

FEDERALISM IN THE 21ST CENTURY: DEFINING THE COMMON ECONOMIC SPACE

Roger Gibbins

Roger Gibbins writes that Canada needs “a new national policy,” under which Ottawa re-engages in the management of “our common economic space” while “disengaging itself from the management of social space” best left to the provinces. This is the best way, he writes, for Canada to be competitive in a globalized economy. “What sets federal states apart from other national communities,” he writes, “is not their values but a number of institutional design principles that include a division of legislative authority between two orders of government.” But he also acknowledges that the division of powers in the Constitution “has been blown away by the federal government’s spending power (the unfettered ability to spend in any area of responsibility) and by dated constitutional text that understandably fails to capture contemporary responsibilities and policy interdependencies” in areas such as the environment and funding of university research.

Le Canada a besoin d’une « nouvelle politique nationale » par laquelle Ottawa renouvellerait son engagement à gérer « notre espace économique commun », tout en « se désengageant de l’espace social » dont savent mieux s’occuper les provinces. Selon Roger Gibbins, ce serait le meilleur moyen de rester compétitif dans une économie mondialisée. « Les États fédéraux se démarquent des autres communautés nationales non par leurs valeurs, précise-t-il, mais par une conception institutionnelle qui prévoit une division du pouvoir législatif entre deux ordres de gouvernement ». Au Canada toutefois, la division des pouvoirs prévue dans la Constitution a été anéantie par le pouvoir fédéral de dépenser et un texte constitutionnel désuet qui n’est plus à même de saisir les responsabilités et interdépendances politiques dans des domaines comme l’environnement et le financement de la recherche universitaire, affirme-t-il.



My core argument in the following essay is that the contemporary Canadian federal state is poorly aligned with the economic challenges and opportunities of globalization. To address this lack of alignment I recommend that:

- the Government of Canada re-engage in the management, protection and promotion of our common economic space;
- the federal government find the policy space and capacity for this re-engagement by disengaging itself from the management of social space best left to subnational governments; and
- the federal government retreat from place-based programming and focus instead on highly mobile human capital. When these recommendations are bundled together, they form the case for a new National Policy.

Now this may be an unexpected argument from someone rooted in western Canada, where historical experiences with iterations of national policies have seldom been positive. However, just as only President Nixon could go to China in 1972, perhaps only a western Canadian can argue the case for a new National Policy. At the same time, and acknowledging the regional apprehension that accompanies any discussion of policies with the prefix “national” — cue echoes of the 1879 National Policy and the 1980 National Energy Program (NEP) — it is important to lodge this argument in the historical experience and current conditions of western Canada.

It is helpful at the outset to clear away some of the conceptual undergrowth that inevitably surrounds discussions of Canadian federalism in the context of globalization. For example, although Canada is emphatically a federal state, federalism itself encompasses only a fraction of the values and institutions

that define our political life. Canadians embrace democracy, representative parliamentary government, individual rights and freedoms, the rule of law, the protection of minority rights and a modicum of social and economic equality, but none of these are unique to federal states or, for that matter, to Canada. They are not federal values. For the most part when we refer to definitive Canadian values, we are referring to aspects of our political life and culture having little to do with the fact that Canada, like Australia and the United States but unlike Britain and France, is a federal state.

My exploration of federalism in the age of globalization therefore focuses on a set of federal principles, institutions and practices that even in their totality are far less than the sum of Canadian political life. Federalism is not about democracy, or individual rights, or equality; these values are embedded elsewhere in the country's institutions and values. The Canadian Charter of Rights and Freedoms, for example, is not a federal document, although it — like the much earlier American Bill of Rights — certainly has implications for the operation and evolution of the federal system.

