State and Society: Canada in Comparative Perspective

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KEITH BANTING, Research Coordinator

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Research Coordinator

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FOREWORD

When the members of the Rowell-Sirois Commission began their collective task in 1937, very little was known about the evolution of the Canadian economy. What was known, moreover, had not been extensively analyzed by the slender cadre of social scientists of the day.

When we set out upon our task nearly 50 years later, we enjoyed a substantial advantage over our predecessors; we had a wealth of information. We inherited the work of scholars at universities across Canada and we had the benefit of the work of experts from private research institutes and publicly sponsored organizations such as the Ontario Economic Council and the Economic Council of Canada. Although there were still important gaps, our problem was not a shortage of information; it was to interrelate and integrate — to synthesize — the results of much of the information we already had.

The mandate of this Commission is unusually broad. It encompasses many of the fundamental policy issues expected to confront the people of Canada and their governments for the next several decades. The nature of the mandate also identified, in advance, the subject matter for much of the research and suggested the scope of enquiry and the need for vigorous efforts to interrelate and integrate the research disciplines. The resulting research program, therefore, is particularly noteworthy in three respects: along with original research studies, it includes survey papers which synthesize work already done in specialized fields; it avoids duplication of work which, in the judgment of the Canadian research community, has already been well done; and, considered as a whole, it is the most thorough examination of the Canadian economic, political and legal systems ever undertaken by an independent agency.

The Commission's research program was carried out under the joint

direction of three prominent and highly respected Canadian scholars: Dr. Ivan Bernier (*Law and Constitutional Issues*), Dr. Alan Cairns (*Politics and Institutions of Government*) and Dr. David C. Smith (*Economics*).

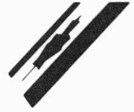
Dr. Ivan Bernier is Dean of the Faculty of Law at Laval University. Dr. Alan Cairns is former Head of the Department of Political Science at the University of British Columbia and, prior to joining the Commission, was William Lyon Mackenzie King Visiting Professor of Canadian Studies at Harvard University. Dr. David C. Smith, former Head of the Department of Economics at Queen's University in Kingston, is now Principal of that University. When Dr. Smith assumed his new responsibilities at Queen's in September 1984, he was succeeded by Dr. Kenneth Norrie of the University of Alberta and John Sargent of the federal Department of Finance, who together acted as Co-directors of Research for the concluding phase of the Economics research program.

I am confident that the efforts of the Research Directors, research coordinators and authors whose work appears in this and other volumes, have provided the community of Canadian scholars and policy makers with a series of publications that will continue to be of value for many years to come. And I hope that the value of the research program to Canadian scholarship will be enhanced by the fact that Commission research is being made available to interested readers in both English and French.

I extend my personal thanks, and that of my fellow Commissioners, to the Research Directors and those immediately associated with them in the Commission's research program. I also want to thank the members of the many research advisory groups whose counsel contributed so substantially to this undertaking.

DONALD S. MACDONALD

INTRODUCTION



At its most general level, the Royal Commission's research program has examined how the Canadian political economy can better adapt to change. As a basis of enquiry, this question reflects our belief that the future will always take us partly by surprise. Our political, legal and economic institutions should therefore be flexible enough to accommodate surprises and yet solid enough to ensure that they help us meet our future goals. This theme of an adaptive political economy led us to explore the interdependencies between political, legal and economic systems and drew our research efforts in an interdisciplinary direction.

The sheer magnitude of the research output (more than 280 separate studies in 70+ volumes) as well as its disciplinary and ideological diversity have, however, made complete integration impossible and, we have concluded, undesirable. The research output as a whole brings varying perspectives and methodologies to the study of common problems and we therefore urge readers to look beyond their particular field of interest and to explore topics across disciplines.

The three research areas, — *Law and Constitutional Issues*, under Ivan Bernier; *Politics and Institutions of Government*, under Alan Cairns; and *Economics*, under David C. Smith (co-directed with Kenneth Norrie and John Sargent for the concluding phase of the research program) — were further divided into 19 sections headed by research coordinators.

The area *Law and Constitutional Issues* has been organized into five major sections headed by the research coordinators identified below.

- Law, Society and the Economy — *Ivan Bernier and Andrée Lajoie*
- The International Legal Environment — *John J. Quinn*
- The Canadian Economic Union — *Mark Krasnick*

- Harmonization of Laws in Canada — *Ronald C.C. Cuming*
- Institutional and Constitutional Arrangements — *Clare F. Beckton and A. Wayne MacKay*

Since law in its numerous manifestations is the most fundamental means of implementing state policy, it was necessary to investigate how and when law could be mobilized most effectively to address the problems raised by the Commission's mandate. Adopting a broad perspective, researchers examined Canada's legal system from the standpoint of how law evolves as a result of social, economic and political changes and how, in turn, law brings about changes in our social, economic and political conduct.

Within *Politics and Institutions of Government*, research has been organized into seven major sections.

- Canada and the International Political Economy — *Denis Stairs and Gilbert Winham*
- State and Society in the Modern Era — *Keith Banting*
- Constitutionalism, Citizenship and Society — *Alan Cairns and Cynthia Williams*
- The Politics of Canadian Federalism — *Richard Simeon*
- Representative Institutions — *Peter Aucoin*
- The Politics of Economic Policy — *G. Bruce Doern*
- Industrial Policy — *André Blais*

This area examines a number of developments which have led Canadians to question their ability to govern themselves wisely and effectively. Many of these developments are not unique to Canada and a number of comparative studies canvass and assess how others have coped with similar problems. Within the context of the Canadian heritage of parliamentary government, federalism, a mixed economy, and a bilingual and multicultural society, the research also explores ways of rearranging the relationships of power and influence among institutions to restore and enhance the fundamental democratic principles of representativeness, responsiveness and accountability.

Economics research was organized into seven major sections.

- Macroeconomics — *John Sargent*
- Federalism and the Economic Union — *Kenneth Norrie*
- Industrial Structure — *Donald G. McFetridge*
- International Trade — *John Whalley*
- Income Distribution and Economic Security — *François Vaillancourt*
- Labour Markets and Labour Relations — *Craig Riddell*
- Economic Ideas and Social Issues — *David Laidler*

Economics research examines the allocation of Canada's human and other resources, the ways in which institutions and policies affect this

allocation, and the distribution of the gains from their use. It also considers the nature of economic development, the forces that shape our regional and industrial structure, and our economic interdependence with other countries. The thrust of the research in economics is to increase our comprehension of what determines our economic potential and how instruments of economic policy may move us closer to our future goals.

One section from each of the three research areas — The Canadian Economic Union, The Politics of Canadian Federalism, and Federalism and the Economic Union — have been blended into one unified research effort. Consequently, the volumes on Federalism and the Economic Union as well as the volume on The North are the results of an interdisciplinary research effort.

We owe a special debt to the research coordinators. Not only did they organize, assemble and analyze the many research studies and combine their major findings in overviews, but they also made substantial contributions to the Final Report. We wish to thank them for their performance, often under heavy pressure.

Unfortunately, space does not permit us to thank all members of the Commission staff individually. However, we are particularly grateful to the Chairman, The Hon. Donald S. Macdonald; the Commission's Executive Director, J. Gerald Godsoe; and the Director of Policy, Alan Nymark, all of whom were closely involved with the Research Program and played key roles in the contribution of Research to the Final Report. We wish to express our appreciation to the Commission's Administrative Advisor, Harry Stewart, for his guidance and advice, and to the Director of Publishing, Ed Matheson, who managed the research publication process. A special thanks to Jamie Benidickson, Policy Coordinator and Special Assistant to the Chairman, who played a valuable liaison role between Research and the Chairman and Commissioners. We are also grateful to our office administrator, Donna Stebbing, and to our secretarial staff, Monique Carpentier, Barbara Cowtan, Tina DeLuca, Françoise Guilbault and Marilyn Sheldon.

Finally, a well deserved thank you to our closest assistants: Jacques J.M. Shore, *Law and Constitutional Issues*; Cynthia Williams and her successor Karen Jackson, *Politics and Institutions of Government*; and I. Lilla Connidis, *Economics*. We appreciate not only their individual contribution to each research area, but also their cooperative contribution to the research program and the Commission.

IVAN BERNIER
ALAN CAIRNS
DAVID C. SMITH

ACKNOWLEDGMENTS

The essays in this volume explore the relations between the State and Society in Canada and other Western nations. They examine the extent of growth in the public sector, and investigate the economic and political forces that have contributed to it. They also reflect on the consequences of this expansion, paying particular attention to the ways in which the advent of a larger and more activist state have transformed the political system itself.

I would like to thank the members of the Research Advisory Group who provided able advice during the last two years: André Bélanger, Anthony Birch, David Cameron, Peter Hall, Ken Hart and Ken McRae.

Finally, the support and especially the patience of numerous members of the Commission staff were critical to the completion of this research. In particular, I would like to thank Alan Cairns, Françoise Guilbault, Karen Jackson, Donna Stebbings and Cynthia Williams.

K.B.

1

Images of the Modern State: *An Introduction*

KEITH G. BANTING

Images of the Modern State

Perhaps the most dramatic change in the study of political life during the last decade has been the rediscovery of the "state" and the growing fascination with the balance between the state and society in the contemporary period. It is now commonplace to observe that the expansion of the public sector over the last half-century has transformed the framework of economic and social affairs. But the reasons for this expansion and the precise nature of its impact on society remain intensely controversial.[1]

The essays in this volume explore the broad relations between the state and society in Canada and other Western nations. They examine the extent of growth in the public sector and investigate the economic and political factors that have generated that growth. They also reflect on the consequences of expansion, paying particular attention to the political implications of a larger and more active state. Most assessments of the role of government concentrate on its influence on the performance of the economy or the distribution of income and social opportunity. But the expansion of the state and the multiplication of the roles that it performs have also had a pervasive influence on the operation of the political system itself. Growth has altered the organizational structure of government and subtly shifted the balance among its component parts. It has created a complex web of linkages between the public and private sectors which, in turn, alters the ways in which governments conduct their affairs. It also has important implications for the capacity of the state to sustain its own authority.

These are large issues, and the essays in this volume approach them in

distinctive ways. This introductory essay therefore highlights the common themes and the diverse images of the modern state implicit in them.

The Modern Leviathan: The Expansion of the Public Sector

As the roles of the modern state have multiplied, the public sector has become both larger and infinitely more complex. Indeed this very complexity makes it difficult to comprehend the full extent of government growth. Governments now deploy such a varied set of policy instruments in their efforts to shape economic and social life that a variety of measures are needed to capture the scope of the public sector. The most common yardstick is public expenditure as a proportion of gross domestic product; by this standard government spending in Canada has risen dramatically from 15.7 percent of our economic product in 1926 to 47.9 percent in 1983.[2] Other measures point in the same direction. The public sector, defined broadly to include public enterprises, health and education, now employs almost a quarter of the labour force.[3] Crown corporations have carved out a major role in the economy; indeed, simply counting the number of these corporations has proved to be embarrassingly difficult for the federal government, and estimates continue to vary. The number of federal corporations and their subsidiaries, however, appears to approach 400, and there are an estimated 233 provincial corporations, excluding subsidiaries.[4]

Regulation, the most traditional instrument of the state, has become more pervasive. In one sense, all economic and social activity takes place within a legal framework that constrains the range of choice and alters the incentives for alternative courses of action. But the direct regulatory arm of the state has grown substantially in recent decades: more new regulatory statutes were passed by the federal government between 1970 and 1978 than in the previous three decades, and 30 percent of all provincial regulatory statutes in place in 1978, had been enacted since 1960. Stanbury and Thompson have estimated that in 1978, at least 29 percent of gross domestic product (GDP) at factor cost was subject to direct regulation with respect to prices, entry and/or output, although the intensity of that regulation varied enormously. In broad terms, this regulatory pattern was comparable to that prevailing in the United States.[5]

Even a survey of these conventional instruments of state action fails to capture the full dimensions of the contemporary public sector, as governments have increasingly relied on less direct and less explicit means of accomplishing their goals.[6] Growing resistance to increases in public spending has produced a surge in tax expenditures, which rose to 46 percent of all federal expenditures by 1979. Contract compliance, loans and loan guarantees have all expanded; governments have taken an

equity position in otherwise private companies and adopted others as their "chosen instruments" for specific policy purposes; and exhortation is invoked to influence everything from economic behaviour, as in the spread of the "6 and 5" program of restraint in 1982–83, to private lifestyles.

By the standards of the nineteenth century, the Canadian state has grown dramatically. "Government has become Leviathan," concludes one survey; "Canada has become a government-centred society."[7]

However, the expansion of the public sector, which seems so dramatic in comparison with our own past, looks more modest when viewed against the experience of advanced industrial nations generally, as David Cameron's paper confirms. While the expansion of the state has been a general phenomenon, the most compelling lesson still to be drawn from a comparative perspective is the tremendous variation in the scope of government. Among OECD nations, public spending as a proportion of GDP in 1980–81 ranged from a high of 63.7 percent in Sweden to a low of 33.0 percent in Spain. Moreover, such variation appears to be a persistent feature of the advanced industrial world; expenditure trends in recent decades provide little evidence of a convergence of spending patterns.[8] As Manfred Schmidt has observed, the "combination of a capitalist economic structure and democratic political arrangements seems compatible with widely divergent policy stances."[9]

Canada increasingly leans toward the conservative end of this international spectrum. Canadian spending in the mid-1960s did come close to the OECD average; but a comparatively slow rate of growth since then, especially during the second half of the 1970s, ensured that our expenditure levels were well below average by the beginning of the 1980s. The Canadian public sector is larger than that found in such countries as Switzerland, the United States, Australia and Japan. Nevertheless, it is closer to the norm in those countries than to that prevailing in northern and central Europe. In comparative terms, Canada is best thought of as a modest spender.

A more refined view emerges from closer examination of the major components of the public sector. When attention focusses on the economic role of the state, Canada does appear to represent a mid-point between the European and American patterns. This can be seen, for example, both in the provision of subsidies to the private sector and in the scope of public enterprise. The importance of subsidies in the Canadian economy, in common with that of many Western nations, rose steadily during the 1970s, more than doubling to reach 2.4 percent of GDP by 1980. Although this level remained below the norm for OECD nations generally, it was well above that in the United States; during the same period such subsidies declined there from 0.5 to 0.4 percent of GDP.[10] In a similar fashion, during the late 1970s, public enterprise in Canada employed about 4.5 percent of the labour force and made

investments that on average represented 3.7 percent of GDP. While this level of activity was still modest by the standards of many European societies, the comparable figures for the United States were 0.9 percent and 1.6 percent, by far the lowest among all OECD nations.[11] Canadian commentators may write about a "public enterprise tradition" in this country,[12] but in Anthony King's words, "a scholar who troubled to write the history of public ownership in America would be nibbling at the margins of history and would know it."[13]

When attention shifts to the social role of the state, however, the Canadian pattern appears more decidedly North American in nature. Throughout the postwar era social expenditures were the major component of growth in public spending in western nations generally, and this was true of Canada as well.[14] The politics of social policy absorbed much of the reformist energies of the last generation, and Canadians often contrast their level of social provision favourably with that to be found in the United States. In fact, however, as Table 1-1 demonstrates, social spending in this country remains well below the norm in OECD nations and virtually identical to that in the United States, a country long regarded as a "welfare laggard." Canadian social priorities do differ from those in other countries. We spend significantly less on pensions, about average amounts on education and health, and more on unemployment benefits.[15] Overall, however, the conclusion is clear. The social role of the Canadian state is a comparatively modest one, representing a restrained response to the social insecurities of industrial society.

David Cameron's paper throws considerable light on the reasons for this slower rate of growth in the Canadian public sector as a whole. Drawing on his previous work in this field, he provides a cross-national analysis of the relationships between growth in public spending and core features of the economy and politics of OECD nations. Among the various economic factors that he investigates, the strongest relationship is with the "openness" of the economy, as measured by the proportion of GDP devoted to exports. Open economies are particularly vulnerable to changes in the international economy and can experience sudden adjustments in production, employment and consumption on a scale that for the most part is unknown in larger, more closed economies. Governments in countries with open economies often seem readier, therefore, to protect their societies from the full force of economic change, whether by compensating sectors and individual firms threatened by foreign competition or by providing greater social support to individuals displaced by the vagaries of the international economy.[16]

Cameron also traces the impact of politics on the expansion of the public sector, paying particular attention to the institutional structure of government, the ideological orientation of dominant political parties, and the strength of organized labour. A federal structure, he concludes, limits the expansion of public spending, a finding that echoes a long

TABLE 1-1 Social Expenditure by Country, 1960–1981

	Social Expenditure as a Percentage of GDP		Annual Growth Rate of Real GDP		Annual Growth Rate of Real Social Expenditure	
	1960	1981[a]	1960–75	1975–81[a]	1960–75	1975–81[a]
United States	10.9	21.0	3.4	3.2	7.7	2.9
Japan	8.0	17.5	8.6	5.1	9.7	8.9
Germany	20.5	31.5	3.8	3.0	6.7	1.9
Canada	12.1	21.7	5.1	3.3	9.5	2.9
France[b]	13.4	23.8	5.0	2.8	7.4	7.6
Italy	16.5	29.1	4.6	3.2	7.4	3.1
United Kingdom	13.9	24.9	2.6	1.0	5.6	3.3
Australia	10.2	18.6	5.2	2.4	8.6	2.4
Austria	17.9	27.9	4.5	2.9	6.0	4.6
Belgium	17.0	38.0	4.5	3.0	9.1	4.6
Denmark	10.2	29.0	3.7	2.2	9.3	4.4
Finland	13.2	n.a.	4.5	2.9	7.3	n.a.
Greece	8.7	12.8	6.8	3.5	7.8	2.3
Ireland	11.7	27.1	4.3	3.5	8.2	5.2
Norway	11.7	27.1	4.3	4.1	9.5	5.6
Netherlands	16.3	36.1	4.5	2.0	9.2	1.4
New Zealand	13.0	19.6	4.0	0.4	4.4	3.7
Sweden	14.5	33.5	4.0	1.0	8.4	4.0
Switzerland	7.7	14.9	3.4	1.8	6.9	2.5

Source: OECD, *OECD Observer* 126 (Paris: OECD, January 1984).
a. Or latest available year.
b. Excluding education expenditure.
n.a. not available.

literature on the development of the welfare state in Western nations.[17] Ideology also leaves its mark, as leftist governments have expanded public services (although not income transfers) more rapidly than others. But the strength of organized labour seems most important. Growth in public spending has been greatest where the labour force is highly unionized and consolidated in a central confederation that represents its interests forcefully.[18] In summary, Cameron concludes that during the last two decades, "spending increased most rapidly in small nations with relatively open economies, in which labour was highly unionized and well organized, in which leftist parties governed and in which the system of government was unitary rather than federal."

While such cross-national findings cannot provide definitive explanations of the experience of individual nations, they are suggestive about the slower growth of the Canadian public sector. Canada, after all, is a federal state; the left has never governed at the national level; and in comparison with many Western nations, unionization is lower, the labour movement is more fragmented, and the system of collective

bargaining is highly decentralized. Any explanation of the Canadian pattern must incorporate these central elements of the political economy of the country.

The one characteristic in Cameron's syndrome of growth that Canada does share is an open economy, and this figures prominently in the second half of his paper, which presents a longitudinal analysis of government spending in Canada. The argument here is a two-stage one. First, there has been a strong relationship between growth in the public sector and unemployment throughout the postwar era; indeed, a 1 percent increase in unemployment is associated with a 1 percent rise in the public share of the nation's economic product. Secondly, while unemployment is to some degree influenced by domestic factors, the openness of the economy makes production and employment heavily dependent on international conditions, especially those in our largest trading partner, the United States.[19] The vulnerability inherent in an open economy thus appears to be a central factor in the growth of public spending in Canada, one that is more important than such domestic political factors as the incidence of elections or partisan differences between Liberal and Conservative administrations. "A major source of growth of the Canadian political economy," Cameron concludes, "has been the United States economy, and in particular, the pattern of boom and bust, sporadic recovery and frequent recession that has characterized it for decades."

A comparative perspective also sheds light on several other dimensions of the politics of the Canadian public sector. The first dimension concerns the political dangers inherent in the structure of Canadian public finance, on both the expenditure and taxation sides. Cameron notes in passing that government's final consumption expenditure and the level of public employment are both quite large relative to total spending by government. In contrast to the pattern prevailing in many European countries, Canadian governments are comparatively rich in labour-intensive public services and miserly in direct cash transfers to individuals.[20] Cameron might have gone on to emphasize that this is precisely the policy mix that has been associated with greatest public resistance to government growth. In a comparative analysis of reactions to public sector expansion, Douglas Hibbs and Henrik Madsen argue that welfare states that rely heavily on services rather than transfers have proved particularly susceptible to populist attacks on bureaucratic inefficiency and public sector wages. Nations that emphasize social payments to individuals and households, in comparison, have been less vulnerable. "On the grounds of equity, efficiency and politics," they advise, "prudent governments might shift resources away from public consumption to direct cash transfers without sacrificing (and indeed, perhaps, enhancing) the egalitarian goals of the welfare state."[21] The Canadian public sector has not heeded such advice, and remains an inviting target.

TABLE 1-2 Major Tax Revenues as a Percentage of Total Taxation, 1981

	Income & Profits	Social Security	Payroll	Property	Goods & Services	Other
Australia	56.79	—	5.22	7.75	30.24	—
Austria	26.99	31.51	6.44	2.74	31.31	1.02
Belgium	40.34	30.87	—	1.99	26.73	0.07
Canada	45.24	11.49	—	8.48	33.59	1.20
Denmark	55.23	2.13	—	5.11	37.39	0.13
Finland	50.48	8.22	—	2.03	39.02	0.24
France	18.39	42.70	2.16	3.74	29.73	3.27
Germany	34.09	35.54	—	2.61	27.14	0.63
Greece	18.96	34.55	0.18	4.51	40.09	1.71
Ireland	36.40	14.10	0.10	4.53	44.78	0.09
Italy	35.39	35.85	—	4.09	24.67	—
Japan	40.66	30.03	—	8.64	15.93	4.74
Luxembourg	43.31	29.08	0.64	5.73	21.25	—
Netherlands	31.63	39.99	—	3.73	24.37	0.28
New Zealand	68.93	—	—	7.95	23.12	—
Norway	42.36	20.91	—	1.71	34.47	0.55
Portugal	22.38	29.21	2.28	1.48	42.94	1.71
Spain	25.21	48.05	0.18	4.32	21.91	0.34
Sweden	42.83	29.59	2.77	0.88	23.88	0.04
Switzerland	41.59	30.88	—	7.49	20.04	—
Turkey	60.21	5.04	—	6.31	28.43	—
United Kingdom	38.58	16.21	3.83	12.88	28.43	0.07
United States	46.26	26.47	—	9.63	17.64	—
OECD Total	40.10	24.02	1.04	5.14	29.01	0.70

Source: Statistics Canada, *Historical Data Compendium*, prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Ottawa: Statistics Canada, 1985), Table 19.10.

This political jeopardy is reinforced by the structure of taxation. The evidence gathered by Hibbs and Madsen, as well as other commentators, suggests that in accounting for public resistance to public sector growth, the total tax load is less important than its composition. Resentment of direct and visible general-revenue taxes appears to be most intense; less visible, indirect taxes and programmatic taxes such as social security contributions, on the other hand, seem to elicit less opposition.[22] If these comparative lessons hold in Canada, as well, then our tax structure rests on uncertain political foundations. As Table 1-2 demonstrates, Canadian treasuries rely much less on social security contributions and more on taxes on incomes and profits than do OECD nations generally. Thus on both the expenditure and revenue sides of the ledgers, the public sector in this country seems politically exposed.

The politics of the Canadian deficit is also illuminated by cross-national analysis. There is no direct relationship between the level of public expenditure and the size of deficits incurred; enduring control by governments of the left, for example, has been associated not only with large public spending, but also with relatively high taxes and therefore

with lower deficits.[23] David Wolfe has summarized the comparative lessons in the following terms:

> Paradoxically, the countries which have run the largest deficits, and the ones where deficits have emerged as the most significant political issue, are the ones where centre or right-wing governments have predominated in much of the postwar period. These governments have been less able to implement the tax policies necessary to finance existing levels of expenditure because of the political constraints imposed upon them by their own electoral constituencies.[24]

Canadian experience, Wolfe insists, parallels this pattern closely. The federal government was dominated by the centrist Liberal Party for most of the postwar period, with only occasional interludes of Conservative rule. These governments have sought to maintain and expand major spending programs to retain broad public support, but have been reluctant to impose commensurate increases in taxation. Herein lies the political explanation of the structural component of the federal deficit that emerged in the second half of the 1970s. Federal expenditures remained constant as a proportion of GNP after 1974–75 until the onset of the recession in 1981–82. But in the same period taxation fell as a proportion of GNP, following a steady stream of discretionary tax concessions intended, according to Wolfe, "to reassure private enterprises and upper income individuals that the cost of the welfare state in Canada would not fall on their shoulders."[25] When it comes to taxation, Canadian governments do not always have the courage of their spending convictions.

The Canadian public sector has clearly increased dramatically, altering the balance between public and private in modern life. The world of the limited state is a world we have lost — or discarded. We have done so in common with other Western nations, although less decisively than many. Indeed the broad picture that emerges from Cameron's tables is of a somewhat conservative variant of the modern Leviathan, one molded primarily by centrist politics and international economic forces that it cannot control.

Images of the State

Intense controversy now surrounds the meaning and consequences of the expansion of the public sector. The broad consensus on the objects of public policy that prevailed in most industrial nations during the 1950s and 1960s has been unravelling since, and the debate over the scope of government is now vigorous and occasionally passionate. One sign of this controversy has been the intensification of debate over the nature of the state itself. Intellectuals have long reflected on the essential characteristics of the state and its relations with the wider society. Indeed, the

intellectual evolution of a nation can be traced, in part, by charting the rise and fall of competing interpretations of government, a process that Reg Whitaker has referred to as "a type of intellectual history of the successive images or conceptualizations of the state."[26]

When such an intellectual history of Canada during the contemporary period is written, one major theme will undoubtedly be the erosion of faith in the capacities of the state itself. A common thread running through the major blueprints for the future advanced during the 1930s and 1940s was a pervasive sense of optimism about the potential of an activist state. To be sure, there was substantial disagreement about the ways in which state power should be exercised. Liberal and centrist opinion generally assumed that enlightened fiscal and monetary policies could ensure full employment and stable prices, while new social programs could usher in a more equitable society. As Mishra has emphasized, the strategy was not to replace, but to complement, market mechanisms: "The overall intent was to make the liberal market society more productive, stable and harmonious."[27] Socialist opinion, on the other hand, saw even greater potential in state action. According to the League for Social Reconstruction, capitalism had failed decisively in the 1930s and should be superseded by central state planning carried out by a National Planning Commission and an élite corps of technical experts.[28] Despite their major differences, however, both of these schools of thought shared a faith that an activist state could resolve the pressing problems of modern society.[29]

That faith has receded in the last decade. Disenchantment with the effectiveness of political action is hardly universal, but the optimism of the early postwar years has given way to lowered expectations, renewed emphasis on the limits of public policy, and greater stress on the negative consequences of an enlarged public sector. This reappraisal is not limited to any one part of the political spectrum. While criticism from conservative commentators is obviously much more vociferous, debate about the problems inherent in a centralized and bureaucratic state has also re-emerged on the political left.[30]

The erosion of faith in state activism has been accelerated by the economic and social record of Western governments in recent years. The postwar promise of full employment and stable prices lies broken, for all to see. Similarly, confidence in the Welfare State has been sapped by the rediscovery of poverty and the realization that the overall distribution of income has remained frustratingly stable throughout the entire postwar era. For some observers on the left, the Welfare State looks less and less like an instrument of true social reform, and more and more like a mechanism for preserving the legitimacy of an unequal society.

Concern about the effectiveness of the state, however, also flows from the political consequences of an enlarged public sector, and it is these political dimensions that constitute the primary focus in the essays by

Alan Cairns and Anthony Birch. One of the striking features of the prevailing trend of commentary is that the Orwellian image of the state is less prominent than its size and penetrative capacities might suggest at first glance.[31] Indeed, a much more common image is of a paralyzed Leviathan. For Alan Cairns, one of the paradoxes of the contemporary era is "the startling discrepancy between the size and the weakness of the modern state." Other commentators have gone further, insisting that the state is in crisis, overwhelmed by the burden of its own weight and threatened by a steady decline in its authority. Anthony Birch, as we shall see, dissents from the more sweeping versions of this interpretation. But the dominant image that pervades the chapters that follow remains one of a state struggling to cope with intense pressures, rather than one of a state dominating society with ease. This theme can best be illuminated by examining three images of the state around which much of the discussion revolves: the fragmented state, the embedded state and the state in crisis.

The Fragmented State Tradition teaches that parliamentary government, with its fusion of executive and legislative authority, produces a formidable concentration of political power in the hands of a cabinet capable of bringing coherence and integration to the overall conduct of public affairs. But contemporary reality no longer seems to accord with ancient theory. The expansion of the public sector has resulted in a dispersion of power within the administrative system and has accentuated traditional problems of co-ordination, representation and accountability.

Canadian public administration no longer approximates the classical Weberian conception of bureaucracy, with its clear division of labour and its clean lines of hierarchical control. The modern executive more closely resembles a large constellation of interdependent offices, each competing for power and prestige. In part, this centrifugal system is the product of deliberate design, as governments have responded to the crowded agenda of the modern state by creating semi-autonomous Crown corporations and regulatory commissions. In part, however, it is the product of necessity, as the scope and complexity of contemporary government simply defies synoptic decision making.

There has, of course, been a countervailing trend over the last twenty years. Central political and bureaucratic authorities in Canada, as in other Western nations, have struggled to exert more effective control over the sprawling apparatus of the modern state.[32] The reorganization of cabinet decision making, the expansion and multiplication of central agencies, the repeated reforms of the budgetary process, the frequent reshuffling of departmental responsibilities, the stronger cabinet controls over Crown corporations enacted in 1984: all attest to the continuing effort of government to impose greater coherence on itself.

The effort has been partially successful. The collective responsibility

of cabinet is probably a more meaningful concept now than it was twenty years ago. Nevertheless, success is always partial. The original decisions to create corporations and commissions reflected real benefits to be gained from insulating them from detailed ministerial control, and those reasons retain considerable force. More fundamentally, at some point the centralization of decision making becomes self-defeating. The result is congestion and overload at the centre, and paralysis in the peripheries. In the case of the federal government, the twenty-year drive to pull power toward the centre has produced a more protracted, tortuous and — in the eyes of some participants — a less creative and responsive policy process.[33] The abolition of two central agencies, the Ministry of State for Economic and Regional Development and the Ministry of State for Social Development, in the summer of 1984 suggested the beginnings of a swing of the pendulum of bureaucratic power back toward departments, corporations and commissions. The election of a new government two months later, however, halted further moves in that direction, at least temporarily.

This dispersal of power within modern governments is accentuated in Canada by the federal system. The limitations on hierarchical control within governments is compounded by the absence of hierarchy among governments. Moreover, the local level of government retains centres of partial autonomy, despite the tightened controls often imposed in recent years in the name of public spending restraint. The overall Canadian federal state is a fragmented apparatus of power.

Critics of Canadian government regularly lament its fragmented nature, and its limited capacity for integrated planning and concerted action in economic and social affairs. Alan Cairns argues, however, that there are advantages in dispersed power. While the public sector has grown, it does not appear to have gained comprehensive control over our lives. Its divided structures limit the more sinister potential of Leviathan. In Cairns' words, "state power is so dispersed and its application so fragmented in Canada that the state is incapable of anything approximating total control of the citizenry. It can scarcely keep its own house in order."

The Embedded State The expansion of the public sector has also transformed the nature of relations between the state and society in the contemporary era. Public and private now intermingle so thoroughly that the dividing line is increasingly obscure, and neither can even be measured with precision. To cite but one example, the advent of mixed enterprises and their numerous subsidiaries, in which public and private capital mingle in varying degrees, makes the definition of a public corporation a matter of considerable uncertainty and contributes to the embarrassing confusion noted earlier about how many federal Crown corporations actually exist.

For Alan Cairns, this blending and confounding of public and private

is simply part of a larger fusion of state and society. His analysis here stands in contrast to the growing emphasis on the relative autonomy of the state in much recent literature.[34] "The traditional state-society dichotomy," his essay suggests, "seriously misleads, for it postulates a separateness that no longer exists." Instead, he sees a pervasive interdependence between a politicized society, in which political calculus is increasingly central to the pursuit of individual goals, and an embedded state, caught in a vast web of linkages with society that limit its scope for autonomous action.

Cairns explores the consequences of this growing interdependence for social integration. The modern fusion of state and society, he argues, is simultaneously fragmenting and integrating. In one sense, Canadians are increasingly divided from one another. As the scope of the public sector expands, its own internal divisions are imprinted on society. Federalism, departmental boundaries and even elements of the new Charter of Rights and Freedoms pull society as a whole and each citizen as an individual in many directions at once — into provincial communities for some purposes and national communities for others, and then into the endless variety of administrative categories through which government deals with the population. The result is a multiplication of social distinctions, as groups coalesce around, and advance their interests through, the complex grid of the modern state. "The more we relate to each other through the state, the more divided we seem to become." In addition, the entire process takes on a fundamental psychological dimension, as the basic political identities of citizens and the symbolic order of society are shuffled and reshuffled by the evolving structures and policies of government. These centrifugal processes are reinforced by society's own divisive tendencies. Traditional cleavages of region, language and class are increasingly cross-cut by newer divisions rooted in gender, age, ethnicity, life-style, disability and so on. These emerging social interests invade the state, stimulating new programs and offices, and accentuating the fragmentation of its structures. The mutual embrace of state and society thus erodes the solidarity of traditional communities.

