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CO-OPERATIVE FEDERALISM: COLLECTIVE SUICIDE OR LIFE RENEWED?

Speech by the Honourable Maurice Lamontagne,
Secretary of State of Canada, to the Richelieu
Club of Quebec, Quebec City, September 9, 1964.

When I received your kind invitation to speak to you about co-operative federalism, I could not help but think of the address on the same subject given to this same body by the president of the Federation of Saint-Jean-Baptiste Societies of Quebec on August 5 last. At that time, Mr. Fortin stated that co-operative federalism was "a smoke-screen obscuring basic issues", "that it does not solve the problem of centralization", "that it is a product for local consumption", "that it would gradually bring about Quebec's isolation" and "that it rests on men rather than on judicial authority".

I have no intention of meeting Mr. Fortin's arguments. Instead, I shall recall briefly the main stages in the progress of our political system since 1867, explain the nature of co-operative federalism, and describe the chief results it has achieved since its inception, barely a year ago. I shall then leave it to you to decide for yourselves whether this new form of federalism constitutes a threat of collective suicide for French-Canadians, or, as Mr. Daniel Johnson claims, "a coffin for the rights of Quebec", especially when this new form of federalism is compared with that which existed prior to 1963.

Period of Federal Predominance

From 1867 to 1920, the Central Government was predominant within our federal system. The political union concluded in 1867 was a compromise between legislative union and simple federation. The Federal Government took upon itself the main functions of state at that time and was given powers of control and supervision over provincial legislatures. It was called on to transform the former colonies into a common market, to give them the same currency, to expand their territories from the Atlantic to the Pacific, to promote their development by completing the railway and canal systems, to promote population increase through immigration, and to protect a budding industry by means of a tariff structure. To this

end, the Federal Government was given full control over currency, trade and commerce and all methods or systems of taxation. On the other hand, the provinces were given control over social measures - practically non-existent at the time - and over local development. It was felt then that such limited responsibilities would be further reduced following the establishment of municipal governments. It was for that reason that the provinces were given restricted sources of revenue, to which, however, a system of statutory grants was added.

Such was the original spirit of Confederation. Even though the provinces succeeded in freeing themselves gradually, this tutelary type of federalism lasted, in effect, until after the First World War.

Federalism of Co-existence

The second important phase of our political evolution, from 1920 to 1940, was characterized by provincial autonomy and a federalism of co-existence. The Federal Government had discharged the heavy responsibilities entrusted to it in 1867. Nevertheless thanks to technical progress - for instance, the invention of the automobile - and to industrialization and suburban planning, which gave rise to economic instability and social insecurity, and, finally, following certain decisions of the Privy Council, the responsibilities of the provinces were considerably increased in such fields as highways, education and social welfare, because the municipalities could not cope with the duties incumbent on them. During the same period, the provinces had to increase their revenues, and, rather than take advantage of the area of direct taxation to which they had statutory access, they invaded, by means of a legal device, the field of indirect taxation, which is constitutionally denied them. For instance, the Province of Quebec levied a tax on gasoline as early as 1920, while the first provincial personal income tax was imposed in 1939. Thus, each province increased its area of responsibilities and augmented its revenues without troubling too much about what was being done by the neighbouring provinces and the Federal Government, which, it must be added, was leading the way. This was the era of federal co-existence.

Return to Centralization

The failure of this "confederate federalism" was brought about by the slump in the 1930's, and the Second World War put the finishing touches to it, once and for all. The provinces alone, like the municipalities before them, could not effectively combat unemployment and social insecurity. Furthermore, it was realized that provincial finances were inadequate, not because the taxing authority of the provinces was too limited but because the tax base was too restricted and the tax yield much depleted during a period of depression, which, in turn, greatly reduced the possibilities of borrowing. Confederate federalism had been successful in solving the economic and social problems of its period, but it had brought several provinces to the verge of bankruptcy. The third phase

our political evolution, from 1940 to 1963, started with the Second World War and was marked by a return to centralization. Immediately after the War, with the miseries of the depression still in people's minds, and the provinces unwilling and unprepared to undertake new initiatives, the Federal Government assumed the new responsibilities of the welfare state in an attempt to solve those problems confederate federalism had failed to solve. Industrial expansion needed stimulating, the economy had to be stabilized at the level of full employment and a comprehensive system of social security had to be set up. In order to carry out its new duties effectively, the Federal Government believed that it needed exclusive control over direct taxation; consequently, wartime tax agreements, with certain amendments, were extended long into the post-war period. In this way, the Central Government assumed control of the country's economic and social business, either acting alone or by offering to share joint programmes with the provinces. Thus we returned to an inflexible, tutelary type of federalism, which was desired by the poorer provinces and tolerated by the wealthier ones, Quebec being the only one among them to offer passive resistance.