What sets federal states apart from other national communities is not their values but a number of institutional design principles that include a division of legislative authority between two orders of government, each of which is elected directly by citizens, and each of which is sovereign in at least one legislative domain. This division of powers is set out in a written constitution that cannot be amended unilaterally by either order of government. In addition, federal states provide for the formal representation of their constituent communities (states or provinces) within the national legislature, although the means by which this is done range from direct popular election (Australia and the United States) to indirect election through constituent governments (Germany), and even to the

appointment of friends and partisan colleagues of the prime minister (Canada). Of particular importance to the present analysis, the design of federal states assumes that national governments should not do everything; significant responsibilities are reserved for state or provincial governments.

This formal definition of federalism, admittedly, has little resonance for most Canadians. Debates about how well the federal system works quickly boil down to debates about the division of powers or, more prosaically, debates

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about which government is doing or not doing what. (Although western Canadians also worry about the federal nature of parliamentary institutions, this is not a national concern.) And here it is clear that the formal, written constitution, the *Constitution Act*, fails to provide even a proximate guide as to who does what or should do what. While Canadians might expect some rhyme or reason, what they see is both the national and provincial governments involved virtually across the board. Provincial governments serve on international trade missions and now international delegations (UNESCO), while the national government is

engaged in daycare for children, the waiting time for hip replacements and the allocation of scarce infrastructure funding between public transit and interchanges in local communities.

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In short, we live in a federal system that is largely unconstrained by constitutional principles or design, where everything shy of the armed forces is up for grabs. With this comes democratic confusion with respect to accountability and responsibility — should I complain to my MP, provincial legislative representative or local health authority if I'm unhappy with the medical services I receive? — and inter-governmental friction as the national and provincial governments jockey for the same programmatic space.

At their inception, and although they differed from one another in many ways, all federal states were engaged in the construction of a common economic space to be shared by their constituent provinces or states. Of course, this was not the totality of what they were trying to achieve; military defence was another goal, albeit a brief and transitory one in Canada, and most federal states rested on the vision of a transcendent national community. Nonetheless, building a common economic space was a fundamental task,



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Parliament, seat of the federal government. Roger Gibbins makes a strong case that Ottawa should “re-engage in the management...of our common economic space,” while “disengaging itself from the management of social space best left to subnational governments.”

quite literally a foundational task for new federal states, and Canada was no exception. They imposed a common currency, common weights and measures, and a common legal framework for business transactions. Internal tariffs on trade were prohibited — although success in prohibiting non-tariff barriers to internal trade was more limited, as the Canadian experience attests — and uniform tariffs were imposed on imports from outside the federation. The new national government spoke with a single voice in its economic relations with other states as it defended and promoted a common space within the international environment.

However, and to go to the core of my concern, this undertaking has been largely abandoned by or stripped from contemporary national governments in Canada. An important set of responsibilities has fallen through the cracks, and as a consequence Canadians are less prepared than they could be to confront the challenges and reap the opportunities of globalization. Simply put, the Government of Canada has neglected an essential responsibility, and that is the protection and promotion of the common economic space shared by citizens from sea to sea.

If I can paint with a very broad conceptual brush, a fundamental prob-

lem for federalism follows from this neglect. Citizens in well-functioning federal states live within a common economic space, but do so in a way that accommodates community differences in taste and preference. National governments manage, protect and promote this common economic space, while provincial/state and municipal governments manage the constituent communities. Thus, citizens can be part of a relatively large economic community while at the same time remaining attached to the smaller communities that are so important to their quality of life. This is the traditional appeal of federalism for francophone Quebecers, but

it is also of more general appeal. For example, I can simultaneously be a Canadian, an Albertan, a Calgarian and a patron of my neighbourhood pub, enjoying the economic and other benefits of an overarching national citizenship while still enjoying life in more

National values are defined outside the context of federalism; they are articulated in a more partisan context by the national government of the day. Citizenship rights defined through the courts trump community distinctiveness. Although historically the Government of Canada played an important role in managing, protecting and promoting Canada's common economic space, in today's context of globalization the federal government increasingly pins its relevancy for Canadians on involvement in the traditional domain of provincial and municipal governments — hence the attention paid to such things as health care delivery and child care in recent federal election campaigns.

idiosyncratic local communities. Here Americans have nicely captured the essence of federalism — *E pluribus unum*, or “Out of many, one” — but done so in such a way that the distinctiveness of constituent communities is not lost. Although federations are greater than the sum of their parts, the parts still matter.