Yet this social pluralism also performs an integrating role. Cairns assumes a growing predominance of interests defined in non-territorial terms, which for the most part inhibits secessionist potential and locks Canadians more firmly into the existing political framework. The argument here echoes the view advanced by John Porter and others that a "creative" politics based on class divisions would integrate Canadians across regional boundaries. In place of the single cleavage of class, however, Cairns juxtaposes multiple divisions not derived directly from the economy. "The emergent national community, therefore, promises to be more internally fragmented and plural than was assumed by those who asserted the integrative capacities of the democratic class struggle."

In addition to his concern with integration, Cairns reflects on the ways in which the fusion of public and private limits the flexibility of the state and constrains its capacity to make basic choices about the future. Embedded in society, restrained by countless linkages and complex understandings between the public and private sectors, government's room for manoeuvre is steadily reduced. Hence the paradox of the expanding scope and the declining power of the state. Leviathan has been tied down by a thousand threads.

Governments occasionally lash out against this creeping paralysis. Unilateral actions can certainly overturn established understandings and policies, and "the *fait accompli* takes its place in the arsenal of democratic state craft." However, unilateralism can generate considerable tension and bitterness in contemporary politics, and is unsustainable as a general approach to democratic government. There is no hint in Cairns' paper that a true divorce between public and private is really possible.

This is a sweeping interpretation that, as Cairns himself stresses, is suggestive rather than definitive. There is great scope for debate here. To cite only a few examples, is there an inner tension within the argument between the emphasis on the constrained nature of an embedded state on one hand, and the emphasis on the state's capacity to shape and reshape the identities of citizens on the other? Does the state have such a marked ability to reorder the psychological world of its citizenry? How many Canadians really think metrically and know the new words to "O Canada"? Perhaps attempts at symbolic engineering produce collective disorientation as often as crisp new identities. Clearly, Cairns' image of the state is a provocative one that commands attention and raises many intriguing issues.

The State in Crisis The images evoked by the fragmented state and the embedded state already begin to blur the image of a powerful Leviathan. But these interpretations are positively sanguine about the potential of the modern state in comparison with other streams of commentary during the last decade. Throughout the 1970s and early 1980s, the state was widely portrayed as beset by a series of crises, the cumulative effect of which was to erode public confidence in government and democratic politics, and to weaken the fundamental authority of the state.

Commentators differed in their precise diagnoses. Some argued that the political process in liberal democracies had become "overloaded."[35] Throughout the years of postwar affluence, advocates of this view insisted, there had been a steady escalation in public expectations of the benefits that the state could and should provide, expectations that governments inevitably disappointed, especially given the economic constraints of recent years. The result was a growing political cynicism

among the general public, and a turning away from the conventional forms of political life, toward alienation and apathy on the one hand, or direct action on the other.

Other commentators went further, insisting that Western nations face a crisis of "ungovernability." Social and economic groups were seen as pressing their narrow interests with increasing vigour, resisting compromise and rejecting unwelcome policies, occasionally even to the point of defying the law. In some cases, governments had challenged entrenched interests, only to lose; and elsewhere critics pointed to an increased incidence of protests and demonstrations and an increased willingness in some countries to resort to illegal and violent action. From this perspective, the state's capacity to build consensus and secure compliance with its decisions seemed to be withering.

The state's ability to fulfil even the most elemental task of maintaining its own territorial integrity was also questioned. In almost all Western nations, the 1960s and 1970s witnessed powerful decentralist pressures, as localities, regions and peripheries sought to preserve what they saw as their distinctive culture and identities. In some countries, the challenge turned deadly serious, and the central government was hard pressed to protect its jurisdiction from separatist movements firmly rooted in traditional ethnic and linguistic communities.[36] At the same time, other theorists saw a threat to the integrity of the state from outside forces. The growing interdependency of the world economy and social affairs seemed to be eroding the ability of governments to control the flow of ideas, capital and people across their borders, and new challengers in the form of multinational corporations and international institutions loomed on the horizon. The authority of the state seemed to be challenged from above and below.[37] "Contemporary political events," according to one assessment written in 1981, "are characterized by forces pushing simultaneously in two opposite directions towards smaller, or at least more decentralized structures, and simultaneously towards larger, more integrative systems. The first of these is captured by the notion of regionalism and the second by supranationalism."[38]

While employing a different language, Marxist scholars also depicted a state in crisis.[39] The essential argument is that the capitalist economic system has been legitimated in Western societies by a combination of liberal democracy, the dominance of conservative ideologies, and the social benefits of the welfare state. In advanced capitalism, however, this system of legitimation is being undermined. In particular, the burden of expansive social programs reduces private consumption, or capital accumulation and investment, or both. The result is a fiscal crisis for which there is no politically palatable solution, and the broad public acceptance of the economic and political order is potentially jeopardized.

The image of crisis has thus been a pervasive one. As Anthony Birch

emphasizes in his paper, despite the variety of diagnoses, "the common theme of this rather pessimistic body of analysis and prediction is that recent developments have weakened and are weakening the authority possessed by democratic governments." Birch sets out to investigate the seriousness of these multiple challenges to the state, concentrating on the experience of the United States, Britain and Canada. While the available evidence on many dimensions is far from perfect, his conclusions suggest that the crisis literatures underestimate the durability of the contemporary state and the adaptability of democratic political processes.

In the first place, the state has coped more effectively than its critics suggest. Birch rejects the idea of an inherent tendency toward overload, ungovernability and fiscal crisis in liberal democratic states. The proposition that public demands would continue to escalate inexorably and that governments would prove too weak to resist is simply not supported by the record since the onset of serious economic difficulties in the mid-1970s. Public expenditures between 1975 and 1981 did not grow more rapidly than the economy as a whole in many Western nations, including Canada. Public spending as a proportion of GDP did jump again in most countries after 1981, but this jump reflected the cyclical impact of the recession rather than the logic of ungovernability. While the size of the deficit undoubtedly constitutes a serious problem, it is not, in Birch's view, a sign of some internal contradiction within democratic politics or the harbinger of an impending political crisis. This broad assessment receives support from a recent OECD analysis of the Welfare State in Western nations. "A few years ago," the organization notes, "a bleak picture was painted, and the need to make unpalatable decisions as to social priorities seemed the inevitable consequence of economic pressures alone. It now appears that this was a rather pessimistic view." Indeed the OECD concludes that the fiscal crisis of the Welfare State may well have peaked, and that existing social programs can "survive more or less unamended."[40]

More generally, the record of the 1980s shows little evidence that democratic politics are inherently fragile. Many Western nations have imposed severe expenditure restraint; several governments have been re-elected despite unemployment rates considered intolerable only a decade ago; and, more impressionistically, an apparent *decline* in public expectations may be easing pressure on political élites, ushering in what Richard Rose has recently labelled "the politics of reprieve."[41] The most severe recession since World War II has proved politically painful; it has taxed the capacity of governments to cope, and has led to policies considered arbitrary and unfair by many. Despite all of this, however, it has not overwhelmed the basic authority of the state.

The challenge of sub-state nationalism has also been contained. Referenda in Quebec, Scotland and Wales dashed nationalist hopes, and

similar movements elsewhere have failed to rearrange the territorial boundaries of Western nations. Sub-state nationalism would seem less formidable than many supposed. Central élites control a wide range of critical powers that can be deployed against ethno-nationalist movements. Secession always involves economic uncertainties that opponents can exploit, and central governments often succeed in mobilizing latent loyalties to the larger political community. As Birch concludes, the Scots, the Québécois, the Bretons, the Basques and many other "submerged" nations have shown "the capacity to keep the flame of nationalism alive over generations but not the capacity to acquire political autonomy."

Finally, the evolution of public attitudes and political behaviour does not point to a fatal erosion of the state as such. To be sure, there has been a decline in public confidence in government in the United States and Britain, and, perhaps to a lesser extent, in Canada. Not insubstantial minorities of citizens in all three countries are prepared to contemplate various forms of direct political action, including unlawful ones. Moreover, cynicism about governments has coincided with changes in political behaviour, especially in the United States and Britain. Nevertheless, in neither case does the authority of the state seem threatened. Birch is even more categorical about Canada:

> Unlike Americans, Canadians have not turned away from their political parties, stayed away from the polls, or turned with enthusiasm to single-issue pressure groups. Unlike the British, Canadians have not turned to direct action or organized strikes with political objectives. Canadian political behaviour remains reassuringly normal.

In general, he concludes, Canadian governments can go about their business "without fear that their legitimacy will be called into question."

Richard Rose has recently come to similar conclusions about Western nations more generally, on the basis of an examination of a number of surveys of public attitudes. Despite the erosion in recent years noted above, public confidence in governmental institutions is still higher than public confidence in private institutions such as corporations, trade unions and the media, a pattern that holds in both the United States and Europe. The public in Western nations continues to show only limited support for unconventional political protest; the vote for anti-regime parties has fallen rather than risen in recent years; and incumbent parties are re-elected as frequently as in earlier postwar decades. Voters in Western nations may be less optimistic about future economic prospects but, Rose concludes, "consent for established institutions of governance is everywhere strong."[42]

None of this is to deny the seriousness of contemporary problems. It is to deny, however, that economic crises are automatically political crises. If anything, recent economic problems have snuffed out streams of

social criticism that were prevalent in the 1960s and early 1970s. Governments will remain hard pressed and constrained; the activist reformist state of the early postwar decades is unlikely to reappear soon. But reports of a serious weakening of the liberal democratic state seem decidedly premature.

Summary Images

The modern state is clearly a Leviathan. The expansion of government over the last fifty years has irrevocably altered the balance between the public and private domains of our collective existence. This process has not proceeded as far or as rapidly in Canada as it has in many other Western nations, for reasons firmly rooted in the political economy of the country. Even in Canada, however, the public sector is now so pervasive that few aspects of life are untouched by it.

Yet the images of the state that emerge from the essays that follow suggest that this is not the Leviathan so feared by Orwell and others of his generation. The state may be large, but contemporary intellectuals seem as impressed by its weaknesses as by its powers. Its authority is certainly not as vulnerable as some have suggested in recent years; and Western governments have shown considerable resilience in the face of multiple challenges during the last two decades. Nevertheless, the state does emerge in a somewhat unheroic light, as an institution struggling to cope, rather than confidently mastering all that it surveys.

Notes

This study was completed in September, 1985.

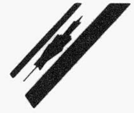
1. For useful surveys of recent developments in this field, see D. Held et al., eds., *States and Societies* (Oxford: Martin Robertson, 1983); G. McLennan, D. Held and S. Hall, *The Idea of the Modern State* (Milton Keynes: Open University Press, 1984); K. Dyson, *The State Tradition in Western Europe* (Oxford: Martin Robertson, 1980); and K. Von Beyme, "The Role of the State and the Growth of Government," *International Political Science Review* 6 (1985): 11–34.
2. Statistics Canada, *Historical Data Compendium*, prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Ottawa: Statistics Canada, 1985), Table 5.12.
3. R.M. Bird in collaboration with M.W. Bucovetsky, and D.K. Foot. *The Growth of Public Employment in Canada* (Montreal: Institute for Research on Public Policy, 1979), Figure 3.7 and Table 3.2.
4. J.W. Langford and K. Huffman, "The Uncharted Universe of Federal Public Corporations," and A. Vining and R. Botterell, "An Overview of the Origins, Growth, Size and Functions of Provincial Crown Corporations," in *Crown Corporations: The Calculus of Instrument Choice*, edited by J.R.S. Prichard (Toronto: Butterworth, 1983).
5. W.J. Stanbury and F. Thompson, "The Scope and Coverage of Regulation in Canada and the United States: Implications for the Demand for Reform," in *Government Regulation: Scope, Growth, Process*, edited by W.T. Stanbury (Montreal: Institute for Research on Public Policy, 1980).
6. This paragraph draws heavily on the useful survey found in J.L. Howard and W.T.

Stanbury, "Appendix to Measuring Leviathan: The Size, Scope and Growth of Governments in Canada," in *Probing Leviathan: An Investigation of Government in the Economy*, edited by G. Lermer (Vancouver: Fraser Institute, 1984), pp. 127–223.

7. J.L. Howard and W.T. Stanbury, "Measuring Leviathan: The Size, Scope and Growth of Governments in Canada," in *Probing Leviathan: An Investigation of Government in the Economy*, edited by G. Lermer (Vancouver: Fraser Institute, 1984), p. 94.
8. A recent OECD study did detect some "catching up" between 1960 and 1982, with expenditures rising more rapidly in the five countries with the lowest spending levels at the outset than in the five countries with the highest initial levels. Nevertheless, the coefficients of variation in expenditure levels among OECD nations in general declined only slightly over the two decades. OECD, *The Role of the Public Sector*, Economic Studies No. 4 (Paris: OECD 1985), p. 31 and Table 1.
9. M. Schmidt, "The Role of Parties in Shaping Macroeconomic Policy," in *The Impact of Parties: Politics and Policies in Democratic Capitalist States*, edited by F. Castles (London: Sage, 1982), p. 98.
10. OECD, *The Role of the Public Sector*, Table 17.
11. Ibid., Tables 20 and 21.
12. See, for example, H.A. Hardin, *A Nation Unaware: The Canadian Economic Culture* (Vancouver: J.J. Douglas, 1974).
13. A. King, "Ideas, Institutions and Policies of Government," *British Journal of Political Science* 3 (1973), p. 303.
14. OECD, *Public Expenditure on Income Maintenance Programmes* (Paris: OECD, 1976), and *Public Expenditure Trends* (Paris: OECD, 1978).
15. OECD, *Social Policies 1960–1990* (Paris: OECD, 1985), appendix C.
16. See also A. Lindbeck, "Stabilization Policy in Open Economies with Endogenous Politicians," *American Economic Review* 66 (1976): 1–19; D.R. Cameron, "The Expansion of the Public Economy: A Comparative Analysis," *American Political Science Review* 72 (1978): 1243–61; P.J. Katzenstein, "The Small European States in the International Economy: Economic Dependence and Corporatist Politics," in *The Antimonies of Interdependence: National Welfare and the International Division of Labour*, edited by J.G. Ruggie (New York: Columbia University Press, 1984); and P.J. Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca, N.Y.: Cornell University Press, 1984).
17. H.J. Laski, "The Obsolescence of Federalism," in *The People, Politics and Politicians*, edited by A. Christensen and E.M. Kirkpatrick (New York: Holt, 1941); A.H. Birch, *Federalism, Finance and Social Legislation in Canada, Australia and the United States* (Oxford: Clarendon Press, 1955); A. Heidenheimer, H. Heclo and C. Adams, *Comparative Public Policy: The Politics of Social Choice in Europe and America* (New York: St. Martin's Press, 2d. ed., 1983); K. Banting, *The Welfare State and Canadian Federalism* (Montreal: McGill-Queen's University Press, 1982).
18. These findings are consistent with the main findings of a growing body of literature. See, for example, the various papers in F. Castles, ed., *The Impact of Parties*, and C.L. Taylor, ed., *Why Governments Grow: Measuring Public Sector Size* (Beverly Hills: Sage, 1983). See also D. Hibbs, "Political Parties and Macroeconomic Policy," *American Political Science Review* 71 (1977): 467–87, and "On the Political Economy of Long-Run Trends in Strike Activity," *British Journal of Political Science* 8 (1978): 153–76.
19. For a larger interpretation of the impact of the United States economy on the economic performance of other nations, see A. Martin, "The Politics of Employment and Welfare: National Policies and International Interdependence," in *The State and Economic Interests*, volume 32 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985).
20. For a more detailed comparative analysis, see OECD, *The Role of the Public Sector*, pp. 40–56.
21. D.A. Hibbs Jr. and H.J. Madsen, "Public Reactions to the Growth of Taxation and Government Expenditure," *World Politics* 33 (1980–1981), p. 430.

22. See also H. Wilensky, *The "New Corporatism," Centralization and the Welfare State* (Beverly Hills: Sage, 1976).
23. See especially D.R. Cameron, "Does Government Cause Inflation? Taxes, Spending and Deficits," in *The Politics of Inflation and Economic Stagnation*, edited by L. Lindberg and C. Maier (Washington, D.C.: Brookings Institution, 1985).
24. David A. Wolfe, "The Politics of the Deficit," in *The Politics of Economic Policy*, volume 40 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985).
25. Ibid.
26. R. Whitaker, "Images of the State in Canada," in *The Canadian State: Political Economy and Political Power*, edited by L. Panitch (Toronto: University of Toronto Press, 1977), p. 30.
27. R. Mishra, *The Welfare State in Crisis* (Brighton: Wheatsheaf Books, 1984), p. 7.
28. Research Committee of the League for Social Reform, *Social Planning for Canada* (Toronto: Nelson and Sons, 1935). See also F.R. Scott, "The Efficiency of Socialism," *Queen's Quarterly* 42 (1935): 215–25.
29. More conservative schools of thought shared this sense of the power of the state, but sought to restrain it. Fear of an overweening administrative state contributed powerfully to support for a bill of rights within elements of the Progressive Conservative party, the legal profession and established economic interests during the 1940s and 1950s. See W.S. Tarnopolsky, *The Canadian Bill of Rights*, 2d. ed. (Toronto: McClelland and Stewart, 1975), chap. 1.
30. See E. Luard, *Socialism Without The State* (London: Macmillan, 1979); G. Hodgson, *The Democratic Economy* (Hammondsworth: Penguin, 1984); A. Nove, *The Economics of Feasible Socialism* (London: Allen and Unwin, 1983).
31. For an exception, see G. Woodcock, *Orwell's Message: 1984 and The Present* (Madeira Park, B.C.: Harbour Publishing, 1984). For more general views, see I. Howe, ed., *1984 Revisited: Totalitarianism in Our Century* (New York: Harper and Row, 1983).
32. See C. Campbell, *Governments Under Stress: Political Executives and Key Bureaucrats in Washington, London and Ottawa* (Toronto: University of Toronto Press, 1983).
33. A.W. Johnson, "Public Policy: Creativity and Bureaucracy," *Canadian Public Administration* 21 (1978): 1–15.
34. E. Nordlinger, *On the Autonomy of the Democratic State* (Cambridge: Harvard University Press, 1981); R. Miliband, "State Power and Class Interests," *New Left Review* 138 (1983): 57–68; T. Skocpol, "Bringing the State Back In," (paper presented at the conference on States and Social Structures, Mount Kisco, N.Y., 1982), and *States and Social Revolutions* (Cambridge: Cambridge University Press, 1979); and S.D. Krasner, *Defending the National Interest* (Princeton, N.J.: Princeton University Press, 1978).
35. The literature here is legion. See, for example, Anthony King, "Overload: Problems of Governing in the 1970s," *Political Studies* 13 (1975): 284–96; M. Crozier et al., *The Crisis of Democracy* (New York: New York University Press, 1975); D. Bell, *The Cultural Contradictions of Capitalism* (New York: Basic Books, 1976); S. Britton, "The Economic Contradictions of Democracy," *British Journal of Political Science* 5 (1975): 129–59; and R. Rose and G. Peters, *Can Government Go Bankrupt?* (New York: Basic Books, 1978).
36. See, for example, N. Glazer and D. Moynihan, *Ethnicity: Theory and Experience* (Cambridge: Harvard University Press, 1975); M. Esman, ed., *Ethnic Conflict in the Western World* (Ithaca, N.Y.: Cornell University Press, 1977); A. Lijphart, *Democracy in Plural Societies* (New Haven: Yale University Press, 1977); and L.J. Sharpe, ed., *Decentralist Trends in Western Democracies* (Beverly Hills: Sage, 1979).
37. For a critique of this literature, see K.J. Holsti, "The Necrologists of International Relations," *Canadian Journal of Political Science* (forthcoming).

38. D.M. Cameron, ed., *Regionalism and Supranationalism: Challenges and Alternatives to the Nation-State in Canada and Europe* (Montreal: Institute for Research on Public Policy, 1981), p. xiii.
39. On the similarities with many neoconservative critics, see C. Offe, *Contradictions of the Welfare State* (London: Hutchinson, 1984), especially chap. 6. Also J. O'Connor, *The Fiscal Crisis of the State* (New York: St. Martin's Press, 1973), and J. Habermas, *Legitimation Crisis* (London: Heinneman, 1976).
40. OECD, *Social Policies 1960–1990*, p. 62. For the Organization's own earlier pessimism, see *The Welfare State in Crisis* (Paris: OECD, 1981).
41. R. Rose, *Understanding Big Government: The Programme Approach* (Beverly Hills: Sage, 1984), p. 244.
42. Ibid., p. 241.



The Growth of Government Spending: *The Canadian Experience in Comparative Perspective*

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Throughout the advanced capitalist world, government has grown substantially during the past half-century.[1] The vision of Clark (1945) that a ceiling would be reached when government expenditure or taxation approached 25 percent of the national product has long since been rendered obsolete by an apparently inexorable increase to levels that are more than twice that figure. In some nations — most notably the Netherlands and Sweden — the fiscal role of government is now so large that government spending is equivalent to about two-thirds of the national product. Even in nations such as the United States and Japan, in which the fiscal role of government has been relatively small (relative, that is, to the central and northern European nations), the extractive and distributive activities of government have grown enormously; in those nations, for example, total government spending has now reached amounts equivalent to one-third of gross national product (GNP) (OECD, 1984a). Clearly, then, the growth of government involves a change in political institutions that is significant in extent and universal in occurrence.

Given the magnitude and universality of the growth of government in the decades during and since the Great Depression and World War II, it is not surprising that scholars have devoted much attention to the analysis of the causes and consequences of that growth.[2] Political scientists, as well as economists and historians, scholars using inductive and quantitative methods, as well as those relying on deductive, logical-analytic methods, have investigated the phenomenon. As the research has accumulated, a body of knowledge has formed that contains both descriptive empirical characteristics of that growth in government and explanatory models to account for that growth.

In spite of all the scholarly attention devoted to the growth of government in recent years, there are important gaps in the research on the subject. Perhaps most striking is how little is really known about the causes of the growth of government. Despite all the detailed knowledge about the levels of taxing and spending, and the specific functions and policies of governments, the reasons for those changes often remain elusive and mysterious. The insights drawn from cross-national analyses of the covariation between growth in government and the partisanship of government (Cameron, 1978; Castles, 1982) or openness of the economy (Cameron, 1978; Katzenstein, 1985) are intriguing, but the nature of the analyses — comparisons across nations at one period, rather than comparisons of change over time within one nation — do not permit causal inferences. The type of analysis that does lend itself to such inference — the type which is longitudinal rather than cross-sectional — is unfortunately quite rare.[3] Furthermore, most of the studies that employ longitudinal analysis are beset with a different problem: they tend to ignore politics.[4] Some studies avoid altogether any consideration of the explicitly political causes of government growth. Others, while recognizing the possible importance of politics, fail to compare systematically the impact on that growth of politics relative to other, usually economic, factors.

In contrast to most of the longitudinal studies of the growth of government, politics is recognized as a critically important driving force in the studies of government growth that emanate from the public choice tradition.[5] For all their analytic elegance, however, these studies, too, are not without shortcomings. In most studies the vision of politics is narrow and concentrates largely — often exclusively — on officialdom and the internal bureaucratic norms and practices of government. Most studies, too, are woefully deficient in systematic empirical analysis, and all too often the arguments are just that: opinions supported, at best, by snippets of anecdotal evidence.

This study examines the growth of government spending in Canada and throughout the advanced capitalist world in the post-World War II era, and considers, in particular, the impact of politics and political institutions on that growth. The first section provides an overview of the scope of the contemporary public economy in Western Europe, North America and the Pacific. The data allow a comparison across nations of the levels of government spending and the magnitude of growth in spending in recent decades; they provide a comparative perspective from which one can view the level and increase of spending in Canada. This section also considers the extent to which variations across nations in level and expansion of government spending correspond to differences in certain political attributes and characteristics.

The second section considers the fiscal role of government in Canada over the last six decades, giving particular attention to the several

periods during which that role expanded. The third section investigates the growth of government spending in Canada in a more systematic way, paying particular attention to the political factors that may have influenced that growth.

Government Spending in the Advanced Capitalist Democracies

Table 2-1 presents data on government spending for 20 nations during the last two decades.[6] These data afford a comparison across nations of the magnitude of total government spending relative to the size of the whole economy, as well as the level of government spending on social security benefits and social assistance grants, and the level of government's final consumption expenditure. The data demonstrate that the scope of the public economy varies enormously across the advanced capitalist nations. In a few nations, such as Sweden and the Netherlands, total government spending now represents an amount equivalent to roughly two-thirds of gross domestic product (GDP), and in several others, most notably Denmark, Ireland and Belgium, total spending exceeds one-half of GDP (as of 1981, the latest year for which complete data are available from the OECD). In a few other nations, such as the United States, Japan, Australia and Spain, government spends "only" about one-third of GDP. Similarly, some nations — the Netherlands, Belgium and France, in particular — spend an amount equivalent to roughly one-quarter of GDP on social security and social assistance, while other nations, such as Switzerland, Finland, the United States, Japan, Australia, Greece and Portugal, spend only about one-tenth of their GDP on such programs.

While much of the political rhetoric concerning the growth of government concentrates on welfare policy and the transfer payments involved in social security and social assistance programs, funds for such programs are not directly consumed by government. These funds are, of course, raised through various tax schemes. However, they are passed through government to individuals for their private consumption, and government represents a "redistributional conduit" rather than a source of final direct consumption.[7] That redistributional role is exceptionally important, of course, but the direct consumption of funds by government in the form of wages, salaries, services purchased, and so on, is important, too. It is therefore worthwhile to examine the variation in the fiscal size of government in relation to its direct, or final, consumption expenditure. Table 2-1 provides data on the level of that form of government spending, relative to GDP. We observe considerable variation among nations in this aspect of spending — indeed, a wider range of variation than is found in the domain of social security and social assistance spending. In Sweden and Denmark, government directly consumes almost one-third of the GDP; in contrast, government in

TABLE 2-1 Government Spending as a Share of GDP in 20 OECD Nations, 1964–65 to 1980–81

	Government Final Consumption Expenditure			Social Security Benefits and Social Assistance Grants			Total Outlays of Governments		
	1964–65	1980–81	Increase	1964–65	1980–81	Increase	1964–65	1980–81	Increase
Sweden	17.2	29.1	11.9	9.3	19.3	10.0	35.6	63.7	28.1
Netherlands	14.8	18.0	3.2	13.3	28.0	14.7	38.3	60.6	22.3
Denmark	15.9	27.3	11.4	8.0	17.2	9.2	29.2	57.7	28.5
Ireland	13.5	21.8	8.3	8.7	15.8	7.1	32.5	55.0	22.5
Belgium	12.7	18.6	5.9	11.8	22.0	10.2	31.6	53.9	22.3
Austria	13.4	18.1	4.7	14.7	19.4	4.7	38.1	49.4	11.3
West Germany	15.0	20.4	5.4	12.9	17.9	5.0	36.4	48.8	12.4
Norway	14.8	18.9	4.1	9.0	14.7	5.7	33.7	48.6	14.9
Italy	14.7	17.3	2.6	12.1	17.1	5.0	33.1	48.4	15.3
France	13.2	15.5	2.3	16.5	24.4	7.9	38.2	47.7	9.5
Britain	16.7	21.9	5.2	7.9	13.3	5.4	35.2	46.5	11.3
Canada	14.9	19.6	4.7	6.2	10.2	4.0	29.0	41.1	12.1
Portugal	12.2	14.8	2.6	3.4	11.2	7.8	20.3	39.0	18.7
Finland	13.7	18.9	5.2	7.5	10.5	3.0	30.9	38.8	7.9
Switzerland	10.5	12.6	2.1	6.7	12.4	5.7	26.7	38.2	11.5
Greece	11.7	17.0	5.3	6.8	9.8	3.0	26.3	35.2	8.9
United States	17.3	18.1	0.8	5.4	11.5	6.1	28.2	35.2	7.0
Australia	10.9	17.1	6.2	5.7	9.1	3.4	24.7	33.9	9.2
Japan	8.0	10.1	2.1	5.0	10.9	5.9	19.6	33.6	14.0
Spain	7.4	11.7	4.3	6.5	15.7	3.1	19.2	33.0	13.8

Source: OECD, 1983b, and OECD, 1984b, Table 9 for each country. Calculations by author.

TABLE 2-2 Government Employment as a Share of Total Employment in 18 OECD Countries, 1960, 1970 and 1982

	1960	1970	1982
Sweden	12.8	20.6	31.8
Denmark	n.a.	16.8	31.1
Australia[a]	n.a.	22.9	25.4
Norway	n.a.	16.4	22.9
Britain	16.4	18.0	22.4
Belgium	12.2	13.9	19.5
Canada	n.a.	19.5	19.9
Finland	7.8	11.8	19.5
Austria	10.5	13.7	19.2
United States	15.7	18.1	16.7
France	n.a.	13.4	16.1
Italy	8.7	11.8	15.3
Netherlands	11.7	12.1	15.8
Ireland	n.a.	11.2	n.a.
West Germany	8.0	11.2	15.6
Spain	n.a.	7.1	12.5
Switzerland	6.3	7.9	10.4
Portugal	3.9	6.8	9.0
Japan	n.a.	5.8	6.6
Greece	n.a.	4.2	n.a.

Source: OECD, *OECD Economic Studies: Special Issue: The Role of the Public Sector.* Paris: OECD, 1985, Table 13, p. 63.

a. The data for Australia are broader than general government and, therefore, not strictly comparable.

Japan, Spain and Switzerland consumes only a little more than one-tenth of GDP.

A very considerable portion of a government's direct and final consumption of funds — in most countries, two-thirds to three-quarters or more — involves the wages and salaries of public employees. Therefore, the level of direct government expenditure across nations depends, roughly — and only roughly, given the disparities across nations in the level of public wages and salaries — on the number of public employees. Table 2-2 presents data on the variation across nations in public employment; this variation is itself an important indicator and source of government growth.[8] We observe that in some nations, such as Japan and Switzerland, government employees constitute no more than one-tenth of the total labour force; in other nations, however — most notably Sweden and Denmark and, to a lesser degree, Australia, Norway and Britain — public employees represent one-fifth or more of the labour force.

While the levels of government spending, relative to GDP, vary a great deal across the advanced capitalist nations, all of these nations share one characteristic. Regardless of the differences in levels of government spending, all of them have experienced a marked growth of government

spending in recent decades, a growth that usually has far exceeded that in the economy as a whole and that, as a result, has raised the proportion of GDP represented by public spending to historically high levels. Even in this respect, however, there is wide variation among nations. In some, such as Sweden, the Netherlands, Denmark, Ireland and Belgium, the proportion of GDP represented by total government spending has nearly doubled in the last two decades; in others, such as the United States and Australia, the share of GDP represented by spending has increased by only 25 percent. Similarly, final consumption expenditure by government — perhaps a better measure of the "real" size of government than those measures which depend either completely or in large part on transfer payments to individuals — increased by more than 10 percent of GDP in Sweden and Denmark between the mid-1960s and early 1980s, but by only 2 to 3 percent of GDP in Japan, Switzerland, France, Italy and the Netherlands, and by less than 1 percent of GDP in the United States.

Canada in Comparative Perspective

The data in Tables 2-1 and 2-2 allow the observer to compare the level and extent of change of government spending in Canada with the levels and rates of change in other nations. Those data suggest that the Canadian public economy is considerably larger than that of the United States and those of the nations of southern Europe and the Pacific, but somewhat smaller than those of Britain, France, West Germany and Italy, and considerably smaller than those of several other European nations. By the early 1980s, total expenditures by all governments in Canada represented slightly more than 40 percent of GDP, compared with 35 percent for the United States, 47 percent for Britain, and 48 percent for France. Canada, however, experienced a larger increase in spending over the two previous decades than those three nations; between the mid-1960s and the early 1980s, the share of GDP absorbed by government spending expanded by about 40 percent in Canada, compared to increases of 25 percent in the United States and France, and 33 percent in Britain.

Further, the data presented in Tables 2-1 and 2-2 suggest that the government's final consumption expenditure and the level of public employment in Canada are quite large relative to the total outlays of all government. As in the United States, Britain and Australia — and in contrast to the situation in most of the European nations — government consumes considerably more in the purchase of goods and services than it passes on to individuals through social security benefits and social assistance grants. Thus, in 1980–81, the final consumption expenditure of all Canadian governments represented about 20 percent of GDP (roughly the same proportion found in the United States, Britain and West Germany), while transfer payments for social programs repre-

sented only slightly more than 10 percent of GDP. Put another way, government in Canada — as in the United States, Britain and Australia — spends, relative to other nations, more on the provision of services and less on the provision of income-supplementing funds to individuals. This mix of final consumption by government and transfer payments means, of course, that government in Canada (and in the three other nations as well) is relatively labour intensive and generous in its provision of services employing personnel, such as health care and education, while it is less generous in its spending for programs involving transfer payments. And whereas virtually all of the increase in government spending in the United States after the mid-1960s involved social spending, which grew to the extent that it now is equivalent to a larger portion of GDP than is social spending in Canada, a substantial portion of the increase in government spending in Canada involved government's direct, or final, consumption of goods and services, including labour.

Sources of Cross-National Variation in Government Growth

What explains the growth in government spending in recent decades in all nations and the variations among nations in that growth? Does the explanation rest ultimately on the recitation of countries' names and histories? Or is there a more general, less system-specific explanation based on one or more cross-nationally comparable concepts and indicators, the presence or absence of which stimulates or hinders the expansion of government? Unlike longitudinal analyses conducted within one or more nations over a considerable period, cross-national comparisons do not, of course, provide a firm basis for causal inference. But while they do not directly examine the process of change over time within a nation, such comparisons are useful in identifying cross-nationally general sources of change whose presence, absence and extent may vary from country to country.