It must, however, be pointed out that the fiscal agreements negotiated by the St. Laurent administration in 1956 opened the way to a new era. For the first time since Confederation, the Federal Government recognized the exclusive role of the provinces in the field of direct taxation. For the first time, also, it recognized the principle of equalization, the purpose of which was to eliminate the fiscal inequalities between provinces. And finally, for the first time, the equalization payments were made unconditionally and were no longer dependent upon the signing of provincial tax-rental agreements. This was the first step in abandoning the tutelary system; it was the more important as the principle of equalization could become a powerful tool of decentralization and flexibility.

No Changeless Rule for Federalism

Two very significant lessons can be drawn from our political experience and from that of other countries with federal constitutions. The first relates to the sharing of responsibilities among the various governing bodies. It is not only desirable but necessary to good order for certain tasks to be assigned exclusively to one or the other government. However, it is impossible to establish a complete and definitive system of allocation of governmental responsibility in a complex, developing society. Federalism is always subject to change as the state's duties change and as its responsibilities increase. Every time such changes occur, a new problem of division arises, so no definite rule can be applied to federalism. In attempting to confine it within static forms we arrive at a rigidity in the political structure which ill accords with the changing conditions of our modern world. Countries like France, which have tried constitutionally to allow for everything, have simply experienced constitutional instability and governmental inefficiency.

A rigid partitioning of the functions of the state is also impossible. Man's life in society constitutes a well-integrated whole. We can, in the abstract, differentiate certain of its sectors and consider them separately, but no such dissection is possible in practice. Human problems, whether economic, social or cultural, are becoming more and more indivisible and their solution often exceeds the limits originally defined. Questions of jurisdiction in areas of common interest, and problems such as unemployment, will keep cropping up, and solving them in the best way possible will call for joint government action. In other words, governments within a federal system can rightly consider themselves independent from one another in certain fields but in many others they must admit their interdependence if they are fully aware of their responsibilities toward the common welfare of their people.

This is exactly the fundamental idea Mr. Jean Lesage expressed at the Federal-Provincial Conference in 1960, when he stated:

"... though sovereignty excludes dependency, it requires constant co-operation and often the joint action of the various sectors of government; otherwise many problems cannot be solved satisfactorily. . . In short, the Province of Quebec intends to exercise its full rights in the fields falling within its jurisdiction while remaining, at the same time, aware that all the governments of our country are undeniably interdependent."

The second lesson our political development teaches is that interdependence, which is so essential to federalism, has never been marked by a system of consultation and co-ordination of governmental policies. This explains, to a great extent, why our federalism oscillated from one extreme to another, from a régime of protectionism to one of quasi-confederation (one extreme gradually provoking its opposite) without finding a happy medium.

Basic Flaw in Original Federalism

In a little-known but much criticized book I published in 1954, I lamented this basic flaw in our federalism when I wrote:

"Canada has not yet found a satisfactory solution to the problem of inter-governmental relations. In fact, no serious attempt has been made to solve it... Federalism in Canada does not have any permanent body dealing with inter-governmental relations... Federal-provincial conferences have been held only sporadically and almost always convened to try to settle intricate problems that have often not been clearly defined... There is little hope of quickly settling the serious problems raised by contemporary federalism by the method of occasionally bringing together people who are unaccustomed to working together, who often believe that they have divergent

interests, and who do not always consider problems from the same angle... Canada cannot avoid the problem of government relations, and we must find a solution to it. They must be institutionalized and continuous, if they are to be more fruitful. Governments must not meet only to seek agreement on some urgent and complicated problem. They must get used to co-operation by regularly exchanging information and consulting each other. In this way, they will gradually learn to collaborate and arrive at a better understanding whenever a difficult problem arises."

