.

11 SEE The Science Council of Canada, "Innovations in a Cold Climate: The Dilemma of Canadian Manufacturing".

12 Levitt, p. XIX.

13 Garth Stevenson, "Continental Integration and Canadian Unity", Draft prepared for the Inter-University Seminar on International Relations, (Ottawa, April 8, 1972), p.8.

14 SEE Thomas A. Hockin, The Canadian Condominium, (Toronto, 1972), pp. 10-30.

15 Statistics Canada, External Trade Division , (unpublished material), Cited in Stevenson, pp.10-11.

16 Government of Canada, Foreign Direct Investment in Canada, (Ottawa, 1972), pp. 22-24, SEE Tables 28 and 29. Henceforth I shall refer to this book as the Gray Report.

17 The Royal Commission on Dominion-Provincial Relations, "The National Tariff Policy", The Canadian Economy: Selected Readings, ed. J. Deutsch et al,(Toronto, 1965), pp. 469-473.

18 Economic Council of Canada, "Regional Aspects of Federal Economic Policies", Canadian Federalism: Myth or Reality, pp. 354-355.

19 Ivo D. Duchacek, Comparative Federalism, (New York, 1970), p. 283.

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21 R. Marvin McInnis, "The Trend of Regional Income Differentials in Canada", Canadian Journal of Economics, (May, 1968), p. 445.

22 Ibid. p. 445

23 H. Scott Gordon, "An Assessment of the Role of the ECC and an Appraisal of its Second Annual Review", (Private Planning Association of Canada), p.23.

24 Economic Council of Canada, Second Annual Review, (Ottawa, 1968), p. 19.

25 F. Graham, p. 15.

26 T.N. Brewis, Regional Economic Policies in Canada, (Toronto, 1969), p. 338.

27 Stevenson, p. 15.

28 Stevenson, p. 15.

29 Donald V. Smiley, Canada in Question: Federalism in the Seventies, (Toronto, 1972), p. 131.

30 Ibid. p. 132. SEE Chapter 5, pp. 105-142.

31 Donald V. Smiley, Constitutional Adaptation and Canadian Federalism Since 1945, (Ottawa, 1970), p. 68.

32 Smiley, Canada in Question: Federalism in the Seventies, pp. 129-130.

33 Ibid. p. 130

34 Ibid. pp. 113-114. In terms of the "attenuation of federal dominance", SEE Smiley's discussion of other matters —— for example, the Quebec and Canadian Pension Plans.

35 Stevenson, p. 16.

36 Claude Morin, quoted in the Financial Post, (Aug. 19, 1971), p. 5.

37 J.E. Hodgetts, "Regional Interests and Policy in a Federal Structure", Canadian Federalism: Myth or Reality, p. 346.

38 Smiley, Constitutional Adaptation and Canadian Federalism Since 1945, SEE Chapter 1.

39 The Globe and Mail, (April 2, 1973), p. 10.

40 Constitutional Conference, 2nd meeting, (Ottawa, Feb. 1969). Quoted in Harry Strom,"A Case for the West", Canadian Federalism: Myth or Reality, p. 366.

41 Ibid. p. 370.

42 SEE John Deutsch et al, "Report on Maritime Union", Canadian Federalism: Myth or Reality, pp. 374-388. This selection offers description and explanation of past, present and future prospects and advantages of Maritime Union.

43 Ian Rodger, "'Separatist' talk moves out", The Financial Post, supplement, (April 21, 1973), p. 15.

44 The Globe and Mail, (April 3, 1973), p. B.4.

CHAPTER FOUR

TRANSACTIONAL INTEGRATION/DISINTEGRATION

The second dimension of continental integration/federal disintegration is that of transactions. This contributes to and reinforces the pattern of asymmetrical interdependency both at the dyadic and federal levels.

I THE DYAD: TRANSACTIONAL INTEGRATION

Trade and investment are among the key indices of economic transactional integration.

Trade:

In 1969, Canada ranked second in the world in the concentration of trade with one country; 68% of Canadian trade was with the United States. In 1970, Canadian exports from the United States accounted for 64.7% of total exports; Britain ranked second with 8,9%. Imports from the United States during the same year, accounted for 71.1% of total Canadian imports; Britain again

ranked second with 5.3%. Correspondingly, in the same year, trade with the United States accounted for 26% of Canada's GNP; for the United States, dyadic trade accounted for 4%.[1]

The continental transactional integrative process can be considered as intensifying if exports are taken as a percentage of the GNP. From an average 9% of the GNP during 1948-65, since 1965 Canadian exports to the United States have steadily risen, averaging 10% of the GNP in 1966, 11% in 1967, and 13% in 1968 and 1969. Correspondingly, exports to other countries fell to a post-war low of just over 5% of GNP in 1969.[2]

It is the specific composition of this trade which not only manifests the asymmetry of dyadic integration but also ultimately has consequences for accentuating asymmetry within the Canadian federal system. Capital-intensive resource exports to the United States rather than labour-intensive manufactured exports are growing at the most rapid rate.

In 1970, overall exports accounted for 20% of Canada's $84 billion GNP. End-products, however, apart from automobiles, accounted for only one-fifth of all exports. Though the United States consumed 65% of total Canadian exports and 84% of Canadian manufactured goods, crude materials were as high as 26.1% of total exports.[3]

Moreover, in 1972, much of the 14% reported growth in Canadian exports was accounted for by exports of grain, minerals and energy resources.[4] The growth in grain exports to both the United States and elsewhere is very likely in a world of growing food shortages —— but this also depends upon market conditions which are a function of 'feast or famine' years of grain production in countries like the Soviet Union. What is significant for this thesis is that the heavy reliance on resource exports can be expected to grow with the energy crisis in the United States and the potential exploitation of oil, natural gas, and hydro-electric power in Canada.

James Laxer has posed the dilemma that the Canadian hinterland must confront by increasingly becoming dependent upon resource exports.

> Canadians will be forced to buy more and more United States manufactured goods. Over the long haul we will be committing ourselves to purchasing goods whose prices are rising more rapidly than the prices of the goods we sell. We will be forced to sell more and more raw materials to buy back the same quantity of manufactured goods. —— This dependence of Canadians on raw materials at the expense of manufacturing would mean that we would suffer from a permanent trend towards an increased rate of unemployment.[5]

Investment:

Kari Levitt outlines some of the subtleties of the complex dyadic investment pattern.

> Canada's relationship with the United States is not primarily due, as is often claimed, to the strong ties of trade that exist between the two countries. Rather the pattern of commodity trade reflects the ties of corporate integration through the agency of direct investment by American companies — commercial exports by Canadian-controlled enterprises are replaced by inter-company transfer and politically negotiated barter deals.[6]

The pattern of exportation of Canadian resources has been reinforced by a trend in American corporation expenditures moving away from investment in manufacturing enterprises in Canada toward investment in the extractive industries.[7]

The asymmetrical integrative process is underpinned by considerable American investment and ownership of a large proportion of Canadian primary and secondary industry. The Canadian capital deficiency is compensated by the massive injection of American controlled funds.[8] However, one danger, as outlined by the Gray Report, is that:

> If Canada relies heavily on foreign sources, this would clearly reduce domestic capacity to control the economic environment. It would also likely reduce possibilities of increased Canadian ownership.[9]

Recent statistics show that over 40% of all corporate

profits in Canada are earned by American-controlled firms. These investments tend to be in the more profitable areas of the Canadian economy. Ironically, they tend to be largely financed by indigenous Canadian capital. Between 1963 and 1986, for example, a survey sample showed that branch-plants raised $1,244,000,000 in the United States and about $2,007,000,000 in Canadian money markets.[10]

In sum: many of the above statistics corroborate the thesis that there is an integrative process along the transactional dimension. Furthermore, there is some evidence of this being an asymmetrical interdependent relationship. I now turn to related processes within the Canadian federal system.

II THE INTEGRATION/DISINTEGRATION "LINKAGE": THE PROVINCES

The pattern of trade and investment between the United States and neighbouring Canadian provinces has made Canada into a collection of specialized regional economies. This economic regionalization of Canada via the dyadic integrative process has destroyed the symmetry of the original federal economic bargain.

Trade:

Functional specialization accruing from dyadic integration is manifested in statistics on trade between the Canadian regions and the United States.

One indicator of the specialization of Canadian regional economies is that American imports of specific commodities from Canada are in many cases drawn overwhelmingly from a single region of Canada. The following figures are a few examples:

Source	
Quebec:	Aluminum - 73% of American imports from Canada
Ontario:	Automotive products - 93% of American imports
Prairies:	Oil and gas by-products - 89% of American imports
Pacific Region:	Lumber - 75% of American imports.[11]

On the other hand, the functional specialization of the regional economies can be viewed from the perspective of percentages of total regional exports to the United States.

Maritimes:	Pulp and paper	- 42% of total exports
Quebec:	Pulp and paper	- 24% of total exports
Ontario:	Automotive parts and vehicles	- 55% of total exports
Prairies:	Crude oil, gas and byproducts	- 50% of total exports
Pacific Region:	Lumber, pulp and paper	- 55% of total exports[12]

The level of integration of Ontario into the American metropolis is probably the highest in all Canada. This process has largely been catalyzed by the Automotive Products Agreement functionally integrating an important sector of Ontario's economy into a continental free trade area. Automotive exports accounted for 52% of the increase in total Canadian exports to the United States from 1964 - 1970. In 1970, automotive exports accounted for 31% of all Canadian exports to the United States. However, the important point for this discussion is that 93% of all Canadian automotive exports have been supplied from Ontario.[13]

Under the impetus of the Auto Pact, Ontario exports to the United States doubled between 1966 and 1969 (Ontario exports one-half of its automotive production to the United States). Ontario exports to the rest of the world increased only 12% in the same period. Correspondingly, the United States absorbed 81% of all Ontario exports compared to 61% of exports from the other regions of Canada.[14] The point to emphasize, however, is that unlike the almost exclusive resource development investment in British Columbia and Alberta, the economic integration stimulated by the Auto Pact has been labour-intensive in its concentrated effects in Southern Ontario. This has a long-term impact on regional disparities.

In other words, the patterns of trade between particular Candian regions and the United States reflect different levels of integration. In turn, this process contributes to regional disparities and asymmetric interdependence among the federal sub-units.

Investment:

A pattern of functional specialization within the Canadian federal system can again be shown by statistics on American investment within the different Canadian regions.

Asymmetrical interdependency within the Canadian federal system is reinforced by the quantitative and qualitative disparity in American investment between Ontario and the rest of Canada. Quantitatively, American investment tends to be concentrated in Ontario. According to 1969 statistics, U.S. corporations located in Ontario accounted for 51% of taxable income earned in Canada or 66% of investment in the province. This is two and a half times as large as Quebec, with the second largest concentration. Quebec accounted for 21%; the Prairies, 14%; British Columbia, 10%; and the Maritimes, 3%.[15]

Qualitatively, Ontario's favoured economic position in relation to the rest of Canada is underpinned by disproportionate foreign investment in labour-generating manufacturing industry. Generally, the major source of taxable

income of American-controlled corporations in 1969 was in the manufacturing sector, especially in Ontario where 79% was reportedly earned.[16] Foreign investment in the capital-intensive resource industries, on the other hand, tends to be concentrated in resource-based economies of many of the peripheral provinces. The Prairies, for example, with 89% of the mining industry American-controlled, rates 28% higher than the national average in this sector. The Atlantic provinces similarly account for an 18% higher concentration than the Canadian average.[17]

III TRANSACTIONAL FEDERAL ASYMMETRY:

To the extent that there has been transactional dyadic integration, the East/West integrating flow of trade and communications has been constrained, thereby reinforcing federal asymmetry.

Transaction and interaction patterns at the national level are the most difficult dimension of federal integration to assess. Statistics on interprovincial investment flows are non-existent. The only interprovincial trade statistics that exist are based on a survey of the first destination of manufacturing shipments in 1967. According to these 1967 figures, a pattern of asymmetrical interdependency is apparent: Ontario is the major Canadian supplier of

manufactured goods to the peripheral provinces which, in turn, fuel Ontario industry with raw materials.

In 1967, the proportion of Ontario manufactured exports was 14.5% of the total manufactured goods, some 1.5% below the national average. Accordingly, 85.5% of its manufactured goods remained in Canada. (British Columbia ranked second with 63.6%). The significance of these figures can be emphasized when one considers both that Ontario ranks first in total manufactured output and that automotive production accounts for a substantial portion of manufactured exports.[18]

The same statistics indicated that Ontario's exports of manufactured commodities accounted for 53.3% of all interprovincial goods. Quebec ranked second with 28.5%; the Prairies placed a poor third with 8.8%. Similarly, if figures for interprovincial trade of manufactured goods are extrapolated, Ontario can be seen to consistently supply the largest percentage of goods per province. The Atlantic provinces, for example, were supplied with 40.1% of their Canadian manufactured goods by native producers; Ontario supplied 35.5%. Similarly, for Quebec, the domestic-Ontario supply ratio was 66.1%:29.8%; for the Prairie Provinces, 48%:33.2%. Ontario, on the other hand, received 81.7% of its Canadian manufactured goods from provincial supplies; only 14.8% was supplied by Quebec. In other words, less than 4% was supplied by all other provinces.[19]

The above statistics on transactions might be interpreted as providing another version of a theme that the continental parameter accentuates Canadian specialization and regional disparities. Arrangements such as the Auto Pact and Defense Production Sharing Agreement give Ontario guaranteed markets in the United States which rival or surpass in importance its traditional markets in the rest of Canada.[20] Thus, for example, Ontario now prefers the Automotive Products Agreement rather than any protective tariff since freer north-south trade has been to Ontario's profit. On the other hand, Alberta's desire to open the continental energy market has consistently been perceived by Ontario as dysfunctional to her economic needs. Thus, as continental transactional integration grows, the federal government's integration function is dyadically constrained.

To conclude: one might again say that the asymmetric interdependency of the Canadian/American relationship is to some extent imitated in the Canadian federal system —— particularly Ontario's metropolis standing in relation to hinterland provinces in respect to labour-intensive secondary industries.

