



# CANADA WATCH

Practical and Authoritative Analysis of Key National Issues

## CAMPBELL FACES UPHILL BATTLE IN FALL ELECTION

**Chrétien's Liberals in driver's seat as Campbell struggles to shed Mulroney legacy**

by Patrick J. Monahan

With Kim Campbell defeating Jean Charest by a surprisingly narrow margin on the second ballot on June 13, the new PM's electoral prospects in the looming electoral contest this fall appear uncertain at best.

The fact that the 34-year-old Charest was able to force a second ballot after the Defence minister had built an overwhelming lead early in the campaign spoke volumes about the Conservative party's ambivalence over its choice as leader. Clearly, Ms Campbell's much publicized descriptions of political opponents as "enemies of Canadians" or as "condescending s.o.b.'s" very nearly cost her the leadership. Indeed, had potential

candidates such as Perrin Beatty or Michael Wilson entered the race, thus further dividing delegate support and forcing the convention to three or more ballots, Charest might well have emerged the winner.

### CHALLENGES FOR CAMPBELL

The new prime minister faces two formidable challenges in the next four months.

First, she has to quell the uneasiness that her controversial remarks during the campaign engendered in many Canadians. What was disturbing about Campbell's campaign com-

*Continued, see "Uphill Battle" on page 2.*

## WELCOME TO THE NEW-LOOK CANADA WATCH

As we begin our second year of publication, we have added a number of new features that will ensure that *Canada Watch* continues to provide our subscribers with up-to-date, practical analysis of the latest developments in the country's national affairs.

Our new features include:

- **Economic Report** — prepared by our new economics editor, Professor Fred Lazar of York University. For the past 20 years, Professor Lazar has been teaching at York and consulting to governments at both the federal and provincial levels. Professor Lazar is the author of five books on the economic aspects of public policy. His regular "Economic Report" will analyze the changing Canadian economic agenda, with an

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ments was that they displayed an impatience with her critics, coupled with a certainty in the correctness of her own political judgments that appeared to rival that of former Prime Minister Pierre Trudeau. These qualities were totally at odds with her campaign messages, which emphasized "inclusiveness" in decision making and the importance of "doing politics differently." Indeed, it was the very contradiction between her campaign themes and her published remarks that made the latter so revealing.

The good news for Campbell on this front is that she is now prime minister — and in this new role, actions speak louder than words.

What will count most from now on are the decisions and choices that Campbell will make as prime minister — rather than her lunch-time musings with inquisitive and apparently sympathetic journalists. And Campbell will have learned from her own bitter campaign experience that, in dealing with the media, caution rather than candour must be the watchword.

So Campbell should be able to overcome her first big challenge — the negative public image created by her campaign gaffes.

But Campbell faces a second challenge that is even more daunting and formidable than the first. Campbell must find a way to distance herself politically and symbolically from the legacy of the outgoing PM, Brian Mulroney.

It is not at all clear that Ms Campbell's natural instincts would prompt her to move in this direction. In her acceptance speech to the Tory convention on June 13, Campbell made a point of singling out Mulroney for special praise and recognition. She also referred to the challenge of securing a *third* consecutive majority government — a suggestive description indeed, since

it emphasizes continuity between the old regime and the new, rather than a total break with the past.

But there is no mistaking the fact that Campbell will have to present herself as the candidate of change if she is to avoid being relegated to a mere footnote in Canadian politics — alongside John Turner and his ill-fated 79-day ministry of 1984. That reality was brought home this spring by the different outcomes of the provincial elections in Nova Scotia and Alberta. Whereas Ralph Klein managed to distance himself from an unpopular predecessor, Don Cameron failed to do so — and the election results reflected that difference.

#### CAMPBELL CABINET A PROMISING START

Viewed from one perspective, the Mulroney resignation and the choice of Campbell as Tory leader has already engineered a remarkable turnaround in the party's fortunes. In early February the Liberals enjoyed a lead in excess of 20 points. Coming out of the June convention, Gallup had the Liberal lead down to a mere 5 points. [For details, see the latest national poll results in the Month in Review on page 12.]

Campbell's announcement of her new Cabinet lineup on June 25 may well add a few more points to the Tory's standing in the polls, meaning that there may now be a virtual dead heat between the two leading parties.

Critics of the new Cabinet lineup pointed to the fact that most of the new ministers were holdovers from the Mulroney ministries.

But the important feature of the new Cabinet in symbolic and political terms were the numbers, not the names.

Campbell managed to reduce the number of ministers from 35 to 25,

*Continued, see "Uphill Battle"  
on page 16.*

## WISHING AWAY THE CONSTITUTIONAL QUESTION: WHAT IF IT CAN'T BE DONE?

*by Kenneth McRoberts*

The presentation of Kim Campbell's slimmed-down Cabinet provoked a wide variety of comments. For many observers, the smaller size was itself a strong feature. But some lamented the decline in the presence of women. Others warned that the consolidation of responsibilities in new super-ministries, with mandates such as "public security" and "human resources and labour," was designed to reinforce Campbell's neo-liberal philosophy, cutting support for the needy and preventing the state from being an agent of creative change. However, there were no tears for one of the changes from the Mulroney Cabinet: the elimination of the minister for constitutional affairs. In fact, it seems that none of the major political commentators considered this change even worthy of comment.

