Historical Institutionalism and Canadian Social Policy:
Assessing Two Models of Policy Change

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Historical institutionalism has stimulated an enriching debate on how temporality affects the scope and patterns of political change. This paper discusses the value of two distinct models, both rooted in the historical-institutionalist paradigm, for analyzing Canadian social policy: the model of path dependence and the process sequencing model. Both models provide for different explanations on how political change unfolds in and over time. Whereas the former suggests a rather limited scope for political change due to the constraining impact of past decision and positive feedback, the latter assumes that the contingencies of political life have more room to play out even if they occur late in a sequence. Instead of invoking exogenous shocks to account for swift and encompassing change, the process sequencing model puts emphasis on structural fluidity and endogenously induced frictions. In doing so, it suggests that historically established trajectories can be shifted, altered or even reversed rather easily.

The first part of the paper contrasts both models of change along several analytical dimensions. It is suggested that the empirical appropriateness of either model to the analysis of social policy development is subject to the degree of institutional rigidity inherent to the governance structure into which policies are embedded. Depending on their degree of rigidity, political institutions operate as either constraining or enabling mechanisms. Therefore, institutions are furnished with varying capacities to translate frictions into change. If an institutional setting exhibits constraining rather than enabling features, the model of path dependence is likely to be better suited to explain patterns of policy change. In contrast, the process sequencing model lends itself well in order to investigate policy change in an institutional environment which yields primarily enabling properties.

Part two and part three of the paper illustrate how the two central features of the Canadian polity, Westminster-style democracy and interstate federalism, establish an institutional framework which has continuously kept the degree of institutional rigidity low. The model of path dependence can be useful in order to explain the historical evolution of this institutional meta-path of Canadian social policy. By drawing upon illustrative evidence from the processes of welfare state formation, expansion, retrenchment and recalibration in Canada the paper suggests, however, that the process sequencing model is principally better suited to explain change on the level of public policy itself.

I.   Conceptualizing Change in Historical Institutionalism

1.   *Two Models of Political Change*

Historical institutionalism provides for different explanations on how temporality affects the scope and patterns of political change (Pierson, 2004; Page, 2006; Howlett and Rayner, 2006). Within this meta-theoretical framework, two distinct models have proven particularly well suited for investigating political change in and over time: the model of path dependence and the process sequencing model.[1]

The model of path dependence has emerged as the most prominent approach under the umbrella of current historical-institutionalist research. On a general level, this model rests upon three assumptions. First, it suggests that small, contingent and early events trigger a path dependent sequence. Such formative events are usually conceptualized as critical junctures during which structural constraints on agency are significantly eased (Mahoney, 2000; Hogan, 2006; Cappocia and Keleman, 2007). Accordingly, the range of options available to entrepreneurial agents is considerably extended for a brief moment in history. Once they had become locked-in as a contingent alternative during a critical juncture, such early events are amplified over time. Second, the model assumes that increasing returns or, more generally, positive feedback are the basic mechanisms of reproduction which explain the amplification and stabilization of an initial choice (Mahoney, 2000; Pierson, 2004). Finally, the model of path dependence invokes exogenous shocks to explain why mechanisms of reproduction might erode in the long term and give way to a new critical juncture (Pierson, 2004: 52).

The process sequencing model basically shares with the model of path dependence the idea of temporally connected historical events and processes in order to explain for political outcomes. As is illustrated in table 1, however, both models differ in several important aspects. When analyzing political stability and change, the model of path dependence tends to take a rather macroscopic view on political processes. The unit of analysis consists of an equilibrated regime which generates strong positive feedback effects accruing to all relevant actors. In contrast, proponents of the process sequencing model conceive of politics as a multilayered political order comprising analytically distinguishable, but interconnected components (Orren and Skowronek, 2002; 2004; Lieberman, 2002; Smith, 2006). In doing so, they establish a more fine grained view on either the operation of different institutional components that constitute a polity or on the interplay of institutional and ideational patterns within a political order. Hence, the unit of analysis is disaggregated into a variety of

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[1] I am not considering here what Howlett and Rayner (2006) discuss as a third alternative to the stochastic model, the so called "inevitable sequence model".

contextual layers which are not necessarily connected with each other in any coherent way. Rather than being equilibrated, it is suggested that these components permanently create frictions stemming from mismatch and contradictory imperatives:

> There may be instances in which ideological and institutional patterns 'fit' together and cumulate into something that looks like an equilibrium […]. At other times, however, they will collide and chafe, create an ungainly configuration of political circumstances that has no clear resolution, presenting actors with contradictory and multidirectional imperatives and opportunities (Lieberman, 2002: 702).

Table 1:

Two Models of Policy Change

	Model of change	
	Path dependence	Process sequencing
Unit of analysis	Equilibrated (policy) regime	Non-equilibrated multiple political order
Continuity maintained through	Positive feedback	Ordering mechanisms
Change induced through	Exogenous shock	Endogenously generated frictions
Pattern(s) of change	Critical juncture	Layering, conversion, drift
Type(s) of Sequence	Path dependent (amplification of what happens early)	Balancing (reaction against early events) or cyclical (oscillation between two or more alternatives)
Bias	Status quo	Contingency/too much change

Moreover, both models differ in the way they conceptualize patterns of change and, correspondingly, how they model historical sequences. Strictly speaking, the application of the concept of critical junctures only makes sense within the framework of the model of path dependence. Cappocia and Kelemen (2007: 348) define critical junctures as "[…] *relatively* short periods of time during which there is a *substantially* heightened probability that agents' choices will affect the outcome of interest". The temporal separation of such brief periods marked by a comparatively high degree of contingency from long sequences during which agency and contingency is neutralized by positive feedback effects is rejected by proponents who are affiliated with the process sequencing model. They hold against such periodization

schemes coalescing into "neatly ordered periods" (Orren and Skowronek, 1994: 321) that political processes might permanently be subject to contingent developments. Instead of analytically separating change from continuity, they suggest different temporal mechanisms to be operating simultaneously within a political order. While certain layers may indeed be stably reproduced over time others change, thereby exhibiting different patterns moving at various paces (Orren and Skowronek, 2004: 14f.).