Thus, before I ever thought of going into politics and living through these recent tensions, I had come to speak highly of co-operative federalism as an equitable and stable formula. In fact, the very nature of co-operative federalism can be reduced to three words: interdependence, consultation and co-ordination in the fields of common jurisdiction or in those calling for joint government action.

Era of Co-operative Federalism

The era of co-operative federalism started in 1963. Since the month of July 1963, four plenary federal-provincial conferences and several other special meetings have been held. During that time, officials of both federal and provincial governments have been in almost constant contact. At the Quebec conference, it was decided to set up a federal-provincial committee on our taxation system. The task of this committee, which will be composed of ministers and experts, will be to recommend new methods of apportioning sources of revenue on the basis of new government priorities. The results of this joint examination might well reveal new possibilities in such a vital aspect of our federalism.

In the course of the past year, we in the Federal Government have made mistakes and have sometimes forgotten the principles of co-operative federalism. It is not easy to pass from a system of tutelage to a system of interdependence without going through an intermediate stage. Nevertheless, we have been able to correct some mistakes and have obtained concrete results. The full co-operation of all governments concerned has been assured by modifying the organization of the Montreal World's Fair and of the celebration of the centennial of Confederation. A municipal loan fund has been established without affecting the jurisdiction of the provinces over local authorities. Finally a contributory old-age pension plan has been conceived by incorporating the best features of the original federal plan and the Quebec plan to the greatest advantage of Canadians as a whole. These are among the first fruits of co-operative federalism.

National and Regional Economic Planning

During the same period of time, federal authorities have laid the foundations for significant and co-operative economic planning on both national and regional levels. We have given a new impetus to ARDA that will doubtlessly contribute largely to agricultural development of the Province of Quebec. We have established a federal Department of Industry and an agency for the rehabilitation of depressed areas, both of which are already working in co-operation with the provincial governments. Finally, the Economic Council of Canada, our central planning agency, maintains useful contacts with the Quebec Economy Advisory Council and similar agencies in other provinces. All these new institutions are getting ready to take an active part in the formulation of economic policies, imbued with the spirit of co-operative federalism. Even if the essence of co-operative federalism boils down to the notion of interdependence, of consultation and of the co-ordination of certain important governmental policies, it also has other characteristics that must be recognized. Therefore co-operative federalism should be associated with the conception of decentralization.

The provincial governments have considerably improved the quality of their civil services in recent years; they are thus in a better position than ever to discharge their own responsibilities. Furthermore, there is greater willingness to assume them. In this respect, Quebec does not run counter to the general trend; on the contrary, it is giving impetus to the movement. Finally, it cannot be denied that the provinces must have greater revenues and that, under the present circumstances, there are priorities on certain of their responsibilities.

These and other factors indicate clearly that a tutelary type of federalism is now outdated and that co-operative federalism based on consultation and co-ordination among equals is impossible without decentralization. This is a condition prerequisite to the establishment of the new federalism. What have we done in this respect during the past year?

Achievements of a Twelvemonth

First, we have promoted equitable and decentralized fiscal policy. As early as November of last year, by restoring the principle of equalization, we have redressed the injustice done to Quebec and other provinces in relation to Ontario in 1962. In addition to the exclusive share of succession duties due to the provinces was raised from 50 to 75 per cent. Under an agreement reached last April, the provincial share of personal income tax will increase 2 per cent in 1966-67. Finally, we have granted Quebec another 3 per cent this year as compensation for the extension to Family Allowances, a programme that had already been effected in the provinces. What do all these changes mean in terms of additional revenue for the provinces, for Quebec in particular? If we take into account the extension of the technical-training programme, our province will

receive approximately \$300 million from 1964 to 1967 in accordance with the new federal-provincial arrangements made in the past 12 months. That impressive sum will no doubt assist the provincial government in the continuing application of its dynamic policies, without increasing the burden of taxation in the province. In this perspective, how can it be said that co-operative federalism is nothing but a smoke-screen?

We have encouraged fiscal and legislative decentralization in another important way. We have made the provinces an offer to drop out of joint programmes already under way and involving fairly steady annual expenditures, and we have offered to compensate them by increasing the provincial share of direct taxation and by equalization.

The effect of that reform will be to give a new orientation to our federalism, to centre it more on provincial autonomy and to allow those provinces that so desire to assume their own responsibilities.