Just two years ago the constitutional portfolio had been sufficiently weighty to draw (not without considerable prime ministerial arm-twisting) the most senior of ministers, Joe Clark, from the most senior of portfolios, external affairs. Now there is widespread agreement that the last matter the Campbell government should concern itself with is constitutional reform. Nor is this attitude restricted to Conservative circles. If there is one area of consensus in the country as a whole, and it may be the only one, it is that the constitutional question should be avoided at all costs. Yet, how realistic is this?

## THE QUESTION MAY RETURN

Before too long, the royal commission on aboriginal peoples will be issuing its report. As a comprehensive analysis of the aboriginal question and of the remedies required, how can it possibly avoid major proposals for constitutional change? Aboriginal self-government had, after all, been the one real breakthrough of the Charlottetown accord. Yet it would be difficult to modify the constitution to meet aboriginal concerns without Quebec's participation, which means accommodating Quebec's concerns.

For that matter, the Quebec provincial government must call an election by September 1994 at the very latest. Opinion surveys suggest that if an election were called now, the Parti québécois would have as great

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a chance of winning as do the Liberals. (The PQ's internal surveys predict a clear PQ sweep.) It is difficult to see how the Liberals can improve their fortunes in the coming months. In all likelihood, Robert Bourassa will step down before too long and the party will be forced to select a new leader and then mount an election campaign in short order. None of the mooted successors has the personal stature of Bourassa. In short, the election of a PQ government within a year is a very distinct possibility.

July/August 1993

## FEDERAL RESPONSES TO A RESURGENT QUEBEC

If, then, despite the best of efforts to wish it away, the constitutional question does once again impose itself upon the Canadian polity, how would governments be likely to approach it? In particular, how would they respond to a PQ government? Would they be prepared to develop an alternative to Quebec sovereignty: accommodating Quebec within a renewed federalism?

As far as Ottawa goes, there are, of course, two primary possibilities: a Liberal government or a Progressive Conservative one. Either of these could be a minority government, further complicating the formulation of any kind of coherent position on constitutional change.

The constitutional stance of a Liberal government under Jean Chrétien is easy to predict. It would be closely bound by the parameters of the Trudeau orthodoxy: absolute equality of the provinces, primacy of the Charter, no meaningful recognition of Quebec's distinctiveness. John Turner had no particular investment in the Trudeau legacy and thus sought to lead his party in support of the Meech Lake accord. But much of his party refused to follow. There is no danger that Chrétien would even attempt such heresies, as deeply rooted as he is in the Trudeau years.

A Conservative government is less clear cut, but only slightly so. On the face of it, Kim Campbell would be guided by the kind of openness to Quebec which had been Mulroney's suit. In her pursuit of the Conservative leadership, she looked to such Quebec nationalists as Marcel Masse and Gilles Loiselle for guidance. Masse has deep roots in Quebec nationalism, going back to a Cabinet position in the late 1960s Union nationale government

*Continued, see "Wishing Away the Question" on page 14.*

## KIM'S PROSPECTS

**Campbell will need to create an image of toughness, resiliency and decisiveness that we associate with male leadership, while never relinquishing a strong feminine image**

*by Robert MacDermid*

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As expected, Kim Campbell replaced Brian Mulroney as leader of the federal Progressive Conservative party and prime minister, but in an unexpectedly tight race. She must now lead her party, minus several Cabinet veterans and with many new faces both in Cabinet and as candidates, to a renewed governing majority. Her rapid rise to the top leaves a sketchy record and few clues on how she may perform in future. But beginning with the convention results, there are some known bumps in the road that she must pass over on the way to her own electoral success.

### THE CONVENTION RESULTS

First, there is very little substance to the simple equation that connects winning margins at leadership conventions to subsequent electoral success. The past 11 Liberal and Conservative leadership conventions demonstrate that small (and smaller than average) winning margins at conventions *can* lead to indifferent electoral success, as was the case for Turner, Stanfield, and Clark, but small or even smaller winning margins than Campbell's can also be the start of careers as prime minister, as was the case for King, Trudeau, and Mulroney. Large con-

vention wins are a better predictor of electoral success: St. Laurent, Pearson, and Diefenbaker all had larger than average wins, but so did George Drew.

