

Federalism and Public Responsiveness to Policy

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Prepared for presentation at the Annual Meeting of the Canadian Political Science Association, Montreal, 1-3 June, 2010.

Abstract

Public responsiveness to government policy is a crucial component of representative democracy, but may be far weaker in federal regimes. This paper explores the consequences of federalism for public responsiveness in one highly-federalized policy domain: welfare policy in Canada. Results suggest that citizens' preferences for spending at the federal level are affected by changes in both federal *and* provincial spending, and to an equal degree; they suggest, in short, that that federalism poses serious problems where public responsiveness is concerned. A concluding section considers the implications of these findings for the representation of public opinion in policy in federalized states.

There is an ongoing increase in federalism and other forms of decentralization worldwide (see, e.g., Garrett and Rodden 2003). This increase has political and sociological explanations. It has many possible consequences as well, many of which are considered to be beneficial. One of these — indeed, a critical one — is that federal institutions improve the representation of the public in government. There are good reasons to believe that federalism does enhance representation, to be sure. But there also are reasons to believe that it attenuates the relationship between public opinion and policy.

A principal function of representative democracy is to provide a mechanism (or mechanisms) through which public opinion and public policy are reliably and regularly connected. That is, we expect policy representation, where public preferences for policy are reflected in policy itself. Effective policy representation presupposes public responsiveness to policy as well, however; it presupposes that the public's preferences are reasonably well-informed about what policymakers actually do. There are two reasons. First, public responsiveness provides the central motivation for politicians to represent public preferences: a monitoring public. Second, it makes public inputs into the policy process meaningful for policymakers: informed preferences. (See Soroka and Wlezien 2010.)

Representative democracy thus depends on public responsiveness. The stronger the public responsiveness, the greater the basis for representation. By corollary, weaker public responsiveness will tend to weaken representative democracy. (The burgeoning literature focused on increasing disengagement from politics is — implicitly if not explicitly — driven by precisely this concern, for instance. See, e.g., Brady et al. 1995; Skocpol and Fiorina 1999). It is through this lens that the current paper addresses federalism. Previous research (Soroka and Wlezien 2010) suggests that federalism (and decentralization more generally) makes public responsiveness more difficult. Here we explore more directly how decentralization actually complicates public responsiveness.

We do so drawing on a body of data on Canadian public preferences for change in federal welfare spending, and actual changes in spending by both the federal and provincial governments. These data provide a valuable opportunity to explore the confusion that may result in a highly federalized policy domain. Sufficient data exist to explore aggregate public responsiveness both across space and time; not just to look generally across countries at differences in the clarity of responsibility, but to capture directly the extent to which public preferences for policy at one level are (or are not) driven by policymaking at multiple levels. Results suggest that *federal* policy preferences are indeed at least partly determined by *both federal and provincial* policy change, and to an equal degree. We

regard this as an archetypal demonstration of the consequences that federalism has on public responsiveness.

Why (and Why Not) Federalism?

Why should/do some countries pursue federal rather than unitary institutions? This question has been answered many times over the last several hundred years, and we now have a reasonable understanding of the various decisions and environments that can lead to a federal structure (rather than either a unitary state, or a number of independent states). Two accounts are particularly well known: an institutional account, focusing on the various incentives and constraints — both from within and outside a polity — that make it strategically advantageous for politicians to develop and maintain a federal distribution of power (see esp. Riker 1964); and a sociological perspective, which sees federalism as an approach not just to the organization of politics but to the organization of a wide range of social institutions, imbued with a preference for cooperation and power-sharing (see esp. Elazar 1973, 1987a, 1997). The two visions are of course not mutually exclusive; there are certainly both political and sociological reasons for federal arrangements.

Federalism has both political and sociological *consequences* as well. We focus here on the former. Indeed, we focus on one rather narrow set of political consequences, namely, the ways in which federalism affects the connection between public opinion and policy. There is of course an existing body of literature that considers the relationship between federalism and representation. The central argument in that literature, mostly related to issues of minority representation, is that federalism improves representation by allowing subnational governments to pursue policies in line with (potentially) varying (regional) preferences (e.g., Mill 1861; Acton 1985; Elazar 1987b). Other literatures touch on the issue of representation, including work on the relationship between federalism and policy innovation, diffusion, and/or efficiency: federalism encourages experimentation in subnational units and allows governments to emulate the successful policies developed in other jurisdictions (Trudeau 1968; Walker 1971; Welch and Thompson 1980; Strumpf 2002); it provides multiple access points, so that groups can try to appeal to multiple levels of government (Hamilton, in *Federalist Paper* no. 28; Ostrom 1987; Downs 1999); it allows groups to shift the focus of their appeals when one level of government proves unresponsive or ineffective (e.g., Baumgartner and Jones 1993); it allows for different policies to be pursued at different levels — national defense at the national level, education at the local level (e.g. Oates 1972); and it encourages competition, policy-wise, amongst regional governments (Hayek 1945; Tiebout 1956; also see a review in Levy 2007). Similar arguments are apparent in work suggesting that, by dividing powers across governments, federalism protects against the abuse of power by any one level of government *and* discourages the mis-representation of public preferences at all levels of government.¹ Much

