

# LUCKY AND SMART? THE FEDERAL LIBERALS' REFERENDUM STRATEGY

by Reg Whitaker

The federal Liberal government faces severe constraints in confronting a sovereigntist government in Quebec.

A contrast with the situation of the late 1970s in the run-up to the first sovereignty referendum illustrates the scope of the restraints. The Trudeau Liberals of that era relied upon positive inducements, both *constitutional* (that is, "renewed federalism" as an alternative to sovereignty association) and *economic* (that is, visible federal spending in Quebec to demonstrate "le fédéralisme rentable" or profitable federalism). They could also rely upon the effective personal intervention of Pierre Trudeau to sell federalism to the Québécois.

## THE CONSTRAINTS OF REFERENDUM '95

After the Meech Lake and Charlottetown accords, positive constitutional inducements to Quebec are no longer acceptable. "Flexible federalism" has been put forward as an alternative. In theory, the decentralization of powers to all provinces could serve as a surrogate for special powers to Quebec. In the 1995 Martin budget, the Canada social transfer (CST) was advanced in language that suggested it was an answer to the "cloud" of Quebec separatism. While the CST does no more than reduce federal spending in programs that were always within provincial jurisdiction, the Liberals have been at pains to assert that they are not withdrawing from their role in setting national standards (query the credibility of this assertion). Downloading costs, and thus shifting the primary responsibility for unpopular cuts in specific programs,

to the provinces is scarcely designed to appeal to Quebec nationalists. Moreover, central to nationalist sentiments in Quebec has been a desire for *symbolic* recognition of Quebec's distinctiveness; hence, the popularity in Quebec of Meech Lake. Flexible federalism offers no public symbolism, only intergovernmental nuts and bolts.

In the fiscal climate of the late 1990s, positive economic inducements to Quebec are ruled out. Regional sensibilities outside Quebec will not stand for any appearance of favouritism to that province, and the Reform party has articulated a powerful ideological opposition to any "special treatment" of "special interests." Moreover, international investors will be quick to decry politically motivated expenditures that add to the debt burden.

Nor can the Liberals rely upon the personal intervention of Jean Chrétien, who, despite extraordinary approval ratings *outside* Quebec, lacks Trudeau's commanding presence *in* Quebec. Worse, unlike Trudeau, Chrétien cannot even claim to be the dominant *federal* voice in Quebec, outflanked as he is in Parliament by the Bloc québécois and its charismatic leader, Lucien Bouchard. Provincial premiers, especially those from the western provinces, are less deferential to Mr. Chrétien on national unity issues than were their predecessors to Trudeau.

Another wild card in 1995 is the emergence of the Reform party as the *de facto* official opposition in English Canada. Reform does not share in the national unity consensus that pervaded all parties in the

1970s and 1980s, and is much readier to contemplate the departure of Quebec on acceptable terms; Reform might even gain politically from such a development. Chrétien can no longer count on a spontaneous consensus on national unity.

## "WHAT, ME WORRY?"

However formidable the constraints upon the federalists, the PQ/BQ face powerful barriers to success. It is evident by the spring of 1995 that the numbers are simply not there to win a referendum. Even while the PQ and BQ are gaining in popularity as parties, the sovereigntists have failed to win over new converts to their cause in sufficient numbers to gather momentum. Moreover, economic insecurity remains a crucial area of vulnerability: the more marginal and less secure elements of Quebec society are fearful of the consequences of a dramatic break, with all the uncertainty that this entails. Another new factor in 1995 is the refusal of Quebec's aboriginal peoples to recognize any move to break Quebec away from the federal state: this factor adds further uncertainty to the outcome of a "yes" vote.