### THE PARTY AND THE ELECTION

If the convention results cannot tell us much about the new leader's future, what she brings out of the convention may be a better indicator. Campbell was anything but magnanimous in victory, ignoring rather than soothing the feelings of a close loser, she appears to have reconciled Charest and his supporters to her leadership. That said, nothing

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unites a party like power (the Ontario NDP excepted) and the anticipation of future victories. Ignoring poll results for the moment, the Conservative party that Brian Mulroney has handed over is in fighting trim. Over the past 10 years, the Conservatives have raised far more cash than the other parties and they will go into the election with deep pockets, and the ability to spend large sums before the election spending restrictions kick in, ensuring skillful campaign material and the very best opinion research. The Tories may also get a boost from third-party spending now that an Alberta judge has struck down Parliament's attempt to limit the non-party election spending free-for-all that took place in 1988. It would be folly to count the Tories out, and past elections suggest that margins always narrow as the race is joined.

### THE BALANCE OF FORCES

Campbell faces a strategic situation unlike her predecessor and one partly caused by him. The Bloc Québécois believes itself capable of winning up to 40 seats and the Reform party, before its recent swoon, was preparing for a sweep of Alberta. Both of these estimates are optimistic. The Reform party may have a greater impact on the outcome in more populous Ontario by taking votes from Conservative candidates. The Bloc confronts a Quebec electorate that has voted more MPs to opposition than to government only three times in the past 15 elections. How the Quebec electorate will react during the campaign to a party that has no hope of forming the government is an open question. Numbers of seats closer to Créditiste levels, say 15 to 25, seem more likely for the Bloc, but this depends on how unpopular Jean Chrétien really is and how the Conservatives fare during the campaign. Inevitably, the decisive factor in third party outcomes is not the level of national support, but regional concentration and by this measure both Reform and the Bloc are going to win seats, perhaps enough to play a part in the formation of the government.

### MEDIA IMAGES

Since voters learn about politics through the media, and because so-called character issues are conveyed most easily by the media, what reporters say about these issues will be important. Few Canadians know very much about Kim Campbell, how she does things or what she stands for, beyond the obvious oddity of her being the first female PM. She will need to create and have conveyed through the media an image of toughness, resiliency, and decisiveness that we associate with male leadership, while never relinquishing a strong feminine image. Margaret Thatcher played this dual

game brilliantly. Thus far, Campbell seems to have been successful, but leadership campaign slip-ups and a tendency for the media to equate long answers with indecision suggests some problems ahead.

### THE ISSUES

A reprise of the 1988 campaign with NAFTA as the centrepiece now seems unlikely given a US court ruling and presidential and congressional foot-dragging. The Conservatives will paint themselves as rejuvenated and current, led by the first woman PM and a baby boomer. Tory election advisers will have learned and be ready to apply the winning elements of Clinton's "I'm just like you" campaign. Campbell will have an important weakness on family-value issues, the code words

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for right-wing morality issues. With her, the Tories lose something to the Reform party, but she may be able to make good those losses through her appeal to women, where the Tories have been weak in the past. Unlike Clinton, Campbell must deal with the party's record in office, and she will have to make the past fiscal conservatism and deficit reduction strategy seem less like an empty mantra. Many Canadians are asking themselves whether the emperor has no clothes after years of tough statements about deficit reduction but very similar sized budget deficits.

The Liberals should play to this credibility gap, though whether they in turn will be believed will take a leap of faith by many voters. Even now, there is bound to be some Conservative researcher compiling a file of Liberal profligacy from long-gone Trudeau regimes.

#### FATE

Finally, we typically discount the importance of chance in history. Who can foresee the events that might temper the character of the new PM? Will she fashion or be able to seize defining moments such as Trudeau and the October crisis or Margaret Thatcher and the Falklands war? Campbell will probably go into the campaign without a clear leadership image and she will undoubtedly have to deal with the attacks and misstatements all campaigns throw up, in addition to the chance hearing of things said over unexpectedly open microphones or things casually said in the aisles of planes after a punishing day of campaigning. How she deals with these chance events will largely determine the Conservative fate and although that may seem unfair, politics has a way of eating its children.

*Robert MacDermid is an Associate Professor in the Department of Political Science, York University.*

## WESTERN REPORT

### THE SUMMER OF OUR CONTENT

by Roger Gibbins

As western Canadians relax in the short (and wet) summer before the fall election, it is interesting to examine the region's political landscape in the light of the recent Alberta election, Kim Campbell's accession as prime minister, and the latest public outrage over the Senate.

#### THE ALBERTA ELECTION

Ralph Klein's victory (and it was Klein's victory, not his party's) suggests a number of portents for the

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*"The Alberta election suggests, in this respect, that public discontent with incumbents, with 'the system' and the status quo, is all but negligible. ... The West is awash in complacency, not anger."*

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federal election to come. It shows that a new leader can shed the burdens of incumbency. There was no incumbent party in the Alberta election because Klein disavowed any responsibility for the financial mismanagement of his predecessors. Instead, the Alberta voters were offered a choice among three opposition parties and they chose the Conservatives.

Incredibly, the leader of a party that had been in power for 22 years ran as the voice of change! If the Alberta Tory snake can successfully shed its skin after such a long time in office, Campbell may have less difficulty than we might suspect in

shedding nine years of Mulroney incumbency.

