

LIBERALISM AND CONFEDERATION

by JEAN PRIEUR

As Canadians, we have no more urgent problem than that of our continued existence as a country. We must know within the next few years if we are capable of forming openly principles of liberalism acceptable to all which can discover how best to safeguard our Canadian confederation. But we must go deeper than this. We must try to find the best base. Is Confederation the ultimate solution for everyone living inside the Canadian borders? We will reply immediately to the last question. We believe that Canada has a future through Confederation; if you don't accept this, it is useless to try and improve the Canadian system. But this answer still leaves a great area to explore: can we find a base to build up understanding, a national conscience, and a solid constitutional foundation in such a way as to unite the two great founding races towards the same destiny, while at the same time, each keeps its own identity.

The primary problem concerning Canada's future is not only one of discovering what has caused the present crisis in Confederation, but also of searching frankly for a new federal formula. For example, we don't think the Laurendeau-Dunton Commission can avoid an analysis of constitutional problems, for indeed this is a part of the problems of biculturalism.

It is first necessary to know what some of the proposed solutions are, for the speeches and articles of politicians and journalists are not sufficiently clear on this subject. In effect, solutions seem to have come in the form of ultimatums on specific issues. Be assured of one thing: if French-Canadian leaders can't clarify their demands, the problem will become much more serious. On the other hand, English-Canadians must try and understand their demands and to give an answer, though not necessarily affirmative, which is always frank and sympathetic.

Curiously, we forget more important problems. This is natural as the Pearson government tries to tackle the day to day requests of Quebec and the other provinces. Here we may remark the theory behind the Municipal Loan Fund, which in establishing the "contracting out" theory discovered a replacement for previous constitutional methods.

However, we should not let the apparent ease and immediate political advantage of the "contracting out" principle lead us from a consideration of more basic ideas. There must always be a strong dialogue between the federal and provincial governments; with-

out this, in the long run, you will have a messy political hodge-podge.

The most urgent problems in Canadian federalism are the following:

- 1—to discover the precise demands of Quebec and translate these into political, economic, and constitutional realities;
- 2—to consider up to what point the British North America act satisfies French-Canada at present;
- 3—to see if a viable principle of confederation, having a strong central government, while at the same time safeguarding the rights of Quebec and French-Canada, is possible;
- 4—to see what constitutional and political adjustments are necessary if Quebec is to maintain its position in a strong and united Canada.

We will also have to study the specific demands of French Canada. The most important ones are the following:

- 1—Sufficient provincial power for economic planning.
- 2—Taxation revenues: exclusive on corporate and personal income tax and succession duties.
- 3—The removal of federal programs from Quebec.
- 4—The French language be official and French schools be instituted in all provinces where there is more than 10% of the population that is French speaking.
- 5—Bilingualism in the upper Civil Service.
- 6—A revised composition of the Senate: 1/2 of Senators would be French speaking; on constitutional disputes, the Senate would have a judicial committee (somewhat like that of the Privy Council) to be the court of last resort; half of its members would be named by Quebec.
- 7—A Quebec veto on any amendment to the Canadian Constitution on the questions of language and education.
- 8—Recognition of the bi-national character of Canada.

Are these demands compatible with a united country? Can compromise be reached? If not, will it mean the end of this country?

These are the questions which require our answer. On this basis the "Confederation" sub-committee of the Policy Committee will hold its discussions and submit its report. All hope all members will join in this endeavor.

Liberalism And Economic Planning

● By William P. Irvine

To place economic planning immediately in the larger context of the paper on liberalism, it should be emphasized that economic progress is only one goal among many legitimate one for Canadians to pursue. The mechanisms of economic planning, therefore, must be sufficiently flexible that it can be used to achieve, or at least not to frustrate, other ends.

Liberals should realize that economic activity has social as well as individual consequences, and that the state is legitimately entitled to a voice in the shaping of economic decisions. The strength of the voice should depend on circumstances. Industries enjoying natural monopolies or exploiting natural resources, for example, should be subject to regulation by the government. In both cases, the companies are enjoying privileges which are not theirs by right. On the other hand, government cannot direct a business to assume losses. Where the public interest demands that industry locate in an uneconomic area, the government should try to relieve the unprofitability of the arrangement by granting subsidies. Both the carrot and the stick are thus legitimate instruments of economic planning in different cases.

