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Changing with the Times: Success, Failure and Inertia in Canadian Federal Arrangements, 1945-2001*

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Canada is one of the oldest, and from most perspectives one of the most successful, federal countries in the world. But success has not come easily. Over the 135 years of its existence, Canada has changed in many ways. As the decades rolled by, its territory expanded greatly, the number of provinces (and territories) included in the union grew, its degree of political independence from Britain increased, and, most recently, a political party whose explicit objective is separation of one of its provinces has gained control of a major province while at the same time Canada's degree of economic dependence on the United States has risen to new levels. These and other major changes in the nature of both the country and its environment have required equally major changes in the institutions of Canadian federalism. The union continues to endure, but not without a good deal of effort and not without continuing pressures and strains.

In this paper, following an introductory section setting out some salient characteristics of the country and its key institutions, we examine three aspects of Canada's federal arrangements over the last half century. We have chosen these three examples to illustrate, first, an instance in which successful changes were gradually made over time to accommodate changing economic and political circumstances, second, an instance in which the outcome of even greater efforts at changing institutions in the face of political demands was a resounding failure, and, finally, an instance in which, despite the apparent economic desirability of a change, none has even been attempted. The success story is the marked change that has taken place in the sharing of the personal income tax between the federal and the provincial governments. The failure is the unsuccessful attempt to amend the Constitution Act of 1982 to satisfy the demands of Québec, the majority francophone province in Canada. Finally, the story that has not happened is the creation of a national securities commission to replace the existing provincial commissions. We conclude the paper with a few general observations.[1]

1. Canada: A Brief Introduction[2]

Canada is a federal country created in 1867 by the union of three British colonies: Nova Scotia, New Brunswick, and Canada. On the creation of the country of Canada, the former colony of Canada was divided into two provinces: Ontario (the former Upper Canada) and Québec (Lower Canada). Three other British colonies soon joined the new country: Manitoba (the Red River colony) in 1870, British Columbia in 1871, and Prince Edward Island in 1873. In 1905, two new provinces, Saskatchewan and Alberta, were created out of federal lands.[3] Finally, Newfoundland (now officially

[1] Although it may not need saying, we should perhaps emphasize that this selective account of a few aspects of Canadian federalism necessarily leaves out much more than it includes both in content and especially in terms of references. Articles could be, and have been, written about most sentences in this paper, and books about most paragraphs. We have tried to strike a balance between accuracy and comprehensibility to those not initiated in the mysteries of Canadian federalism. We may not always have succeeded.

[2] For further discussion of many of the points noted in this section, see Bird and Vaillancourt (2001).

[3] The area of a number of other provinces, notably Ontario and Québec, was also expanded considerably by the inclusion in their jurisdiction of former federal lands in 1912.

Newfoundland and Labrador), since 1933 again a British colony following a short-lived period of independence ended by the crushing impact of the great depression, joined Canada in 1949.[4]

Constitutional Setting

While there is some debate on this point among historians, it seems fair to state that the drafters of the Canadian Constitution (the British North America Act or BNA Act) intended to create a strong central government, largely in reaction to the recent Civil War in the United States and more directly to the perceived threat to Canada arising from that war, as evidenced both by American political rhetoric and, more concretely, by incursions into the province of Canada by Union veterans in upstate New York – the "Fenian raids" (so called because most of those involved were violently anti-British Irish immigrants). The new Government of Canada was, for example, given sole possession of the key revenue source at that time, customs duties, and made responsible for economic development (banking, railways, tariffs, etc.), while the new provinces were left to handle such local matters as education, health and social services, none of which were very important in the 19th century. To further reinforce central power, the federal government was also permitted, in certain circumstances, to disallow provincial legislation and to declare certain "local works" of national interest – an example was uranium mining during World War II.[5]

The pre-eminence of the federal government remained essentially unchallenged until the end of the First World War. During the 1920s and 1930s, however, matters began to change when a series of decisions by the Judicial Committee of the Privy Council in London (which -- perhaps surprisingly to non-Canadians – remained Canada's final court of appeal until 1949) reserved the field of transfers to individuals (workers compensation, welfare, unemployment insurance, old age pensions) for the provinces. As a result of these decisions, explicit constitutional amendments were required to allow for the creation of federal programs of unemployment insurance (in 1940) and old age pensions (in 1951). These amendments were made with the assent of all provinces. Despite this judicially imposed restraint, however, the federal government clearly remained dominant, and fairly assertive, in its relations with the provinces through both the depression of the 1930s and the succeeding war years.[6]

Indeed, as we discuss in the next section, in fiscal terms World War II raised centralization to a new height. In the ensuing decades, the federal government used its new fiscal power to intervene decisively in such constitutionally provincial fields as welfare, health (which in fact was mainly privately provided until 1957), and post-secondary education. Using what is called its "spending power" (see Box 1) the federal

[4] In addition to these ten provinces, as shown in the map, there are also three sparsely populated northern territories: Yukon, Northwest Territories and, since April 1, 1999, Nunavut (the eastern part of the previous, larger Northwest Territories), although they are not further discussed here.

[5] The disallowance power was last used in the depression years with respect to some Alberta laws introduced by that province's Social Credit government.

[6] For example, as just noted, some provincial legislation was disallowed in the 1930s, and the federal government's writ clearly dominated provincial financing in the depression years (Bird and Tassonyi, 2001).

Box 1

The Federal "Spending Power"

The federal "spending power" is usually understood to refer to the power of the federal government to pay money to people or institutions for purposes with respect to which the federal Parliament does not have the power to legislate. The precise nature and extent of this "power" is not set out constitutionally, nor has it been determined judicially, or for that matter in any other way in Canada. Nonetheless, discussion about the existence of and meaning of the spending power has played an important role in the evolution of Canadian federalism. In effect, this is the language often used in Canada to discuss the virtually universal problem of overlapping jurisdictions in federal states.

Essentially, four approaches may be taken to this problem. The first, and in many ways the simplest, is simply to make "each tub stand on its own bottom," that is, to realign expenditure responsibilities and revenue powers and eliminate intergovernmental transfers so that every government is responsible for raising its own funds. To a considerable extent, this is the approach taken in the United States and Switzerland. This position has been consistently taken by Quebec from the Tremblay Commission of 1956 to the Seguin Commission of 2002 (though modified by a recognition of the desirability of continued equalization transfers).

A second approach is to recognize formally that both levels of government have concurrent interests in certain fields and to try to work out satisfactory joint arrangements. Germany epitomizes this approach. To some extent, this has been done in Canada, for example, with respect to immigration.

A third approach might be to attempt to "de-politicize" the issue to some extent by involving some "non-party" agency such as the Fiscal and Financial Commission of South Africa or the Commonwealth Grants Commission of Australia. It is possible, but far from certain, that something along these lines may perhaps eventually emerge in Canada with respect to the health sector at least to a limited extent.

Finally, Canada could simply continue to "muddle along" as it has in the past, with recurrent battles about the principle of federal spending in provincially constitutional areas being resolved in practice in a variety of different, and changing ways, as political and economic circumstances dictate. Even if this "non-choice" is made, however, the absence of any established institutional mechanism in Canada by which to ensure that provincial interests are adequately reflected in federal policies affecting provinces guarantees that continued disputes will continue to occur about the "spending power."

government offered major financial inducements to the provinces to modify their behavior in these and other areas that were constitutionally within their jurisdiction.

Canadians may often argue about the constitution, as we discuss in a later section, but there is never any question about which constitution is under discussion, since there is only one constitution in Canada. There are no provincial constitutions. Moreover, since municipal governments have no constitutional status in the BNA Act, they are entirely the creatures of provincial law and hence completely subject to provincial whims and wishes. Provinces thus can at will modify the number, boundaries, and powers of their local governments, and they have frequently done so.[7]

The constitution contains a list of exclusive federal powers, a list of exclusive provincial powers, and a list of concurrent powers (agriculture and immigration with federal paramountcy, and pensions with provincial paramountcy). Federal powers include defense, foreign affairs, money and banking, transportation, and communications. Provincial powers include education (subject to linguistic/religious safeguards for minorities), health, municipal and local affairs, police, and so on. There are no explicit provisions for reviewing the federal-provincial division of powers nor is there any official body responsible for suggesting initiatives in this area. Nor is there any constitutional provision for inter-provincial interaction, though provinces purchase some educational services from one another and make other contractual arrangements (for example, for police training and a common land registry system in the Maritime provinces).

Political Setting

Canada is a monarchy with the Queen, the formal Head of State, being represented by a Governor-General, who is appointed on the advice of the Prime Minister and who has a purely ceremonial role. Parliament has two chambers, the House of Commons and the Senate. Although the older eastern provinces have a disproportionate share of Senate seats relative to their population, this does not matter much since the appointed Senate is ineffectual.[8] Members are elected to the House of Commons in British parliamentary fashion, that is, by a plurality of votes in a single round election in a territorially-based constituency. The combination of a 1915 requirement that no province

[7] For further discussion, see Tindal and Tindal (1990). Actually, there are two major forms of local government in Canada, municipalities and school boards, and in some provinces, for historic reasons, some school boards do have constitutional protection on the basis of religion (Catholic/Protestant) or language (French/English).

[8] The Senate is formally appointed by the Governor General, which means it is really appointed by the Prime Minister. Since members serve until age 75, it is quite possible that at any point in time the majority of Senators were appointed by a different party than that currently in power. However, although in constitutional terms the Senate has almost the same powers as the House of Commons, it has not vetoed a bill from the Commons since 1939. The Senate consists of 24 members from the Maritime Provinces (10 each from Nova Scotia and New Brunswick and 4 from Prince Edward Island), 24 from Quebec, 24 from Ontario, 24 from the Western Provinces (6 each), 6 from Newfoundland and one from each of the three territories. Some of the western provinces have long argued for a "Triple E" senate – equal membership from every province, elected, and "effective" – and, as we shall see, at one stage this demand reached the constitutional negotiation stage, although it got nowhere in the end.

can have a number of members less than its number of senators and a 1985 requirement that no province can suffer an absolute drop in its number of members in the House means that some provinces have smaller constituencies than others. To adjust for population increases in some provinces, the number of members of parliament has to be increased -- from 301 to 308 following the 2001 census, for example.

As shown in Table A-1, Canada has generally been controlled by a government with a majority (usually Liberal since 1945) in the House of Commons. Majority governments have similarly also governed in the unicameral systems of the provinces for most of the time. Coalitions between parties thus play a role in policy decisions only very rarely. The most important recent case occurred in the second Trudeau government in 1972, when the (socialist) New Democratic Party (NDP) supported the Liberal minority in exchange for a more nationalistic energy policy, which included the creation of a new state petroleum company, Petro-Canada.[9] Provincial parties, while often bearing the same name as federal parties (Liberal, New Democratic Party, Progressive Conservative), are not formally linked to the federal party or for that matter to the provincial party of the same name in other provinces. Governments controlled by these parties can and often have taken opposite policy stands to their federal counterparts, even though their membership may be partially shared. Party discipline is notably strong in Canada at both the federal and provincial levels. Members rarely defy party leaders and almost never formally change parties. When they do, they are seldom re-elected, since electoral finances are tightly controlled by central (federal and provincial) party offices. Finally, very few politicians in Canada have successfully crossed from the provincial to the federal sphere. The highest political goal of a successful provincial premier is usually to win another majority; it is not to leap to the federal level.

A final important political fact is that, except for three short periods totaling about two years, since 1968 the federal Prime Minister has been a bilingual Québec MP. Nonetheless, by far the most important source of political tension in Canada in recent decades has clearly arisen from the presence of a francophone majority in Québec (see Table 1). To understand recent events one must know that most Quebec francophones – like most anglophone Canadians -- are unilingual. Not surprisingly, francophones are significantly less mobile than anglophones within Canada. Moreover, a majority of Québec's francophones voted yes for "sovereignty-association" in 1995. We discuss in a later section of the paper the various attempts that have been made to recognize this reality more fully than at present in some constitutional form, and why they have, to date, failed.