The Alberta election suggests, in this respect, that public discontent with incumbents, with "the system" and the status quo, is all but negligible. Financial mismanagement and a ballooning provincial debt were greeted with yawns of indifference. The West is awash in complacency, not anger.

#### KIM CAMPBELL AND THE REFORM PARTY

There is no question that the Alberta election provides hope for federal Conservatives in the West and that Campbell's leadership victory further complicates a deteriorating situation for the Reform party. Manning and Reform are running on a platform constructed from four basic planks: populist anger at the institutional and partisan status quo, the quest for better regional representation ("The West wants in"), public concern with the debt and deficits, and social conservatism echoed in more specific concerns with such matters as law and order, immigration, and abortion. The first three of these planks have now been weakened to the point of collapse.

The Alberta election results suggest that there is no tide of populist discontent waiting to sweep Reform candidates into the House. Moreover, Campbell can certainly make the argument that she, and not Manning, provides the best chance for a stronger regional voice in Ottawa. Although I suggested in a past *Canada Watch* contribution that Campbell is unlikely to be a strong regional advocate in the long run, she can be packaged in just such terms for the fall election. Finally, the Alberta results suggest that voters are not particularly concerned about the debt and deficits. To the extent that they do care, the political parties, including Reform, now offer

virtually indistinguishable and equally unbelievable policies. Thus, Manning is left to run on the much more treacherous terrain of social conservatism, terrain that leaves him and his party open to damaging ideological attacks from partisan opponents, the media, and interest groups.

### BUT WHAT ABOUT THE SENATE?

How, then, does the recent flap over the Senate's decision to increase tax-free allowances by \$6,000 figure into all of this? It does two things: it puts Senate reform back onto the national agenda, and it complicates the terms of the debate in western Canada.

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Senate reform has been kept on the constitutional table by western Canadians arguing for more effective regional representation. However, public support for Senate reform has been driven more by *democratic* discontent with an appointed body that has been starting to exercise some real influence on Canadian public affairs. This democratic discontent is more likely to support abolition than to support the reformed Senate favoured by western Canadian political elites.

It may be the case that democratic discontent with the Senate will reach such a level that abolition emerges as a realistic option. If it does, western Canadian political leaders will

find themselves in an awkward position. Could they carry the argument for reform in the face of growing public support for abolition? Would they appear to be resisting a democratic surge? At the very least, a renewed national debate on the Senate will be very different in character from what we have witnessed in constitutional circles over the past few years.

One final note. The potential for a renewed national debate on the future of the Senate depends on the outcome of the next federal election. If the Conservatives win, then a Conservative majority in the House will coexist quite happily with a huge and docile Conservative majority in the Senate, and such a situation will stifle any democratic impulse for reform or abolition. However, a Liberal majority or minority in the elected House facing a hostile Conservative majority in the appointed Senate would be a much more contentious and problematic situation.

*Roger Gibbins is Professor and Head, Department of Political Science, University of Calgary. Western Report is a regular feature of Canada Watch.*

## QUEBEC REPORT

### 1982 AND BORODINO

by Guy Laforest

Intellectuals and scholars live and die with a few fundamental intuitions and no more than a few. As I am about to depart for a sabbatical year in Paris (poor me ...), I will share with the readers of *Canada Watch* one of my own fundamental intuitions.

In the latter part of Tolstoy's *War and Peace*, after a passage where the author describes the agony of Prince André remembering the arms of Natasha Rostov as he fixes the sky from the ground of the battlefield at Borodino, Tolstoy discourses on the meaning of this particular battle for Napoléon and the French Army, as well as for the Russians. In a nutshell, Tolstoy believes that at Borodino, the French have won the battle but lost the war. They prevailed on the battlefield, but also realized that they would never break the resolve of their opponents. They caught a glimpse of the moral superiority of the Russians. After Borodino, the French Army still won a number of battles. And then, suddenly, irresistibly, it retreated. Nothing could halt the retreat, once it began.

If I am correct, 1982 was our Borodino. Through the workings of Trudeau's constitutional bonapartism, as Philip Resnick coined the term in those bygone days, Canadian nationalism carried the day in 1982. René Lévesque and Quebec were clear losers. It took me some years to develop my own understanding of the patriation events. My eyes should have been opened earlier, for in 1982, I was studying at McGill with James Tully, an eminent Locke scholar. I should

have made the link immediately between the meaning of 1982 for Quebec and the famous passages on breach of trust and dissolution of government in Locke's *Two Treatises on Civil Government*. For some reason, which had nothing to do with the proximity of fellows such as David Bercuson and Barry Cooper, the insight came to me when I was teaching Locke in a political theory class at the University of Calgary, one month or so before the Meech Lake accord was signed in 1987. It is there that I figured out conceptually and in the flesh what 1982 was all about.

