Stephen Harper's Open Federalism and the Quebec Conundrum:

Politicized Incompetence or Something More?

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Abstract:

Since taking office in January 2006, Stephen Harper has confounded supporters and critics alike with a series of policy decisions that at times have delighted and other times infuriated Quebec nationalists. From the 'high' of a resolution recognizing the existence of a Quebec 'nation' to the lows of federal budget cuts for cultural programs and push for a federal securities regulator, the Harper Conservatives have appeared almost schizophrenic in their approach to Quebec. Conventional wisdom has ascribed their seemingly contradictory policy measures to a classic case of political incompetence, stemming from their lack of experience in government and, more importantly, their collective lack of understanding of Quebec, combined with Harper's tendency to act impulsively in the name of political opportunism. This incompetence, in turn, is seen as the primary reason why the Harper government – once hopeful of replacing the Liberals as the federalist option in Ouebec - now find themselves hopelessly out of contention and looking elsewhere for the votes to achieve their elusive majority. However, this analysis suggests a different explanation for their apparent incoherence vis-a-vis Quebec. Based on a wide range of empirical evidence, this paper concludes Harper's Quebec conundrum is the result of a genuine and deep-seated conflict between two well-defined objectives, namely, the ideological desire to pursue a neoliberal agenda and the pragmatic desire to win a majority. In many cases the first objective has taken precedent, suggesting that Harper's strategy of using Quebec to form the third pillar of his majority was doomed to failure from the beginning.

Introduction

When Stephen Harper introduced a resolution in the House of Commons recognizing the existence of a Quebec 'nation', those who recalled his staunch opposition to the distinct society clause in the Charlottetown Accord could hardly contain their astonishment. As someone who had vigorously opposed its offer of special status to Quebec, Harper's sudden change of heart was not only unexpected but seemed blatantly opportunistic.

Yet several of his closest advisers were not surprised. As his former chief of staff and academic mentor, Tom Flanagan, has revealed, the new prime minister had learned many lessons – including the importance of pragmatism – since his second-place finish in the 2004 election. ¹ That election saw Harper lose in a close race to the Liberals' Paul Martin, a loss many experts attributed to Harper's inability to control the loose lips of Reform-era MPs in his caucus. The

¹Tom Flanagan. *Harper's Team*. McGill Queen's University Press, 2007

comments of Scott Reid (bilingualism), Cheryl Gallant (same sex marriage) and Randy White (Charter) sealed the new Conservatives' fate as the Liberals' warnings about a hidden agenda were apparently confirmed.² In response, Harper cleaned house in caucus and imposed draconian controls on all Conservative candidates in the 2006 election, only to stumble himself near the finish line. With a large minority or even a slight majority within his grasp, he attempted to secure that majority by deflecting lingering concerns about his hidden neoliberal agenda. "The reality is that we will have, for some time to come, a Liberal Senate, a Liberal civil service...and courts that have been appointed by the Liberals," he said, implying that this would make it impossible for a Conservative government to go too far.³ Far from reassuring voters, that move relegated the Conservatives to a slim minority.

These developments led Tom Flanagan, a key Conservative campaign organizer and policy adviser throughout this period, to develop a concrete strategy for turning a Conservative minority into a majority. The so-called "three sisters" approach called for Harper's team to focus strategically on groups that could realistically be expected to switch their support from the Liberals, and were sufficiently large that they could deliver enough votes to make a difference. In addition winning over the 'ethnic' vote, primarily in Ontario, this strategy called for the Conservatives to become the federalist alternative in Quebec, replacing the Liberals. Interestingly, while the multicultural vote was to be dependent on elements of a social conservative agenda, the Quebec vote would be garnered from Quebec nationalists who would find Harper's support for a greatly decentralized federation to be far more appealing than the centralist thrust of the federal Liberals.

Flanagan also outlined what he termed the "Ten Commandments" for Conservatives, which he spelled out in some detail in a subsequent account of the various campaigns. Among them were the need for Conservatives to proceed incrementally and slowly, because "Canada is not yet a conservative or Conservative country,"⁴ the need to be ruthless, and the importance of self-discipline. Perhaps most important of all was the imperative to put pragmatism ahead of ideology in order to win power.

And so, in the 2008 election, Harper controlled his candidates, his message and himself. Yet, despite considerable help from the Liberals – who ran one of the most incompetent political campaigns in living memory with one of the least politically astute leaders – Harper was still

⁴Flanagan. Ibid. p.274.

²Faron Ellis and Peter Wollstencroft. "New Conservatives, Old Realities", in Jon Pammett and Christopher Dornan. *The Canadian General Election of 2004*. (Toronto: Dundurn Press, 2004). pp 94-7.

³Faron Ellis and Peter Wollstenfroft. "A Change of Government, Not a Change of Country" in Pammett and Dornan. *The Canadian General Election of 2006*. (Toronto: Dundurn, 2006). p.85

only able to achieve a slightly larger minority.⁵ Once in power Flanagan urged him to implement the ten commandments relentlessly in order to survive. Hence he praised Harper's pragmatism in introducing a resolution in Parliament describing Quebec as a nation, even though he too had vociferously opposed the distinct society clause in the Charlottetown Accord.⁶ More recently, though, he has openly criticized his former protegee for failing to live up to those commandments, in particular by having been too recklessly partisan (as, for example, in the economic statement that threatened the funding of opposition parties and led to the coalition crisis), and also for being too overtly ideological (as in the debacle over the funding of abortion and family planning in the Conservatives' G8 initiative on maternal and child health.)

Nationally, the Conservatives appear mired in minority territory and their neoliberal agenda is commonly viewed as a major factor. In fact, despite numerous gaffes which might suggest incompetence, ranging from the Maxime Bernier affair and the prorogation debacle to the Afghan detainee file, polls continue to show the Conservatives weathering those storms but failing to advance, as voters continue to question their position on key issues from women's rights to environmental protection. Meanwhile, the importance of the Conservatives' neoliberal agenda has been largely ignored in terms of the government's failures to make inroads in Quebec.

This paper argues that it is the *innate conflict* between their neoliberal agenda, (which has been the impetus for many of their policy decisions), and their strategy of pragmatic political decisions to gain support from Quebec nationalists,(which has guided several other policies) that has been primarily responsible for the seemingly mixed messages coming from the Harper government, not simple incompetence.