¹ Relatedly, Weingast has argued that federalism helps to preserve free(er) markets by limiting the powers of any single government (Weingast 1995; Qian and Weingast 1997). Levy (2007) also presents a related normative theoretical argument for federalism, arguing that federalism provides some protection against the abuse of power through the “separation of loyalties.”

of this work is not about representation *per se*, but there is in each of these literatures a sense that by allowing policy to vary by region, federalism can improve representation.²

There is to our knowledge just one common argument for federalism that focuses on public responsiveness: Federalism fosters democracy by making it easier for citizens to monitor and exercise control over governments. One version of this argument, put forth by Mill (1991 [1861]; for a discussion, see Porter 1977), relies on simple arithmetic: in smaller, more local governments, each individual's vote matters more. As a consequence, participation and engagement are more common. (We know from voter turnout that this is not how things actually are in practice, however.) Another version, commonly associated with De Tocqueville (1835; for a discussion, see Winthrop 1976), makes the case that citizens are more able to monitor and understand (and/or are more likely to be interested in) policy decisions when they are made more locally.

Weinstock (2001) identifies and separates these two versions into the “democracy argument” and the “citizenship argument,” respectively. They are of course not mutually exclusive but complementary, and both are reflected in normative theoretical work dealing with federalism, including discussions of the advantages of federalism for political participation, voice, and identification (see Weinstock 2001; Levy 2007), as well as in Smith's (2004) recent review of federalism and representation in Canada. Both are relatively unique in their focus on the effect of federal institutions on the public's role in representative democracy. We adopt this focus below, though we do not adopt the same degree of optimism. Rather, we take issue with the “citizenship argument,” and argue that federalism will tend to *decrease* the public's ability to monitor governments.

Public Responsiveness

A public that monitors and reacts to government actions is the critical incentive for politicians to represent; representation is also of little value if public preferences are not informed. There is a vast body of work — most often pessimistic — on the critical role that an informed public plays in representative democracy.³ Recent work suggests that repre-

2 There are of course corresponding counter-arguments. There is a body of work suggesting that federalism leads not to innovation and efficiency, but incrementalism and inefficiency instead (e.g. Elazar 1972; Harrison 1996; Maestas et al. 2008; Mossberger 1999; Pressman and Schneider 2008; Rose-Ackerman 1980; Volden 2005; Wildavsky 1973; Wood 1991). The checks and balances featured in the *Federalist Papers* may themselves do considerable damage possibilities for innovation. (See one early argument in Dicey 1893.) There similarly is work noting the rather uncomfortable relationship between federalism and the majority principle that is central to most representative democratic thought (e.g., Dahl 1983, but see also work on “compounded” representation in the EU, e.g., Brzinski et al 1999; Tuschhoff 1999; Kincaid 1999; Lancaster 1999), and research suggesting that protection from the abuse of power is limited by the fact that federalism obfuscates responsibility more than it illuminates it (see, e.g., work on “executive” federalism in Canada, e.g., Breton 1985; Smiley 1980; Smith 2004; Watts 1989).

3 The literature is vast, but consider, for instance: Plato's “Allegory of the Cave” in *The Republic*; J.S. Mill's concerns about the ignorance of the average citizen, discussed in Birch (1971); Madison's discussion of an irrational public in *The Federalist* no 10; Burke's classic *Speech to the Electors of Bristol*, the general theme of which is taken up in Pitkin's (1967) work on the “mandate-independence”

sentative democracy does work, however — that is, aggregate public preferences can and do respond to policy, and policy reacts to those preferences as well. (See, e.g., Page and Shapiro 1992, Erikson et al. 2003; Wlezien 1995, 1996, 2004; Soroka and Wlezien, 2004; 2005; 2010). This is the case not just in unitary but also in federal regimes.

At the same time, our own recent work suggests that, *ceteris paribus*, federalism tends to substantially dampen public responsiveness and representation (Soroka and Wlezien 2010). That is, looking across countries and domains with varying degrees of federalism, public responsiveness to federal spending is weaker where federal decentralization is higher. Different federal arrangements may have different effects on public responsiveness, of course, and there are two ideal types worth considering briefly here. Where governments have complete control for different domains – what is in the American context referred to as dual federalism— there is no mistaking the source of policy in each policy area. Multiple governments may still produce complications, but we might expect a comparatively high level of responsiveness on the part of the public in politically important domains, regardless of which level of government is in charge. Even so, the existence of multiple governments may make for a more complicated information environment, and public responsiveness may suffer.