Finally, as a rule in Canada each government administers its own policies, although there are a few interesting few exceptions. One exception is with respect to taxes, where the federal Canadian Customs and Revenue Agency (CCRA, formerly Revenue Canada) collects provincial personal income tax for all provinces except Québec as well as a joint federal-provincial VAT called the Harmonized Sales Tax (HST) for

[9] The National Energy Policy of this era contributed considerably to the dissatisfaction with federal policies felt in the western provinces, particularly Alberta – a dissatisfaction to this day mirrored in the inability of the federal Liberals to develop a firm political base in the West.

three provinces (Newfoundland, New Brunswick, Nova Scotia). On the other hand, in Quebec the provincial Ministere du Revenu du Quebec (MRQ) administers the federal sales tax (the Goods and Services Tax, GST).[10] The federal Royal Canadian Mounted Police (RCMP) provides provincial police services to eight provinces (Québec and Ontario have their own provincial police services) and also to about 200 municipalities within those eight provinces under cost recovery contracts.[11] In other words, in much of Canada, the federal police serve as provincial police and, in some cases,municipal police. Such contract policing accounted for over half of RCMP employees and for 57% of its budget in 2000-2001.[12]

Economic Setting

Canada is the second largest country in the world, with an area of 10 million sq. km. This immense and varied territory may roughly be divided into five regions – the Atlantic coastal area (which in turn is divided into four small provinces), the central heartland along the St. Lawrence River and the upper Great Lakes (divided between the huge central provinces of Québec and Ontario), the great plains (beginning in the province of Manitoba and extending through Saskatchewan to Alberta), the mountain region ending on the coast of British Columbia, and, finally, the great northern expanse, extending from the northern sectors of most provinces (except the three small Maritime provinces) into the treeless reaches of the three sparsely-populated northern territories. Despite this vast territory, however, most Canadians live within a few hundred kilometres of the U.S. border and have important cultural (such as TV viewing habits in English Canada) and economic ties – for example, 85% of exports -- with the US. Most also live in urban areas – and increasingly in such major metropolitan areas as Montréal, Toronto, and Vancouver.

Table 1 summarises some key demographic, economic and geographic features of the different provinces[13]. As shown in the table, there are important disparities both in size, with the GDP share of the largest province (Ontario) being over 100 times larger than the smallest (Prince Edward Island) and in incomes, with GDP per capita in the richest province (Alberta) being almost twice as high as GDP per capita in the poorest province (Newfoundland).

Two major events have influenced Canada's economy over the last decade. Most importantly, in 1989 Canada signed a Canada-USA Free Trade Agreement (CUFTA) that was expanded in 1993 to include Mexico and became the North America Free Trade Agreement (NAFTA). From 1989 to 2000, exports as a share of GDP went from 26% to 46%, with exports to the USA rising particularly dramatically, from 19% to 38% of GDP.

[10] See Bird and Gendron (1998) for a full discussion of sales taxation in Canada
[11] In the case of British Columbia, the contract is with the province to provide services to specific municipalities. Elsewhere, the RCMP contract directly with local governments. Similar contract policing arrangements exist with a number of Aboriginal bands and with a few airports.
[12] http://www.rcmp-grc.gc.ca/dpr/performance01e.pdf
[13] Data in tables 1-4 are for calendar 1999(Population, GDP,) or fiscal 1999-2000(Revenues, Expenditures);1999 is the last year for which we had data for all sub-national governments

This change was accompanied by a major restructuring of the manufacturing sector, particularly in Ontario, from a branch plant economy to what is now essentially an integrated part of the American economy. Initially, this restructuring was very difficult, not least because it took place in the depth of a serious recession in 1990-1991. Subsequently, however, the increased integration with the US undoubtedly boosted Canada's recovery and relatively good growth performance later in the decade.

More recently, however, the events of September 11, 2001, the consequent border closing, and the new US concern for border security in general have put great pressure on Canada to respond in a way that meets US security concerns while serving Canada's overwhelming economic interest in swift and secure access to American markets (Dobson, 2002). Another recent policy concern, again arising from Canada's increasing economic integration with the US, relates to the steady depreciation of the Canadian dollar over the decade, from 87 cents US in 1991 to little more than 60 cents in 2002. Some have linked this decline to concerns about the slow growth of real income and productivity and argued that the logical course is for Canada to "dollarize," that is, to adopt the US dollar as its currency. In an on-going debate reminiscent in many ways of those in the EU about the Euro, others see little gain from thus forgoing flexibility in monetary policy. In these and other ways, the long-standing Canadian obsession with relations with the United States has been considerably strengthened by the free trade agreements.

The second important event over the last decade has been more narrowly Canadian. From 1974 on the federal government ran an annual budgetary deficit that by 1995 had reached 5% of GDP, with accumulated gross debt reaching a level of 120% of GDP. Such a situation was unsustainable. In the first half of the 1990s, however, the combination of strong economic growth driven in good part by exports to the United States and much tighter federal fiscal policy than in any other OECD country, including both increases in taxes and cuts in spending, including cuts in transfers to provinces -- turned things around. Since 1997, the federal government has been in a budgetary surplus position and has been paying down debt. Although most provinces also eliminated or reduced their deficits, they did so with more difficulty, in part owing to the nature of their expenditures and in part because of the federal transfer cuts. This divergent recent experience has led some to reopen the question of the appropriateness of the current assignment of revenues and expenditures in Canada.[14]

Fiscal Setting

. Provinces in Canada are constitutionally able to tax anything they want to tax (except international and inter-provincial trade). In fact, they raise most of their considerable resources from the same sources as the federal government, namely, taxes on income and sales. Of course, as Tables 2 and 3 show, there are wide variations in provincial taxation, both in terms of structure and importance in provincial revenues.

[14] Most notably, Quebec's Seguin Commission (2002), although it should be noted that others have supported this argument (Mintz and Smart, 2002).

Some provinces levy payroll taxes while others do not and while Alberta does not levy a sales tax, all other provinces do. The dependence of provinces on federal transfers varies by a ratio of five (Newfoundland) to one (Alberta). Money may not lie at the heart of Canada's federal problems, but it has certainly been a critical factor in how they have been resolved, as we discuss in the next section with respect to sharing the income tax.

Table 4 presents expenditures by level of government. Provinces are the main players in the health and education fields while the federal government is the main provider of general services, protection services and social services (old age and unemployment programs)

There are three major types of federal-provincial transfers in Canada: equalization (about $10 billion), the Canada Health and Social Transfer, or CHST (about $20 billion) and program-specific transfers (about $5 billion) for official language, housing, legal aid, etc., with various criteria used to allocate funds. Box 2 briefly describes the first two programs.[15] The program-specific transfers are examined in Vaillancourt (2000). In addition, of course, a certain amount of interprovincial redistribution occurs in federal programs such as unemployment insurance or child benefits .In the first case, unemployment premiums are the same across provinces and industries while unemployment rates vary significantly across provinces, resulting in transfers between provinces (Bird and Vaillancourt, 2001). In the second case, the progressivity of the income tax system and the income tested nature of the child benefits also result in implicit transfers between provinces.

[15] Perry (1997) provides a detailed discussion and history.

BOX 2

Major Federal-Provincial Transfer Programs

Equalization.

This program, introduced in 1957 and constitutionally protected in 1982, takes into account the tax capacity of provinces, compares it to a five-province (Québec, Ontario, Manitoba, Saskatchewan and British Columbia) standard for each of a given set of taxes, calculates for each tax the surplus/deficit amount using the average provincial tax rate (collections/base), sums the deficits net of surplus and thus obtains equalization per capita which, multiplied by the population, yields the annual equalization payment, which cannot be negative.. The formula is:

$$\text{equalization province J } (>0) = \left[\sum_{t=1}^{N} \left[\begin{pmatrix} \text{per capita} \\ \text{tax base i} \\ \text{standard} \end{pmatrix} - \begin{pmatrix} \text{per capita} \\ \text{tax base i} \\ \text{province J} \end{pmatrix} \times \begin{pmatrix} \text{average} \\ \text{tax} \\ \text{rate i} \end{pmatrix} \right] \right] \times \begin{matrix} \text{population} \\ \text{province J} \end{matrix}$$

where N has varied over time from 3 (1957) to 33 (1997) and includes all major taxes (personal, corporate, sales, fuel, alcohol, tobacco, payroll, etc.) used by the provinces. Equalization payments are from federal general revenues with no province-to-province transfers. Transfers have the purpose of raising the revenues of recipient provinces and are not linked to specific spending. Ceilings and floors apply in some years (see Boadway and Hobson, 1998 for more details). Some commentators allege that this system leads to those provinces receiving equalization either setting tax rates too high without regard to their impact on their tax base or not encouraging economic activity as much as possible since increases in the associated tax base reduces equalization payments almost one for one.

Canada Health and Social Transfer (CHST)

This program had its beginnings in several open-ended conditional grants introduced in the 1950s and 1960s, some of which were modified to a block grant form in 1977, but took its current form only in 1999. It provides for an equal per capita grant to each province: the federal government sets the per capita amount of the grant. The amount of the block grant is paid as follows:

Per capita grant equal across provinces	=	Per capita value of personal income tax room transferred in 1977 (13.5% of tax field)	+	Remainder as cash grant

Since the cash grant varies inversely with the value of transferred tax room and the value of a 1% point of transferred tax room varies with provincial income, poor provinces receive more of the CHST in cash and rich provinces less,. Hence, Newfoundland receives about 55% of its CHST transfer in cash and Ontario about 45%. Québec receives only 40% of this transfer in cash because in 1965 it received an extra 16.5% of personal income tax room (see next section). This transfer is nominally related to expenditures on post-secondary education, health, and social services but in practice is not in any way earmarked or otherwise linked to spending in those areas.

Finally, provinces have free access to both national and international capital markets for borrowing purposes, with the sole constraint being their credit rating.[16] Over the last 20 years, most federal state enterprises (crown corporations) have been privatized, although Canada Post remains federally-owned as does the Canadian Broadcasting Corporation/Société Radio Canada. In addition, the federal government still owns 18% of Petro Canada, an integrated oil company set up, as noted earlier, in the early 1970s, as well as Atomic Energy of Canada, a manufacturer of nuclear reactors. Public enterprises remain important at the provincial level. The provinces own lotteries, liquor stores (except Alberta), and, again excepting Alberta, electricity providers, although privatization is to some extent under way: Ontario's provincial electricity company, is to be privatized in May 2002, for example. Public enterprises remain most important in Québec, which both has a number of important crown corporations and also owns large stakes in many Québec businesses through the Caisse de Dépôt et Placement, which invests the assets of both the pension plans of civil servants and the Québec social security plan.[17]

[16] For detailed discussion of subnational borrowing in Canada, see Bird and Tassonyi (2001).
[17] The Quebec Pension Plan (QPP) is an earnings-related plan financed by an earmarked payroll tax. It is identical to the Canada Pension Plan (CPP), a federal-provincial scheme operated by the federal government, except in terms of its investment policy. For detailed discussion, see Vaillancourt (2000a).

TABLE 1

Key Demographic, Economic and Geographic Features of Canada's Provinces, 1999

	Canada	NFD	PEI	NS	NB	QUÉ	ONT	MAN	SASK	ALTA	BC	YU	NWT	NU
Area (Km^2)	9,970,610	405,720	5,660	55,490	73,440	1,540,680	1,068,580	649,950	652,330	661,190	947 800	483 450	1 479 000	1 900 000
Population ('000)	30493	541	138	939	754	7349	11517	1143	1026	2959	4028	31	41	27
Density – population	3.0	1.4	24.2	17.1	10.4	4.8	10.7	1.8	1.6	4.3	4.1	-	-	-
% population anglophone 1996	60,2	98,5	94,1	93,1	65,3	8,8	73,1	74,7	84,3	81,5	76,1	-	-	-
% population francophone 1996	26,9	0,4	4,3	4,0	33,2	81,5	4,7	4,5	2,0	2,0	1,5	-	-	-
GDP ($000 000)	957911	12110	2994	22407	18390	204062	396775	30995	30143	116990	118783	1080	2167	731
GDP per capita	31414	22384	21696	23863	24390	27767	34451	27117	29379	39537	29489	34839	52854	27074
% Area	100	4.1	0.1	0.6	0.7	15.5	10.7	6.5	6.5	6.6	9.5	19.0	4.8	14.8
% Population	100	1.7	0.5	3.1	2.5	24.1	37.8	3.7	3.4	9.7	13.2	0.1	0.1	0.1
% GDP	100	1.3	0.3	2.3	1.9	21.3	41.4	3.3	31	12.2	12.4	0.1	0.2	0.1

Sources: Authors using Statistics Canada data (CansimII 384-0013)

Notes: NFD: Newfoundland; PEI: Prince Edward Island; NS: Nova Scotia; QUÉ: Québec; ONT: Ontario; MAN: Manitoba; SASK: Saskatchewan; ALTA: Alberta; BC: British Columbia.