In order to fully appreciate the significance of these two competing forces it is important to first situate the relevant policy initiatives within the context of Harper's principal tool for achieving his twin objectives, namely "open federalism." Indeed, long before he became leader of the Conservative Party Stephen Harper had been developing his 'new' approach to Canadian federalism, one that would allow him to pursue a neoliberal agenda through administrative rather than constitutional reform and, coincidentally, appeal to Quebec nationalists.

Harper's ideas for 'open federalism' were spelled out in detail in a lengthy opinion piece for the *Toronto Star* in 2004. Almost immediately, alarm bells sounded not only within the Liberal Party, where the pan-Canadian vision of Pierre Elliott Trudeau was zealously guarded, but also within a cluster of former Progressive Conservative politicians who saw Harper's prescription for further decentralization as too extreme and ideologically motivated. Indeed, the real extent of the change envisaged by 'open federalism' is demonstrated not by the opposition of the Liberals,

⁶Flanagan. Ibid. p.275.

⁵Brooke Jeffrey. "Missed Opportunity: The Invisible Liberals" in Pammett and Dornan. *The Canadian General Election of 2008.* (Toronto: Dundurn, 2009) pp. 63-97.

but by the yawning gulf that exists between the Reform/Alliance-based Harper and these former Progressive Conservatives, whose party historically espoused a more decentralized view of the federation than the Liberals, especially in the post-war era.

The open federalism of Harper's new Conservative Party is far more decentralist than the traditional Progressive Conservative approach in some respects, and far more radical in others. One striking indicator of this difference is Harper's willingness to give provinces a say in areas of federal responsibility, in addition to withdrawing the federal government entirely from areas of provincial or shared jurisdiction. The 2006 Conservative platform, *Stand Up for Canada*, made this abundantly clear when it declared "A Conservative government will support the creation of practical intergovernmental mechanisms to facilitate provincial involvement in areas of federal jurisdiction where provincial jurisdiction is affected..." It even suggested the provinces' Council of the Federation could take the lead on a number of issues formerly managed by the federal government.

As former Progressive Conservative cabinet minister Sinclair Stevens, a fierce critic of the new Conservative Party and Harper's open federalism, has written, "this is the first time in Canadian history that a national political party has embraced a provincial rights agenda."⁷ His views were shared by former Progressive Conservative Prime Minister Joe Clark, who shocked many of his colleagues when he declared he would rather support Paul Martin, ("the devil we know") than Stephen Harper, because he was "extremely worried" about Harper's ideological approach, his views on the federation, and his leadership style. ⁸ This view was also shared by several Progressive Conservative Senators who refused to change their affiliation to the new party, including former Clark and Mulroney cabinet minister Lowell Murray and adviser Hugh Segal.

This paper examines the arguments used by Stephen Harper to defend his open federalism approach, and the evidence suggesting the existence of an underlying neoliberal agenda, before turning to the Harper government's record in Quebec. The various initiatives that have led to the image of incompetence are viewed through the lens of these two competing objectives. A final section speculates on the likelihood of a Conservative breakthrough in the province, in light of this apparent contradiction.

Harper's Rationale for Open Federalism

Since he first introduced the term 'open federalism', Stephen Harper has offered three reasons for promoting his new vision of Canadian federalism. The first and most often cited is the need to return to the fundamentals of the confederation bargain, as spelled out in the *Constitution Act*, *1867*. This fundamentalist rationale was underlined in Harper's open letter to the *National Post*

⁷Hon. Sinclair Stevens. "One Canada or Ten" (2006) accessed at <u>www.BLOC-</u><u>HARPER.com</u>, 8/10/2008.

⁸Rt. Hon. Joe Clark. Interview. *Question Period*. CTV.ca April 26, 2004.

explaining the concept of open federalism. He called for "renewed respect for the division of powers between the feder al and provincial governments..." and stressed the need to "re-establish a strong central government that focuses on genuine national priorities like national defence and the economic union, while fully respecting the exclusive jurisdiction of the provinces."⁹ Since then, Harper's support for 'disentanglement' has resulted in such blunt comments as "Ottawa should do what the federal government is supposed to do," and refrain from "persistently sticking its nose into provincial and local matters, while at the same time neglecting what it had to do."¹⁰

Harper's fundamentalist rationale for open federalism has often been accompanied by a second argument, that the federation not only was *intended* to be more decentralist, but *would function better* if it operated in a more decentralized fashion. This 'provincial rights' rationale, in turn, is connected to his third argument in favour of open federalism, namely, that it will promote national unity. Strong provinces, he has argued, will make for a stronger federation.

Interestingly, it was the national unity argument that Harper advanced even before he had formulated the comprehensive framework of open federalism. During the 1995 Quebec referendum, when Reform Party leader Preston Manning was holding discussions with the U.S. ambassador about Canada's future in the event of a Yes vote, Harper was a Reform MP and the party's Unity critic. He prepared a 20-point plan to achieve something he referred to at the time as "New Federalism." The plan provided an early glimpse into Harper's vision of Canadian federalism, one in which the role of the federal government would be greatly reduced and power further decentralized to the provinces. Asked how this plan would impact national unity, given that Canada was already among the most decentralized federations in the world, Harper insisted national unity would be strengthened by creating stronger provinces. His proposed changes, Harper declared, "will assert the autonomy of the provinces and the power of the people well into the future." ¹¹ Nevertheless Quebec was not singled out in the proposal, and in fact Harper more than once stressed that all provinces would benefit from the new approach he was proposing.

In addition, although the majority of his 20 points involved the effective transfer of significant powers and fiscal resources to the provinces, this was to be achieved by administrative means rather than constitutional reform. As Harper said at the time, he did not want to "re-open old constitutional wounds." He also made it clear that he felt constitutional reform was unnecessary, since the changes he had in mind "simply require a (federal) government that is willing to act."¹²

⁹ Stephen Harper. "My Plan for Open Federalism", *National Post*. October 27, 2004.A19.

¹¹Stevens. Op cit

¹² Stephen Harper. "The New Canada Plan". Ottawa. Reform Party of Canada.