In order to analyze these complex historical processes, the literature has developed a set of differentiated tools such as layering, conversion or drift which capture more gradual forms of political change (Thelen, 2003; Streeck and Thelen, 2005; Hacker, 2005). Furthermore, the literature on process sequencing has identified types of historical sequences which are more open to contingent developments and less stable than a path dependent sequence.[2] A cyclical sequence, for example, does not exhibit one equilibrated stable long path but oscillates between two or more alternatives (Bennett and Elman, 2006: 258). This type of sequence resembles a logic of historical change that Stephen Skowronek has detected as recurrent patterns (as opposed to persistent and emergent patterns) in his studies on presidential leadership (Skowronek, 1993: 9f.; 2008: 28; 77). Skowronek's work clearly reveals that depending on the characteristic political challenges they face, presidents are prone to perform and reconfigure the institutional regime in a recurrent fashion. By highlighting this pattern of change, Skowronek exemplifies what Colin Crouch and Henry Farrell (2004: 12ff.) refer to as redundant resources in their conceptual critique of path dependence theory. The notion of redundant resources stresses the importance of hidden or subordinate solutions to current problems which have become lost over time within a broader historical trajectory, but might be reactivated (possibly) in a slightly modified form under certain circumstances. Finally, a related, but more stable historical dynamic underlies balancing processes. Unlike cyclical sequences, balancing processes do not generate multiple, oscillating equilibria but develop into one equilibrated outcome in the long run (Page, 2006: 99). Rather than being amplified like in the case of a path dependent sequence, however, early events in balancing processes are counteracted since they generate strong negative feedback accruing to important political actors: "The dynamic here is not the amplification of what becomes before but reactions against it" (Bennett and Elman, 2006: 258).

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[2] Scott Page has called such sequences phat dependent. Here, the outcome of a sequence is history dependent but the ordering of events itself does not matter as in the case of path dependence: "A process is **phat-dependent** if the outcome in any period depends on the set of outcomes and opportunities that arose in a history but not upon their order" (Page's emphasis, 2006: 97).

2.   Structuring Contingency: Institutions as Constraining and Enabling Entities

Both the model of path dependence and the process sequencing model have been employed successfully in various studies in order to investigate and explain how institutions, political processes and policies unfold and change over time. Yet, critics have pointed to several empirical and theoretical problems inherent to either model of political change (Crouch and Farrell, 2004; Harty, 2005; Immergut, 2006; Howlett and Rayner, 2006). Most recently, criticism appears to have focussed primarily on the model of path dependence. Siobhán Harty (2005: 53) for example emphasizes two important and interrelated weaknesses of this model. First, by relying on exogenous shocks, the model of path dependence does not provide a convincing answer how to explain for endogenously generated political change. Instead, it shifts the theoretical problem to explanatory variables lying outside the analytical framework itself ("coherence critique"). Second, and even more important, she hints at growing evidence suggesting that empirically political institutions and processes are much more often subject to change than the model of path dependence assumes ("empirical critique"). By introducing the concept of a multiple political order and by focusing on endogenous pressures for change, the process sequencing model obviously avoids both of these weaknesses inherent to the model of path dependence. The emerging picture here is one that maps temporality differently, putting more emphasis on the power of contingencies rather than on the constraining impact of path dependencies. It is debatable as well, though, whether frictions do indeed translate as easily (or even randomly) into political change in the real world as the process sequencing model suggests. In short, whereas the model of path dependence appears to put too much emphasis on stasis and the status quo, in contrast, the process sequencing model seems to overestimate the weight of contingencies and the potential for political change in real world politics.

These questions raised in the literature, however, might not be primarily a problem of either model per se. Rather, it seems that the analytical value of each model to the explanation of policy change is highly dependent on the empirical context it is meant to be applied. More specifically, if there is a particular weakness applying to both models of change it is that neither approach sufficiently takes the implications of varying degrees of institutional rigidity seriously into consideration. Even though it is common sense among new institutionalists to understand institutions as both constraining *and* enabling entities (Immergut 1998; Lecours 2005), this paradigmatic assumption has in fact not adequately been taken into account in much of current historical institutionalist oriented research.[3] While the model of path

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[3] Of course there are important exceptions as for example the volumes edited by Pal and Weaver (2003) or Obinger, Leibfried and Castles (2005) reveal. Moreover, American Political Development (APD) oriented research generally seems to show a clearer awareness of how varying institutional properties affect political

dependence appears to conceive institutions as equally constraining, the process sequencing model, in turn, implies that frictions translate quasi automatically into political change without considering how institutional channels exactly impinge on this process.

From a historical-institutionalist perspective, as is suggested here, a possible starting point for being more deliberate on the issue of institutional rigidity is to understand the formation of institutions as a means of reducing contingencies. In this sense, contingency acts as a counterweight to path dependence. While path dependence explains why a given temporal state is necessarily as it is, determined by earlier events, contingency points to the possibility that it could also be different or even reversed. For sociologist Niklas Luhmann, for example, the objective range of contingent alternatives is generally defined through the exclusion of necessity and impossibility. From the subjective perspective of individual or collective actors it refers to the fact that reality, as it is, is experienced in the light of different possible alternatives (Luhmann, 1976: 295). However, even though the range of "objective possibility" (Max Weber) has been increasing considerably as pre-modern societies have turned to (post-)modern societies, contingency is still conditional and not arbitrary (Schedler, 2007: 72). It is the main purpose of institutions to control the degree of contingency since institutions, by definition, regulate behaviour, stabilize expectations in the long term and, thus, make the realization of certain options unlikely or even non-contingent.

It is important to mention, therefore, that unlike the literature on path dependence usually suggests the notion of contingency not merely applies to small and accidental events, but also comprises the idea of an institutionally structured (but not determined) scope of historical possibilities and variations that have not been realized yet, but which are principally realizable. Contingency, thus, can refer to both: to rather random und unpredictable events such as exogenous shocks which are not causally connected to an institutional order (event contingency), or to a temporal state with a long time horizon which is significantly shaped through institutional rigidity (structural contingency). Due to varying degrees of rigidity, however, institutional capacities for suppressing contingencies within the historical process can differ considerably. In case of institutions that exhibit constraining rather than enabling elements, the significance of contingencies is minimized to a considerable amount. Therefore, they are likely to yield path dependent sequences. In turn, institutional arrangements that emphasize enabling rather than constraining elements are more likely to allow for contingent developments to play out.

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change than other approaches affiliated with the process sequencing model (Orren and Skowronek, 2004: 18; Skowronek and Glassman, 2007: 3; Sheingate, 2007: 15).

From the analytical perspective developed here, thus, frictions are merely a necessary precondition for political change. They refer to the simultaneous prevalence of positive and negative feedback accruing to various systemic-level actors within a political order. As such, frictions can be considered as an important source for contingency, providing for alternatives and suggestions how to reconfigure an established political order by pointing out that the world as it actually is could also be different in the present and, more importantly, in the future. Whether entrepreneurial agents are likely to be successful in their efforts to alter the status quo, however, is highly dependent on the degree of institutional rigidity entailed in the institutional layer of a political order. The transformative capacity of institutional arrangements varies since the way they provide defending and challenging actors with distinct resources to either impede or advance political change differs considerably (Harty, 2005: 64f.; Sheingate, 2007: 15). The degree of institutional rigidity, therefore, can be considered as a causal mechanism mediating between frictions and the way they translate into different patterns of political change.