TABLE 2
Main Features of Provincial Taxes in Canada, 1999

Provinces	Provincial Rate (% of Federal)	Personal Income Tax[1] Federal and Provincial		Corporate Income Tax (Manufacturing)		Sales Taxes		Payroll Tax	Capital Taxes[3]
		$7,500	$200,000	Provincial	Total	Rate	Type[2]		
Newfoundland	69.0	27.6	52.5	5.0	27.1	8	HST	2.0	0/4
Prince Edward Island	58.5	25.9	49.1	7.5	29.6	10	Prov.	-	0/3
Nova Scotia	57.5	16.3	48.8	16.0	38.1	8	HST	-	0.25/3
New Brunswick	60.0	26.1	49.2	17.0	39.1	8	HST	-	0.3/3
Québec	-	16.4	51.7	9.13	31.3	7.5	GST+	4.26	0.64/1.57
Ontario	39.5	16.3	48.3	13.5	35.6	8	Prov.	1.95	0.3/0.6-0.9
Manitoba	48.5	17.3	48.5	17.0	39.1	7	Prov.	2.15-4.3	0.3-0.5/3
Saskatchewan	48.0	16.3	50.4	17.0	39.1	6	Prov.	-	0.6/0.7-3.25
Alberta	44.0	16.3	44.7	14.5	36.6	0	-	-	0/2
British Columbia	49.5	24.4	51.6	16.5	38.6	7	Prov.	-	0.3/3

Source: *Finances of the Nation*, 1999, Canadian Tax Foundation, various Tables.

Notes: [1] PIT rates are for a single taxpayer with assessed income of either 7,500 or $200,000.

[2] Sales taxes : HST: Harmonized Sales Tax.
GST+: Base similar to GST.
Prov.: Provincial.

[3] Capital taxes are general/Bank rates.

TABLE 3Provincial and Territorial Governments, Revenues and Expenditures, Canada,1997

	Canada Provinces territories	NFD	PEI	NS	NB	QUÉ	ONT	MAN	SASK	ALTA	BC	YU	NWT	NU
Total revenues	212 330	4 170	995	6 306	5 587	56 158	70 725	8 715	7 965	22 626	27 535	519	867	651
% revenues from own sources	84.9	59.1	62.9	65.6	65.0	84.7	90.1	74.2	82.0	91.5	89.0	25.2	28.6	11.8
% transfers	15.0	40.9	37.1	34.4	35.0	15.3	9.8	25.8	18.0	8.5	11.0	74.8	71.4	88.2
Personal income taxes % of own sources	28.7	24.5	25.7	27.7	24.8	35.5	28.1	29.3	22.1	24.6	24.2	26.7	24.2	18.2
Corporate income taxes % of own sources	6.6	3.4	3.0	3.6	3.9	5.1	10.0	5.0	4.2	6.1	3.9	6.1	2.8	1.3
General sales taxes % of own sources	14.2	18.5	23.0	18.8	16.2	12.7	19.8	15.2	10.2	0	13.7	0	0	0
Fuel taxes % of own sources	3.9	5.2	5.3	5.3	5.1	3.3	4.4	3.4	5.6	2.7	3.7	4.5	2.8	2.6
Property taxes % of own sources	1.7	0	6.4	0	6.4	0.1	0.02	3.1	0.02	5.4	5.8	1.5	2.4	3.9
Payroll taxes % of own sources	4.2	3.0	0	0	0	8.7	4.9	3.5	0	0	0	0	0	0
Other taxes % of own sources	40.4	45.5	36.6	44.6	43.7	34.5	32.8	43.6	57.8	61.2	48.8	61.1	61.3	74.0
Total revenues % of GDP	22.3	34.2	33.1	28.0	30.2	28.5	18.0	28.0	26.5	19.1	23.2	48.4	40.1	60.2
Own Revenues % of GDP	18.8	20.4	20.9	18.4	19.8	23.3	16.1	20.9	21.7	17.7	20.5	12.1	11.4	7.1
Total spending $000 000	210 103	4 181	1 011	6 313	5 746	55 596	71 107	8640	7 189	19 467	29 092	530	898	639
Deficit/surplus	2 226	-11	-16	-6	-159	561	-382	74	775	3 159	-1 738	-10	-31	11

Source :Authors ,using Statistics Canada data(CansimII 385-0001). Total revenues, expenses and surplus - deficits are in $000 000.

TABLE 4

Spending % by Type for Each Level of Government and by Level for Each Type, Canada, 1999

	General Services	Protection of Persons & Property	Transport. & Communication.	Health	Social Services	Education	Transfers to Other Governments	Debt Charges	Other	Total $000 000
	% Type for Each Level									
All governments	3.4	8.0	4.3	15.7	26.3	15.2	-	15.2	11.9	398 406
Federal	3.3	10.5	0.9	0.9	37.8	2.6	14.1	17.9	12.1	176 452
Provincial	1.6	3.7	4.6	28.9	17.2	23.1	0.8	12.2	7.9	210 103
Municipal	6.4	9.2	11.5	1.2	7.3	41.6	-	4.2	18.6	79 291
	% Level for Each Type									
% Federal	40.9	55.2	8.4	2.7	61.4	5.2	93.8	52.2	-	176 452
% Provincial	23.2	22.9	47.3	95.8	33.3	56.4	6.2	42.3	-	210 103
% Local	35.8	21.8	44.3	1.5	5.3	38.3	-	5.5	-	79 291

Source; Authors using Statistics Canada data (CansimII 385-0001)

2. The PIT and the Pendulum: The Rising Roll of Provincial Taxes

In 1933, the first year for which we have official data, the federal government accounted for 42% of all own government revenues, provincial governments for 18%,and local governments for 40%. By 2000, these percentage shares had altered to 44%, 45% and 11%, respectively. These numbers may suggest that the key change was in the relative importance of the different sub-national governments, rather than in the role of the federal government. At the end of World War II, however, the federal government was in fact collecting 82 % of all revenues.[18] In this section we tell the tangled tale of how, over the next few decades, the size of the federal share returned to its pre-depression level, with particular emphasis on the story of the income tax. The story is not a simple one to follow, but some help may be provided by Tables 6, 7, and 8.

The Swings of the Pendulum

To begin at the beginning, by the mid-1930s, the depression had taken its toll on provincial finances in Canada, with the western (now oil-rich but then poor) province of Alberta being driven to the brink of bankruptcy. In response to this and other crises in provincial (and local) finance, in 1937 the federal government established the Royal Commission of Dominion-Provincial Relations (commonly called the Rowell-Sirois Commission). When this Commission reported in 1940, after the beginning of World War II, it recommended that in order to avoid such crises in the future, not only should responsibilities, taxing powers and debt be centralized but in addition a system of equalizing grants, designed to respond to provincial fiscal needs, should be established. Although the opposition of British Columbia, Alberta and Ontario -- the three provinces that would not have qualified for these grants -- meant nothing was done at the time, all provincial premiers agreed to co-operate with the federal government throughout the war. Under the Wartime Tax Agreements (the so-called "tax rental" agreements), the provinces surrendered ("rented") all rights to impose income taxes to the federal government in exchange for fixed annual payments.[19] These agreements – though seen by some as a scheme of blackmailing the provinces into accepting fiscal centralization (Granatstein, 1975, p. 173) – are seen by others to have been a reasonable compromise, given the times.[20]

Following the expiration of the wartime agreements in 1946, the next 45 years of federal-provincial fiscal history can be divided into 6 periods.

1947-1957

Unable to reach a post-war federal-provincial consensus, the federal government simply offered to continue the tax rental agreements with any province that

[18] The long-term swings in revenue shares are discussed in Bird (1970, 1979).
[19] Succession duties (inheritance taxes) were also included in these arrangements. The disappearance of death taxes as a result of inter-provincial tax competition in Canada following their abolition at the federal level is discussed in Bird (1978).
[20] For example, Smith (1998, p. 35) compares the Canadian solution of "temporary centralization" to the much more definitive centralization that took place in Australia under similar circumstances.

was interested. The idea was both to ensure stable annual revenue for the agreeing provinces and to achieve an efficient and uniform national tax system. In the end, seven (of the then nine) provinces signed tax rental agreements for the five-year term 1947 to 1952.[21] In exchange, these provinces were to receive the most beneficial combination of per capita payments, Wartime Tax Agreement payments, and statutory subsidies. Newfoundland also signed up when it joined Canada in 1949.

The two largest provinces, Ontario and Québec, did not enter into the new tax rental agreements. Instead, both provinces chose to impose their own corporate income tax (CIT), initially at a rate of 8.5%, which was higher than the 7% credit for provincial CIT that had been offered by the federal government against its own CIT for non-signing provinces.[22] Neither province chose to impose a personal income tax (PIT), however, even though the federal government offered a similar 5% credit for such a tax against its own PIT.

The eight signing provinces renewed the agreements for 1952-1957. In addition, Ontario also joined the agreements in late 1952, on the condition that it could levy succession duties at the expense of an equivalent reduction in the rental payments it was to receive. Québec, however, fearful of Ottawa's centralizing tendencies, not only remained outside the agreements but also proceeded in 1954 to establish its own provincial PIT, calculated initially as a tax on tax (at 15% of federal rates). This move led the federal government to make some adjustment in how it treated provincial taxes. The previous credits for provincial taxes were changed to "abatements," and these abatements were increased for the PIT from 5% to 10% in an attempt to accommodate the new Québec PIT.[23]

1957-1967

The next set of federal-provincial arrangements, taking effect in 1957, saw some more substantial changes, including the establishment of the first formal equalization system. The most important points of the 1957–1962 tax arrangements were as follows:

- Sharing of standard taxes was to be on the basis of "10-9-50": that is, provinces were to receive payments (on a derivation basis for agreeing provinces) or abatements (for non-agreeing provinces) equal to 10% of federal PIT, 9% of CIT, and 50% of federal succession duties. The shares were increased to 13-9-50 in late 1957 by a minority federal government.[24]

- Equalization payments were introduced to bring each province's (whether "agreeing" or not) per capita yield of the three "standard" taxes (PIT, CIT

[21] The fiscal year in Canada runs from April 1 to March 31.
[22] We do not attempt here to tell the tale of further developments in the CIT, some of which were related to the huge increases in oil prices in the 1970s and consequently had major regional implications. For a recent review of provincial CITs and other business taxes, see Bird and McKenzie (2001).
[23] An "abatement" may be claimed whether or not any provincial tax is paid, whereas a credit can be claimed only against tax paid (Burns, 1980, p.111). In effect, an abatement is thus similar to the refundable tax credits that have subsequently become a feature of Canada's PIT (see Bird, Perry, and Wilson, 1998).
[24] See Table A-1 for a chronology of federal and Québec governing parties from 1945 to 2000.

and succession duties) up to the level of the two provinces with the highest per capita yield. In other words, equalization was provided independent of the tax arrangements.

- Finally, federal stabilization payments were to be made (instead of "guaranteed minimum payments"), and annual "rental" payments were made equal to the yield of each standard tax in any province that rented any one or more of them.

1962-1967

In 1962, the system that is still essentially in place came into being, with federal collection of provincial PITs in all provinces accept Québec and of CIT in seven provinces. Two features of the new agreement are of particular interest. First, the federal government would collect provincial PIT and/or CIT at no cost provided that the base was identical to the federal base. Second, federal "withdrawals" would recognize the provinces' need for "tax room." Specifically, federal PIT was abated by 16% in 1962 and then by one additional percentage point in each of the next four years until the abatement reached 20% in 1966.

The introduction of these new tax collection agreements made the provincial part of income taxation clearly identifiable for the first time in the post-war period. Canadians outside of Québec now had to fill out a new "provincial" PIT form along with their federal PIT. While the provinces were free to determine their own rates, they had to use the federal levels of exemptions and deductions and the rate structure set by Ottawa if they wanted Revenue Canada to collect their income tax. Only Québec was free to set its own exemptions and rates.[25]

Another important change during this period was that "opting-out" (also referred to as "contracting-out") was introduced. What this meant was that provinces that wished to do so could receive additional PIT "tax room" from the federal government – that is, the federal PIT in those provinces would be reduced -- in lieu of transfers, provided they agreed to maintain the same programs as those financed by transfers. Additional equalized PIT abatements were made available to any province in lieu of conditional grants for shared costs programs for hospital insurance (up to a 14 percentage point reduction in federal PIT rates) and various welfare and health programs (6 points). But only Québec proceeded to "opt-out" for all these programs, with the result that the federal income tax imposed in that province has for many years been lower than that imposed in the "rest of Canada" (ROC).