I would argue that if federal states are to endure as federations, they must be successful on both fronts; they must nurture the common economic space while at the same time giving somewhat distinct societies room to breathe and the capacity to respond to their unique demographic and social circumstances. Now at the best of times, striking the right balance between national economic management and community distinctiveness is a difficult political and institutional task. Today, however, it is rendered even more difficult by globalization that erodes state boundaries and thus challenges the very notion of national economic space. For better or for worse — in my mind, for better — we live in an era where national barriers to the flow of goods, services, finance, ideas and (less so) people are coming down. This global reality is further reinforced for

Canadians by a new continental economic space imperfectly institutionalized through the North American Free Trade Agreement (NAFTA). As a consequence, Canada's economic space is called into question in an era of NAFTA, the World Trade Organization

(WTO), increased international trade, truly global corporations, intensifying international competition and the instantaneous global flow of finance.

On the economic front alone, globalization presents not only opportunities but also challenges for Canadians. As the Canadian Council of Chief Executives observes: “We live in an increasingly open world. Openness is one of Canada's greatest strengths, and we have been a prime beneficiary of the growing flow of goods, services, money, ideas and people across borders. Being open to opportunities also means being open to competition. Canada has done well in competition with other industrialized nations, but the rise of large developing economies such as China and India is transforming the competitive landscape for companies in every sector.”

The challenges are then compounded as globalization erodes the economic underpinnings of national governments in federal states. Their role as managers of the common economic space is reduced as decision-making shifts upwards to international forums such as the WTO and outwards to markets.

Moreover, just as boundaries around the national economic space have been eroded by globalization, just as the very concept of national economic space has come under attack, jurisdictional boundaries within the federation have also been eroded.

Ottawa, for example, and for example only, has become engaged in the design of health care delivery, in daycare and early childhood development, in urban planning and in micro-environmental management. The federal value of diversity among communities has been discredited or abandoned as the federal government positions itself as the defender of an overarching citizenship, presumably reflected by and

embedded in national standards for program delivery. The federal contract has been redefined from protecting community distinctiveness to ensuring the uniform application of national standards, an approach often associated with Charter federalism. The drift to become less federal, to assume that national values and standards should trump provincial distinctiveness, contributes to our ongoing inability to come to grips with nationalist sentiment in Quebec. It should come as no surprise that the sovereignty movement has not packed up its tents and silently stolen away, for although one could argue that Ottawa can do a better job of managing the common economic space than could Quebec City, it is far less evident that it can do a better job of managing Quebec's social space than could a sovereign Quebec state.

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economic space, in today's context of globalization the federal government increasingly pins its relevancy for Canadians on involvement in the traditional domain of provincial and municipal governments — hence the attention paid to such things as health care delivery and child care in recent federal election campaigns.

It is important, of course, not to overstate the degree to which this evolutionary transformation has been the product of conscious design. I am not suggesting that the Government of Canada's expansion into the social and jurisdictional space of provincial governments was consciously framed as a response to globalization. Many other causal factors have also come into play in this shift in focus, and thus perhaps the most that can be said is that the shift coincides with the growing impact of globalization on the Canadian economy. Nor should we read moral reproach into this transformation, for the elevation of national standards above community distinctiveness holds considerable appeal among Canadians outside Quebec. Rather, the point to stress is that we have arrived at a situation where the federal balance has been fundamentally altered.

The protection of the country's common economic space has been largely abandoned, whereas the federal accommodation of community differences in taste and preference has been weakened as the national and provincial governments compete for social programming. At issue is whether this evolutionary trajectory should be reversed in the context of globalization.