Table 2-3 presents data on the statistical association among the twenty nations between the size of the increases from 1964–65 to 1980–81 in total government outlays, social security and social assistance, and government final consumption expenditure and several economic and political attributes of the nations. The measures of increase in government spending have been correlated with three attributes of the economy:

- the long-term rate of economic growth, measured by the average rate of change in the constant-price GDP during 1965–81;
- the deterioration in employment between the mid-1960s and early 1980s, measured by the increase in the proportion of the total labour force that was unemployed in 1965–66 and 1980–81; and
- the openness of the economy, measured by the average proportion of GDP composed of exports of goods and services in 1965–81.[9]

TABLE 2-3 Correlations of Increased Government Spending Across 20 OECD Nations, 1964–65 to 1980–81

	Increase in Share of GDP		
	Government Final Consumption Expenditure	Social Security and Social Assistance	Total Outlays
Percentage of cabinet portfolios held by leftist parties	0.51	0.17	0.35
Organizational resources of labour movements	0.58	0.32	0.51
Federal system	−0.20	−0.28	−0.40
Percentage change in "real" GDP, 1965–81	−0.36	−0.27	−0.23
Change in percent unemployment, 1965–66 to 1980–81	0.18	0.22	0.24
Exports as a percent of GDP, 1965–81	0.26	0.57	0.55

Source: The variables pertaining to partisanship of government and labour are described, with sources in Cameron, 1984b. Federal systems are coded 1, unitary systems 0. The three variables involving the economy (change in GDP and unemployment and level of exports) were calculated by the author from data in OECD, 1983b, as well as OECD *Labour Force Statistics, 1970–81* (Paris: OECD, 1983), Table II for each country; and earlier editions of that publication.

It is plausible that each attribute has an effect on the share of GDP spent by government, and therefore that differences among nations in the degree of increase in spending may reflect differences in the three economic characteristics. Government spending relative to the whole economy may increase when the economy experiences a slump if only because most of the direct effects of the slump (decreased production, consumption, and so on) are experienced in the non-governmental sector. In addition, of course, a portion of government spending, such as unemployment compensation, is explicitly countercyclical and increases during a slump. Similarly, spending may increase as a share of GDP when the rate of unemployment rises; again, this occurs both because of the contraction of the non-governmental economy when slumps and recessions occur and because of countercyclical spending. Government spending might be expected to increase more rapidly, therefore, in nations that experience relatively low rates of economic growth and relatively large increases in unemployment over a long period than in nations that have high rates of growth and small increases in unemployment.[10] Finally, on a conjectural and less "economistic"

note, nations whose economies are relatively open and therefore exposed to the vagaries of the world economy may be expected to experience larger increases in government spending in an era of increasing competition in world trade, loss of markets to competitors from newly industrializing countries, and global stagnation.[11] Compared to governments in nations where most of the economic product is traded internally, governments in "open" economies might be called on more frequently, and to a greater degree, to compensate those who suffer from a deterioration in the nation's competitive position in the international economy. The government might carry out this operation by bailing out firms, subsidizing unprofitable sectors, or funding a variety of welfare programs, such as unemployment compensation, job retraining and early retirement.

In addition to correlating the measures of change in government spending with the three attributes of the economy, Table 2-3 includes the relationships between those measures and three political attributes:

- the ideological predispositions of government in relation to the economy over the two decades, measured by the proportion of cabinet portfolios held by leftist parties, defined broadly to include labour, social democratic, socialist, communist, and smaller parties on the left of an ideological continuum.[12]
- the organizational power resources of the labour movement, measured by the power of labour confederations in collective bargaining, the scope of collective bargaining, the organizational centralization (or, conversely, fragmentation) of the labour movement, all multiplied by the extent of unionization;[13] and
- the existence of a federal or, conversely, unitary system of government.

It is plausible that these political factors, too, may help to explain growth in government spending. Spending relative to the economy may increase more rapidly, all else being equal, when parties of the Left govern (assuming that at least some enduring distinction exists between the policy objectives of conservative parties and those of parties on the Left), and therefore nations that were usually or frequently governed by leftist parties during the past two decades should have experienced larger increases in spending than those dominated by non-leftist (and especially conservative) parties. Similarly, since much of government spending involves transfer payments to, and government services for, those with middle and low incomes, such spending would be expected to increase most rapidly when most wage earners were unionized, and when unions were organized in confederations that had considerable collective bargaining power and could "speak" on behalf of the labour movement. Therefore government spending could be expected, all else being equal, to increase more rapidly in nations in which labour was

highly unionized and well organized than in those in which the labour force is largely non-unionized and poorly organized.

In addition to these electoral and sociopolitical factors, the relative size of the public economy may be influenced, also, by the institutional structure of government and, specifically, by the existence of a federal or a unitary form of government. Federal systems have, by definition, a multiplicity of policy-making arenas, each of which has some limited autonomy over a portion of aggregate public spending. In unitary systems, on the other hand, no such multiplicity exists, and all levels of government, including subnational and local levels, are nominally subordinate and have large portions of their budgets fixed by the national government. It is plausible that, all else being equal (including, in particular, the nature and distribution of competitive political parties), federal systems display more diversity at any moment than do unitary systems in the partisanship, ideological predispositions and policy preferences of governing parties of the numerous political subdivisions. That diversity might, in the aggregate, neutralize the distinctive policy objectives of the various governments within the federal nation. Hence, federal systems, relative to unitary ones, might exhibit a more markedly incremental pattern of policy, characterized by a high degree of continuity with the past and relatively small changes, and might be less likely to experience dramatic and non-incremental aggregate changes in government spending over time.

The data in Table 2-3 indicate that most of these conjectures find at least some confirmation in the recent experience of the advanced capitalist nations. Of special interest are the data indicating the critical role of politics in explaining the growth in government spending. For example, the consistently negative correlations observed between the existence of a federal system of government and the measures of government spending indicate that federalism may have some dampening effect on the rate of increase in spending. This effect, while slight, appears to be present in both the funding for social welfare programs and the provision of services by governments. More consequential than that aspect of the political institutional framework, however, is the representation and articulation of partisan interests. A consistently positive correlation exists between the control of government by leftist parties and relatively large increases in public spending; this association is especially pronounced for the increase in the final consumption expenditure of government ($r = +0.51$), although quite modest for transfer payments ($r = +0.17$). Finally, Table 2-3 also shows that the measure of the organizational strength of the labour movement is consistently associated — and more strongly than is the measure of the partisanship of government — with the various measures of increase in spending. Thus, nations with the largest increases in final-consumption expenditure and total outlays were those in which labour was most highly unionized,

unions were organized by industry, labour confederations had considerable control over unions, and collective bargaining was centralized (r = +0.58 and +0.51 respectively).

Table 2-3 suggests that all three aspects of political life — the institutional structure of government, the partisan composition of government, and the organizational resources of the labour movement — may influence the size and rate of expansion of the public economy, and that the latter two aspects are especially consequential for the degree of expansion in the final-consumption expenditure of government. However, the measures of association contained in that table also suggest that the strongest cross-national relationship involves the measure of economic "openness." "Openness," as measured by the proportion of GDP that is exported, is positively associated (r = +0.26) with the increase in the final-consumption expenditure of government, albeit not as strongly as are the partisan and labour measures. But openness is very strongly associated, cross-nationally, with large increases in social security and social assistance as a proportion of GDP (r = +0.57) and with large increases in the total outlays of government (r = +0.55). This strong association would suggest that at least some of the growth of government spending in nations with relatively open economies may reflect a response to exigencies posed by the international economy. Applied to Canada, whose dependence on the United States as a market for so much of its exports would seem to represent an unambiguous case of "openness," this finding would suggest that some of the increase in government spending in recent decades may reflect an effort to insulate the domestic economy and Canadian citizens from the international economy and, in particular, from the frequent cyclical fluctuations that have characterized the American economy.[14] Such inferences cannot, however, be confirmed by cross-sectional analysis. For that, one must employ longitudinal analysis and examine the pattern of change over time.

The Growth of Government Spending in Canada

The statistical associations across the 20 nations between the measures of the growth in government spending relative to the economy and the various economic and political attributes of the nations are suggestive. They indicate that spending increased most rapidly in the small nations with relatively open economies, in which labour was highly unionized and well organized, in which leftist parties frequently governed, and in which the system of government was unitary rather than federal. As plausible as those findings are for describing the significant variations in the extent to which the public economy expended in the recent past, they are, unfortunately, of little help in explaining why government has expanded in all nations, even those whose economies are not very

"open," in which labour is largely non-unionized and highly fragmented, in which leftist parties are weak and seldom in government (if they exist at all), and in which the system of government is federal. Even if those cross-national explanations help analysts to understand why government expanded dramatically in Sweden or Denmark or Belgium or the Netherlands, they are of little assistance in increasing understanding as to why the scope of the public economy has increased significantly in Canada, Japan and the United States, each of which lacks most or all of the attributes associated with expansion.

In order to comprehend more fully the forces that have contributed to the expansion of government spending, even in the countries that appear in the cross-national analysis as laggards, it is necessary to turn from that form of analysis to one which explicitly considers change over time within a nation. In the following sections we shall examine the growth of government spending in Canada over the past several decades in an effort to identify the sources of that growth.

Depression and War

During the twentieth century, the expenditures (and revenues) of government in Canada have increased far more rapidly than has the economic product. Figure 2-1 presents the proportion of GNP spent by the federal government in Canada, as well as that spent by all levels of government since 1926.[15] Figure 2-1 indicates that, in the period prior to the Great Depression, the federal government spent about 5 percent of GNP, and all orders of government spent an amount equivalent to about 15 percent of GNP. By the early 1980s, the federal government's expenditure had grown to about 20 percent of GNP and that of all levels of government combined exceeded 40 percent of GNP.[16] It is the movement over time in the trend lines in this figure with which so much of the empirical and theoretical literature on the growth of government is concerned; and all of the efforts at explanation are, in some sense, no more than attempts to explain the cumulative pattern of increments and decrements in these trend lines, which, taken together, raise the total government spending as a proportion of GNP almost threefold and federal spending, relative to the economy, some fourfold.

The time trends of Figure 2-1 suggest that the first dramatic surge in spending over the period for which annual data on spending are readily available occurred during the Depression. Some of this surge reflects, of course, the dramatic decrease in the base of the ratios plotted in the figure: that is, GNP. Thus, the constant-price GNP fell by more than 10 percent in both 1931 and 1932, and the level of federal spending in nominal dollars fell in 1931 and 1932, while that of all governments remained almost unchanged in 1931 and fell in 1932 and 1933. Nevertheless, the Depression gave rise to a considerable expansion of the

FIGURE 2-1 Percentage of GDP Spent by Government in Canada, 1926–82

role of government, which is accurately reflected in the larger share of the economy represented by federal (and total) spending. As noted in the Report of the Rowell-Sirois Royal Commission, created largely because of the effects of the Depression on federal and provincial spending, the federal government was called upon to provide subsidies to the Canadian National Railway, to wheat producers in Saskatchewan and Alberta (who were subjected not only to sharp decreases in prices but to drought as well), and to coal producers.[17] In addition, the enormous increase in the rate of unemployment from about 3 percent of the labour force in 1929 to almost 20 percent by 1933, whose relief had previously been largely funded by the municipalities — although constitutionally this expenditure was the responsibility of the provinces — led to an increase in Dominion grants-in-aid to the provinces and Dominion-funded public works. The Dominion absorbed, as well, much of the financial responsibility for old age assistance, which had previously been assumed largely by the municipalities.[18]

If the Depression exerted a sharp and sudden upward force on the

scope of the public economy in 1930–32 (notwithstanding the fact that a Conservative, R.B. Bennett, was prime minister between August 1930 and October 1935), the most dramatic upward surge in spending occurred a few years later during World War II.[19] The data in Figure 2-1 suggest that the aggregate spending of Canadian government reached a peak during World War II. Thus, during the first half of the 1940s, when the nation was a participant in World War II federal spending rose from about 7 percent of GNP to reach a maximum of 43 percent in 1944. During the war, the total spending of provinces and municipalities actually decreased as a proportion of GNP, dropping from about 15 to 16 percent in the late 1930s to less than 10 percent during the war. Nevertheless, the spending of all levels of government combined surpassed 40 percent of GNP and reached a high point of 50 percent in 1944.

Postwar Policy Innovation and Implementation

After World War II, and except for the few years of the Korean conflict, when federal spending increased sharply, the share of the economic product represented by federal spending remained remarkably stable, in spite of the introduction of many social programs in the 1950s and early 1960s. In 1952, for example, the federal government under Prime Minister Louis St. Laurent (1948–57) passed the *Old Age Security Act* and the *Old Age Assistance Act*, which provided, for the first time, a system of federally funded universal pensions for persons over 70 years, while retaining the means-tested system of conditional grants for those between 65 and 69 years. In 1956, near the end of that government's tenure, the *Unemployment Assistance Act* was enacted, providing federal funds for general assistance of the unemployed. And in 1957, the Liberal government introduced, against the inclinations of the prime minister (Bothwell, Drummond, and English, 1981), the *Hospital Insurance and Diagnostic Services Act*, a form of national health insurance. (This issue had been on the agenda since the CCF-controlled provincial legislature in Saskatchewan enacted the *Hospital Insurance Act* in 1946, especially after it was endorsed by Ontario's Conservative Premier Leslie Frost in 1955.)

Later, in the 1960s, the government of Lester Pearson enacted a "torrent of legislation" (ibid., p. 311), which included the assumption of a larger role for the federal government in funding higher education by means of grants, the development of new agencies and a new federal responsibility for employment training through manpower-mobility grants, regional development through the creation of the Department of Regional Economic Expansion (DREE), as well as regional subsidies (including special subsidies for the Atlantic provinces), and aid to municipalities through the *Municipal Development and Loan Act*. In addition, in 1965, the Liberal government enacted a new pension scheme that, in

accepting (after considerable initial opposition) the partially funded scheme proposed by the Lesage government in Quebec and in allowing provinces to "opt out," as Quebec did, provided the provinces with a large source of funds for use in pensions or other services. At the same time, the federal government followed through on one of the Liberals' 1963 campaign promises and, emulating Saskatchewan, Alberta and Ontario, all of which had implemented legislation or soon would do so, enacted a national system of medicare in 1965.

How can the almost flat trend line for federal spending after the Korean War until the late 1960s be understood in light of this extensive catalogue of program innovation by the St. Laurent and Pearson governments that, taken together, created the "social service state"? (Ibid., p. 311; Banting, 1982.) One way of resolving this apparent contradiction is to note, on more careful perusal, that the data in Figure 2-1 do, in fact, show that those programs had an impact on the scope of the public economy, although that impact was not immediately felt. Thus the ratio of federal spending, as a share of GNP (essentially constant in the decade after the Korean War) began to drift upward, although not until after 1965. In other words, while the St. Laurent government's programmatic innovations did not cause an immediate enlargement of the relative size of the public sector — a result that is not surprising, given Prime Minister St. Laurent's general conservatism and reluctance to spend large sums on the new social policies — the pattern under the subsequent Liberal governments of Lester Pearson and Pierre Trudeau is quite different and shows the lagged, cumulative fiscal effect at the federal level of government of those and later innovations.

A second reason that the discrepancy between the flurry of programmatic legislation and the relative stability of the federal government's spending as a share of the economy is apparent rather than real is the fact that in Canada's highly complex system of federalism, many of the costs of the federal legislation were borne by the provinces and municipalities. Figure 2-1 shows that the upward slope of total government spending after World War II is much steeper than that of the federal government. Put another way, the spending of provinces and municipalities grew much more rapidly than did that of the federal government. One reason for that faster rate of increase was the fact that the programmatic innovations enacted by the federal government typically required both funds for the beneficiaries of the services (such as grants to university students, payments to those using medical and other social services) and personnel to administer the programs and deliver the services (for example, university teachers and health professionals). While all levels of government provided some of both, it appears that the provinces and municipalities provided a disproportionate share of the personnel necessary to deliver those services and a disproportionate share of the increment in personnel and services as well.[20]

TABLE 2-4 **Percentage of GDP Spent by Government in Canada, by Level of Government, 1961–81**

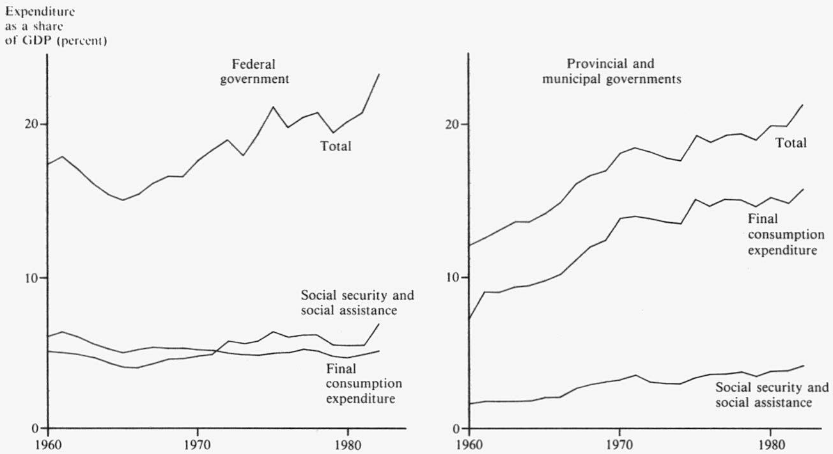
	Final Consumption Expenditure	Social Security and Social Assistance	Total Outlays
Total government			
1961	15.4	6.8	30.3
1971	19.2	8.7	36.9
1981	19.6	10.1	41.6
Increase 1961–81	14.2	13.3	+11.3
Federal government			
1961	6.4	5.0	17.8
1971	5.2	4.9	18.3
1981	4.8	5.5	20.7
Increase 1961–81	−1.6	+0.5	+2.9
Provincial and municipal governments			
1961	9.0	1.8	12.5
1971	14.0	3.6	18.5
1981	14.8	3.8	19.9
Increase 1961–81	+5.8	+2.0	+7.4

Source: As described in Figure 2-2.

Table 2-4 and Figure 2-2 offer some data to support the conjecture that much of the programmatic innovation at the federal level shows up in the expenditures of the provinces and municipalities. Table 2-4 provides the proportions of GNP in 1961, 1971 and 1981 that are represented by the total outlays, the final-consumption expenditure of government, and social security benefits and social assistance grants of the federal government and of the provincial and municipal governments. These data demonstrate that the provinces and municipalities grew much more rapidly than did the federal government and accounted for almost three-quarters of the total increase in government spending over the past two decades. Most of the growth in spending by subnational governments, accounting for roughly two-thirds of the total increase in the spending of those governments, involved the direct purchase of goods and services (including labour) rather than transfer payments associated with social security and social assistance. Thus, while the provinces and municipalities in the early 1980s are only slightly higher than the federal government in aggregate spending and account for only slightly more than 50 percent of the total outlays of all government, they account for about 75 percent of the final consumption expenditure of government in Canada.

Figure 2-2, which plots these same aggregates at annual intervals over the past two decades, also indicates that the most dramatic increase in government spending occurred at the level of the provinces and munici-

FIGURE 2-2 Percentage of GDP Spent by Government in Canada, Disaggregated by Level of Government and Type, 1961–1982



palities rather than at the federal level, and that, within the subnational governments, the final-consumption expenditure of government increased much more, and to considerably higher levels, than the spending on social security and social assistance. Moreover the data in Figure 2-2 suggest that it was primarily in the mid- and late 1960s and early 1970s, rather than later in the 1970s and early 1980s, that the final-consumption expenditure of the provinces and municipalities grew most rapidly: that is, at precisely the time when the "torrent of legislation" enacted by the Pearson government (as well as the legislation enacted earlier by the St. Laurent government) was implemented through the employment of large numbers of health, education and social services personnel and received full funding.

A Longitudinal Analysis of the Growth in Government Spending

From the rather ad hoc, chronologically ordered description of some of the critical moments of upward movement in the trend lines of government spending in Canada over the past half-century, the pattern of change over the entire period emerges, and the factors that best account for that cumulative pattern can be identified. The following sections present a more systematic analysis of the growth of government spending and incorporate several of the factors already described into a longitudinal investigation that establishes the relative importance of various sources of that growth.

War and the "Displacement Effect"

Perusal of the time trends in Figure 2-1 suggests that any effort to develop a general explanation of the complete pattern of change in government spending in Canada since 1926 must begin with the experience of war. How important was that experience in contributing to the long-term upward drift of government spending in Canada? Is there any evidence that the upward drift in the ratio of spending to the economic product of the nation has been caused by the "displacement" effect that Peacock and Wiseman (1967) attribute to war? Table 2-5 presents the results of a regression analysis of the impact of war on change in the share of GNP accounted for by the federal government and by all governments taken together in Canada between 1926 and 1982. Using a simple dummy variable to indicate those periods when the nation was involved in war, Table 2-5 indicates that war has had an enormous effect on the fluctuations in the share of GNP spent by government. While the dummy variable indicating a state of war is quite strongly associated with large increases in government spending (for example, $r = +0.43$ between that variable and the change in federal spending as a proportion of GNP), a comparison of the impact in the early and peak years of World War II, when spending rapidly accelerated, with the several years immediately after the war, when the share of spending rapidly decelerated, shows the relationship to be especially strong. When those two effects are distinguished by using two dummy variables, one labelled "war mobilization" for which the years 1940–44 are assigned the value of 1.0, and the other labelled "war demobilization" for which the years 1945–47 are assigned the value of 1.0, we are able to account for 74 percent of the total variation in the share of GNP spent by the federal government! That is, approximately three-quarters of the variation in federal spending over the past half-century is accounted for by the dramatic surge, and subsequent decrease, in spending when the nation was involved in World War II.

If war accounts for much of the fluctuation in the trend line of federal spending over the past half-century, does it thereby represent a critical source of the long-term secular expansion of government spending? The answer to that question depends on whether the upward acceleration of spending during the war is completely offset by the postwar deceleration of spending; or whether, conversely, traces of Peacock and Wiseman's (1967) "displacement" effect are found, either in a higher level of spending immediately after war than before, or a steeper rate of incline in the trend line of spending after war than before, or both. If such traces exist — in other words, if there is evidence of either a "displacement" effect or a "trend shift" or both — then war would constitute one of the sources of the long-term secular increase in spending. But if such traces cannot be found, then war, in spite of its dramatic impact on short-term

TABLE 2-5 The Impact of War upon Fluctuations in the Percentage of GDP Spent by Government in Canada, 1926–82

	Annual First-Order Change			
	Federal Expenditures		All Government Expenditures	
	Regression Coefficient	t-Statistic	Regression Coefficient	t-Statistic
War Dummy: (1940–45 = 1, 1950–52 = 0.2)				
Constant	−0.28		0.15	
War	5.07	(3.51)	3.46	(2.47)
R^2	0.19		0.10	
D-W	1.26		1.23	
War mobilization and demobilization: (Mobilization: 1940–44 = 1) (Demobilization: 1945–47 = 1)				
Constant	0.20		0.57	
War mobilization	7.12	(7.99)	5.27	(5.29)
War demobilization	−9.93	(8.81)	−9.34	(7.41)
R^2	0.74		0.62	
D-W	2.83		2.19	

Source: The results presented in this and subsequent tables were estimated by the author from regressions of each spending variable upon those listed on the left.

fluctuations in spending, could not be said to have contributed to the long-term upward drift in government spending's share of GNP. An explanation of that upward trend would, instead, have to consider the impact of other, as-yet-unspecified factors.

Table 2-6 presents a regression analysis that allows identification of the "displacement" in spending (if any) caused by involvement in World War II. The regression covers the years 1932–39 and 1947–55, the periods on either side of the war. It omits the years of World War II (1940–45, as well as 1946, when government spending still exhibited a short-term war effect). The table presents the level of total government spending and federal spending relative to GNP as a function of the prewar and postwar trends combined with the displacement effect of war. A comparison of the pre- and postwar trend coefficients indicates the extent of the shift in trend produced by the war. The coefficient for the "displacement" effect indicates the magnitude of the step-change in spending that occurred because of the war. (A dummy variable denoting the years of involvement in the Korean War is also included.) The data suggest that the dramatic surge in government spending during World War II had no significant upward displacement effect on overall spending, although it had a non-trivial effect on federal spending. But while there is a slight displacement in federal spending of about 2.5 percentage points of GNP

TABLE 2-6 The "Displacement Effect" of World War II on Canadian Public Expenditure

	Share of GDP (1932–39, 1947–55 only)			
	Federal Expenditure		All Government Expenditure	
	Regression Coefficient	t-Statistic	Regression Coefficient	t-Statistic
Constant	8.79	—	27.85	—
Korea	2.53	(0.49)	0.10	(0.02)
Pre-war trend (1932–39 = counter)	−0.22	(1.13)	−0.87	(5.18)
Displacement (1932–39 = 0; 1947–55 = 1)	2.45	(1.78)	−6.82	(5.82)
Post-war trend (1947–55 = counter)	0.60	(3.61)	0.68	(4.80)
R^2	0.91		0.81	

associated with World War II, we observe a more important shift in the trend line between the prewar and postwar periods; whereas the proportion of GNP spent by government decreased each year after 1932 until the war, the trend in the postwar era was reversed, and public spending began its long-term, secular, upward drift.

Regarding the total spending of all levels of government, the results contained in Table 2-6 indicate that there was, in the aggregate, no war-related displacement effect. However, the war did have a marked effect in shifting the long-term trend in spending, as demonstrated by the difference in the prewar and postwar coefficients. The presence of a displacement effect in federal spending and the absence of such an effect in aggregate public spending indicates that the war-related increase in federal spending was largely offset by a temporary diminution in the fiscal scope of provincial and municipal government. The war produced a dramatic shift *within* the Canadian system; that is, a *centralization* in spending reflected in the shift of some spending responsibilities from the subnational governments to the federal government. It is not at all implausible that this war-induced process of centralization may have provided the impetus for the postwar "trend shift." By centralizing fiscal responsibilities in the federal government (as had the Depression), the war undoubtedly expanded the policy-making capacities and scope of concern of the federal government and in so doing perhaps provided the basis for the postwar flurry of legislation that, in turn, contributed to the increase in spending in the 1950s and 1960s.

The Role of the Economy

If war had a discernible, albeit rather modest, effect on the growth of public expenditure in Canada, an explanation of that growth must consider other factors that might have contributed to the expansion of government's share in the economy. What might some of those other factors be? Among the most important might have been the performance of the economy. As was argued earlier, the share of government spending may fluctuate in a countercyclical fashion, increasing in periods of slump and contraction and decreasing in periods of economic boom and recovery. If there is no more than a modest war-related "displacement effect," there may nevertheless be an important economy-based displacement effect as recurring recessions contribute small, but enduring, increases in government spending.

Table 2-7 compares the impact of war mobilization and demobilization with the annual change in the employment rate as a proxy for the performance of the economy.[21] The data in Table 2-7 suggest that the war variables retain their overwhelming weight in accounting for the aggregate fluctuation over time in the federal government's share of GNP. However, the economic variable is statistically significant (as reflected by the *t*-statistic)[22] and exerts an independent impact such that, with each increase of 1 percent in the rate of unemployment, the federal government's share of GNP increases by about three-tenths of 1 percent. Nevertheless, the true effects on spending of the business cycle may be masked by inclusion of the war years, particularly since those years were marked by a dramatic increase in spending and an equally dramatic decrease in unemployment, which represent just the reverse of the "normal" relationship between the two. That reversal suggests the desirability of excluding the war years and estimating the impact of

TABLE 2-7 The Relative Impact of War and Unemployment on Fluctuations in Public Spending in Canada, 1926–82

	Annual First-order Change in Federal Expenditure	
	Regression Coefficient	***t*-Statistic**
Constant	0.09	
War mobilization	7.80	(8.56)
War demobilization	−9.88	(9.13)
Percent change in unemployment	0.29	(2.13)
R^2	0.76	
D-W	2.82	

TABLE 2-8 The Impact of War and Unemployment on Changes in Government Spending after World War II (1946–82)

	Annual First-Order Change			
	Federal Expenditure		All Government Expenditure	
	Regression Coefficient	*t*-Statistic	Regression Coefficient	*t*-Statistic
Constant	−0.07		0.30	
World War II demobilization (1946–48 = 1)	−10.32	(14.98)	−9.58	(12.55)
Korean War (1950–52 = 1)	2.87	(4.13)	2.10	(2.72)
Percent change in unemployment	0.58	(3.68)	0.87	(4.96)
R^2	0.89		0.85	
D-W	2.52		2.43	

unemployment on spending for the postwar period only. This is done in Table 2-8.

Table 2-8 presents the results of a regression analysis of the annual change in federal and all governments' combined spending for the 1946–82 period. The analysis includes a variable to trace the last residual effects of World War II (which appear in the form of a sharp decrease in spending between 1945 and 1948) labelled "demobilization." In addition, a dummy variable is included to capture some of the upward pressure on government spending during the Korean War. Holding those aspects of foreign military policy constant, the measure of economic performance is much more strongly associated with fluctuations in the size of the public economy. An increase of 1 percent in unemployment appears to generate an increase of almost six-tenths of 1 percent in the federal government's share of the nation's economic product and a total increase across all the levels of government taken together of about 1 percent. It is most telling, perhaps, that the *t*-statistics seem much stronger, thus allowing one to infer with confidence that a consistent and strong relationship has existed between unemployment and change in spending over the postwar era. Furthermore, the strength of the relationship suggests that a major source of the long-term secular increase in government spending at all levels has been the long-term increase in unemployment from the range of 2 percent throughout most of the first decade after World War II to the range of 7 to 12 percent in the late 1970s and early 1980s.

The strong relationship between changes in the level of unemployment and changes in government's share of the economy is of particular interest because it sheds light on the rather mysterious association described earlier in the cross-national discussion between the degree of

openness and the growth of government. The relationship between openness and unemployment is apparent from an examination of the sources of the fluctuations in Canada's rate of unemployment in the postwar era. While undoubtedly those fluctuations are to some degree produced by changes in the Canadian economy over which Canadian élites have influence, it is nevertheless true that the economy is highly dependent on export markets, and that production and employment depend very heavily on consumption patterns and on the strength of demand in the nations with which the country is involved in trade. Specifically, the well-being of the Canadian economy, including the rate of growth and the level of unemployment, depends to a considerable degree on the economic well-being of its major trading partner, the United States. That the economic well-being of the two nations is intertwined is demonstrated by the very high correlations between annual rates of economic growth, unemployment, and change in unemployment for the two countries ($r = +0.73$, $+0.83$, and $+0.73$ respectively). To a very large extent, macroeconomic performance in Canada depends on the performance of its larger trading partner. If that proposition holds, and if the performance of the Canadian economy, in turn, influences the scope of the public economy, then the logical conclusion is that a major source of growth of the Canadian public economy is the U.S. economy and, in particular, the pattern of "boom and bust," sporadic recovery and frequent recession that has characterized it for decades.[23]

Politics

The argument to this point accounts for almost all of the variation in federal spending, even when the period under investigation is deliberately restricted to the four post-World War II decades. The explanation developed so far has relied exclusively on military and economic phenomena — war, unemployment, openness, and so on — and has not examined political factors that might account for that growth. How important are the political and institutional features of the nation for an explanation of the growth of government spending in twentieth-century Canada? There are surprisingly few systematic analyses of the experience, and those few tend, as we have already suggested earlier, to emphasize the role of non-political attributes. Nevertheless, several factors can be identified that might account for the pattern and magnitude of growth. This section considers a variety of explicitly political factors and estimates their impact on the growth of government spending relative to the impact of the war and economic variables.

Among the political factors that might be expected to have influenced the scope of the public economy in the four decades after World War II at least three stand out. They are:

- the intermittent occurrence of general elections;
- the partisanship and size of the mandate held by the federal governments; and
- the identity of the prime minister.

The first of these political-electoral variables — which can be made operational simply by determining whether the year in question had a national election for the House of Commons — is presumed to be associated with changes in government spending insofar as government spending facilitates the attainment of the incumbent's macroeconomic objectives and, therefore (presumably) reelection. Nordhaus (1975), Lindbeck (1976) and Tufte (1978) have all suggested that vote-aggrandizing incumbents will seek to stimulate the economy in order to drive down the rate of unemployment and to drive up the rate of economic growth and personal consumption. One means of accomplishing this may be through increased government spending (especially if accompanied by reduced taxes), and therefore it is plausible that election years would display an expansionary bias.

If proximity to re-election is likely to induce all incumbents (save lame ducks, as with Trudeau after his decision to relinquish the leadership of the Liberal Party in 1984) to stimulate the economy, regardless of ideology, ideology may move some incumbents much more than others to expand the scope of government activity. Whether one draws on the deductive model of Downs (1957), the empirical analyses of American politics produced by Hibbs (1977) and Tufte (1978), or the cross-national studies mentioned in the previous section, it is plausible that spending would increase somewhat more rapidly when the Liberals controlled a majority in the House of Commons and formed a government. As Horowitz (1966) argued several decades ago, the Liberal Party is, if not leftist, at least centrist, in contrast to the more ideologically conservative Progressive Conservative Party (although that party, as well, has a strong "red tory" wing that pulls it to the centre). This difference in the ideological centres of gravity of the two parties may not produce an explicit difference in the propensity to spend; nevertheless, it may be reflected in differences relating to the innovation and alteration of programs which, in turn, cost money.

The third political factor that might influence the course of government spending is the identity of the prime minister. In saying this, we are not endorsing a "great man" view of Canadian history; rather, we suspect that different prime ministers may behave differently, that prime ministers of a particular party may vary among themselves, that some may resemble (in their objectives and impact on the fisc) those of the other leading party, and that some may leave a larger imprint than others on the scope and direction of change of the public economy. This suspicion appears to be confirmed whenever the record of any pair of

TABLE 2-9 **The Impact of War, Unemployment, Political-Electoral, and Government-Specific Variables on the Growth of Federal Spending in Canada, 1946–82**

	Annual First-order Change	
	Regression Coefficient	***t*-Statistic**
World War II demobilization	−7.84	(6.68)
Korean War	3.44	(4.57)
Percentage change in unemployment	0.52	(3.21)
Election Year	0.31	(0.89)
Share of seats in House of Commons, Government Party (1 = Lib.; −1 = Con.)	−0.0003	(0.02)
King	−0.78	(2.14)
St. Laurent	−0.64	(1.71)
Diefenbaker	−0.04	(1.43)
Pearson	−0.07	(2.26)
Trudeau	0.23	(2.65)
Clark	−1.52	(0.36)
R^2	0.92	
D-W	2.32	

prime ministers is compared. Thus, confining attention to prime ministers of the same party, there appear to be considerable differences in the impact on public spending of governments led by R.B. Bennett in the 1930s and John Diefenbaker in the late 1950s and early 1960s, although both men were Conservative prime ministers, as well as significant differences among the several Liberal governments. Whether such differences, if they exist, reflect intrinsic ideological differences among the prime ministers of each party or, on the other hand, simply the fact that the economic contexts within which each governed varied widely, an examination of the government-specific variation is a necessary prerequisite to any generalization about the impact of politics on the public economy.