Five years later, Harper was President of the National Citizens' Coalition, an organization whose official slogan is "more freedom through less government." There he was promoting his new approach to federalism on the basis of the provincial rights argument. Harper was one of six signatories to an open letter to Alberta premier Ralph Klein in the aftermath of the 2000 federal election. In it, the authors decried the Chretien Liberals' criticism of Klein's approach to health care, including his creation of 'truth squads' to promote the benefits of privatization, and his repeated demands that no conditions of any kind be attached to federal funding for health care.

The 'Firewall Letter' took the provincial rights approach to a new extreme. It urged Klein to adopt an Alberta Agenda that would cut the province off from the influence of the federal government as much as possible. The recommendations included withdrawing from the Canada Pension Plan, creating a provincial police force to replace the RCMP, and "resuming provincial responsibility for health-care policy." The authors argued "each province should raise its own revenue for health care", with poorer provinces relying on equalization. Anticipating that the federal government would challenge this plan in the courts, they declared "If we lose, we can afford the financial penalties that Ottawa may try to impose under the Canada Health Act". ¹³

Despite raising the constitutional defence of provincial jurisdiction as the primary motivation for their letter, the Firewall text soon gave way to a long list of economic concerns. In fact, the letter concluded with a revealing warning. "An economic slowdown, perhaps even a recession, threatens North America, and a hostile government in Ottawa will be tempted to take advantage of Alberta's prosperity, to redistribute income from Alberta to residents of other provinces..."¹⁴

By the time he was leader of the new Conservative Party and promoting a full-fledged alternative vision which he termed "open federalism", Harper's most frequently stated rationale was once again the fundamentalist argument, the need "to return to the original principles of the constitution" and "revert" to the practice of federalism "at the time of Confederation."¹⁵ The clear implication was that federal Liberals were not respecting those principles, and it soon became apparent that this critique would figure prominently in the Conservatives' election platform.

Harper based his fundamentalist argument on the concept of "watertight compartments" put forward by British political scientist K.C.Wheare in his definition of classic federalism, one where each level of government must have specific areas of responsibility and there should be no

¹⁴Ibid.

¹³ Alberta Agenda. Open Letter to Premier Ralph Klein. January 27,2001. (Signed by Stephen Harper, Tom Flanagan, Ted Morton, Rainer Knopff, Andrew Crooks and Ken Boessenkool).

¹⁵ Rt. Hon. Stephen Harper. "Tories True Quebec Nationalists, Harper Says", Montreal, Campaign Speech, cited in Canadian Press, June 24, 2008

overlap.¹⁶ Harper argued that since 1945 the Liberals had consistently violated the watertight compartments principle by intruding in many areas where they lacked jurisdiction, using the "outrageous" mechanism of the federal spending power.

Hence the 2005 Conservative Party platform -- which allocated three full sections to "federalism", "reform of the federation", and "the fiscal imbalance" -- stated that the party "is committed to the federal principle and to the notion of strong provinces within Canada." The platform also promised the party would "ensure that the use of the federal spending power in provincial jurisdictions is limited", and "authorize the provinces to use the opting out formula with full compensation if they want to opt out of any new or modified federal program in areas of shared or exclusive jurisdiction." ¹⁷

Harper went further in a speech in Quebec City on December 19, 2005, during the actual election campaign. He declared that his approach to federalism would involve "expanding" or "developing" the social union by allowing the *provinces* to play the lead role. The federal government's actions, he said, would be limited to "complementing and supporting" those of the provinces.¹⁸

Harper's letter to the Council of the Federation on January 13, 2006 specifically underlined his commitment "to initiate a new style of open federalism which would involve working more closely and collaboratively with the provinces…". This commitment was reinforced in his speech to the Montreal Board of Trade in April of the same year, when he declared "the time has come to establish a new relationship with the provinces, a relationship that is open, honest and respectful."¹⁹

By 2008, hoping for a majority government after having secured a minority in 2006, the Harper Conservatives' platform reiterated these commitments with some important additions. One section on open federalism was entitled "respecting the provinces and territories" and promised, somewhat paradoxically, that a re-elected Harper government would recognize provincial jurisdiction "as spelled out in the Constitution Act, 1867" by "enshrining our principles of federalism in a new Charter of Open Federalism." Further voluntary limitations on the federal spending power were also promised. Now, any new shared-cost program would not even proceed without the consent of the majority of provinces, and provinces could still choose to opt out with

¹⁷"Stand Up for Canada" Platform of the Conservative Party of Canada. Ottawa. 2005.p..

¹⁸ As cited in Peter Leslie. "The Two Faces of Open Federalism", in *Open Federalism: Interpretations, Significance.* Kingston, Institute of Intergovernmental Relations, 2006.

¹⁹Rt. Hon. Stephen Harper. "Prime Minister Harper Outlines his Government's Priorities and his Open Federalism Approach", Press Release for a Speech at the Montreal Board of Trade, April 20, 2006.

¹⁶K.C. Wheare. *Federal Government*. (New York: Oxford University Press, 1967)

compensation "so long as the province offers a similar program with similar accountability structures." $^{\rm 20}$

In terms of his future application of open federalism once in power, it is noteworthy that Harper did not single out Quebec in *any* of his three stated rationales. Clearly Quebec was viewed as a province like the others. As such, it would benefit from open federalism in the same way as any other province. He certainly was prepared to use the "open federalism' argument to appeal to Quebecers, both during election campaigns (at one point telling an audience in Montreal that open federalism demonstrated the Tories were the 'true' Quebec nationalists), but it was in the context of the potential benefits his new vision would offer to all provinces. Put another way, there is no evidence to suggest that open federalism was designed to placate or accommodate Quebec. On the contrary, the fact that Quebec nationalists might well view open federalism favourably was more of a fortunate byproduct of his egalitarian approach. Quite apart from this noticeable lacuna, however, the arguments Harper has put forward in support of his new federalist vision are problematic for other reasons.