II.   Interstate Federalism in a Westminster-Style Democracy: Keeping Institutional Rigidity Low

Federalism is a multifaceted phenomenon. Not surprisingly, it is highly contentious how federal arrangements exactly impinge on policy development, most notably on social policies. The literature traditionally has emphasized that federal institutions are inimical to social policy development, exhibiting a constraining effect. Policy-preemption through constituent units, joint-decision making and tax competition have been identified as important built-in mechanisms responsible for preserving the status quo (Pierson, 1995). More recent contributions, however, most of them informed by a qualitative-historical approach, have clearly demonstrated that federalism can also yield the opposite effect since it allows for experimentation, innovation and policy variation (Maioni, 1998; Finegold, 2005; Leibfried, Castles and Obinger, 2005). As federal systems empirically differ with respect to the degree of institutional rigidity they entail, they provide for varying capacities for translating frictions into change on the level of public policies.

The distinction between interstate and intrastate federalism, which was given particular prominence in Canada by Donald Smiley (1971) and Ronald Watts (Smiley and Watts, 1985), can serve as a valuable tool not only for disaggregating the complex phenomenon federalism and contrasting federal systems along the axis self-rule/shared rule. It

also makes possible to specify how frictions as a potential source of contingency are institutionally channelled, suggesting that the patterns of change as well as the historical sequences generated are related to the type of federalism a federation corresponds to empirically.

The two types of federalism can thus be considered as distinct institutional mechanisms, operating as either enabling (interstate) or constraining (intrastate) entities. By assigning legislative powers to the federal level while leaving implementation with the constituent units, intrastate federalism provides for an entangled, integrated allocation of political authority. Since, by the same token, constituent units are incorporated into the legislatory process, this institutional setting establishes a system of joint-decision making on the level of intergovernmental relations, enforcing political actors from both tiers to reach consensus in case political change is to be pursued (Scharpf, 1988). Like in the case of fiscally weak German Länder or small Swiss Cantons, constituent units can be quite powerful within intrastate arrangements after all. Their influence rests, however, on their power to impede political change rather than on their capacity for autonomous policy variation (Ziblatt 2002; Papadopoulos 2002). In contrast, the dualistic allocation of political authority within interstate federalism allows entrepreneurial actors from either governmental tier to act independently since they are provided with important resources such as the power to legislate, to spend or to levy taxes within their respective jurisdictions. By distributing power resources independently among political actors, this institutional setting establishes a system of intergovernmental relations that provides entrepreneurial actors with several strategic opportunities: They can either commit themselves to negotiate voluntarily, thereby creating an asymmetric or symmetric system of cooperative federalism, or, alternatively, exit negotiations and instead opt for unilateral action (figure 1).[4]

Both federal settings obviously bear quite distinct capacities for political contingencies to take effect. Whereas absent exit options keep entrepreneurial agents captured in what Fritz W. Scharpf has called the joint-decision trap, making all efforts to overcome the status quo dependent on the (unlikely) consent of those who are more inclined to preserve it, interstate federalism presets the governance structure in a way that allows for a comparatively broad scope of variation in and over time. On the institutional level, within the "meta-path" of interstate federalism, the governance structure is open to be reconfigured temporally in line

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[4] Authors such as Goetz (1995) and Schultze (1999) quite rightly have pointed out that the literature often does not carefully distinguish between cooperative federalism, which logically presupposes that actors from both tiers of government commit themselves *voluntarily* to find common solutions on the one hand and joint-decision making, which institutionally *enforces* them to act together, on the other hand.

with the three pattern relationships displayed in figure 1 and might therefore oscillate between unilateralism, asymmetric or symmetric cooperation. On the level of public policies, contingency is basically generated by the dualistic allocation of responsibilities. The intention of constitutional designers to clearly demarcate and assign jurisdictions to either governmental tier, as it was expressed in Lord Atkin's "watertight compartments" doctrine in 1937, has usually turned out to be impossible to sustain in the long run. In practice overlap, spill-over and policy-interdependence have repeatedly raised the question "who should do it" (Pierson, 1995: 451). Moreover, competing interpretations over the legitimate occupation of policy jurisdictions can trigger a dynamic of competitive state building (Banting, 1995), a dynamic which is almost neglectable within the context of intrastate federalism due to the integrated allocation of political authority.

Figure 1: Inter- and Intrastate Federalism: Intergovernmental Arrangements
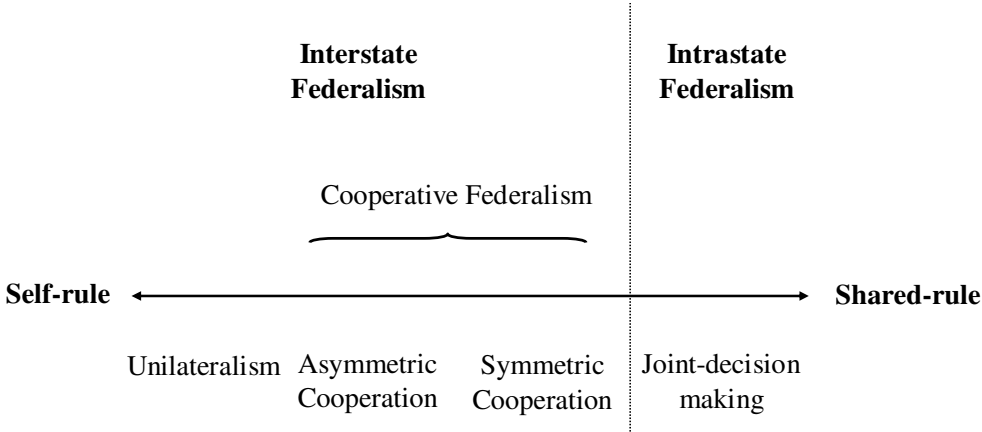
While the dynamic of competitive state building captures how an established policy trajectory can effectively be contested vertically, between the federal government and constituent units, interstate federalism also fosters contingent developments horizontally by promoting multifinality. Generally, the notion of multifinality can be defined as a causal configuration in which similar initial conditions yield different effects and outcomes. In federal systems multifinality becomes evident when constituent units simultaneously develop and maintain state functions differently. In a sense, then, multifinality refers to the fact that several policy paths can exist in parallel within a given polity. As regards Canadian social policy regimes, multifinality has always been most pronounced in the area of social assistance, where significant variations with respect to program design, redistributive impact

and degree of decommodifaction have persisted before and after the introduction of the Canada Assistance Plan (Boychuk 1998; 2003), but it is by no means limited to this area. It can also be found, even if less bold, in other policy areas such as health care or active labour market policies. In contrast, the institutional mechanism of intrastate federalism fosters unifinality since it requires that a given setting of diverging contingent solutions, ideas and interests always has to be accommodated into one possible outcome which applies within the federation as a whole in order to establish equality of living conditions.