As a result of negotiations carried out during these last months, the Prime Minister of Canada, Mr. Pearson, wrote to the provincial premiers on August 15 last and told them that the Federal Government was willing to withdraw from well-established and sustaining joint programmes and to compensate financially those provinces which might wish to assume the federal share.

The following programmes are covered by this option formula: hospital insurance, old-age assistance, allowances for the blind and the invalid, the various grants for vocational training and public health, the building of hospitals, agreements concerning forests and access roads to resources, as well as certain smaller programmes. In 1963-64, the federal contribution to these programmes amounted to about \$644 million. If the Province of Quebec should take advantage of that offer, as is most probable, it will receive as compensation, in addition to contribution and equalization payments, 20 per cent of individual federal income tax, in the form of an exclusive and additional right of taxation.

This is a measure of decentralization without precedent in our political history. At the beginning of 1962, the proportion of federal personal income tax Quebec could collect while avoiding double taxation was 13 per cent. In 1966-67, if we take into account the new fiscal arrangements and the application of the option formula, that share would amount to 47 per cent. By including the equalization payments, it will exceed 70 per cent. How can it be claimed, after that, that co-operative federalism does not solve the centralization deadlock?

Avoidance of Extremes

Under tutelary federalism, the strength of the Central Government was too often built on the weakness of the provinces. With confederate federalism, the strength of the provinces was established on the weakness of the Federal Government. In my opinion, there should be an endeavour to avoid these two extremes which have been detrimental to Canadians in the past. The decentralization movement, as started in 1963, is sane as it marks the end to the wardship exercised by the Federal Government over the provinces. However, the new, growing strength of the provinces should not be established on the weakness of the Central Government in its own fields of jurisdiction. Such an outcome would not be to the advantage of Canadians, who would sooner or later seek a return to tutelage. More particularly, a strong and prosperous Quebec needs a powerful and dynamic Canada.

That is why the Federal Government has, since 1963, taken back the initiative on the international level by considerably increasing help to under-developed countries. By our cultural-exchange programme with French-speaking countries, we have given a new dimension to our foreign policy that will more accurately reflect the character and contribution of French Canada. Our financial, commercial and fiscal policies were dictated by our industrial development. Therefore, there is now an upswing in the Canadian economy, and unemployment has never been so low since 1945. We are, at last, taking the necessary steps to strengthen the cultural institutions under our jurisdiction. As the editor of "Le Devoir" said on June 16, 1964, we want "a federal state strong and co-ordinated enough to provide an effective government for the country", so that the state will play its part in co-operative federalism in a complete and energetic way.

Finally, I should like to note a final characteristic, another requirement of co-operative federalism. Since it is based on inter-dependence, consultation and co-operation between equals it will not flourish unless Canadian Confederation develops on the principle of equality between the two nations that created it. In other words, the duality of language and culture constitutes one of the bases of co-operative federalism, and it is especially the task of the Central Government to provide it.

Pursuit of Biculturalism

For that purpose, we set up the Royal Commission on Bilingualism and Biculturalism in July 1963. This is the first time in our history that a federal Royal Commission has been established jointly with the provinces, that it is made up of an equal number of French-Canadians and of English-Canadians and that all its members are perfectly bilingual. I am convinced that the Laurendeau-Dunton Commission will be up to the complex and vital task which has been entrusted to it.

But the Government did not wait for the results of that inquiry to proceed. A model-school for the teaching of languages was set up in Hull and was requested to develop the most effective methods to enable the greatest number of civil servants in Ottawa to become bilingual. French courses are already given in most of the departments. Thus, all civil servants will soon be able to work in their own language. A French radio station is being set up in Toronto by the Canadian Broadcasting Corporation and gradually we hope to be able to extend a French broadcasting network right across the country.

Finally, we have instructed an interdepartmental committee of senior government officials to initiate a programme to promote effective bilingualism throughout the federal public service.

We want the federal public service to respect not only the principle of bilingualism but also the essentially bicultural nature of our country. Some French-Canadians have recently been appointed to higher positions in the Canadian National Railways, in the Central Mortgage and Housing Corporation, in the Bank of Canada and in many departments such as Public Works, Transport and Northern Affairs. For the first time, a French-Canadian, the Honourable Lionel Chevrier, was appointed Canadian High Commissioner in London and Mr. Jean Martineau, another French-Canadian, became President of the Canada Council. Furthermore, the examination system for the civil service is now being adapted to the special academic background of French-Canadians and we are sparing no effort to recruit more of them.