In most federal systems, however, governments share responsibilities in a good number of policy areas. There may be direct involvement in a policy domain by multiple levels; there may also be transfers — “conditional” or “unconditional” — from one level government to the other. In either case, the actions of governments are more difficult to discern. Spending may have gone up a lot, but did the state or national government produce it? Do we want the national government to spend less? Or do we think that lower-level governments should spend less? Or both?

This concern about the mixing of governments fits with growing body of literature concerned with the relationship between federalism and accountability. Consider work on “clarity of responsibility” and economic voting — work that suggests that voters are better able to hold governments accountable in systems where responsibility is clear (Anderson 1995a, 1995b, 2000; Leyden and Borrelli 1995; Lowry, Alt, and Ferree 1998; Paldam 1991; Powell and Whitten 1993; Rudolph 2003). This work suggests, in short, that institutional features that blur responsibility (and here we are not speaking of federalism so much as minority or coalition government, etc.) make it more difficult for citizens to hold governments accountable.

Individual-level survey work focused on assessments of responsibility in federal regimes is both limited and divided. Arceneaux (2006) and Schneider and Jacoby (2003) in the US, as well as Johnston (1986) and Mendelsohn and Cutler (2003) in Canada, identify sensible structures to citizens’ attitudes about government responsibility across policy domains, and most also find a relationship between public perceptions of government re-

controversy; Schumpeter’s (1950) argument against democracy; and Lippman’s (1921) treatise on the “phantom public”. See also Easton (1965) and Deutsch’s (1966) work on “systems analysis,” which highlight the reciprocal link between opinion and policy.

sponsibility and the actual distribution of responsibility. Work on voting in both countries also lends support to the idea that governments are being held accountable mainly for the policies over which they have principle responsibility (Cutler 2004, 2008a; Anderson 2006; Niemi et al. 1995; Arcenaux 2005).

Note, however, that evidence of some ability to keep things straight in federalized systems and domains does not mean that it is as easy as in highly centralized ones. It is harder to do so in federal systems — and increasingly as the mix of governments increases. This fact is illustrated in the state of public opinion. A plurality of Canadians cannot assign government responsibility in several significant policy domains, for instance, and some assignments of responsibility are driven by partisanship — that is, a tendency to blame a government you do not like, or give credit to a government you do like — as much as constitutional knowledge (Mendelsohn and Cutler 2003, Cutler 2008b). And Canadian health care may provide a classic case: in spite of its marked salience for well over a decade, Cutler’s (N.d.) recent work demonstrates the weakness with which citizens are able to reward or punish governments for their performance in this domain. A combination of federal conditional transfers and provincial policymaking appears to make it incredibly difficult to know which level of government did what.

The point is *not* that federalism destroys the potential for representation democracy but that it presents challenges. The most fundamental challenge is the “confusion” it creates. As we have discussed, a high level federalism makes it harder for citizens to assign responsibility for policy, to know what any one level of government is doing. This makes it difficult for citizens to express informed preferences about what different levels of government should do

Federalism and Responsiveness: An Expository Analysis

We explore the difficulties federalism poses here using data on public preferences and government spending in Canada. The Canadian situation is by no means entirely unique — there are of course domains in the US, and most other federal regimes, in which multiple governments make policy. Canada does present a peculiarly complicated federal environment and unusually good data for examining its effects.

Our analysis of public responsiveness builds on the “thermostatic” model of public opinion. The model has been discussed in great detail elsewhere (see, e.g., Wlezien 1995, 1996, 2004; Soroka and Wlezien 2004, 2005, 2010), so we do not go into great detail here. The basic model suggests that a responsive public will behave much like a thermostat (Wlezien 1995), adjusting its preferences for “more” or “less” policy in response to what policymakers do, at least in domains of substantial public salience. When policy increases (decreases), the preference for more policy will decrease (increase), other things being equal. Imagine that the public currently wants more spending on welfare. If policymakers respond, and provide more (but not too much) for welfare, then the new policy position will more closely correspond to the public’s preferred level of policy. If the public is indeed responsive to what policymakers do, then they will not favor as much

more activity on welfare.⁴ In effect, following the thermostatic metaphor, a departure from the favored policy temperature produces a signal to adjust policy accordingly and, once sufficiently adjusted, the signal stops.

To be clear, the public's preference for "more" or "less" policy—its relative preference, R —represents the difference between the public's preferred level of policy (P^*) and the level it actually gets (P):

$$R_t = P^*_t - P_t \quad (1)$$

As the preferred level of policy (P^*) or policy itself (P) changes, the relative preference signal changes accordingly.⁵ An identical expectation applies across space as well. That is, it should be the case that, *ceteris paribus*, preferences across Canadian provinces or US states (or indeed across countries) reflect varying levels of policy across those geographic units j :⁶

$$R_j = P^*_j - P_j \quad (2)$$

Regardless of whether we capture preferences across time or space, we typically cannot directly observe P^* . People simply do not have meaningful preferences for particular amounts, or levels, of policy in most domains. The practices of survey organizations are telling. With rare exceptions, such as for abortion policy, these organizations do not ask people how much policy they want, but rather about relative preferences — whether we are spending "too little," whether spending should "be increased," or whether we should "do more." This, presumably, is how people think about most policies. (Imagine asking people how much welfare or environment spending they want.) This is quite convenient, as we can actually measure the thermostatic signal the public sends to policymakers.