1972-1977

Following the report of a federal Royal Commission on Taxation in 1967 (the Carter Commission), major reforms were made to the federal income tax in 1971, including a new and broader definition of taxable income, which now included capital gains, and lower marginal rates for middle and high income taxpayers. In the 1972 fiscal

[25] Lachance and Vaillancourt (2001) describe how the Québec PIT has evolved over time.

arrangements, the abatement system was abandoned, and the federal government lowered its tax rates to make room for higher provincial taxes.[26] In effect, all provinces were now free to set their tax rates as they saw fit with no implicit norm (the abatement level) set by the federal government. However, provinces still had to calculate taxes as a percentage of the federal tax – thus using not only the same base but also the same progressive rate schedule -- if the federal government were to collect their PITs.

1977-1999

During the 1960s, health services had mainly become publicly funded (75% of total health spending) in Canada, with the federal government covering half the costs incurred by provincial health systems through two open-ended conditional grants. By the mid-1970s, the federal government was very unhappy with the high and unpredictable growth of its share of health costs, which had been driven up both by inflation and by the spending decisions of provinces financed by "50 cent dollars." It therefore decided to replace the previous conditional grants financing health care (and also one for post-secondary education) by a system of block grants called Established Program Financing (EPF), which was to be escalated by a moving average of GDP growth. Initially, the provinces were not all that unhappy with this change: some provinces, like Ontario, had themselves become increasingly discontented with the constant bickering over which costs qualified for cost-sharing. In addition, as part of the realignment of federal and provincial fiscal responsibilities associated with this change, the federal government once again withdrew to some extent from the PIT field in order to provide more tax room for the provinces to raise their own PITs as they saw fit.

2000 and beyond

In 1999, when the federal government replaced Revenue Canada by the Canadian Customs and Revenue Agency (CCRA), it agreed to collect provincial PITs at any rates imposed by the provinces so long as they used federal taxable income as a base. The previous "tax-on-tax" approach was thus replaced by a "tax-on-income" approach, allowing provinces for the first time to determine the progressivity of their own PIT rather than accepting that set by the federal tax schedule.[27] Alberta immediately took advantage of this opportunity by introducing a 10% flat tax. Some other provinces have varied slightly the degree of progressivity of their tax rates. Table 5 shows the provincial PIT rates for 2001

What Happened and Why

Table 6 shows the evolution of the tax shares of provincial and federal level of governments in Canada from 1947 to 1977. The impact of the 1972 reform and also the subsequent withdrawal by the federal government are clearly evident, as is the special treatment of Québec. Indeed, the two largest increases (in percentage terms) of provincial

[26] A "revenue guarantee" was provided to offset the effects of the 1971 federal PIT changes on provincial revenues.

[27] Actually, imposing a flat rate on an amount determined by applying a progressive rate, accentuates the original progressivity. The "tax-on-base" approach had been proposed by the western provinces several years earlier.

tax share are both clearly related to Québec -- the doubling of the abatement in 1954 and the opting-out arrangements of 1965. Tables 7 and 8 show the consequences in terms of revenues of these arrangements. Unsurprisingly, provincial PIT is much more important in Québec than in the ROC.

The most interesting question in the context of the present paper is: how did so major a change in who gets the revenue of the single most important tax in Canada take place with so little fuss? Four reasons may be suggested:

First, no constitutional revisions were required. Once agreement was reached between the governments, only simple legal changes were required. Given the strong party parliamentary system at both federal and provincial levels, agreed changes were implemented with no serious opposition or discussion. Indeed, to an astonishing extent, the entire process occurred without much public awareness or discussion. Canadians may have to fill out a separate page for their provincial PIT but for the most part they seem singularly unaware of its existence.[28] As the discussion in the next section indicates, Canada's "executive federalism" or "federal-provincial diplomacy" as it has been called (Simeon, 1972) appears to function best when not in the public eye.

On the other hand, as discussed further in section 4 below, invisibility alone need not lead to a solution. In the case of federal and provincial tax shares, precedent may have also played a part. Since the provinces (and their dependent municipalities) had earlier played a much larger role in the tax field, to some extent the post-war developments could be seen as a return to normality, despite the pressure in the early post-war years to maintain a more important stabilization role for the central government. The shift back to greater direct provincial responsibility for taxation was also reinforced by the perceived need for greater fiscal discipline in cost-shared programs.[29] With history and economics on its side, and politics not strongly against it, major shifts in taxation proved feasible.

Still, nothing happens in politics unless someone makes it happen. In this case, one province, Québec, was willing to take the leadership role in the fight, thus providing an umbrella under which others could subsequently shelter to the extent they chose to do so. Why it did so is open to interpretation. The following factors probably all came into play:

1. The Union Nationale, a Québec-only conservative party, had been in power from 1936 to 1940, when it lost to the provincial Liberals, who won in part on the strength of a promise by the federal Liberals that there would be no compulsory military service.[30] This promise was not kept; however. The draft was introduced in 1944 and the Union Nationale was re-elected the same year and then again in 1948,1952, and 1956, always under the same leader, Maurice Duplessis. It was thus a strongly nationalist government -- one that had proposed a law protecting

[28] This may be about to change with the new "freer" and hence more distinct "tax-on-income" provincial PITs.
[29] The last such cost-shared program, for social services, was replaced in 1996 by a new block grant called the Canada Health and Social Transfer (see Box 2), into which the previous EPF transfer was folded.
[30] The issue of conscription had bitterly divided Quebec and the ROC in the first world war, and it was equally divisive in the second world war.

the French language as early as 1938 -- that introduced the provincial PIT in 1954.

2. There was a consensus amongst the elites in Québec, as evidenced by the work of the Tremblay Commission which began its work in 1953 and reported in 1956, that the federal government had been acting in a centralizing fashion and thus that the Québec government should fight back.[31]
3. The relatively low additional tax (5%) burden initially proposed and the geographic immobility of the francophone population meant that little, if any, loss of welfare or tax base resulted from this choice. Thus there was little economic cost to a politically werll-received measure.

When one player in the game is strongly for something, and most other players have little or nothing to lose by going along -- the other provinces because they too gained from increased control over revenues and the federal government because as a quid pro quo it got more control over its expenditures – it is not too surprising that a positive sum outcome seems to have emerged.[32]

Finally, contrary to the constitutional struggle discussed in the next section, Canadians turned out to be willing to accept a substantial degree of non-uniformity in fiscal matters. Canadians living in Québec pay lower (16.5% less) federal PIT than Canadians living in other provinces due to the opting out arrangements of 1965, as modified in 1977. On the other hand, the province receives lower federal cash transfer payments (CHST) since the higher provincial PIT replaces dollar for dollar the federal transfers that would have been funded by federal PIT. Provincial politicians sometimes grumble about the lower cash transfers, but the differential federal tax rates seem to bother no one – although perhaps in part because almost no one outside of Quebec seems to know they exist.

Does It Matter?

We have told a complicated story in this section of how, over time, the provincial share of personal income taxes rose steadily in the post-war period, with a quite distinct system emerging in the province of Quebec. We have also offered some reasons why this happened in terms of the underlying political structure and pressures operating during this period. It all, it seems to us, makes sense in the Canadian context. On the other hand, if one looks at the situation as it is has developed in Canada in terms of the canonical model of tax assignment, Canada's present confused and confusing sharing of revenue bases is less obviously sensible – indeed it would seem conducive to reduced accountability, reduced economic efficiency, probably reduced redistributive equity, and likely increased

[31] Old ideas never die. Indeed, sometimes they do not even fade away. In March 2002, the Séguin Commission reported on fiscal disequilibrium in Québec/Canada. Its recommendation that the federal government replace its transfers to Québec by the ceding of tax room was endorsed by all three major provincial parties and by almost all commentators. Broad support for reduced federal taxation in Québec thus continues to be evident.

[32] Critical to this outcome was the underpinning provided by the equalization system, which essentially ensured that no province could lose in an expanding economy in which everyone's fiscal boat was rising.

administrative costs.[33] Of course, all these negatives, if they are such, might be judged to be offset by gains from restoring and maintaining the basic political equilibrium. Still, these aspects of the rise of provincial PITs perhaps deserve brief attention.

Consider first the cost issue. Clearly, the existence of separate Quebec and federal PITs administered by different agencies implies increased compliance and administrative costs.[34] However, the unified administration of the federal and provincial PITs in the ROC means that, at least until now, there have been few if any costs as a result of the developments discussed above. Matters are a bit less clear-cut with respect to the other points mentioned. Traditionally, for example, it is argued that PIT should be a central tax in part because of its redistributive role. But this presumes that the only appropriate domain for redistribution is the nation as a whole, which is certainly arguable in a federal context. Similarly, although accountability would probably be greater if taxpayers had to grapple directly with a provincial tax office, the clearly distinguished provincial PIT rate (or rates) probably make it clear enough who is doing what to whom. Finally, even with respect to efficiency, it is by no means obvious why different rates imposed on the same base in different parts of a country in which different provinces can and do provide different packages of public services is less efficient than a more uniform system: indeed, the contrary argument seems clearer in a federal context. In short, political institutions in this instance appear to have worked to produce a broadly acceptable result, and there seems to us so far to have been no obvious downside to the Canadian success story with respect to the development of strong provincial income taxes

[33] One of us has argued elsewhere that the canonical model itself makes little sense (Bird, 2000), but this is beyond the scope of the present discussion.

[34] For a discussion of these costs, and estimates of the costs if Ontario adopted its own PIT, see Erard and Vaillancourt(1993).

Table 5
Provincial Personal Income Tax Rates, Canada, 2001

Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Québec	Ontario
10.57% on the first $29,590 of taxable income, + 16.16% on the next $29,590, + 18.02% on the amount over $59,180	9.8% on the first $30,754 of taxable income, + 13.8% on the next $30,755, + 16.7% on the amount over $61,509	9.77% on the first $29,590 of taxable income, + 14.95% on the next $29,590, + 16.67% on the amount over $59,180	9.68% on the first $30,754 of taxable income, + 14.82% on the next $30,755, + 16.52% on the next $38,491, + 17.84% on the amount over $100,000	17% on the first $26 000 of taxable income+ 21.255 on the next $ 26,000+ 24.5% onn the amount over $52,000	6.16% on the first $30,814 of taxable income, + 9.22% on the next $30,815, + 11.16% on the amount over $61,629
Manitoba	**Saskatchewan**	**Alberta**	**British Columbia**	**Yukon**	**Northwest Territories and Nunavut**
10.9% on the first $30,544 of taxable income, + 16.2% on the next $30,545, + 17.4% on the amount over $61,089	11.5% on the first $30,000 of taxable income, + 13.5% on the next $30,000, + 16% on the amount over $60,000	10% of taxable income	7.3% on the first $30,484 of taxable income, + 10.5% on the next $30,485, + 13.7% on the next $9,031, + 15.7% on the next $15,000, +16.7% on the amount over $85,000	7.36% on the first $30,754 of taxable income, + 10.12% on the next $30,755, + 11.96% on the next $38,491, + 13.34% on the amount over $100,000	7.2% on the first $30,754 of taxable income, + 9.9% on the next $30,755, + 11.7% on the next $38,491, + 13.05% on the amount over $100,000

Source CCRA web site http://www.ccra-adrc.gc.ca/tax/individuals/faq/2001_rate-e.html Except Québec Pricewaterhousecoopers Tax facts and Figures for Individuals and corporations. Note Federal tax rates for 2001 are: 16% on the first $30,754 of taxable income; 22% on the next $30,755 of taxable income; 26% on the next $38,491 of taxable income; and 29% of taxable income over $100,000.

Table 6– Standard Abatement Rates – Canada and Québec:1947-2001, Selected Years

	Standard Abatement Rates			Québec
	PIT	CIT	Succession	PIT
		Percent		
1947	5	5	50	5
1954	10	7	50	10
1958	13	9(b)	50	13
1960	13	9	50	13
1964	16	9	50	19
1965	21	9	75	44
1966	24	9	75	47
1967	28	10	75	52
1972	30.0	10	a	54.
1977-	39.0	10	a	55.5

Sources: Moore (1966), Perry (1989), Smith (1998) Commission sur le déséquilibre fiscal

A Federal estate and gift taxes were repealed in 1972.