Finally, enabling properties of the institutional arrangement are further amplified if interstate federalism is combined with the principle of Westminster-style democracy. In an ideal-type Westminster democracy, contingency can generally play out much more easily compared to the consensus model of democracy. First, event contingency, which is rather external and not causally connected to the institutional order, is more likely to have an immediate and more lasting effect. For example, compared to systems of proportional representation short-term voter volatility often turns out to have much larger consequences with respect to the composition of seats in parliament due to the disproportional effects yielded by the single-member plurality system. Electoral shifts, like in the case of the British Columbia general election of 2001, do not exhibit such a profound effect if they occur within the framework of proportional representation. Second, structural contingency, which is directly shaped through the degree of institutional rigidity, is more prevalent in Westminster democracies as well. Here, political decisions are only dependent on a simple parliamentary majority. Accordingly, entrepreneurial agents can implement their agenda more coherently since they are not dependent on the consent of coalition partners or the approval of second chambers. Unlike in the model of consensus democracy, moreover, the principle of parliamentary supremacy excludes any restrictions on what is to be decided upon. In contrast, in the model of consensus democracy the scope of realizable options is not only limited by the need to accommodate competing preferences of veto players. Like in the case of the so called "Ewigkeitsklausel" (eternity clause) enshrined in the German Basic Law, certain options might even be constitutionally eliminated from the political agenda at all, and, therefore, be non-contingent.[5]

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[5] According to the „Ewigkeitsklausel" (Art. 79 (3) Basic Law) any amendment which affects the fundamental principles of the polity, most notably the federal principle, is prohibited.

III.   Canadian Social Policy in Historical Context

1.   Tracing the Institutional Layer: A Path Dependent Sequence

The two central pillars of Canada's political order, Westminster democracy and interstate federalism, have been evolving in a highly path dependent pattern. Once they had become locked-in as contingent alternatives during the critical juncture of 1867, both features were amplified as distinct principles over time while institutional elements less compatible with this unfolding logic have been gradually phased out.

This emergent pattern is most obvious with respect to the declining significance of intrastate provisions entailed in the BNA Act. Donald Smiley and Jennifer Smith, who have disagreed on the relevance of intrastate elements in the early days of Canadian federalism, nevertheless both concluded that Confederation generally can best be understood as an attempt to depart from joint decision making, if not the joint decision trap, that has characterized politics in the United Province of Canada:

> […] Confederation was a partial disentanglement, with the matters on which the two sections (under the Act of Union) were most at odds now conferred on the new provinces of Ontario and Quebec (Smiley, 1987: 38).

> The ´inherent defect´ of the latter [the Province of Canada] was that it tried to combine *within itself* two contradictory principles, federalism and unity of action. […] The Quebec scheme […] remedied this by modifying the federal element of the new national government in such a way that it no longer seriously interfered with unity of action (Smith`s emphasis 1984: 270).

Federalism in Canada, therefore, was likely to reflect the logic of interstate federalism from the beginning. This initial advantage in favour of interstate federalism notwithstanding, it took some time until the federal system unfolded in a way that almost prototypically reflected the interstate type of federalism. As Robert Vipond (1989: 5) has put it, the federal principle was "in flux" during the 1860s and 1870s, thereby indicating that contingency did still matter early in the sequence. The Senate and, more importantly, the cabinet were destined as institutional elements providing for some form of entanglement and provincial participation in federal legislation. As regards the former, the ratio of bills defeated by the Senate was still comparatively high until the late 1920s (Mackay, 1963: 199). However, as it had been already correctly anticipated by critics such as Christopher Dunkin during the Confederation Debates, the second chamber has never proven to be an effective device for regional interests to influence legislation.[6] Likewise, the federal cabinet turned out to be a

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[6] Chistopher Dunkin's critique of the Quebec scheme clearly illustrates that at least some of the founding fathers were well aware that the Senate would not be fulfilling any function of intrastate federalism: "As vacancies

rather inadequate check on the federal government. This was, for example, the experience made by the former Bleus within the federal cabinet when they were unable to prevent the repeal of the New Brunswick School Act or to protect the rights of the French minority in Manitoba during the 1890s (Morton, 1980: 215). The obvious lack of responsiveness of federal institutions generated negative feedback, particularly accruing to conservatives from Quebec, and motivated them to shift their focus on the development of institutional capacities on the provincial level.[7] In doing so, they aligned with a pattern that had already been set into motion elsewhere, most notably in Ontario (Armstrong, 1981), and thereby further reinforced the interstate logic built into the BNA Act.

Interstate federalism too has resonated well with the principle of Westminster democracy. Both institutional pillars of Canada's political order have been mutually reinforcing in that they fostered "unity of action" (Smith, 1984) for both levels of government. With minor exceptions, the division of powers as entrenched in the BNA Act did not exhibit a constraining effect at all. On the contrary, as Alain Cairns (1979: 186f.) has put it,

> "[…] the division of powers has been exploited by partisan governments intent on enhancing their freedom of action whenever openings for manoeuvre presented themselves. […] Flexibility now looks dangerously like intergovernmental anarchy. The federal-provincial game has gotten out of hand, and we are in danger of being left not with a flexible division of powers, but a non-existent division."

The principle of parliamentary supremacy allowed to carry over, in a slightly modified form, imperial remnants that had already shaped the relationship between the British motherland and the former colonies (Russell, 2004: 24f.; Laforest 2007: 61). While centralist provisions such as the powers of reservation and disallowance alongside the peace, order and good government clause lost relevance in the early twentieth century, they were substituted by the federal spending power which emerged as the most important power resource of the federal government in the area of social policy. Functionally equivalent, until today the spending

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occur, they are to be filled as we are told now – and this is the strangest thing of all – not by the provincial legislatures, nor by any authority or any avowed influence of the local kind, but possibly by the general government. And forsooth, this is called the federal feature of our system!" Christopher Dunkin, February 27th in the Legislative Assembly, cited in: Ajzenstat et al., 1999: 306. This view is also supported by Robert Mackay (1963: 44): "[...] the Fathers of the federation did not expect that the Senate would be the chief line of defence for the protection of provincial or sectional rights. The first great check on the central government would be in the federal nature of the Cabinet; the upper house would be only a last means of defence".