The government of Quebec takes care of the only majority French-speaking society in the Americas. At the heart of the 1982 package was a lucid and voluntary attempt to reduce

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the legislative powers of the government of Quebec in key matters such as language and education, without the consent of Quebec if necessary. In a federal state, the government of Canada also takes care of the people of Quebec. But in the spirit of Locke, as Allen Buchanan reiterated it recently, it had no business reducing the powers of a member state. 1982 is about breach of trust and dissolution of government. Winning the battle, Canadian nationalism also prepared its own demise. Hence, the comparison with Borodino.

Economically, politically, and symbolically, Canada as a community is much more fragile and vulnerable now than it was 15 years ago. It is one of the Western, developed states that faces with the utmost difficulty the hardships of globalization. The vision of 1982

was that Canada had to make itself into a single nation, whatever the costs this enterprise would entail. The ultimate cost could well prove to be the existence of the federation.

If my perception of our situation is correct, this will not happen exactly as the leaders of the secessionist movement in Quebec are anticipating. The breakup of Canada, if it occurs, will not happen following the logical scenario established by the likes of Jacques Parizeau: strong showing by the Bloc Québécois in the upcoming federal election, PQ victory in the Quebec elections, affirmative vote in a referendum on sovereignty, negotiations with Canada, second referendum to ratify the whole matter. This optimistic scenario presumes that no outside pressure would be applied on Quebec public opinion and that Canada would not try to reclaim in a sense its moral superiority by coming to the rescue of the Cree in the North following their own unilateral declaration of independence from Quebec.

Since Robert Bourassa has lost the glorious opportunity that he had either to initiate the secession or radically restructure the federation, the more likely scenario, if my comparison still holds, follows the lines of a slow but steady degeneration of a political system unable to untangle itself from the stultifying vision of 1982. Before the end of this century, the constitutional world of 1867-1982 will be no more.

If I am wrong, I promise to buy a round for all my colleagues who will have preciously treasured this issue of *Canada Watch* and who bring it to the constitutional conference in Australia scheduled for the year 2001.

*Guy Laforest is Associate Professor of Political Science/Département de science politique, Université Laval. Quebec Report is a regular feature of Canada Watch.*

## LEGAL REPORT

### PARTICIPATION AND DEMOCRATIC PROCESS

#### Do third-party spending limits protect or threaten democratic values?

by Jamie Cameron

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Following a debate that lasted a mere 15 minutes, the federal Parliament enacted Bill C-114 on April 3, 1993. Under the legislation, third parties, including organizations, individuals, and interest groups, are prohibited from spending in excess of \$1,000 to support or oppose any candidate or political party during a federal election. In anticipation of the upcoming federal election, the National Citizens' Coalition challenged that provision under section 2(b) of the *Charter of Rights and Freedoms*, which guarantees freedom of expression. On June 25, Mr. Justice MacLeod of the Alberta Queen's Bench invalidated Bill C-114's spending and blackout provisions.

Responding to the decision, Professors Bercuson and Cooper, who testified in support of the restriction, argue that by ensuring a "level playing field for the only organizations capable of forming a government, namely political parties," such legislation would have made Canadian elections "more democratic." Bill C-114 was designed to ensure that "Canada does not follow the path of the United States." There, the prevalence of PACs (political action committees) and virtually unlimited cam-

paign spending support perceptions that money buys elections for politicians, whose votes as elected officials are bought, during elections and in office, by special interest groups.

Bill C-114's predecessor, which absolutely prohibited third-party advertising, was invalidated during Canada's 1984 federal election. Four years later the Conservative party won a federal election fought largely on the issue of the Canada-U.S. free trade agreement. It is widely believed that money, especially through the infusion of corporate advertising in support of the FTA, influenced the outcome.

Subsequently, a royal commission on electoral reform was established and mandated to make recommendations on a variety of electoral issues. The Lortie commission report, issued in 1991, found that third-party advertisements on issues such as free trade could be grossly unfair to the candidates. To promote a vision of democratic participation based on "equal opportunity to exercise meaningful influence over the outcome of elections," the Commission recommended that third parties be prohibited from spending more than \$1,000 during federal elections.

That recommendation was ignored, however, when the federal government enacted Bill C-81, which regulated the national referendum. There,

the Conservatives rejected the argument that spending limits were necessary to ensure a fair and equitable debate of the issues.

Large sums of money were rallied and spent in favour of the referendum question by the national "Yes" Committee, a tripartite organization headed up by the Conservative, Liberal, and New Democratic parties. When the referendum question was defeated in a majority of provinces, it became apparent

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that money had not bought the referendum, and may even have been counterproductive.

The campaign also demonstrated that, as citizens became empowered, politicians lost control of the debate. As the voices of interest groups, individuals, and ad hoc citizens' committees were heard, Canada wit-

nessed an unprecedented exercise in democratic participation.

Only a few months later, the Conservatives, Liberals, and New Democrats agreed to Bill C-114's spending limits, which effectively channeled election debate through the registered parties and their candidates. To determine whether democratic values are protected or threatened by such measures, it is necessary to consider whether there are relevant differences between parliamentary elections and referenda.