B An additional 1% abatement is available as of that year until 1967 in lieu of federal per capita grants to universities Only Québec takes it up

Table 7 – Personal Income Tax (PIT) Revenues in Canada 1947-2000

	Total PIT ($millions)	Federal % of PIT	% Federal in Québec	% Federal R.O.C.[b]	Total PIT % GDP	Federal PIT % GDP	Provincial PIT % GDP
1947[a]	660	100.0%	100.0%	100.0%	5.4%	5.4%	0.0%
1952	1,225	100.0%	100.0%	100.0%	5.5%	5.5%	0.0%
1954	1,309	98.1%	n/a	100.0%	5.6%	5.5%	0.1%
1957	1,676	97.6%	n/a	100.%	5.6%	5.4%	0.1%
1962	2,378	84.9%	83.5%	87.0%	6.2%	5.3%	0.9%
1967	5,112	71.4%	55.9%	75.8%	7.3%	5.2%	2.1%
1972	11,385	69.3%	50.7%	75.8%	10.3%	7.2%	3.2%
1977	23,656	60.4%	40.6%	69.0%	10.7%	6.5%	4.2%
1982	43,932	58.6%	38.1%	66.8%	11.6%	6.8%	4.8%
1987	70,333	59.3%	41.4%	66.0%	12.6%	7.5%	5.1%
1992	101,226	58.7%	43.0%	64.1%	14.5%	8.5%	6.0%
1997	120,956	60.6%	47.8%	64.5%	13.8%	8.4%	5.4%
1998	129,089	61.3%	47.5%	65.4%	14.3%	8.8%	5.5%
2000	143,514	62,4%	48,4%	65,4%	13,6%	8,5%	5,1%

Sources: 1947-67: Statistique Canada CS11-516F (1983), "Statistiques Historiques du Canada", Tables H53, H76

1972-82: Statistics Canada: 13-213 S, "Provincial Economic Accounts - Historical Issue, 1961-1986", Table 9
1987-98: Statistics Canada - CANSIM labels D26728 and D26731
2000: Department of Finance Financial reference table 32 and 35
and Commission sur le Déséquilibre Fiscal

GDP: 1947-62: "Statistiques Historiques du Canada"; 1967-98: CANSIM label D23257

Notes: [a] Figures for year ending December 31.

[b] Rest of Canada: B.C., Alberta, Saskatchewan, Manitoba, Ontario, N.B., N.S., P.E.I., and, after 1949, Newfoundland

Table 8 – Corporate Income Tax (CIT) Revenues in Canada,1947-2000

	Total CIT ($millions)	Federal % of CIT	Total CIT % GDP	Federal CIT % GDP	Provincial CIT % GDP
1947	653	90.5%	5.4%	4.9%	0.5%
1952	1,342	95.2%	6.1%	5.8%	0.3%
1954	1,116	95.6%	4.8%	4.6%	0.2%
1957	1,510	85.8%	5.0%	4.3%	0.7%
1962	1,693	76.7%	4.4%	3.4%	1.0%
1967	2,417	75.3%	3.5%	2.6%	0.9%
1972	3,920	74.0%	3.6%	2.6%	0.9%
1977	7,238	70.9%	3.3%	2.3%	1.0%
1982	11,755	78.4%	3.1%	2.4%	0.7%
1987	16,990	69.8%	3.0%	2.1%	0.9%
1992	14,517	68.8%	2.1%	1.4%	0.6%
1997	31,460	62.9%	3.6%	2.3%	1.3%
1998	29,068	63.4%	3.2%	2.0%	1.2%
2000	46,035	65,9%	4,4%	2,9%	1,5%

Sources: see Table 7

3. Québec and Constitutional Reform: The Road to Nowhere

Like all good stories, the tale of Canada's recent constitutional travails has three parts. First, the build-up – a promising prelude; second – what was supposed to be the main event, the repatriation of the Constitution; and third -- the failure to secure agreement on the new Constitution, increasingly frantic efforts to redeem matters, and finally, yet another failure and, it seems, a renewed resolution not to try again. We shall tell the tale briefly under these three headings.

The prelude: 1960-1980

In the previous section, we discussed the central role played by Québec in bringing about a reduction of the federal government share of income taxes. This role is perhaps best understood in the context of the modernising forces, emerging after the war and particularly strong from 1960 onwards, which marked the beginning of "la Révolution tranquille". This "Quiet Revolution" was a period of rapid social and political change in the province of Quebec from 1960 to 1966 (Durocher, 1996). Although significant industrialization, urbanization and rapid economic growth had taken place within the province throughout the first half of the twentieth century, the Union Nationale party that had governed Quebec since 1944 seemed increasingly anachronistic as it held to a very conservative ideology and relentlessly advocated traditional, rural, Catholic values. Under the new Liberal government of Jean Lesage elected in 1960, the goal became instead *le rattrapage* – catching up to the social, political and economic developments that had taken place elsewhere in North America (McRoberts, 1988)

An important element in the resulting change was the rapid expansion of the Quebec state to assume functions previously fulfilled by the Catholic Church in the areas of education, health and welfare. With the establishment of the provincial ministry of education in 1964, and subsequent reforms in secondary and post-secondary education, for example, Quebec's provincial government assumed full authority over all educational institutions in Quebec and for the first time took full control of curricular matters. The state now played a critical role in educating and training Quebec youth for the new economy it was simultaneously attempting to build.[35]

The other major focus of the Lesage government was the economy, with particular attention to correcting the under-representation of francophones in the upper levels of the Quebec economy (Vaillancourt, 1996). The province's economic development had long been dominated by English-Canadian and American interests. The new government thus took as an important goal to become "maîtres chez nous" (masters in our own house – the house very clearly being Québec, not Canada). Both through public enterprises, notably Hydro-Quebec, and through increased governmental support for French-Canadian-owned businesses, the government attempted to strengthen the francophone presence in the Quebec economy and to create new opportunities for French-Canadians in positions traditionally held by anglophones. Whatever its economic

[35] Unsurprisingly, the new government also largely welcomed the concurrent expansion of the provincial role in health and welfare matters, funded initially in large part by federal transfers.

merits, the resulting increased role of the state in the province's affairs clearly helped to create a new national pride and confidence among francophones in Quebec.

The political modernization of Quebec also marked the beginning of a long series of confrontations with the federal government. Only the Quebec government, Lesage's Liberals argued, could assume the new responsibilities that Quebec's social and economic development demanded. Consequently, the provincial government needed not only to exercise all the jurisdiction presently under its control but also to assume some of the responsibilities held by the federal government. Quebec's new strategy in federal-provincial relations challenged the established procedures of Canadian federalism. In 1964, the initial disagreements between Ottawa and Quebec over participation in federal-provincial shared-cost programs were settled by a symmetrical opting-out offer exercised asymetricaly, as discussed above. With Quebec's new "special status" within Confederation, however, the constitutional situation became increasingly complex and began to play a more important role in Canadian politics.

Two attempts were made to repatriate the Constitution in the period from 1960 (when Quebec began to be the dominant factor in Canadian politics) to 1976 (when the first "sovereignist" – separatist -- government was elected). The first was the so-called Fulton-Favreau formula for constitutional amendment. This formula had three critical elements:

1. No changes could be made in the federal-provincial division of powers without the consent of all the provinces. Each province thus had a veto on amendments

2. However, powers could be delegated by the provinces to Ottawa and vice versa with the approval of the federal government and at least four of the provinces.

3. For most other constitutional amendments the "7/50 rule" would be required: consent of the federal parliament plus the legislatures of seven of the provinces representing at least 50% of the Canadian population

Initially in 1964, all ten provincial premiers unanimously agreed to accept the Fulton-Favreau formula and promised to pass the enabling legislation. Subsequently, however, criticism in Quebec became so strong that Premier Lesage was convinced by 1966 that Quebec had to reject the formula (Russell, 1993). Later in 1966 a revamped Union Nationale party defeated the Liberals in the provincial election. The new Quebec Premier, Daniel Johnson, who had called the Fulton-Favreau formula a straitjacket, demanded constitutional changes that would be explicitly based on a "deux nations" (two nations) concept of Canada.[36] Having been elected with the slogan "Égalité ou indépendance" (equality or independence), the Union Nationale argued that the only alternative to restructuring Canada (based on the somewhat vague concept of "associate states") was for Quebec to separate.

[36] Like "distinct society" later, "deux nations" turned out to be one of those symbolic phrases that, so to speak, suffered a lot in translation, being generally understood in Quebec to be a simple statement of the obvious reality of the francophone reality of Quebec and in the ROC to be a denial of Canadian nationhood.

The second attempt to repatriate the Constitution was the Victoria Charter, based on an agreement in principle between the federal and provincial governments in 1971. This document contained 61 articles dealing with a wide variety of issues -- fundamental democratic rights, language rights, provincial participation in the appointment of Supreme Court justices,[37] the commitment of both levels of government to reduce regional disparities and inequities, and a new federal-provincial division of powers in the area of social policy (particularly programs affecting the family, youth and occupational training) (Meisel and Rocher, 1999). Under the Victoria Charter, most constitutional amendments would require approval by

- the House of Commons (the Senate would only be able to suspend an amendment);
- all provinces that have or had in the past 25% of Canada's population (i.e., Ontario and Quebec);
- two of the four Atlantic Provinces; and
- two of the four Western Provinces with at least 50% of the western population.

The Quebec government, though once more back in Liberal hands, soon rejected the Charter, however, on the grounds that it offered Quebec insufficient autonomy in the implementation of social policy.

The election of the sovereignty-oriented Parti-Québécois (PQ) government in 1976 increased the sense of urgency about the need for major constitutional change. A provincial[38] referendum on "sovereignty-association" – the meaning of this term has never been entirely clear, which was presumably in part its intent -- was held in May 1980. René Lévesque, the PQ premier and leader of the Yes side, emphasized the immense costs to Quebec of federalism and the feasibility of independence while the No side, led by Quebec Liberal leader Claude Ryan and Prime Minister Pierre Trudeau, promised "renewed federalism" if Quebeckers rejected the sovereignty option. On May 20, 1980, 60% of Quebeckers voted against the proposal for sovereignty.

Two major attempts at amending the Constitution had thus failed because the Québec government judged that it did not do well enough in the negotiations. At the same time, that government's own attempt to obtain a larger political mandate for more drastic change had also failed. Matters seemed to be at a dead-end – though not for long.

The Repatriation

[37] The Constitution requires that three of the nine judges come from Quebec, in part because there is a different (civil) law system in that province. The question is who chooses these judges. We shall return to this matter later.

[38] Provincial in that it was held only in Québec, administered by the Québec election commission and with funding rules and so on set provincially. Implicitly ,the federal government assented to this referendum taking place.

Indeed, as it turned out an important result of the failure of the PQ referendum was yet another attempt to repatriate the constitution. Unlike the earlier attempts, however, this one succeeded – or did it?

The first moves were not promising. Shortly after the referendum, a First Ministers' conference ended in failure in September 1980. Prime Minister Trudeau soon announced, however, that the federal government would nonetheless proceed unilaterally with repatriation,[39] as well as with the introduction of a Charter of Rights and Freedoms and an amending formula. The amending formula would include the system of regional vetoes that had been proposed in the Victoria Charter (which, it will be recalled, contained vetoes for both Ontario and Quebec). There was an important difference, however, in that the federal government was to be allowed to obtain the consent of the provinces by a referendum vote, thus bypassing the provincial governments by appealing directly to the population.

All provinces except Ontario and New Brunswick initially objected to the federal proposals. Manitoba, Quebec and Newfoundland asked their courts of appeal whether provincial consent was a constitutional requirement for a request to the British Parliament to change the Constitution in the ways contemplated by the federal government. The courts in Manitoba and Quebec said provincial consent was not a requirement; Newfoundland's court took the opposite view (Russell, 1993). Finally, in September 1981, the Supreme Court ruled that while the federal government's request to the British Parliament did not legally require provincial consent, unilateral action went against Canada's constitutional conventions. Ottawa, said the Court, should obtain a "substantial degree" of provincial consent. The federal government respected the Court's decision and returned to negotiations in November 1981.

The counter-proposal made by the eight objecting provinces stressed Senate reform, financial compensation for a province's withdrawal from any federal programs, and an amending formula based on the "7/50 rule" that had been used in the Fulton-Favreau proposal of the 1960s – a minimum of seven provinces totaling at least 50% of the Canadian population. Importantly, since this amending formula treated all provinces equally, Québec, by supporting it, in effect was abandoning the right to veto it would have had under the federal proposal. Late on the third night of the federal-provincial conference, however, in one of those mysterious moments in politics that is forever after examined and questioned, seven of the eight dissident provincial premiers (representing a "substantial degree") came to an agreement with the federal government. One province did not agree: Québec.

Despite this lack of agreement, the federal government proceeded and on April 17, 1982, in a ceremony in Ottawa, Queen Elizabeth II officially proclaimed the 1982 Constitution Act. Canada's "new" constitution consisted of most of the original 1867 British North America Act as well as several important changes agreed to by the federal government and nine of the provinces, as shown in Box 3.

[39] Although normally called "repatriation" in Canada, the word is actually a misnomer since Canada's constitution, the BNA Act was, as an Act of the British Parliament, never "patriated" in Canada before 1982.