Table 2-9 presents a regression analysis of the annual change in the share of GNP represented by federal spending in Canada between 1946 and 1982. These data suggest that some of the political variables had some significance, although in general their impact is overwhelmed by the impact of war and economic factors. The occurrence of a national parliamentary election in a given year seems to exert a discernible effect, adding about one-third of 1 percent of GNP to the federal government's share of the economy. On the other hand, the composition of government — that is, whether Liberals or Conservatives rule — had virtually

no effect on the scope of the public economy. One reason for that negligible partisan difference appears in the statistically significant coefficients for the prime ministers. Considerable variation exists across the prime ministers of a particular party — for example, between John Diefenbaker and Joe Clark and between Pierre Trudeau and Louis St. Laurent (the latter in each pair having a large negative coefficient) — and the performance of some prime ministers resembles that of their opponents rather than that of their partisan colleagues. Thus the impact of Liberal St. Laurent was not altogether different from that of Conservative Clark, just as the impact of the Liberal Pearson was not distinctive from that of the Conservative Diefenbaker.

In Canada, then, perhaps more than in other nations, the scope of the public economy has varied with the governments of particular prime ministers, reflecting unknown combinations of individual ideology and contextual constraint, rather than between the two parties, irrespective of the identity of the prime minister. Given the ideological and social heterogeneity (and programmatic vagueness) that tends to characterize the two governing parties, and the importance of the prime minister as the focal point of Canadian government, our conclusion that the fluctuations in spending reflect government-specific effects rather than the effect of partisan differences is not surprising.

Conclusions

This article has investigated the growth of government spending in recent decades across the advanced capitalist world and over a longer period in Canada. Written by a political scientist, the article sought to determine whether, and if so to what extent, electoral politics and political institutions contributed to the expansion of the public economy. Both the cross-national analysis of the expansion of government spending in 20 nations over the past two decades and the longitudinal analysis of the growth in federal and total governmental spending in Canada over the past five decades demonstrate that political factors have exerted an independent effect on the growth of government spending. In accounting for the differences among nations since the mid-1960s in the growth of government spending (especially that involving the final consumption by government), the differences in the organizational attributes of labour movements and the frequency of control of government by leftist parties (as well as in the openness of the economy) appear to have been of some importance. And in accounting for the growth of government since the mid-1920s in Canada, political factors such as the occurrence of elections and the identity of the prime minister played some role, although the partisan difference between Liberals and Conservatives seems to have been largely irrelevant as a source of public sector expansion. More important than any of these political factors, however, were the non-

political sources of growth. These are, most notably, the "displacement effect" and "trend shift" associated with World War II and, during the past three decades especially, the deterioration of the economy and the rise of unemployment, both of which phenomena must be attributed in part to the close relationship with, and vulnerability to, the volatile American economy that Canada, as an open economy, cannot avoid.

Notes

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1. For a discussion of the growth in government throughout Western Europe and North America, see Cameron (1978).
2. For extensive surveys and bibliographies, see Tarschys (1975); Cameron (1978) and Larkey, Stolp, and Winer (1981).
3. For examples, see Peacock and Wiseman (1967); Andic and Veverka (1964); Fratianni and Spinelli (1982); André and Delorme (1978); Fabricant (1952); Borcherding (1977b); Lewis-Beck and Rice (1985); and Lowery and Berry (1983).
4. For an exception, see Lewis-Beck and Rice (1985).
5. See Downs (1960, 1964); Niskanen (1971); Wildavsky (1979); Borcherding (1977b); Buchanan and Wagner (1977); Buchanan and Tullock (1977); Fiorina and Noll (1978); Peltzman (1980); Kau and Rubin (1981); Meltzer and Richard (1981, 1983); and Tullock (1983).
6. The data are reported in raw form or as a percentage of gross domestic product in OECD (1983a; 1983b).
7. This is not meant to imply that such programs are redistributive in terms of the income distribution. Often, in fact, the aggregate incidence of such social spending is, at best, only mildly redistributive. Nevertheless, the programs do involve a redistribution of funds from some persons to other (not necessarily needy) persons. (See Banting, 1982.)
8. That the size of the public sector, defined in terms of employment, is closely associated with the magnitude of government's final-consumption expenditure is suggested by the correlation across 19 nations (the 20 in Table 2-1 minus Greece) of 0.84 between the proportion of the labour force employed by government in 1980–81 and the proportion of GDP consumed in those years by government final-consumption expenditure. We should note that the public-employment data reported by OECD (1984) and contained in Table 2-2 exclude all employees of public enterprises.
9. See OECD (1983a; 1983b; 1984b).
10. The two–the rate of growth and change in unemployment–are, of course, closely associated (inversely) both across nations and within individual nations over time.
11. See Lindbeck (1976); Cameron (1978); Katzenstein (1985).
12. In this analysis we have classified the Canadian Liberal Party (and the American Democratic Party, too) as non-leftist. While the ideological centre of gravity of each is, in the aggregate, to the left of its major competitor (respectively, the Progressive Conservatives and the Republicans), both are, we believe, more accurately viewed as socially and ideologically *centrist* parties. For a somewhat dated, but still definitive, discussion, see Horowitz (1966). See also Downs (1957); Hibbs (1977); Cameron (1978); Castles (1982).
13. This measure is reported in Cameron (1984b).
14. See Shonfield (1966, p. 62); Cameron (1984a).
15. See Statistics Canada (1983, Series E 91–101), Bird (1970); and for 1960 onward (OECD, 1983b and OECD 1984a).
16. The levels of federal and total government spending in Canada were almost twice as

large, as a portion of GDP, as in the United States in the pre-Depression era. Now, however, although the proportion of GDP represented by all governments combined in Canada is considerably larger than in the United States (slightly more than 40 percent as compared to about 35 percent in the United States), the proportion represented by the federal government is smaller in Canada than in the United States (about 20 percent as compared to 25 percent in the United States). Thus, the American federal government, starting from a lower base in the years before the Depression and rising to a higher level by the early 1980s, experienced a considerably greater increase in spending, relative to GNP, over the past half-century than did the Canadian federal government. Conversely, the fiscal scope of the Canadian provinces and municipalities grew more rapidly and reached a higher level than did their American counterparts.

17. See Canada (1940, chap. 6).
18. A national system of pensions was instituted through the *Old Age Pension Act* of 1927, although that program — the first one involving Dominion grants-in-aid for social policy — did not become fully national until Quebec assented to the legislation in 1936.
19. On the effect of wars on the scope of government spending and activity, see Marr (1974); Porter (1980); Peacock and Wiseman (1967).
20. Bird and Slack (1983, p. 39) state that the most rapid rate of growth in spending between the late 1940s and middle 1970s occurred in the provinces, and the next largest occurred in the municipalities. We should note here that the provinces and municipalities experienced greater rates of increase in spending, not simply because of their role in implementing federal social policy. Obviously, a considerable portion of their expansion occurred as the result of their *own* programmatic innovations.
21. The *change* in the unemployment rate represents a better indicator of the position of an economy in a business cycle than either the rate of change in "real" GNP or the level of unemployment. Of course, however, all three are closely related, and the choice is to some extent a matter of taste. For the period under investigation, for example, the change in the rate of unemployment is correlated -0.73 with the rate of change in GNP.
22. Tests of statistical significance are, strictly speaking, not applicable to analyses conducted on populations rather than subsets of selected samples. Nevertheless they are frequently relied upon by social scientists to convey the strength or consistency of a relationship. The *t*-statistic represents the estimated regression coefficient divided by the standard error, or standard deviation of the variable; it represents the degree to which values are dispersed about, or clustered close to, the estimated coefficient. For an analysis having an N of 57, as that reported in Table 2-7, a *t*-statistic of 2.00 would allow one to infer that the probability that the "true" (unestimated) coefficient lies within two standard deviations of the estimated coefficient is .95. A *t*-statistic of 1.00 would lead one to attach a lower probability to the estimate, in the range of .75. All of this is, of course, quite meaningless when the sample and the population are identical, and in such cases the *t*-statistic is better viewed as a measure of the relative explanatory power of each independent variable.
23. See Shonfield (1966); Cameron (1984a).

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3

The Embedded State:
State-Society Relations in Canada

ALAN CAIRNS

Introduction

Modern social science lacks the capacity to see society as a whole. The academic division of intellectual labour multiplies the lenses through which we view society, contributes to specialization, and discourages speculation that does not fit neatly within disciplinary boundaries. This bureaucratization of thought contributes to microprecision at the expense of macroclarification. The cost of trying to overcome this preference for the manageable is an unavoidable intrusion of a personal, somewhat intuitive approach, wide open to the arrows of critics because it is so little subject to the possibility of systematic empirical verification. While this might seem reason enough to shy away from big pictures, the fact remains that we *do* live in the large world, as well as in specific sectors of it; where we are, who we are, and where we are going *do* concern us. Indeed, the larger perspective through which we try to answer such questions invades the particulars of our existence, informs our propensity to optimism or pessimism, and contributes to feelings of anomie or empathy with and connection to the larger social order.

This is a corner of the social science enterprise where it is appropriate to stray beyond the hard data and the clear correlations, and to move in realms where the ratio of evidence to statement is precarious. Such approaches were, of course, common among the nineteenth century founders of social science; they have always been prominent in Marxist analysis; sociology has not been immune from the lure of trying to see society in the round; while historians have often been comfortable with encompassing centuries and whole societies within the covers of a single book. Yet in mainstream contemporary social science there remains a

hint of illegitimacy about such enterprises, a suspicion that they are a front for smuggling in ideologies, and that they cross the dividing line between "science" and politics. These concerns are justified.

As the great burst of sociological theorizing in the nineteenth century suggests, such macro approaches have flourished at transitional times in the evolution of societies, when conventional wisdom seems irrelevant and the sense of the world is hard to find. Although it may seem like exaggeration — or a self-serving justification for this essay — to suggest that this is one of those periods in Canada, a case can be made that the times and our situation defy comprehension if we rely on yesterday's intellectual frameworks.

Consider only the most obvious points: the development of a rights-seeking entitlement society; the feminist challenge to the gender division of labour; the transformation of Quebec and the development of a state-centred nationalism that, until recently, pursued independence; the ethnicity explosion, manifested in multiculturalism and in aboriginal demands for self-government and self-determination; the looming appearance of race relations as "visible minorities" emerge on the public agenda; the startling discrepancy between the size and the weakness of the modern state; a growing deficit, the politics of which hamper its reduction; the more general difficulty that the state experiences in changing policy directions; and, in the public sector of the federal system, a congestion of programs that defy rationalization. This list, which could be extended over pages, suggests that it would be reasonable to step back and try to find some common threads in the interdependencies, contradictions and emergent phenomena of late-twentieth-century Canada.

The primary tasks of the state are the creation and maintenance of internal order and the protection of its own territorial integrity in the international system. A related task is the integration of the regions, classes, ethnicities, lifestyles, generations, and gender and other cleavages that always threaten to pull society apart, erode the sense of community, and weaken the capacity for effective collective action. A history of Canada could easily be written around previous state efforts directed to this integrative purpose: the national policy, the postwar welfare state and the Keynesian role of government, cultural policies to generate national distinctiveness, and most recently, language policy and the Charter. An overarching state task is the provision of policy leadership for society in those areas where private actors are incapable of responding successfully.

In a comparative sense, the Canadian record of achievement on these dimensions is not to be belittled. When measured not against standards of utopia, but against real-world comparisons, we have been a civil non-violent society; we are wealthy, and through the welfare state we make collective provision for one another. In our second century of existence, we are one of the oldest continuing political systems in the world.

Yet it is the theme of this essay that the tighter fusion of state and society engendered in recent decades by activist national and provincial governments simultaneously fragments the state and contributes to the multiplication and increased political salience of socio-economic cleavages. The overall Canadian federal state has become a sprawling diffuse assemblage of uncoordinated power and policies, while the society with which it interacts is increasingly plural, fragmented and multiple in its allegiances and identities. The more we relate to one another through the state, the more divided we seem to become. Somewhat paradoxically, however, the web of state-society interdependencies is in one way stabilizing, for it locks state and society in countless discrete overlapping linkages; this makes it necessary for us to rethink the meaning of societal integration and of community.

We must learn to think in terms of politicized societies caught in webs of interdependence with the state, and we must think of the latter as an embedded state tied down by its multiple linkages with society, which restrain its manoeuvrability. In the midst of this fusion of state and society it is increasingly appropriate to think of ourselves in terms of a growing characteristic of our lives, as political man and political woman. If other eras have been summed up by other attributes — feudal, renaissance, capitalist — our era merits the label "political" to identify its defining characteristic.

The overall task of this essay, therefore, is to undertake a preliminary exploration of the embedded state and the politicized society, of the fragmentation of both state and society that they have brought in their wake, and to reflect briefly on the impact of the preceding developments on the state's capacity for policy leadership.

The Politicized Society and the Embedded State

The traditional state-society dichotomy invites us to view these two spheres as separate, overlapping of course, and somewhat interdependent, but still capable of being viewed essentially as distinguishable systems with distinctive principles of organization, and as transmitting their own appropriate incentives to the key actors whose activities they encompass and regulate. In the earlier history of liberal democratic states, this view had considerable plausibility. In the contemporary world, however, such a perspective subtly but seriously misleads, for it implicitly postulates a separateness that no longer exists, and thus gives inadequate recognition to the new state-society fusion of the last half-century. B. Guy Peters and Marten O. Heisler correctly observe:

> There is a commonplace assumption that what is public can be differentiated from what is private. In fact, that distinction is generally very elusive; and in some circumstances it cannot be made meaningfully at all. Perhaps the most outstanding feature of the mixed economy welfare state is the blending and confounding of public and private.[1]

The state, of course, is not a single monolithic actor, and society is not a homogeneous mass of undifferentiated interests and values. The Canadian state is multiple, scattered and diffuse. Its post-war growth has produced an immense complication of the public sector and of the machinery and institutions through which the state seeks to manage itself and society. The combined Canadian state at both levels is characterized by a centrifugal scattering of public authority. This fragmentation manifests itself in federalism, in the more than 260 cabinet ministers and their departments of its 11 senior governments, and in a proliferation of government agencies and corporations only loosely connected to the traditional responsible government focus of executive authority. Countless programs, mostly old, occasionally new, and frequently contradictory are applied by the thousands of separate bureaucratic units of the eleven governments. The result is a fragmented state with a fragmenting impact on society. Social actors are pulled in multiple directions by the scattering of state structures and policies. The cues that the state transmits are hostile to the citizenry conducting themselves with a sense of obligation to the larger community and instead encourage a fragmented self-interest of particular concerns.

Of course, societal fragmentation does not derive entirely from the state. Society has its own divisive tendencies, and they contribute to the centrifugalism within the structure of the state. Contemporary Canadian society is plural, heterogeneous and characterized by multiple cleavages. The territorial communities that required the adoption of a federal system in 1867 — and the others that were added as Canada expanded from four to ten provinces — still exist, although in changed form; so, too, do the cleavages associated with an economic system that distributes income and power unequally. It is no longer possible, however, to capture Canada's main cleavage structures by concentrating on the interaction between the continuing vertical territorial cleavages of federalism and the cross-cutting horizontal class cleavages of capitalism. While these remain, they have been joined in the political arena by cleavages associated with gender, age, life-style and ethnicity — including Québécois nationalism, multicultural groups, visible minorities and aboriginals. This diversity has penetrated the state structure in terms of agencies, personnel and policy, and contributes to the state's lack of cohesion. Neither state nor society is immune from fragmenting tendencies in the other.

The multiple politicized cleavages of modernity intertwine with the state's internal divisions, which they both reflect and foster. The state is no longer meaningfully visualized as an aloof, distant, unitary actor presiding over a relatively autonomous society and economy for which it provides a limited bundle of public services and enforces a few durable rules of the game. Even to speak of its positive, *dirigiste*, interventionist role is to fail to grasp the new reality, for this seeming updating of the

descriptive language of modern state purposes continues to suggest a no longer valid distinction between the state as actor and society as the subject of its actions. When the state is viewed as the sum total of the programs it administers, most of them the contemporary expression of yesterday's policy decisions, it is clearly seen as embedded in, or tied down to, the society it serves and has a responsibility to lead. In the crisp language of a Swedish scholar and politician, "We have become more and more governed by old decisions."[2]

New governments inherit massive program commitments put in place by their predecessors. These programs are enmeshed in bureaucracies; they are supported by clientele expectations; they are protected by the incremental processes of policy making and budget decisions; their sanctity is preserved by their number and the crowded agenda of cabinets and legislatures that can only focus their attention on a miniscule proportion of ongoing state activity; except in revolutionary times, their existence is usually equivalent to their survival. To turn around a huge loaded oil tanker steaming full speed ahead is child's play when contrasted with the difficulty of engineering a significant change of direction for the great ship of state. The latter task is beyond the capacity of particular governments between elections. It is a task for decades of clear-sighted leadership possessed of a vision of an alternative relationship between state and society. Competitive democratic politics, the short-run perspective of most politicians concerned with the next election, and the sheer difficulty of visualizing such an alternative in the face of the intimidating complexity and interdependence of what exists, foster a pragmatic conservatism over major innovations.[3]

The conceptual necessity is to generate a style of thinking that focusses simultaneously on the politicized society and its counterpart, the embedded state. The contemporary state manoeuvres in an ever more extensive policy thicket of its own creation, interacting with a society that is tied to the state by a complex network of benefits, dependent relationships and coercions. From this perspective the state, in confronting society, confronts its own past, and the society that seeks to influence the state directs its efforts to transforming the multiple linkages that interpenetrate and affect almost every facet of its functioning.

Public and private decision makers collude and collide. Socio-economic actors increasingly pursue their objectives by political means. They devote ever more resources to manipulating the state or escaping from its intended reach. State actors pursue their objectives in that overlapping state-society territory created by past state efforts to lead society in preferred directions. State and societal actors, drawn into each other's orbit, jostle and intermingle in that extensive, expanding middle ground that binds and fuses them together in multiple bonds of inescapable interdependence. In the language of Claus Offe:

> In an era of comprehensive state intervention, one can no longer reasonably speak of "spheres free of state interference" that constitute the material base of the "political superstructure"; an all pervasive state regulation of social and economic processes is certainly a better description of today's order.[4]

The relationship between state and society is not one in which an active vanguard state moulds the responsive clay of an inert society willing to be fashioned according to state dictates. Neither is the state a neutral executor mechanically implementing societal choices and choosing among competing demands by some agreed calculus. It has some autonomy, and its leaders have goals for their people, but goals and autonomy operate primarily at the margin, skirmishing around the edges of the existing network of established policies linking state and society.

The interaction between the multiple power structures of the modern Canadian state and the heterogeneous interests of an open society is a complicated multi-partnered dance in which the roles of leaders and followers shuffle back and forth over time and across issues. It is simplistic to inquire who leads and who follows in the never-ending *pas de deux* of state and society. Actors in both are involved in an endless game of mutual influence. At any given time the capacity of each actor is a product of all the past games they have played together, games whose results are embedded in past policies that define the situation for each actor, games that were played out in institutional arenas derived from history, and that had and have their own rules and conventions. The latter structure the game, facilitating some outcomes and inhibiting others. Yet in another sense, the game is always changing, for the actors in state and society are driven by multiple purposes, which evolve in response to restless striving and human ingenuity. The actors differ in the intelligence and skill with which they play the evolving game. As in other activities, they can improve their performance by practice and by deploying more resources.

Because both state and society are multiple, it is common for one state actor to involve segments of society in competition primarily directed against another state actor. It is equally common for private socio-economic actors to involve the state to their own advantage relative to other private actors. Crosscutting alliances, accordingly, are standard. There are winners and losers. There are negative sum, zero sum, and positive sum games. There are biases in the rules of the game and attempts to modify the rules to influence future outcomes are never-ending. The centrifugal state and the fragmented society, locked in multiple embraces and exchanging reciprocal influences, meet in many arenas. One of these is an evolving federalism.

Contemporary Federalism and Community in Canada

To make sense of our contemporary Canadian condition it is essential to be clear on the nature of the processes at work in the interaction between

the Canadian federal state and Canadian society. An historical perspective is helpful, for the relations between state and society in the federalism of 1867 are not those of the federalism of the mid-1980s. Unfortunately, too much of our thinking about federalism is still appropriate to 1867.

The federalism of 1867 was a response to regional diversities that, over and above the recognition they received at the provincial level, were also to be incorporated for national purposes into a new national political community. In 1867, the sociological bases for provincialism did not confront the reality of a coexisting national community, but rather the aspiration to create such a community. Provincialism rested on historically generated territorial diversities. The Canadian community was a project for the future. Although the provincialism of 1867 was clearly political, in that it represented the continuation of the former British colonies (with the Province of Canada redivided into Ontario and Quebec, the successors of Upper and Lower Canada), it was political in a restricted sense. Provincial societies had a high degree of independence from provincial governments, which performed only limited functions. Even the central government, in spite of its nation-building responsibilities, impinged on society and economy in early post-Confederation decades with, from our contemporary perspective, a light hand. For the Laurier administration, from 1896 to 1911, "the distribution of patronage was the most important single function of the government."[5] The taxing system was primitive: income tax was not introduced at the federal level until 1917. Welfare was primarily a private matter. Regulatory activity was scant by modern standards. The modern state churning out legislation was still far in the future. Political careers were part-time, and professional bureaucratic influence on state activity was not pronounced.

For the great bulk of social and economic activity, therefore, federalism mattered little. However, as the tempo of state activity accelerated, especially after World War II, the socio-economic impact of federalism dramatically increased. As the policy output of the state grew — with the central government in the vanguard in the 1940s and early 1950s, and with the provincial governments reasserting themselves in the 1950s and 1960s — a federalism of big governments emerged, big relative to their own past and big relative to society. Political activity and political calculation by both government and non-government actors grew as a proportion of total goal-directed activity. The two orders of government pulled society and economy into the framework of Canada-wide concerns emanating from Ottawa and provincial concerns emanating from ten provincial political executives.

The shifting balance between public and private can be seen in the ratio of total government expenditure to gross national product (GNP), which increased from 5.6 percent in 1867, to 22.1 percent in 1950, to 47.4 percent in 1982. In a federal system the division between levels of

government is also critical. In recent decades expenditure growth has been most pronounced at provincial and local levels. The share of the latter increased from 48.1 percent of total government expenditure in 1950 to 56.3 percent in 1982, after intergovernmental transfers, while the federal share declined from 51.9 percent to 43.7 percent over the same period.[6] The shifting shares of federal and provincial/local governments reveal the changing policy significance of membership in national and provincial communities for the citizenry. As a necessary by-product of shifts in the exercise of power by each order of government, citizens experience transformations in the relative importance of their coexisting membership in provincial and national communities.

Coexisting interventionist governments in these circumstances do not so much reflect underlying national and provincial communities, but continuously recreate them and enhance their practical significance for the citizenry. This does not necessarily mean that the process is purely state-led, but that it is institutionally structured by the forms of federalism. Citizens and groups who seek to advance state activity into new policy areas contribute as a side effect to provincializing or Canadianizing a sphere of activity formerly private and apolitical. As a consequence, the national and provincial communities are increasingly the product of the policy output of the two orders of government. Individual citizens and interest groups are induced to define themselves in provincial terms for one purpose, in national terms for another. An ever-diminishing proportion of socio-economic activity lies outside the federal system, the governments of which have been drawn ever more deeply into societies and economies subject to growing state authority.

In a unitary state, the subjection of society and the market to political authority is relatively straightforward. In a federal state where both levels of government are activist, the decline of the market and of traditional private resolution of social problems increases the significance of the federal-provincial fragmentation of public authority. Self-regulation in market and society is replaced not by a single government with at least a theoretical capacity for policy coordination, but by a pluralism of government power centres, which then act on society and economy to produce politicized and overlapping national and provincial societies and economies. Thus the move from private to public not only politicizes society, but at the same time divides it into national and provincial components for policy purposes.

That federalism divides legislative authority and makes citizens and groups members of different communities for different purposes is inherent in federalism and is the reason for its choice as a system of government. The ultimate consequences for society of federal forms, however, are profound or trivial depending on the extent of state involvement in society. The ratio of nationalizing to provincializing consequences for society reflects federal/provincial differences in the exercise of authority. As more and more of society and the economy are brought within the

scope of government activities, the underlying societies and economies of Canada are incorporated into national and provincial frameworks at differential rates.

The existence of strong provincial governments, and provincialized societies and economies in the sense just described, is not incompatible with the fact that in many ways interprovincial differences of values and policy choices are of diminishing significance. Unquestionably, homogenizing tendencies have been at work over the postwar years. Up until the late 1950s a conventional wisdom identified such tendencies at the level of society and centralizing tendencies at the level of élites. This was held to undermine the historic regional diversities on which federalism was assumed to be based. Subsequently, the Quiet Revolution in Quebec in the 1960s clearly reflected and contributed to a decline in the cultural distinctiveness of Quebec on which the Tremblay Report had lavished attention in its multi-volume analysis of Quebec specificity.[7] Recent scholarship portrays an increasing similarity of preferences in major policy areas.[8]

That increasing similarities may induce convergence in the policy outputs of governments does not mean that the federal system is rootless. The eleven governments are rooted in power, jurisdiction, capacity to extract resources, and in the elemental fact that they have integrated their peoples by multiple policies into national and provincial frameworks. In this policy sense, the federal state continues simultaneously to provincialize and Canadianize the citizenry, as a by-product of its routine interventionist activity, thus dividing and combining us at the same time as the more traditional bases of community are attenuated by modern conditions.

Governments also occasionally seek to modify the relative importance of national and provincial communities directly and deliberately. The national government has repeatedly attempted to limit the provincializing of the Canadian community which develops from the provincial governments' exercise of their constitutional authority. In the last half-century the federal government has fought against the balkanization of the tax system; struggled to create a welfare state in which social rights will not differ from province to province; worked obsessively under Mr. Trudeau to gain acceptance of a Charter of Rights and Freedoms to prevent the provincialization of rights, differing from province to province, that would otherwise ensue; and pushed vigorously and successfully to entrench minority language rights in the Charter. The list could be extended. In general, many of the conditional grant programs in the post World War II period were the result of a national government frustration with the fact that as the role of the state increased, many policy areas relevant to its conception of a national community were under provincial jurisdiction, as a result of a constitution drawn up in earlier times when different conceptions of government responsibility prevailed.

Basic to the consistent federal purpose behind these efforts has been the concept of a national community whose integrity — from the federal government perspective — is threatened by the growing role of provincial governments. The enhanced capacity of provincial governments to penetrate and mould their societies generates a counter tendency for the federal government to attempt to preserve and foster a Canada-wide community. This necessarily involves constraints on the capacity of provincial governments to employ their jurisdictional authority according to their preferences. The national government's purpose is to inject the concerns of the national community, as it views it, into provincial political arenas and to modify the policy output of provincial governments accordingly. The federal government concern over the balkanization of the economic union in the years leading up to the *Constitution Act 1982* derived part of its urgency from these political considerations. From the federal government's pan-Canadian political perspective, its opposition to the balkanization of the economic union by various provincial economic development strategies was based not only on considerations of market efficiency, but also on its opposition to the negative effects on a common Canadian citizenship implicit in provincial borders becoming barriers to the pan-Canadian mobility of labour, services, capital and goods. Its own contribution to balkanization was of lesser concern, since it was not accompanied by rival conceptions of political community sustained by provincial governments.

The most dramatic recent example of government efforts to shape conceptions of community is found in the constitutional struggles of the past two decades. The conduct of governments in this period reveals their clear understanding that varying definitions of community have differential consequences for their own effective authority as governments, particularly in situations of intergovernmental competition. The competition between the Quebec and federal governments for citizen allegiance is especially instructive, for it reveals the penetrative efforts of the modern state to modify our self-conceptions as citizens and the nature and significance of the national and provincial communities to which we relate. That competition graphically underlined the politicization of community and identity. It revealed competitive struggles of state authorities to transform the symbolic order of the provincial state in Quebec, of the national state, and indirectly of the overall federal system. The struggles did not leave Canadians unchanged; they left us a different people in our varying collective identifications with national and provincial communities.

The country-wide image of Canada as a British country was rendered obsolete by the growth of a state-centred Quebec nationalism, which drew francophones in that province into tighter links to, and identification with the Quebec state, a term that acquired increasing currency in the 1960s. This development attenuated their country-wide linkage with a French Canada that transcended provincial boundaries, reduced the

role of the Catholic Church in education and welfare and, most important, led to the use of the provincial state to modify the socio-economic order in Quebec in the interests of the French-speaking majority. Among its other consequences, this entailed a political, economic and status reduction for the English-speaking minority in Quebec, and the use of provincial language policy to reduce the propensity for non-British immigrants to enter the minority English-language community rather than the majority French-speaking community. As a by-product of the tighter bonds between the Quebec government and the province's francophone majority, francophones elsewhere in Canada were required to redefine themselves. No longer could they view themselves as belonging to a country-wide French Canada from which four-fifths of their linguistic brethren had psychologically seceded. They, too, came to define themselves in provincial terms as Franco-Manitobans, for example, and most evocatively of all as francophones outside of Quebec.

The emergent linkages of the French-speaking Quebec majority with the provincial state revealed that the existing federal system and the national government's weak incorporation of the francophone side of Canadian dualism were no longer adequate. Token symbolic recognition, limited bureaucratic participation, and negligible opportunities to use French in the national capital and in the institutions of the central government were not major concerns as long as the Quebec government was weak and the French-speaking majority relatively apolitical. However, the historic poverty of the central government's recognition of the French fact, and the unacceptability of the assimilation of French Canadian minorities in the provinces of English Canada were emphasized by nationalist developments in Quebec.

Reduced to its essentials, the political agenda became starkly simple: refashioning the central government and Canadian federalism, or accepting the possible fragmentation of Canada into two or more successor states. The primary struggle was over the boundaries of community, and over the relationship — hostile or complementary — between Canadian and provincial identities and loyalties. From the federal government's perspective, the task was to refashion the symbolism and practice of the central government and the overall federal system, which could no longer be based on British imagery of who Canadians were as a people. The Bilingualism and Biculturalism Commission, the new flag, the Official Languages policy, the prominent roles of Quebec cabinet ministers (notably, of course, Prime Minister Trudeau), the unremitting federal government support for a Charter of Rights and Freedoms with special stress on its language provisions, and other less prominent policy thrusts were driven by a need to construct new symbols and new practices within governments and between governments and linguistic communities, which would restore the faltering allegiance of Québécois to the central government and federal Canada.

Symbolic resources, like other resources, are scarce; consequently, the reconstruction of a symbolic order involves winners and losers. The transformation of the overall symbolic order from a British to a dualist cast clearly resulted in a status decline for British Canadians, although they remained one of the two founding peoples, or charter groups. However, the growing multicultural components of Canada — Ukrainians, Germans, Italians, East Europeans and many others — seemed to be relegated to the status of second-class citizens outside the charmed circle of the two founding peoples.

In western Canada, status resentment was aggravated by the fact that the non-British, non-French members of the population, who were numerous, had in recent decades improved their status as they advanced economically and politically in the Prairie provinces.[9] Concurrently, they had benefitted at the national level under the Diefenbaker regime, the cabinet of which was unusually ethnically heterogeneous by Canadian standards and was led by a Prime Minister inspired by an ideology of pan-Canadianism that was reflected in the 1960 Bill of Rights. The status order within which they had been making headway was abruptly deflected in another less appealing direction by the federal government response to Quebec. Their sense of displacement and exclusion was exacerbated by the fact that the francophones in their midst, whose status was to be relatively enhanced, were a small minority in western Canada. The concern of the national government for their linguistic future was a by-product of its efforts to shore up the faltering allegiance of Quebec francophones to Canada. Their numerical and political weakness in the provinces of western Canada was countered by their possible contribution to the resolution of political problems whose source was elsewhere — problems that were not accorded high salience by the provincial governments of the communities in which they lived.

Multiculturalism emerged as a policy requirement to alleviate the unanticipated negative consequences of singling out for privileged treatment the two official language communities and the British and French charter groups from which they sprang. Once the federal government had begun to travel the route of recognizing ethno-national linguistic duality, it responded to the political necessity that it encompass the ethnic heterogeneity of the country within the evolving definition of Canada that it was attempting to fashion through the policy of multiculturalism.

This complicated dance between state, language and ethnicity was joined by another stream of development. To the Bilingualism and Biculturalism Commission the threat to Canadian unity lay in Quebec nationalism. Ten years later the Pépin-Robarts Task Force on Canadian Unity saw the threat in terms of regionalism, as well as dualism; by "regionalism" they meant centrifugal provincializing tendencies sustained and driven by activist provincial governments. Rhetorically, this

was manifested in conceptions of Canada as a community of communities, which in some versions accorded primacy to provincial communities and the provincial governments based on them. Politically it was evident in the efforts of some provincial governments to mobilize their populations in contests with the federal government. In terms of the constitutional reform agenda, this thrust was revealed in various proposals to restructure the institutions of the central government to make them more sensitive to regional needs (as defined by provincial governments) — the various Bundesrat proposals — or, as in Alberta, to erect protective barriers against federal intrusions by means of such instruments as the spending power and the declaratory power.