Relative preferences (R) are captured using the following question from Environics' Focus Canada surveys:

Keeping in mind that increasing services could increase taxes, do you think the federal government is spending too much, just the right amount, or should be spending more on each of the following... [i.e., welfare]?⁷

4 They might still favor more, on balance, but not as substantially as in the prior period. And if policymakers actually overshoot the public's preferred level of spending, they will favor less.

5 If there is representation, changes in policy (P) at time $t+1$ would be a positive function of preferences (R) at time t : $\Delta P_{t+1} = f\{R_t\}$. The reciprocal effects of opinion and policy thus are not only distributed differently over time, they are in different directions, one negative and the other positive. That is, while opinion and policy influence each other over time, the effects are not simultaneous and actually are in opposite directions. There thus is no real concern about the direction of causality in models of preferences or policy change. Also see Soroka and Wlezien (2010).

6 For one empirical application, to abortion opinion and policy in the US states, see Goggin and Wlezien (1993).

7 These commercial survey data are not weighted for our analyses, in part because the weights deal for the most part with region only. Since we focus on over-time change, the effects of non-weighting will be minor.

The question has been asked nearly annually over the past 20 years, across a wide range of policies. The simplest, most reliable way to reflect public preferences using these data is to create percentage difference measures, by subtracting the percentage of people who think we are spending “too much” from the percentage of people who think we are spending “too little” in each domain. The measures of “net support” thus capture the degree to which the public wants more or less spending over time—indeed, the measures capture both direction and magnitude.⁸

These Canadian data have two particular advantages for our current purposes. First, the question asks about the “federal” government. That is, it allows us to test the possibility that public responsiveness to *federal* policy is driven by spending at more than just the federal level. Second, there are only a small number of Canadian provinces, so the standard Environics omnibus surveys include reasonably large samples for at least four of them: Quebec, Ontario, Alberta and British Columbia. We can as a consequence get reasonable estimates of public preferences for policy, over both space and time.⁹

Our measures of policy (*P*) are based on Statistics Canada matrices of government spending, allocated by function (e.g., transport, welfare, environment, etc), for both the federal and provincial levels. There is one problem with these data: the nature of federal-provincial transfers makes it extraordinarily difficult to capture federal spending for two of the three major social domains, health and education. We have discussed this issue at more length elsewhere (Soroka and Wlezien 2005, 2010); suffice it to say that a good deal of federal funding for health and education finds its way to provinces through block, multi-purpose transfers, which — given variations in provincial spending priorities — cannot be allocated to specific functions at the federal level. And such a large proportion of federal spending on health and education occurs through block transfers that the remaining portion which is identified as *federal* health or education spending is both an insignificant and unreliable indication of federal policymaking.

This is not true for all domains, however. Of special interest to us is the welfare domain. It is a highly salient domain for which we have a measure of net preferences, from 1988 to 2003. Reliable spending data for both the federal and provincial levels also are availa-

⁸ This does not mean that the measures provide a clear indication of public preferences at any particular point in time. The fact that net support for spending on welfare is positive, for instance, does not mean people really want more spending than is currently in place. There are two main reasons. First, basic question wording makes a substantial difference to the responses we get, so it is not clear whether the public really wants more or less spending (Smith, 1987). Second, the level of thermostatic public responsiveness varies across countries and domains; i.e., where the public does not notice and respond to policy change, measured preferences contain no information about whether the public really wants more or less spending.

⁹ By way of contrast, in the US General Social Survey (GSS) respondents are asked about “the government,” and those data should be approached with somewhat different expectations. Namely, the GSS preferences might respond to some combination of federal, state and local spending proportionate to the contribution of each level of government in a given domain. Unfortunately, we cannot currently investigate this possibility in very much detail as there are not enough GSS respondents to produce good aggregate-level data for individual states.

ble. We do not mean to imply that spending on welfare is completely immune to the difficulties in health and education. The structure of social assistance spending in Canada is, in a nutshell, as follows. Income transfers to individuals — i.e., employment insurance, family allowances, and child tax benefits — come directly from the federal government. So too does spending on pension programs and survivor benefits;¹⁰ and the federal government spends in some other areas as well, including, e.g., training and employment programs. Provincial governments then cover workers compensation, additional child benefits in some provinces, and other social assistance programs, including “welfare.”¹¹ On average, over the period examined here, spending at the provincial level accounts for roughly one quarter of the total (national) spending in this domain.