Box 3

Changes in the 1982 Constitution

- Canada's constitution can now be amended with the approval of the Canadian Parliament and a minimum of seven provinces representing 50% of the population. Amendments concerning the monarchy, the Supreme Court of Canada, and the amending formula itself require unanimous provincial consent. Amendments to the constitution no longer require the consent of the British Parliament.

- The Canadian Charter of Rights and Freedoms was added. Importantly, however, the so-called "notwithstanding" clause of the Charter permits Parliament or any provincial legislature to enact legislation even if it is in violation of the Charter for a renewable five years period.

- The principle of fiscal equalization – that is, that the federal government should make transfers that ensure all provinces have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation -- was constitutionally recognized.

- The rights of Canada's aboriginal peoples were constitutionally recognized for the first time.

- Provinces were given joint power to regulate interprovincial trade in natural resources and to levy indirect taxes on natural resources. (This provision related mainly to concerns of certain western provinces.)

However, many crucial constitutional issues remained unresolved. Neither the division of powers nor the reform of federal institutions had been addressed in the constitution; the increasing restive aboriginal population had not been satisfied;[40] and, most immediately important, Quebec had once again been isolated. Indeed, the province was now subject to a constitution to which it had not agreed. Moreover, the new restrictions soon began to bite where they hurt most – with respect to language.

Specifically, the introduction of the Canadian Charter of Rights and Freedoms led to some changes in the language laws that had been enacted in Quebec to ensure the

[40] As Bird and Vaillancourt (2001) discuss, although there are less than a million aboriginal people in Canada, (most importantly in relative terms in the western provinces of Manitoba and Saskatchewan), they are heavily dependent on federal support for their health, education, and subsistence. Nonetheless, as most recently seen in British Columbia, aboriginal issues are increasingly important in provincial policy agenda also.

dominance of the French language in the province. The 1977 *Charter of the French Language* (Bill 101) restricted access to English schools to children who had either a parent or an older sibling who had received their elementary education in English in the Province of Quebec (known as the 'Quebec clause'). In 1984, the Supreme Court of Canada ruled that this 'Quebec clause' was incompatible with the 'Canada clause' of the Charter of Rights which protects minority language educational rights for any citizen of Canada whose first language learned is either English or French. The provincial law was subsequently modified so that children who had a parent educated in English anywhere in Canada – not just Quebec – had access to an English school in Quebec.

Quebec was thus not happy: it had lost its implied veto and its language law had been weakened. On the other hand, from the perspective of the federal government repatriation was a success in the sense that two main federal goals -- a Canadian amending formula and a Charter of Rights -- had been attained. Provincial governments in the ROC were also fairly satisfied: From their perspective, that repatriation discomforted a separatist government in Quebec was not a big problem.

A Never-ending Story?

But the story was hardly over. The constitution may have been repatriated, but the issue of constitutional reform had been by no means been put to rest. In the 1984 federal electoral campaign, Brian Mulroney, the new leader of the federal Conservatives – like Pierre Trudeau, a bilingual native of Quebec -- promised that, if elected, he would reach an honorable constitutional agreement with Québec. He was elected, and constitutional discussions between First Ministers were renewed in 1985.

The government of Quebec, now the provincial Liberals, presented five conditions that, if all parties accepted them, would, they said, allow Quebec to sign the Constitution. The five conditions were:

1) Constitutional recognition of Quebec as a "distinct society" (see Box 4);
2) An enhancement of Quebec's role in the field of immigration;[41]
3) Quebec's direct involvement in the selection of the three Quebec judges on the Supreme Court of Canada;
4) Quebec's ability to opt out of federal programs in areas of exclusive provincial jurisdiction and, importantly, be entitled to fiscal compensation;[42]
5) Finally, a Quebec veto on constitutional amendments affecting provincial interest.

[41] This issue relates to language: most immigrants to Canada – in "Canada-speak," allophones – chose to move to English-speaking areas (especially Toronto and Vancouver) to be able to educate their children in English.
[42] Of course, this is the "opting-out" discussed in section 2 above, revisited.

Box 4

Recognition of Quebec as a "Distinct Society"

While one of Québec's most repeated wishes is to be recognized as "distinct," it is interesting to note how distinct it already is both through the exercise of powers available to all provinces and special constitutional provisions and negotiated federal-provincial arrangements.

Exercise of provincial powers

1. 1954 - Introduction of provincial personal income tax collected by province;
2. 1965 - Creation of separate social security scheme (QPP) with funds administered by the Caisse de Dépôt
3. 1977 - French declared the official language of Québec; international immigrants required to send children to French language schools, signage requirements, language of work requirements;
4. 1979/1983 - Creation of various savings incentives for Québec firms/investments through use of provincial PIT;

Constitutional provisions and negotiated arrangements

1. 1867 - Civil law rather than common law system
2. 1867 - One-third of Supreme Court from Quebec
3. 1965 - Opting- out from federal programs
4. 1977 – Special role in selecting immigrants
5. 1992 - Collection of federal GST in Québec

After extensive discussion, in April 1987 the First Ministers drafted the so-called "Meech Lake Accord," under which the powers sought by Quebec in its last four conditions would be extended to all provinces. In the field of immigration, a jurisdiction constitutionally shared by both Ottawa and the provinces, the Meech Lake Accord gave each province the right to negotiate a new agreement with the federal government concerning the selection of new immigrants.[43] With respect to the Supreme Court of Canada, all provinces would now be able to formally nominate individuals to sit as judges. In the matter of federal spending programs, any province could opt-out of new federal shared-cost programs in areas of exclusive provincial jurisdiction and still be entitled to compensation, provided that the provincial program complied with the national objectives. Finally, all provinces would receive greater veto powers. In addition, the Accord also specified that a federal-provincial First Ministers' conference would be held annually to discuss the issues of Senate reform and fisheries.

[43] As of March 2000, six provinces have signed immigration agreements with the federal government even though the Meech Lake accord was not ratified. These agreements can be classified as limited (New Brunswick and Newfoundland),expanded (Manitoba ,Saskatchewan and British Columbia) and, in a class of its own, the long-standing Québec agreement (Vander Ploeg, 2000).

In order to be adopted the Meech Lake Accord had to be ratified by Parliament and by the legislatures of all the provinces. Once the resolution was supported by one legislature, the other legislatures had three years to ratify it. Quebec's National Assembly was the first to pass the resolution of approval on June 23, 1987. Ratification by the remaining nine provincial legislatures therefore had to occur before June 23, 1990. Despite considerable criticism of the Accord's "Distinct Society" clause throughout the ROC, by the fall of 1988 only two small provinces, New Brunswick and Manitoba had not ratified the agreement. In April 1990, however, with the deadline less than three months away, the new Liberal government in Newfoundland rescinded its support for the Meech Lake Accord. Still more negotiations followed, leading eventually to New Brunswick ratifying the accord. But the two other provinces did not.

Despite its nearness to success,[44] the failure of the Accord was interpreted by many Quebeckers as an outright rejection of their aspirations and hopes by English Canada. The immediate result was a sharp rise in the polling support for Quebec sovereignty, reaching a high of 60% at one point. The political picture nationally was also altered by the rejection of Meech Lake. A number of members of the Conservative and Liberal parties left to create the Bloc Québécois – a federal party somewhat paradoxically committed to Quebec independence. This party, supported by Quebec nationalists, actually won enough seats in the 1993 federal election to form Canada's official opposition party in Parliament.[45]

Prior to this, however, from the failure of Meech in June 1990 to the spring of 1992, yet another series of extensive public consultations as well as negotiations between First Ministers were held. The end product of this process was the Charlottetown Accord, which was much more complex than Meech Lake. It is summarized in Box 5.

[44] To illustrate how close matters were, Manitoba's legislature failed to approve by the vote of one aboriginal member, who objected to the lack of any move with respect to aboriginal matters. It has been alleged that Newfoundland's objections were rooted in the strong views of its then premier, a close ally of former Prime Minister Trudeau, who was definitely not a supporter of the Accord.

[45] It did so in large part because of the virtual disappearance of the federal Conservative Party, which lost Quebec on this issue and the rest of Canada on fiscal and trade issues.

Box 5
The Charlottetown Accord

1. ***Unity and Diversity*** – This section included the Canada clause, expressing Canadian values and recognizing Quebec as a distinct society; a commitment to preserving a balanced social (protecting universal health care, adequate services, and high quality education) and economic union (following economic policy objectives that had been outlined by the federal government in a September 1991 proposal).[46]
2. ***Political Institutions*** – This section included a traditional western demand, particularly by Alberta, for a triple E (equal, elected and effective) Senate that would include six senators from each province and one from each territory, with guaranteed aboriginal representation; the Supreme Court of Canada, with its composition and its appointment process would be constitutionally entrenched; and Quebec would be guaranteed 25% of the seats in the House of Commons.
3. ***Roles and Responsibilities*** – This section included the right for a province to opt-out of a federal shared-cost program in an area of exclusive provincial jurisdiction and still be entitled to financial compensation provided that the program is compatible with the national objectives; provincial rights to negotiate agreements with the federal government concerning immigration; and exclusive provincial jurisdiction over cultural matters (not including the Canadian Broadcasting Corporation (CBC) or the National Film Board).
4. ***First Peoples*** – This section explicitly recognized that aboriginal peoples have an inherent right to self-government (but went into no details).
5. ***Amending Formula*** – A greater number of issues would require unanimous provincial consent

In October 1992, for the first time in Canadian history, a national referendum was held to decide whether Canada's constitution should be renewed based upon the Charlottetown Accord.[47] The participation rate was 75%, higher than the usual participation rate in elections. The Charlottetown Accord was rejected by 54% of those who voted. Interestingly, the rejection rate was only a bit higher – 55% -- in Quebec than in the ROC. In the end, the Accord received majorities in only four provinces (New Brunswick, Newfoundland, Prince Edward Island, and Ontario) and one territory (Northwest Territories).

The constitutional quest that had begun in the 1960s, resulted in the repatriation of 1982, and given rise to the devastation of many hectares of forests for the printing of proposals and counter-proposals seemed at last to have come to an end in Canada as a whole with this referendum. But Quebec had by no means given up. The defeat of the federal Conservative government in 1993 was soon followed by a victory by the Parti Québécois in the 1994 Quebec provincial elections. The new provincial government soon held a second Quebec referendum on "sovereignty-association" – still a term difficult to interpret -- in October 1995. As in 1980, the sovereignty option was again defeated.

[46] As discussed in the next section, Canada has never been a full economic union.
[47] The referendum was organized by the Québec government in Québec and by the federal government outside Québec; it was neither required nor binding constitutionally.

This time, however, it received 49.4% of the vote and a solid majority of the francophone vote. Canada was clearly still in question.

This very close result motivated the premiers of the other provinces to return to the constitutional debate. Without the presence of the federal government, a meeting of provincial leaders was held in Calgary in 1997 to find a proposal that might bring Quebec into the Constitution. In September 1997, despite Quebec Premier Lucien Bouchard's refusal to attend the meetings, the other nine Premiers submitted the Calgary Declaration for the approval of the federal government and the provincial legislatures. In essence, this Declaration recognized Quebec's unique character within the Canadian Confederation while restating the equality of all the provinces. All nine provinces quickly ratified it. Quebec, however, rejected the proposal, criticizing it for its lack of concreteness with respect to provincial powers.

In response to a request by the federal government, in August 1998 the Supreme Court of Canada declared that Quebec, under both constitutional and international law, does not have the right to unilaterally decide its independence. One result was that in June 2000, the federal parliament adopted the so-called Clarity Act, intended to remove any ambiguity from future referendums on sovereignty by insisting both that the question be clear[48] and that there be a clear majority before negotiations of any kind take place between the federal government and the province seeking sovereignty. The Act makes the House of Commons responsible for determining whether a referendum question is clear; that is, whether the question "would result in a clear expression of the will of the population of a province on whether the province should cease to be part of Canada and become an independent state." The Act also gives the House of Commons the right to decide what size of majority would constitute a clear will to secede.

How Did We Get Here from There?

What may come next in the constitutional saga of Canada remains to be seen. Is this the end? Or will there be still more chapters in this long and involved story? We cannot, of course, answer these questions. Instead, we shall consider briefly why the most recent attempts to incorporate Québec's desires into the constitution and thus make the province a willing partner in Canada have failed. No doubt, every Canadian has his or her own opinion on these complex matters, but we suspect many would agree that several factors were critical to this failure.