The concern driving the present analysis is that the federal government, by shifting its focus away from our common economic space, is failing to equip Canadians for the onslaught of global economic competition. Canada is at risk of being outflanked and overtaken by its international competitors, in part because our federal system is not aligned with the new environment. The Government of Canada, along with parties in federal elec-

tion campaigns, faces inwards to address a domestic social agenda rather than facing outwards to address the economic challenges and opportunities of globalization. With this domestic agenda has understandably come a focus on place-based policies; greater attention is paid to the distribution of the national economic pie than to its growth.

Better alignment is needed and can be created through a new National Policy built within the policy constraints of globalization. The case for this approach will be sketched in by first reviewing some of the steps taken by Canadian governments in the past to manage, protect and promote the common economic space. I will then suggest that the lessons from this past experience — and, indeed, many of the initiatives — can be used to patch together a new National Policy in response to the economic challenges and opportunities of globalization.

Before embarking on this rather ambitious — some might say hopelessly ambitious — quest, I should note three caveats:

- First, although my focus will be on the economic dimensions of feder-

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alism and how these have changed over time, it is not my intent to reduce questions of governance and national identity to dollars and cents. I recognize there are many non-economic factors that create national communities, hold them together and, in some cases, drive them apart. Economic considerations are only part of the federalism story, albeit an important part as globalization bears down on Canada.

- Second, this essay is written from an unabashedly western Canadian perspective. I would argue, however, that regional bias in this case is a virtue rather than a vice, for the dynamics of federalism in western Canada bring the economic arguments of the essay nicely into focus. Promoting the common economic space has always been of greater importance in the West than protecting community distinctiveness. The imposition of national standards and values, which for the most part western Canadians share, has been much less problematic than has been Ottawa's management or mismanagement of the common economic space, in part because many of today's highly prized national values spring directly from the western Canadian experience. Saskatchewan's formative contribution to the public health care system is widely acknowledged; our national commitment to multiculturalism within a bilingual framework reflects western Canadian political pressure in the 1960s; and the federal government's commitment to deficit-free financing — and, for that matter, the

similar commitment of provincial governments west of Ontario — springs directly from the emergence of the Reform Party of Canada in the late 1980s.

- Third, the highly selective history of federal management of our common economic space that follows has been written by a political scientist and not by an economic historian. Thus, commentaries on specific programs and initiatives should be taken with a large grain of salt.

With these caveats in mind, let's turn now to the historical record, with particular emphasis on how it has played out in western Canada.

The national government that came into being in 1867 was involved in nation building in a very big and practical way. Quite literally, building a common economic space was the overriding preoccupation of the new national government; this was the strategy we adopted to ward off the threat of American Manifest Destiny. Although it may seem a silly point to make, it is nonetheless useful to remember that national governments in the late 19th century were not involved in wait times for surgical procedures, or in the provision of child care spaces, or, for that matter, in education at any level or in any form; everything had to do with managing and promoting the common economic space that had been created through the 1867 *Constitution Act*, commonly known as the *British North America [BNA] Act*. With the British government casting its colony to the continental wolves, Canada's political survival could only be assured through an economic nation-building strategy. This early history, which contrasts so starkly with the government scene today, is nicely brought into focus by the story of agricultural settlement in the prairie west.

The founding relationship between the prairie west and central Canada was essentially colonial in character. Note, for example, a pre-Confederation column in the *Toronto Globe*:

When the territory [the West] belongs to Canada, when its navigable rivers are traversed for a few years by vessels, and lines of travel are permanently established, when settlements are formed in favourable locations throughout the territory, it will not be difficult by grants of land to secure the construction of a railway across the plains and through the mountains...If we set about the work of opening the territory at once, we shall win the race [against the United States, which was pushing



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The Langevin Block from the Peace Tower at dusk, home to Ottawa's two most powerful central agencies, the Prime Minister's Office and the Privy Council Office. The West, which Roger Gibbins calls "the new economic engine for Canada," now has a voice in running these powerful offices, and the government, as seldom before in Canadian history.

steadily westward]...It is an empire we have in view, and its whole export and import trade will be concentrated in the hands of Canadian merchants and manufacturers if we strike for it now.