Additionally, roughly 50% of the provincial funds spent in the Canadian welfare domain come not from their own tax revenues, but via transfers from the federal government. Until 1995, these transfers came in the form of cost-sharing arrangements; since that time, regular block transfers.¹² Since 1996, there have been very few conditions attached to the federal funds. (Indeed, in recent block transfers, federal funds flow directly into provinces’ general revenues, and provinces need not spend this money on social assistance at all.)

[Figure 1 about here]

The data on both public preferences and government spending are plotted in Figure 1. The top panel shows the relative preferences measures for each of the four largest provinces. Note first that there is a good deal of parallelism. Preferences are responding over time to some of the same things, including federal spending. There are some differences as well, in year-to-year changes as well as overall levels. The combination of similarity and difference is reflected in the average bivariate correlation between the four provincial preferences series 0.52.

The bottom panel shows government spending data. The figure displays per capita spending, in thousands of fiscal year 2000 \$CDN, at the federal level and in each of the four provinces. To be clear: spending by the federal government is divided by the national population, while spending in a province is spending by the provincial government divided by that province’s population. Using these measures of per capita spending makes expenditures more comparable across provinces, and between provinces and the federal government as well. Even taking populations into account, however, the figure shows clearly the dominance of federal spending in the welfare domain. It also shows differences across provinces. While spending in some pairs of provinces tracks closely over time, e.g., Ontario and Quebec, in others there is almost no relation, e.g., Alberta and British

10 Quebec operates part of the pension system in that province.

11 This is a shamefully rough outline of the structure of fiscal federalism in a very complicated domain. For lengthier, and more detailed accounts see, e.g., Banting (2009, 1996, 1987), Bernier and Irwin (1995), and Bakvis et al, (2009).

12 Federal funds for social assistance were part of the cost-sharing Canada Assistance Plan (CAP) until 1995, the Canadian Health and Social Transfer (CHST) from 1996 to 2004, and then the Canada Social Transfer (CST). In the latter two cases, the only condition was a promise to not establish provincial residency tests for welfare — a condition which was actually challenged by British Columbia for a number of years.

Columbia. The average correlation in spending across the four provinces is very similar to what we have seen for preferences, 0.48.¹³

There is some mild evidence of thermostatic responsiveness in Figure 1, both over time and cross-sectionally. Relative preferences are decreasing as spending is increasing, for instance, and vice versa. Looking across provinces, the overall level of Ontario welfare spending is lowest, while the overall level of relative preferences in that province is highest. We investigate this responsiveness more formally, below.

Public Responsiveness over Time

We begin with national-level preferences, and estimate a modified version of equation 1:

$$R_t = a + \beta_1 P_t + \beta_2 W_t + e_t. \quad (3)$$

Here a and e represent the intercept and the error term respectively, and W designates a variety of exogenous drivers of R .¹⁴ W should be viewed not just as a set of “controls”, but alternatively as instruments for P^* . That is, in lieu of a measure of the public’s preferred level of policy, these are factors that we believe are associated with P^* . We include two measures in the models that follow: the current unemployment rate and a counter variable. The unemployment is included to tap concerns about economic security.¹⁵ The counter variable captures the often-observed (see Wlezien 1995; Soroka and Wlezien 2010) systematic change in underlying preferred levels of domestic spending over time; it is equal to 0 in the first year of the analysis and then increases in a linear way year-by-year.¹⁶

The most critical part of equation 3 is β_1 . If the public does respond thermostatically to policy, β_1 will be negative. But to which level of policy do national-level preferences respond? Recall that, given question wording, and assuming that the public is able to allocate responsibility properly, we should expect the strongest relationship to be for federal

13 The average correlation between provincial spending and federal spending is a bit higher, 0.52. The correlation between total provincial spending and federal spending is only slightly higher still, 0.57. While spending flows at the different levels may partly reflect some of the things, therefore, they mostly—by a ratio of two-to-one—reflect different things.

14 Note that in theory net preferences are stationary while spending and the underlying preferred level of spending are integrated, i.e., equation 3 is effectively an error correction model. That said, these assumptions are only partly supported in preliminary tests of the data used here. Based on augmented Dickey-Fuller unit root tests, all federal and provincial spending series fail to reject the null hypothesis of a unit root but two of the provincial net preferences series also fail to reject the null hypothesis (Ontario and Alberta). Given the short time series, it is difficult to seriously diagnose the time series characteristics of these variables. Note also that research on preferences in other countries where time series are longer supports the stationarity assumption (see Soroka and Wlezien 2010). That work also shows that results using this model are relatively robust to slight changes in specification (e.g., the inclusion or exclusion of lagged dependent variables.)

15 Unemployment data by fiscal year are constructed from monthly unadjusted unemployment rates available in Statistics Canada’s CANSIM database.

16 We allow for the possibility that increase is non-linear, and test this linear counter alongside both quadratic and cubed versions, and combinations thereof. For this body of data, the linear counter fits best.

spending and not provincial spending. Given our suspicion that this is not the case, we test four possibilities here: (1) federal spending, (2) provincial spending (which in these national-level models includes spending by all ten provincial governments combined), (3) federal as well as provincial spending, and (4) consolidated spending (the total of federal and provincial spending). (In each case, spending is per capitized based on the national population.) Results are shown in Table 1.