One clearly critical issue turned on the recognition of Québec as a "distinct society." The issue is both semantic and factual. "Distinct" does not have the same connotation of superiority in French that it tends to do in English. Thus, what was meant more as equivalent to "different" in French appeared generally to be understood as meaning "special treatment" in English Canada. The resulting confusion was not helped when the federal government argued that this status meant nothing in fact while the

[48] A common joke was that "sovereignty-association" meant an independent Quebec within a strong and united Canada!

Québec government stated the contrary. Symbolism is important in politics, and when two parties disagree on both the meaning and the significance of an important symbol, it does not bode well for negotiations. This issue was exacerbated in the Meech debate when in December 1988 the Quebec government used the "notwithstanding" clause of the new constitution – which, although it had not agreed to, it was nonetheless governed by -- to override a Supreme Court ruling that Quebec's French-only sign law violated the Charter of Rights. Quebec's use of provincial powers to exempt itself from Canada's Charter of Rights clearly intensified opposition in the ROC to the "distinct society" clause and to the Meech Lake Accord in general. To put this in other terms, the Charter's emphasis on individual rights – its major selling point in the ROC – clearly conflicted with the constitutional provisions supporting the collective rights that were of most interest to many in francophone Quebec.

A second important factor in the defeat of both the Meech Lake and the Charlottetown Accords was the opposition of leading figures in the federal Liberal party, in particular former federal prime minister Pierre Trudeau. We noted earlier that one reason for the relative success of the fiscal path to changing federal-provincial relations was the existence of a "champion" – often the Quebec provincial government. One reason for the failure of the constitutional path to change has been, so to speak, a standoff between champions. It may be difficult for non-Canadians to understand the extent to which much of the convoluted constitutional discussion of recent years in Canada seems to reflect deeply-held conflicting beliefs within what may be called the "political elite" of Quebec. Throughout much of the post-war period, the federal government has not only been elected in large part owing to its support from Quebec voters but has also been led by Quebecois. One might think that federal and provincial governments that were both elected (in part at least) by the same people, that were often of the same political party, and often led also by people from the same province and linguistic group would have been able to strike a deal. It was not to be. Perhaps, as with Nixon's recognition of China, it will take a very different leadership at both provincial and especially federal levels before any final accommodation is ever reached with Quebec.

Finally, and in notable contrast to the fiscal case discussed earlier, many of the more recent constitutional discussions were largely held in public. Most unusually for Canada, the public were consulted and encouraged to take part in the process. They did, and may perhaps be considered to have rendered a verdict of "a plague on all their houses." Some have deplored the secretive and quasi-dictatorial way in which majority governments can legislate in the Westminster parliamentary system, at least as it works in Canada. The reluctance of foxes to give up their right to guard henhouses is indeed well known. Nonetheless, it may well be that such complex, highly symbolic, and intrinsically remote from daily life matters as constitutional revision – at least in the complex forms put to the public in Canada in recent decades – simply cannot be resolved through simple Yes/No votes. If, as recent experience suggests, Canadians do not trust their legislatures, but cannot decide themselves what to do, the prospect of any definitive constitutional revision seems limited. We shall return to this point in the final section of the paper.

4. A SEC for Canada: An Idea without a Champion?

First, however, we should note that invisibility alone is not enough for success, however, as our final example – the case for a national securities regulator – illustrates. The Canadian constitution explicitly assigns banking to the federal government. Thus banks have a federal charter and are supervised by a federal agency. Other financial institutions such as trusts and insurance companies, however, can either have a federal or provincial charter and may thus choose to be supervised by one or the other level of government. Still other financial institutions, such as credit unions and brokerage firms, are subject to provincial supervision as are stock exchanges under the so-called "civil matters" clause of the Constitution. The resulting fragmentation of the securities industry has been decried for at least 30 years. Nonetheless, no sustained attempt has been made to change matters, despite the concerns many have expressed about the effects of globalization -- or, better, "contintentalization" -- of Canadian capital markets. Since 1996, however, some important changes have nonetheless taken place, so we shall divide this brief discussion in the pre- and post-1996 periods.

The Issue Arises

The first in-depth discussion of a national securities commission for Canada appears to have been in the 1966 report of the Royal Commission on Banking and Finance (Porter Commission)[49]. This report noted there was wide interest among brokers, dealers and corporation lawyers in more uniform legislation across Canada. Further, it noted that some progress had recently been made in this direction. Alberta, British Columbia and Saskatchewan, for example, had modeled their Acts on the Ontario act (although in no case had the Ontario act been adopted without at least several minor changes). Moreover, the Québec act too was much like the Ontario act, although it provided the commissioners with greater powers. Still, the fact remained that a securities issuer seeking national distribution for a new issue in Canada was faced with registering under ten securities acts which are dissimilar in varying degrees, as well as with the requirements of the relevant companies legislation. Even where the legislation was similar, the discretionary powers allowed the different provincial commissions, and the varying adequacy with which they were staffed, could result in important differences in administrative practices. This situation, said the Porter Report (1966, p. 346) "increases the legal difficulties of bringing a new issue to market and leaves the issuer and underwriter open to the risk of delay caused by the failure to meet the requirements of a single jurisdiction."

Consequently, the Commission suggested that the federal government should encourage the development of uniform standards of security legislation and legislation in Canada, noting that a federal agency might, in addition to establishing uniform standards, attract portfolio investment from abroad as well as expanded capital from domestic sources. While noting that the principal arguments against a federal regulator were that it might become too bureaucratic and costly and that most security regulation problems

[49] The first mention is in 1935 in the report of the Royal Commission on Price Spreads

were only of local or regional significance and best dealt with at the provincial level, the Report concluded by noting that the industry itself agreed that a single federal agency "would be preferable to ten provincial agencies, and there is no inherent reason for believing that a federal agency would lead to costly delays" (p. 349).

The ball of a national security regulator – like the SEC in the United States – thus appeared to have been placed squarely into play. Nonetheless, it appears that no one, at any level of government seems, attempted in any way to follow up this initiative. Indeed, two decades seem to have passed before this issue was once again raised in a public policy context, this time in a study by Courchene (1986) for the Royal Commission on the Economic Union and Development Prospects for Canada (the McDonald Commission). Courchene began his analysis of securities legislation by stating that "one prerequisite for achieving market efficiency is to ensure that the market is truly national in scope" (p. 154) but noted that the federal presence in regulating Canadian securities markets was virtually non-existent compared to other federations such as the United States. On the other hand, as he went on to say, "because of the dominance of the TSE [Toronto Stock Exchange] and the OSC [Ontario Securities Commission], securities legislation tended to be more national in scope than would be expected from a decentralized regulatory process" (p. 156).

Nonetheless, he argued, many analysts believe that an overarching federal role in the securities area is needed because of "the increasing inter-provincial and international nature of the securities business, the spread of computerization which may eventually replace the trading floors of the stock exchanges with a Canada-wide automated trading system, and the inherent difficulty of applying provincial regulatory measures beyond provincial boundaries" (p. 157). In conclusion, Courchene quoted Anisman and Hogg (1979) approvingly, as follows: "The limitations on provincial jurisdiction not only cast doubt on the ability of the provincial commissions to enforce their own acts in connection with inter-provincial and international transactions but also on the ability of the provinces, even acting cooperatively, to enact a scheme that will satisfactory regulate the entire securities market". Nonetheless, the possibility of national securities regulation was not even mentioned in the main body of the McDonald Report.

Two academic papers, one before and one after the Courchene (1986) discussion, also examined the issue. Banwell (1969, pp. 21-22) concluded that “there is a necessity for national administration and regulation, and such a scheme appears most readily attainable though co-operation between the governments. Such a scheme also appears to carry the best opportunity for effective control over the industry and its activity." Tse (1994, p. 428), picking up a theme touched on earlier by both the Porter Commission (1966) and Courchene (1986) noted that Ontario and all western provinces "have gone to the extent of enacting uniform securities legislation and a further group of Uniform Act Policies." In contrast to Banwell (1969), however, who thought that what was needed was essentially more interprovincial cooperation, Tse (1994) went on to argue that the existence of such legislation actually proves the need for a federal body because, despite the cooperative efforts of the provinces, significant gaps remained in the regulatory structure. In his view, a federal securities commission was needed for the protection of market players, the efficient allocation of resources, the efficient raising of capital, and

the effective prosecution of securities offences. Nonetheless, Tse (1994, p. 430) concluded that on constitutional grounds there remained a clear need for "some provincial securities regulation. To the extent that securities are property and fall within the enumerated head of property and civil rights in the province, the general rule must be that securities are more properly a provincial concern."

We should perhaps emphasize that the above brief summary is not a selective review of the literature on national securities regulation in Canada. It *is* the literature, at least up to 1996, as far as we know. What happened in that year to change matters?

It Becomes a Policy Issue…For a While

What happened in 1996 is that for the very first time, official notice was taken of this question. In February of that year, the throne speech (a statement of policy intent by the government for the next parliamentary session) explicitly stated that "the government [federal] is prepared to work with interested provinces towards the development of a Canadian Securities Commission." It appears that to some extent this proposal reflected the explicit support for this idea that had been expressed a few months earlier by two of the most prominent industry groups -- the Investment Dealers Association (IDA) and the Canadian Bankers Association (CBA). Speaking at a conference in Toronto, the President of IDA noted that a Canadian securities commission would be "the most logical, efficient and sensible approach" if the country was starting from scratch, a suggestion that was seconded by the CBA. Efficiency and a better match between markets and regulators were cited as reasons for adopting a national body. Recognizing constitutional and political realities, however, it was noted that the federal government need not necessarily run a national commission: it might instead be a national body run by the provinces.

The mention of this proposal in the throne speech elicited a mixed reaction from the provinces. The Ontario Securities Commission supported it, the Québec Securities Commission opposed it, and the Alberta and BC commissions had reservations and expressed fear that a national securities commission might be a threat to stock markets in western Canada. One explanation for these diverse reactions might be that be that, while provincial SECs are a source of revenue for the respective provinces, Ontario probably would have come out a winner. The other three provinces had developed separate financial markets for junior stocks (francophone firms in Québec in all sectors, mainly mining and petroleum stocks in the West) with less stringent regulations than in Ontario. Local brokers who fear regulation (and competition) from outside dominated these markets. Centralizing securities regulation would likely, it was argued, lead to a decline in capital markets outside Toronto and hence be detrimental to small business raising funds on local capital markets.

In the event, the idea of a possible Canadian securities commission was referred by the federal government to the MacKay Task Force on the Future of the Canadian Financial Services Sector for further study. Despite this explicit reference, this Task Force, which reported in 1997 (interim report) and 1998 (final report) not only did not recommend a national securities commission, it did not even address the issue. The apparent federal initiative of 1996 thus seemed, by 1998, to be dead, at least in official circles. In early 2002, however, the issue rose from the dead, when a symposium on this topic was organized in Toronto. Repeating their earlier roles – the people had changed but the institutional interests had not -- the president of the TSE argued for a single national regulator, while Québec's SEC again said no. How far this new initiative will get is unclear.

In view of the extensive rationalization of Canadian stock exchanges that has taken place in the last few years, largely in response to global pressures, the lack of discussion of this issue is hard to understand. The Vancouver and Alberta exchanges, where junior stocks were traded, merged into the Canadian Venture Exchange (CDNX) (the smaller Winnipeg exchange joined CDNX in March 2000). The TSE thus became the sole Canadian exchange for senior stocks, giving up derivative trading to the Montréal stock exchange in exchange for its delisting of these stocks. A small market for junior stocks was also kept in Montréal. In 2001 these junior stocks were moved to the CDNX, which was then taken over in the fall of 2001 by the TSE. Regulation may not have been rationalized (let alone nationalized) but securities trading, it seems, has moved a long way in this direction.

Why has the idea of creating a national securities commission never gotten off the ground in Canada? The reason was hardly public opposition: the public probably never even noticed that the issue existed.

Perhaps the most obvious explanation is that the issue had no real champion. Provincial regulators seem to have collaborated sufficiently closely to avoid any kind of a race to the bottom in terms of standards. This process was undoubtedly facilitated by their small number and the way in which the market was almost explicitly carved up among the different exchanges. In any case, the combination of provincial resistance, particularly from Québec, and the lack of federal enthusiasm means the idea never really appeared on the political horizon.

In addition, despite the recent flurry of interest, perhaps the economic gains from a more “national” approach to regulation are less than they might have been in the past. Inter-listing of Canadian firms shares in the USA is increasing. From 1980 to 1998, the number of inter-listed firms increased from 82 to 244, and the volume of trading of these shares in the USA increased from 23% in 1991 to 31% in 1995 (Beaulieu and Bellemare, 2000). This increased degree of integration with the US – so that many larger Canadian firms are now subject to SEC rules – combined with the national scope of Canada’s few banks and the increasing mergers between financial institutions, may mean that national securities regulation is an issue whose day may already have passed.

