# The Referendum in Canada: A US Perspective

*by Stephen Blank*

We can view the referendum, obviously enough, as the outcome of uniquely Canadian forces. From another perspective, however, the whole constitutional crisis can be seen in terms of wider developments that affect not only Canada but other industrial nations as well, not least the United States.

In both Canada and the United States, economic globalization is eroding the capacity of central governments to manage what are no longer national economies, to protect regions from the impact of changes in international price movements, or to create durable prosperity.

## The Growth of the States and the Provinces

In both countries, not just in Canada, changes in the federal system are shifting many new responsibilities and powers to states and provinces. The first great modern revolution in American federalism, born of the Depression and World War II, concentrated enormous spending and policy-making power in Washington. The second, largely a response to the changing place of the United States in the global economy, dispersed much of this back to the states. Federal grants, which accounted for 26 percent of state spending in 1980, now account for only 18 percent, and policy making and financial responsibilities have gone hand in hand.

Both countries confront serious institutional frictions accentuated by this shifting balance of power between central and state/provincial authorities. In Canada, the failure of central governmental institutions to represent regional interests has long been a source of frustration among non-central Canadians,[1] and demands for institutional reform increased dramatically in the debate over the Charlottetown proposals. On the US side, state governments are typically poorly structured to bear the new social and fiscal responsibilities they now confront. Archaic state fiscal systems and state legislatures that overrepresent rural interests are common problems.

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These tensions are not limited to North America, but arise in other industrial nations, particularly those with federal systems of government. The *Financial Times* described in very familiar terms intense disagreement over Germany's federal system and control over its foreign policy: "At stake is how far the states will be given an effective veto of any future transfer of sovereignty to European Community institutions, and how far they will be given co-decision-making rights with the Bonn Government on EC legislation. Senior German officials accuse the states of seeking to turn the country into a loose confederation."[2]

We cannot conceptualize these changes in terms of the transfer or devolution of authority within existing federal systems. The direction of change is not toward a "borderless" world, but toward more complex political organizations. As national borders no longer define the boundaries of social systems, those boundaries will assume a wider range of shapes. For example, efforts to heighten competitive advantage are more likely to be undertaken successfully, for many sectors at least, regionally or locally, rather than nationally and, similarly, education is more likely to evolve as a local or regional rather than a national responsibility. But many environmental issues transcend regional or even national borders and few would deny the need to maintain national or international rules that ensure economic openness.

A general trend toward devolution will create the need to re-centralize authority in some areas. Standards and rules, for example, are required to maintain a "level playing field" in terms of trade, treatment of investment, and fair competition.

## Unbundling Sovereignty

In the emerging system of governance in North America, national sovereignty will be unbundled both downward and upward and the boundaries of new systems of authority will differ from traditional national borders. Competition among authorities for control over different systems will heighten and could well dominate politics for the foreseeable future. Alice Rivlin, one of the best-known American economists, emphasizes the need "to sort out functions of government—both between the federal government and the states and within the states—to clarify missions and make sure everyone knows who is responsible for which activities."[3] Barring some sort of ecological emergency, the revival of aggressive authoritarian rule in the former Soviet Union, or some yet unforeseen disaster, sorting out who is responsible for what is

probably going to be the most difficult problem we will face over the next decades.

As national sovereignty and the capacity of central governments to guarantee prosperity erode, it is scarcely surprising that there is a strong economic nationalist/protectionist backlash or that this movement unites groups on the Canadian left and the American right and much of the North American labour movement. Groups on Canada's left are as fiercely determined to preserve Canadian sovereignty as those on the American right, while the restructuring of North American industry has been borne heavily on the backs of industrial workers.

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The grinding recession, the battering that American and, even more, Canadian firms have taken, and the escalating number of lost jobs keep eyes focused on shares of a shrinking pie. The pain is more intense because the impact of globalization comes on top of an ongoing revolution in the nature of production. Driven by slow growth, heightened global competition, and the availability of new technology, the structure of production and employment is changing in the 1990s in a way comparable only to the revolution of mass production in the 1880s and '90s.

One cannot deny, finally, that there is danger that political systems could lurch in unexpected directions. History is not short of ironies. Economists from Smith to Marx believed the thrust of capitalism was fundamentally international and would destroy the surviving remnants of medieval state systems. But the emergence of the new industrial era at the end of the 19th century coincided not with internationalism driven by international markets or by international classes, but rather with intense and vicious nationalism.

The danger is that the growing regionalization of the North American economy could lead to fragmentation, regional trade barriers, and exclusiveness, or to efforts to revive old national sovereignties, but the opportunities are enormous: enhanced efficiency, more rapid growth, and greater regional variety and autonomy.

1 See R. Kent Weaver, "Political Institutions and Canada's Constitutional Crisis," in R. Kent Weaver, ed., *The Collapse of Canada?* (Washington, D.C.: The Brookings Institution, 1992) and Peter Brimelow, *The Patriot Game: National Dreams and Political Realities* (Toronto: Key Porter Books, 1986), chapter 2.

2 *The Financial Times*, June 12, 1992.

3 Alice Rivlin, *Reviving the American Dream: The Economy, the States and the Federal Government* (Washington, D.C.: The Brookings Institution, 1992), 180.

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# Unravelling Charlottetown's Web

*by Bruce Ryder*

What does the defeat of the Charlottetown Accord mean for the future of constitutional and political reform? The referendum result cannot be interpreted as a ratification of the status quo. Our ongoing constitutional crisis is a result of our failure to renew Canadian federalism to give positive constitutional expression to regional and cultural differences. The constitutional status quo is unacceptable because it denies the outer regions an effective voice at the centre, it has been fundamentally altered without Quebec's consent, and it has formed the basis for the colonization of aboriginal peoples and their lands.

After October 26, the outer provinces still want in, Quebec still seeks greater powers and autonomy within or without the Canadian federation, and the aboriginal peoples still aspire to a post-colonial regime premised on respect for treaty rights and their inherent right to self-government. These profound and persistent forces for change will not dissipate; rather, they will be channelled into political struggles within the existing constitution in the short term, and into new constitutional reform efforts in the not-too-distant future.

## The Possibilities of Ordinary Politics

Many of the goals sought to be achieved by the Charlottetown Accord can be pursued within the existing constitutional structure. The defeat of the Accord may well have the salutary effect of focusing more energy on the possibilities of "ordinary" politics. The amount of energy devoted by our political leaders to constitutional reform has diverted attention from their failure to