You are quite aware that recruitment is difficult. There is a shortage of French-Canadians in the new industries, particularly when one considers the almost unlimited demand that has developed among us. Only when this shortage is eliminated shall we have reached our ultimate goal. For the moment, we are improving recruitment methods and working conditions in the public service; we are settling the most urgent matters and bridging the widest gaps.

At the risk of seeming less than objective, I have no hesitation in saying that this general outline of our cultural accomplishments during the past 15 or 16 months is remarkable.

It certainly means a new start toward equality between the two most important ethnic groups. We have passed the stage of purely symbolic gestures; what we have reaffirmed is the very substance of the cultural problem.

As you can see, we are creating a really new federalism. Of course, we shall need much patience and moderation if we want to succeed; short of revolution, political systems cannot easily and rapidly undergo fundamental changes. However, after only one year, the results are considerable. For instance, who would have foreseen in 1962 that the Quebec provincial government would soon collect nearly 75 per cent of personal income tax?

Confederation thus remodeled to establish a balance of the forces that form our country and to satisfy to a greater extent Quebec's aspirations is, I feel, the only real hope of the French-Canadians. It is the only way to a mutually acceptable compromise. Co-operative federalism is half-way between tutelary federalism, which existed until 1963, but which is no longer acceptable to the French-Canadians, and confederative federalism which is no longer satisfactory for present-day problems and which the English-Canadians would not accept.

Silence of the Moderates

We should not forget that the two extremisms which confront one another at present in our country meet while they are opposed. They produce the same fanaticism; they lead to the same catastrophe; they engender one another. They are equally opposed to the compromise of co-operative federalism. And yet we shall be lost the day we refuse to accept compromise in our personal or collective lives. The virtue of compromise is moderation. And moderation is the only way towards progress without a crack-up, toward evolution without rebellion. Between rebellion and inertia, genuine progress which is usually half-way between the idealism of the élite and the people's realism, always finds a place. For this reason, the silence of the moderates is, in the present situation, more dangerous than the war-cry of the extremists.

The silence of the moderates itself threatens the French-Canadian population with separatism. There are indeed two solitudes developing there presently. On the one hand, as Professor Marc-Adélaïde Tremblay recently said, "the Quebec population reacts with enthusiasm to the appeal of modernism and adopts wholeheartedly the new ways of life and the new manners of thinking, so that day by day they come to be more and more like the other North Americans. This was confirmed by a scientific poll several months ago, according to which 33 per cent of the people from Quebec were in favour of political union with the United States.

On the other hand, and at the same time, the noisiest elements of our élite are adopting the vocabulary, the attitudes and even the behaviour of certain leaders of the new African states.

This ever-widening rift reveals a profound lack of stability within our society and is the measure of the element of artificiality in our national feeling. In this respect one might recall the warning given by that great French thinker, Father Delos, in his book "La nation". "The exact proportion", he writes, "between the utterances of the élite and the realities within the masses constitutes the truth and, for that matter, the authenticity, of national feeling. Because that feeling must be aroused, how easy it is for the rousers to become strident and introduce artifice and exaggeration. It follows that those who think through their élite are misled with regard to their own true cultural values and, losing their sense of proportion, are weakened and irritated by a sustained and exaggerated psychological tension."

This warning should make us think, because conditions of exaggerated tension often lead to violence but rarely to true progress. In my opinion, it is a matter of urgency for our élite to draw closer to the realities of our time and to the real preoccupations of the people. In a democratic framework, the members of the élite cannot succeed in their ideal of development and progress unless they keep in human contact with the milieu, accepting it as it is at the initial stage of action, and not as they imagine it to be or as they would like it to be. This human rapprochement between the élite and the people is necessary to ensure the balance and the stability of the French-Canadian society. Such a recognition of reality will also view co-operative federalism not as a way of collective suicide but as a new way of life based on the interdependence that unites us to other Canadians and permitting us, at last, to co-operate with them in equality and dignity to further not only our greater or more material interests but our more noble interests as well.

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