Indeed, it was difficult to imagine the relationship in anything but colonial terms. The land, after all, was virtually empty except for an Aboriginal population that did not figure heavily in the nation-building visions of the Confederation period, and Canada was competing with the United States in a

settlement race westward across the continent. Central Canadian banks financed the debtor frontier and the railways linking producers on that frontier to global markets. The federal government orchestrated both the construction of the rail system and immigrant settlement in the late 1800s and early 1900s. Tariffs were used to direct trade along the country's east-west axis and to tie the new western Canadian consumers to central Canadian manufacturers. The agrarian settlement of the prairie west was therefore a national project, albeit a colonial

one, and undoubtedly a successful one. It was nation building in the literal sense of the word.

For the new western Canadian population, it was also nation building in

Western Canadians could not afford to disengage, for only if regional political power could be wielded within the national government would the economic interests of western Canada be protected and advanced. Greater decentralization was not the answer because the policy domains of greatest concern, including tariffs and interprovincial transportation, were intrinsically responsibilities of the Government of Canada and not provincial governments. Decentralization might work as a strategy to protect the cultural integrity of Quebec but not as a strategy to protect the economic interests of the West.

a global economic context. The emergent western grain economy was tied to global markets from the get-go. Agricultural producers were necessarily dependent on those markets, as the domestic population was too small to absorb their output, and the United States was a vigorous competitor more than it was a market. Globalization was a fact of life, if not a term used at the time. And, in global markets, national tariff policies provided no protection for western producers. Tariffs could and did protect the infant central Canadian manufacturing industries, but agricultural producers were left on their own in the international marketplace, while at the same time having no choice but to absorb the costs imposed by tariffs on the machinery they used. This is why the 1879 National Policy of tariff protection had few fans in western Canada. In fact, it triggered a regional aversion to the policy adjective “national,” an aversion reinforced by the NEP in 1980 and one that arises when national governments that are not truly national in their composition impose “national policies.”

In some ways, of course, prosperity in the early prairie west lay beyond the reach of public policies; it was in the hands of the weather, international markets and grasshoppers (if grasshoppers

have hands). Yet in other ways, regional prosperity was tied directly to the policy architecture of the federal government. The National Policy had a direct impact on the input costs faced by western producers, and the federal

government sat astride the transportation infrastructure that linked western Canadian producers to world markets. Ottawa set freight rates, regulated and partially financed the railroads and regulated the financial institutions that provided credit to western producers. All of this meant that wielding political power in Ottawa was critically important for the economic interests of western Canadians. Although they were largely indifferent to the role that federalism might play in protecting community distinctiveness, they were hugely concerned about the management of the country’s common economic space.

The fact that Ottawa mattered very much spawned the logic of what eventually became a regional mantra: “The West wants in.” Although this was the founding slogan of the Reform Party of Canada, created in 1987, the sentiment (if not the slogan) has much deeper roots in the West as the logical imperative for political action, and as an explanation for why western political discontent has not been associated with a withdrawal from national politics. Western Canadians could not afford to disengage, for only if regional political power could be wielded within the national government would the

economic interests of western Canada be protected and advanced. Greater decentralization was not the answer because the policy domains of greatest concern, including tariffs and interprovincial transportation, were intrinsically responsibilities of the Government of Canada and not provincial governments. Decentralization might work as a strategy to protect the cultural integrity of Quebec but not as a strategy to protect the economic interests of the West.