These manifestations of provincialism challenged the legitimacy of the federal government and the ideology of pan-Canadianism, which, in admittedly differing versions, was held by Diefenbaker, Pearson and Trudeau from the late 1950s to the mid-1980s. The logic of intergovernmental competition when the stakes were so high induced the federal government under Prime Minister Trudeau to elaborate a counter-definition of Canada: a comprehensive conception of a national community based on individual citizen allegiance, a constitutional order in which the country was more than the sum of its provincial parts, and a society in which the rights of official language minorities (including rights to minority-language education) were to be given constitutional recognition by both orders of government.

The constitutional compromise that emerged after protracted controversies and passionate intergovernmental exchanges included an amending formula, a resources clause, and the Canadian Charter of Rights and Fundamental Freedoms. It has been discussed in numerous publications[10] and will not be explored in detail here. However, the Charter itself is unusually revealing of the relationship between socio-economic cleavages and state policies. In intent the Charter was a nation-building, and nation-preserving, as well as a rights-protecting instrument. However, the complex political process out of which it emerged produced a Charter in which many interval divisions and cleavages were accorded recognition and sometimes stimulation.

As a concession to some of the provinces, the Charter contains a *non-obstante* override clause, which allows governments that meet certain procedural requirements to enact legislation notwithstanding the provisions of section 2, dealing with fundamental freedoms, sections 7 to 14 (legal rights), and section 15 (equality rights). To the extent that the notwithstanding provision is used — and so far it has been used to exempt all legislation in Quebec from these sections, but not elsewhere — it undermines the Charter's efficacy as a nation-building instrument that is based on a uniform possession by Canadian citizens of rights guaranteed against both orders of government. A high incidence of use of the override by the Quebec government and its negligible utiliza-

tion by other governments will reinforce dualist elements and underline the singularity of Quebec.

The inclusion of a "notwithstanding" clause was, in retrospect, not surprising, given the unquestioned nation-building purposes of the Charter to limit provincial diversity and the prominent role of provincial governments in the final constitutional settlement. Somewhat more surprising, and revealing of the politicization of an ever-increasing range of cleavages and identities, is the extent to which the Charter supplemented its basic recognition of individual rights with a singling out for special constitutional recognition of a number of particular groups. That the linguistic dualism of Canada would receive special attention and protection (Sections 16 to 23) was to be expected, as it related directly to the overriding federal government purpose of giving francophones in Quebec a stake in the whole country and of shoring up the English-speaking minority in Quebec. But the Charter also instructs the courts to interpret the Charter "in a manner consistent with the preservation and enhancement of the multicultural heritage of Canadians" (s. 27). It also protects "aboriginal, treaty or other rights or freedoms that pertain to the aboriginal peoples of Canada" (s. 25), a section supplemented in the *Constitution Act* (s. 35), which defines the aboriginal peoples to include "the Indian, Inuit and Métis peoples of Canada," thus giving the Métis a constitutional recognition they previously lacked.

Perhaps most significant as an indication of the tendency of the Charter to provide constitutional support to particular groups is the affirmative action clause (s. 15(2)), which allows, as an exception to the equality clause (s. 15(1)), programs or activities that are directed to "the amelioration of conditions of disadvantaged individuals or groups including those that are disadvantaged because of race, national or ethnic origin, colour, religion, sex, age or mental or physical disability." This clause is an invitation to both orders of government to engage in micro social engineering to readjust the status order produced by history. Whatever the ultimate utility of affirmative action in overcoming unjustified inequalities, it clearly has the potential to involve the state in never-ending interventions in the public sector, in education, and possibly, by contract compliance, in the private sector on behalf of particular groups. The task is never-ending because the state, no matter how fine-tuned and successful its interventions, can never catch up with the capacity of society and economy to generate new inequalities the justice of which can be challenged. Moreover, the pursuit of equality by affirmative action will produce

> new winners and new losers; in short, new inequalities will result from the state's interventions, and the problem of "equality versus equality" will remain a permanent one. The state will always be vulnerable to criticism in the name of equality; however, it can also always justify itself in the same name. The debate that has been opened in the name of equality is a debate *sine die*.[11]

The constitutional recognition afforded particular categories of Canadians illustrates a recurring tendency of the Canadian state. By singling out particular groups or categories for individualized treatment, it simultaneously attracts those particular groups or categories to it as patron to client, accords political salience to some and not to others, and fractures the possibility of a common citizenship focussing on more abstract and more general concerns. Moreover, it encourages the emergence of additional divisions in society to which it is pressured to provide another round of particular responses. Thomas Flanagan has recently analyzed the manufacture of minorities by Canada's eleven Human Rights Commissions, which have displayed "an extraordinary tendency to enlarge their mandate." The first comprehensive human rights legislation in Canada, the 1947 Saskatchewan *Bill of Rights*, prohibited discrimination on grounds of race, colour, ethnic and national origin, creed and religion. Prohibited grounds in the 11 jurisdictions now number 30, and have progressively moved from stigmatic criteria such as race, through life-cycle criteria such as age, to lifestyle criteria such as sexual orientation and alcohol and drug dependence.[12] Many of the 19th century social theorists feared the levelling effect of the democratic state whose emergence they observed. The modern democratic state seems equally capable of multiplying differences and hiving off groups from the general community.

Taken as a whole, the exercise in constitutional renovation revealed with disturbing clarity the driving force of self-interest when the basic rules of the game are in question. In such circumstances, governmental and private interests recognize the possibility of tilting the fundamental arrangements of the state to their long-run advantage. The basic goal of governments was to enhance their control over their own societies and economies, and their own constitutional position relative to that of other governments. Constitutional arrangements were viewed as tools to restructure relationships between governments and peoples, and to transform citizen identities and conceptions of community. As a quick constitutional solution proved unattainable, more and more actors appeared on the scene. What began primarily as a contest between governments in Quebec City and Ottawa steadily expanded to encompass all eleven governments along with women, aboriginals, numerous ethnic groups, the handicapped and others. A struggle that began over the status of Quebec and French Canada ultimately produced, among other consequences, the first constitutional recognition of Métis and a generally heightened political salience for aboriginals, women, other probable beneficiaries of affirmative action and, to a lesser extent, for non-charter ethnic groups. None of them were significant participants when the process began in the late 1960s, and their concerns were absent from the goals of the earlier players of the constitution-making game. A process intended to unite us produced a Charter of individual rights and an amending formula, but it also constitutionalized many of our differ-

ences. It did so, partly in recognition of the increasing ethnic heterogeneity of the Canadian mosaic, and especially with the equality clause (15(1)) and the affirmative action clause (15(2)) in recognition of the claims of equality and the argument that preferential treatment by the state in the service of the disadvantaged was the vehicle for its achievement.

Whatever its long-run contribution to our evolving conceptions of equity,[13] the increasing resort to affirmative action that the Constitution now invites will engender political conflict along whatever cleavage lines it singles out for attention. It will involve the state more deeply in societal conflicts, add to the politicization of society, and thus encourage the belief that society is a political artifact to be engineered by governments responding to political pressures. In conjunction with the general thesis of our discussion of federalism and community, it confirms how far removed we are from the 1867 world of state-society relations when our journey as Canadians began. In the words of Léon Dion: "Whoever we may be, whatever our profession, whatever the area of the country we inhabit, politics has invaded our lives and it is virtually impossible to escape its hold. This political invasion of our daily lives is a new phenomenon in history."[14] In this new world, our conceptions of community and identity are increasingly the result of state policy, consequences sometimes deliberately sought, but more often inadvertent by-products of the massive role of the state in our day-to-day existence.

Intragovernmental Divisions, Incrementalism and the Fragmentation of Community

The constitutional system is more than federalism; it is also parliamentary responsible government. To both of these institutional arrangements the Canadian Charter of Rights and Freedoms has recently been added as a third pillar. The theory of responsible government suggests the existence of an energizing central political executive based on the relatively predictable support of a parliamentary majority and thus able to translate its policy initiatives into legislation. By so doing, a cabinet is supposed to bring unity and coherence to its overall conduct of the business of government. The performance belies the theory.

As a federal public servant, H.L. Laframboise, observed recently, the federal bureaucracy is becoming analogous to a mini-international system where a corps of interdepartmental diplomats engages in negotiation with other departments in the same jurisdiction.

> This activity is becoming increasingly formalized through written contracts between parties such as memoranda of understanding between ministers, and letters of agreement between deputy heads. The form and content of these various pacts and treaties have reached a level of fastidious refinement

> that would do credit to Talleyrand . . . this unfortunate trend toward formality . . . reflects a prevailing, and often warranted, distrust of one another's motives within the same jurisdiction.[15]

The cabinet is thus more like a holding company of competing departments than like a football team directed by a quarterback who calls the plays and expects clockwork precision of performance from his teammates. One reason for this difference is that for a real quarterback every play is a new beginning. For cabinet, it is otherwise. All the past plays, except those few that have been repudiated, are still being played again and again by units of government who still, in 1985, respond to the legislative quarterbacking of prime ministers long departed. Any prime minister in an established political system, therefore, sits atop a pyramid of the policies of many yesterdays, the administration of which is relatively impervious to his or her role as chief executive officer of the modern state. There is neither time nor knowledge available to overhaul more than a miniscule fraction of the policies bequeathed by those who went before. Further, yesterday's policies are embedded in bureaucracies composed of career officials who view their specialized knowledge as a guarantee of tenure and promotion. They are linked in symbiotic relationships with clientele groups who have become habituated to the program in question and have probably managed to shape it increasingly to their advantage as it has undergone incremental change since its inception.

Change, therefore, operates at the margin. There is no divorce from the past. Government is a continuing organization, deeply embedded as a result of ongoing past policies in the society and economy of the country. There is a further complication: many of the government players are not on the team. They are playing different games in hundreds of Crown corporations and regulatory agencies that have been given varying mixes of actual and/or legal independence from the direct political supervision of prime ministers and cabinets.

Thus quarterbacks and prime ministers should have different skills and different ambitions. If they do not, one of them is playing in the wrong game. The quarterback has the advantage of a clean slate with each new play, but his touchdown pass is history once it is completed. Clean slates that are followed by other clean slates facilitate only ephemeral triumphs for those who write on them. Prime ministers and cabinets do not have clean slates, but their two-yard gains will influence posterity, for they will be as relatively impervious to modifications by their successors as the handiwork of their predecessors is to them.

The consequences for relations between state and society are many. First, since the major part of the state's activity at any given time is the result of continuity rather than innovation by those now in charge, most of the citizens' linkages with the state are habitual. Secondly, and as a

consequence, the links are with the bureaucracy rather than with parties in legislatures and cabinets. The thrust and focus of the latter, which is future directed, is in normal times not of direct concern to most of the citizens and interests who are the recipients of ongoing policies and programs. Thirdly, unlike potential new policies that retain an element of playfulness and unpredictability in their formative process, existing policies are defended by administrators and recipients who are amenable to what they regard as improvements, but quick to resist change that they define as unwelcome. Fourthly, the program links between citizens and the state are highly specific. The citizens and socio-economic interests interacting with the state are not only fashioned into eleven territorial and jurisdictional communities by federalism, but they are also further subdivided into multiple categories by the departmental system of cabinet government, the sub-bureaucratic units within each department, and the host of specific policies that the latter administer. They are additionally linked, in areas large and trivial, to the amoeba-like proliferation of hundreds of regulatory agencies and Crown corporations (of both orders of government), which have been deliberately distanced from cabinets and legislatures. To the academic social scientist, the fate of the Social Science and Humanities Research Council of Canada (SSHRCC) is of vital concern, the fate of egg-marketing boards of little interest. To egg producers, the reverse is true, and the very existence of SSHRCC is probably unknown.

In terms of ongoing programs, therefore, the citizens and socio-economic interests of the country are first grouped into overall national and provincial communities by the federal division of powers, and then further subdivided in terms of innumerable specialized administrative units and the particular programs that the latter administer.

Through the lenses of federalism, the citizen can be viewed as simultaneously belonging to a national and a provincial community, both of which are increasingly politicized, and both of which fluctuate in relative importance as federalism evolves. These communities, however, are internally fragmented by their interaction with the centrifugal structure of each government and the multiple programs it administers. The citizens, in their normal interaction with the state, receive negligible incentives to view themselves as other than the aggregate of their individual linkages with governments of either order. A calculating spirit of political self-interest, the components of which differ from individual to individual and from group to group, pushes the public arena toward being another marketplace in which exchanges are mediated by power and votes rather than by dollars.

Politicized Fragmentation

As the societies and economies of the country become inextricably entangled in the policy output of the state, political calculation occupies

an ever-increasing significance in the pursuit of individual goals. Powerful incentives increase the deployment of political skills in society. Self-regarding behaviour becomes politicized. The affirmative action provisions of the Charter open up new opportunities for disadvantaged groups to bring the resources of the state to their assistance in labour markets and, possibly, in systems of higher education. Political preference becomes an alternative to market performance in the pursuit of economic survival and profitability. Firms devote considerable time to responding to government bureaucracies. Intermediaries emerge to enhance the benefits of individual and group interactions with the state. Some 480 "nationally relevant" business-interest associations have emerged in order, among other purposes, to manage relations with the state. The majority have been founded since the beginning of World War II, with the highest rate of growth between 1961 and 1975.[16] They are particularly effective at the level of subsectoral issues, but are less so at the macro level, where they are plagued by internal divisions and contradictory interests.

Political calculation is diffused to realms of society and economy for which it was historically irrelevant. It is manifest not only in attempts to extract benefits from the state, but also to avoid state obligations. The accounting profession, dispensing helpful advice to minimize financial obligations to the state, rides the crest of a wave. For accountants, April is the month of shortened nights and profitable days as the deadline for filing income tax approaches. Political advisers become executive assistants to corporation presidents. Faculties of Commerce and Business Administration increasingly employ political scientists and devote major attention to business interactions with the state. A late December flurry of marriages to take advantage of the tax system reveals the interaction of private planning and state planning in the most intimate areas of our existence. The sale of registered retirement savings plans (RRSPs) greatly increases in January and February in response to tax considerations. We now operate in terms of many state calendars indifferent to the movements of the solar system.

The state is not only obeyed and coopted, it is also evaded. The most striking evidence of the latter is the underground economy, which represents an attempt to escape state regulation and state taxation. The underground economy is a response to unwanted state intrusions that cannot be successfully manipulated. It becomes a subterranean area of freedom operating beneath the surface of officially recognized and sanctioned activities. It is a phenomenon most widespread in the communist world, but it also has a significant existence in democratic societies where state burdens of a regulatory or fiscal nature are considered oppressive. Its extent is also positively related to the laxity of each state's administrative system and the amount of corruption characteristic of each.

By its very nature, an underground economy that seeks to escape

official definition and detection is not easily measured. In the Canadian case, estimates of its size are varied, but it almost certainly constitutes a significant portion of total economic activity. Economic activity that exists outside the effective purview of the state, and that in the 19th century was natural and legal, has now gravitated to a realm of covert exchanges, the extent of which is debatable, but which is clearly massive. A recent study by Rolf Mirus put the "true size of the invisible money-based sector of the economy" in the range of 10 to 15 percent of GNP, and growing.[17]

Further, evasive behaviour is learned. As it diffuses through those segments of the economy where its detection is most difficult, it is increasingly accepted as normal behaviour. Differences in the possibilities of participating in the underground economy foster envy and resentment in those least capable of benefitting from it. Speculatively, it may also be suggested that the underground economy is state-threatening, since its participants clearly view the state, in selective areas, as a burden to be evaded. In a profound sense it reveals the limits of successful state action. One consequence of the underground economy is that official data describe only a diminishing portion of economic activity. The extension of the state produces, in selected spheres, a dangerous unreliability in the data base for state operations. The state becomes, in part, a negative pied piper to the extent that its tunes fall on unreceptive ears. Its attempts to control and extract resources are met by selective counterattempts to escape and hide in the nooks and crannies that the arm of the state cannot reach. The underground economy merits extensive examination as a key indicator of a significant tendency in the political sociology of the contemporary Canadian state.

The state has become a ubiquitous factor in our calculations. Power, influence, income and status are no longer seen as the product of anonymous impersonal forces of the market or of tradition. S.M. Lipset, after approvingly citing Max Weber's thesis that class action requires that "the fact of being conditioned must be distinctly recognizable,"[18] explained agrarian protest by the visibility of the market and price system by which farmers felt themselves oppressed. The Winnipeg grain exchange, the CPR, the elevator companies and the tariff all seemed to exemplify the manipulation of the price system by powerful interests who controlled the state. The visibility of the enemy facilitated agrarian mobilization by generating the assumption that a change in political power relationships was the route to enhancement of economic status and security.

The visibility of the state's role in distributing advantages and disadvantages has grown enormously since the agrarian protest movements of the decades up to World War II. The state has become the arbiter of competing conceptions of social justice incapable of permanent resolution. The result is a process of competing claims powered by the recogni-

tion that the state can be an ally in the search for equality and privilege. The state, from this perspective, becomes a series of hurdles or opportunities, or barriers and loopholes, with respect to which we pursue our purposes. The opening up of the constitutional issue, and the self-interested bargaining that it unleashed and revealed, were especially pointed lessons of what citizens and groups had been learning since the Depression: that the state is more than an umpire, and that it is not exclusively an instrument that involves our better selves playing civic roles and making disinterested contributions to the public weal. Rather, it is intimately involved in what William Goode reminds us is the ubiquitous societal process of constant renegotiation of the status of the members of society.[19]

The politicization of ethnicity noted above made it clear that the overall symbolic order of the state was a politically created artifact, and that the ethnic distribution of power, income, status and language use was subject to political modification. Simultaneously an awakened aboriginal self-consciousness led to demands for major strides in self-government, up to and including self-determination.[20] Aboriginals, of course, were subject to deep internal fissures derived from history, geography and differences of legal status. In the last fifteen years, the political activity of aboriginals has greatly increased, partly as a result of state financial support, partly because of the opening up of the constitutional issue, which provided them with a forum that they were quick to exploit. As the definition of aboriginals expanded to include Métis, given constitutional recognition for the first time by the *Constitution Act 1982*, the stimulation of their self-consciousness was accompanied by an increase in their political demands.

Concurrently, the gender division of power in society — including politics, the work force, the economy, and the family — was challenged by the women's movement. Life-style groups challenged the normative dominance of heterosexuality and asserted a right to free choice of sexual partners and sexual practices. The handicapped have emerged to challenge the stigmata and socio-economic penalties attached to their physical or mental disabilities.

It is tempting, but misleading, to focus solely on the domestic sources of our internal diversities. The federal state, with its two orders of government, and the Canadian society with which it interacts are caught up in international forces that play on governments and peoples. While our economy has been internationalized by the postwar, liberal international economic order, our society has also been caught up in international forces. The women's movement, for all its national variations, challenges the gender division of labour and of society itself throughout the democratic capitalist world. The politics of Canadian aboriginals cannot be understood without reference to the organizational links and psychological affinities with aboriginals in other countries who are

undergoing a similar ethnic revival. More generally, aboriginal demands for self-government derive sustenance from the ending of European empires in Africa and Asia, and the overthrow of the racial hierarchies on which they were based. "Gays," who challenge both the traditional definition of the family and the dominance of the norm of heterosexuality, are linked with similar movements outside Canada from which they derive ideas, strategies and moral support. The United Nations Universal Declaration of Human Rights and numerous special international covenants are quickly transformed into domestic political demands by citizens in Canada and elsewhere. In sum, political aspirations, alternative identities, competing values and new definitions of the appropriate relations between men and women, young and old, workers and employers, parents and children, the able and the handicapped, and citizens and states sweep across national borders. The contemporary internationalization of social movements and political life, stimulated by the penetrative power of contemporary media of communication, is integrally linked to centrifugal tendencies in contemporary democratic politics that complicate the role of governments.

These centrifugal tendencies derive from a pluralistic explosion of self-consciousness organized around cleavages and differences that do not emerge directly from class or from the economy. This self-consciousness refers initially to a particular group or social category — women, aboriginals, francophones outside Quebec, the disabled and many others — and secondly, to the now-commonplace understanding that the state is the relevant agent for remedial actions. The particular form of contemporary political self-consciousness in Canada is partially shaped by the diffusion of a rights mentality in the last quarter century.

Many of the rights are positive rights in that they require action by the state if they are to be honoured. Recognition of a right and its honouring by the state are complex phenomena. From a narrow utilitarian perspective, rights can be reduced to a transaction between the state and a citizen, in which money in the form of Old Age Security is transferred from the former to the latter, or the occupational position and income of a member of a disadvantaged group is improved by affirmative action. Equally important, however, is the state role in conferring status, recognizing identities, and providing meaning for the citizenry. As the state role increases, the symbolic order in which it is situated becomes much more consequential. The symbolic order is now a prominent arena within which there is competition for the scarce goods of recognition and status.[21] At the time of writing (May 1985), the issue of compensation and public apology to Japanese Canadians for their war-time treatment by the Canadian government nearly half a century ago is on the public agenda. The role of Riel as martyr, scapegoat or recipient of a fair trial in the 1880s is hotly debated. Leaders of women's groups and aboriginal movements seek to change our understanding of the past. Ethnic studies

flourish, and the state funds ethnic histories. The competitors for social recognition realize that history is not dead, but is a resource that can be put to use for contemporary purposes. Since the state is the major actor in education and is centrally involved in research funding, its policies are subject to political challenge by numerous groups who see justice and advantage in particular changes involving curricula and subjects for research.

Our multiple interactions with the state do not leave us unchanged. Our very identities are transformed. Our political, social and economic selves are brought together in the state arena where they are shuffled, combined and divided by the multiplicity of state linkages with our no-longer private selves. The public and the private are intertwined. In recent years we have seen the politicization of language, the politicization of ethnicity and civic identities, the politicization of sex and gender through the feminist movement and the abortion issue, the politicization of rights, the politicization of ownership and control of the economy, the politicization of research through the strategic grants programs of SSHRCC, and the politicization of medicine and hospital care. As we move from cradle to grave, we move through successive stages of age-related state-welfare schemes. The point at which life begins in the transition from conception to birth is now a political decision. The point at which life ends is indirectly a state decision, mediated through funding decisions and state criteria, direct or indirect, which ultimately dictate when life-support systems should be shut down.

The preceding and other indications of politicization are not all completely new, but most of them are new in terms of extent and visibility. Most important, the cumulative effect is profoundly new. We have experienced, to borrow a phrase, a Quiet Revolution.

Centrifugal tendencies in the state and the multiplication of cleavages in society reinforce one another. Part of the centrifugal tendencies within governments represents state efforts to establish linkages with the evolving cleavages within society. Thus the older client departments of Veterans Affairs, and Indian Affairs have been supplemented by new state agencies that single out women, youth, consumers, regional development, small business and multiculturalism. In addition, the Commissioners of Official Languages, Human Rights, and Privacy play watchdog roles on behalf of the clientele or values they are mandated to preserve and foster.

Most of these new advocacy departments and Commissions have limited line responsibilities. They scrutinize and monitor policy development from the vantage point of multiple special interests. From one perspective, this represents the invasion of the state by society; from another, it represents the politicization of society. From both perspectives, it represents the linking of political/bureaucratic struggles with underlying societal conflicts over the distribution of status, power and

privilege within society. The result is a species of bureaucratized pluralism that reinforces and reflects the societal fragmentation it singles out for special attention. The regulatory arm of the state attracts another cluster of specialized interests to agencies such as the CRTC and the CTC. In these discrete regulatory arenas highly focussed conflicts are played out with their own rules for participation, representation and policy formation.

We approach the state through a multiplicity of classificatory systems (derived from state policies, state agencies, and the discretion of administrators) which define us by gender, age, ethnicity, region, producer or consumer status, and whether we are French-speaking or English-speaking. We are politicized and fragmented simultaneously. Some of our traits are privileged; others are ignored. We approach the state as fragmented selves, calculating the advantages of stressing our ethnicity, our age, our gender, our region, our language, our sexual preferences, our doctorates or our disabilities.[22] Shifting self-definition in response to state cues increases the size of any non-ascriptive group to which the state hands out privileges, and reduces membership in non-ascriptive categories subject to penalties and disadvantages.

The multiple classificatory paradigms of the modern state are subject to constant evolution. The significance of those that exist is subject to modification by organizational change. Cabinet and administrative changes are closely watched by relevant clientele to see if their power and status are rising or falling. Appointments of ministers to particular portfolios, or of the heads of agencies visibly identified with a particular interest, are observed with pleasure or chagrin, depending on the higher meaning that can be read into them. Now that the Charter is in effect, appointments to the Supreme Court will be closely monitored by groups with a stake in Charter interpretation. A socio-psychological history could be written of the mix of rumours and proposed policies attending the future of the federal role in Indian affairs. Its projected or rumoured demise or cutback results in angry mobilization by Indians in its defence, followed by reassurance that the rumours are unfounded, that the policy has only been proposed, not accepted, and that nothing will be done without consultation. The only certainty is that the cycle will be repeated.

Each bureaucratic rearrangement or policy change by the state has an unequal incidence on diverse social actors. When, in 1966, the federal government changed its policy of direct subsidization of universities to channelling financial support through provincial governments, the Canadian Union of Students, which had located itself in Ottawa in response to the previous policy, was left stranded. It collapsed three years later, as it no longer had a *raison d'être*.[23] New state categorizations change our behaviour and our self-definition. They modify the relationship among the varied multiple identities that we carry through life. At the same

time, society and economy, driven by their own imperatives, unceasingly churn out new distinctions and new patterns of inequality, which interact unpredictably with existing state categories and generate pressures for their redefinition or supplementation.

In political terms, we come to exist as a multiplicity of those discrete selves that the state has singled out for attention. We act as managers of our shifting selves in the same way that business adjusts to changes in tax laws and regulations. We are like Kremlinologists constantly looking for clues. The flexible multiple identities fostered by our interactions with the state work against our civic sense of wholeness.

It is not irrelevant to inquire in particular cases whether state cleavages generate social cleavages or the reverse. That question, however, is a subject for case studies. To step back and attempt to see the process whole is to conclude that what exists is a complex system of exchanges in which the state is likely to recognize and sustain cleavages that are to its advantage, and that private interests, defined in innumerable ways, seek recognition and support. They will redefine themselves if a redefinition is plausible and increases the chances of state support. The competition is unequal. Producers carry more weight than consumers, although both are recognized. The disabled are defined as candidates for affirmative action by section 15(2) of the Charter. "Gays" are not. The overall tendency is for the state to pick up and recognize more and more identities and cleavages that are reinforced by their association with the state.

Where Are We Now?

The nature of the state-society symbiosis that this essay has explored is a fascinating subject in its own right, justifying its examination for all the reasons that lead us to try to satisfy our curiosity about the way we live. Beyond that, however, an understanding of its nature, more profound than this speculative essay can provide, is essential to our understanding of contemporary citizenship and community, and of the capacity of the federal state to provide the policy leadership that future domestic and international concerns will unquestionably require.

It may be useful to put the changes in state-society relationships in broad historical perspective. The thrust of the transition period as Western society moved from feudalism to a system of competitive capitalism under the aegis of the nation state was to free the competition for social status, income and economic power from the hampering entanglements of feudal social arrangements and ascriptive criteria. The freeing of the economy and the ideology of markets and competition produced, from the vantage point of a broad historical sweep, a remarkable separation and distinctiveness of the spheres of the state on the one hand, and society and economy on the other. That period proved unstable.

The disintegrating consequences of the market for society threatened to generate a pervasive anomie destructive of community, or to set class against class as market-generated inequalities proved unacceptable to the working class. The last half of the 19th century in the United Kingdom, as Dicey noted, was characterized by a growth of collectivist sentiment and legislation. In Germany, Bismarck introduced social legislation in the 1880s to pacify and integrate the working class into the German nation. The World Wars of the 20th century and the Great Depression of the 1930s further exalted the state's role, reduced market autonomy, and brought state, economy and society into a closer nexus. In Canada, J.A. Corry wrote perceptively in 1936 of the independent public corporation under the apt heading of "The Fusion of Government and Business."[24] Polanyi's *Great Transformation* was being reversed in Canada as elsewhere.[25] The progressive expansion of the welfare state and the increasing social role of the state in response to new cleavages not directly derivative of the economy or the class system pushed state and society to a higher level of mutual interaction and penetration.

The focus on Canada in the preceding pages too easily leads to an insularity of perspective that should be resisted. As John Boli-Bennett concludes, after a comprehensive examination of national constitutions from 1870 to 1970, a "progressive" global ideology has developed that "calls for continual expansion or growth of state authority . . . for an augmentation of state jurisdiction over society and citizens that, like economic growth, population, and pollution, appears to follow an upwardly accelerating curve." That world ideology is a product of a global process that is "largely independent of, and strongly shapes, particular national processes." Individual states and peoples respond to evolving international definitions of what it means to be a state.[26] For any particular state, these definitions are largely given, and they limit the extent of national variations in state-society relations. The Canadian example, accordingly, is a case study of the impact on one country of global forces to which we have added idiosyncratic variations derived from the particulars of our situation.

To capture the contemporary interpenetration of state and society in descriptive language is not easy, for our language, including the language of the social sciences, posits a separateness of state from society and economy that no longer exists. The recent literature positing the autonomy of the state[27] is a welcome advance from assumptions that the state is no more than a reflecting mirror, or a neutral arena where contending social interests struggle ceaselessly for advantage. The state is unquestionably actor as well as umpire. Political and bureaucratic élites have their own goals for society, as well as their own interests to protect. And, given the massive resources at their disposal, they frequently get their way. However, the stress on autonomy can lead to an uncritical view of the state as aloof and distant. Realistically, autonomy exists only at the

margin where the state can play a catalytic role with new ventures. The overriding reality, therefore, is not state autonomy, but interdependence. The state, as a result of past performance, is embedded in society, linked in thousands of ways to interests in society that no longer can meaningfully be described as private.

The state-society symbiosis derives from the elementary consideration that especially in an era of big government, changes in state structure and policies always produce changes in the behaviour of social actors. Equivalently, changes in society and economy, whatever their source, have repercussions on the state and on existing policies when society and the state are deeply intertwined. The declining isolation of state and society from each other means that each is now caught in a network of subtle moves and countermoves in a never-ending game of shifting competition and collaboration. When both society and state are broken down into their numerous respective interests, ambitions and identities, the game is more correctly seen as a gigantic chessboard in which no player can clearly grasp the future moves of the other players, and hence can make only a tentative assessment of the probabilities of winning and losing.[28]

From one perspective, the multiple fragmentation of society to which the state-society symbiosis has led is not without its advantages for integration. The non-territorial distribution of the emergent structure of multiple cleavages, with the partial exception of aboriginal communities, inhibits secessionist tendencies and forces the interests concerned to struggle with one another within the framework of given national and provincial communities. In addition, multiple cleavages contribute to cross pressures, thus reducing the intensity of demands. The nationalist pressures of the Parti Québécois government were ultimately constrained by the Canadianism of a majority of the referendum electorate. By the same token, defeat in one arena can be compensated for by victory in another. Finally, multiple cleavage structures provide state élites with manoeuvrability and discretion in their response to specific demands.

The relationship of the cleavage structure of society to national unity and integration has been a recurring concern to students of Canadian politics. Horowitz, Porter, and others have argued the desirability of strengthening the class cleavage that would integrate Canadians across provincial boundaries by stressing the class differences of income and power generated by a capitalist economy. The democratic class struggle, John Porter's creative politics, would shift debate to the national level, and thus have centralizing consequences for the federal system. Moreover, classes, lacking a territorial base, cannot threaten secession and thus pose a lesser challenge to the integrity of the Canadian state than do cleavages coinciding with provincial boundaries.

The class cleavage, however, was viewed as a single cleavage. The

cleavages fostered by the social role of the modern state, interacting with a society for which gender, ethnicity, language, competing life-styles and other cleavages and divisions have supplemented class, are multiple. The emergent nationalist community, therefore, promises to be more internally fragmented and plural than was assumed by those who asserted the integrative capacities of the democratic class struggle. This also holds true for provincial communities, which are subject to similar multiple cleavages, although on a smaller scale.

The consequences for the state of its own fragmentation, whether they are deliberately sought or inadvertently produced, are ambiguous. As Peter Hall argues with respect to France, there are political advantages accruing to a state that does not overcome its internal divisions:

> A state faced with multiple tasks and well-defined conflicts of interest among the social classes it governs, or the groups within these, may find it necessary to maintain a degree of deliberate malintegration among its various policy-making arms so that each can mobilize consent among its particular constituencies by pursuing policies which, even if never fully implemented, appear to address the needs of these groups. In many cases the pursuit of incompatible policies renders all of them ineffective, but this strategy prevents any one group from claiming that the state has come down on the side of its opponents.[29]

This, however, is a type of integration or social pacification by deception. It keeps us together by separating us from one another. It fragments our civic wholeness by parcelling out our various discrete concerns to multiple separate agencies, which neither we nor the state can bring together again. As we shall note below, this form of integration by fragmentation comes at a price, for it is more likely to preserve policy rigidities derived from the past than to support policy initiatives that require changes of direction or policy reversals. The mobilization of diffuse support for major policy change is frustrated by the typically greater countermobilization of the beneficiaries of specific existing programs, in government and society, who resist change considered detrimental to their particular concerns.

The contemporary Canadian state manoeuvres gingerly through the minefield of its own past decisions. As it scans the socio-economic environment, it encounters its former self, and it approaches society through structures beset by contradictions that are themselves resistant to change. In the words of a political scientist who was involved in the 1973 Working Paper on Social Security, "to characterize Canada's tangle of federal-provincial and interdepartmental jurisdictions as a fragmented decision system is to understate the case."[30] In a period of economic recession and in an international setting that imposes severe adjustment demands on society, economy and polity, the costs to the contemporary Canadian state of rigidities and internal contradiction threaten to

become inordinately high. The virtues attributed to a system of parliamentary government resistant to tying down the future become almost irrelevant in the face of the multitudinous entrenchments of past policies, the beneficiaries of which resist adjustment. Society and polity experience a diminished manoeuvrability, the unanticipated consequence of past decisions undertaken in a more optimistic climate in which the future was to generate a sufficient surplus to allow a necessary flexibility at the margin.