Although the integrity of parliamentary office is not at stake in a referendum, voices can dominate or be drowned out just as easily there as in an election for office. If a level playing field is the objective of spending limits, such measures should stand or fall together in elections and referenda.

Moreover, before assuming that the perceived corruption of American politics is inevitable in Canada, differences between parliamentary democracy and republican government should be taken into account. In the United States, because party discipline is weakened by the separation of the presidential and congressional branches of government, members of Congress may be more susceptible, in casting their votes, to influence by lobbyists and interest group organizations. In Canada, party discipline determines how

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members of Parliament will vote in most cases. And, as Prime Minister Turner discovered in 1984, where the party has practised patronage, the public will hold it accountable.

In principle, what is at stake is a conception of democratic participation. How can citizen participation be viewed as undemocratic, and are democratic values better served by legislation that effectively enables the parties and their candidates to control election debate? Alternatively, would those values be promoted by permitting citizens and groups outside the party structure to comment, independently and without inhibition, on the issues, the candidates, and their policies?

To answer those questions, remember the open debate of the referendum campaign and be reminded that Mr. Justice MacLeod invalidated Bill C-114's spending limits, in part, because the government failed to demonstrate that third-party advertising does influence election results.

*Jamie Cameron is an Associate Professor and Assistant Dean at Osgoode Hall Law School, York University. Legal Report is a regular feature of Canada Watch.*

## ECONOMIC REPORT

### FEDERAL-PROVINCIAL FISCAL NEGOTIATIONS WILL DEFINE THE PUBLIC AGENDA WELL INTO THE NEXT CENTURY

by Fred Lazar

Shortly after the fall election, the new prime minister will sit down with her or his provincial counterparts for the first of many meetings to work out a cooperative framework for tackling the deficit problem and, more important, to negotiate a new set of federal and provincial agreements on the allocation of spending and taxing powers. Indeed, this and the many follow-up meetings will become *de facto* the next round of constitutional negotiations. However, unlike the preceding two rounds that produced the Meech Lake and Charlottetown accords, the negotiations of fiscal responsibilities are more likely to succeed. There will be much at stake for all the participants. Money will be on the table and this should facilitate compromises. Ratification of the agreements will not require a complex procedure.

The federal-provincial first ministers' and finance ministers' meetings, which will commence in earnest in the fall, will be driven by four events: large deficits at the federal and provincial levels, the continuing high rates of unemployment, the expiration of the established programs funding and equalization agreements, and the failure of the Charlottetown accord. Although the

primary focus of the negotiations will be the deficits, the allocation of fiscal responsibilities and the reduction of duplication in government activities should share centre stage. The negotiations should set the framework for governing Canada as well as the social and economic agendas well into the next century.

#### DEFICITS, REVENUES AND SPENDING OF THE THREE LEVELS OF GOVERNMENT

A look at the Statistics Canada data for the government sector will highlight some of the issues and problems that the federal-provincial meetings will have to address. The aggregate net borrowing requirements of all levels of government in Canada more than doubled, from \$19.7 billion in 1989 to \$43.9 billion in 1992. Net borrowing requirements (a good measure of the financial market impact of government deficits) have increased further thus far into 1993.

Much of the deterioration of the fiscal position of governments has occurred at the provincial level where net borrowing has risen from \$1.5 billion in 1989 to \$22.8 billion in 1992. The increase in the net borrowing requirements of the federal government has been more moderate during this period — from \$21.2 billion to \$25.7 billion. Obviously, the provincial governments have good reason for being concerned with deficits.

An examination of the data for 1992 begins to reveal why a new fiscal arrangement should share centre stage during the negotiations and why the role, responsibilities, and fiscal capacities of local levels of government will also have to be given a high priority. Excluding investment income, the federal government received about 50 percent of all government tax revenues in 1992. Provincial governments received 38.8 percent of the total revenues and local governments received 11.2 percent, primarily from property taxes. On the other hand, in

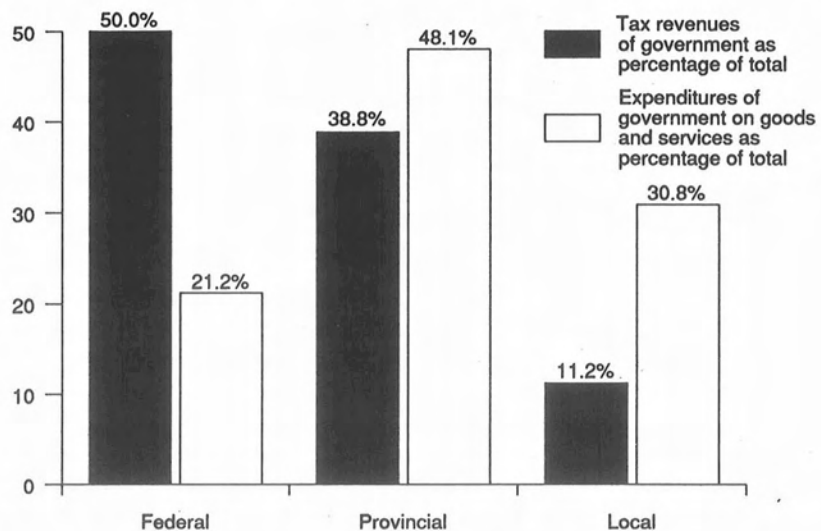
1992, the federal government accounted for only 21.2 percent of total government expenditures on goods and services. The provincial governments were responsible for 33.1 percent directly and another 15 percent indirectly through the hospitals. Local governments accounted for the remaining 30.8 percent.