However, if the federalist logic of “the West wants in” was clear, the means by which this objective might be accomplished was not. The region’s political history is littered with the wreckage of failed attempts to gain national political clout — the early farm parties, including the United Farmers of Alberta and the United Farmers of Manitoba, as well as the Progressive Party of Canada, the Co-operative Commonwealth Federation, Social Credit and, more recently, the Reform Party of Canada. The successes were few and brief, with the high-water marks coming with the minority government election of the John Diefenbaker Progressive Conservatives in 1957 and their landslide win in 1958; the first term of Brian Mulroney’s Progressive Conservative government from 1984, culminating with ratification of free trade with the United States and the abolition of the NEP; and Stephen Harper’s minority government.

The more general point is that Canadian federalism, and particularly the national government and its policy architecture, was highly relevant to western Canadians even though, in their eyes, it was badly flawed. Hence the reform impulse in western Canada, an impulse reflecting the reality that what Ottawa did and did not do had a very significant impact on regional prosperity. The West was the most globalized part of the early Canadian economy, and success in global competition was tied directly to

the policies and actions of the federal government. It is no wonder, then, that western Canadians wanted in; they had little choice. It is also no wonder that they championed institutional and political reforms, albeit with no success. The core of western Canadian discontent lay with this sense of impotence, of being unable to influence the public policy determinants of regional prosperity. Yes, the federal government was important, but it was also remote, seemingly indifferent and occasionally hostile to western Canadian aspirations.

But that was then and this is now. In recent decades the linkages between federal policy and economic prosperity in the West have been substantially weakened. For example:

The tariffs that were so integral to the National Policy and that served as a lightning rod for agrarian discontent are gone. In most respects (some see the Canadian Wheat Board as a significant exception), the federal government no longer stands between western Canadian producers and the global trading system.

The federal government now plays little role in the transportation systems linking western Canadians to global markets. Ottawa is neither an investor nor a builder, and deregulation has further reduced the federal government's role. Freight rates are set by markets, not by Parliament. Ottawa today is little more than a collector of taxes (e.g., the fuel tax) and rents (e.g., airports). The transportation system is unfortunately seen more as a revenue source than as the foundation for economic growth and prosperity.

The relative importance of east-west interprovincial trade has decreased. During the 20 years between 1981 and 2000, interprovincial exports in the West fell slightly, from 22.5 per cent of regional gross domestic product (GDP) to 19.4 per cent, while in the rest of Canada they fell from 25.7 per-

cent to 18.9 percent. Although east-west trade is not unimportant, it is progressively less important.

International trade has become more important to the regional economy. In the 20 years between 1981 and 2000, international exports as a proportion of the western Canadian GDP rose from 18.8 percent to 35.8 percent; in the rest of Canada the change was even more pronounced, increasing from 20.8 percent to 48.2 percent.

Against the backdrop of these changes, the West has emerged as the new economic engine for Canada. The region has vast energy supplies, energy markets are robust and natural resource markets are generally strong.

The economic realignment spurred by prosperity in the West also turns the traditional "the West wants in" crusade on its head. For generations, western Canadians have sought a more effective voice in Ottawa to call attention to regional aspirations and needs. Now, instead of western Canadians pleading their relevance to Ottawa, the challenge will be for the national government to show that it is relevant for the West. The discussion of "who wants into what" has been transformed.

Unemployment rates are low and public finances are in excellent shape. The national economy's centre of gravity is shifting west, and the region's share of the national population is steadily increasing; just over 30 percent of Canada's population now lives in the four western provinces, compared with slightly less than 24 percent in Quebec.

Most of these changes in the economic landscape, with the possible exception of the last, have played out across the country; the 1989 Free Trade Agreement (FTA) and NAFTA, for instance, have had a profound impact on the national economy. The particular relevance of these changes for west-

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The federal government also seems less able, or less relevant, or both, in protecting and promoting regional economic interests on the international stage. On softwood lumber and bovine spongiform encephalopathy (BSE), the federal government's clout with the United States has been somewhere between modest and non-existent. In the broader international arena, Canada's position in the latest round of WTO agricultural negotiations has been determined primarily by the supply management concerns of central Canadian dairy and poultry producers; commodity producers in western Canada have been largely shunted aside, sacrificed to Canada's defence of

protectionism. While it may be possible to argue that western Canadians would be even worse off were it not for the intervention of the federal government, this is not an easy argument to make. The basic reality is that Canada is a small and proportionately shrinking player in the international trading system, where we speak softly and carry a small stick. As international trade becomes increasingly important, Ottawa's international influence and domestic relevance decline.