In any case, it should be understood that Canada is not, and never has been, a full internal common market. There has been a long tradition of accepting that provinces not only may have their own economic policies but can and do sometimes implement them in ways that reduce national economic efficiency.[50] Partly in response to the pressures arising from NAFTA and other international agreements, however, some attempt was made to address some of these issues through an "Internal Agreement on Trade" (IAT) that was signed by the provinces and territories on July 1, 1995. The aim of this agreement was to reduce existing barriers, to prevent the creation of new ones, and to harmonize standards. The agreement is based on six general rules : nondiscrimination; right of entry and exit; no obstacles; legitimate objectives; reconciliation; and transparency.

This all sounds good, at least if one thinks that "market-preserving" federalism requires nationwide application of rules affecting commerce. However, both the importance and impact of the IAT are debatable. In reality, few goods and services were subject to inter-provincial trade barriers in any case, and the proportion of the labor force in occupations subject to restrictions is small. Perhaps the most notable change resulting from IAT has been the use of open tendering with no "place of business" clause by provincial governments in 1995. This provision was extended to the important MASH (Municipal/Academic/Schools/Hospitals) sector, in 1999, although with British Columbia and Yukon not agreeing Despite this progress, very little has changed with respect to procurement by public enterprises, or energy, or the processing of natural resources, or transportation, to list the other main sectors affected to some extent by provincial attempts to protect local interests.[51]

A small illustration of how things work in Canada may help explain the perhaps surprising lack of concern about such obviously inefficient provincial policies. Since 1998, the provinces have been attempting to reach agreement on a uniform rule with respect to the coloring of margarine. Québec, which has a relatively large dairy industry, requires that margarine must not be colored to look like butter. Other provinces do not. Thus, margarine producers in Canada must produce two shades of yellow margarine. The titanic struggle on this issue continues, and may well do so for years to come. A country that can live with different shades of yellow margarine, as well as with many other provincially differentiated economic policies, has had little difficulty in living with different provincial securities regulations.

With respect to capital markets more specifically, various Labor Sponsored Venture Capital Funds (LSVCF), which grant PIT credits for investments by individuals in funds that will invest within the borders of their provinces to help save/crate employment, emerged, with as usual, Quebec leading the way. Such funds are clearly a new source of fragmentation of the Canadian capital market (Vaillancourt, 1997) – the last thing needed, it might be argued, in the face of the increasing absorption of that

[50] For an early detailed analysis of the many ways in which Canada is not a common market, see Trebilcock et al. (1979). Most of the contributors to this volume, like most Canadian economists, deplored this fact, but the point is that a certain degree of politically-motivated fragmentation of labour, capital, and product markets is, and long has been, a fact of Canadian life.

[51] See Schwanen (2000) for detailed discussion of the IAT.

market within the American market. Nonetheless, there seems to be no evidence that the variability across provinces in access to financial instruments such as rights offerings (Mohindra, 2002) matters in any measurable way, and such measures have not given rise to any serious policy debate.

Regulatory federalism in Canada, as illustrated here by the case of securities regulation, thus does not easily fit the Weingast (1995) conception of "market-preserving federalism." The "competitive" sub-national governments envisaged in that framework may have a substantial regulatory role, but they are assumed to exercise that role within a common market enforced by the federal government to ensure nation-wide free markets and full mobility of factors, goods, and services. In many fields, as the case we have discussed here illustrates, Canada's federal government either cannot exercise such a role or has chosen not to do so. Provincial regulators may attempt to coordinate to some extent, but in the end, as noted above, they may often be tempted to use their powers at least to some extent for competitive purposes. Nonetheless, from the perspective of what may be labeled "nation-preserving" federalism, even such a less than perfect common market may perhaps be considered to be "efficient" in a broader sense, or so it might be argued.[52]

5. Are There Any Lessons?

We have discussed three very different cases in this paper. Although it is not easy to generalize from a few such disparate instances, nonetheless a few key points do seem to emerge from this discussion.

First, Québec matters, a lot. It has long been a commonplace in Canadian political thought that Canada is as it is largely because of the existence of a large, linguistically distinct province. Certainly, our examples support this conclusion. Quebec's interest obviously drove the constitutional debate, although it hardly got what it wanted in this instance. Quebec pushed for more tax room and obtained it in the early 60s. More recently, it has opposed a national securities commission and has helped to block it. At the present time, there is now a debate in Canada on the funding of health services. All provinces are arguing that the federal government is not providing enough money to the provinces. Some are requesting changes in transfers, and some are requesting more tax room. Unsurprisingly, Quebec is in the latter camp. In true Canadian style, to further its argument, it created a Commission on Fiscal Disequilibrium (the Seguin Commission), that reported in early 2002 and, in the recent Quebec style, there has also been some discussion of a provincial referendum on tax sharing. Will Québec once more lead the way in changing the fiscal balance between the federal and provincial governments? Other provinces may of course also take the lead from time to time, as, for example, Saskatchewan did in the development of the health system, Ontario in the long debates leading to the old age reforms of the early 1950s, and, perhaps, Alberta with its new flat tax. For the last forty years, however, Quebec has been not only the most

[52] For an early argument along these lines, see Bird (1986, pp. 212-14).

distinct, but also generally the best province with clearly articulated, cross -party supported and strongly presented interest. It may not always get its way, but it generally knows what its way is, which is more than can be said for most of the other provinces, or, often, for the federal government.

A second key factor is the relative financial and political strength of the federal government and the provinces. In the 1960s, for example, although it clearly dominated fiscally, the federal government was a minority government faced by majority governments in Québec. Currently, both are relatively fiscally strong and both have majority governments. Some years ago Bird et al. (1979) suggested that the reduction in federal fiscal surpluses after the mid-1970s would severely reduce federal ability to "buy off" dissidents with increased transfers. It did, and this may have been one factor behind some of the developments discussed earlier in this paper. The return to fiscal solvency at the federal level at the end of the 1990s, however, has led to renewed federal attempts to, as it were, plant the flag in areas long jealously guarded by the Quebec government, such as post-secondary education. It is true that the federal government conceded significant extra financial resources to the provinces in September 2000 when it faced an election and both big provinces, Ontario and Québec, united in asking for more transfers. Nonetheless, buoyed by its surplus revenues, it may soon provoke another conflict by creating some tax-related concessions for health or in some other way flex its fiscal muscles again. Changing fiscal and political strengths at the different levels of government thus obviously also play a critical role in determining future outcomes.

Finally, an important additional factor is the nature of the change required. Tax sharing and transfers could be modified simply by changing laws – an easy and relatively quiet task for a majority government in Canada. On the other hand, recognition of Québec as a distinct society required a constitutional amendment and extensive public discussion. Following the close-run 1995 referendum, the House of Commons adopted a resolution affirming the distinct character of Québec and indicating that it intended to be guided by this in its legislation. Subsequently, in February 1996, a federal law was adopted giving the regions, including Québec, a veto to be exercised by the federal government on constitutional changes. Finally, in the 1996 throne speech, it was stated that a majority of provinces had to agree before new federal-provincial cost-shared programs could be implemented and that non-agreeing provinces would receive financial compensation for implementing similar programs. Quebec's constitutional demands thus seem to have largely been met in a sense. Until now, however, none of these provisions has been used, and of course none of them have constitutional status.[53]

In the end, as is so often the case with political institutions, political outcomes may reflect not so much the details of the institutions within which different political actors act as the degree of trust they have in the motives and reliability of other relevant actors. If, as in the case of sales tax reform in the early 1990s, for example, all governments have broadly similar interests and basically trust each other's technical

[53] Some of the recent discussion of these issues has taken place in the framework of what is called the "Social Union" agreement signed by the federal government and all provinces but Quebec in February 1999. So far this agreement has not amounted to much in reality, and there is considerable debate about its future, or lack of it (see, for example, Richards, 2002, and Noel, 2001).

competence, a good working agreement can often be reached without the need for much formal legislation, let alone constitutional affirmation (Bird and Gendron, 1998). If external circumstances dominate-- in the case of public borrowing for example (Bird and Tassonyi, 2001), international capital markets and basically fiscal responsible electorates, tempered by the fires of history -- the precise degree and kind of regulation may not be critical. On the other hand, when an issue such as "distinct society" is raised to the status of a political icon, with high and conflicting symbolism attached to it by both sides, agreement at any level may prove impossible to reach, at least so long as the practical issues of what to do in the face of real problems are discussed in these terms.

The long-term answer for Canada, if there is one, may thus be to put aside the search for unreachable and untenable long-term solutions and to continue in the future, as in the past, to deal with problems as they come up rather than attempting to determine in advance exactly who should deal with what in what way. "Muddling through" may not only describe how Canadian federalism has to date dealt with changing times: it may also, as Lindblom, Simon, and many others have argued,[54] describe the best way in which fallible people – let alone fallible politicians – have yet developed to cope with the complex reality of managing a multi-ethnic federal country in a globalizing world. Ad hoc dispute resolution or incremental accommodation to changing circumstances may be less intellectually attractive than more holistic approaches, but it seems more likely to yield satisfactory results in Canada. The existing system has, over time, proved surprisingly flexible – "if it ain't broke, don't fix it." Informal "executive federalism" has on the whole worked well in the past and may continue to be the best way in the future to cope with the situation, even in the face of the new pressures emanating from below the border. When life is complex, interests divergent, and the policy environment uncertain and changing, pragmatic resolutions of specific problems such as those discussed in the fiscal and regulatory fields may, we suggest, continue to work better for Canada and Canadians than attempts to revise constitutions or reach more principled resolutions of grand issues. Such at least seems to us to be the main lesson emerging from the experiences discussed in this paper.

[54] See, for example, Lindblom (1960), Popper (1957), Simon (1959), and, more recently, Breton (1996), as well as Bird (1970) for an application of this approach to tax policymaking in Canada.

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Table A-1
Federal and provincial parties and Prime Minister/Premier in Power,1930-2000

Election Year	Prime Minister of Canada	Governing Party	Premier of Quebec	Governing Party[1]
1930	Richard B. Bennett (New Brunswick)	Conservative majority	Louis-Alexandre Taschereau	Liberal
1935	William Lyon Mackenzie King (Ontario)	Liberal majority		
1936			Maurice Duplessis	Union Nationale
1939			Joseph-Adélard Godbout	Liberal
1940	William Lyon Mackenzie King	Liberal majority		
1944			Maurice Duplessis	Union Nationale
1945	William Lyon Mackenzie King (replaced by Louis St. Laurent in 1948)	Liberal majority		
1949	Louis St. Laurent (Quebec)	Liberal majority		
1953	Louis St. Laurent	Liberal majority		
1957	John Diefenbaker (Saskatchewan)	Conservative minority		
1958	John Diefenbaker	Conservative majority	(replaced by Paul Sauvé in 1959) (replaced by Antonio Barrette in 1960)	
1960			Jean Lesage	Liberal
1962	John Diefenbaker	Conservative minority		
1963	Lester B. Pearson (Ontario)	Liberal minority		
1965	Lester B. Pearson	Liberal minority		
1966			Daniel Johnson (replaced by Jean-Jacques Bertrand in 1968)	Union Nationale
1968	Pierre E. Trudeau (Quebec)	Liberal majority		
1970			Robert Bourassa	Liberal

1972	Pierre E. Trudeau	Liberal minority		

Election Year	Prime Minister of Canada	Governing Party	Premier of Quebec	Governing Party
1973			Robert Bourassa	Liberal
1974	Pierre E. Trudeau	Liberal majority		
1976			René Lévesque	Parti Québécois
1979	Joe Clark (Alberta)	Conservative minority		
1980	Pierre E. Trudeau (replaced by John Turner in 1984)	Liberal majority		
1984	Brian Mulroney (Quebec)	Conservative majority	(replaced by Pierre-Marc Johnson[2] in 1985)	
1985			Robert Bourassa	Liberal
1988	Brian Mulroney (replaced by Kim Campbell in 1993)	Conservative majority		
1993	Jean Chrétien (Quebec)	Liberal majority	(replaced by Daniel Johnson[3] in 1994)	
1994			Jacques Parizeau (replaced by Lucien Bouchard in 1996)	Parti Québécois
1997	Jean Chrétien	Liberal majority		
1998			Lucien Bouchard	Parti Québécois
2000	Jean Chrétien	Liberal majority	(replaced by Bernard Landry in 2001)	

* Province in brackets denotes Prime Minister's home province

1 Governing party is always a majority in Quebec

2 Son of Daniel Johnson (père)

3 Son of Daniel Johnson (père)

Map of Canada