[7] This shift was reinforced by the realignment in Quebec politics in the 1890s which brought the former Rouges to power. W.L. Morton has also pointed out to this critical period which finally gave way to Quebec's reorientation from intrastate "voice" to interstate "exit": "Most of all it forced on Quebec the choice between reliance on the national government for defence of minority rights in education […], or a reliance on the self-government of Quebec to preserve the French language and Roman Catholic schools in that province, if need be alone." (Morton, 1980: 217f.).

power has enabled the federal government to effectively bypass legal restrictions stemming from the division of powers. Marc-Antoine Adam, among others, has pointed out that even the Constitution Act of 1982, despite limiting the principle of parliamentary supremacy, did not curb the federal spending power at all. Instead, the intergovernmental governance structure in the area of fiscal and social policy remained largely unaffected:

> Ironically, as the Charter pushed the principles of limitation on sovereignty, judicial review, constitutionalism and the rule of law to a level never seen before in a British parliamentary system, those very same principles were all but abandoned as regards federalism. […] As a result of this failure, a considerable gap has developed between the Constitution and the practice of federalism, now largely left to the forces of politics. (Adam, 2007: 1).

While not entirely neglectable, thus, provincial pre-emption of social policies has never constrained federal action in a similar way like in federations lacking features of the Westminster model of democracy such as the United States or Switzerland.

The model of path dependence, therefore, lends itself well in order to account for the historical evolution of the institutional layer into which social policies are embedded into. Interstate federalism not only became locked-in as a contingent option during the critical juncture between 1864 and 1867 but was also amplified and reinforced afterwards since it generated positive feedback effects accruing to most system-level actors within the intergovernmental arena. Not surprisingly, several attempts to align the federal order with the intrastate type of federalism as it was the case, for example, with recurrent calls for Senate reform or the Social Union Framework Agreement (SUFA) were doomed to fail. This meta-path of Canadian federalism, in turn, has kept the degree of institutional rigidity low. Not only did it allow for periodically resetting the institutional governance structure itself by switching between unilateralism, asymmetric or symmetric cooperation. In maintaining an institutional order that stresses enabling rather than constraining properties, it also established considerable capacities which facilitate the reversal of historical outcomes on the level of public policies.

2. Welfare State Formation and Expansion

With few exceptions, jurisdictions over most areas of welfare state policies had become locked-in on the provincial level with the BNA Act in 1867. This early pre-emption notwithstanding, the Keynesian welfare state (KWS) in Canada as it has been emerging between the 1930s and 1960s, has developed in a multifaceted fashion with respect to both decommodifying impact of single programs as well as intergovernmental responsibilities

(Tuohy, 1993; Banting, 1998; 2005; Boychuk, 2004). As regards the latter, the scope of contingent alternatives can be basically demarcated between the two extreme poles of a purely province-based welfare state on the one hand, a pan-Canadian welfare state operated under exclusive federal jurisdiction on the other hand. Considering the division of powers as laid down in the BNA Act, the model of path dependence would expect the process of welfare state formation to have primarily followed the province-based trajectory. This was, however, clearly not the case. Despite the initial advantage of provincial policy pre-emption, five out of eight major programs constituting the KWS in Canada have been administered predominantly or even completely by the federal government (Tuohy, 1993: 284): The Canada Pension Plan (CPP), Old Age Security (OAS), the Guaranteed Income Supplement (GIS), Family Allowances and Unemployment Insurance (UI). Moreover, even though the area of health care remained under provincial jurisdiction, the federal government was nevertheless able to wield considerable influence after Ottawa had successfully introduced the Hospital Insurance and Diagnostic Services Act as well as the Medical Care Act.

With the single exception of UI, the exogenous shock argument cannot convincingly account for how this patchwork of welfare state programs has been emerging either. To be sure, as elsewhere the Great Depression had a profound impact on general perceptions about the appropriate role of the state in Canada, too (Owram, 1986; Banting, 1987; Rice and Prince, 2000; Lewis, 2003; Johnson, 2004). Most notably, it contributed to discredit fiscal orthodoxy that has informed Ottawa's approach until well into the early 1940s (Lewis, 2003: 39). Also, repercussions immediately stemming from the Great Depression urged the federal government to take a more active stance in the social policy arena. The Dominion Housing Act and, more importantly, the Employment and Social Insurance Act, both enacted by the conservative Bennett government in 1935, can be interpreted as innovative governmental responses to the new economic and social challenges triggered by the Great Depression (Rice and Prince, 2000: 48f.). While these measures were obviously exogenously induced, first tentative steps towards the formation of the KWS in Canada, the model of path dependence falls short as an adequate framework when it comes to explain the emergence of the central pillars of the post-war social union in the areas of health care and social security. It was not until the 1960s that the federal government implemented the most significant features of the KWS, thereby gradually transforming its established liberal outlook into the "two worlds" (Tuohy, 1993) of the Canadian welfare state by juxtaposing liberal with social democratic components.

As various studies have clearly revealed, these processes of layering and conversion put in place under Lester B. Pearson (and, as regards UI, under Pierre E. Trudeau) were driven by endogenously forces rather than an exogenous shock. Frictions indicating that the established social policy order could variously be reconfigured arose out of differences within the Liberal party (Kent, 1988; Bryden, 1997), the new dynamics of party competition resulting from both the ongoing success of the CCF/NDP as well as the experience of Diefenbaker's landslide victory in 1957 (Banting, 1987; Kent, 1988; Maioni, 1998), and, finally, increasing intergovernmental competition and conflict (Black and Cairns, 1966; Simeon, 1972; Bryden, 1974; Banting, 1995).

These frictions, however, did by no means automatically translate into political change. The different policy regimes that constituted the Canadian post-war welfare state have emerged in a highly contingent pattern which has been, at the same time, significantly shaped through the low degree of institutional rigidity. Arguably, the most illuminating example is the case of medical insurance because here the least likely option finally got locked-in. During the early 1960s, provincial governments in Ontario, British Columbia and Alberta were eager to implement medical insurance programs in accordance with the liberal welfare state model. As Maioni (1998: 131) has demonstrated, this was a deliberate effort to launch a counter model ("Manningcare") to the universal model prepared in Saskatchewan in order to prevent the same bottom up innovation of a progressive policy that had culminated in the introduction of the universal hospital insurance scheme in 1958. Furthermore, the Lesage government in Quebec, while not indisposed towards a more universal approach in health care in principal, did not emerge as a supportive intergovernmental coalition partner of the CCF/NDP given its reluctance to accept federal interference. Finally, the federal government's position itself was a rather mediating one. The Pearson government made arrangements for a national, but still more selective medicare scheme which would cover individual costs depending on the income (Kent, 1988: 83). This initial condition to the disadvantage of the universal scheme notwithstanding, it finally became locked-in with the Medical Care Insurance Act in 1966 and exhibited, as it had already been the case with the Hospital Insurance and Services Act before, spill over effects: by 1971, all provinces had implemented universal health plans in accordance with the four principles stipulated in the act.