An Underlying Rationale for Open Federalism: Promoting a Neoliberal Agenda ²¹

There are several problems with Stephen Harper's stated objectives for open federalism. To begin with, as Behiels²² and others have noted, the functionalist argument which Harper has promoted is not factually accurate. In Canada's case, the classic federal model of watertight compartments and two separate but equal levels of government is a myth, and always has been. Wheare actually described Canada as a "quasi-federal" system, precisely because of the number of areas of shared constitutional jurisdiction and the predominance of the federal government's powers, including reservation and disallowance. ²³

Harper's commitment to a further decentralization of the federation also flies in the face of the original intent of the framers of the Canadian constitution, who were well-known for their determination to ensure a strong central government and their fears of an American-style federation in which the states were perceived – especially during the throes of a disastrous Civil War – as having far too much power. Similarly, Harper's vitriolic opposition to the use of the federal spending power since World War II, ("this outrageous spending power gave rise to a

²⁰ K.C.Wheare. Ibid.

²¹ Some of the material in this section was originally presented in a paper to the BC Political Science Association, May 31, 2009, in Kamloops, BC.

²² Michael Behiels. "Harper Finds a Use for the Premiers", Ottawa Citizen.November 17,2008. A11.

²³K.C. Wheare. Ibid.

domineering and paternalistic federalism...²⁴) ignores the fact this power is not only constitutionally legitimate and unrestrained, but was deliberately envisaged by the Fathers of Confederation.

Nor was the federal government aggressively asserting its spending power when these programs were developed, as Harper has repeatedly asserted. On the contrary, as Tom Kent has pointed out, "It is difficult to believe that the clever Stephen Harper is a true believer in so myth-based a misreading of federal-provincial bargaining. The myth is about how Ottawa began to subsidize major provincial programs. It did not barge in. Initially, it was dragged in…"²⁵

In short, a return to the past is not something that open federalism could achieve, and Harper can hardly be unaware of this. Why, then, pursue this line of argumentation so vigorously? One possible answer may lie in the fact that the principal use of the federal spending power since World War II has been to create the modern welfare state. The so-called 'golden age' of cooperative federalism was the very antithesis of Wheare's classic watertight compartment version. Lacking an amending formula, or other constitutional means to resolve the vertical imbalance between jurisdiction and revenues, the Canadian social safety net was built through intergovernmental cooperation. The major initiatives were structured as federal-provincial cost-sharing programs that depended for their very existence on the federal spending power. And, with the federal government's introduction of minimum national standards as the quid pro quo for its participation, they were a quintessential expression of the pan-Canadian vision of federalism promoted by Pierre Trudeau and despised by Stephen Harper.

A different problem emerges with the provincial rights argument. Clearly it is antithetical to the centralizing federalism of the Liberal Party for most of the 20th century, and certainly since the time of Pierre Trudeau. However, it is also true that Harper is not the only federal politician promoting some type of decentralization in recent years. But other Canadian politicians – and notably the Liberals' Paul Martin – have viewed such decentralization as a means of promoting harmonious intergovernmental relations. At the same time, Martin and others who have favoured this approach would argue their willingness to present a more flexible or collaborative federal position in no way reflected a lack of commitment to the welfare state. On the contrary, measures such as Martin's \$10 billion health accord to "preserve health care for a generation" by allowing Quebec to cut a side deal, or Stephane Dion's promotion of collaborative federalism and the SUFA, *were specifically designed to maintain and expand the welfare state*.

By contrast, and despite recent attempts to position the Conservative Party's image closer to the centre of Canada's political spectrum, traces of the underlying (and more extreme)

²⁴Stephen Harper. "Harper Announces Conservative Platform for Quebec", Press Release for an Address to the Quebec City Chamber of Commerce. December 19, 2005

²⁵ Tom Kent. "The Harper Peril for Canadian Federalism", Policy Options, February 2008. Pp 12-16

Reform/Alliance philosophy that Stephen Harper has supported are still in evidence. These have included not only a rejection of the welfare state, but a far right and/or social conservative perspective on many other important issues of the day, from gun control to abortion and same-sex marriage. Seen from this perspective, Harper's use of the provincial rights rationale can arguably be construed as having an ulterior motive.

Simply put, having recognized that a frontal assault on the welfare state would be politically suicidal in a country that remained stubbornly 'liberal', Harper saw open federalism as a way of achieving the same objective by stealth. Rather than trying to dismantle national social programs at the federal level, he concluded that this could be done more easily and painlessly at the provincial level, by simply allowing them to wither away through lack of federal input or support. At the same time, devolving responsibility for many controversial issues to the provinces, such as the environment or aboriginal policy, was a pragmatic strategy that would allow Harper to ignore those issues he considered unimportant and focus on those issue about which he cared and believed could be dealt with at the federal level.

Given Harper's declaration in 2005 that his views "have not changed in a decade," it may be useful to examine some of Harper's earlier statements to understand the underlying philosophy driving his support for provincial rights. For example in 1997, when he had left politics and was serving as vice-president of the National Citizens' Coalition, Harper delivered a startlingly blunt and critical assessment of Canada's political climate to a meeting of the Council for National Policy, a right-wing American think tank. The very first 'fact' he offered his audience about Canada was that "it is a Northern European welfare state in the worst sense of the term, and very proud of it."²⁶

Soon after, Harper dismissed the efforts of the newly-created Romanow Commission on health care as "not only useless but dangerous." His position, summarized by the *Globe and Mail* in a lengthy series on health care reform, was that "a fully socialized system is incapable of generating or efficiently allocating the funds to meet growing health-care demands." Not surprisingly, his solution was "provincial experimentation with market reforms and private delivery options." ²⁷

Yet Harper was also acutely aware of the political resistance that Preston Manning and his successor, Stockwell Day, had continued to encounter by speaking too candidly about their views on social programs. Day's desperate effort to moderate the extremist image of Alliance

²⁶ Stephen Harper. Speech to the Council for National Policy. Montreal. June 1997. As accessed at http://www.ctv.ca/servlet/ArticleNewsprint/CTVNews/20051213.

²⁷Ed Greenspon. "Stephen Harper: A Neocon in the Land of the Liberals", *Globe and Mail*. March 23, 2002. A17

with his hand-written "No two-tier medicine" sign during the 2000 Leader's Debates was a classic case of failed damage control. In numerous public opinion polls, Canadians agreed the Alliance Party was still far too extreme and did not share their views on a number of important issues, most noticeably social policy. As a result, by the time Harper became the leader of the new Conservative Party in March 2004, he was far more circumspect about his own views on health care and social welfare in general. His speeches now focused almost exclusively on the need to restrain the federal spending power as a means to protect provincial jurisdiction, and on decentralization as the best way to promote national unity.