Intergovernmental transfers of revenues play an important role in balancing revenues and expenditures at the various levels of government. The federal government transferred \$29.5 billion (23.8 percent of its tax revenues and 18.3 percent of its total expenditures in 1992) to provincial and local governments. Provincial governments, in turn, transferred \$52 billion to local governments and hospitals (31.7 percent of their total spending). These transfers are determined, in part, by formal agreements, and in part by the discretionary actions of the government transferring the funds. The federal and provincial negotiators will have to question the efficacy of the present system, which entails this significant intergovernmental transfer of funds and risks for junior levels of government because of the possibility for discretionary actions by the senior levels of government.

A system that more closely and automatically matches the fiscal capacities of the various levels of government with their spending responsibilities may be preferable to the current system of fiscal arrangements and responsibilities. However, any changes in this direction will require a more precise demarcation of the spending and taxing responsibilities of each of the levels of government. Hence, fundamental constitutional issues will arise.

Moreover, to ensure a consistent aim for aggregate fiscal policy, a trilateral arrangement for setting and enforcing the broad parameters and goals of fiscal policy each year will have to be formalized. The federal

### Revenues and Expenditures of Federal, Provincial and Local Governments, 1992



government did try to include such an arrangement in the last round of amending the constitution.

#### TRANSFER PAYMENTS AND THE SOCIAL AGENDA

Transfers to persons comprise the largest component of spending for the federal government. In 1992, the federal government transferred \$52.6 billion (32.5 percent of its total spending) directly to persons through unemployment insurance, family allowances, tax credits, and old age security benefits. Provincial governments transferred an additional \$34 billion (20.7 percent of their total spending) to persons through workers' compensation, social assistance, and other programs. In total, these direct transfers accounted for 14 percent of total personal income.

Transfers by the federal and provincial governments to support education, colleges, universities, and health care provide an indirect form of income transfer to persons. Consequently, the fiscal negotiations will have significant impacts on income distributions, social programs, and the scale and scope of the social safety net. In targeting deficits and considering the allocation of fiscal responsibilities, the government ne-

gotiators will have to consider the appropriate objectives for social programs in today's economic and fiscal climate and ensure a minimum of duplication in the provision of social services and income support.

The negotiations should provide the impetus for an overhaul of the social assistance programs across Canada. They will be able to consider the entire system of social assistance and ensure that any subsequent reforms establish adequate levels of support and that incentives encourage participation in the labour market.

The fiscal negotiations between the federal and provincial governments are likely to be the most important initiative of the next federal government. They should result in fundamental changes in the allocation of spending and taxing powers. And by encouraging harmonization and cooperation and minimizing the degree of duplication, they should produce a strategy for reducing government deficits without impeding economic recovery and renewal.

*Fred Lazar is an Associate Professor of Economics, Faculty of Administrative Studies and Faculty of Arts, York University. Economic Report is a regular feature of Canada Watch.*

# CW UPDATE

## THE MONTH IN REVIEW

by *Jonathan Batty*

### ONTARIO'S SOCIAL CONTRACT

Following the collapse of negotiations with its public sector workers, Ontario introduced a legislative package on June 14 to effect restraint. The goal of the legislation is to cut \$2 billion in spending, with a three-year wage freeze and unpaid leave days. The bill affects 900,000 public sector employees, who are offered several incentives to conclude a non-legislated settlement before August 1. The Bill received third reading on July 7.

### SENATE DEFEATS BILL C-93

A bill that would have amalgamated the Canada Council, the Social Sciences and Humanities Research Council, and the cultural and academic policies of External Affairs was defeated in the Senate on June 10. This was the first time in nine years that a non-free vote government measure was defeated. Five Conservative senators, including **Finlay MacDonald** and **Norm Atkins**, voted against the bill. Three Conservative senators, including former Cabinet minister **Pat Carney**, abstained.