FOOTNOTES

1 These are calculations I have made based upon Statistics Canada, Canada Year Book: 1970-71, pp. 1072-1073.

2 Canada Year Book: 1972, pp. 1086-1179.

3 Exports by Countries, January - December, 1970, Vol 24, No. 4, p. 351.

4 The Globe and Mail, (January 14, 1972), p. B.1.

5 James Laxer, in Canadian Dimension, (April, 1971), p.8.

6 Levitt, Silent Surrender, p. 38.

7 For the forecasted statistics SEE The Globe and Mail, October 6, 1971, p. B.1.

8 Abraham Rotstein, Preface to P. Mathias, Forced Growth, (Toronto, 1971). P.X.

9 The Gray Report, p. 282.

10 SEE A.E. Safarian, The Performance of Foreign Ownership Firms in Canada.

11 Statistics Canada, External Trade Division (unpublished material). Cited in Stevenson, pp. 10-11.

12 Ibid. p. 10.

13 Canada Year Book: 1972, pp. 1056-1066.

14 Ontario Department of Trade and Development, "Ontario Exports by Countries: 1969".

15 Corporations and Labour Unions Returns Act, Report for 1969, Part 1, (Ottawa, Statistics Canada: 1972), pp.49-50. SEE Table 28.

16 Ibid. p. 49.

17 Ibid. p. 52.

18 Canada Year Book: 1970 and 1971, pp. 795-799.

19 Ibid. pp. 795-799.

20 Stevenson, p. 17.

CHAPTER FIVE

NEO-FUNCTIONAL INTEGRATION/DISINTEGRATION

The third dimension of the integrative/disintegrative process this study focuses on is the neo-functional aspect. The distinction between functional and neo-functional integration is an analytical one. Centralized decision-making will tend to produce functional integration, although the reverse is not necessarily true. Furthermore, the close relationship between the two dimensions themselves is parallelled by an intimate connection among their consequences for the federal system. Thus, it is often difficult to differentiate whether certain cases of accentuated cleavages within the Canadian federal system involve the functional or neo-functional integrative process.

In this section, I will highlight a number of factors —— governmental as well as nongovernmental —— along the neo-functional dimension.

I CONTINENTAL INTEGRATION: ELEMENTS OF ASYMMETRY

Continental decision-making integration is manifested by a number of indicators. Beyond informal intergovernmental decision-making integration, there are ten joint Canadian-American agencies. In the private sector, dyadic neo-functional integration proceeds via the multinational corporations and international trade unions. The pervading characteristic of this integrative process is the "underdog" (as JohannGaltung would term it) perceptions of the Canadian federal union and its subunits. This is especially apparent in the economic relationship between Canada and the United States where a considerable disparity in size and structure exists between the two economies. More specifically, economic integration imposes rigid parameters on Canadian decision-making, parameters that constrain freedom of action for provincial and federal authorities.

Intergovernmental Decision-Making Integration

Intergovernmental decision-making integration via bilateral agencies has the tendency to stress "personal contact"; it has the effect of promoting and reinforcing a Canadian-American "diplomatic culture".[1] These joint decision-making institutions operate in"functionally

limited areas where they are politically acceptable".[2] Generally speaking, Canada is able to exert some influence in this bargaining relationship.

Despite some bargaining leverage in the joint commissions, however, the threat of American economic retaliation imposes constraints on the autonomy of Canadian decision-makers. The 1963 and 1968 runs on foreign exchange reserves, for example, imposed the threat upon Canada of being cut off from American capital markets. Accordingly, Canada accepted a ceiling on its foreign exchange rates over the 5 year period in return for partial exemption from the American Equalization Tax. In March, 1968, Canada received an exemption from the American Government's mandatory restriction on capital outflows; but in return, agreed to invest a portion of Canada's foreign exchange reserves in United States government securities.[3] Thus, the extra-territorial implications of the Interest Equalization Tax (1963), the Voluntary Cooperation Programme (December, 1965), and the Mandatory Direct Investment Guidelines (January, 1968) had the effect of limiting Ottawa's control over the setting of interest rates.[4]

Similarly, the 1971 American ten percent import surcharge constrained Canadian decision-makers. Despite the attempt of the Canadian government to bargain for

an exemption from the import surtax, the Nixon Administration refused to consider the request. According to Donald Smiley, the United States, with a number of specific grievances against Canada, was determined to use the 10% surtax as a bargaining lever to have these grievances removed.[5]

To sum up: the entire governmental bargaining relationship, according to my thesis, must thus be seen as part of the overall dyadic-federal pattern of asymmetric interdependency. The gradual integration of certain Canadian policies under American guidelines tends to place Canada in an "underdog" position of having foreign-imposed constraints on domestic decision-making. In the end, Ottawa has been compelled to forfeit some ot its decision-making power —— power which otherwise is essential in coping with certain exigencies of integrating a federal system.

Non-Governmental Actors

Private actors such as multinational corporations and international trade unions play a significant role in dyadic integration along the decision-making dimension.

The Canadian-American relationship of economic integration is structured in such a way that important sectors of the Canadian economy are dominated by a small number of American multinational enterprises. Such

sectors as motor-vehicle manufacturing, metal refining, smelting, oil and natural gas extraction and refining, make for the integration of business policy-making and its transference from the "hinterland" to the "metropolis". The Automotive Products Agreement, for example, despite Canadian balance-of-payments benefits, has led to the virtual centralization of manufacturing and purchasing decisions in the Detroit head offices of the "Big Three". Similarly, the American extra-territorial restriction on freedom to export, anti-trust legislation, and balance of payments policy have, according to the Watkins Report, imposed "the most serious cost to Canada of foreign ownership and control".[6] Thus, decisions made in American corporate head-offices continually threaten the independence of Ottawa decision-makers by reducing their capacity to implement effectively distinctive integrating policies for the federal economy. For example: if Ottawa is trying to slow down inflation through tight money policies and reduced government spending, a decision made intitially by the Big Three in Detroit to raise the price of automobiles will tend to be counterproductive to anti-inflationary governmental policy. Indeed, it might be argued that such price increases might be stopped —— or at least controlled —— by some Wage and Price Board. However, the reluctance of recent governments to impose compulsory restraints —— and the apparent failure of voluntary

restraints —— points to the unlikelihood of such a programme. Consequently, pricing decisions made in the United States will sometimes have significant effect in Canada.

There is statistical evidence that American multinational corporations are gradually buying up the Canadian economy. In 1968, it was estimated that United States residents owned 44% of Canada's manufacturing industry, 54% of the petroleum and natural gas industries, and 54% of the mining and smelting industries.[7] More recent statistics show that the non-resident ownership of key sectors of the Canadian economy is parallelled by a concentration in control. However, the important index of an integrative process is that there is a pattern of increasing numbers of foreign acquisitions of Canadian corporations over the last few years. There was an increase in the number of acquisitions from 35 in 1963 to 102 in 1969.[8]

In terms of the dyadic bargaining relationship, American-based multinational corporations usually bargain directly with provincial governments regarding foreign investment. Generally speaking, Canadian federal authorities acknowledge that the foreign ownership issue, in both a constitutional and political sense, involves the provinces.[9] Correspondingly, American Congressmen consider this a question of corporate strategy and not a

concern for "full-scale" inter-government relations.[10] An example of such a relationship is the trade protectionist Hartke-Burke legislation proposed in early 1973 in the United States. The Canadian economy would be negatively affected by this bill insofar as the legislation was oriented to not only keeping employment-generating industries in the United States but also in deterring American multinationals from investing exclusively in labour-intensive industries abroad.[11] American-based international trade unions (many of which, ironically, have Canadian affiliates) gave their unqualified support to this trade bill. However, multinational corporations intensively lobbied to prevent a perceived negative effect on their profit margins. The provincial and federal governments —— despite the fact that there was no organized campaign against the bill —— might have considered their development strategies jeopardized to the extent that they had any intention of channelling American investment into labour-intensive industries.

The Hartke-Burke Bill issue is an illustration of a potentially explosive situation with cross-currents linking continental asymmetric interdependency to federal asymmetric interdependency. The dyadic asymmetry involves the American Congress supported by American trade unions trying to impose controls on American corporate investments into Canada (note Canada's weakness in respect to such an externally made decision —— any sanction or counter-measure

by Canada might be met by stronger American measures). In turn, this contributes to federal asymmetry via regional disparities within Canada in that those provinces seeking labour-intensive investments would suffer from this foreign-made decision.

The second non-governmental actor one can focus on is the international trade union. It, like the multinational corporation, contributes to institutional integration along the continental axis. Indeed, out of the 174 labour organizations that filed returns for 1969, 91 (or 52.3%) were international unions with headquarters, executive personnel and preponderant membership in the United States. These international unions comprised some 61.8% of the total Canadian union membership and 6 out of the 9 largest Canadian unions.[12] Furthermore, of all the collective bargaining agreements reported that year, 81% were held in the locals of international unions.[13] These statistics might be viewed from the perspective of a study by John Crispo which has shown that American-based international unions tend to view their membership and union activity as a whole; they pay little attention to a separate Canadian identity.[14]

American parent unions with Canadian affiliates contribute to the pattern of continental asymmetric interdependency. The history of the origins and development of the Canadian Labour Congress (CLC) is a case study of a loose confederation of Candian unions enjoying a modicum

of autonomy, yet still being dependent upon the American AFL - CIO. The Trades and Labour Congress of Canada (TLC) and the Canadian Congress of Labour (CCL) merged to form the CLC in 1956. The first half of the twentieth century until 1956 saw the Canadian labour movement characterized by a "series of schisms induced and expulsions imposed from without in response to the organizational needs of the AFL leadership. The evolution of the Canadian labour movement was clearly governed by the needs and ambitions of American labour leaders rather than by the needs of Canadian labour".[15] Now, because of the dependence of the Canadian affiliates of the TLC upon their parent unions in the United States, and since the two American central bodies were at logger heads, merger in Canada only became feasible when back in the United States the two American labour centres agreed to discuss union.[16] At the CLC founding convention in 1956, AFL - CIO President George Meany outlined the theoretical nature of the relationship between the AFL - CIO and the newly formed CLC such that the CLC was termed "a free, independent trade union centre for Canada".[17] However, in fact, many decisions are still made in the United States.

> (In) the case of many of the larger affiliates, certain of the functions normally associated with a trade union centre are not dealt with by the Congress but by the AFL - CIO in Washington: one example is the settlement of jurisdictional disputes in the building trades. Another weakness is that most of the larger affiliates

> of the Congress are international unions whose leaders look to the AFL- CIO as their trade union centre. Hence, the inability of the Canadian centres to merge before 1956 and the desperate move by President Jodoin of turning to the AFL - CIO when the dispute between the IWA and the carpenters threatened to disrupt the Congress.[18]

To the extent that there is decision-making integration of Canadian and American unions —— and to the extent that there is asymmetry in favour of the American office —— to this extent there is a potential degree of influence international unions can exert on the Canadian federal economy. Indeed, the problem of collective bargaining is an interesting issue area of American-made decisions with consequences in Canada. The "Wage and Production Parity Agreement" of November, 1967, signed by the United Auto Workers and Chrysler representatives in New York (and similar agreements signed subsequently with Ford and General Motors), is an example of integration of the economies and industrial/trade union decision-making structures of Canada and the United States. In this case, a United States-headquartered corporation employing 12,000 Canadians and a United States-headquartered union made decisions for Canadian/American wage parity.[19]

The achievement of wage parity of Ontario workers with their American counterparts can be viewed in a number of ways in terms of feeding asymmetry in the federal economy. First: increased wages resulting from wage parity

pressures are largely based on artificial factors flowing from the United States rather than natural pressures arising from the true ability of the Ontario economy to support such increases. In turn, such wage increases are passed onto the Canadian consumer in the form of price increases; and, in the long-run, this means a richer Ontario, thereby contributing to a growing gap in regional disparities in favour of Ontario in relation to other provinces. Furthermore, a second aspect of this process are the pressures created by Quebec workers for wage parity with their Ontario counterparts (who in turn had achieved parity with their American counterparts). This is another factor in accentuating federal asymmetry.

To sum up: there is some evidence of a Canadian - American neo-functional integrative process "per se" underpinned by a tendency toward asymmetrical interdependency.

II PROVINCIAL - AMERICAN INTEGRATION

The process of neo-functional integration of the provinces with the United States can be examined from the following perspectives: firstly, defining the general problem in terms of a shift in decision-making power; second, outlining the role of the provinces in international affairs from both a constitutional and actual perspective; third, examining the nature of the asymmetrical interdependency of the federal economy; and fourth, analyzing certain bargaining situtations.

The Central Problem: A Shift in Decision-Making Power

Any assessment of the feedback effect of dyadic decision-making integration on integration within the Canadian federal system must acknowledge that certain provincial areas of jurisdiction like education, social services and municipal affairs are barely affected at all by this process. However, there are still many provincial and federal spheres of decision-making that are affected.

One might argue that with growing dyadic integration, the total amount of decision-making power residing in Canada is reduced; insofar as this process is at the expense of central government decision-making powers, provincial

authorities perceive a shift in power from the federal power centres of Ottawa and Toronto to the continental power centres of Washington and New York. Thus, sometimes, the provinces may tend to bypass the federal government and seek their own direct American contacts. For example: when Premier Bourassa of Quebec sought financing and a limited market for the James Bay Development Project, he turned to the money centre of New York [20] rather than those of Montreal or Toronto. The Bourassa government did this recognizing that while some capital could be raised in Canada, the large amounts of funds necessary were more quickly and easily available in the United States.

The Role of the Provinces in International Affairs: Constitutionally and Actually

The issue of dyadic integration, and the role of the provinces in this process, arouses curiosity about the constitutionality of provincial participation in international affairs. Legal arguments based on the British North America Act and on constitutional and international custom and practice have been made by both proponents and opponents of provincial activity in the international sphere.