Senator Pat Carney, former minister of energy in the Mulroney government, was essentially right when she argued in Calgary during the 1988 federal election campaign that western Canadians should support the

proposed FTA because, once it was implemented, the American government would then protect western Canadians from their own national government (an extraordinary argument for a minister of the Crown to make!). There is no need to “get in,” the then minister implied, so long as a foreign power can be relied upon to protect regional economic interests. Washington would ensure that future Ottawa governments would not resurrect the notorious NEP. Here it can also be argued that business interests in western Canada have become increasingly indifferent to conventional methods of political representation. They exercise sufficient clout to have direct access to the federal government; there is no need to channel their concerns through a local MP or senator. “Getting into the federal government” does not require institutional or political reform; it is a matter of picking up the phone or hitting “send.”

In summary, the agricultural settlement of the prairie west illustrates the historical role played by the Government of Canada in building, protecting and promoting a common economic space. The national government was directly involved in promoting immigration, in the construction of the infrastructure needed to link western Canadian producers to world markets and in the establishment of the treaties with Aboriginal peoples that paved the way for agricultural settlement. That role, of course, was also contentious, as the effects of national economic policies were not evenly distributed across regional communities; tariffs were a golden goose for central Canadian manufacturers and a cross to bear for agricultural producers on the Prairies. Nonetheless, the activism of the national government is undeniable, as is its broad success in helping to foster Canadian economic progress. Now, however, the federal government and its policy architecture appear

increasingly irrelevant for economic prosperity in western Canada.

The western Canadian experience illustrates the role that the Government of Canada has played in helping to create the infrastructure linking Canadian producers to domestic, continental and global markets. That role, however, was by no means limited to the prairie west. Note, for example, the federal government’s contribution to the construction of the St. Lawrence Seaway, a monumental engineering project that linked the continental heartlands of Canada and the United States to Atlantic markets. The federal government was a player in the construction of the Trans-Canada Pipeline, which created a central Canadian market for Alberta energy resources. The construction of the Trans-Canada Highway, carried out on a cost-shared basis with provincial governments, should also be noted, along with John Diefenbaker’s visionary — if weakly implemented — “roads to resources” program, designed to open up the mineral wealth of northern Canada. Ottawa was a builder, and a builder that helped open up global markets.

Unfortunately, the Trans-Canada Highway is also an example of how

the border onto American routes. The Trans-Canada Highway still has two-lane sections in Newfoundland and Labrador, New Brunswick, northern Ontario, Saskatchewan and British Columbia. Sometimes we dream big but execute small.

We do not have to go back to the National Policy of 1879 or to the construction of the St. Lawrence Seaway to find examples of how the Government of Canada has acted with vigour to protect and promote Canada’s common economic space. More recent, if somewhat contentious, examples come from the FTA in 1989 and NAFTA in 1994. These initiatives by Brian Mulroney’s Progressive Conservative government were designed to transform the Canadian economy by opening it up to more robust continental competition, but also opening it up on a more secure basis to American and Mexican markets. Now admittedly, to some this continental approach might appear to fly in the face of protecting Canada’s national economic space; they might see it as an abandonment of this very notion. Others, however, including this author, see the FTA and NAFTA as bold steps to reform and ultimately strengthen the Canadian econo-

Unfortunately, the Trans-Canada Highway is also an example of how policy implementation has fallen short of visionary goals. We still lack a divided, four-lane highway that stretches from coast to coast (never mind the third coast). There is no Canadian parallel to the interstate highway system in the United States, a fact that diverts a great deal of east-west traffic south of the border onto American routes. The Trans-Canada Highway still has two-lane sections in Newfoundland and Labrador, New Brunswick, northern Ontario, Saskatchewan and British Columbia. Sometimes we dream big but execute small.