Students of Canadian constitutional reform will immediately recognize the terminology about federalism in the 2005 Conservative Platform as being strikingly reminiscent of the discourse used in the Meech Lake and Charlottetown Accords. Opponents of those deals, (who supported Trudeau's pan-Canadian vision of federalism), decried the limitations on the federal spending power and the replacement of "minimum national standards" by much more ambiguous language. They argued the changes would diminish rather than enhance accountability, and lead to a race to the bottom in terms of standards. Some, including Trudeau himself, also argued the changes would inevitably lead to a "chequerboard Canada" in which access to social programs and services would differ dramatically from one province to another. In short, the Harper Conservatives were proposing to achieve by administrative means what Meech and Charlottetown had been unable to accomplish through constitutional reform.

Many of his statements suggest that Stephen Harper's underlying objective for open federalism is grounded in two prominent American neoliberal themes. The first is a variation on the states' rights argument favoured by right-wing politicians in the United States, (such as Ronald Reagan, Newt Gingrich, Barry Goldwater and George W Bush), which is designed to undo or constrain the liberal initiatives of the federal government. Absent a welfare state in America, proponents of states' rights have focused their efforts on desegregation, abortion, capital punishment and affirmative action, and are now taking on the environmental movement.

The second theme is a "small government" approach favouring low taxation rates and deregulation, promoted by right-wing American economists such as Milton Friedman and Grover Norquist. It is designed to minimize liberal initiatives by reducing the size of government as a whole, and by diffusing power through the federal system.²⁸ Canadian economist Adam Harmes has skillfully demonstrated the importance of federalism as a tool for such neoliberal economic activism by demonstrating that, while decentralization is important on issues such as social policy, so *centralization --the ability of neoliberals to use the tools available at the federal level of government to impose certain policies nationwide --is equally important in order to*

²⁸ A more detailed explanation of the American neoliberal movement and the relationship with Harper's thinking can be found in a forthcoming chapter, "Open Federalism: Promoting a Neoliberal Agenda" in DiGiacamo and Gingras, eds. *The Case for Centralized Federalism*. University of Ottawa Press, June 2010.

implement their economic agenda.²⁹

Given the significant influence of American neoliberal thinkers in shaping Stephen Harper's political outlook,³⁰ his adaptation of these two arguments to the Canadian situation does not seem farfetched. Indeed, Harper's Masters' thesis not only rejected Keynesian economics as wrong-headed and ineffective, but praised the free-market arguments of Hayek and Friedman. Not surprisingly, then, Stephen Harper's open federalism contains elements of both themes: the states' rights argument being decentralist with respect to the social policy agenda, and the economic aspects grounded in a centralizing approach to the federation.

Both the states' rights theme and the "starve the best" approach made famous by Norquist have been articulated in Canada by right-wing economists and think tanks such as the Fraser Institute for some time. In their 1978 report, *Canadian Confederation at the Crossroads: The Search for a Federal-Provincial Balance*, the authors not only recommended that provinces be required to finance education at all levels, but that the federal government should give up tax room, rather than providing transfer payments, to fund this arrangement.

More recently, the Canadian Council of Chief Executives, (CCCE), produced a discussion paper which included a more broadly-based proposal along the same lines. It suggested the federal government transfer the GST to the provinces and eliminate all of its transfer payments. Among the stated advantages of this approach was the fact "it would encourage the federal government to focus on its core responsibilities instead of continuously looking for ways to intrude in provincial jurisdiction." Among the disadvantages the report acknowledged "a shift in tax room would…reduce the federal ability to ensure national standards in areas of provincial jurisdiction." The report also acknowledged that, "absent offsetting changes in the equalization program", the impact of "transferring tax room would widen the gap between have and have-not provinces."³¹

The CCCE report is virtually a mirror image of the positions put forward by the new Conservative Party in its platform and convention resolutions, and repeated in statements by Stephen Harper. In his discussion of open federalism over time, Harper – trained as an economist and heavily influenced by the right-wing tendencies of the so-called Calgary School – has made frequent reference to the use of various tax measures as a means of achieving the 'disentanglement'' of jurisdictions that he envisages.

Nowhere was this more clearly expressed than in the new prime minister's speech to the Montreal Board of Trade in April of 2006. Referring to his government's intention to deal with

³⁰Flanagan. Ibid.

²⁹ Adam Harmes. "The Political Economy of Open Federalism", CJPS. 40:2 417-437

³¹CCCE. "From Bronze to Gold:A Blueprint for Canadian Leadership in a Transforming World". Ottawa. 2006.

the fiscal imbalance, he stressed, "Let me be clear, we will develop specific proposals...And let me tell you what they will not include: they will not include increasing federal spending in areas of exclusive provincial jurisdiction." A subheading in the official text of that speech specifically highlighted "Tax reduction: the ultimate decentralization", and promised significant tax reductions, including the possibility of transferring tax room to the provinces, rather than increased transfer payments.

At first glance Harper's Montreal declaration seems to contradict his party's election platform only a few months earlier. On closer examination, however, it becomes apparent that the wording for the relevant passage in *Stand Up for Canada* has been carefully drafted to suggest a range of possibilities, while committing to none. "A Conservative government", it reads, "will fix, in collaboration with the provinces, the problem of the fiscal imbalance by increasing the amounts allocated to provincial governments, by reducing taxes, <u>or</u> by transferring tax points to the provinces," (emphasis added), a pledge which may have reassured many voters but actually left them in the dark about the party's likely choice.