Constitutional experts in favour of independent provincial competence in international affairs in matters of provincial jurisdiction have presented a number of

arguments. First, they insist that the BNA Act does not allocate any treaty-making power, and nowhere states that international relations fall exclusively within federal government jurisdiction. This argument often is based on two points: first, section 132 of the British North America Act is given an inoperative meaning as the Privy Council gave in the Radio case in 1932; second, a restrictive meaning is given to any federal government treaty-making power based on the residuary "peace, order and good government" clause of section 91. Based on the Labour Conventions case of 1932, such proponents argue that the federal government might sign treaties; however, in some cases, Ottawa must ask the provinces to implement a treaty through legislation if that area of legislative authority falls to the provinces.[21] In the Labour Conventions case, Lord Atkin stated:

> For the purpose of Sections 91 and 92, i.e. the distribution of legislative power between the Dominion and the Provinces, there is no such thing as treaty legislation as such.... It follows from what has been said that no further legislative competence is obtained by the Dominion from its accession to international status....It must not be thought that the result of this decision is that Canada is incompetent to legislate in performance of treaty obligations. In totality of legislative powers, Dominion and Provincial together, she is fully equipped...[22]

Thus, it can be deduced that provinces have a legal right to negotiate and sign treaties on provincial subjects as established by judicial precedent. Furthermore, for some

time the federal government has followed the practice of consulting with the provinces on various questions related to treaty-making and treaty-implementation.

A second argument of proponents of provincial action in foreign relations is based on the rules of international law relating to the legal capacity of member states of a federal system. The 1966 Code of Law of Treaties, formulated under the auspices of the United Nations International Law Commission, states in article three that: first, "every state possesses the capacity to conclude treaties"; and second, "state members of a federal union may possess a capacity to conclude treaties if such a capacity is admitted by the federal constitution and within the limits there laid down". Thus, in that the BNA Act is silent on this matter, it is presumed that the provinces have the capacity to conclude treaties.[23]

Additional comfort is generally taken from the experiences of other federal systems. In certainfederal systems —— like Switzerland and the Federal Republic of Germany —— component units of the federation have been allowed to make treaties.[24]

A fourth argument points to recent precedents set by Quebec in consolidating provincial competence in the field of international relations by making international agreements in those areas it claims lie within the provincial

sphere of jurisdiction. The qualifying point is that in the case of such provincial initiatives, the federal government concurrently or retroactively provides the sanctioning umbrella.[25]

On the other hand, there are a large number of constitutional experts favouring exclusive federal government competence in international affairs. These arguments have been discussed intensively elsewhere,[26] although they do not provide supporting evidence for the basic hypothesis of this thesis.

Beyond the issue of the treaty-making power, there is the reality that the geographically contiguous environment has led to north-south relationships and agreements (which really are not of the nature of treaties) in practice between the Canadian provinces and neighbouring American States. The provinces, for example, share common waterways as well as common social and economic problems with bordering states. Accordingly, agreements for coordinated action of a regional nature have developed.[27]

A number of integrative relationships have been conducted independently of the Canadian federal government. For example: Ontario's Membership in the Northern Great Lakes Area Council (NORGLAC) institutionalizes her Great Lakes travel advertising programmes with those of Minnesota, Wisconsin and Michigan. Similarly, the departments of

transport and highways for Saskatchewan, Alberta, Manitoba and Nova Scotia report some type of arrangement with American states for reciprocal recognition of drivers licences and commercial vehicle registration. The Manitoba Water Supply Board has likewise concluded an agreement with the city of Neche, North Dakota, for use in water distribution systems of several Manitoba villages. Furthermore, a number of provinces have independently made arrangements with bordering states relating to mutual assistance in the case of large forest fires along the shared frontier.[28]

Neo-functional integration of the provinces with the United States does not seem to have been totally impeded by constitutional difficulties.

The Federal Economy and Asymmetrical Interdependency

Dyadic integration and federal asymmetry have been linked together by federal and provincial development policies. To reiterate: regional economic development programmes of both federal and provincial authorities have often been based on the notion that economic growth is dependent upon both the exploitation and the exportation of resources. Indeed, many of the peripheral provinces have traded-off "real" development based upon employment-generating secondary and tertiary industry for a "hinterland"

capital-intensive resource-based economy.[29]

A key component of many of the development programmes of certain provincial governments involves attracting the investment of large American corporations. The rationale of such an approach is the belief that the few hundred jobs created are supposed to contribute to economic growth. Thus, in this environment of searching for development capital, many of the provinces are engaged in competition with each other for American investment and trade. Nevertheless, such a rationale is susceptible to increasing criticism in provinces like British Columbia, Saskatchewan and Manitoba where NDP governments now are in power.

Another component of the development strategies of many provincial governments involves attempts at increasing trade with the United States (as well as with other countries).

> Canada's generally heavy dependence on foreign trade is reflected in the substantial connections which the regional economies have with international markets as well as with each other. The importance of the international links helps to explain the growing international role of the provincial governments, especially with regard to the expansion of their economies. Provincial missions to foreign capitals seeking trade, investment and technical know-how are becoming commonplace. Many of these regional enterprises are virtually independent of the country's finance capitals.[30]

Thus, the process of neo-functional integration is characterized by many of the provinces developing elaborate

machinery for the external promotion of trade and development. For example: Ontario has opened trade offices in six American cities as well as sent out a number of trade missions to the United States.[31]

The proclivity of many provincial governments to attract American investment and trade is well-summarized by Quebec's Minister of Industry and Commerce, Guy St. Pierre:

> "Since Quebec cannot raise the capital it requires in Canada, the policies of the Government of Canada must leave Quebec the freedom to obtain these funds outside of Canada."[32]

Accordingly, the provincial governments often give priorities, loans and other advantages to American firms in preference to Canadian enterprises.

Federal-provincial and inter-provincial competition for American trade and investment, however, exacts a heavy price. On the one hand, federal government programmes to alleviate the regional disparities and develop a relatively symmetrical federal economy are frustrated. On the other hand, among the factors strengthening the bargaining position of the large corporations is the opportunity to choose from a broad variety of investment incentives offered by the competing provinces. Initiative and flexibility come to lie with the latter. It is the multinational corporation who can compare offers of tax exemptions for subsidiaries and select the region for their

investment input. Generally, they prolong the bidding until the last concession has been gained. Indeed, according to Philip Mathias, this "development psychology" has brought most provinces to their knees before the mighty multinational corporations. The province of Manitoba, for example, had to offer greater exemptions to the Churchill Forest Industries group because of the competition with Quebec.[33]

The provinces, by competing with themselves, have given away their right to the superprofit —— that is, those profits in excess of the returns needed to attract capital. Thus, a province that turns over its natural resources to American corporations ensures that the surpluses will accrue to the latter.[34] The irony is that the province pursues this development strategy in order to make some small addition to its labour force. In the process, however, it defines many of its citizens as lumberjacks, drillers and miners rather than as owners or managers. The province, in other words, merely presides over the consumption of its wealth as the corporations absorb the generated surpluses.[35]

The key feedback effect of Canadian provincial-American integration resulting from American investment and trade with the different regions is an accentuation of disintegrating tendencies within the Canadian federal system. On the one hand, federal asymmetry via regional

disparities characterizes the selectivity of American investment patterns. As mentioned previously, Southern Ontario and parts of Quebec benefit from massive infusions of capital into labour-intensive secondary industry —— for example: defence and automotive production. The peripheral provinces tend to have their development relatively constrained by a disproportionate amount of American investment in regional resources. On the other hand, the provinces are engrossed in the spiralling activity of promoting their own resource development policies. An accentuation of federal-provincial and interprovincial cleavages is a concomitant result of this process.

The Bargaining Process

The neo-functional integrative process of particular provinces with the United States is also reflected in bargaining situations. These bargaining situations often generate and accentuate cleavages (interprovincial or federal-provincial) within the Canadian federal system.

An illustration of this process is the bargaining over the American imposition of a 10% surcharge in 1971 in the context of constraints placed by the American parameter. Prosperous Ontario, more fully integrated into the American economy through the Canada - United States Automotive Agreement, publicly announced it would resist any federal strategy of placing the Auto Pact at the

bargaining table over the surcharge exemption.[36] Correspondingly, the lack of a strong central government response to the 10% surcharge prompted some of the "have" provinces to take their own adjustment measures. Ontario, for example, devised its own winter works programme. It announced it would create an office in Washington to protect its interests. Similarly, Alberta declared its intention to establish a Washington office.[37] Thus, the failure of Ottawa to strongly respond to the American initiative ultimately both reinforced provincial - United States integration and accentuated federal - provincial conflict.

Shifting coalitions also are a key dimension of the dynamics of federal asymmetry and conflict. One illustration is the natural gas issue (a case study which is examined in some detail below) which has in recent years been a persistent thorn in federal-provincial relations. Even in early 1973, the multinational oil companies were allying themselves with Alberta in that province's disagreement with Ontario and Ottawa. At that time, a spokesman for the Canadian Petroleum Association argued that: the "preferential treatment of a certain market within Canada is not in the best interest of Alberta"; nor, according to this reasoning, was "the use of natural gas for power generation on a large scale". Accordingly, the spokesman advocated the "politization" and "mobilization" of some 200 petroleum

companies to concurrently pursue the strategy of pressuring Ottawa export controls while supporting Alberta with "a campaign of hard information". "We now have mutual interests with the Alberta government",[38] the spokesman concluded. Thus, the coincidence of Alberta government interests and prospective corporate profits reinforces federal-provincial as well as interprovincial conflict.

III FEDERAL ASYMMETRIC INTERDEPENDENCE

The neo-functional aspect of the Canadian federal system can be studied in terms of: first, defining the general problem in the context of a shift in decision-making power to the provinces; second, examining cooperative federalism and the conflict-generating bargaining powers; third, analyzing the particular bargaining relationships in the natural gas issue; fourth, studying the special case of the political party system and the extent to which it performs an integrative function.

The General Problem: A Shift in Decision-Making Power

Many students of Canadian federalism suggest that the balance of decision-making power in recent years has shifted in favour of the provinces. This process has been

reinforced by the process of continental integration which weakens Ottawa's influence over the provinces as the provincial governments look south for economic investment, markets and the like. This contributes to decentralizing and disintegrative tendencies within the Canadian federal system. John Conway has defined the dilemma in the following terms:

> The main fact is that we have no paramount central authority accepted unquestionably as such from the Atlantic to the Pacific....It is one of the ironies of modern history that the intentions of both the Fathers of the American Republic and the Fathers of the Canadian Confederation should have been so completely frustrated. Under the American constitution, the authority of the central power was intended to be minimal. In fact today that central authority is imperial and neo-Caesariat. Under the British North America Act, the central authority was intended to be powerful so as to avoid the dangers to which state's rights seem to have exposed the Union. In fact, today the central authority is uncertain and on the defensive, while the provinces —— at least the rich and powerful ones —— assert their rights with complete self-confidence.[39]

To reiterate, these pressures for greater provincial power can, to some extent, be explained in the context of the dyadic parameter.

The previously mentioned dyadic constraints on Ottawa's decision-making decreases the federal government's authority. The federal government's growing inability to aggregate regional economic interests is parallelled by the provinces' taking matters into their

own hands. As the provinces seek markets and investment in the United States, their economic integration into the American metropolis and the resulting functional specialization leads to a distinctiveness in provincial interest. Interprovincial conflict is transformed into deeper federal-provincial cleavages as federal control of economic policies is increasingly perceived as harmful or irrelevant by the provinces. Thus, traditional federally-controlled areas such as economic planning, transportation and external relations become more and more subject to provincial involvement.

On the other hand, the resource industries that have been established in Canada under American ownership have usually been in response to American needs. Yet, the provinces, in order to induce American direct investment, have had to spend large sums of money on roads, electric power facilities, forest conservation, and other goods and services. The subsequent financial burden has led the provinces to borrow in the United States and elsewhere. This is one reason, among others, why the provinces have demanded an increased share of federal tax revenue.[40]

If financial resources are used as an indicator of the attenuation of central government dominance in the Canadian federal system, the very great changes in the fiscal balance between Ottawa and the provinces in the

post-war period are very instructive. In 1955, federal expenditures on goods and services were 8.5 percent of GNP while provincial and local expenditures combined were 6 percent. In 1965, the corresponding proportions were 5.1 percent and 7.9 percent. Similarly, in terms of tax revenues, federal taxes were 74.3 percent of total levies paid by Canadians in 1955; provincial and municipal taxes combined accounted for 25.7 percent. By 1965, the federal proportion had fallen to 60.9 percent while provincial and local tax levies increased 5.3 times to account for 39.1 percent of the governmental total.[41] In addition, among more specific indicators of growing provincial power, are the elimination of direct federal grants to universities and the recent federal concession over family allowances.

In the end, many areas of expanding provincial activity are not directly linked to the effects of continental integration. However, provincial involvement in them is facilitated by the growing inability or unwillingness of the federal government to affirm its traditional authority. Thus, the shift in decision-making has largely left the federal government with the management of the old infrastructure of communications and commercial institutions left over from a previous era.[42] New public expenditures, such as hydro-electric schemes, highways, schools and hospitals are typically

provincial. The original federal bargain is being eroded.

Cooperative Federalism and the Conflict-Generating Bargaining Process

Overtime, the nineteenth century notion of "quasi-federalism" was completely supplanted by the principle of cooperative federalism in mid-twentieth century Canada.[43] In this section, we are concerned with two aspects of this trend: first, the nature of cooperative federalism; and second, the constraints on its operation.

In the first place, the nature of present-day cooperative federalism is the outcome of an evolutionary process in that the Canadian constitution did not envision the current degree of overlapping federal-provincial decision-making. To the extent that it did, the original federal bargain had granted Ottawa the power to disallow provincial legislation, to appoint senators, and to appoint lieutenant governors. Furthermore, the modernization of federal institutions in a cooperative direction was catalyzed by a number of factors including the exigencies of the modern welfare state[44] and the dyadic environment.