We have long known that institutions represent a mobilization of bias, that states are historical products whose evolution is subtly channelled by the incentives and disincentives of their institutional arrangements, arrangements that are usually peculiarly resistant to change. Institutional congealment and the mobilization of bias to which it contributes are supplemented by the congealment of past policies, which, deeply entangled with society, require Herculean efforts for their modification. In the real world, the analytical distinctions among the institutions of the state, the past policies it has pursued, and the society/economy of the country cannot be located. What now exists is a series of overlapping governmentalized societies in which the limits to the effective exercise of political authority are set not by society or economy conceived as autonomous entities, but by the embedded enduring interactions between government and society/economy. The growth of government, as Peters and Heisler observe, produces a

> certain paradox of power. At the same time that government has been growing in terms of the number, range, and extent of its regulations [sic] of society, it appears to have lost effective power and authority over the society and indeed its broader environment. It is perhaps the very extent of its activities, their frequently unintended consequences, the presence of contradictory goals of agencies, and the extension of activities to include policy areas not obviously amendable [sic] to collective control or the quick technological fix that have led to this unhappy situation.[31]

When the requirement is for policy manoeuvrability in a period of straitened circumstances, the contemporary state finds retreat much less manageable than were the previous advances whose contemporary consequences now strain its resources. The difficulties of retreat or major change have been vividly manifested in the failure of tax reform after the Carter Commission, the difficulty of bringing the deficit under control, and the resistance to attempted changes in family allowances in the early 1970s and more recently. The repetition of yesterday's policies continues, despite their often partial obsolescence, and their often negative consequences.

In these circumstances of built-in rigidities and vetos, it is scarcely surprising that federal and provincial political élites increasingly resort to a unilateralism of "act first and pick up the pieces afterwards."[32] The

fait accompli takes its place in the arsenal of democratic statecraft — hence the manner of Ottawa's introduction of wage and price controls, the Trudeau announcement of massive federal budgetary cutbacks, in 1978, against self-protective instincts of government departments, the unilateral change in fiscal arrangements in 1977, the federal unilateralism threatened throughout the recent constitutional exercise, and the leadership style of the British Columbia government in a period of cutbacks. A Gaullism of action, supplemented by demagoguery, is no longer an isolated tendency in contemporary statecraft. This type of response to a byzantine blockage that threatens paralysis may, in particular circumstances, be necessary and efficacious. It has little to offer as a long-run recipe, for it destroys civility, undermines the spirit of constitutionalism, and encourages a reciprocity of competing unilateralisms that no interdependent political economy can digest.

The thesis of the women's movement — "the personal is political" — is of general application. The magnification of political calculations as we go about our daily rounds does not leave us untouched. Political man and political woman have distinctive characteristics. They constitute a new species qualitatively different from their predecessors, who could be defined by the adjective "economic" or "religious." Whether they are more or less lovely or unlovely than the predecessors they have displaced can be left to the moral philosophers. That they are a new creation whose emergence is a happening rather than a deliberate product of conscious choice is clear. That we shall have to come to grips with this new phenomenon is also clear. Its emergence changes the nature of the state, of politics and of society, and thus changes the subject matter of the social sciences. From the perspective of democracy, the problem is that the politicization of multiple cleavages, in conjunction with the extensive social differentiation characteristic of modern society, erodes our identity as citizens concerned with the whole. "Typical for subsystems in differentiated societies is that they combine high sensibility for specific problems with indifference toward all other problems."[33] The fragmentation of society simultaneously generates an urgent need for political leadership and social cohesion, and works against their appearance. Our political selves get in the way of our civic selves.

It remains true that in most ways contemporary Canada is more humane, more democratic and, it has been debatably suggested, Canadians are "certainly . . . [a] happier" people than they were in the world in which our parents were young.[34] These achievements are neither to be lightly dismissed nor casually overturned. Nevertheless, it is also true that the road we have travelled has led us to a new agenda of problems with which Canadians must now grapple.

In responding to this new agenda it is necessary not to shelter every activity of modern government in Canada under the rubric of the welfare state, and thus impervious to criticism. It is far from evident that the

major beneficiaries of modern state activity are the poor, the downtrodden, the disadvantaged and the helpless. The complexity of the modern state puts a premium on the possession of political skills, organizational power, financial resources and insider knowledge. J.S. Woodsworth had other recipients in mind.

It is also necessary not to caricature the state-society fusion under conditions of political democracy, and thus unwittingly equate it with the attempted annihilation of civil society by the state, as in the Soviet Union.[35] State power in Canada is so widely dispersed and its application so fragmented that the state is incapable of achieving anything approximating total control of the citizenry. It can scarcely keep its own house in order. Its inefficiency, combined with the culture and practices of democracy, make its relationship with society loose and relatively benign rather than malign.[36]

Beyond the question of the domestic distribution of the advantages and disadvantages of modern state activity and the comparative mildness or rigour of the state's grip on society there is another issue. In some sense the world of nations, states, economies and societies is Darwinian. The world will not leave us alone. The domestic political economy of a successful response to the openness and interdependence of the modern world requires a discriminating reappraisal of the institutional and policy legacy of yesterday. This is a task not for the bulldozer, but for rational analysis that must include the particulars of the state-society symbiosis we have inherited in the light of the challenges we have to meet. The intellectual task, by itself, is overwhelming. Unfortunately, it is relatively easy compared to the daunting political task of doing whatever it is decided should be done.

The world of politics is not an academic seminar, but a political world of interests whose advocates focus on the short run. To them analysis is good or bad, depending on its utility for their goals. Nevertheless, disciplined inquiry remains our most significant tool in that difficult search for a society that is simultaneously humane and adaptive to the world of the future that is now, as always, knocking at our door.

Notes

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1. B. Guy Peters and Marten O. Heisler, "Thinking About Public Sector Growth," in *Why Governments Grow: Measuring Public Sector Size*, edited by Charles L. Taylor (Beverly Hills: Sage, 1983), p. 186.
2. Daniel Tarschys, in *Understanding Big Government: The Programme Approach*, edited by Richard Rose (London: Sage, 1984), p. 29.
3. See Rose, *Understanding Big Government*, for an impressive discussion of the momentum and inertia behind existing programs.
4. Clauss Offe, "Political Authority and Class Structures — An Analysis of Late Capitalist Societies," *International Journal of Sociology* 2(1) (1972), p. 78.
5. Fred W. Gibson, "Conclusions," in his *Cabinet Formation and Bicultural Relations: Seven Case Studies*, Studies of the Royal Commission on Bilingualism and Bilculturalism (Ottawa: Queen's Printer, 1970), p. 171, citing O.D. Skelton.
6. John L. Howard and W.T. Stanbury, "Appendix to Measuring Leviathan: The Size, Scope, and Growth of Government in Canada," in *Probing Leviathan*, edited by George Lermer (Vancouver: Fraser Institute, 1984), pp. 129, 132, 140.
7. Quebec, Royal Commission of Inquiry on Constitutional Problems, *Report* (Quebec, 1956). William D. Coleman, *The Independence Movement in Quebec 1945–1980* (Toronto: University of Toronto Press, 1984).
8. Richard Simeon and Donald Blake, "Regional Preferences: Citizens' Views of Public Policy," in *Small Worlds: Provinces and Parties in Canadian Political Life*, edited by David Elkins and Richard Simeon (Toronto: Methuen, 1980); Keith G. Banting, *The Welfare State and Canadian Federalism* (Montreal: McGill-Queen's University Press, 1982) chap. 8.
9. See Thomas Peterson, "Manitoba: Ethnic and Class Politics," in *Canadian Provincial Politics*, 2d ed., edited by Martin Robin (Scarborough: Prentice-Hall, 1978).
10. See Keith Banting and Richard Simeon, eds., *And No One Cheered* (Toronto: Methuen, 1983) for various analyses.
11. Stephen R. Graubard, "Preface," *Daedalus* (Fall 1979), p. x.
12. Thomas Flanagan, "The Manufacture of Minorities," paper presented to the Conference on Minorities in Canada, Banff, May 21–24, 1984, p. 28 and passim. Mimeographed.
13. For some of the dilemmas of affirmative action, see Conrad Winn, "Affirmative Action and Visible Minorities: Eight Premises in Quest of Evidence," *Canadian Public Policy* 11(4) (December 1985).
14. Léon Dion, *Québec: The Unfinished Revolution* (Montreal: McGill-Queen's University Press, 1976), p. 86.
15. H. Laframboise, "The Future of Public Administration in Canada," *Canadian Public Administration* 25 (4) (Winter 1982), p. 513.
16. William D. Coleman, "Canadian Business and the State," in *The State and Economic Interests*, volume 32 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985). See Coleman's appendix for the methodology of his study and the criteria for nationally relevant associations.
17. Rolf Mirus, "The Invisible Economy: Its Dimensions and Implications,"in *Probing Leviathan*, edited by George Lermer (Vancouver: Fraser Institute), p. 123. Toronto lawyer and law school lecturer Robert Couzin described the logic of non-compliance with the Income Tax Act as follows: "On a simple application of games theory, the probability of getting caught multiplied by the costs of getting caught is found to be less than the probability of not getting caught multiplied by the benefit of winning." *Globe and Mail*, July 12, 1983, p. B.18.

18. S.M. Lipset, *Agrarian Socialism*, rev. ed. (Garden City, N.Y.: Doubleday, 1968), p. 57.
19. William J. Goode, "Why Men Resist," in *Rethinking the Family*, edited by Barrie Thorne and Marilyn Yalom (New York: Longman, 1982), p. 146.
20. For a helpful discussion see Roger Gibbins and J. Rick Ponting, "An Assessment of the Probable Impact of Aboriginal Self-Government in Canada," in *The Politics of Gender, Ethnicity and Language in Canada*, volume 34 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985).
21. Raymond Breton, "The Production and Allocation of Symbolic Resources: An Analysis of the Linguistic and Ethnocultural Fields in Canada," *Canadian Review of Anthropology and Sociology* 21 (May 1984).
22. The many brilliant works of Erving Goffman on how we present the "self" in response to various cues are relevant here. See also F.G. Bailey, *The Tactical Uses of Passion: An Essay on Power, Reason, and Reality* (Ithaca: Cornell University Press, 1983) for an illuminating discussion, particularly chapter 2, which explores "The Colony of Selves" that exists in each of us.
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25. Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957).
26. John Boli-Bennett, "The Ideology of Expanding State Authority in National Constitutions, 1870–1970," in *National Development and the World System*, edited by John W. Meyer and Michael T. Hannan (Chicago: University of Chicago Press, 1979) pp. 223, 224.
27. Eric A. Nordlinger, *On the Autonomy of the Democratic State* (Cambridge, Mass.: Harvard University Press, 1981).
28. The abstract nature of the analysis of this paragraph, and more generally of the whole paper, unfortunately precludes any attempt to construct typologies of the varying relations among the public and private players and to relate these to different policy areas. For some provocative insights, see Theodore J. Lowi, "Distribution, Regulation, Redistribution: The Functions of Government," in *Public Policies and their Politics*, edited by R.R. Ripley (New York: Norton, 1966).
29. Cited in David Held and Joel Kruger, "Accumulation, Legitimation and the State: the Ideas of Claus Offe and Jurgen Habermas," in *States and Societies*, edited by David Held et al. (Oxford: Martin Robertson, 1983), pp. 490–91.
30. Rick Van Loon, "Reforming Welfare in Canada." *Public Policy* 27(4) (Fall 1979), p. 503.
31. Peters and Heisler, "Thinking About Public Sector Growth," p. 192. Pages 191–94 are especially valuable.
32. See Hugh G. Thorburn, *Group Representation in the Federal State: The Relationships between Canadian Governments and Interest Groups*, volume 69 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985) pp. 60–62 for discussion of recent federal government unilateral initiatives.
33. Max Kaase, "The Challenge of the 'Participatory Revolution' in Pluralistic Democracies." *International Political Science Review* 5(3) (1984): 303–304.
34. Robert Bothwell, Ian Drummond and John English, *Canada Since 1945: Power, Politics and Provincialism* (Toronto: University of Toronto Press, 1981), p. 4.

35. See Tim Luke et al., "Review Symposium on Soviet-Type Societies," *Telos* 60 (Summer 1984) for discussion of social atomization and the virtual destruction of civil society in Soviet-type societies.

36. I thank Peter Hall and Philip Resnick for observing that in an earlier draft I paid inadequate attention to the qualitative distinction between the mildness of the fusion of state and society in democratic contexts and its Orwellian rigour in totalitarian systems.

4

Political Authority and Crisis in Comparative Perspective

ANTHONY H. BIRCH

Concepts and Agenda

Introduction

A full examination of the health and future of the economic system of a country in the Western world requires at least some examination of the health and capabilities of that country's political system. In Canada, public expenditure accounts for about 40 percent of the gross domestic product (GDP), and government agencies are also constantly involved in decisions affecting the activities and development of the private sector. Thus, if serious problems exist within the governmental system, its chances of success in guiding and stimulating the economic system will be jeopardized.

That western systems of government do have serious problems has been alleged by numerous social scientists in the past decade. In 1975, the Trilateral Commission published a report, entitled *The Crisis of Democracy*, that contained chapters, each somewhat depressing in content, by a Frenchman, an American and a Japanese.[1] Since then, two American scholars have asked *Can Government Go Bankrupt?*;[2] a British economist has written a seminal paper and a book on *The Economic Contradictions of Democracy*;[3] and political scientists in many places have followed Jurgen Habermas in predicting that Western democratic systems are entering a period in which they will experience a crisis of legitimacy.[4]

The common theme of this rather pessimistic body of analysis and prediction is that recent developments have weakened, and are weakening, the authority of democratic governments. The extent of political authority is important for three related reasons. First, a government that

loses authority is apt to find that its orders are defied, its laws are broken, and an increasing proportion of its time and energy has to be devoted to the securing of compliance. Secondly, in the difficult economic situation of the 1970s and 1980s, governments need much more than compliance to make their policies effective: they need the active cooperation of groups within society if they are to formulate constructive policies and see them successfully implemented. Governments are unlikely to achieve such cooperation if their authority is impaired. Thirdly, the erosion of authority may, in some circumstances, lead to political crisis or even to the collapse of the regime.

This third possibility is not a present threat in the three countries whose experiences we shall consider in this paper: Canada, Great Britain and the United States. It is difficult to imagine governments in any of these countries reaching the condition of impotence to which René Pleven referred at the last cabinet meeting of the Fourth Republic in France:

> We are the legal government. But what do we govern? The Minister for Algeria cannot enter Algeria. The Minister of the Sahara cannot go to the Sahara . . . The Minister of the Interior has no control over the police. The Minister of Defence is disobeyed by the army.[5]

Nevertheless, it would be unwise to be too complacent about such matters. The Fourth Republic, though never a strong regime, was not seriously threatened until the last two years of its life. In Great Britain, the Conservative government of 1970–74 was brought to an end by a miners' strike, while in 1984–85 the miners' leadership was engaged in a determined and overtly political strike designed to undermine the authority of the present government. In Canada, the Quebec nationalist movement posed a formidable challenge to the stability of the national community for almost two decades. In any case, challenges to political authority through non-compliance and non-cooperation are serious enough in their effects on the efficiency of the governmental process to be worthy of study.

The Nature of Political Authority

Authority may be defined as a combination of power and legitimacy. Power is the ability to get things done, to give commands that will be obeyed, to take decisions that will be implemented. Legitimacy consists of the acceptance by all relevant parties that the people in positions of power are entitled to be there, and that their decisions, popular or unpopular, have been reached through proper procedures and are not entirely unreasonable in content. The relationship between authority, power and legitimacy can be illustrated by the example of a hijacked aircraft. In all normal circumstances the captain of an aircraft, like the

captain of a ship, is in a position of authority over the aircraft, its crew and its passengers. If a hijacker points a gun at the captain, the latter loses his power to command the aircraft but not his legitimate entitlement to do so. The hijacker has power, the captain has legitimacy, but neither has authority.

This situation is loosely analogous to the position of a state immediately after a coup d'état, before the new rulers have had time to acquire legitimacy. In non-revolutionary situations, an analogy for the loss of political authority would be the position of a schoolteacher losing the confidence of his or her pupils, who first become restive and then unruly. In this situation, the teacher loses control of the classroom, though no one else acquires control. Power, and therefore authority, are undermined, and there is nothing to take their place; the consequence is that very little gets done in the class.

In the modern state, political power consists of the ability of office holders to take policy decisions that are implemented without serious distortion by public servants and are complied with by citizens. In their exercise of power, governments enjoy the right to use coercive measures. Extensive coercion, however, is not feasible in democratic societies, where the system of government depends on the ability to keep coercion to a minimum by maximizing the sense of legitimacy that surrounds the governmental system. A serious decline in the sense of governmental legitimacy will undermine political authority in such a system. It is possible to identify indicators of such a decline.

First, there may be a measurable decline in public confidence in the government and/or its leaders, as revealed by attitude surveys. Secondly, perhaps as a consequence of such a decline, people may turn away from the normal channels of representative government, either to express their demands through various forms of direct action or to retreat into indifference and the milder forms of individual non-compliance, such as tax evasion. Forms of direct action include public demonstrations, rent strikes and organized non-compliance with government policies and edicts. Examples of organized non-compliance include the squatters' movement and the refusal to accept labour-relations legislation in Britain, and resistance to school integration and "bussing" in the United States.

Thirdly, organized economic interests may use industrial power for political purposes. The most obvious recent example of this is the 1984–85 coal miners' strike in Britain. This strike, pursued with great determination over several months, organized without the approval by ballot that the union constitution prescribes, and conducted in violation of the law about picketing, was a deliberate attempt to undermine political authority. While most of the striking miners were presumably pursuing industrial rather than political aims, the strike's leadership was politically motivated. The strike involved gross intimidation of miners

who remained at work and violent attacks on the police, hundreds of whom were injured. The strike leaders proclaimed their intention to defy court orders and persuaded the annual conference of the British Labour Party to pass a motion condemning the police for their role in protecting the many thousands of miners who continued to work.

In the immediate aftermath of this wave of militancy, the Labour Party conference went on to pass motions encouraging municipal authorities to break national laws and promising that the next Labour government would indemnify municipal councillors who were punished for so doing. These motions, passed by the official opposition party, constituted an attempt to undermine the authority of the present British government. If events like these can happen in Britain, it is not inconceivable that similar developments might take place in Canada. In British Columbia, the Solidarity movement came rather near to organizing a general strike in 1983; the aim of the strike would have been to secure changes in the package of restraint measures introduced by the provincial government. The strike did not take place, but it would be complacent to believe that Canada is immune from this kind of action.

The Roots of Political Legitimacy

At the beginning of the 20th century, Max Weber produced a categorization of the principles underlying political legitimacy. In modern democratic states, based on what Weber called "legal-rational principles," the practical roots of legitimacy can be divided into three broad categories.

The first practical basis of legitimacy is a congruence between government, society and territory. In an age of self-determination, it is important that the citizens of a state should believe that they belong to a society that is rightly ruled, even if not well ruled, by their own independent government. Colonial systems do not qualify, and Northern Ireland is a classic example of a political unit that is perceived as colonial, and therefore as illegitimate, by a sizeable proportion of its citizens. Members of cultural minorities within a society may believe that the government lacks legitimacy, either because it fails to protect their cultural autonomy, or because it fails to give them a fair share of political influence and economic rewards. If such minorities are concentrated in a particular region, they may wish to opt out of the system, an action which would give rise to the tensions and conflicts resulting from substate nationalism. If the minorities are not geographically concentrated, this option is closed to them, and they are likely to be either frustrated integrationists (like most American blacks) or frustrated would-be separatists (like members of certain American black nationalist groups). In these cases, the national government will experience difficulties in maintaining authority, a problem that is not shared by governments of more

homogeneous societies. This factor can be termed "the legitimacy of the political community."

A second practical basis of legitimacy is the character of the regime. A representative form of government generally enjoys greater legitimacy than does one that is seen as unrepresentative by significant sections of the population. Representative legitimacy normally requires appointment by popular election, and sometimes requires more than this. People are apt to demand not only elective representation, but also microcosmic representation: that is, an approximate replication among governing élites of the main social characteristics of the population.[6] Such élites may suffer a loss of legitimacy if their composition does not represent the main cultural groups in society or the major regions of the country. In some societies representation in this microcosmic sense is expected of the cabinet and the bureaucracy, as well as of the legislative assembly, though more latitude is generally enjoyed by the two former institutions.

To be regarded as legitimate, a regime must not only be representative, but it must also be responsive to public demands, effective in formulating and implementing policies, and reasonably honest in administration. Shortcomings in one dimension may be compensated for by strength in another, and regimes with a history of stability and legitimacy are apt to possess a reserve of strength that will enable them to overcome temporary failures. Moreover, governments are not passive spectators of the process by which their legitimacy is assessed: they engage in constant propaganda to enhance their popularity, and they have access to a range of strategies for system maintenance in times of stress. There are, therefore, several teams of players in the game of undermining or maintaining the legitimacy of the regime.

A third practical basis of legitimacy is the success of government policies. To be successful in the contemporary world, governments must safeguard peace and security, maintain law and order, provide full employment, avoid rapid inflation, provide social services that are seen as adequate, and pursue fiscal policies that are accepted as fair. Failure on any of these fronts can lead to a withdrawal of public support, and concurrent failure on several fronts can erode the authority of the government or even of the regime, as the authority of the Weimar Republic in Germany was eroded by massive inflation, heavy unemployment and inability to prevent street violence.

Dissent and Protest

Causes of dissent and protest may be categorized in the same way that the roots of legitimacy have been categorized: rejection of the community, rejection of the regime, and rejection of specific policies. In all cases the motives of dissenters are likely to involve a combination of

ideological values and perceived interests. Interests are generally more important in the first and third categories, however, than in the second, and this ranking affects the ease with which leaders of dissent can recruit followers. If the leaders of a cultural minority believe that minority interests are not protected by the system, they have a ready-made public to recruit for a campaign of protest. Equally, groups whose interests are adversely affected by government policies may be able to mobilize most or all of their members for protests and demonstrations. Rejection of the regime on the intermediate ground that its institutions are inadequate requires a somewhat higher level of political awareness and sophistication. The cultural or material interests of citizens are prejudiced indirectly, rather than directly, by institutional inadequacy. Leaders of dissent in this category must educate the public if they are to acquire a mass following, rather than simply appeal to community or group interests. It may therefore be hypothesized that large-scale dissent will be more common when the political community is in question, or when specific policies are challenged, than it will be when the institutions of government are attacked.

This hypothesis is supported by the evidence of recent history. The past 20 years have seen race riots in the United States, riots with a marked racial element in Britain, violent demonstrations over immigration policy in Britain, terrorist activities by the Front de Libération du Québec in Canada, civil disobedience and violence by the Welsh-language supporters, and violent conflict in Northern Ireland sparked by the refusal of the Catholic community to accept the legitimacy of the political system. All these conflicts arose over issues involving the political community.

Turning to conflicts over specific government policies, we can recall violent demonstrations taking place in many Western societies over the Vietnam War, civil disobedience over nuclear arms policies, rent strikes over British housing policy, illegal strikes by Canadian trade unionists, and repeated defiance of the law and the courts by British trade unionists. The propensity to protest about policies is quite high.

There have been far fewer recent instances of protest about the regime itself in the three countries that are the main focus of this study. In the United States, the Weathermen set off a number of bombs in 1969–70, though no deaths resulted, while the short-lived and miniscule Symbionese Liberation Army kidnapped a young heiress and engaged in armed robbery in 1974. In Britain one or two rather harmless bombs were set off in 1971 by the Angry Brigade, which consisted of only four members. In Canada, the five members of Direct Action bombed two industrial plants and a shop in 1983–84. The small number and scale of these protests is not for the want of issues or potential issues relating to the regimes in the three countries. In each country, the electoral system is highly unfair to some minorities. The Upper Houses of Canada and

Britain are not representative bodies. In all three countries there are small Communist parties and other revolutionary groups that wish to overthrow the regime along with the capitalist system. The reason for the lack of active protest against the regime is not the absence of potential issues, but the absence of a public whose interests are directly and obviously affected.

Of course, it is possible for protests arising over specific issues to develop into challenges to the regime itself, if the government of the day fails to respond adequately to the challenge. World history suggests that this has been a rather common train of events leading to revolution. This kind of pattern, however, has not been followed in the countries now under consideration. The most serious of the specific issues in question, the Vietnam War, produced widespread opposition on grounds of individual or national interest, but only a very limited and unsuccessful campaign by groups who wanted to extend the protests into an attack on "American imperialism." The one crisis in Western democracies in the past 20 years that looked as if it might follow a revolutionary path, the French demonstrations of May 1968, did not, in fact, do so. Although about 10 percent of the French people participated in street demonstrations, and 20 percent went on strike, surveys show that almost 90 percent of these protestors were concerned with bread-and-butter goals. Only 6 percent of the participants held a change in government as one of their objectives, together with a further 5 percent who hoped for wider changes in French society.[7]

It follows that this paper need not concern itself with challenges to the democratic regimes in Canada, Britain or the United States. There is little chance of such challenges succeeding in the foreseeable future. This paper will examine challenges to the political community itself that arise from ethnic tensions or sub-state nationalism, and challenges to political authority that derive from the dilemmas, inadequacies or perceived failures of government policies. It would seem appropriate to move from the more specific to the more general in discussing these challenges, and we shall therefore deal with the issues in the order outlined below.

Specific Issues to be Analyzed

The second section of this study examines the contention that in the past ten years the governments of our three countries have developed fiscal problems that are insoluble in the short run, and that are almost certain to lead to public discontent with government policies. This is the theory of fiscal overload, first introduced into academic discourse in the 1970s. The essence of the theory is that the growth of government social services in recent decades has created a public expectation that the state will shield its citizens from most of the hazards of life. Western states

were largely able to satisfy this expectation during the years of largely uninterrupted economic growth, from 1945 to 1973, but they have found it increasingly difficult to do so during the succeeding years of economic difficulty. If economic growth is slow and intermittent, the government has to choose among maintaining social services at their increasingly expensive level, satisfying the public demand for annual improvements in the level of private consumption, and maintaining investment. It cannot do all three at once without provoking rapid inflation, which merely postpones the dilemma. To cut social services will cause widespread public resentment; to control private-income levels will cause labour problems and work stoppages; to cut investment will mortgage the future. Therefore, the argument continues, governments face an intractable problem, fiscal in essence, which makes growth of public discontent with their performance virtually inevitable and challenges to their authority probable. The validity of the fiscal overload theory is open to argument, but it cannot be dismissed out of hand.

The third section of this study examines the proposition that in the past two decades there has been a marked decline in the extent of public confidence in government. There is some overlap between the advocates of this proposition and the advocates of the overload theory, but the proposition is broader than the theory because its proponents claim that the withdrawal of confidence was well under way before the fiscal problems of the mid- and late 1970s emerged. The decline of confidence is said to have had a deleterious effect on the working of democratic institutions and to have weakened the authority of the government, thus making it more difficult for government to formulate and implement coherent policies.

The fourth section of this study provides a brief review of the ways in which ethnic conflicts and sub-state nationalism may undermine the legitimacy of the political community, and considers the impact of these phenomena on political authority in Britain, the United States and Canada.

Is There a Fiscal Crisis?

In the past 15 years, two groups of scholars have claimed that Western democracies are moving toward, or in some cases have already reached, a condition of fiscal crisis that can be expected to undermine political authority and that may lead to a political crisis. The first group comprises German neo-Marxists of the Frankfurt School, together with James O'Connor of the University of California, who visited the Max Planck Institute in Germany in 1972 and published *The Fiscal Crisis of the State* in 1973.[8] The second group comprises Richard Rose of the University of Strathclyde in Glasgow and Guy Peters of the University of Pittsburgh, who have little sympathy with Marxism, but who have

also produced warnings of trouble in various papers and in their book *Can Government Go Bankrupt?*[9] Ideally an evaluation of the fiscal crisis would examine both of these bodies of literature, but that task is beyond the scope of this paper. Accordingly, we shall focus attention on the arguments of Rose and Peters; they are the only contributors to the debate who have produced statistical data to support their arguments.

The Argument

At the heart of Rose and Peters' argument is the assumption that the national product in any given year is divided between expenditures determined by government, which they call "the costs of public policy," and expenditures determined privately, to which they give the shorthand label of "take-home pay." A third term that features prominently in their analysis is "overload," which is defined as follows: "a political economy is overloaded when the national product grows more slowly than the costs of public policy and the claims of take-home pay, and there is not enough money in hand to meet both public and private claims."[10] In this situation "public policies lose effectiveness, because the total resources allocated are inadequate to their purposes."[11] This is said to be an immediate, rather than a remote, problem. Figures are cited which show that in Italy, Sweden, West Germany and the United Kingdom, increases in the cost of government actually absorbed more than the total increases in GDP in the late 1970s, leaving private consumers worse off in terms of take-home pay than they had been previously. Other Western industrial states are said to be heading toward the same problem if present trends continue.

How serious is this issue? According to Rose and Peters, governments facing this kind of dilemma have only three possible courses of action. One is to adopt a policy of restraint in public expenditure, a move which is certain to be unpopular with bureaucrats, social workers and public service trade unions. Insofar as this policy reduces the quality and extent of public services, it is also likely to be unpopular with the general public. The second possibility is to maintain growing public expenditure by raising taxation, a course which will reduce the value of disposable personal income and be widely unpopular with trade unions and most citizens. The third option is to dodge the issue by letting public expenditure rise without raising taxation, which will produce rapid inflation in a period when the economy is stagnant. This third option can be only a temporary arrangement unless the economy recovers, and it is likely to make more painful the eventual adoption of either of the first two possibilities. Rose and Peters maintain that any of these options is likely to provoke a decline of political authority. Citizens will become indifferent to government, unwilling to cooperate with it, and reluctant to comply with its edicts unless they are forced to do so. Governments will

become ineffective, and a cycle of declining authority will be initiated, to which the authors give the label "political bankruptcy."

This analysis offers a depressing prospect, but later in their book Rose and Peters suggest their own preferred solution to the problem. This is a carefully managed policy of restraint and cuts in public expenditure, introduced as soon as the system begins to become overloaded. Such a policy will alienate fewer people than will a reduction in the real value of disposable personal incomes, particularly if citizens can be persuaded to expect less from government. The final paragraph of the book asserts that "the future of political authority in major western nations . . . can be secure only if governors are prepared to . . . prevent the total cost of individual public programs from adding up to too much."[12] If governments can exercise this restraint, Rose and Peters believe, they can prevent the alienation and radicalization of the citizen body that would follow from cuts in personal incomes.

In the past five years, a policy of severe restraint in public expenditure has been put into effect in a number of jurisdictions, notably the United Kingdom, the Netherlands, Belgium and British Columbia, while milder policies with a similar objective have been introduced in other European states and other Canadian provinces. The Canadian federal government has not yet followed this path, but some commentators believe that it may do so in the near future. In view of the practical importance of this matter, it is worth devoting some critical attention to the analysis that Rose and Peters have made.

Evidence for a Fiscal Crisis

Can Government Go Bankrupt? is a somewhat diffuse and repetitive work, written with a popular audience in mind. It is based on research published in monograph form by the University of Strathclyde, and the basic facts and arguments are presented more clearly in the monograph. The statistical kernel of the argument is to be found in a table relating the growth in the costs of public policy in six Western states to the overall growth of the national product in those states.[13] It is shown that in 1977, the growth in the costs of public policy exceeded the total growth in national product (i.e., GDP) in four of the six states, namely Britain, West Germany, Italy and Sweden. This development automatically resulted in a decline in the real value of the take-home pay in these countries, and it is subsequently shown that in Britain, Italy and Sweden (though not in West Germany), the real value of take-home pay had declined in three successive years.[14] This train of events led the authors to assert, in 1978, that "Italy, Sweden and Britain are all facing big troubles now. If their governments do not do something to increase economic growth greatly and/or reduce the costs of public policy, then take-home pay will be less in the 1980s than in the 1970s — and could

continue to fall."[15] This was an alarming assertion, apparently justifying policies of severe restraint in public expenditure that have been made even more necessary since 1978 by the worsening world recession and the inevitable increase in unemployment benefits.

Before concurring with this conclusion, however, it is desirable to scrutinize the statistics and the argument rather carefully. The first query that can be raised about them relates to the use made of "take-home pay" as if it were an adequate measure of the welfare and economic satisfaction of citizens, that did not require inclusion of the benefits derived from public services. Public expenditures do not go mainly on imported armaments or the maintenance of embassies in other countries. The bulk of public expenditure is circulated within a country in the form of welfare payments, subsidies for industry and housing, and payments to bureaucrats, teachers, highway-construction workers, nurses and other employees on the public payroll.

Rose and Peters are well aware of this fact, of course, but they discount it on the ground that the disposal of this money is controlled by the government rather than by the individual citizen.[16] This leads them to assert that "the growth of take-home pay is the best measure of individual affluence,"[17] a statement that is to some extent a value judgment on the part of the authors. The taxes paid by some citizens provide the income received by others. Moreover, there is evidence that many people, at any rate in Britain, value social services to the extent that they are willing to accept cuts in their own disposable income to ensure that the services are provided.

A second questionable feature of the argument is the definition of "the costs of public policy." It might be thought that this expression simply serves as a way of describing public expenditure. In fact, it covers much more than public expenditure and is defined in a footnote as "total current receipts plus deficits plus capital consumption at all levels of government."[18] It has been made clear, in a letter from Guy Peters to the present author, that the term includes the depreciation of public assets, together with government borrowing.[19] From an accountant's point of view, this may perhaps be a correct way of assessing the total costs of government operations. However, it produces a total figure that is very much higher than the figure for public expenditure on current account, and for two reasons is open to question.