By contrast, there was little doubt about the intent of Harper's later commitment to transfer tax points to the provinces. An article in the *Globe and Mail* by columnist John Ibbitson declared, "Mr. Harper's most important liberal initiative…is his plan to download taxing powers to the provinces, accompanied by a pledge to keep Ottawa out of provincial areas of jurisdiction." In fact, Ibbitson foresaw this move would eventually "return the federal government to something closer to the role of the night watchman state…" ³² In an interview with L. Ian Macdonald published in *Policy Options* shortly after he became prime minister, Harper seemed to confirm this hypothesis, declaring that if he was successful in implementing his vision, the role of the federal government would be limited to little more than defence, foreign policy, and the economic union.³³

In short, this exploration of possible underlying motives for Stephen Harper's vision of open federalism suggests the provinces will assume a pivotal role in preserving or dismantling the welfare state. At the same time, Harper made it clear in the interview with Macdonald that he also intended to pursue aggressively those areas which he considered to be of legitimate federal interest, such as the economy, an approach entirely consistent with the neoliberal view of federalism. As Peter Leslie has argued, Harper's stated objectives for open federalism -- of "developing" the social and economic union -- are not only closely interrelated but motivated by a consistent worldview of the role of the state, one which is both minimalist and assertive. More importantly, "such objectives not only call for a review of the conduct of intergovernmental

³²John Ibbitson. "Judicial Reform: It's the Newest "liberal" Initiative" *Globe and Mail*. February 21, 2006. A7

³³L. Ian Macdonald. "A Conversation with the Prime Minister". *Policy Options*. February 2007. Pp. 5-11.

relations, but open up questions of broad scale political design...At stake is the kind of country that Canada is and should become." 34

Harper's Record on Quebec: A Case of Duelling Objectives

Since taking office in January 2006, the Harper government has proceeded to implement some of its decentralist commitments regarding open federalism quite aggressively. In other policy fields it has taken strong federal initiatives that, to the uninitiated, appear to fly in the face of its decentralist vision. This apparent mixed message has led some observers, including a former Clerk of the Privy Council, to conclude that Harper may be more opportunistic and less ideologically driven than previously thought.³⁵

There is some truth to this argument – as Harper's stunning introduction of the Quebec nation resolution in the House of Commons illustrates -- but an analysis of his government's record to date suggests the prime minister has not succumbed to this phenomenon to the extent Norman Spector has argued. Instead, this analysis suggests a more nuanced situation in which a genuine commitment to the neoliberal agenda has prevailed much of the time, tempered on occasion by Tom Flanagan's admonition to practice pragmatic politics in order to survive, particularly in a minority situation. Equally significant, the findings demonstrate that Harper has adopted centralizing measures to pursue his neoliberal, market-oriented economic agenda as frequently as he has pursued decentralizing measures on social policy issues.

Evidence of this approach could most clearly be found in the October 2008 Throne Speech, where the dual concepts of aggressive federal intervention on the economic union, coupled with an abdication of the federal role in the social union, were strongly reinforced. The Harper government's commitment to legislate limits to the federal spending power, and to allow provinces to opt out of existing national schemes with full compensation if they set up their own, served notice that the underlying rationale for open federalism was alive and well. (Indeed, this point was made emphatically by former Liberal adviser Tom Kent, who unwittingly may have provoked the December 2008 coalition crisis by urging all parties to oppose Harper's plan to further limit the federal spending power.

Nevertheless Harper's initial acts of political pragmatism were frequent and high profile, and almost entirely focused on Quebec. Clearly designed to garner support among Quebec nationalists in preparation for another election., this aspect of his government's agenda drew the most attention. Even before the Quebec nation resolution of December 2006, Harper had made good on an election promise to allow Quebec a seat at the table alongside the Canadian delegation to UNESCO. Announcing the agreement in May 2006, he also reiterated his willingness to allow provincial input on federal matters when he declared "le federalisme

³⁴Leslie. Ibid. P.45

³⁵Norman Spector. "Harper the Pragmatist", *Ottawa Citizen*, March 17,2009.

d'ouverture de notre nouveau gouvernement consiste a tirer parti de l'experience et de l'expertise que les provinces peuvent apporter au dialogue national..."³⁶

This move was followed by a series of announcements by the Harper government indicating their support for Quebec's ongoing negotiations with the government of France concerning the recognition of professional credentials. Stressing their open federalism approach that allowed Premier Charest to undertake this initiative without federal interference, they emphasized their respect for the fact that labour matters fell under provincial jurisdiction. Even here, though, Transport Minister Lawrence Cannon stressed that the Conservatives would be prepared to indirectly support any other provinces that wished to engage in bilateral negotiations at the international level, making it clear that the concept of provincial equality was still a priority.³⁷

During the 2008 election Harper again demonstrated his commitment to the concept of asymmetrical federalism, and to offering provinces a say in matters of federal jurisdiction. When a proposed "tough on crime" measure that was to be part of the Conservative platform – the decreases in the age of adult sentencing from 16 to 14 years for major crimes -- came under fire in Quebec, Harper simply indicated that provinces could "opt out" of federal sentencing rules and introduce a higher age limit if they preferred.³⁸ This remarkable, and remarkably nonchalant, approach to the criminal code was seen by some as a strictly political move to placate Quebec voters during an election. But a close reading of Harper's earlier statements and party platforms makes clear that this approach is entirely consistent with his broad vision for the federation, and would easily be applied by him to any other province.

And then there was the strikingly symbolic gesture of transferring ownership of the lands surrounding the National Assembly buildings to the provincial government. Yet in the end none of these measures appeared to have moved public opinion in Quebec about the Conservatives. The gestures were appreciated and recognized by the Charest government at the time, but evidently had no lasting impact with the political elites either, as the ensuing highly public battles between Harper and Charest have demonstrated.

The reasons for this failure lie in the Harper government's other initiatives, on both social and economic policy, many of which run directly counter to the political culture of the province. As one Quebec commentator has noted of Harper's gesture in ceding ownership of federal lands , "Les Quebecois lui sauront gre de corriger cette anomalie. C'est toutefois dans un dossier plus

³⁶Rt. Hon. Stephen Harper. Press Release "Le premier ministre Harper et le premier ministre Charest signent un accord historique" Quebec. le 5 mai,2006.