The nature of cooperative federalism is such that increased opportunities for federal-provincial interaction has been parallelled by increased opportunities for

conflict. No longer are federal-provincial disagreements confined to constitutional and legal problems to be settled in the cold detached atmosphere of the courts. Today, social, political and economic issues have been injected into the federal-provincial arena. Largely as a result of these additional strains and the inability amd inadequacy of the judicial system often to handle such problems, a set of extraconstitutional and extraparliamentary institutions have been developed. Federal-provincial and related inter-governmental conferences have been created to provide an institutionalized mechanism for problem-solving. An indication of the growing need for these meetings is the incredible increase in the number of federal-provincial conferences over the last thirty-five years. From 1939, when there was only 7 such meetings, there was a jump to 64 such meetingsin 1957; and from the mid-1960's to today, there has generally been about 120 of such meetings annually. These figures, however, do not include the myriad of informal intergovernmental meetings.[45]

A second aspect of cooperative federalism is that there are a number of constraints upon its operation. First, despite the significance of the federal-provincial conferences and interprovincial committees, they often lack an institutional life of their own. The operations of "executive federalism"[46] make the existence of the inter-

governmental conferences and committees highly dependent upon the political decisions of the federal and provincial executives. Indeed, there is no body in federal-provincial decision-making machinery as extensive or highly institutionalized as the Commission of the European Economic Community; there is no extensive intergovernmental bureaucracy. One of the closest approximations to such institutionalization is the Council of Resource Ministers which was founded with its own letters patent and has its own staff of researchers.[47] In other words, only in specialized areas is there any movement toward institutionalization. Nevertheless, despite the publicity generated from the Conferences of Premiers and Prime-Ministers, the centralization of cooperative machinery generally only provides a gathering place for the various governmental "ambassadors".[48]

The Conferences, despite their intent, have generally not succeeded in producing the desired inter-governmental elite cooperation. Since only lesser decisions are made by lower level civil servants and politicians, it is the more profound and intractable conflicts that are channelled to the inter-governmental Prime Minister/Cabinet minister level.[49] Furthermore, the mechanisms of inter-governmental bargaining do not provide for continuing ministerial contact; thus, such needed meetings as the Resource Ministers' conferences are further constrained from achieving coop-

erative results.[50] Even when the Conferences are held, there is some evidence that the provincial delegations are often more concerned with voicing grievances and advancing political interests than accommodation. As one federal Cabinet minister suggested:

> "When you have a federal-provincial conference, you are giving the premiers a national platform and a national audience. It just builds the premiers up and you build up more opposition to federal policies." [51]

Secondly, cooperation and problem-solving are further constrained by the American parameter. Federal-provincial and interprovincial bargaining disagreements through both formal and informal channels can be sometimes exacerbated and develop into conflict situations because of the Canadian/American relationship. This is largely because the provinces and federal government are playing several simultaneous games at once.[52] The effect of playing simultaneous bargaining games is that the goals and tactics in one game tend to conflict with those of others. For example, electoral and federal-provincial games tend to be constrained by the resource development game. Thus, in the dyadic environment of provincial aggressiveness and the "development psychology", provincial governments demand a voice in certain federal policies.[53]

In turn, certain federal integrative policies sometimes become politically unacceptable. To the extent that Ottawa

takes strong measures against the Americanization of the Canadian economy, a conflict situation emerges with many of the provinces.[54] For example: in the previously mentioned "Automotive Wage and Parity Agreement" of 1967, the federal government was caught between the interests of an American-based multinational corporation and an American-based international union over an issue that largely concerned Ontario workers. By law, union-management collective bargaining and wage rates are the concern of provincial governments. Thus, despite some federal concern that wage parity would result in inflationary tendencies within the economy, Ottawa only had the lever of drastic intervention measures. This seemed to be a politically unacceptable option particularly in light of the business/labour conflict that also was developing.[55]

On the positive side, the American parameter may sometimes help in the effective operation of cooperative federalism. For example: in the 1966 October Federal-Provincial Conference, a "spillover" effect of Quebec's seeking increasing American investment for provincial development as well as a receptive market for its securities, was that the provincial leadership assumed only a moderate position in its traditional position on nationalistic ethnic-linguistic factors. This game plan was developed after the Quebec authorities had recognized that there had been negative effects arising from a highly nationalistic

statement of Premier Johnson in September, 1966. The premier's statement had been a significant factor —— among others —— adversely affecting the general investment climate in Quebec (for example, leading to decreased American investment) as well as problems in marketing Quebec bonds at that time.[56]

The Continental Parameter and Bargaining over Natural Gas

Although the Canadian federation was originally a bargain, it was a bargain made by those committed to integration. Acts of assessing choices, calculating advantages, and expending the effort necessary to persuade the uncommitted all produced a unified federal structure. However, this pervasive and primary commitment to the idea of federalism may not be as widespread among the continental, national and subnational elite today. The recent problem arising from government policy regarding oil policy in general and natural gas policy in particular is an illustration of dyadic decision-making integration and related federal decentralization and conflict. This thesis focuses on the bargaining regarding natural gas during the spring and summer period of 1973[57] as an important case study of the multiple bargaining process.

At the dyadic level, the United States, despite growing protectionist trends at home, was bargaining for

some form of Canadian-American "energy sharing" agreement. Washington was —— and still is —— concerned that American industry should have permanent access to "continental" energy resources and a "guarantee" of no interference with future supply.[58]

Nevertheless, Ottawa was attempting to increase federal control over foreign and domestic markets of oil and natural gas. On the one hand, a National Energy Board policy recommendation of November, 1971, had suggested modifications of the previous Canadian system of imports and exports of oil (that is: Western Canada and Ontario had been supplied by Alberta sources; and provinces east of Ontario were supplied by Venezuela and Middle Eastern sources). On the other hand, the Board recommended freezing the level of natural gas exports; it argued that there was not a sufficient natural gas surplus for increased sales to the United States. Correspondingly, federal decision-makers were replacing the old combination of flexibility and "ad hoc rigidity" in bargaining with tough National Energy Board controls.[59]

The provincial governments, however, perceived federal constraints on their energy resource development policies when Ottawa (notably the National Energy Board) was bargaining with the Americans over provincial resources. Federal-provincial conflict —— accompanied by interprovincial

conflict between Alberta and Ontario —— resulted.

As the principal natural gas supplier for all of Canada west of Quebec, Alberta refused to passively accept National Energy Board directives limiting the natural gas market (mostly within Canada when there was a seller's market in the United States).[60] This strategy can be traced to a September, 1972 report put out by the Alberta Energy Resources Conservation Board recommending a 50%-100% hike in natural gas prices. Somewhat challenging the National Energy Board's export policies, the Alberta Board claimed that the latter's policy of freezing increased gas exports to the United States was forcing Alberta to lose needed revenue while simultaneously forcing the subsidy of Eastern Canada with cheap gas.[61]

Premier Lougheed of Alberta, confronted with the seller's market for energy in the United States, announced plans for a two-price system for natural gas. The policy was designed to increase prices outside the province by a minimum of 10 cents per thousand cubic feet of gas from 16 to 26 cents.[62] Lougheed's rationale was that: "We are not obliged to sell our gas below market value —— and we make no apologies about it —— because we own the resources here".[63] Furthermore, Alberta perceived that the National Energy Board's policy of not issuing more natural gas permits was detrimental to the development of

provincial energy resources. Thus, the increased royalties (from 16-2/3% to 25%) that would arise from proposed higher prices would augment provincial revenue by $50 million while the rest would go to petroleum companies for resource exploration.[64]

A basic aspect of the developing bargaining pattern was the attempt by Alberta to somewhat counterbalance a perceived federal asymmetry favouring Ontario. The increased price proposals were largely aimed at increasing income from Ontario which had been benefiting from under-priced Alberta natural gas.[65] One of Lougheed's tactics in bargaining for price increases was to place an embargo on additional supplies to Ontario. Despite meetings with Premier Davis in January and April, 1973, Lougheed's government did not sanction the removal of any additional gas in over two years.[66]

Ontario reacted to the Alberta initiatives negatively. Ontario perceived that certain benefits arising from the asymmetry of the federation were being threatened. Ontario estimated that the natural gas price increases would cost its industrial and private users almost $52 million annually.[67] Furthermore, Ontario felt dyadic constraints; decision-makers perceived the potential adverse effect on them of continental market prices fluctuating with the scarcity that loomed large at that time.[68] Ontario based its position on the need

to preserve and reinforce federal economic integration by maintaining Ontario's industrial predominance. Premier Davis suggested that the Alberta pricing policy was detrimental to "national industrial development". Ontario interests, according to his perception, were coterminous with those of Canada: "In proportionate terms Ontario is too large a part of the economic health of the country".[69] Thus, Davis appealed to Ottawa for cooperation in "a case of the national interest".[70] In federal-provincial energy conferences, both Ottawa and certain other provinces have tended to form loose alliances with Ontario. However, Alberta's recalcitrance may force the issue to be presented for judicial review;[71] ultimately the Supreme Court of Canada may have to pass judgement on this case.

In this whole process, American multinational corporations have perceived profits to be gained from energy resource investment and trade. In line with their practice of entering shifting alliances with those governmental actors suiting their objectives, in this case, their lobbying has tended to be in support of Alberta's position. In order to not totally alienate Ontario, however, the petroleum gas agglomerates have asked that price increases be gradual rather than sudden.

To sum up: the forementioned energy induced bargaining relationships clearly illustrate the feedback

effect of the continental environment on federal decision-making processes. In other words, the huge continental market tends to exacerbate federal-provincial and inter-provincial conflict. Alberta tends to form alliances with American multinationals; shifting coalitions between provincial and governmental actors tend to make for complex bargaining games which makes problem-solving and cooperation more difficult. The irony of this disintegrative conflict, as Premier Davis suggests, is that Alberta and Ontario "are not competing nation-states but are two authorities within the national whole".[72]

The Political Party System and Federal Asymmetry

The party system in a federation is often cited as performing an integrative function along the neo-functional dimension. William Riker has argued that: "there is one institutional condition that controls the nature of the [federal] bargain....This is the structure of the party system".[73] Morton Grodzins[74] and David Truman[75] have indicated a close relationship between the operation of federalism and the decentralized party system in the United States. In this line of reasoning, certain writers on the Canadian federal system have attributed some significance to the Canadian party system.

One approach, following Riker's example, stresses the importance of the bargaining relationship between parties at the national and provincial level. The coincidence or difference in party label at the two levels supposedly has a large impact on this relationship.[76] Alternatively, the brokerage model suggests that:

> The main function of Canadian political parties.... is to act as agents of political integration, combatting and neutralizing the notoriously fissiparious tendencies of Canadian society by providing for the representation within each party of every significant interest group.[77]

A third perspective is that of Stephen Muller who suggests that Canada has a "two-layer" party system of national and provincial levels; and he postulates a cyclical pattern by which voters elect a national party and then, because it does not adequately reflect provincial viewpoints, the voters gradually become disaffected and elect governments of opposing parties in the provinces. The federal government eventually finds itself confronted with hostile governments in most provinces; and finally, it is replaced by the opposition, and the cycle starts over again.[78]

Whatever theory —— or combination of theories —— one chooses to accept, it has become apparent that the Canadian party system does not provide much decision-making integration between the provincial and national

levels. The party subsystems are largely separate and distinct, fostering a pattern of federal-provincial governmental negotiation "more analogous to that between nation-states than that between units in the same political system".[79] The relative separation of federal and provincial parties can largely be attributed to the provincialist/regionalist expectations the electorate has toward the provincial governments, and those circumstances reinforcing such tendencies.

The dyadic parameter, moreover, places further constraints on the federal integrative function the party system could possibly perform. Indeed, Khayyam Paltiel has suggested that the nature of party financing, increasingly giving provincial parties their own sources of funds,[80] has been dysfunctional to neo-functional integration. Today, with the weakening of east-west economic integration, the Liberal and Conservative parties are characterized by provincial wings not very dependent upon funds collected by the federal parties. Concomitant to the continental integrative process and the increasing provincial dependence on American corporations, provincial political parties now obtain substantial donations from American corporations. This is directly related to natural resource policy; the increased power of the provinces encourages corporations to directly support provincial parties. In other words, provincial parties are largely

dependent on current low labour-intensive resource development policies.[81]

This process is in sharp contrast to the pre-World War II centralized system of party financing which helped counteract peripheralizing tendencies in Canadian federalism. Previously, the centralized corporate and financial structures situated in Toronto and Montreal had financed federal political parties; central party funds and sources were used to finance both federal and provincial elections. This system had an integrating effect; it helped overcome the fragmentation of the provinces and the provincial party organizations.[82]

The feedback effect of the growing independence of provincial parties has been an augmentation of the decision-making power of provincial authorities. In turn, American corporations have a more direct impact on those regional problems affecting their interests. Nevertheless, American corporations still financially contribute to the federal parties. There are still some direct benefits that the corporations derive from federal government policies; but, above all, the corporations want to insure themselves against the possibility of ideologically unacceptable or unsympathetic persons winning control of the central government. These foreign-owned companies are basically concerned that the federal party system should maintain its

recruitment function; however, the aggregative and integrative functions are discouraged.[83]

To sum up: the neo-functional dimension of the integrative/disintegrative process is additional evidence supporting the notion that the continental parameter imposes constraints and rigidities upon federal decision-making integration.

FOOTNOTES

1 Kal Holsti, "The United States and Canada" in S.L. Spiegel and K.N. Waltz, Conflict in World Politics (Cambridge, 1971), p. 393.

2 Joseph Nye, Peace in Parts: Integration and Conflict in Regional Organization, (Boston, 1967), p. 6.

3 Maureen Molot, "The Role of Institutions in Canada-U.S. Financial Relations", (Ottawa, Carleton University, April 8, 1972), unpublished paper, pp. 4-7.

4 Ibid. pp. 7-14.

5 Smiley, Canada in Question: Federalism in the Seventies, p. 174.

6 Government of Canada, Foreign Ownership and the Structure of Canadian Industry, (Ottawa, 1968), p. 36. This book is more commonly referred to as the Watkins Report.

7 Ibid. p. 442.

8 D. Godfrey and M. Watkins, Gordon to You, (Toronto, 1970), pp. 145-161.

9 SEE Smiley, Canada in Question: Federalism in the Seventies, a quote of Mitchell Sharp.

10 Financial Post, (February 3, 1973), p.10.

11 Ibid. p. 10.

12 Department of Trade and Commerce, Corporation and Labour Union Returns Act - II (Ottawa, 1968-69), pp. 104-108.

13 From the Eleventh Report of the Standing Committee on Defence and External Affairs Respecting Canada - U. S. Relations, (Ottawa, 1970), p. 33.

14 John Crispo, International Unionism: A Study in Canadian-American Relations, Toronto, 1967), p. 31.

15 David Kwavnick, Organized Labour and Pressure Politics, (Montreal, 1972), p. 34. SEE Chapter 2 for a brief summary of the origins and development of the CLC as well as its structure and function.

16 Ibid. pp. 34-35. This idea is based on a citation from Forsey, "History of the Labour Movement in Canada", in The Canada Year Book, 1957-58, (Ottawa, 1958), p. 798.