The first reason is that the inclusion of capital items in one item of Rose and Peters' equation is not balanced by similar inclusions in the other items. If the "costs of public policy" are to include capital consumption and the depreciation of public assets, it would seem appropriate to include private capital gains (including increases in property values) in the item now labelled "take-home pay" and national capital gains, together with overseas earnings, in the item labelled "national product." The fact that this is not done results in the inflation of one

TABLE 4-1 Increases in Current Public Expenditure as a Proportion of Increases in Gross Domestic Product (percent)

State	1975–76	1976–77	1977–78	1978–79	1979–80	1980–81
United States	28	24	25	33	56	41
Canada	32	48	44	29	47	43
United Kingdom	41	32	40	41	56	69
Italy	37	41	61	38	43	73
West Germany	36	44	41	39	50	79
Sweden	70	114	67	66	69	95

Source: Organization for Economic Co-operation and Development, *National Accounts 1964–81: Detailed Tables, Volume II* (Paris: OECD, 1983).

item, which throws the whole equation out of balance. It would seem much more appropriate to use figures for public expenditure on current account as a measure of the costs of public policy.

The second reason that the argument is open to question is that its presentation gives an impression of governmental extravagance that may be misleading. If a government permitted the growth in current public expenditure in a given year to exceed the total growth of national income, that government could justly be accused of extravagance. But if a government coped with a difficult year by allowing its capital assets to depreciate a little, that would seem quite a prudent way of dealing with the situation. With these two points in mind, I have calculated figures showing increases in current public expenditure as a proportion of increases in GDP in certain years of economic difficulty. Those figures are given in Table 4-1.

Table 4-1 presents a much less gloomy picture of the situation than that offered by Rose and Peters. It seems that public expenditure was well under control in the United States and Canada in these years of economic difficulty. It was reasonably well under control in Britain, Italy and West Germany until 1980–81, when the economic recession caused difficulties both by cutting national income and by inflating the cost of benefits to the unemployed. It was only in Sweden that public expenditures appeared to be out of hand in this period. This impression is strengthened by the figures appearing in Table 4-2. The Swedish government may well be leading its country into serious difficulties if it does not find a way of checking the growth of public expenditures, but this appears to be a local problem rather than a universal one.

The general conclusion that I draw is that the problem of fiscal overload is not as serious and widespread as some scholars and commentators have suggested. It is certainly true that some rather sharp measures were called for in the late 1970s to check the tendency toward runaway inflation that was affecting Western societies as a consequence of the fourfold increase in the price of oil. That task, however, has been accomplished. Governments must take care to keep inflation within

TABLE 4-2 Current Public Expenditure as a Proportion of Gross Domestic Product (percent)

State	1975	1981
United States	34	34
Canada	37	38
United Kingdom	41	45
Italy	38	46
West Germany	43	44
Sweden	45	60

Source: Organization for Economic Co-operation and Development, *National Accounts 1964–81: Detailed Tables, Volume II* (Paris: OECD, 1983).

reasonable limits, but beyond those limits it is a matter of political judgment to establish how much fiscal restraint is needed.

It is also true that, in a period of economic difficulty, government services cannot be expanded in the generous way that they were enlarged during the 1950s and 1960s. If the burden of welfare payments increases because of rising unemployment, while the cost of health care increases for demographic reasons, it may be necessary to hold other services steady and/or to increase taxation. This is a matter of prudent housekeeping, however, rather than a situation of fiscal crisis. In practice governments seem to have been more capable of prudence than overload theorists have implied. The literature suggested that public demands for enriched benefits would continue to escalate inexorably, and that governments would be too weak to resist. But the evidence suggests this view was unduly pessimistic, at least for democratic societies generally. In many Western countries, government did not grow significantly faster than the economy as a whole.

The evidence presented above suggests that O'Connor was an alarmist when he entitled his book *The Fiscal Crisis of the State*. Sweden may be heading for such a crisis, but other governments have managed their affairs more prudently. Policies of governmental restraint have social costs, both short-term and long-term, that need careful assessment. I suggest that it is pitching the argument at altogether too dramatic a level to say that such policies are necessary to avoid a fiscal crisis that is likely to undermine political authority. On the basis of the data presented here, it certainly does not appear that Canada is threatened with such a crisis.

Public Confidence and Alienation

The Argument

In the past decade numerous commentators have asserted that the Western democracies have experienced a serious decline in the extent of public confidence in their leaders and government. These assertions

were made on both sides of the Atlantic in 1975. In Britain, Anthony King wrote a seminal paper arguing that Western democracies had experienced rapid growth since World War II in public expectations regarding the benefits that governments could provide and the degree of security against economic misfortunes, such as bankruptcy or unemployment, that governments could guarantee.[20] Unfortunately, these expectations had outstripped the actual capacity of governments to produce or safeguard these good things. Various developments (mainly technological and economic) had increased the dependency of governments on services and supplies over which they had no direct control, while various other developments (mainly political) had increased the likelihood of services being withheld or supplies cut off.

The consequence, King claimed, was an inevitable increase in public disappointment with the performance of governments and politicians. Misfortunes that in previous eras had been accepted as unavoidable were now attributed to governmental failures, because politicians had been led into promising much more than they could actually deliver. As King put it in 1975: "Once upon a time man looked to God to order the world. Then he looked to the market. Now he looks to government." And when things go wrong, people blame "not 'Him' or 'it' but 'them'."[21]

In the same year that King's study appeared in Britain, the Trilateral Commission, whose North American members included such influential figures as Jimmy Carter, Zbigniew Brzezinski, Walter Mondale and Hedley Donovan, editor of *Time* magazine, produced in New York a report entitled *The Crisis of Democracy*.[22] In this study, social scientists from three countries combined to produce a pessimistic analysis of current trends that took King's argument a stage further. The authors observed that all Western democracies had experienced a large expansion in public demands on government, expressed by new sectional groups, as well as by traditional groups, using a greater variety of political tactics than had previously been normal in democratic systems. This development was harmful to democracy. Its consequences included "the disaggregation of interests," "the withering away of common purposes," weakened political parties, and a decline in the ability of governments to manage the economy effectively. A probable outcome was said to be inflation, which was described as "a direct result of the ungovernability of western democracies."[23]

In succeeding years, the same line of argument was broadened and extended by a group of American scholars known as the "neo-conservatives." Among these, Daniel Bell and Samuel Huntington declared that the growth of expectations and the accompanying development of sectional demands have led to constant group conflict and battles over every budget, together with a decline in support for political parties and a decline in confidence in the executive agencies of govern-

ment. There was too much articulation through single-issue pressure groups, but not enough aggregation by political institutions and parties; the presidency had lost esteem and power; and Congress tended to display the attitudes appropriate to opposition rather than those appropriate to government. Huntington called these developments "the democratic distemper,"[24] and maintained that an aspect or consequence of them was a serious withdrawal of public confidence from politicians and the political system.

The assumptions of this group of writers can be described as individualistic and voluntaristic. These authors have no faith in the ability of politicians to withstand democratic pressures for the sake of the common good, and they do not recommend institutional reforms as a way of coping with the problems they discuss. Insofar as they offer advice, either directly or by implication, it is that those who influence public opinion should strive to bring about a restoration of traditional values and a reduction in public demands on government. Insofar as this cannot be done, they predict a continuing decline in trust in the basic institutions of democratic government, manifested in a retreat into political apathy or a resort to protests, demonstrations and civil disobedience.

The general tenor of this line of argument was accepted by President Carter, among other prominent Americans. In July 1979, President Carter delivered a television address to the American people in which he spoke of "a crisis of confidence . . . that strikes at the very heart and soul and spirit of our national will" and could be "a fundamental threat to American democracy."[25] It is relevant to the subject of this report to examine the evidence for these arguments about American politics, and to ask, also, whether the evidence from Britain and Canada points to a similar conclusion.

Evidence from the United States

Every alternate year, immediately after the American congressional elections, the University of Michigan Survey Research Center has asked a national panel of respondents a set of questions bearing on their confidence in government. The most central of these questions is: "How much of the time do you think you can trust government in Washington to do what is right — just about always, most of the time, or only some of the time?" The proportion of respondents choosing the third option grew from 22 percent in 1964 to 73 percent in 1980.[26] Questions used by the Harris poll showed a similar trend. In 1966, 41 percent of the American electorate claimed to have "a great deal of confidence" in the "people in charge of running the executive branch of the federal government," but by 1980 only 17 percent gave this answer. Similar questions about the people running Congress showed a decline in confidence from 42 percent in 1966 to 18 percent in 1980.[27] The Michigan survey also showed

that between 1964 and 1980, the proportion of the electorate agreeing that "government is pretty much run by a few big interests looking out for themselves" rose from 29 percent to 70 percent.[28]

This is a dramatic increase in political cynicism, and some commentators have described it as the growth of alienation.[29] Scholars have naturally devoted much attention to the question of which groups have become more cynical, why it has happened, and what its behavioural consequences have been. Evidence on the first of these questions is mixed. Thus James Wright reported that the most alienated citizens were the elderly and poorly educated,[30] while Paul Sniderman reported that the most disaffected groups were the young and well educated.[31] These findings are not necessarily incompatible, as the two authors used different criteria of alienation. What seems clear from the literature is that the decline in public confidence has been widespread, and that those who are labelled cynics are heterogeneous in character. Different groups have been "turned off" for different reasons.

Analysis of the reasons for the trend shows that it flows from policies and politicians rather than from institutions. The Vietnam War started the decline, Watergate continued it, the growth of inflation and unemployment stimulated it. M.S. Weatherford has shown that at the height of the Watergate scandal, America's economic problems were having a more serious effect on public confidence than were the revelations about the behaviour of President Nixon[32] so that it is safe to say that disappointment over policy outputs (or their absence) is the main general cause.

What behavioural consequences have been associated with this decline in confidence? One has been a decline in voting, and another has been a decline in party identification. It is difficult to establish a direct correlation between the growth of cynicism and the decrease in voting, because social surveys cannot easily measure changes over time. It is clear, however, that the main political parties have suffered a withdrawal of confidence, and that there has been a decline in the number of committed party supporters. There are more floating voters than there used to be and far more citizens who simply do not bother to vote. Turnout in American national elections has declined from 63 percent in the 1960 presidential election to 53 percent in that of 1980, with only a marginal increase in 1984; turnout in mid-term congressional elections declined from 45 percent in 1962, to 32 percent in 1982. This decline has taken place despite legal and social changes that might have been expected to produce a significant increase in turnout. The abolition of poll taxes and literacy tests in 1964 guaranteed the right of Southern blacks to vote, while voting generally was facilitated by the *Voting Rights Act* amendments of 1970. Moreover, an increasing number of electors have had the benefit of higher education, which has always been associated with a high voter-turnout rate. The effect of changing attitudes on

TABLE 4-3 Left-wing Cynicism and Support for Direct Action in the United States (percent)

Attitudes to Disruptive Sit-ins and Demonstrations	Advocates of Social Change	
	Trusting	Cynical
Approval	9	23
Uncertain	46	46
Disapproval	45	31

Source: A.H. Miller, "Rejoinder to Comment by Jack Citrin: Political Discontent or Ritualism," *American Political Science Review* 68 (1974), p. 996.

TABLE 4-4 Support, Cynicism and Attitudes to Law in the United States (percent)

U.S. National Government	Committed	Supportive	Middle	Disenchanted	Disaffected
Deserves to have its laws obeyed	93	85	87	70	52
Uncertain	7	14	13	24	19
Does not deserve to have its laws obeyed	0	2	0	5	30

Source: P.M. Sniderman, *A Question of Loyalty* (Berkeley: University of California Press, 1981), p. 52.

turnout has therefore been appreciably greater than the voting figures suggest. Some observers have said that this decline of turnout has had the undesirable consequence of enabling single-issue pressure groups to have a disproportionately large influence on election results, and thus on the behaviour of elected officials.[33]

A second consequence, of greater relevance in the context of this report, has been the increased readiness of disaffected citizens to contemplate pursuing their political goals through street demonstrations and other forms of direct action. Correlations between political cynicism and support for direct action are indicated by Tables 4-3 and 4-4; the former is based on a national sample (but omits conservatives); the latter is based on a sample in the San Francisco Bay area. The importance of demonstrations, disruptive sit-ins, and other potentially violent forms of direct action in the past 20 years can be linked directly to the decline in public confidence in elected politicians and the normal processes of American government.

How serious are the developments outlined above? Some scholars view them as alarming. Gilmour and Lamb report that alienated Americans are not only much more numerous than they used to be, but also

more extreme in their political views, whether they be left-wing or right-wing, than are other Americans.[34] The consensus underlying support for the American system is therefore said to be withering away, and these scholars doubt whether the United States could survive another depression like that of the 1930s without a major political upheaval. "Attacked . . . by economic dislocation and disorganization, we will most surely abandon our constitutional heritage in a matter of months."[35]

There are, however, three distinct reasons for doubting whether the trends of the past 20 years have such ominous implications. The first is that, as Wright has shown, the great majority of Americans who are affected by political alienation are apathetic rather than revolutionary in their attitudes to the political process. By Wright's criteria, 51 percent of American adults in the early 1970s could be said to be politically alienated in that they had little confidence in American political institutions, little trust in their political leaders, and little faith in their own ability to have any influence in the political process. These alienated citizens, however, tended to be older, less well educated, and less interested in politics than the unalienated. Really high levels of alienation were found mostly among people over 60 with poor levels of education. Such people are not the material of which activists are made. As Wright concludes, "the unique distinguishing feature of the politically discontented in the mass public is that they participate less."[36]

Surveys that view the American population as a whole, indicate that it comprises a large minority (of more than 40 percent) who give genuine consent and support to the regime, about 50 percent who acquiesce passively in the regime, and a tiny minority of active or potentially active dissenters.[37] On the general issue of the regime, dissenters have a hard time trying to increase their support. The majority are too apathetic to care, while the great majority of the politically aware and efficacious section of the public are supporters of the system. It is only when dissenters can appeal to communal loyalties or to group interests that they are likely to obtain mass support for their aims.

A second reason for scepticism about the more alarmist interpretations of recent attitudinal changes emerges from Sniderman's survey of liberals and radicals in the San Francisco area. Sniderman showed that even the most radical groups among his respondents remained substantially loyal to the belief that American democracy, with all its faults, is the best political system available. Though they had a formidable list of criticisms of American politics, they could not conceive of another model that would be preferable. They wanted to improve the operation of the American system, but not to challenge the regime as such.[38]

A third factor is that there is no evidence of an ongoing secular trend toward either a decline in trust in government or a growth in the incidence of political demonstrations and other forms of direct action. On

the contrary, there is scattered, but persuasive, evidence of a revival of national self-esteem under President Reagan that may be presumed to have checked the decline of confidence noticeable in the 1960s and 1970s. Furthermore, the incidence of violent demonstrations has fallen off since the peak reached in the late 1960s and early 1970s, when urban riots over race relations occurred in the same period as mass demonstrations against the war in Vietnam.

The American political process in the 1960s and 1970s appears to have been marked by a change in democratic style. Single-issue pressure groups have become more assertive, while party identification has become a less significant factor in the determination of voting behaviour. If state legislators or members of congress believe that their prospects of re-election are directly dependent on gaining the support or avoiding the hostility of a single-issue pressure group, they are apt to have less room for manoeuvre and compromise on the issue in question than they would otherwise have. In the same period, other changes occurred. Political demonstrations and other forms of direct action appear to have had a more significant impact on decision making than they exercised in earlier periods. There has been an increase in the practice of direct democracy through initiative and the referendum, of which California's Proposition 13, tabled in 1978, was only the most conspicuous example. In some issue areas, such as education, the courts have taken over powers of decisions that were previously assumed to lie with legislators. For better or worse, the overall consequence of these developments has been a certain fragmentation of political debate and decision making in the United States.

Evidence from Britain

There has been no British equivalent of the repeated American surveys that ask the same questions about political attitudes every alternate year. It is therefore impossible to produce similar statistics for Britain, charting the trend in public attitudes toward government, and there has been no equivalent in that country of the massive body of American academic literature analysing this trend.

Nevertheless, by juxtaposing the results of a variety of surveys, it is possible to demonstrate that Britain has also experienced a considerable growth in public cynicism about political issues. In 1959, 83 percent of a national panel of respondents said that they expected equal treatment from bureaucrats, while 59 percent said that they expected serious consideration for their point of view from bureaucrats.[39] In 1962, 60 percent of a sample of Londoners believed that "people in public office usually put the public good before their own good," and 69 percent affirmed that "the interests of the little man count with political leaders."[40] By 1972, however, only 18 percent of a national sample consi-

TABLE 4-5 Trust and Cynicism Toward British Government, 1973 (percent)

	Most of the time	Only some of the time
How often do politicians tell the truth?	25	70
How often do national governments put national needs above party needs?	35	60
Do you trust the national government to do what is right?	39	57
	All the people	**A few interests**
Is this country run for the benefit of all its people or for a few big interests?	37	48
	Disagree	**Agree**
Parties are only interested in people's votes, not their opinions.	28	67
MPs lose touch with the people pretty quickly.	25	67
Public officials don't care much about what people like me think.	30	65

Source: Alan Marsh, *Protest and Political Consciousness* (Beverly Hills: Sage Publications, 1977), pp. 115, 118.

dered that "government officials give everyone an even break," as against 55 percent who believe that "they give special favours to some."[41] This impression of a decline in trust during the 1960s was confirmed by another national survey conducted in 1973, which produced the results presented in Table 4-5.

What consequences have followed from this apparent decline in public confidence in British government? In contrast to the United States, there has been no decline in turnout. When allowance is made for the slightly declining accuracy of the register and the effect of the dates on which elections are held, turnout in British national elections has been pretty constant over the past 25 years, at about 75 percent. There has been a certain decline of confidence in the two main parties, together with a marked decline in party membership. However, the reaction of British electors to this falling off has not been to retreat into apathy, but to switch their support to minor parties. The Liberal Party experienced a massive revival of support in the 1970s, attracting nearly 20 percent of the voters in the two elections of 1974; the nationalist parties of Scotland and Wales experienced a boom in support; new parties such as the National Front and the Ecology Party have contested numerous elections, though they have not done well in them; and in 1981, the Social Democratic Party was formed by supporters of the Labour Party who had become disenchanted with their party's policies. In the 1983 election

TABLE 4-6 Public Support for Direct Action in Britain, 1973 (percent)

Proportion of Electors Approving of the Following Types of Action:	
Lawful demonstrations	69
Boycotts	37
Occupation of buildings	15
Street blockades	15
Damaging property	2
Personal violence	2

Source: Alan Marsh, *Protest and Political Consciousness* (Beverly Hills: Sage Publications, 1977), p. 45.

TABLE 4-7 Public Support for Civil Disobedience in Britain, 1973 (percent)

It is Justified to Break the Law for the Following Reasons:	Agree
To protect civil liberties and resist unjust laws infringing minority rights	22
To combat excessive rent, tax, or price increases	18
To further strikes and oppose legal regulation of industrial relations	16
In response to police harassment	14
As a generalized means of furthering a legitimate cause	12

Source: Alan Marsh, *Protest and Political Consciousness* (Beverly Hills: Sage Publications, 1977), p. 53.

the Liberals and the Social Democrats, combined in an electoral alliance, attracted 26 percent of the votes. In the House of Commons, backbench MPs have shown much more inclination to defy party orders since 1970 than they had done in any previous period of the 20th century, and the general conclusion must be that parliamentary democracy has become livelier as a consequence of the growth of public scepticism about the performance of governments.

The other apparent consequence of these changes in public attitudes has been a growing tendency for people to contemplate taking part in demonstrations and other forms of direct action in support of their interests and political viewpoints on particular issues. The figures in Tables 4-6 and 4-7 show that only a minority of the British people sympathize with direct action if it goes beyond lawful demonstrations. That minority, however, is quite substantial. It is a potential threat to political authority that 15 percent of the population should support street blockades or the occupation of buildings; that 18 percent believe that they are justified in breaking the law to combat rent, tax or price

increases; and that 16 percent think that law breaking is justified if it helps strikers.

Moreover, in practice these attitudes have resulted in a large number of direct challenges to authority in Britain. Public demonstrations, even if intended to be peaceful, invariably carry with them the possibility of conflicts with the law or fights with demonstrators supporting the opposite view. In comparison with the previous 40 years, the past two decades have seen a dramatic increase in the incidence of physical conflict arising from various types of direct action. The 1960s saw repeated conflict between police and people demonstrating against the war in Vietnam or against apartheid in South Africa. The 1970s saw large-scale fights between supporters and opponents of the National Front, with hundreds of police trying to keep the two sides apart. There was a sharp increase in the incidence of mass picketing, with repeated fist fights between pickets and police. Thousands of squatters occupied empty houses and apartment buildings, barricading themselves in to prevent eviction orders being carried out. Groups opposed to highway development found that they could hold up a development by demanding a public inquiry and then disrupting the proceedings so that the inquiry could never be completed. These are only some of the ways in which political conflict was extended from Parliament and town halls to other arenas, mainly the streets.[42] A rather different example was the defiant and successful attempt by British trade unionists to render the 1971 *Industrial Relations Act* unworkable.

Since 1979, the frequency of violent or potentially violent demonstrations has diminished, following the decline of the anti-apartheid movement, the demise of the squatters' movement, and the disintegration of the racist National Front. However, the gravity of challenges to authority has in some respects increased. Since 1983, the Greenham Common demonstrators against the Cruise missile have been more defiant toward the police than their predecessors in the Campaign for Nuclear Disarmament. The 1984–85 miners' strike involved more violence than any previous strike since 1919. The 1981 riots in 27 urban areas constituted a more serious breach of public order than had occurred since 1919, resulting in widespread looting and fights with police. Most of these riots were started by black youngsters, and their racial aspects will be discussed in the last section of this paper. In many areas, however, most of the participants were white youths, and it is appropriate to say a word here about this eruption of lawlessness, which resulted in injuries to many hundreds of police officers.

To understand the 1981 riots in Britain, it is helpful to consider the work of the American social scientist, Ronald Inglehart. In an influential work, Inglehart hypothesized that changes in lifestyle within a generation would be likely to bring about changes in value systems and therefore in behaviour.[43] Focussing on the marked improvements in lifestyle

of American university students between the 1950s and the 1970s, he was able to trace a relationship between this development and the growth of new, idealistic value systems among university graduates, leading to a concern for the environment and other non-material issues, even at the expense of economic growth. Inglehart extended his studies to Western Europe and found similar tendencies in several countries, notably West Germany and the Netherlands. He did not include Britain in his studies, and had he done so he would have been disappointed. The lifestyle of British university students has changed very little since the 1950s, and their value systems have not changed nearly as much as those of American, German and Dutch students.

There is, however, another category of British citizens whose lifestyles have changed dramatically; these are the working-class teenagers who cease their education at the minimum school-leaving age and take up unskilled or semi-skilled industrial employment. For a variety of reasons, this category enjoyed a dramatic increase in earnings over a period of two decades, during which time they have had money to burn as a result of the working-class British habit (not shared by the middle classes) of living in the parental home until they marry and qualify for municipal subsidized housing. This development has been reflected in the enormous boom in the production and sale of pop music, electronic musical equipment, and teenage clothing. In the past two decades, for the first time in history, British musical fashions and clothing fashions (particularly among men) have spread from the working classes upwards, instead of from the upper classes downwards.

The largely economic changes in the position of this group have been accompanied by the development of a new set of social values involving strong peer-group loyalties, the rejection of many societal values, and a certain contempt for the forces of law and order. A 1978 survey of young Londoners showed that their attitudes were both more sceptical and more militant than those of the national sample taken five years earlier. The figures in Table 4-8 indicate their scepticism. Concerning resort to militancy, 48 percent gave an affirmative answer, and only 42 percent a negative answer, to the question: "Are there ever times when it is right to break the law to protest about something you feel is wrong or unjust?" Again, 12 percent thought that there were occasions when violence could be justified as a form of protest, compared with only 2 percent of the national sample. Table 4-9 shows a relationship between length of education and approval of violence. The figure relating to the attitudes of the unemployed must be treated with reserve, as there were very few unemployed respondents, but it is included for what it is worth.[44]

Since 1978, young unskilled workers have been hit more severely than any other group in Britain by the spread of mass unemployment. Unskilled workers have generally suffered more than the skilled, while the combination of trade-union agreements and legislative provisions for

TABLE 4-8 Trust and Cynicism among Young Londoners, 1978 (percent)

	Most of the Time	Only Some of the Time
How often do politicians tell the truth?	18	74
How often do national governments put the needs of the country and the people above party needs?	23	63
Do you trust the government to do what is right?	29	65
	All the People	**A Few Interests**
Is this country run for the benefit of all its people or for a few big interests?	32	52
	Disagree	**Agree**
Parties are only interested in people's votes, not their opinions.	14	77
MPs lose touch with the people pretty quickly.	10	81
Public officials don't care much about what people like me think.	20	72

Source: An unpublished survey of political attitudes of young people, in the Hackney South and Shoreditch areas of London, reproduced here by permission of the ESRC Data Archive at the University of Essex.

TABLE 4-9 Approval of Violence among Young Londoners (percent)

Category	Proportion Approving of Violence as a Form of Protest
Very cynical	15.1
Cynical	11.5
Trusting	8.4
Left school at 15	27.4
Left school at 16	11.5
Left school at 17 or later	6.1
Working	11.4
Unemployed	20.0
In full-time education	10.0
All respondents	11.6

Source: An unpublished survey of political attitudes of young people in the Hackney South and Shoreditch areas of London, reproduced here by permission of the ESRC Data Archive at the University of Essex.

redundancy payments has meant that young people have suffered much more than older people. It is expensive and difficult for a firm to dismiss a worker with seniority; less expensive to dismiss a newer worker; and costless to avoid replacing someone who leaves. In areas where the overall unemployment rate is 15 percent, it is common for the rate

among recent school leavers to be twice as high, while the rate among school leavers without any qualifications may reach 50 percent.

Suddenly deprived of the consumer goods that they had expected to acquire, and largely unrestrained by the moral and social values of their parents' generation, many unemployed teenagers in this category have become potentially lawless. A senior official of the British Youth Employment Service interviewed by the author in August 1981 said that his young clients in north London could see no strong reason why they should not help themselves to consumer goods if the opportunity presented itself. It was society's fault that they were unemployed, and they had few scruples about shoplifting (which has increased sharply in British cities) or even about looting in the context of a general disturbance. It is in this way that the 1981 riots must be understood; looting and violence was usually started by blacks of West Indian origin or descent, but it was quickly taken up by unemployed white youngsters.

A national survey of unemployed young people, conducted soon after the riots, revealed a widespread sense of political alienation and resentment. Some 44 percent gave an affirmative answer, while only 41 percent gave a negative answer, to the question: "Can violence to bring about political change be justified?" Furthermore, 28 percent said specifically that they thought the July 1981 riots were justified.[45] These figures probably exaggerate, by implication, the extent of political motivation among the rioters, but they constitute a sharp warning about the way in which inflammatory events can lead alienated and resentful sections of the population to reject political authority.

It follows that the changing political attitudes in Britain have had a very different impact from those in the United States. In America, the growth of distrust and cynicism has affected the party system and had a somewhat diffuse impact on the general style of American politics. In Britain, disenchantment with the two main parties seems to have had a somewhat invigorating effect on parliamentary democracy, but the spread of direct action and the growth of alienation among unemployed young people have led to repeated breaches of public order. The 1984–85 miners' strike continued the escalation of attacks on the police; and the possibility of further outbreaks of looting and violence cannot be ruled out, in view of the probable continuation for years of mass unemployment with its differential impact on young people, black people and geographically concentrated groups of workers in certain declining industries.

Evidence relating to Canada

Research on Canadian political attitudes has been less concerned with the general question of confidence in government than with the specifically Canadian problems of national identity and federal-provincial relationships. These problems affect the stability of Canada as a federal state

and the reservoir of authority enjoyed by the federal government. If Canada were, in Pierre Trudeau's words, no more than "a collection of shopping centres," it might follow that the federal government could not rely on mass support for policies thought necessary in the national interest, though uncomfortable in their immediate impact on citizens. The fact that Canada experienced conscription crises in both world wars lends support to the gloomy view that some commentators have taken about this question. There was no such crisis in the United States, though U.S. society is even more heterogeneous, while the 1917 conscription crisis in Ireland was certainly a warning that the British government could depend on little support from its Irish citizens.

In general, however, survey results are reassuring about the degree of public support that exists for Canada as a national community. A 1974 survey revealed that support for Canada was rated higher by citizens than support for their provinces. When asked to indicate their degree of support on a scale ranging from 0 to 100, Canada's rating was 84 percent on average, while the provinces' rating was 78 percent.[46] A similar question about governments showed that the federal government was rated slightly higher than provincial governments in all regions of the country except the Prairies. On average, support for the federal government rated 63 percent, whereas support for provincial governments rated 55 percent.[47] A subsequent survey showed that support for Canada and for the federal government changed hardly at all between 1974 and 1980.[48]

David Elkins, summarizing changes of attitude between 1965 and 1974, has shown that provincial loyalties became stronger in this period, but he does not see a conflict between provincial and national loyalties except — and then only to some extent — in Quebec and Newfoundland.[49] A 1983 survey asked the direct question: "When you think of *your* government, which comes first to mind, the government of Canada or the government of [province named]?" The proportions putting the government of Canada first were 61 percent in Atlantic provinces, 40 percent in Quebec, 76 percent in Ontario, 50 percent in Alberta, and 62 percent in British Columbia.[50] In another study, Richard Simeon and Donald Blake analyzed citizens' views about public policy in the various regions of the country, and concluded that there was actually less conflict between the views of citizens in the various regions than was suggested by the statements of political leaders. "Real as regional conflicts are, they take place against a background in which, on most matters of substance, Canadians in Vancouver, Toronto, Montreal and Halifax share broadly similar beliefs about what it is their governments should do."[51]

Given the fact that Canadian government is much more decentralized than government in any other Western democracy, with the possible exception of Switzerland, the cumulative effect of these various studies

is to indicate that the national community and the federal government command more general support than might be thought from the impressionistic accounts of some commentators. There are reasons for the relative weakness of support in some provinces. Support is weak in Quebec because of the nationalistic leanings of the francophone community. It is relatively weak in Newfoundland, perhaps because that province did not join the federation until 1949. It fluctuates a little in Alberta because of the intermittent conflicts between the Alberta government and Ottawa about the price of oil, leading some Albertans to give primary loyalty to the government that protects their immediate economic interests. These issues somewhat weaken the Canadian state, but the problems they create are understandable and, so far at least, they have proved manageable.

How much trust do citizens place in the federal government and its leaders? Kornberg, Clarke and Stewart have said that public political attitudes in Canada display "more disaffection and cynicism than elsewhere."[52] They may be right, but the statistical evidence for this proposition is not at all clear. The following findings emerge from the available surveys of national attitudes.

First, the proportion of electors saying that they trusted the government to do what is right most of the time was 57 percent in 1965 and 58 percent in 1968.[53] These figures indicate less trust in Canada than Americans placed in the United States in the same period. Unfortunately, this question was not asked in the 1974 national election survey, and it was worded differently, so as to make comparisons impossible, in the 1979 survey.

Secondly, questions about whether Parliament (or MPs) soon lose touch with the electors produced positive answers (i.e., responses indicating scepticism) from 63 percent of respondents in 1965, 64 percent in 1968, 75 percent in 1977, 72 percent in 1979, and 75 percent in 1981.[54] Figures on this issue cited by Clarke and associates indicate distrust held by 61 percent of respondents in 1968, 65 percent in 1974, and 65 percent in 1979.[55] Whichever set of figures is taken, the evidence suggests a rather low level of public confidence in Parliament, but no dramatic decline over time.

Thirdly, a question about whether the government is fair to everyone or biased toward big interests revealed that only 15 percent of 1965 electors and only 10 percent in 1968 had confidence in government fairness.[56] These responses suggest a degree of cynicism very much higher than that which existed in the United States and Britain on this issue. It would be unwise to draw this conclusion, however, as the American and British questions were phrased in such a way as to be pretty well neutral, but the Canadian question was biased. The exact question asked in the Canadian surveys was: "Do you think that all of the people who are high in the government give everyone a fair break —

TABLE 4-10 Public Satisfaction with Federal Government Performance (percent)

Date	Satisfied	No Opinion	Dissatisfied
Fall 1980	45	3	51
Fall 1981	28	3	69
Fall 1982	25	2	73
Fall 1983	36	2	62

Source: Decima Quarterly Reports on Public Affairs Trends.

TABLE 4-11 Public Confidence in the People who Run the Federal Government (percent)

Date	A Great Deal	Only Some	Hardly Any
Fall 1980	19	56	24
Fall 1981	14	44	40
Fall 1982	11	47	41
Fall 1983	11	56	32

Source: Decima Quarterly Reports on Public Affairs Trends.

big shots and ordinary people alike — or do you think some of them pay more attention to what the big interests want?" The inclusion of the words "all" and "some" clearly invited a cynical answer, and the term "big shots" may well have had a similar effect. We cannot therefore tell whether Canadians were really more cynical on this dimension, or whether the difference in the responses resulted from the different wording of the question. This question was not asked in the 1974 and 1979 surveys so that comparisons over time cannot be made.

The question on which there is clearest evidence of a secular trend is that relating to public confidence in the prime minister. Gallup poll surveys reveal a steady decline from 1956 onwards in the proportion of respondents approving of the way in which the prime minister handled his job. Each successive prime minister has enjoyed less approval than his predecessor and has also tended to lose support during his term of office. On average, the proportion approving of Pierre Trudeau's performance in office has been 36 percentage points less than the proportion approving of Louis St. Laurent's performance. Statistical analysis indicates that the passage of time has been the key variable in this trend, rather than the personalities of the prime ministers.[57]

On a shorter time scale, CROP polls indicate that the proportion of the public satisfied with the federal government declined from 51 percent in June 1977 to 31 percent in February 1980.[58] Since 1980, we have quarterly figures showing the level of confidence in the federal government and its leaders, some of which are given in Tables 4-10 and 4-11.