How did interstate federalism and Westminster-style democracy operate as enabling institutional mechanisms, contributing to reverse an existing path? First, it allowed for multifinality and, thereby, contributed to bring alternative options into being. Several

provinces, most notably Saskatchewan (Johnson, 2004), had built up considerable administrative capacities to implement their own programs and, thus, to develop and realize contingent alternatives. Unlike in intrastate federations, interstate federalism permits political actors from both tiers not only to articulate and suggest alternative policy proposals, but also to actively design and implement public policies according to their respective preferences. Second, event contingency, manifested in the electoral outcome of the general election of 1965, played a role as well. Because the Pearson government was not able to transform its minority position into a majority government it still had to rely on the NDP in legislation. This, in turn, pressed them to drop reservations towards the Saskatchewan-model which were still prevailing in the traditional, more business-oriented wing of the Liberal party. Finally, the federal spending power significantly fostered the adoption of provincial health plans in accordance with the universal criteria stipulated in the Medical Care Insurance Act. In doing so, it provided that the process of provincial innovation would be transformed into a pan-Canadian context (Banting, 2005).

As indicated earlier, UI is the only program which came into existence in a pattern that can best be captured within the framework of the model of path dependence. First, and unlike in the case of the comprehensive pan-Canadian schemes introduced in the 1960s, UI is the only major feature of the KWS in Canada whose emergence reveals a close temporal connection between an exogenous cause (Great Depression) and effect (Bennett's New Deal (1935) or the Unemployment Insurance Act (1940), respectively). Second, after the Judicial Committee of the Privy Council had declared almost all elements of the Bennett New Deal *ultra vires* the federal government was considerably constrained in employing its most important institutional resource to overcome the status quo, the spending power. Hence, Ottawa was dependent on exceptional historical circumstances that would exogenously create a situation of heightened contingency in order to make alternative options available. The Great Depression contributed to open such a window of opportunity especially since the provinces were still paralyzed. Therefore, it facilitated to reach consensus over the transfer of unemployment insurance to the federal government as it was suggested by both the Purvis and the Rowell-Sirois Commission (Campeau, 2005: 59f.). Finally, the decision was critical in the sense that it unfolded unintended, but important long-term consequences. After it had assumed exclusive responsibility over unemployment insurance, the federal government disposed of yet another significant and flexible power resource to be unilaterally employed under quite distinct context conditions. Probably no other program reflects shifting preferences on behalf of the federal government as UI: It allowed the Trudeau government to

redirect the insurance scheme into a program that exhibited an almost universal character in 1971, making it an important instrument of "state craft" (Banting, 1995; Boychuk, 2004). Likewise, UI evolved not only as an essential element of Ottawa's unilateral retrenchment strategy in 1995/96, but also as a program that could be easily adapted to the new logic of the social investment paradigm.

3.   Retrenchment and Recalibration

Since the mid 1990s, the Canadian welfare state has undergone major transformations. Whereas reforms launched by the Mulroney government in order to adapt social policies to the logic of retrenchment had been less bold than in other countries, most notably in Great Britain, this predominant pattern of muddling through by applying the politics of stealth approach eventually came to an end with the passage of the 1995 Budget. In retrospective, this "historic response" to a "historic challenge" (Paul Martin) depicts itself as the starting point of an enduring process which Michael Prince (2006: 224) has aptly circumscribed as "[…] the deconstruction and then rebuilding of social policy […]". Major features comprising this reconfiguration of the welfare state in Canada are:

- a resurgence of unilateralism which has more recently been superimposed again by a revitalization of asymmetric cooperation;
- a vertical de-coupling of both tiers of government, (or as Guy Laforest (2007: 70) has put it, a logic of defederalization), which is reflected, for example, in Ottawa's prioritizing of new and direct programs over cost-sharing;
- a revitalization of horizontal cooperation among the provinces and "pan-Canadian provincialism" (Courchene, 2007);
- enhanced policy activity in the area of family and children's policy.

Much in line with general assumptions underlying the process sequencing model, Denis Saint-Martin and Alexandra Dobrowolski (2005) have argued that the model of path dependence is of limited analytical value to capture these patterns of change that came along with the transformation from the classical KWS to the Social Investment State (SIS). Informed by a framework that stresses the importance of ideational change, social learning and "puzzling" rather than "powering", they hold against the retrenchment approach that

> […] it is often historically overdetermined, placing too much stress on the power of path-dependent institutions in shaping present and future policy possibilities. […] What happens if

welfare state politics move into an era where retrenchment does not seem to be the primary goal? Or are we fated to live in an era of retrenchment forever, in what Pierson has called 'permanent austerity'? (Saint-Martin and Dobrowolski, 2005: 251)

By drawing on evidence from Great Britain and Canada, Saint-Martin and Dobrowolski demonstrate that the rationale underlying current reform initiatives has fundamentally changed. According to their analysis, the traditional paradigm of the KWS is about to be replaced with the newly emerging paradigm of the SIS. Because it is destined to bring social policies into line with the requirements of the knowledge-based economy, the SIS takes an active, interventionist stance. But unlike the KWS, the SIS allocates resources primarily in areas which are promising in terms of future returns such as labour market participation, sickness prevention (rather than curation) and, most importantly, early childhood development (Saint-Martin, 2007: 286f.). Since any investment presupposes sufficient financial means, retrenchment appears as a rather episodic interlude which preceded and facilitated the breakthrough of the SIS.

As it has already been the case with welfare state formation and expansion, retrenchment and recalibration again have obviously been unfolding in a non-path dependent manner. Indeed, the process of deconstructing and rebuilding social policies within the last decade has not only been encompassing, but also came unexpected for most observers. It was not, however, triggered by an exogenous shock. Instead, the low degree of institutional rigidity has provided that choice points came with great regularity and were not dependent on extraordinary historical circumstances.