[Table 1 about here]

Note first that the coefficient for spending is negative and significant in every case but one, that is, where federal spending is included by itself. While the coefficient in the first column is appropriately negative and close to being statistically significant, it is not quite. Were we to only estimate this regression, therefore, we would conclude that federal welfare spending preferences in response to federal spending. By contrast, in the second column, we see that these federal preferences do reflect provincial spending. This is a striking set of results. While there is evidence of thermostatic public responsiveness, it is not at all as we might expect.

When we enter federal and provincial spending into the equation, we see significant thermostatic responsiveness to both components. The coefficients in the third column indicate that a one hundred dollar increase in per capita spending at the federal level is associated with a 2-point decrease in net preferences, while a one hundred dollar increase in per capita spending at the provincial level is associated with a 9-point decrease in net preferences. Because all spending is measured on a per capita basis, the provincial figures are directly comparable with the federal figures. Dollar-for-dollar, then, responsiveness to provincial spending substantially outweighs responsiveness to federal spending.¹⁷

We should nevertheless be careful in our interpretation of these national-level results. Combining provincial spending (and preferences) data may mask quite different trends (and levels of support) across provinces. That is, the possibility of responsiveness across space is entirely masked by aggregation, and responsiveness over time within provinces may be under- (or over-) stated as well. It is thus possible that the story is different when looking at disaggregated provincial data.

¹⁷ Another interpretation of the gap between federal and provincial responsiveness is that the especially large coefficients for provincial spending in the second column reflect the rather different magnitude of spending at the federal and provincial levels: given the much lower level of spending at the provincial level, a \$1000 change in per capita spending reflects a much greater policy change. Per capita spending by the federal government during this period is, on average, \$1,837, by provincial government, \$563; standard deviations are \$226 and \$85. Taking these standard deviations in spending into account reduces somewhat the apparent difference between responsiveness to federal versus provincial spending. For instance, in model 3, a one-standard deviation change in spending at the federal level is associated with an average decrease in net preferences of roughly -4.560% (.226*-20.179); provincial spending, -7.832% (.085*-92.138). Even standardizing in this way, responsiveness to over-time change in provincial spending in the welfare domain is at least as great as responsiveness to over-time change in (aggregated) provincial spending. (For discussions of TSCS modeling, see, e.g., Beck (2001), Beck and Katz (1995), Franzese (2005), Wawro (2002).)

Public Responsiveness across Space and Time

Consider the following revision to equation 3, which portrays thermostatic public responsiveness across both space and time:

$$R_{pt} = a + \beta_1 P^{Fed}_t + \beta_2 P^{Prov}_{j,t} + \beta_3 W_{j,t} + j_1 + \dots + j_k + e_{j,t} \quad (4)$$

where P^{Fed}_t is federal policy at time t and $P^{Prov}_{j,t}$ is provincial policy for province j at time t . Dummy variables for all $k-1$ provinces j (leaving out one residual category) are also included. These “fixed effects” capture differences across provinces. The effects of within-province variation — variation over time — is captured by β_2 .¹⁸

[Table 2 about here]

We estimate the model using ordinary least squares and panel-corrected standard errors (see Beck and Katz 1995); results are shown in Table 2. Note that the spending coefficients here have the same interpretation as in Table 1 — federal spending is measured on a per capita basis, as is provincial spending, here taking into account the different populations across provinces. The results again show that public preferences for federal welfare policy respond to a combination of federal and provincial preferences. But while the aggregate-level data in Table 1 suggest greater responsiveness to provincial spending, the coefficients for federal and provincial spending are in Table 2 more equal. Indeed, although it is 50% bigger, the provincial coefficient is statistically speaking not significantly different from the federal coefficient.

What accounts for the different balance of responsiveness towards federal versus provincial spending in Tables 1 and 2? There are a number of reasons the estimates might vary marginally, including the fact that Table 2 uses data from just four of the ten provinces, and aggregate opinion measures that are less reliable given much smaller by-province sample sizes. But provincial results are also aggregated in quite different ways in Tables 1 and 2. The national-level analysis simply sums preferences and spending across provinces, so large provinces have a greater weight in that estimation. The panel results essentially weight each province equally. This matters to the overall results.

Consider the following: estimating provincial models independently suggests that responsiveness to provincial spending is greatest in Ontario and least (indeed nonexistent at either the provincial or federal level) in Alberta. Both Quebec and BC show middling degrees of responsiveness to provincial policy. (We note that the relative weight of responsiveness to provincial spending moves roughly in line with the magnitude of provinces’ levels of spending in the welfare domain—see Figure 1.) Importantly, in all provinces except Alberta responsiveness to provincial spending is greater than responsiveness to federal spending. Giving each province, with varying degrees of responsiveness to federal and provincial spending, equal weight in the TSCS estimation produces somewhat muted coefficients.