These tables reveal a decline in confidence between 1980 and 1982, followed by a modest increase. It is to be presumed that this fluctuation

was caused by the problems of patriating the Canadian Constitution and the impact of the recession, both of which were at their worst in 1982.

In summary, it can be said that surveys reveal a fair degree of political cynicism among Canadians, but no clear trend as there has been in the United States and Britain. Other studies have revealed a pragmatic, how-will-it-benefit-me? attitude to politics. As the ideological gap between the two major Canadian parties is not so wide as the corresponding gap in Britain or the United States (or in most other Western democracies), and as defence and foreign affairs are markedly less important issues in Canada than they are elsewhere, this pragmatic attitude is not surprising. In assessing the level of public support for the federal Parliament and the prime minister, it must also be remembered that the importance of social services as political issues tends to focus public attention on provincial governments, which are generally seen as responsible for the provision of these services. This is so despite the fact that some of the services receive substantial federal funding because this is inadequately understood by most citizens. It is also relevant that the long-standing practice of élite bargaining over federal-provincial relations has been consolidated by the increased importance of first ministers' conferences. It is understandable that many citizens should regard their provincial premiers, rather than their elected representatives to the federal Parliament, as the chief defenders of their political interests.

As there appear to have been few significant changes in public attitudes toward politicians in the past two decades, there is no reason to expect changes in electoral behaviour. The facts indicate continuity rather than change. The party system has remained stable, except in the special conditions of Quebec. Electoral turnout has also remained stable, at a level similar to the British level and higher than the American. The average turnout in the five federal elections between 1965 and 1979 was 75 percent. In 1980, turnout dropped to 69 percent, but this election was held in the middle of winter; the 1984 figure was 79 percent.

There is evidence that some Canadians support direct action as a way of demanding policy changes, as indicated in Table 4-12.

It is difficult to make a direct comparison between these figures and those for the United States and Britain, as the inclusion of "sometimes" as a possible answer offered an easy route for respondents who preferred not to wrestle with the question. There are no hard data about the frequency with which Canadians resort to direct action, but my strong impression is that they do so much less frequently than Americans and Britons.

In the Canadian case, there is thus no evidence of changing public attitudes affecting the political process in ways that make the exercise of political authority more difficult. The evidence points merely to a certain sense of psychological distance between the public and the federal government, combined with a decline (but not a drastic decline) in the

TABLE 4-12 **Public Support for Direct Action in Canada, 1977 and 1981 (percent)**

	Frequency with which Action is Thought Justified as Way of Demanding Policy Changes							
	Often		Sometimes		Never		Don't Know	
Type of Action	1977	1981	1977	1981	1977	1981	1977	1981
Boycotts	14	14	52	57	27	20	7	8
Legal and peaceful demonstrations	19	19	55	57	22	19	4	5
Illegal but peaceful demonstrations, like sit-ins	6	6	37	37	51	50	6	7
Violent protests	2	2	8	6	87	90	3	2

Source: *Social Change in Canada: Trends in Attitudes, Values and Perceptions*. Phases I and III. (Principal investigators: T. Atkinson, B. Blishen, M. Ornstein and H. Stevenson.) Institute for Behavioural Research, Survey Research Centre, York University, Downsview, Ontario, 1977 and 1981.

confidence felt in whoever holds the office of prime minister. To a large extent, this sense of distance is a product of the decentralized constitutional system and of the familiar factors mentioned above. It is possible that an energetic federal government could reduce it. Clarke and his associates have produced evidence suggesting that a large majority of Canadians would welcome more government action in 11 issue areas controlled by the federal government.[59] Majority agreement that the government should do more to combat unemployment or keep inflation under control may, of course, conceal sharp disagreements (or complete ignorance) about what the government might do. Nevertheless, it seems reasonable to suggest that there may be a favourable climate of opinion for federal initiatives designed to increase the extent of its political authority.

Sub-State Nationalism and Ethnic Relations

The intention in this section is to discuss the ways in which ethnic conflicts and sub-state nationalist movements have posed threats to the integrity and legitimacy of the political community in Canada, Britain and the United States. I do not intend to review the general problem of relationships between Canada's two founding nations, because this is a uniquely Canadian problem on which comparisons with Britain and the United States can throw no light. Nor do I intend to mention the problem of aboriginal peoples, which could be best illuminated by a comparative study drawing on the experience of Australia and New Zealand. I shall confine my attention to two problems to which British and American

experience may be relevant. One is the demand for autonomy made by Québécois nationalists in the late 1960s and late 1970s, which may be compared with similar demands by Irish, Scottish and Welsh nationalists. The second is the problem of relations between a dominant white majority and a small non-white minority. Such relations have led to violent challenges to authority in the United States and Britain, and it is not beyond the bounds of possibility that Canada might experience similar problems in the future.

Sub-State Nationalism

The two challenges to the Canadian state posed by Quebec nationalists were the demand for Quebec independence made by the Front de Libération du Québec (FLQ), using terrorist tactics, and the demand for sovereignty-association made by the Parti Québécois (PQ), using constitutional methods. In the seven years leading up to the kidnappings of October 1970, the FLQ was responsible for more than 80 bombings in Quebec and for the deaths of six persons. It was a terrorist organization, small in size, but persistent and apparently growing in support. The kidnappings of James Cross and Pierre Laporte were answered by a remarkable assertion of political authority by the federal cabinet, much criticized by defenders of civil rights, but applauded by the great majority of Canadian citizens. The invocation of the *War Measures Act* enabled the police to question and detain suspects without trial, and the powers were used energetically. Though one of the kidnapped officials was killed before he could be traced, the other was released unharmed. Of much greater importance in the long run is the fact that the FLQ was eliminated as an organization. Most Canadians would agree that this success gave retrospective justification to the federal government's dramatic course of action.

The obvious comparison to draw with the role of the FLQ is the role of the Irish Republican Army (IRA). Since there is no space in this report to deal with the complex problems of Northern Ireland, my comments are confined to the activities of the IRA within Britain. Between 1972 and 1984, the IRA killed 101 people and injured more than 500 in bombings on the British mainland. The authorities have had some success in apprehending the killers, but they have been quite unable to stamp out the British units of the IRA, from whom further terrorist attacks can be expected. The main factors accounting for the contrast between the success of the Canadian authorities and the failure of the British to eliminate a nationalist movement pursuing terrorist methods can be enumerated briefly.

First, the FLQ was less than ten years old in 1970, whereas the IRA had been in existence as an underground army for more than 50 years when it launched its British campaign in 1972. The IRA had much more experi-

ence of clandestine activities and could also count on the active participation of "sleepers," who are members leading normal peaceful lives in their communities over long periods before being called into service for a particular operation. For example, the six men found guilty of murdering 21 people by planting bombs in Birmingham public houses in 1974 had all lived peacefully in Birmingham with their families for periods of between 12 and 28 years before that exploit.

Secondly, the FLQ was concentrated in Montreal, whereas the IRA has branches in many cities, has a base in the Irish Republic that is out of reach of the British police, and has training facilities both in the Republic and (though only recently) in North Africa. The FLQ was therefore less professional in its terrorist activities and much more vulnerable to the activities of police informers.

Thirdly, the aims of the IRA can be achieved only by violence, whereas the nationalist aims of the FLQ could be achieved by peaceful means if a separatist movement in Quebec were to gain sufficient support at the polls to give it strength in its negotiations with the federal government. It has become clear that the Canadian authorities would not prevent the secession of Quebec if a majority of voters in that province indicated their determination to pursue that objective and to be satisfied with nothing less. Knowledge of this enabled Quebec nationalists to channel their efforts into the PQ rather than turning to more violent groups. This may well have been a critical factor in the sudden collapse of the FLQ, for nationalist organizations of this type are apt to prove durable, going underground, if need be, to keep the movement alive.

Since 1971, the cause of Québecois nationalism has been advanced solely by the PQ. Canadians everywhere owe a substantial debt of gratitude to PQ leaders for ensuring that the heady emotions of the nationalist movement have been channelled entirely into peaceful and constitutional forms of political action. René Lévesque and his colleagues have stood firmly for democratic methods, as evidenced by their behaviour in election campaigns, their conduct of provincial government, their organization of the 1980 referendum, and their acceptance of its result.

The nearest British or American counterpart to the PQ is the Scottish National Party (SNP). Both parties stand for full national independence, but are willing to accept something less; both are committed to peaceful methods and democratic procedures; both have been relatively successful. Between 1976 and 1979, it seemed that they had a greater chance of achieving a measure of autonomy for their province or country than did any of the many other sub-state nationalist movements of the present era. However, both suffered crippling defeats in referendums, the Scottish one occurring in March 1979 and the Quebec one in May 1980. Why was this?

It should be noted that the referendums were promoted for different

reasons. The Quebec referendum was promoted by the PQ in order to gain a popular mandate for its policy of negotiating a relationship of "sovereignty-association" between Quebec and the rest of Canada. The Scottish referendum was promoted by the U.K. government to check whether there was an adequate level of support in Scotland for the government's plan of "devolution" of powers to a Scottish National Assembly. In Quebec a simple plurality of votes determined the result, but in the Scottish case the British Parliament insisted that an affirmative plurality would not count as an affirmative answer unless at least 40 percent of the electorate voted yes. In the event, the Quebec voters rejected the proposal; in Scotland the proposal was supported by a plurality of voters, but failed to pass the 40 percent hurdle. The size of the negative vote surprised some observers in Quebec, among whom the PQ leaders were apparently included; the corresponding negative vote surprised virtually all observers of and commentators on the referendum in Scotland. The referendums served, in each case, to maintain the integrity of the existing national community against the challenge that had been mounted.

It is possible to argue that referendums are always likely to uphold the status quo when constitutional questions are involved, in view of the inherent conservatism of voters regarding such issues. The evidence from Australia lends some support to this hypothesis. However, the world-wide evidence is conflicting, and no firm generalization of this type can be established.[60] It is nevertheless fairly clear that in both Scotland and Quebec, potential supporters of the proposal were deterred by the complexities and uncertainties implied by the constitutional option that they were offered. In the Quebec case, it was quite unclear (and seemed unlikely) that the federal government and the other nine provinces would be willing to accept the cooperative arrangements envisaged by the PQ planners. In the Scottish case, it was uncertain how a system could be operated in which the Scottish National Assembly would have power to legislate, but no power to levy taxation, leaving the Scottish government dependent on the British government for revenue.

This uncertainty about future relationships between governments was supplemented by uncertainty about the economic future. Quebec might be better off if it could control its own economy without losing the shelter provided by the Canadian tariff, but it might not be possible to gain one advantage without losing the other. Scotland would certainly be better off if it could gain control of North Sea oil revenues, but the British government and Parliament were adamantly opposed to such a transfer. In this situation cautious voters might well have abstained or voted against the proposal even though they had some sympathy with nationalist aspirations.

A third factor was that the opponents of the proposed change were able to tap a reservoir of emotional support for the national community.

Prime Minister Trudeau generated immense enthusiasm during his brief foray into Quebec toward the end of the campaign, and this move appears to have mobilized support for continued unity with Canada. In Scotland, the crusade against devolution was led by an organization called "Scotland is British," which made a deliberate and successful appeal to latent loyalties.

The general lesson to be drawn from these two cases is that proposals for secession are probably less of a threat to the national community than is commonly supposed. Secession is always likely to involve uncertainties about the future, which can be played upon by its opponents. National governments can often draw on tradition and the memory of common struggles and achievements to make separatist ambitions seem disloyal. Yet another factor is that in most cases a proportion of the provincial élite would face the possibility of personal loss from the contraction of the effective market for their goods and services. This circumstance did not obtain in East Bengal (now Bangladesh), but it is certainly true of Quebec and Scotland. If these factors are considered in conjunction with the various powers that a national government possesses, ranging from control of national finances through control of the police and courts to influence over the mass media, it is not difficult to understand why sub-state nationalist movements are usually unsuccessful. The Bretons, Corsicans, Basques, Kurds, Ukrainians and many other "submerged nations" have shown the capacity to keep the flame of nationalism alive over generations, but not the capacity to acquire political autonomy. There is no reason to think that future Canadian and British governments will lose out to Québecois or Scottish nationalists, provided that they continue to handle the situation adroitly and with understanding.

There is, however, one way in which sub-state nationalist movements can acquire a great deal of political influence. This is by securing enough representatives in the national Parliament to hold the balance of power between the major parties. The British Liberal government of 1912 did not offer Home Rule to the Irish out of a sense of conviction, for the Liberals had enjoyed a large parliamentary majority from 1906 to 1910 without raising the matter. They did so because the second 1910 election returned equal numbers of Liberals and Conservatives, and conferred holding the balance of power on 80 Irish MPs. Equally, it was the threat that the SNP might capture the majority of Labour seats in Scotland that induced the Labour government to produce the Devolution Bills in the Parliament of 1974–79. The best strategy for Quebec nationalists wishing to destabilize Canadian politics might therefore be to focus their attention on capturing parliamentary seats, though the failure of the new Parti Nationaliste in the 1984 federal election suggests that they might face a long uphill struggle in their attempts to do so.

Race Relations involving non-White Minorities

The tragic history of race relations in the United States is well known and need not be recapitulated. One of its sad features is that the achievement by American blacks of the civil rights for which reformers had long been campaigning, which took place in the early 1960s, did not lead to a quick improvement in race relations. When blacks were granted legal equality of opportunity and freed from the overt discrimination from which they had previously suffered, their position in society did not greatly improve. They were unable to compete successfully with whites in the education system, the job market, and the various channels (including politics) through which American citizens acquire influence, affluence and respect. Realization of this embittered many black leaders, who turned to more violent rhetoric and more militant action. In the middle and late 1960s, the frustrations of the black population erupted into riots and violence in numerous American cities. The Watts riot of 1965 in Los Angeles caused 34 deaths; in other U.S. cities violent clashes between black mobs and police, often resulting in one or more deaths, became a feature of life in the following three years.

These outbreaks of violence led to the Report of the National Advisory Commission on Civil Disorders (the Kerner Report) and to new government policies that have been energetically pursued in the 1970s and 1980s. At one level, U.S. authorities have recruited black police officers, changed police procedures in areas of black residence, and brought about the appointment of black social workers. At another level, the federal government launched development projects in many black ghettos, and a policy of positive discrimination in employment has been adopted and enforced by the courts. The effectiveness of these and similar measures has been the subject of considerable debate, and undoubtedly many inequalities and resentments remain. Nonetheless, racial violence declined over the decade 1975–85, and there have been few major outbreaks.

In Britain the situation is very different. Until about 1955 Britain had very few non-white residents, and most of these were students. There was very little discrimination against them, and there were no signs of racial tension, let alone violence. In the mid-1950s, with the development of cheap air travel and a condition of over-full employment in the British economy, there developed a mass migration of coloured Commonwealth citizens to Britain. The largest group came from the West Indies, with sizeable contingents also from Pakistan and India. The non-white population had grown to about 2.5 million by the end of 1984.

The fortunes of these immigrant communities have been mixed. The Pakistanis and Indians had greater difficulties than the West Indians at first, as their cultures and religions contrasted sharply with those of the

TABLE 4-13 Educational Achievements in Six Inner-City Areas in England, 1978–79 (percent)

	White	Asian Origin	West Indian Origin
Proportion getting high grades in school-leaving exams at age 16			
In English	29	21	9
In Math	19	20	5
In five subjects	16	18	3
Proportion passing school-leaving exams at age 18	12	13	2
Proportion going on to full-time degree courses in university or equivalent	4	5	1

Source: West Indian Children in Our Schools (London: Department of Education and Science, 1981), p. 3.

host society. Some could speak no English, and others spoke that tongue as a second language, which handicapped them economically and their children educationally. These newcomers were sometimes the victims of abuse or discrimination by white citizens who resented the intrusion of a minority with such marked cultural differences. The West Indians had fewer initial difficulties and were less unpopular, since English was their first language, and since they were mainly Anglican or Methodist in religion and had fewer noticeable cultural differences. The East African Asians had the least difficulty of all because in Uganda and Kenya they had constituted a middle class between the Africans and white settlers, and they came to Britain equipped with a variety of skills and talents, particularly entrepreneurial talents.

The most important development of the two decades 1965–1985 has been the differential success of immigrants' children in the educational system and therefore in the job market. In spite of their linguistic difficulties, young Asians, whether coming as immigrants or born in Britain, have coped extremely well with the British educational system. This is much more competitive than North American educational systems, and the Asians have achieved the same general rate of success as white British children of similar social and economic status. West Indian children, in contrast, have been lamentably unsuccessful, as is shown in the official figures summarized in Table 4-13.

In interpreting this table, it should be realized that the statistics are based on inner-city areas, so that social class was not a significant factor. In the whole country the proportion of white 18-year-olds entering university in 1979 was 8 percent, not 4 percent; the white children

included in these statistics were overwhelmingly from poor families. The difference between the achievements of children of West Indian and Asian descent is striking, and it has made a great difference to the employment opportunities of the two groups. By and large, Asian children in Britain do as well as white children in educational terms and are becoming gradually integrated into British society. Black youngsters do less well, have to accept inferior jobs, and experience a much higher rate of unemployment.

The resentment that this causes among young blacks is increased by their reluctance to see the connection between educational achievement and economic success. It was discovered in the early 1970s that Asian teenagers displayed about the same match as white teenagers between their educational achievements and their personal career ambitions, whereas black teenagers were wildly unrealistic.[61] Fifteen-year-olds who had failed every school examination harboured ambitions to be doctors or lawyers or architects. British social workers interviewed by the author say that when they try to educate West Indians on this subject, they are frequently met with the retort that it is mainly white discrimination that prevents young blacks from entering professional careers.

The result is the growth of bitterness among young blacks of West Indian origin. Their unemployment rate is higher than that of any other group, and they blame white society for this. Since 1970, tens of thousands of them have taken to the Rastafarian religion.[62] The message of this creed is that white civilization, generally described as Babylon, is both corrupt and doomed. Blacks, it is believed, are a chosen people and will eventually return to their assumed homeland in Ethiopia. The creed discourages integration into British society and competition within the educational system. It also often alienates young blacks from their parents. Young black Rastafarians are thus alienated both from British society and, to some extent, from their families.[63]

One consequence of these developments is the rapid growth of black street gangs in British cities, with a very high crime rate. Police statistics show them to rank disproportionately high in many types of crime, particularly mugging and similar offences. Not surprisingly, they have been subjected to repeated questioning and searches by the police, and relations between young unemployed blacks and the police are characterized by almost total hostility. It was this hostility that sparked off the 1981 riots.

The first of these took place in the Brixton area of south London. In early 1981, the unemployment rate in Brixton was 13 percent. It was higher for black people than for white, and higher among young people than among older people. Among black males aged 16 to 18, the unemployment rate was 55 percent.[64] The 1981 riot began in a manner similar to some American riots in black ghettos. A black youth had been

stabbed by other black youths and was seriously wounded. Two uniformed white police officers gave him emergency first aid treatment and called for an ambulance. While they were waiting, they were attacked by 30 or 40 blacks who resented the injured man getting treatment from the police and carried him off. Within minutes, other police officers arrived on the scene and were stoned by the crowd. In the following two days, blacks set fire to shops owned by whites and engaged in full-scale fights with the police. In these two days, 401 policemen were injured, 48 blacks were injured and 204 were arrested; 204 vehicles (mainly police cars) were destroyed or damaged; and 145 shops and offices were destroyed or damaged.[65] Lord Justice Scarman, in his report, concludes that "the riots were essentially an outburst of anger and resentment by young black people against the police."[66] If the British police carried arms, the casualty rate might have been much higher.

In July 1981, riots and looting in 27 urban areas were nearly all started by disaffected black youths, though in most areas unemployed white youths quickly joined in the looting. It was an extraordinary outbreak of violence and lawlessness.

Of what relevance is this sad story to Canada? Canadian immigration patterns also shifted in the 1960s, as growing numbers of Asians, East African Asians and West Indians entered the country. As yet, there have been no racial outbreaks comparable to the riots in American ghettos or British inner cities. But warning signs exist that should not be ignored. There were numerous incidents between whites and non-whites in Canadian cities during the decade 1975–85, and relations between the police and non-white populations have become tense in various situations. More ominous, however, may be a similarity in the educational history of immigrant populations. No national survey of progress here is available. However, in April 1984, the *Globe and Mail* in Toronto contained the following news item:

> The North York Board of Education plans to send a contingent of teachers and psychologists to work in Jamaican schools for a year, starting this fall, to find out why so many black immigrant students in Toronto are failing in school.[67]

This report should sound alarm bells in the light of British experience. British educators are trying hard to improve the situation, by introducing the equivalent of the American "head start" programs and adopting special teaching methods. Unfortunately, almost all policies in this area have proved controversial. Educational psychologists have reported that the educational progress of black youngsters is held back by a general lack of self-esteem and have recommended that more emphasis be given to activities in which they can do well, such as music and sports. However, teachers who have followed this advice have subsequently

been labelled as racists for conveying the message to young blacks that they are fit only to be pop musicians or athletes.

If there are no positive pieces of advice emanating from Britain, it is nevertheless vital that Canadian authorities should realize that they are dealing not just with an educational problem, but with a social problem that is potentially explosive. They should also realize that although racial prejudice on the part of whites inflames the problem, it is not the essence of the problem. Asian immigrants in Britain have suffered just as much as West Indians from racial prejudice, but it has not stopped their children from doing well in the educational system, brought them into a condition of alienation, or led them into criminal activities and conflicts with the police. Gallup poll figures show that racial prejudice in Britain had declined appreciably in recent years, but inter-racial violence has increased. Canadian authorities should take this whole issue very seriously.

Conclusions

In a relatively short paper of this nature, it is unnecessary to add an elaborate recapitulation. It may, however, be appropriate to draw out some practical conclusions from the analysis, with particular reference to the Canadian position.

The second section of the paper examined the proposition that advanced Western states are approaching a condition of fiscal crisis that constitutes a threat to the legitimacy of the regime. Examination of the arguments suggested that there might well be a potential threat of this nature, but examination of the evidence revealed that it is not an immediate threat, except possibly in Sweden. However, the fiscal problems of Western states certainly give cause for concern in the current period of prolonged economic difficulty. Since the costs of social welfare rise during a recession, and the cost of health care is rising for other reasons, the result will be an appreciable budgetary deficit unless taxation is increased or other services are cut.

Expenditure cuts are invariably painful. If left to themselves, most government departments and other administrative units tend to maximize the cost to society by cutting capital expenditures first, services second, and staff third. If this order is to be reversed, political priorities have to be imposed on these units, an action that is likely to cause resentment on the part of public service unions.

There is no way of escaping these dilemmas completely, but fortunately the position in Canada appears to be less serious than it is in some other countries. Public expenditure has not risen greatly as a proportion of Gross Domestic Product in Canada, and government deficits can be covered by borrowing. While there is undoubtedly a case

for marginal cuts in expenditure and/or increases in taxation, the comparative figures suggest that there is no necessity for a drastic cut in Canadian government expenditures of a kind likely to sap public support for government. The claim recently made by some commentators and interest group spokespersons, that it is imperative to cut social services to reduce the deficit, is little more than a statement of a policy preference: that they would rather see social services reduced than taxation increased. This is a legitimate viewpoint, but it is not legitimate to clothe it in the guise of an economic or moral imperative.

In the third section of the report, an examination of data pertaining to public confidence in government produced rather ambiguous findings with respect to Canada. The level of confidence in the federal government appears not to be high, but there is no evidence of a clear trend and no evidence that the apparent weakness of confidence has affected political behaviour. Unlike Americans, Canadians have not turned away from their political parties, stayed away from the polls, or turned with enthusiasm to single-issue pressure groups. Unlike the British, Canadians have not turned to direct action or organized strikes with political objectives. Canadian political behaviour remains reassuringly normal.

In the current period, the question of public alienation from government involves the impact of mass unemployment on public attitudes and behaviour. Unemployment rates in all three countries have been higher in 1982–84 than at any previous time since 1940. At the time of writing, the Canadian rate is much higher than the American but somewhat lower than the British. There are signs of alienation among unemployed workers in some areas in Britain, but none yet in Canada. It is relevant to ask whether anything can be learned from British experience.

The main lesson is the desirability of avoiding a concentration of unemployment in particular urban areas or among particular groups. Unemployment has very sad consequences for the individuals concerned, no matter who they are or where they live, but it is only likely to lead to riots or similar challenges to authority if a large number of unemployed workers are rubbing shoulders in congested areas. In this respect, Canada may be counted as relatively fortunate in that its industries developed later than those in Britain, and it does not face the intractable problem that the British have to cope with of having obsolete industries clustered in particular cities and areas. Canadian governments have also been much more willing than British governments to shelter uncompetitive industries behind high tariffs, thus passing on the cost to the consumer.

If this tactic has reduced Canada's danger of experiencing local concentrations of high industrial unemployment, Canada also appears to suffer somewhat less than Britain from the danger of having unemployment concentrated at high levels among young people. Caution is necessary because we lack comparative statistics of unemployment broken

down by age group. However, it seems fair to say that Canada is relatively — though only relatively — fortunate in this respect for four reasons:

- the proportion of young people staying on at school or college after the age of 16 is higher in Canada;
- the post-secondary educational system is more flexible here than in Britain, enabling people to alternate periods of work and study;
- part-time employment is easier to secure in Canada; and
- the legal requirements for redundancy make it easier for Canadian than for British employers to lay off older workers.

These types of flexibility constitute a social and political asset in a period of high unemployment. They reduce the likelihood of an army of teenagers being thrown onto the labour market at the end of each school year, to face the embittering experience of long periods of unemployment combined with the suspicion that when the market eventually recovers, they may be passed over in favour of even younger people, fresh from school. It is not hard to understand why some groups of British teenagers have shown signs of social and political alienation, and it is greatly to be hoped that Canada may continue to avoid this problem.

In the fourth section of the report, a brief discussion of sub-state nationalist movements in Britain and Canada yielded the conclusion that both Scottish and Québécois nationalism can probably be contained by wise leadership. To avoid giving any incentive for splinter groups within those provinces to resort to violence, it is important that national leaders should not rule out the possibility that autonomy or even secession could be negotiated if the public demand for it were clearly established.

On the subject of ethnic conflict, it was noted that the main danger to political authority is the possibility that a visible minority might become embittered by the perceived difficulty of achieving parity with other ethnic groups in the same society. The poor level of educational achievement among young British blacks has become a social problem and has contributed to breaches of public order. Canada is fortunate in that it does not have a similar social problem, but the reported difficulties of black children in Toronto schools are a matter of concern.

The general conclusion of this paper must be that in regard to political authority, Canada is in a relatively fortunate position. In the introductory section of the paper, it was suggested that challenges to authority can spring from rejection of the political community, rejection of the regime, or rejection of specific policies. There is no sign of any tendency to reject the political community except among the nationalists of Quebec, who have been contained for the time being and can probably be contained in the future. There is general support for the regime. There appears to be a certain lack of enthusiasm for the federal government and its leaders, but this can be ascribed to a sense of psychological distance

from Ottawa rather than to a rejection of Canadian institutions. There is an inevitable feeling that the government might have done more to minimize unemployment and promote economic growth, but there is no evidence of passionate rejection of specific government policies. Nor are there clear signs of bitterness and alienation among sections of the population, such as have for long existed among American blacks and such as now exist among unemployed young people, particularly if black, in British cities. Although complacency would be inappropriate in the current period of economic recession, it seems fair to conclude that Canadian governments can still pursue their activities without fear that their legitimacy will be called into question.

Notes

This paper was completed in December 1984.

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2. Richard Rose and Guy Peters, *Can Government Go Bankrupt?* (New York: Basic Books, 1978).
3. Samuel Brittain, *The Economic Contradictions of Democracy* (London: Temple Smith, 1977).
4. See Jurgen Habermas, *Legitimation Crisis* (first published Frankfurt, 1973; Boston: Beacon Press, 1975).
5. Quoted in P.M. Williams and M. Harrison, *De Gaulle's Republic* (London: Longmans, 1960), p. 68.
6. On the concept of microcosmic representation, see A.H. Birch, *Representation* (London: Pall Mall Press, 1971).
7. James D. Wright, *The Dissent of the Governed* (New York: Academic Press, 1976), p. 274.
8. James O'Connor, *The Fiscal Crisis of the State* (New York: St. Martin's Press, 1973).
9. Rose and Peters, *Can Government Go Bankrupt?*
10. Ibid., pp. 29–30.
11. Ibid., p. 31.
12. Ibid., p. 249.
13. Richard Rose and Guy Peters, *The Juggernaut of Incrementalism* (Glasgow: University of Strathclyde, Centre for the Study of Public Policy, 1978), p. 19.
14. Ibid., p. 20.
15. Ibid., p. 33.
16. Ibid., p. 9.
17. Rose and Peters, *Can Government Go Bankrupt?*, p. 57.
18. Ibid., p. 52.
19. Letter dated April 11, 1984.
20. Anthony King, "Overload: Problems of Governing in the 1970s," *Political Studies* 23 (1975): 162–74.
21. Ibid., p. 288.
22. Crozier, Huntington, and Watanuki, *The Crisis of Democracy*.
23. Ibid., p. 37.

24. See S.P. Huntington, "The Democratic Distemper," *The Public Interest* 41 (1975): 9–38.
25. Quoted in S.M. Lipset and W. Schneider, *The Confidence Gap* (New York: Free Press, 1983), p. 13.
26. Ibid., p. 17.
27. P.R. Abramson, *Political Attitudes in America* (San Francisco: Freeman, 1983), p. 13.
28. Lipset and Schneider, *The Confidence Gap*, p. 17.
29. See Wright, *The Dissent of the Governed*.
30. Ibid., p. 148.
31. P.M. Sniderman, *A Question of Loyalty* (Berkeley: University of California Press, 1981), pp. 77–78 and 92.
32. M.S. Weatherford, "Economic Stagflation and Public Support for the Political System," *British Journal of Political Science* 14 (1984), p. 201.
33. See, for instance, Huntington, "The Democratic Distemper."
34. R.S. Gilmour and R.B. Lamb, *Political Alienation in Contemporary America* (New York: St. Martin's Press, 1975), pp. 120–21.
35. Ibid., p. 157.
36. Wright, *The Dissent of the Governed*, p. 256.
37. See ibid., chap. 10, for a discussion of the evidence.
38. See Sniderman, *A Question of Loyalty*, chap. 4.
39. G. Almond and S. Verba, *The Civic Culture* (Boston: Little, Brown, 1965), pp. 70 and 72.
40. Ian Budge, *Agreement and the Stability of Democracy* (Chicago: Markham, 1970), p. 124.
41. Vivien Hart, *Distrust and Democracy* (Cambridge: Cambridge University Press, 1978), p. 44.
42. For further examples, see R.L. Clutterbuck, *Britain in Agony: The Growth of Political Violence* (London: Faber and Faber, 1978); *The Media and Political Violence* (London: Macmillan, 1981); and *Industrial Conflict and Democracy* (London: Macmillan, 1984).
43. See Ronald Inglehart, *The Silent Revolution: Changing Values and Political Styles Among Western Publics* (Princeton, N.J.: Princeton University Press, 1977).
44. All the figures in this paragraph are based on the Hackney South and Shoreditch survey.
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48. A. Kornberg and H.D. Clarke, eds., *Political Support in Canada: The Crisis Years* (Durham, N.C.: Duke University Press, 1983), p. 95.
49. David Elkins and Richard Simeon, eds., *Small Worlds: Provinces and Parties in Canadian Political Life* (Toronto: Methuen, 1980), pp. 21–25.
50. *Canadian Attitudes on National and Regional Issues* (Montreal: Council for Canadian Unity, 1984), Table 114A.
51. Elkins and Simeon, *Small Worlds*, p. 103.
52. Kornberg and Clarke eds., *Political Support in Canada: The Crisis Years*, p. 95.
53. *1965 Canadian National Election Study* (Principal investigators: P. Converse, J. Meisel, M. Pinard, P. Regenstreif and M. Schwartz), and *1968 Canadian National Election Survey* (Principal investigator: J. Meisel), Inter-University Consortium for Political and Social Research, Ann Arbor, Michigan, 1972 and 1973.
54. Ibid., and *Social Change in Canada: Trends in Attitudes, Values and Perceptions*. Phases I-III. (Principal investigators: T. Atkinson, B. Blishen, M. Ornstein and

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55. Harold Clarke, Jane Jensen, Lawrence LeDuc and Jon Pammett, *Absent Mandate* (Toronto: Gage, 1984), p. 39.
56. Canadian National Election Surveys for 1965 and 1968.
57. See Richard Johnston, *Public Opinion and Public Policy in Canada*, volume 35 of the research studies prepared for the Royal Commission on the Economic Union and Development Prospects for Canada (Toronto: University of Toronto Press, 1985), chap. 1.
58. Kornberg and Clarke, *Political Support in Canada*, p. 239.
59. Clarke et al., *Absent Mandate*, pp. 45–46.
60. See David Butler and Austin Ranney, *Referendums: A Comparative Study of Practice and Theory* (Washington, D.C.: American Enterprise Institute, 1978).
61. See A.M. Phizacklea, "The Political Socialization of Black Adolescents in Britain," Ph.D. dissertation, University of Exeter, 1975.
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63. On the Rastafarian movement in Britain, see Ernest Cashmore, *Rastaman* (London: Allen and Unwin, 1979). For an illuminating account of changing cultural patterns among the black community in London, see Abner Cohen, "Drama and Politics in the Development of a London Carnival," in *Custom and Conflict in British Society*, edited by Ronald Frankenburg (Manchester: Manchester University Press, 1982).
64. Lord Scarman, *Report on the Brixton Disorders of 10–12 April 1981* (London: HMSO, 1981, reprinted by Penguin Books, 1981), p. 27.
65. Ibid., pp. 65 and 71.
66. Ibid., p. 78.
67. *The Globe and Mail*, April 19, 1984.

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