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my in the face of growing international competition. At the very least they provide examples of a national government prepared to act decisively in pursuit of an economic vision informed by the new realities of globalization.

A less dramatic but still significant move came from the efforts of

Jean Chrétien's Liberal government to strengthen federal investment in Canada's research and development capacity. This innovation, or prosperity, agenda was well tuned to the

in the past are relevant today. For example, Canadian producers of all stripes, and particularly those located outside central Canada, still find themselves a long way from continen-

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The link between a renewed focus on our common economic space and reduced engagement in the social space occupied by provincial governments is important, if not immediately obvious. Reduced engagement is essential if Ottawa is to have sufficient policy focus and capacity. It is imperative that the Government of Canada not be seen as the hammer for every conceivable policy nail. Just because something is important for Canadians does not necessarily mean that it should be important for the federal government. To be effective the federal government needs to constrain its appetite; it needs to be a nimble, not bloated, player on the international stage.

emerging drivers of successful international competition, and it had a marked impact on the university research community. Whether the dollars matched the needs is not clear, but once again it provides an illustration of national leadership.

Finally, it is impossible for an Albertan to resist mentioning the NEP, which was another bold although deeply flawed attempt by the national government — in this case a Liberal government led by Pierre Elliott Trudeau — to move the national economy along a somewhat different trajectory than market forces might have dictated (unlike NAFTA, which was clearly aligned with market forces). The important thing to note about the NEP in the present context is that it was place-based, designed to shift oil and gas exploration outside Alberta and onto “Canada lands” in the North and off the east coast. The goal was not to strengthen the national economy but rather to realign that economy to the benefit of some regions and the detriment of others. The NEP is a classic example of what not to do.

What, then, are the more positive lessons that might be drawn from this very brief historical sketch? The first is that many of the economic initiatives undertaken by Canadian governments

tal and global markets. As a consequence, transportation infrastructure — the “ties that bind” — is as important today to economic prosperity as it was during the construction of the Canadian Pacific Railway across the West. Another example of continuity comes from immigration, which was so critically important to the agrarian settlement of western Canada and remains important today as the Canadian economy faces growing labour shortages brought on by an aging population and birth rates well below the replacement rate.

More generally, my reading of history suggests that Canadian governments in the past often acted with boldness and success in managing, promoting and protecting Canada's common economic space. It is only in recent years that national governments have become more hesitant, more preoccupied with a social agenda, although even here Chrétien's innovation agenda and the Asia-Pacific Gateway initiative offer hope that the creative spark has not been completely extinguished. The critical question is whether the federal government can again find its groove — whether its economic relevance can be rebuilt in the new circumstances of globalization.

The link between a renewed focus on our common economic space and

policy focus and capacity. It is imperative that the Government of Canada not be seen as the hammer for every conceivable policy nail. Just because something is important for Canadians does not necessarily mean that it should be important for the federal government. To be effective the federal government needs to constrain its appetite; it needs to be a nimble, not bloated, player on the international stage.

A recurrent theme of this essay is that the federal government must be strategic in meeting the challenges and opportunities of globalization, and then must be bold in pursuing its strategic choices. In the league of global economic competition, it is a matter of “go big or go home.” Canada's population is smaller than California's, and Canadian influence within the global economy is diminishing over time as our proportionate share of the global economy shrinks. These realities support the case for a stronger national government, a case that I also support. If the Government of Canada refuses to limit its terms of policy engagement, if it keeps a finger in every conceivable policy pot, then we will continue to do many of the right things, but without enough commitment or resources to make a difference. We need focus and boldness, and we need a new National Policy. The alternative is to sit on the curb, waving our flag as a global parade passes by.

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