Ottawa's unilateral turn from fiscal "ambivalence to voice" (Lewis, 2003: 169), for example, marked the abrupt beginning of the end of the rather brief era of permanent austerity in Canada. The decision to introduce the CHST was primarily shaped through interstate federalism and frictions within the Liberal party. Interstate federalism has generated contingent alternatives how to effectively tackle debts and deficits. Provincial governments such as David Peterson, Bob Rae and Roy Romanow on the one hand, Ralph Klein or Mike Harris on the other hand provided for rather diverging, additional off-path strategies from which the federal government could have learned. In a sense, then, the typical pattern of bottom up innovation recurred again, but this time within the context of austerity. Moreover, and unlike in intrastate federations, the federal government in Canada was free to decide whether to implement its course within a cooperative framework like it was the case with all major past decisions in the arena of fiscal federalism or, alternatively, to choose the unilateral option. Finally, the 1995 Budget itself evolved from a highly contingent decision-making process within the "centre", controversially discussed between the "anti-deficit hawks" and

more moderate reformers (Lewis, 2003: 169f.). The most important point is, however, that it would have been impossible for actors prone to defend the status quo to impede the reversal of the established path by relying on institutionally entrenched veto powers.

The decision to unilaterally and radically depart from the path inherited from the Mulroney government not only contributed to further decouple both tiers of government. It was also an important prerequisite for Ottawa's new fiscal ascendancy. While in the early 1980s it was federal Minister of Finance MacEachen who claimed a vertical fiscal imbalance resulting from growing transfer liabilities under the EPF arrangement, in the post-deficit era it is again the majority of the provinces who has to deal with an increasing mismatch between revenue raising capacity and spending obligations. In a deliberate move resembling much of what Thomas Schelling (1960: 22) has circumscribed as the "paradox of weakness", Ottawa took advantage from the power to bind itself in order to fundamentally alter its fiscal position within less than three years. After having unilaterally reallocated responsibilities within the federation, the federal government found itself again in the comfortable position to determine whether it wants to redirect growing surpluses towards provincial transfers or, alternatively, keep track with its new priority given to direct and more visible transfers.

While the model of path dependence is obviously not a suitable analytical tool to capture these developments it is debatable as well, though, whether the process of welfare state recalibration does proceed as coherently, in a quasi Kuhnian manner, as Saint-Martin and Dobrowolski's analysis suggests. On the one hand, many current reform initiatives such as EI and the Labour Market Development Agreements (LMDA), the Canada Pension Plan Investment Board (CPPIB) or the National Child Benefit (NCB) clearly reflect the rationale informing the design of the SIS. On the other hand, there are also significant counter trends. First, the age bias in favour of the aged in the income maintenance field is still high in Canada (Boychuk, 2004). This outcome does not exclusively result from demographic factors, but is also highly contingent upon political preferences. Besides the fact that moderate adjustments to the CPP alongside the establishment of the CPPIB have contributed to make pensions more consistent with the principles of the SIS, the pension field is still, by and large, on path. While Saint-Martin (2007: 239) claims that "[i]n this model [the SIS], the elderly risk being characterized as bad investments and thus undeserving of support", the announced and abandoned Seniors' Benefit provides for an illustrative example that the current process of welfare state transformation is obviously more complex than the paradigm shift model suggests. Second, in the area of health care the sequence reflects the logic of an oscillating pattern during which the historical outcome was reversed twice within a comparatively short

time frame. The CHST first amplified and accelerated the direction of policy change that has been pursued since the introduction of the EPF, most notably by drastically cutting the cash-component of the health transfer and by eliminating the escalator. It was not possible for the federal government, however, to maintain and stabilize this new direction in the long term. Instead, the three Health Accords as of 2000, 2003 and 2004 contributed to restore the status quo ante in an incremental, cumulative pattern by reintroducing an escalator (in 2004) and by significantly increasing the cash component again in order to close the so called Romanow-Gap.

Finally, recent developments in the area of child care policy illustrate how an ambitious reform initiative can come into being and fail as a consequence of political contingencies. After having been reduced to a minority government in 2004, the Liberals made the establishment of a "truly national system of early learning and child care" (Paul Martin) a top priority. The policy dynamic clearly reflected the logic that had been underlying the implementation of major social programs under the Pearson government during the 1960s. Paul Martin's reform initiative, which was built upon earlier efforts such as the Early Childhood Development Initiative (ECDI) as well as the Multilateral Framework on Early Learning and Child Care (MFELCC), drew its inspiration from Quebec's $7-a-day day care plan. Similar to the evolution of hospital and medical insurance, thus, multifinality provided for contingent solutions "bottom up". Moreover, in contrast to the NCB the national child care plan was designed as a shared cost program, making federal transfers dependent on provincial compliance with the four QUAD-principles (Quality, Universally inclusive, Accessible and Developmental). In doing so, Ottawa laid the foundations for a policy dynamic that would likely have fostered the development of a pan-Canadian day care system. Even though several provinces decided to opt into this new arrangement and had already signed agreements with the federal government, the newly elected Harper government, however, unilaterally replaced the Martin government's approach with the far less ambitious Universal Child Care Benefit (UCCB).

While in Canada features of the SIS are indeed shimmering much more perceivably through the welfare state than in other countries which are characterized by a more rigid institutional governance structure such as Germany, the paradigm shift model nevertheless seems to overestimate the coherence underlying current patterns of welfare state reform. The illustrative examples above suggest that change is driven by multiple and often contradictory imperatives rather than a single master idea. If such frictions occur within an institutional environment were institutional rigidity is low and, thus, are more likely to become manifest in