18 A chi-square test of the difference in coefficients is 0.33, $p=.56$.

These results do not differ fundamentally from those we saw using the basic time-series setup. It is still the case that preferences for policy change at the federal level are driven by some combination of federal and provincial policymaking. And responsiveness to provincial spending is *at least as great* as responsiveness to federal spending.

Discussion

Our results suggest that federalism matters for public responsiveness. Canadian federal welfare preferences are driven in part by provincial policymaking and not just about federal spending. The public does not appear to differentiate between sources of spending when registering their preferences.

While we can see that federalism matters it is not clear precisely how. The usual suspect in the literature is clarity of responsibility. In federal systems, citizens are likely to have a more difficult time telling who is responsible for spending. In short, they may be at least partly confused about which level of government is doing what. This is most likely to be true the greater the mixing of governments at different levels, and also the independence of those governments, i.e., the more subnational units differ, the less reliably responsive the public should be to what the federal government does. There is a strong theoretical basis for this explanation; there is (indirect) support for it in other literatures as well, discussed above.

There are nevertheless other possible explanations for the patterns we observe. One is that preferences for federal spending are driven in part by provincial spending because they should be: some of the funds provinces spend do come from the federal government, after all, so people adjust their federal spending preferences based in part on what the provinces spend. As we have discussed, however, approximately one half of provincial welfare spending does *not* come from Ottawa, and the Canadian public is thus not responding proportionately. That is, given the relative contribution of the federal and provincial governments, the Canadian public *is far too responsive to provincial spending* — indeed, at least as much as to federal spending itself, which is more than twice as much as it should be.

There are also two other related possibilities. First, preferences for policy at the federal and provincial levels may be interdependent. That is, citizens may adjust preferences at one level of government to make up for too little or too much policy from the other level. Because they get more (less) from the provinces, people may then prefer less (more) from the federal government. If this explanation were true, we would expect the public to be *equally* responsive to federal and provincial spending, i.e., preferences for more federal spending would be dependent on both federal and provincial spending.

A second possibility focuses on the nature of the survey response itself. It may be that when asking about preferences for “federal” spending people think of government writ large. They may *have* federal preferences, but responses to the survey question just do not capture them. People may be responding to what they are getting from all levels of government combined, not just the federal government. Much like interdependent prefe-

rences, this explanation implies that the public responds equally to national and provincial spending.

These two explanations are serious alternatives, but neither neatly accounts for our results—provincial spending appears to matter far too much, significantly more than federal spending. That said, we should perhaps not be too dismissive of the possibility of more equal responsiveness to federal and provincial governments. While analysis of national preferences suggests a marked imbalance, analysis of provincial-level preferences reveals somewhat more balanced responsiveness to federal and provincial spending. There still is greater overall responsiveness to subnational spending, to be sure, but we cannot completely rule out the possibility that the public’s federal (and provincial) spending preferences are interdependent in one of the ways described above.

Although our analyses here cannot on their own easily distinguish between confusion and some of the alternatives, past work can certainly help us do so. It already has been shown that public responsiveness to spending in the US and Canada varies with the level of federalism in different domains (Soroka and Wlezien 2010). The more centralized the domain, the greater the responsiveness to federal spending; the more decentralized, the less. This is an important finding unto itself, as it underscores how differences in federalism matter. It also points toward confusion as the primary explanation for the patterns we observe here. That is, in creating greater confusion, increasing decentralization leads the public to be less responsive to federal spending. It is not what we would expect if the other explanations were operative, however. For instance, if federal and provincial preferences were interdependent, responsiveness to federal spending would not vary with the level of decentralization in different domains.

Conclusions

Our results have significant implications for the representation of public opinion in policy. This is true regardless of which explanation is at work. If our results reflect confusion, and are a consequence of citizens having difficulty knowing which government is doing what, then federalism leads to a public that is limited in its ability to hold governments accountable for policy actions. Just as importantly, expressed public preferences are of less value to politicians as an indication of support for spending at the federal (or provincial) level. This does not mean that politicians won’t represent public opinion. It’s just that such representation may lead to policy at different levels of government that the public does not really want.

To the extent that the alternative explanations are at work, the public may actually be sending highly meaningful signals to policymakers. If “federal” preferences are dependent on what the provinces do, then a national government interested in representing the public need only follow the changing signal. This is easier said than done, however, as representation itself is interdependent, i.e., what the federal government should do will depend on what the provinces do. This requires coordination among potentially uncooperative actors. Much the same is true if the public really doesn’t have “federal” spending preferences, and expresses support for spending by all levels of government taken togeth-

er. Here, politicians will need to recognize that measured preferences tell them little about what the public wants at the federal level per se. While it tells them what direction government spending should go, it is left to the different levels of government to decide who will do it. Both recognition and coordination is required.