³⁷"Tories Tout Open Federalism on Quebec France Labour Deal", *Ottawa Citizen*, July 31, 2006. A17

³⁸Editorial."Tougher Justice, Patchwork Nation", *Globe and Mail*, September 23, 2008. A20

substantiel qu'on jugera si le gouvernement conservateur croit toujours au federalisme d'ouverture."³⁹

Finally, there was Harper's decision to recognize the existence of a fiscal imbalance vis a vis Quebec, something neither he nor any other federal politician had been prepared to do until then. Unlike virtually all of the previous pragmatic political gestures towards the province, this move would end up costing the government a considerable amount of money. And, as several commentators were quick to note, in the end it was judged insufficient by Jean Charest, who apparently viewed it as a downpayment rather than a settling of accounts.⁴⁰

Meanwhile in the more concrete area of social policy, it soon became evident that the Conservatives' right-wing agenda and social conservatism had fallen afoul of one of the most left-wing societies in the country. From their efforts to eliminate or neutralize the gun registry to their cuts in funding for women's groups and serial problems with women's rights issues, the Conservatives' have consistently demonstrated that they do not share the same values as most Quebeckers.

One of the most recent and dramatic examples of this dilemma has emerged over the Conservatives' refusal to include funding for abortion in their own G8 initiative on maternal and child health in Africa. In what has been described as a "concerted broadside" against Harper's position, Quebec legislators unanimously passed a private member's motion supporting a woman's right to choose. Premier Jean Charest supported the motion, declaring "Abortion is an inalienable right and the consensus expressed in the National Assembly reflects the consensus on this issue in Quebec society."⁴¹

Following in the footsteps of the Chretien government's unilateral tax measures, and his own predilection for tax measures over regulation, Harper has also introduced more direct social policy initiatives than many Canadians recognize. This is largely because several of them reflect Harper's neoliberal bias. They are antithetical to the programs established by Chretien and some run directly counter to the aims of the major cost-shared social programs, creating a situation in which the federal level is now undermining some of the federal-provincial programs it funds.

At the same time, following Grover Norquist's dictum to "starve the beast" by cutting revenues, Harper's early fiscal measures included a significant reduction in the GST and a variety of tax cuts for individuals and businesses, all of which has left the government more vulnerable with the advent of the economic crisis, its surplus decimated. To counter this, the Harper government

³⁹Andre Pratte. "Une vraie ouverture", *La Presse*, le 18 juillet 2009.

⁴⁰Konrad Yakabuski. "Harper's Open Federalism Not Rich Enough For Charest", *Globe and Mail*, October 2, 2008.

⁴¹Rheal Seguin and Ingrid Peretz. "Quebec MNAs Challenge PM's Abortion Stand", *Globe and Mail*, May 20,2010.A7

has also reduced funding for a variety of federally-funded social programs, such as youth employment and workplace skills training, adult literacy programs, and social development partnership programs, all the while increasing funding for the militiary. Although many of their specific actions have remained below the radar screen of the average Quebecker, their cumulative effect has been outlined repeatedly in the Quebec media with highly negative consequences for their image.

Another key problem area for Harper's Conservatives has been transfer payments in support of the welfare state. As Harper has learned to his dismay, transferring power to Quebec cannot compensate for money. With a string of federalist premiers from Robert Bourassa to Jean Charest adopting the "federalisme rentable" defence of the federation, they simply cannot be seen to accept less from a federal government, and certainly not with respect to fundamental elements of the welfare state such as equalization. Yet Harper has persisted in defending what Jean Charest described as a \$1 billion reduction in equalization payments for Quebec, even though he knew this would be poltically problematic, and his recalcitrance was widely reported in the province. "Meme si Quebec lui avait fait part publiquement de ses inquietdues l'approche de depot de son budget," one journalist wrote critically, "le gouvernement federal a depose un document qui n'a rien pour rassurer la province."⁴² This led a furious Jean Charest to denounce "l'unilaterliamse" of the Harper government, insisting that consultation with provinces must be part of any concept of open federalism, even in areas of federal jurisdiction.⁴³

The "cold war that refuses to thaw"⁴⁴ continued with the Harper government's initiatives – or rather lack of initiatives – in environmental policy, another area of great concern to ordinary Quebecers. (Interestingly, the equalization debate focused on the new formula's treatment of oil revenue, and Jean Charest's determination to portray Quebec as the most green province in the country.) As Quebecers watched aghast, Charest and Harper publicly and heatedly criticized each other's policies for several months leading up to the Copenhagen Summit. Even from India, Jean Charest derided Ottawa's plan to link its eventual climate change emissions policy to that of the United States. ⁴⁵ Ottawa responded by deriding Charest's plan to impose his own higher standards in concert with Ontario. At the conference itself, the two men took repeated swipes at each other's approach, to the dismay of ordinary Quebeckers and Canadians.⁴⁶

⁴³Antoine Robitaille. "Du federalisme a l'unilateralisme", *Le Devoir*, le 29 janvier, 2009.

⁴⁴Konrad Yakabuski. "A Cold War that Refuses to Thaw", *Globe and Mail*, January 29, 2009. B2

⁴⁵John Ibbitson. "Climate Change Drives Rift in National Politics as Charest Takes on Ottawa", *Globe and Mail*, February 4, 2010. A1

⁴⁶Joel Denis Bellavance. "Feux croises contre Charest", La Pressse, le 23 december, 2009

⁴²Presse canadienne. "Budget: Ottawa Ignore les Demandes de Quebec", le 4 mars, 2010.

This in turn leads logically to an analysis of the Harper Conservatives' approach to economic policy under the tenets of open federalism. Here again, for the most part Stephen Harper has remained remarkably committed to his vision of strong centralist initiatives, even during a period of economic turmoil and recession. Indeed, as early indications of the global recession developed during the 2008 election campaign, Harper made it clear that his preference was to do little but, if necessary, to act alone. As Behiels has demonstrated, only when it became abundantly clear that this approach would be politically devastating did Harper give in and involve the provinces in a joint action plan for recovery.⁴⁷

Despite this, however, it should be noted that calls for federal investment in social infrastructure, (such as a national child care plan),environmental technology or even EI reform, as part of a federal stimulus package, have all fallen on deaf ears. Meanwhile Harper has virtually removed environmental and aboriginal issues from the national agenda by refusing to deal with them in the intergovernmental forum, arbitrarily relegating them to the provincial arena.