17 Ibid. p. 36. Citation from CLC: Report of Proceedings Toronto, April 23-27, 1956, (Ottawa, 1956), p. 6.

18 Ibid. p. 61.

19 SEE "UAW - Big Three Agreements", Labour Gazette, (July, 1968), Vol. 68, pp. 397-398.
"UAW strikes Chrysler; wins parity". Canadian Labour, (Feb., 1968), Vol. 13, p. 9.

20 SEE "Hunt for money is priority job for James Bay Development project", Financial Post, (September 18, 1971), p. 6.

21 Quoted in Howard A. Leeson, "Foreign Relations and Quebec", Canadian Federalism: Myth or Reality, p. 455. See this article for details of this viewpoint, especially pp. 453-458. More generally, this argument is discussed in Ronald G. Atkey, "The Role of the Provinces in International Affairs", International Journal, Vol 26, 1970-1971, pp. 261-262.
I must emphasize that an opposite argument is made by those in favour of a broad federal treaty-making power. They favour a broad interpretation of the residuary clause of S. 91.

22 Leeson, p. 455.

23 Atkey, p. 262.

24 Ibid. pp. 262-263.

25 Leeson, pp. 456-458. SEE Thomas A. Levy, The International Status of Provinces, M.A. Thesis, (McGill, Montreal, 1970). This is a particularly excellent study of the treaty rights of provinces.

26 SEE Atkey, pp. 264-268 for arguments favouring exclusive federal competence in foreign relations. This thesis acknowledges that these arguments also can be accepted as valid for those arguing such a viewpoint.

27 Ibid. p. 258.

28 Ibid. pp. 258-259.

29 Eric Kierans, Report on Natural Resource Policy in Manitoba, (Montreal, McGill University, 1973), p. 9.

30 Edwin R. Black and Alan C. Cairns, "A Different Perspective on Canadian Federalism", Canadian Federalism: Myth or Reality, p. 94.

31 Atkey, p. 259.

32 The Globe and Mail, (April 3, 1973), p. B:4

33 Philip Mathias, Forced Growth, (Toronto, 1971), p. 11. For the case study, SEE pp. 124-129.

34 Kierans, p. 9.

35 Ibid. p. 7.

36 Smiley, Canada in Question: Federalism in the Seventies, p. 175.

37 Ibid. p. 174. In respect to Ontario's position, Smiley cites a statement by Premier Davis of Ontario to the Federal-Provincial Conference of November 15-16, 1971, "Questions in Federal-Provincial Cooperation" (mimeo) p. 5.

38 The Globe and Mail, (April 5, 1973), p. 10.
It is important to again emphasize that many other events have occurred since these statements were made. However, since the scope of this essay is confined to the period up to August, 1973, I will not analyze these events here. Nevertheless, a brief updating summary can be found at footnote 57.

39. John Conway, "Geo-Politics and the Canadian Union", Canadian Federalism: Myth or Reality, p. 396.

40 Stevenson, p. 14. Although provincial demands for more tax revenue involve many more factors than can be outlined in this thesis, this does not reduce the significance of the correlations established.

41 Smiley, Canada in Question: Federalism in the Seventies, p. 112. Smiley quotes R.M. Bird, The Growth of Government Spending in Canada.

42 Levitt, p. 145.
SEE also Claude Morin, Le Pouvoir Québecois en Négociation, (Montreal, 1972). It is important to note that the prevailing thesis of the 1960's —— that the Canadian federal system has increasingly become decentralized —— has not been adhered to by all commentators. Claude Morin has criticized this notion by contending that the Canadian federal system has increasingly been dominated by the central authotities at the expense of provincial autonomy.

43 SEE my earlier discussion in Chapter one of not only Mallory and Wheare —— both of whom suggest a "quasi-federalism" period for nineteenth century Canada —— but also Grodzins, Elazer and others regarding "cooperative federalism".

44 Simeon, Federal-Provincial Diplomacy, p. 124.

45 Ibid. p. 124.

46 Smiley, Canada in Question: Federalism in the Seventies, pp. 59-60. SEE Chapter 3.

47 Ibid. p. 64.

48 Donald V. Smiley, "Public Administration and Canadian Federalism", Canadian Public Administration, 1964, pp. 377-380.
Smiley's view of the conferences of Premiers and Prime Minister's as merely a gathering place for governmental ambassadors should be contrasted with Simeon's view of such conferences as performing a real decision-making function.

49 Simeon, p. 143.

50 Ibid. pp. 133-134.

51 Quoted in Simeon, p. 132.

52 Ibid. pp. 178-179.

53 Smiley, Canada in Question: Federalism in the Seventies, p. 173.

54 Ibid. p. 173.

55 SEE Economic Council of Canada, 3rd Annual Review, Prices, Productivity and Employment, (Ottawa, 1966), p. 70. It is important to note that class and other cleavages often reflect or reinforce dyadic integration/federal disintegration, although this study leaves to subsequent investigations the problem of delimiting the extent to which this is true.

56 Simeon, p. 179.

57 At this point, it is important to reiterate that the scope of this essay is limited to the period up to and including August, 1973. Indeed, a number of events have occurred since then resulting in a significantly altered situation. Noteably, the Middle East embargo of the winter of 1973/1974 has catalyzed the movement toward abandoning the dependency of Quebec and the Maritimes on unreliable foreign sources of petroleum in favour of a national market integrated by a trans-Canada pipeline. Furthermore, under the tutelage of Ottawa, in practical effect a two-price system for petroleum has been instituted. There is one price for Alberta petroleum exported abroad (particularly the United States) which is subject to a federal export tax, the revenues of which are split between Alberta (and Saskatchewan) and Ottawa. On the other hand, there is a lower domestic Canadian price as well as a cross-subsidy for Eastern Canadian consumers.
Ironically, the continental energy market with higher prices being offered by the Americans has had the feedback effect of Alberta's resisting the integrative efforts of Ottawa. Underpinning Alberta's dissatisfaction is not only a desire for a greater share of the export tax but also the objective of having labour-intensive petrochemical plants constructed in the province. To this end, Alberta has sought other provincial allies in its conflict with Ottawa and Ontario. The significance of this long-lasting Alberta-Ottawa-Ontario triangular conflict is that despite the dynamics of time, the essential theme

of this thesis still stands.
For more information, see the following articles:

Stephen Duncan, "Ottawa, Alberta still on Collision Course", Financial Post, (February 23, 1974), p. 31.

Horst Heise, "Lougheed likely to pull in horns?" Financial Post, (July 13, 1974), p. 1.

Horst Heise, "Alberta-Quebec love feast helps ease resource tensions", Financial Post, (August 3, 1974), p. 15.

58 W. L. Dack, "How U.S. Energy Study May Affect Canada's Plans", Financial Post, (February 24, 1973), p. 11.

59 Financial Post, (February 24,1973), p. 10.

60 "Turning up the Gas", Time, April 16, 1973, p. 13.

61 Hyman Solomon, "Alberta Gas Plan Challenges Ottawa's Export Policy", Financial Post, (September 2, 1972), p. E.12.

62 The Globe and Mail, April 2, 1973, p. 9.

63 The Globe and Mail, March 30, 1973, p. B.7.

64 Time, (April 16, 1973), p. 13.

65 The Globe and Mail, April 5, 1973, p. B.5.

66 The Globe and Mail, March 30, 1973, p. B.7.

67 Time, April 16, 1973, p. 13.

68 The Globe and Mail, April 5, 1973, p. B.5.

69 The Globe and Mail, April 4, 1973, pp. 1-2.

70 Ibid. p. 1.

71 The Globe and Mail, April 5, 1973, p. D.5.

72 The Globe and Mail, April 4, 1973, p. 1.

73 William Riker, Federalism: Origin, Operation, Significance, (Boston, 1964), p. 136.

74 SEE Morton Grodzins, "American Political Parties and the Party System", American Federalism in Perspective, pp. 109-143.

75 SEE David Truman, "Federalism and the Party System", American Federalism in Perspective, pp. 81-108.

76 M. Stein, "Federal Political Systems and Federal Societies", Canadian Federalism: Myth or Reality, p. 31.

77 S.J.R. Noel, "Political Parties and Elite Accomodation: Interpretations of Canadian Federalism", Canadian Federalism: Myth or Reality, p. 122. SEE also R. MacGregor Dawson, The Government of Canada, 5th edition, ed. Norman Ward, (Toronto, 1970), for such an interpretation.

78 Stephen Muller, "Federalism and the Party System in Canada", American Federalism in Perspective, pp. 144-162.

79 Simeon, p. 33.

80 SEE Khayyam Paltiel, "Federalism and Party Finance: A Preliminary Sounding", Studies in Canadian Party Finance, (Ottawa, 1966), pp. 4-5.

81 Ibid. p. 13.

82 Ibid. pp. 4-5.

83 Noel, p. 132.

CHAPTER SIX

ATTITUDINAL INTEGRATION/DISINTEGRATION

The last dimension of the integrative/disintegrative process to be considered is that of attitudes. There are two distinct but related aspects to be considered: emotional identitive feelings and pragmatic utilitarian perceptions.

I ATTITUDINAL DYADIC INTEGRATION

Utilitarian rather than identitive continentalism is generally considered to pervade Canadian attitudes toward dyadic integration. Emotional feelings of friendship, loyalty and identification with the United States have tended to be not as strong as the utilitarian perception of material benefits derived from the dyadic relationship.

Nevertheless, utilitarian support for continental integration has shown a tendency to decline in recent years. In 1956, 68% of Canadians considered that it was a "good thing for Canada" that its development was largely financed by American capital. In 1959, the proportion of a similar opinion declined to 62%; and by 1967, it was down to 57%.[1] Correspondingly, another series of Gallup polls have shown a similar trend in opinion regarding whether there is "enough" American capital invested in Canada. In 1961, 52% of Canadians interviewed thought there was enough American capital invested while 33% favoured more and 15% were undecided. By 1967, those who thought there was enough had grown to 60% and those who favoured more had fallen to 24%.[2] By 1972, 67% thought there was enough American capital and 22% wanted more.[3]

There are other indications of growing acknowledgement of continental integration. In 1966, only 33% of Canadians considered that Canada and the United States were drawing closer together. By 1969, those who saw the two countires coming closer together jumped to 48%, while those who perceived a growing gap in their relationship was about 24%.[4] The open-ended responses accounting for these attitudes are suggestive. Of those who perceived the two countries as growing closer together in 1969, about one-third (32%) thought it was because of increased trade and economic integration while only 19%

considered cultural integration important.[5]

The growing recognition of dyadic integration has been accompanied by a decrease in identitive support for it. This is reflected in responses to a series of Gallup polls between 1963 and 1972. In 1963, 48% of Canadians interviewed considered Canadian dependency on the United States a "good thing" and 44% were hostile toward it. By 1972, only 34% regarded this dependency as good while those who considered it "not a good thing" grew to 53%.[6]

To sum up: there is significant evidence of dyadic attitudinal integration from the perspective of Canada. However, it is difficult to ascertain any growth in this process. Indeed, there appears to be some evidence of a growing opposition to it.

II ATTITUDINAL INTEGRATION: REGIONAL PERCEPTIONS

The regions of the Canadian federal system manifest somewhat interesting variations in their level of attitudinal continental integration. To start, regional utilitarian support for continental integration might be compared by focusing on attitudes toward American investment. It might be expected that those regions most saturated by foreign investment would suffer the greatest backlash

against it. Thus, in 1970, respondents thinking there was enough American capital in Canada varied from 73% in Ontario and 69% in the West (regions with high levels of American investment) to 61% in the Maritimes and only 58% in Quebec (regions with lower levels of American investment)[7]. Correspondingly, in a 1970 Gallup poll of Canadians favouring a policy of "buying back" 51% control of U.S.-owned companies established in Canada (despite a reduction in the standard of living), an interesting pattern emerges. Just under five in ten adults in each of Ontario, the West and Quebec favour such a policy while only 36% of Maritimes support such a policy.[8] This is another indirect indicator of asymmetrical interdependency within the Canadian federal system such that Ontario principally— as well as the West to some extent — in acknowledging tight economic links with the United States, has become the hotbed of Canadian economic nationalism.

The irony is that there does not seem to be a pattern of correlations between the extent of economic nationalism of the citizenry of particular provinces and electoral outcomes. This is especially true of Ontario where, although the issue of economic nationalism is the forefront, in the election of October 1971, the Conservative Party (which is measurably less disposed toward economic nationalism than the Liberal or New Democratic

Party) was decisively returned to power with a decisive mandate.[9] On the other hand, British Columbia, Saskatchewan and Manitoba ——provinces where the issue of economic nationalism is less pressing —— have voted in New Democratic Party governments which are more hostile toward foreign investment. The latter provincial parties had made it clear during their campaigns that, as part of their programme, certain foreign-owned resource industries would be placed under greater government control for the benefit of each province.

Statistics on shifting identitive loyalties are difficult to acquire. However, the regional breakdown of a 1969 national sample of whether the United States and Canada were drawing closer or further apart is suggestive. While 54% in Ontario and 49% in the West saw a more intimate dyadic relationship, only 40% in Quebec and less in the Maritimes had a similar impression.[10]

The attitudinal component of dyadic integration has a number of feedback effects on integration within the Canadian federal system. To the extent attitudinal continental integration reinforces the other three dimensions (functional, transactional and neo-functional), federal asymmetry and subunit conflict is accentuated. Moreover, this exaggeration of regional cleavages would become especially apparent if different provinces and regions have varying levels of attitudinal integration within the dyad.

It is significant to acknowledge that recent opinion polls do not indicate any widespread growth in popular support for continentalism "per se". However, in the long-run, the Canadian federal system may be in danger of disintegrating to the extent that the Canadian federal ideal is displaced by the continentalist idea as the primary value that the elite and/or masses might be affectively and pragmatically committed to.[11]

These feedback effects upon the Canadian federal system must be qualified by the distinction between mass integration and elite accommodation. On the one hamd, the Gallup poll results display little evidence of an increasing process of social communication and continental integration at the mass level. Karl Deutsch[12] would consider shifting attitudinal loyalties as an indicator of the potential modernization or erosion of the boundaries of territorial units. On the other hand, it is instructive to reiterate a version of Lijphart's model. Minimal communication internally among Canadian regional subcultures at the mass level is conducive to a federal system that is maintained by political and economic elite accommodation —— not mass integration.[13] However, evidence along the functional, transactional and neo-functional dimensions suggests that increasingly Canadian elites —— particularly the economic elites —— are finding advantage and profit in north-south accommodations at the expense of

east-west links.