The third point to be emphasized in connection with economic planning in Canada is the need for effective provincial autonomy and responsibility. This is both necessary and desirable. It is necessary because provinces now have sufficient tools of planning to frustrate any federal plan which did not meet their aspirations. It is desirable because goals formulated at Ottawa may tend to reflect a certain bias. The provinces are best equipped to understand and appreciate their own needs, and their views must be respected. Goals such as "ending unemployment" are very general and obscure. Attempts to particularize them involve defining particular subordinate goals. Here, a number of patterns are possible, and different ones may be appropriate to different regions. If economic planning becomes an instrument of dissatisfaction and antagonism, it will have failed its major function. Just as a country cannot plan its economy without some knowledge of where other countries are going, so too provincial planning necessarily involves co-ordination with other provinces. The chief federal role in this area should be to act as an information-gathering and co-ordinating agency.

FISCAL AND MONETARY POLICY

These have traditionally been regarded as rather blunt instruments of economic policy, more appropriate to determining the level of economic activity than its distribution. As such, this is most appropriately a federal responsibility. Still, provincial financial operations

can negate monetary policy, and combined provincial and municipal expenditures have an impact equal to federal expenditures. Co-ordination is thus clearly essential. What is needed in this sphere is a federal-provincial advisory council on fiscal and monetary policy. Such a council could be staffed by civil servants from both levels of government who would rotate from their respective Ministries and back again. The council could study economic trends, make projections and issue reports on their findings with recommendations for government policy.

It is becoming increasingly evident that fiscal and monetary policy can be used selectively as well. Thus, credit can be kept permanently cheap in some areas by special credit agencies, or tax incentives can be given for specific activities. In the use of instruments which have essentially provincial or regional impact, the provinces or regions should have effective authority. Since they cannot be given the legal authority without impairing those functions discussed in the preceding paragraph, they must be given de facto authority by having the federal government recognize the importance of provincial initiative. The federal government should ask the provinces to elaborate their objectives and to suggest in what way these can be advanced by the use of federal powers. These provincial suggestions should then be accepted insofar as they are mutually consistent.

It should be noted that permitting provinces to contract out of conditional grant schemes does not impair the federal government's fiscal power. Once enacted, most of these programmes represent fixed charges which cannot be manipulated. Whether the money is committed under a particular project or under a new tax-sharing agreement makes no difference.

PROBLEMS OF URBAN SPRAWL AND MANPOWER TRAINING

Both of these problem areas would have to be included in any economic plan. Both are

now provincial responsibilities, and should remain so. If the federal government could find money for these problems, it should also be able to find the money to give provinces a larger tax abatement. Again, this is essentially no different in its economic impact from having the federal government commit the funds directly.

PROBLEMS OF RESOURCE ALLOCATION AND OWNERSHIP

These problems must be met by regulation as well as incentives, and all levels of government have responsibility. Continuous consultation is extremely necessary. Federal-provincial planning in this sphere is presently being carried out under ARDA and the Atlantic Provinces Development Fund, and similar projects could be elaborated to meet other problems in mining and some manufacturing industries. The decisions to be made regarding capital imports will be most difficult, and should take into account provincial capital needs.

Although many of the tools of economic planning can best be wielded by the federal government, it should be recognized that these are being used to accomplish different purposes. Purposes having provincial impact should be defined by the provinces for the federal government. While the general level of the economy is properly the concern of the federal government, planning the direction of the economy should mean planning the direction of each of its parts. This can best be done by each of the parts, with the federal government co-ordinating the various objectives.

University Liberals should recognize that this operation cannot be legislated. It will depend on the men in government. University Liberals should affirm and impress upon our Liberal governments our belief and commitment to the processes of consultation in economic planning. Insofar as this can be achieved by institutional means, we should urge the development of federal-provincial research agencies.

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