In this context, the governments in Ottawa and Quebec City have been gearing up for a prolonged "cold war" that will culminate when a vote is actually held. There is considerable asymmetry in this process. The PQ has given decisive priority to the achievement of sovereignty and, with the BQ running interference in Ottawa, can prioritize its governmental tasks toward this one all-consuming end. The Liberals have no such luxury and indeed cannot even be *seen* to be giving too much attention to Quebec. The Chrétien cabinet has given national unity a high priority, but less than

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that accorded deficit reduction. In terms of machinery, there is a special advisory group on national unity attached to the Privy Council Office, and Liberal Lucienne Robillard, fresh from capturing a seat from the BQ in a byelection, is responsible for coordinating referendum policy. Still, these moves are modest when compared with the extensive activities of the National Unity Office in the late 1970s and Trudeau's aggressive leadership in the anti-separatist campaign.

Realistically recognizing the limitations of his own leadership and those of his party, Chrétien has wisely chosen to assume a relatively low profile, despite the provocations of the BQ and Reform to lure him into the front lines of the battle. His slogan is, in effect, that of *Mad Magazine's* Alfred E. Neuman: "What, me worry?" Leadership of the federalist cause in Quebec will be left mainly to the Quebec Liberals and the No committee when the campaign gets under way. So long as the polls indicate the likelihood of a No victory, "What, me worry?" is, indeed, a rational policy choice for an Ottawa with serious disabili-

ties when contemplating direct intervention in Quebec.

#### **PLAN B: NEGATIVE INDUCEMENTS**

If, at any point, the polls begin to shift toward the possibility of a Yes victory, however narrow, there will be panic on the federalist side. At this point, a federalist "plan B" may supplant the low-key approach. Plan B will take for granted that in the absence of credible positive inducements, *negative* inducements will have to come to the fore: threats that separation negotiations will go very badly for Quebec and that independence will be catastrophic for Quebecers' standard of living. Economic intimidation has the advantage of playing to the main weakness of the sovereigntist cause: insecurity in the face of uncertainty. Moreover, the federal Liberals will not have to take the lead; provincial premiers, the business press, banks, think tanks, and even the bond-rating agencies can be counted on for warnings, threats, dire predictions, and a belligerent contempt for the democratic legitimacy of the Quebec majority. Much of the flavour can be gathered from studies already produced for the C.D. Howe and other institutes, and from col-

umns by Andrew Coyne in *The Globe and Mail*.

The danger implicit in plan B is that once it is unleashed, it will have unhappy consequences, whatever the result of the referendum. If it does not discourage a "yes" vote, the rest of Canada will have been whipped into an intransigent mood for negotiations. If it does work, péquistes will develop a myth of the "stolen victory." Already Parizeau has been referring to the C.D. Howe and other critics as "economic terrorists." He is laying the ground for a counterattack after the tactical retreat of a referendum defeat.

The Chrétien strategy is preferable—provided that the prime minister can maintain control of the federalist agenda. By concentrating Ottawa's energies on economic management—deficit reduction, even-handed regional treatment in an era of negative redistribution, enhancing trade opportunities—while maintaining a calculatedly low profile vis-à-vis the "separatist threat," he has shown so far that he can be not only lucky but smart as well.

*Reg Whitaker is a Professor of Political Science at York University.*



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## **WHATEVER HAPPENED TO POLITICAL DEBATE: OR, HONEY I SHRUNK THE SPACE!**

*by Shelagh Day*

There is a lot happening that should concern people in the rest of Canada. We should be engaged in a vigorous debate about the future of federalism and the impact of neo-liberal economic policies on the Canadian state. The fact is that fundamental changes to the shape of the Cana-

dian federation are being made now without a clear admission that this is occurring.

The recent federal budget significantly alters the relationship between the federal and provincial governments by shifting power to the prov-

inces, dismantling the Canada Assistance Plan, moving to block funding for Canada's social programs, and eroding the federal government's capacity to use its spending power to set and enforce national standards. It was the proposal to do this through amendments to the constitution that motivated many progressive social justice groups in the rest of Canada to oppose the Charlottetown accord, especially when the erosion of national social programs, and of the federal spending power, was combined with the