III FEDERAL ATTITUDES: THE LACK OF A CANADIAN IDENTITY

A recent study by Thomas Franck on the disintegrative potential of past or existing federations focuses on the failure of creating an integrative federal attitude at the elite and mass level. Franck argues that what was essential —— and also lacking —— in the four federations that have failed (the Caribbean federation; the Rhodesia-Nyasaland federation; the Malaysian federation with Singapore; and the East African federation) was a :

> Commitment to the primary political, ideal of federation itself, and charismatic leaders or events to generate such commitment——the absence of a positive political or ideological commitment to the primary goal of federation as an end in itself.[14]

There are a number of hypotheses one might suggest relating the problem of federal asymmetry, insofar as it exists now, to both the utilitarian and identitive attitudes toward federalism. Notably, one might hypothesize that identitive support toward the Canadian federal system varies inversely with any growth in continentalist sentiments. In turn, utilitarian support for the Canadian federation may be expected to vary inversely with increased economic integration along the north-south axis.

Unfortunately, evidence for such hypotheses is presently lacking. However, they do suggest a possible direction for future analysis.

The most significant feature of Canada's value system is a lack of a strong "national identity". The problem of defining such a national identity can be understood in terms of political culture as suggested by John Meisel:

> Canada must, in many respects, be the least nationalistic country in the world. The French-speaking population has a highly developed sense of national cohesion when "national" refers to its own cultural group, but the country as a whole is almost totally lacking in a genuinely shared set of symbols, heroes, historical incidents, enemies, or even ambitions. Canada, in short, lacks a fully developed political culture, and the many divisions which are inevitable in a country of its extent and variety cannot be mediated within the context of a shared and similar complex of national values and emotions.[15]

The weak national identity is juxtaposed upon strong "limited identities" in the provinces of Canada (and to some extent, the "limited identities" of culture and class are very important).[16] Thus, modernization as manifested by national integration has been thwarted in Canada by the persistence of strong provincial identities. These limited identities can be accounted for partially by other factors, such as the short period of Newfoundland's membership in Confederation and ethnic-linguistic factors (particularly in Quebec). The focus of this essay, however,

is the dyadic parameter and not these other important factors.

An indicator of identitive attitudinal integration within the Canadian federal system is whether Canadians feel the most "attachment and identification" with the nation as a whole or with their particular province. The results of a survey in 1970 manifest a pattern of attitudinal federal asymmetry. In the "have" provinces, identification tended to remain with Confederation: 78% of the people in Ontario and 65% of the respondents in British Columbia held such an opinion. On the other hand, provincial loyalties were declared to be stronger than national ones in the "have not" provinces: 34% of the people in the Prairies and 52% of Maritimers reflected such an attitude. Quebec displayed the deepest internal cleavage with nearly four-fifths of Anglophone respondents identifying with the federation but less than one-fifth of Francophone respondents sharing a similar attitude.[17] (In this last case, the pervasive ethnic-linguistic factor may be the overriding cleavage).

Another indicator of identitive attitudinal integration within the Canadian federation is the degree of ethnocentrism of residents of a province measured by their preferred place of residence.[18] Table I provides a regional breakdown of such preferences in 1965.

Table I:[19]

Preferred Place of Residence, By Region
(per cent)

Region of Residence:	Preferred Region				
	Ontario	British Columbia	Prairies	Atlantic	Quebec
Ontario	76	42	19	7	6
British Columbia	10	97	16	4	2
Prairies	14	49	80	5	4
Atlantic Provinces	20	14	15	75	4
Quebec	18	13	4	3	77

Looking first at the cells in the diagonal of the above Table, it is evident that at least three-quarters of the respondents preferred their own region (however, in British Columbia, nearly all the residents preferred their own province). These opinions suggest an inward-looking ethnocentrism. Ironically, despite the economic wealth of Ontario, this does not seem to have resulted in a greater proportion of Ontario citizens preferring their own province compared to citizens in poorer regions like the Prairies and Atlantic Provinces. Nevertheless, it is interesting to recognize that a "have" province like Ontario is the second preference of citizens of "have not" provinces like those of the Atlantic region and Quebec. A "have" province like British Columbia is the second preference of citizens of a "have not" region like the Prairies (except Alberta) and of a "have" province like Ontario. In other words, except for the native residents, the "have not" regions of the Prairies, Atlantic region, and Quebec

are less popular places of residence. Furthermore, this data suggests that one might hypothesize —— although the above evidence does not clearly establish this point —— that inter-regional mobility is impeded to the extent that citizens of particular regions prefer their region. Insofar as citizens have second preferences, one might hypothesize a probability of migration to "have" provinces rather than "have not" provinces. In turn, this reflects and reinforces federal asymmetry.

Pragmatic utilitarian perceptions of the different regions become especially apparent in statistical data indicating that the different regions are aware of regional disparities[20] on the economic level. A 1965 study asked respondents which regions they considered better off than others, Table II suggests that perceptions of federal economic asymmetry manifest little regional variation.

Table II:[21]

Regions Better Off, By Region of Residence
(per cent)

Region of Residence:	Region Better Off				
	Ontario	British Columbia	Prairies	Quebec	Atlantic
Ontario	79	36	23	17	1
British Columbia	60	84	38	11	2
Prairies	43	50	70	9	3
Quebec	75	30	13	44	3
Atlantic provinces	78	30	19	31	9

In terms of a region perceiving of itself as better off, the residents of the Atlantic provinces were most reluctant to chbose their region as better off (only 9 per cent so viewed their region). Quebec residents followed this pattern, though to a lesser extent in that only 44 per cent viewed their region as better off. On the other hand, residents of Ontario (79 percent), of British Columbia (84 per cent), and of the Prairies (70 per cent) reflected a degree of ethnocentrism in perceiving their region as better off than the others. Furthermore, beyond the self-perception of each region, the data show that generally most regions perceived Ontario and British Columbia as advantaged provinces. In other words, the attitudinal component of federal economic asymmetry both reinforces and reflects the other dimensions.

Pragmatic support for the utility of an integrated Canadian federal system under central government predominance has been rather low. In the realm of support inputs, the decline in federal decision-making power has been parallelled by a decline in its prestige and legitimacy. One of the most serious complaints about foreign ownership, for example, is the charge that American direct investment has captured the allegiance of an Ontario Anglo-Saxon business elite and strengthened its position vis-a-vis the rest of the country. If it is true that the federal "society" requires both a symbolic and a

pragmatic base, the subsequent problem of regional disparities has done little to generate national support inputs. On the contrary, it has been disintegrative.

Utilitarian support inputs for the federal government at the mass level have been quantified. A series of Gallup Polls over a 25 year period show the extent respondents felt Canada would be "better off or worse off if all provincial governments were abolished and the country governed from Ottawa". Those respondents favouring the abolition of provincial governments declined from 25% in 1946; to 17% in 1960;[22] and 16% in 1969.[23] Correspondingly, those in opposition increased from 50% in 1946; to 62% in 1960; to 63% in 1969. On the other hand, in another opinion poll, 28% of the respondents considered that the taxpayer's dollar was most wisely expended by their provincial government with only 15% of similar attitude toward the central authority.[24] In other words, on the basis of these data, one might hypothesize that there is a growing recognition of the effectiveness of the provincial governments (even though some studies have shown a perception of the greater power of Ottawa).[25] This is significant insofar as provincial authorities are sometimes regarded as necessary to defend regional interests which are perceived as inadequately represented by the central government.

At a more general level, although there is little quantitative evidence on these factors, there are indications of corrosion of traditional east-west integrating identitive and utilitarian symbols. The Commonwealth, the church, the Union Jack, even the frontier have little appeal as emotion-generating symbols for federal integration today. Furthermore, there is now virtually an indifference arising from the pragmatic perception of benefits from such formerly unifying institutions as Air Canada, the transcontinental railways and the CBC.[26]

To conclude: the data on attitudinal integration tend to indicate that support inputs toward the dyad and federal system reflect and reinforce the other three dimensions. Although the data is far from conclusive on this point, there appears to be some correlations between perceptions of continental asymmetric interdependence in favour of the United States and perceptions of federal asymmetric interdependence in favour of "have" provinces like Ontario and British Columbia. There is no evidence of a unidirectional link between these two processes; rather, there appears to be a web of intermingled threads tying the two processes together. It would be desirable if in future polls and survey studies, attempts were made to investigate and isolate the linkages in a more precise way.

FOOTNOTES

1 Mildred Schwartz, Public Opinion and Canadian Identity, (Berkeley, 1967), p. 67.

2 Canadian Institute of Public Opinion, Report, (November 28, 1970).

3 Reprinted in John Sigler, "Public Opinion and Press Coverage of U.S.-Canadian Relations", Inter-University Seminar, (Ottawa, April 8, 1972), Unpublished paper, P. 9.

4 CIPO, July 30, 1969.

5 SEE CIPO, August 2, 1969 for other statistics.

6 CIPO, August 26, 1972.

7 CIPO, February 12, 1972.

8 CIPO, October 14, 1970.

9 Smiley, Canada in Question: Federalism in the Seventies, p. 173.

10 CIPO, July 30, 1969.

11 SEE Thomas M. Franck (ed.), Why Federations Fail, (New York, 1968), pp. 167-201.

12 SEE Karl Deutsch, Political Community and the North Atlantic Area.

13 SEE Arend Lijphart, "Consociational Democracy", Issues in Comparative Politics, pp. 222-233. Also SEE S.J.R. Noel's operationalization of Lijphart in a Canadian setting in "Political Parties and Elite Accommodation: Interpretations of Canadian Federalism", Canadian Federalism: Myth or Reality, pp. 133-140.

14 Franck, p. 197.

15 John Meisel, "Canadian Parties and Politics", Contemporary Canada, ed. R.H. Leach, (Durham, 1968), pp. 134-135.

16 J.M.S. Careless, "Limited Identities in Canada", Canadian Historical Review, Vol. 1, No. 1, (March, 1969), p. 3. Regionalism is the predominant cleavage in English Canada; the cultural pattern distinguishes French Canada.

17 Cited in Hockin, Canadian Condominium, p. 12.

18 Mildred Schwartz, Politics and Territory,(Montreal and London, 1974), pp. 88-91.
SEE this book for opinion data and interesting analysis of the sociology of regional persistence in Canada. For the purposes of this thesis, however, Chapter 4 is of special relevance.

19 Ibid. p. 89.

20 Ibid. pp. 85-88.

21 Ibid. P. 87.

22 Schwartz, Public Opinion and Canadian Identity, p. 93.

23 CIPO, November 28, 1969.

24 CIPO, December 10, 1970.

25 SEE also Fred Schindeler, "Perceptions of Federal-Provincial Relations in Ontario", 44th Annual Meeting of the Canadian Political Science Association, Vol. 5, (McGill University, June 1-5, 1972).
This study focuses on the perceptions and attitudes of Ontario citizens with respect to federal-provincial power relations. The majority of respondents polled considered the federal government the most powerful authority today and for ten years hence (p. 8). However, the provincial government was deemed more important in affecting how the citizen and his family lives from day-to-day. (p. 6).
SEE also Mildred Schwartz, Politics and Territory. This study gives a broader view than the Schindeler study insofar as the opinion polls compare all the regional attitudes. Generally, most respondents in all regions (except Quebec) considered that the federal government in Ottawa (rather than the provincial governments) handled most of the important problems facing Canada today. On the other hand, most respondents in all regions (except Ontario —— this result disagrees with the Schindeler poll) considered that their provincial government was more important in affecting how the citizen and his family get on.

26 SEE A.W. Johnson, "The Dynamics of Federalism in Canada". Canadian Federalism: Myth or Reality, p. 102.

CHAPTER SEVEN

POLICY GUIDELINES: TOWARD A FEDERAL ECONOMIC PLAN

> The main idea I want to convey is that the play of forces in the market normally tends to increase, rather than decrease, the inequalities between Regions.
>
> If things were left to market forces unhampered by any policy interference, industrial production, commerce, banking, insurance, shipping, and indeed about all economic activites which in a developing economy tend to give a better than average return....would cluster in certain localities and countries leaving the rest.... more or less in a backwater.
>
> Gunnar Myrdal
>
> Rich Lands and Poor

Policy recommendations are generally made when a causal relationship has been proved. In this thesis, there has been no attempt to prove that a causal relationship exists between the process of continental integration and federal disintegrative tendencies. To reiterate, I have primarily been concerned with buttressing an idea or hypothetical relationship by exploring linkages and examining relevant evidence. However, should a causal relationship ultimately be established, there are a number of guidelines

for policy recommendations included in this chapter which I would propose.

There are a few qualifications to the policy guidelines suggested that ought to be put forward. First: these recommendations are intended to be general guidelines rather than specific policy proposals, In other words, I tend to focus on the forest rather than particular trees within it. I leave the formulation of particular policies to the future work of technicians in government departments.

Second: I have not engaged in systematic analysis of existing federal policy in respect to spending power, tax policy, transporation policy, the Canadian Broadcasting Corporation and the like. It is sometimes argued that the federal government has seen its power eroded not so much because of asymmetries and lack of power as because of the failure of the central authority to exercise its powers (for example: of taxation, spending) and to develop strong effective policies. On the other hand, I argue that such a "band-aid" approach would be ineffective in coping with the consequences of asymmetric interdependency. Along the Canadian-American axis, Canada may become so dependent that the federal government might be incapable of dealing with the problems through such tools as export policy, the National Energy Board and the like. Within the Canadian federal system, federal asymmetries and regional disparities may

become so deep-rooted that federal authority through taxing powers, the Canadian Broadcasting Corporation and the like might be ineffective tools. This is an important reason why I propose a broader and more comprehensive scheme.