We already have noted how previous research points towards confusion as the primary explanation for our results—see the preceding “discussion” section. This implies that federalism is a fundamental problem for democratic performance, eroding the meaning of public opinion itself. It is not something that can be overcome by coordination among institutional actors, for example. Public responsiveness and policy representation are evident in federal systems, to be sure. But the scope and value of that responsiveness is limited by the complexity of signals in federal regimes. Whether the representational advantages of federalism outweigh the disadvantages, we cannot say. But it is clear that federalism comes with costs, and these have consequences for effective representation.

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Figure 1. Net Preferences and per capita spending, welfare, by province

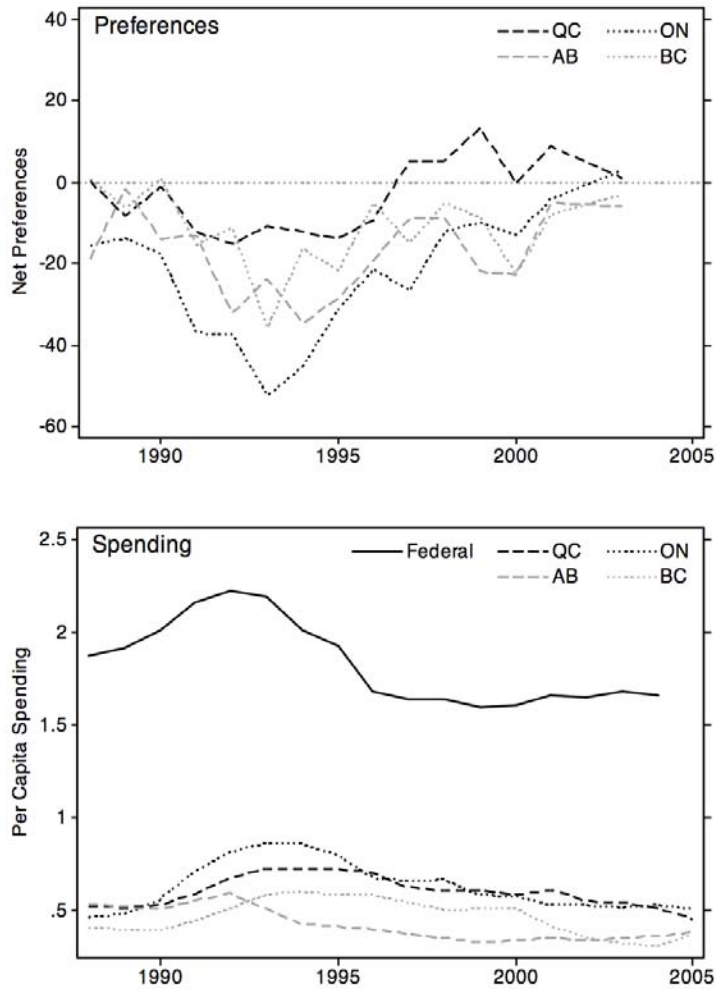


Table 1. Time Series Analysis of National Welfare Preferences

	DV: Welfare Preferences $_t$ (1988-2003)			
Federal Spending $_t$	-17.541 (10.810)		-20.179** (7.330)	
Provincial Spending $_t$		-85.683** (30.831)	-92.138** (24.502)	
Consolidated Spending $_t$				-51.818** (18.881)
Preferences $_{t-1}$.465** (.178)	-.095 (.217)	-.011 (.174)	.466** (.148)
Counter	-.145 (.332)	.627** (.238)	.205 (.243)	.431* (.207)
Unemployment $_t$	-1.591 (1.634)	-.859 (1.334)	1.724 (1.412)	2.857 (2.531)
Constant	4.053 (3.091)	-3.100 (3.891)	-4.750 (3.136)	-8.553 (5.572)
N	16	16	16	16
Rsqr	.884	.916	.952	.915
Adj Rsqr	.842	.885	.928	.884
DhF	2.592	1.444	3.245	8.810
Dhp	.139	.257	.105	.014

Spending is in billions of FY2000 CDN dollars; per capita spending is in thousands of 2000 CDN dollars. All variables are mean-centred. * $p < .10$; ** $p < .05$.

Table 2. Pooled (time-series cross-sectional) Analysis of Provincial Preferences

	DV: Welfare Preferences t,p (1988-2003)
Federal Spending t	-20.127** (8.046)
Provincial Spending t,p	-30.902* (16.921)
Preferences $t-1$.289** (.109)
Counter	-.241 (.289)
Unemployment t	-.476 (1.134)
Quebec	13.544** (4.714)
Alberta	-3.680 (4.106)
BC	1.839 (3.958)
Constant	2.910 (8.052)
N	64
Rsqr	.701

Per capita spending is in thousands of FY2000 CDN dollars. All variables are mean-centred. Residual province is Ontario. * $p < .10$; ** $p < .05$.