swift and encompassing change, we should expect historical outcomes to profoundly reflect these irregularities rather than aligning into neatly ordered periods.
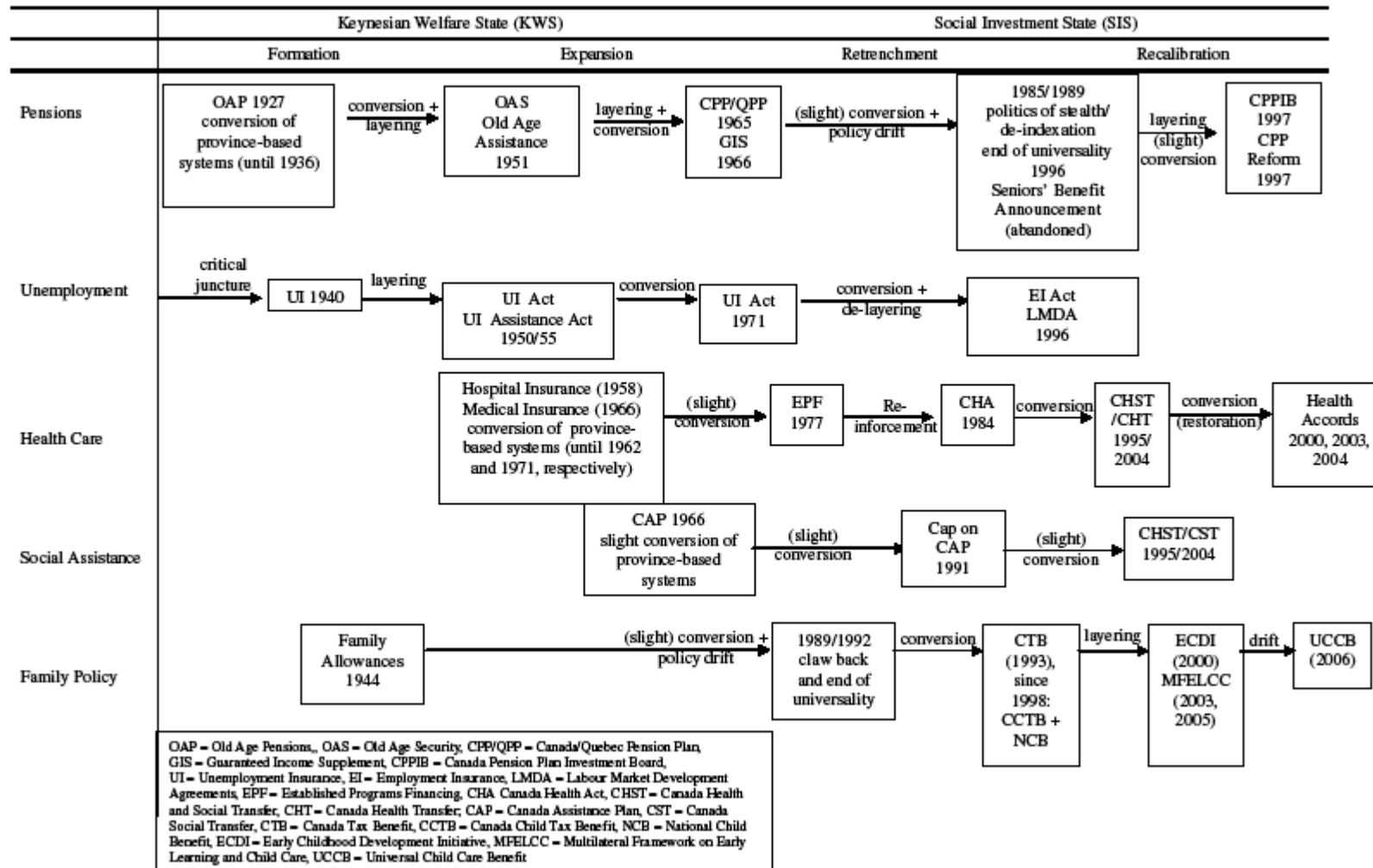
Conclusion

Historical institutionalism has shifted our attention to the identification of patterns and regularities which inform and direct policy change in and over time. Pattern recognition can best be conceived of as the quest for a common grammar that operates a given polity, thereby structuring the way how political contingencies might take effect. In this sense, the major finding of this paper appears somewhat paradoxical. Canadian social policies are embedded into an institutional layer which has been evolving in a highly path dependent pattern. This path dependent sequence, however, has stabilized an institutional framework which primarily operates as an enabling mechanism, thereby keeping the degree of rigidity continuously low. As a consequence, entrepreneurial agents were able to alter and shift established trajectories even in the absence of extraordinary historical circumstances. Not surprisingly, thus, early events and decisions such as provincial policy pre-emption were often counteracted rather than amplified.

Accordingly, the model of path dependence is of limited use when it comes to explain the historical evolution of social policies itself. Here, the model of process sequencing offers a better framework for analysis since it emphasizes the power of contingencies. Political contingencies did act as important counterweights to path dependencies and have driven social policy change in multiple directions. Not only, for example, has interstate federalism generated and structured contingent alternatives through multifinality. In combination with Westminster-style democracy interstate federalism also provided power resources among political actors in a way that enabled them to act independently from each other whenever consensus was hard to achieve. In contrast to institutional arrangements which operate primarily as constraining entities, this configuration poses considerable limits on the ability of political actors to defend the status quo.

In highlighting the importance of both models of change, this paper echoes current efforts in theory-building to carefully consider alternative analytical conceptions of historical change to the analysis of long-term processes instead of focussing predominantly on the model of path dependence. History matters, but it matters differently. This paper suggests that it is necessary to analytically reflect how institutions structure contingency differently and, therefore, yield diverging capacities for overcoming the status quo. Hence, to take

institutional properties seriously – as constraining and enabling entities – can be a valuable hint for assessing the applicability of different models of political change.

Appendix 1: The Evolution of Major Social Programs in Canada

	Keynesian Welfare State (KWS)		Social Investment State (SIS)	
	Formation	Expansion	Retrenchment	Recalibration

Pensions:
OAP 1927 conversion of province-based systems (until 1936) → *conversion + layering* → OAS Old Age Assistance 1951 → *layering + conversion* → CPP/QPP 1965 GIS 1966 → *(slight) conversion + policy drift* → 1985/1989 politics of stealth/ de-indexation end of universality 1996 Seniors' Benefit Announcement (abandoned) → *layering (slight) conversion* → CPPIB 1997 CPP Reform 1997

Unemployment:
critical juncture → UI 1940 → *layering* → UI Act UI Assistance Act 1950/55 → *conversion* → UI Act 1971 → *conversion + de-layering* → EI Act LMDA 1996

Health Care:
Hospital Insurance (1958) Medical Insurance (1966) conversion of province-based systems (until 1962 and 1971, respectively) → *(slight) conversion* → EPF 1977 → *Re-inforcement* → CHA 1984 → *conversion* → CHST /CHT 1995/ 2004 → *conversion (restoration)* → Health Accords 2000, 2003, 2004

Social Assistance:
CAP 1966 slight conversion of province-based systems → *(slight) conversion* → Cap on CAP 1991 → *(slight) conversion* → CHST/CST 1995/2004

Family Policy:
Family Allowances 1944 → *(slight) conversion + policy drift* → 1989/1992 claw back and end of universality → *conversion* → CTB (1993), since 1998: CCTB + NCB → *layering* → ECDI (2000) MFELCC (2003, 2005) → *drift* → UCCB (2006)

OAP = Old Age Pensions,. OAS = Old Age Security, CPP/QPP = Canada/Quebec Pension Plan, GIS = Guaranteed Income Supplement, CPPIB = Canada Pension Plan Investment Board, UI = Unemployment Insurance, EI = Employment Insurance, LMDA = Labour Market Development Agreements, EPF = Established Programs Financing, CHA Canada Health Act, CHST = Canada Health and Social Transfer, CHT = Canada Health Transfer; CAP = Canada Assistance Plan, CST = Canada Social Transfer, CTB = Canada Tax Benefit, CCTB = Canada Child Tax Benefit, NCB = National Child Benefit, ECDI = Early Childhood Development Initiative, MFELCC = Multilateral Framework on Early Learning and Child Care, UCCB = Universal Child Care Benefit

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