Third: this thesis makes the disputable assumption that it is possible for federal and provincial governments, despite their present differences, to reach sufficient agreement to cooperate and implement the policies suggested below. The route to such coordination and cooperation would probably be long and arduous; and probably, in some respects, could not be achieved. Indeed, this coordinated inter-governmental action that I suggest is necessary , leads to a key problem of Canadian federalism; that is, accommodating and coordinating a certain degree of provincial autonomy with the need for strong federal action to resist continental integration and encourage Canadian federal integration. Presently, there are many different cross-currents from various provinces and the federal government which may limit or neutralize the feasibility of such policies. For example: should a province attempt to discourage foreign investment, it would probably find another province taking up the slack and thereby obtaining its sacrificed funds. On the other hand, whenever the federal government has attempted any controls on investment and trade inflows, it has found itself opposed by those

provinces negatively affected. Ottawa's problems are further exacerbated by jurisdictional conflicts, particularly since the provinces have control over their own economic development and natural resources. Thus, in actual practice, many of those very cleavages and strains in the federal system which this thesis has attempted to trace may prevent some of the guidelines suggested below from being workable.

Fourth: policy-makers must take into account the reality that federal-provincial action may not be totally effective insofar as American government intervention has an effect on market forces. The United States government may intervene in the market place, sometimes taking the initiative (for example: the trade protectionist Hartke-Burke legislation discussed earlier) and sometimes acting in retaliation (for example: the 1967 restrictions analyzed previously).

Fifth: what mix of the following proposals would be selected —— some, all or none —— by the policy-makers would be a highly political decision. The criteria of selection is beyond the scope of this discussion.

The forementioned qualifications give rise to significant problems which would have to be resolved before the policy guidelines suggested would be feasible. However, the solution of such problems might be better left to analysis in later studies when technicians in government departments

might be able to narrow the focus depending upon particular issues.

With the above qualifications in mind, the federal government — and its provincial partners — will be confronted with two basic options in trying to cope with the continental integrative-federal disintegrative process. On the one hand, the governments might continue in their attempt to maintain the proper functioning of the free market mechanism and simply remove imperfections through anti-trust regulations, manpower re-training (federal government) and the like. In this case, the governments would merely be concerned with <u>adjustment</u> functions; economic development would still be a function of the American private sector.

On the other hand, the governments might decide that the "tyrannies" of the market system involve great social and political costs and subsequently pursue their own strategy of <u>development</u>.[1] This would have the effect of deemphasizing the market-determined pattern of development. In this case, the government organizes the market and directs it in order to achieve structural changes. To reiterate, it is my belief that there is a need for joint federal-provincial planning. Thus, I suggest the latter approach.

The nature of past, present and future planning instituted by the federal and/or provincial governments can be considered within the parameters of Gunnar Myrdal's historical and causal order leading to the Welfare State.

> All these complexes of economic and social intervention, as they now exist, have been the end-product of a long process of piecemeal, gradually induced changes, which in the different fields have been pressed forward at first as independent and unrelated policy measures, motivated on their own merits or undertaken in response to group pressures.[2]

At first, adjustment measures are undertaken at the insistence of individual groups. But the complex problem to which the piecemeal measures are applied persists and increased intervention in the market-place becomes necessary and acceptable. Yet, acts of intervention, both public and private, lead to "situations of growing complexity, contradiction and confusion. With even greater impact, the need for a rationalizing coordination is pressed upon the state as the central organ for the public will".[3] The process of cumulative causation results in coordination which becomes the nucleus of a development approach to planning.

Coordination may arrive at any point in the shift from adjustment policies or plans to those of development. It is a function, not of the nature of policies, but of the reaction to the proliferation of these

measures. Coordination may even be effected early enough and well enough so that a sizeable private sector continues to operate, serving both a complimentary role to the government and a stable equilibriating role between public and private domains.

The private sector is not a simple dialectic marching on to an ineluctable state of total public control. By the same token, coordination is not simply the equivalent of planning, as Myrdal claims.[4] It is true that coordination becomes necessary to planning; but planning also calls for initiative, whether embodied in better means of adjusting to market vagaries or in modifications for an improved strategy of development in an organized market.

Myrdal's schema is particularly useful in briefly tracing the development of federal policies toward Canadian independence and federal integration.

The early phase begins in the late 1950's and continues to the mid-sixties when the recognition of the need for some projects to deal with continentalism and regional economic cleavages materialized.

The second phase begins with the proliferation of programmes to deal with regional disparities[5] and a few tentative measures to deal with American investment.

This phase encompasses the period from the mid-sixties to today and focuses on market adjustment, There is, however, no concerted effort to correct federal asymmetry.

The third phase could begin today with increased cooperative federal-provincial planning and with the subsequent organization of markets through state intervention. Accordingly, the "created harmony" of the total welfare state would be the end result such that a relatively symmetrical federal system might by institutionalized.

The guidelines for policy suggested in this thesis fall within the third phase; my bias lies in planning and development rather than in adjustment. In line with this preference, I shall suggest an aggregate of policy guideline that could help create a Federal Economic Plan. Hopefully, such a plan could help reduce the dyadic and federal patterns of asymmetrical interdependency.

The guidelines for the plan, as I conceive it, should be oriented toward:

First: weaken dyadic integration by diversifying trade relationships and reducing foreign investment and ownership.

Second: strengthen federal integration by making the federal system more symmetrical through equalizing regional economic development.

THWARTING THE GIANT: EXTERNAL POLICY

I - Diversification of Trade

One proposal for weakening continental integration that has increasinly attracted support is the diversification of the Canadian trade relationships. Rather than the conventionally dyadic Canadian trade strategy, the federal government's 1970 Foreign Policy White Paper[6] has suggested that increased economic growth and regional development involves augmented trade with Latin America, Western Europe and the Pacific Region.

Firstly, despite an absolute quadrupling of trade since World War II, Latin America[7] trade only accounts for 3.5% of Canadian trade and is not increasing very rapidly. At the level of governmental relations, there is a lack of Canadian contact with regional organizations like the Central American Common Market. Furthermore, there are only limited numbers and kinds of commodities imported by Latin America from Canada. This is largely a consequence

of formidable tariff barriers established by Latin American countries to protect their own industrial development.

Canada is presented with a limited number of options in dealing with Latin America. The "ad hoc" relationship up to now is clearly inadequate, Yet, a multilateral approach to issues of politics, economics, science and culture has been rejected by Ottawa in favour of the traditional country-by-country cooperative arrangements. One positive step, though definitely far from sufficient, is Canada's becoming a permanent observer (not a member) of the Organization of American States in 1972.

Canada has opted for a bilateral relationship rather than a multilateral approach. This is largely a result of the cultural rather than political-economic focus of the Trudeau government's attitude toward Latin America. However, if a multilateral trade approach were pursued as a part of the federal economic plan, there is little doubt that aggressive promotions would pay off in the market-place.

The second area where the Foreign Policy White Paper sees possibilities for expanded Canadian trade is with Western Europe, specifically with the European Economic Community.[8] There is a historic tradition of Canadian-Western European trade links that has not been destroyed by the growing Canadian-American continental market.

Nevertheless, there are tariff walls as well as internal subsidies discriminating against Canadian industrial and agricultural commodities. Canada is not one of the "preferred" trade partners of the Common Market.

Both the governments in Ottawa and Quebec in recent years have taken a growing interest in developing cultural relationships with France and Belgium because of their French-speaking traditions. Their ties, however, have involved little economic spillover. Similarly, the last decade has seen a decrease in the growth rate of British imports to Canada.

Canada accounts for only about 2.5% of yearly imports by the European Economic Community. This is a terrbile performance for a nation that supposedly is one of the major international trading countries. The high subsidization of European agriculture deters Canadian exports of farm products to the EEC.[9] Although the tariff barriers protecting the EEC manufacturing industries are often no greater than those of the United States, a lack of initiative and promotion by Canadian businessmen and government has meant that while exports of manufactured commodities have increased to the United States , they have remained the same for the EEC (1970). The only optimistic indicator is the need of EEC industry for raw materials[10] and the possibility of

aggressive Canadian salesmanship to increase exports in this sector.

The Pacific region[11] is the third area where Canada can and ought to increase its trade considerably. Between 1958 and 1968, Canada tripled its Pacific imports (compared to a 138 per cent increase with the rest of the world) and more than quadrupled its exports (175 per cent for the rest of the world[12]). After the United States and Western Europe, the Pacific area is Canada's third largest partner; and at the present rate of growth in trade will soon surpass Western Europe. The People's Republic of China remains a growing (although sometimes erratic) market for Canadian wheat and pulp and paper sales. Japan, as Canada's fourth largest customer, has an almost insatiable appetite for Canadian raw materials. Australia and much of Indochina increasingly are beginning to look to Canada as a source of manufactured commodities.

Canada has not remained passive despite this increased interaction with the Pacific. Ottawa has been spending considerable sums for trade promotion and trade fair participation in the area. Similarly, the Export Development Corporation has been strengthened.

The provinces have also shown some interest in expanding provincial trade and attracting foreign capital within the Pacific area. Ontario, Alberta, and British

Columbia, for example, have established trade promotion offices in Japan. Even Canadian industrial associations, like those of mining and pulp and paper, and particular companies like MacMillan Bloedel have established trade sales offices in the region.[13] The Pacific offers Canada a new and growing market for exports which can help reduce continental trade dependency.

The basic problem with present Canadian efforts to expand trade (not only in the United States but also in Latin America, Western Europe and the Pacific) is that the promotion of exports does not sufficiently focus on trying to increase exports of processed and manufactured commodities, There has been a failure to account for a labour-intensive industrial strategy within Canada when trying to augment exports. On the one hand, Canada is very dependent upon American manufactured goods in exchange for its raw materials. On the other hand, the diversification of Canadian trade patterns has meant a bigger market for Canada's capital-intensive resource industries rather than for the employment-generating manufacturing and processing sectors.

More specifically, I suggest that trade diversification is a viable policy within a federal economic plan if Ottawa and the provincial governments ensure that expanded trade means the greatest gain for labour-intensive industries within. ,This might be achieved by both a systematic and

conscientious identification of capacities and capabilities of Canadian industry and a programme of incentives (possibly even subsidies) to Canadian industry to export to selective markets. This is especially necessary to give Canada a competitive position in regard to certain manufactured and processed goods vis-a-vis Japanese, Australian, and American competition in the Pacific; and in regard to the Americans in both Latin America and Western Europe.

I suggest — along the lines of the 1970 Foreign Policy White Paper — that there are a number of goods and services in which Canada has a competitive advantage; and, if aggressively promoted, these commodities might find a booming market in Latin America, Western Europe, and the Pacific. Canada has a particular technological "know how" and expertise in transportation (including subway, railroad and specialized aircraft production), telecommunications, resource planning, and in the development of hydro-electirc, nuclear reactor, and pulp and paper production. These and other activities might be translated into exports of goods and services of a labour-intensive nature.

Among other more specific suggestions that might be incorporated into a trade diversification programme is that Canada should use its bilingual capacity and highly educated personnel to monitor, study and adopt fundamental innovations of other nations. Canada should

similarly encourage trade officers and technically skilled personnel to travel regularly abroad in search of new developments and ideas in their fields.[14]

Another aspect that might be integrated into a diversification of trade programme involves the abolition of continental bilateral integrative arrangements such as the Automotive Products Agreement. In this particular case, the bargaining position of Canada might be strengthened if an automobile manufacturing Crown corporation were established or one of the present American subsidiaries might be purchased.

In the final analysis, strategies toward trade diversification cannot be effectively pursued unless conjoined with a programme of reducing foreign ownership of the key sectors of the Canadian economy. Attempts at diversifying trade can become counterproductive when Ottawa and the provinces are confronted with a largely American-owned industrial structure.

II - Controlling American Investment and Ownership

There is little doubt that the formidable amount of American investment and American ownership in resource as well as manufacturing industries must become a smaller proportion of the Canadian economy if the reins of continental integration are to be loosened. Canadian policy-

makers are presently obsessed with the long-range goal of economic growth; but under present arrangements, although many multinational corporations have raised most of their funds in Canada, Canada still lacks sufficient internally generated capital. Therefore, a trade-off must be made between economic growth "per se" and economic nationalism. Possibly a reasonable compromise would involve slowing down economic growth and making a more wise and selective use of foreign capital and ownership.

In the foreseeable future, it is likely that decreased foreign ownership and investment will slow down economic growth. However, the control and concentration of foreign ownership in key parts of the Canadian economy must be instituted by policy-makers in such a way as to make for a minimum cost to economic growth, Also, government policy might increase internally generated capital by encouraging Canadians to save and invest in their own country. Accordingly, the general policy guidelines I would suggest,within the parameters of a federal economic plan,are geared to reducing foreign ownership and investment, as well as to increasing the concentration and diversity of Canadian-owned companies.

It is important to note that the benefits of such an approach will essentially be political while the costs are economic. However, popular expectations of significant

political action on the foreign investment and ownership issues have been catalyzed by the propagandistic impact of TV, radio and newspapers. The prestigious christening of policy papers on foreign investment by the federal and Ontario governments, and the educational effects of groups like the Committee for an Independent Canada, have had a similar effect. Thus, for example, a Gallup Poll[15] in 1970 showed that 46% of Canadians approved — and only 32% disapproved — a policy of "buying back" 51% control of American-owned companies established in Canada even if it meant a considerable reduction in their standard of living. Only the Maritimes, preoccupied with economic problems, deviated from the national consensus and largely disapproved of repatriation.