In power, Harper's emphasis on the economic union has translated quite quickly into a concern with the removal of internal trade barriers, and the push for a national securities regulator. Former Mulroney cabinet minister Tom Hockin, the man appointed by Finance Minister Jim Flaherty to examine the latter issue, produced a report which defended the creation of such a national regulator on constitutional grounds. "The federal government has a "constitutional" right to impose a regulator that would have authority to pre-empt existing provincial agencies" the report said. In his forward to the report, Hockin himself stressed "Canadians are ill-served by such a Balkanized system...and we are assured by our constitutional advisor that the federal Parliament has the constitutional authority to enact legislation that would provide for comprehensive capital markets regulations in Canada." (Hockin, 2009)

Harper's determination to pursue this issue in the face of staunch opposition from Quebec – including not only Premier Jean Charest's government but many of Quebec's business and media elites -- suggests his commitment to this belief is far stronger than his concern about political gain in the province. Not only have Harper and his minister insisted on their right to establish a national securities regulator, they have taken the issue to the Supreme Court for an opinion, in order to demonstrate their legitimate jurisdiction. As Andre Pratte has noted, "MM Harper et Flaherty doivent savoir que leur projet inquiete non seulement le Bloc Quebecois, non seulement l'Assemblee nationale au grand complet; la majorite des gens d'affaires et des professionales de la metropole quebecoise s'y oppose."⁴⁸ Chantal Hebert went further, declaring that "Ottawa et Quebec s'en vont en guerre."⁴⁹

⁴⁷Michael Behiels. "Harper Finds a Use for the Premiers", *Ottawa Citizen*, November 17, 2008. A11.

⁴⁸Andre Pratte. "Une Vraie Ouverture", *La Presse*, le 18 juillet, 2009.

⁴⁹Chantal Hebert. "Ottawa et Quebec s'en vont en guerre", *L'actualite*, le17 October 2009.

A similar situation has emerged with respect to the proposed harmonization of the sales tax. Noting that Ontario and BC had received compensation for associated costs from the federal government, while the federal government remained silent on the situation for Quebec, (which had already harmonized its sales tax in 1997), Quebec Finance Minister Raymond Bachand declared it was an essential measure and a simple matter of "justice." But Ottawa remained intractible in the face of Quebec resistance to becoming a fully integrated partner in a national plan. (Although harmonization had been introduced in 1997, Quebec remained responsible for administering the system.)

In short, it would seem that the Harper government has been determined to implement as much of its economic agenda as possible, regardless of the consequences, which – perhaps unlike the area of social policy – were well known in advance. As journalist Chantal Hebert predicted, in addition to turbulence at the federal level, many of Harper's proposed measures in both economic and social policy "would amount to a substantial rebalancing of the federation" which "may not involve constitutional change but (are) bound to trigger massive federal-provincial debate." 50

This has nowhere been more true than in the case of Quebec.

Conclusion

The evidence suggests that the Harper government's approach to Quebec cannot be described as one of haphazard and uncalculated incompetence. Rather, it is the result of a conflict between two deliberate strategies. One, a series of pragmatic political initiatives to provide largely symbolic recognition of Quebec's nationalist aspirations, was intended to pave the way for the Conservatives' electoral success in that province, allowing them to become the 'real' federalist option in preference to the Liberals. The second, a series of social and economic policy initiatives motivated by the Conservatives' neoliberal agenda, has put them in direct conflict with the strongly 'liberal' culture of that province and the political elites' 'federalisme rentable' vision of Canadian federalism.

Likely a more appropriate explanation than incompetence would be miscalculation. From the Conservatives' evident surprise and eventual frustration at the negative response many of their initiatives received, at least two conclusions can be drawn: first, they anticipated the symbolic recognition of many longstanding nationalist concerns would be sufficient to earn them the title of preferred federalist option and, second, they underestimated the depth of Quebecers' commitment to liberalism and the welfare state, as well as the importance for the political elites of being seen to defend Quebec's financial interests. As a corollary, one could also speculate that the Conservatives' had assumed they could win on the federalist axis, which dominates Quebec politics in many respects, and therefore did not need to worry about their failings on the left-right axis. This mistake has been highlighted by the left-wing positions taken by the Bloc on many of

⁵⁰Hebert. Ibid.

his government's right-wing initiatives, and by Harper's own brief dalliance with the ADQ.

Since the Harper government is dependent on its core support in western Canada, support which is predicated on the neoliberal agenda, it is hardly likely that this agenda could take a back seat to further political pragmatism vis a vis Quebec, particularly in light of the failure of that strategy in the last election. Having cajoled both his hardline grassroots supporters and his caucus into accepting his pragmatic Quebec initiatives in order to gain a majority, and having reaped no benefits from that strategy, Harper cannot go to that well again.

Instead, as recent events have demonstrated, he has evidently decided to move on. While he may be unable to replace the Liberals as the federalist option, it also appears that the Liberals are nowhere near regaining their former status with Quebec voters. As long as the Bloc continues to dominate the political scene in the province, Harper can effectively ignore Quebec and seek his majority elsewhere.

One indication of this change in strategy has been apparent for some time, namely the emphasis placed on another of Tom Flanagan's "sisters", namely ethnocultural communities located primarily in Ontario. Cultivated assiduously by Multiculturalism minister Jason Kenney, they are seen as the next major electoral battleground for the Conservatives in their efforts to replace the Liberals as the natural governing party. For this group, located largely in the 905 belt outside of Toronto, many of the 'tough on crime' measures have been a success, as has the Conservatives' stand on issues such as abortion.

Even more revealing of the shift in strategy away from Quebec is Harper's recent introduction of legislation to implement changes to the distribution of seats in the House of Commons which would see Quebec's proportion of seats drop below 25%. As a furious Bloc Quebecois House Leader, Pierre Paquette demonstrated in a recent opinion piece, this move was not only widely seen in Quebec as a rejection of all of Harper's symbolic gestures, but a clear indication that open federalism means very little for Quebec. "Il y a un test fondamental pour Stephen Harper...", Paquette wrote, "le federalism d'ouverture de Stephen Harper est-il sincere et vrai, ou n'est-ce qu'un federalisme de pacotille?" ⁵¹

At a minimum, it would appear that Harper has now recognized the inherent conflict between his two competing objectives with respect to Quebec, and has concluded that no more pragmatic concessions can be made. If he should prove successful in gaining a majority, Quebec would arguably have more to lose than most other provinces.

⁵¹Pierre Paquette. "Un federalisme de pacotille?" March 2010. http://www.pierrepaquette.qc.ca