Within the parameters of a federal economic plan, I suggest that if continental integration is to be sufficiently weakened, a strong two-pronged attack is needed. On the one hand, the federal government must encourage Canadian-owned industrial and resource development and diversification. One approach involves strengthening the Canadian Development Corporation (CDC) in performing its positive function. The creation of the CDC has often been discussed over the last few years and was only instituted after the Gray Report's recommendation. It approaches the problem of foreign ownership of Canadian

resources and industry with a positive plan of stimulating the development and diverisfication of Canadian-owned industries. Despite much controversy, it is gradually absorbing several government multinational corporations like Polymer Corporation and Eldorado Nuclear Limited. However, it has not been very successful in its goal of ameliorating Canada's industrial structure. Although the objectives of the CDC are positive, the implementation has been too often plagued by persistent conflict and administrative inertia. There should be a greater emphasis on providing equity capital for projects encompassing new or capital intensive technologies; by providing for more Canadian participation in resource development; and by helping rationalize industries through the creation of new companies and the encouragement of Canadian mergers.[16]

On the other hand, the federal government can discourage further American investments and takeovers. One sensible proposal is a concentrated attempt by all levels of government to reduce expenditures on goods and services produced by American-owned corporations. Federal, provincial, and municipal governments, exclusive of capital expenditures, spend about four billion dollars for procurement of goods and services —— the federal government and its agencies accounting for half the amount. Theoretically the federal government —— and also other levels of government, if the mechanism of

cooperative federalism is employed to coordinate such a policy — can have a significant impact on the pattern and extent of foreign control by selectively procuring from Canadian-owned corporations such goods and services arising from sectors like shipbuilding, aircraft construction or railroad rolling stock production.[17]

A second popular strategy has been the establishment of a Foreign Investment Review Agency to examine proposed foreign investment involving a takeover of an existing Canadian company or the establishment of a new foreign controlled business in Canada. Such an approach puts the onus on the prospective buyer to demonstrate that there is a "significant benefit" of the proposed foreign investment to the Canadian economy — particularly in creating more employment. The 1973 Foreign Investment Review Act provides for the establishment of such a Foreign Investment Review Agency, as an autonomous body reporting to Parliament through the Minister of Industry, Trade and Commerce.[18] Indeed, the 1973 Foreign Investment Review Act has made significant improvements over the 1972 bill since a recognition of cooperative federalism was spelled out formally in outlining the needs and means of provincial cooperation.

FEEDING THE DWARFS: FEDERAL INTEGRATION

During the last few years the federal Liberal Governments have made some attempts to cope with the continental parameter; they have, furthermore, attempted to encourage federal integration. The Maple Leaf flag, for example, was an attempt at generating identitive support toward the federal system. Similarly, the partial institutionalization of bilingualism and biculturalism, and such federal organizations as the Canada Council and National Film Board have attempted to encourage a positive federal identification.

The central government must place greater emphasis on augmenting symbolic support inputs. The task is to channel these inputs into an abstract pro-Canadian identity, to imprint the Canadian "federal value" into the mosaic's psyche. Thus, the federal government must deliberately pursue a distinctive foreign policy; examples such as Lester Pearson's rebuke of De Gaulle's "Vive le Québec libre" speech, and the recent question on Arctic sovereignity must be capitalized on and highlighted.

The key, however, is to increase not only symbolic support inputs but also the population's pragmatic perception of benefits from federalism. An effective policy to

combat regional disparities, for example, could go a long way in promoting a greater utilitarian identification with the Canadian federal system. This would also have the complementary effect of facilitating the generation of symbolic support. The time has come for the federal government to make use of its tools of planning, spending and taxing to deliberately help the economic growth of certain provinces. The mere adjustment of the market has failed. The past has been coloured by federal-provincial and interprovincial conflict that has hampered co-ordinated planning and the cooperative implementation of policies.[19]

The promotion of tariffs and various tax and expenditure measures have only aggravated this conflict and regional disparities. The provinces, subject to interprovincial migration and unable to implement tax or development programmes without complementary federally instituted programmes, have similarly been unable to reduce unemployment and income disparities.

Part of the problem has been that Canada's asymmetrical regional development has resulted in primary/secondary industrial conflict along provincial boundaries. The relatively underdeveloped provinces have demanded a diversification of their industrial structure; their more developed counterparts have sought only

moderate change.

Ottawa and the provinces are now almost simultaneously recognizing that problems of regional disparities can best be alleviated by attracting secondary and tertiary industries to the peripheral regions of Canada. Yet, American investment in resource extractive industries continues to grow while the manufacturing and processing sector continues to fall.[20] Reiterating that the positive incentives for foreign investment that existed in the 1950's and 1960's are no longer desirable, it follows that if Canadian factors of production are to be more equitably distributed among the regions, Ottawa must discourage foreign investment except for that directed toward labour-intensive investment. Furthermore, Ottawa must ensure that this investment is directed toward regional needs. For example, in promising areas of Canadian economic growth such as mineral extraction and energy development, Ottawa and the provinces must coordinate efforts to insure that much more processing and refining occurs in Canada. This will have the effect of generating employment in those peripheral regions most in need of economic development. Thus, an element of symmetry can be reintroduced in the federal system, at least in terms of industrial development.

Another proposal that might be integrated in a

federal economic plan is that of selective nationalization within certain sectors of the economy. This can have definite regional benefits. For example: In the oil industry, Imperial Oil Limited, The Canadian subsidiary of the American Exxon Corporation, might be nationalized and the American owners adequately compensated not to arouse too much ire from Washington. This subsidiary is the biggest producer and refiner of oil in Canada. It also owns the largest share of the principal crude oil pipelines. Ottawa's power to nationalize a federally incorporated firm may not necessarily interfere with the provincial jurisdiction over resources.

Along the same line of reasoning, I suggest that new provincial resource policies must attack the super-profits which are accruing to the multinational corporations at the expense of domestic profits. Although in the short-run new provincial royalty rates may have increased tensions, long-run advantages for Canada may arise if provincial economic policies ensure that the "rents" flow into provincial treasuries since non-renewable resources tend to be fixed in supply and are being gradually depleted by a few large producers;[21] this is one approach to rectifying regional disparities. Accordingly, a resource development policy similar to that advocated by Eric Kierans for Manitoba might be pursued. First: separate Crown corporations responsible for exploration and development functions might be created.[22]

Second: the policy decisions affecting the rate of output might be made the responsibility of the provincial Premier and his Cabinet.[23] Third: the province should use the value of its exhaustible resources to finance the sectors of its economy that promise continuing economic activity, employment and development in the future.[24]

Another aspect of a federal economic plan is for the federal government (and sometimes even provincial governments) to encourage the development of Canadian multinational corporations in those sectors where Canada has a comparative advantage. Mergers and acquisitions by Canadian multinationals must be permitted and encouraged to reduce unnecessary duplication and lack of specialization in the use of facilities.[25] In this way, Canada would benefit from the rationalization, economies of scale, and research and development benefits of multinational enterprises.[26] The key advantage would be that the decision-making headquarters of such companies would be in Canada as the enterprises would not be merely some branch-plant. Needless to add, incentives to Canadian multinational corporations and a corresponding discouragement to foreign (mostly American) companies could be achieved by a wise use of the federal government's grants and loans for regional economic expansion and research and development.[27]

At this point, it is important to note that the problem of foreign investment is one issue that crosses regional lines, although logically it is a regional issue. To a large extent, the Maritimes, Alberta and Quebec want to develop their provinces as rapidly as possible; therefore, these provinces tend to reject most foreign investment restraints. The NDP governments in British Columbia, Saskatchewan and Manitoba, however, have bolted the traditional western pro-foreign investment stance and have supported to some degree the need for strong federal action and provincial cooperation. Similarly, sectors of highly industrialized Ontario have consistently taken a nationalistic approach. In fact, as a number of provinces are beginning to show employment profiles similar to Ontario, they are realizing that a selective anti-foreign investment approach is a realistic way to encourage labour-intensive secondary and tertiary industry.

I suggest, therefore, that the screening agency (and other controls) take provincial industries into account (as suggested by the latest Foreign Investment Review Act) and involve their active participation. For provincial and regional pressures must come into play in a way that such American investment in the Maritimes could be encouraged while a similar investment in Ontario could be discouraged.[28]

An all out offensive against regional disparities to achieve greater federal symmetrical interdependency involves extensive planning and cooperation by all levels of government from the municipalities up to the federal government. The experience in the Department of Regional Economic Expansion suggests, however, that decentralization of bureaucratic planning to some extent might play a positive role in this process. Research in particular areas to determine the components of economic growth and the improved use of human capital is indispensable. For example: the present Department of Regional Economic Expansion has succeeded in centralizing all previously existing programmes; but it has failed to involve enough federal-provincial consultation. The Department must, therefore, pursue more flexible and decentralized policies so as to encourage federal-provincial coordination; for legislation by itself cannot end inter-regional and inter-provincial cleavages and competition.

At this point, it should be acknowledged that this essay's central argument and accompanying policy guidelines are challengeable. An alternative view is that a strong nationalistic and autarchic policy by Canada toward the United States might intensify rather than reduce regional asymmetries. The experience of the German states under Prussian hegemony during the nineteenth century is an

illustration of such a process. Thus, it can be argued that the dyadic relationship provides a "release" mechanism which acts as a "safety-valve" for what might otherwise develop into even greater regional asymmetries and metropolitan-frontier exploitation. Disadvantaged areas like the Maritimes and Prairies might fall into this pattern of supporting certain dyadic integrative relationships.

An illustration of the alternative viewpoint is Ottawa's petroleum policy of an export tax and subsidization of the Central Canadian consumer. This is a federal integrative attempt by the central government to impose a single petroleum market across Canada. However, far from alleviating regional cleavages this policy has exacerbated Ottawa versus Alberta versus Ontario cleavages. Alberta prefers a dyadic relationship whereby the American market would pay higher prices than the Canadian market for Alberta petroleum. In other words, the Alberta government may view this particular relationship with the United States as a "safety valve" providing a higher standard of living for Alberta.

Despite this challenge to the central thesis of this discussion, a strong counterargument can be made that the forementioned policy guidelines provide for a "substitute" release mechanism. For example: a policy

of trade diversification to Western Europe, Latin America and the Pacific Region might provide alternative markets for Albertan petroleum products; or a policy of discouraging foreign investment in Alberta's petroleum resources can be accompanied with Canadian investment in those same resources (for example: via the CDC).

To sum up: I have suggested guidelines for policies toward a coordinated and cooperative federal-provincial Federal Economic Plan. This depends less on purely technical and managerial assessments and more on political value judgements by the provincial and federal governments. I have advocated strong central government action for weakening continental integration by both diversifying trade relationships and introducing controls to reduce and select among American investments. However, Ottawa must accept the strong role of the provinces in all such actions. Regional pressures are growing and not only regional economic development programmes but also many other external and internal policies of Ottawa must acknowledge and accept consultation with the provinces. Only through an expansion and intensified institutionalization of cooperative federalism and a planned economy can Canadian independence and unity be secured.

FOOTNOTES

1 Alfred E. Kahn, "The Tyranny of Small Decisions", ed. Bruce M. Russett, Economic Theories of International Politics, (Chicago, 1968), pp. 528-529.

2 Gunnar Myrdal, Beyond the Welfare State, (New Haven, 1960), p. 56.

3 Ibid. p. 55.

4 Ibid. p. 55.

5 SEE T.N. Brewis, Regional Economic Policies in Canada, (Toronto, 1969), for both a descriptive and explantory developmental analysis of regional economic development programmes in Canada.

6 I am referring to the series of 6 pamphlets issued by the Department of External Affairs, Foreign Policy for Canadians, (Ottawa, 1970).

7 SEE Department of External Affairs, Latin America: Foreign Policy for Canadians, (Ottawa, Information Canada, 1970), for more information.

8 Department of External Affairs, Europe: Foreign Policy for Canadians, (Ottawa, 1970).

9 SEE Financial Post, October 30, 1971, for an analysis of British Canadian trade.

10 Paul St.Pierre, "Industry Too Timid in EEC Market", Canadian Business, (February, 1971), pp. 39-40, 42.

11 SEE Department of External Affairs, Pacific: Foreign Policy for Canadians, (Ottawa, 1970).

12 Lorne Kavic, "Canada and the Pacific: Prospects and Challenges", Behind the Headlines, (Canadian Institute of International Affairs, May, 1970), p. 4.

13 Ibid, p. 5.

14 Hockin, Canadian Condominium, p. 157.

15 The Canadian Institute of Public Opinion, Report, October 14, 1970.

16 Edgar Benson quoted in Financial Post, November 21, 1971, p. 8.

17 The Canadian Forum, A Citizen's Guide to the Gray Report, (Toronto, 1971), SEE pp. 177-180.

18 Topical Law Reports, (Don Mills, 1974), pp. 7451-7452.

19 A.W. Johnson, "The Dynamics of Federalism in Canada", Canadian Federalism: Myth or Reality, p. 104. SEE pp. 100-121.

20 The Globe and Mail, (October 6, 1971), p. B.1 for the statistics.

21 Eric Kierans, Report on Natural Resources Policy in Manitoba, (Montreal, McGill University, Feb. 1973), p. 42.

22 Ibid. p. 43.

23 Ibid. p. 44.

24 Ibid. p. 45.

25 Carl E. Beigie, "Canada's Incipient Foreign Direct Investment Policy", unpublished paper, (Montreal, July, 1972), pp. 10-11.

26 A Citizen's Guide to the Gray Report, pp. 187-189.

27 Ibid. pp. 180-181.

28 Neville Nankivell, "Less Permissiveness", The Financial Post, (April 21, 1973), p. 11.

AN EPILOGUE

Political science, like its sister disciplines of psychology and economics, must increasingly orient study to relevant problems. Normative assumptions must be recognized, thereby facilitating prescriptive solutions to the problems. In line with this reasoning, I have attempted to provide supporting evidence for the idea that the Canadian/American integrative relationship accentuates asymmetry and disintegrative cleavages within the Canadian federal system. This analysis, however, has been conceived of as a suggestive exercise rather than as a proof.

This essay has taken the normative position that the preservation of the Canadian nation-state through strengthening its federal system is an important value; this accounts for the suggested policy guidelines. In favouring nations (and federations specifically) rather than transnational networks, I have rejected the functional and utilitarian logic implied in economic and political integration theory. Integration theory is usually characterized by the teleological desire for

world peace and global economic welfare. However, often buried in these assumptions is the pressing question of the status of the individual in society and the national policies best able to serve individual values.

The structural prerequisites of integration bring into play questions of assimilation; of cultural and linguistic identity; of the form of government held to be most desirable; of "political space" and its impact on individual life-styles. Indeed, if growing patterns of economic and technological interdependence are indicators of global integrating tendencies, the future "community" may well be one of sterility and passivity, a totalitarian bureaucracy in which the individual becomes but the "slave" of "technique".

In line with this reasoning, I have perceived a greater element of disadvantage than benefit resulting from the Canadian-American asymmetrical interdependent relationship. To reiterate, I have assumed that national governments should remain the most important mediating agencies between individuals at home and others abroad. It is nations, not transnational networks, that are conceptualized as needing further integration. Furthermore, the form of integration admittedly preferred in the Canadian setting has been federalism. It provides

for enough uniformity to permit an effective central government; however, individuals and territorial subunits may find sufficient diversity for their particularistic interests. This ought to be reason enough for preserving the Canadian federation.

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