### CONSERVATIVE LEADERSHIP CONVENTION RESULTS

**Kim Campbell** became the first woman to lead the Progressive Conservative party after a narrow second ballot victory at the party's convention to chose a successor to **Brian Mulroney**, on June 13. The results were as follows:

|          | Ballot 1    | Ballot 2    |
|----------|-------------|-------------|
| Campbell | 1,664 (48%) | 1,817 (53%) |
| Charest  | 1,369 (39%) | 1,630 (47%) |
| Edwards  | 307 (9%)    |             |
| Turner   | 76 (2%)     |             |
| Boyer    | 53 (1.5%)   |             |

### ALBERTA PROVINCIAL ELECTION

Premier **Ralph Klein's** Conservative government was re-elected with a slightly reduced majority on June 15. The Conservatives won 51 seats, and the Liberals led by Laurence Decore won 32 seats. The NDP, which had been the official opposition with 15 seats before the election, failed to win any seats. The election was the first for **Ralph Klein** as premier, who succeeded **Don Getty**.

### QUEBEC BILL 86

The Liberal government of Premier **Robert Bourassa** passed its new language legislation through the National Assembly on June 17. The new language law significantly relaxes the restrictions on the use of English, and gives the provincial Cabinet expanded regulatory power over its use.

### UPROAR OVER SENATE EXPENSE ALLOWANCE

On June 22, senators voted themselves a \$6,000 increase in their travel and accommodation allowance. Currently, senators earn \$64,400 and have an indexed tax-free allowance of \$10,400. Because of the resulting public outcry, the Senate reconvened in special session on July 12 and rescinded the increase by a vote of 80-1 with 2 abstentions.

### NEW CABINET NAMED

**Kim Campbell** became Canada's 19th prime minister when she and her Cabinet were sworn in on June 25. The new Cabinet has 25 mem-

bers, the smallest since 1963, and is supposed to streamline government operations. Of the 25 ministers, including the PM, 18 held posts under **Brian Mulroney**. The new Cabinet is as follows:

- **Perrin Beatty**, External Affairs
- **Thomas Siddon**, Defence
- **Charles Mayer**, Agriculture, Small Communities and Rural Areas; minister designate of agriculture and agri-food
- **Lowell Murray**, government leader in the Senate
- **Paul Dick**, Supply and Services, Public Works; minister designate of government services
- **Jean Charest**, deputy prime minister, Industry, Science and Technology; Consumer and Corporate Affairs; minister designate of industry and science
- **Thomas Hockin**, International Trade
- **Monique Landry**, secretary of state, Communications; minister designate of Canadian heritage
- **Bernard Valcourt**, Employment and Immigration, Labour; minister designate of human resources and labour
- **Gerry Weiner**, Multiculturalism and Citizenship; minister designate of citizenship
- **Douglas Lewis**, solicitor-general, government House leader; minister designate of public security
- **Pierre Blais**, Privy Council president, Justice
- **Mary Collins**, Health and Welfare, Status of Women; minister designate of health
- **Jean Corbeil**, Transport
- **Gilles Loiseau**, Finance
- **Pauline Browes**, Indian Affairs and Northern Development
- **Pierre Vincent**, Environment
- **James Edwards**, Treasury Board president
- **Robert Nicholson**, Science, Small Business

- **Bobbie Sparrow**, Energy, Mines and Resources, Forestry; minister designate of natural resources
- **Peter McCreath**, Veterans Affairs
- **Ross Reid**, Fisheries and Oceans; Atlantic Canada Opportunities Agency
- **Larry Schneider**, Western Economic Diversification
- **Garth Turner**, National Revenue

### ELECTION LAW OVERTURNED

Sections 213 and 259 of the *Canada Elections Act* were found to be an unconstitutional infringement of the freedom of expression by an Alberta Court of Queen's Bench judge, Mr. Justice MacLeod, on June 26. (See Jamie Cameron's *Legal Report* elsewhere in this issue for her analysis of the decision.) The law banned advertising in the first 18 days of a federal election, and limited individuals and groups to spend no more than \$1,000 on advertising. In Parliament, the law was supported by the three major parties when it was passed as Bill C-114. The challenge was instigated by the National Citizens Coalition.

### NATIVE RIGHTS

On June 25, the B.C. Court of Appeal released judgments on eight different cases that concerned the extent of the definition of aboriginal rights. Generally, the court upheld convictions of natives for regulatory offences if their actions contravened *bona fide* environmental protection or commercial regulation statutes.

### NAFTA UPDATE

A U.S. District Court judge ruled on June 30 that NAFTA will have to be formally evaluated for its environ-

mental impact before it is submitted to Congress in September. An action was launched by various environmental groups against the Office of the U.S. Trade Representative for violating the national *Environmental Policy Act*. The Clinton administration's trade negotiator, **Mickey Kantor**, stated that the decision would be appealed. Implementing legislation was passed in Canada on June 23, but the treaty has not yet been submitted to Congress pending the conclusion of side agreements, which are expected to be reached in July.

### PATRONAGE APPOINTMENTS

Prior to his departure from office, Prime Minister **Brian Mulroney** continued to fill vacant Senate seats and assign offices and postings. *The Globe and Mail* claims that 655 patronage appointments have been made since December, surpassing the number of appointments made by the former Liberal government in 1984. In the last nine years,

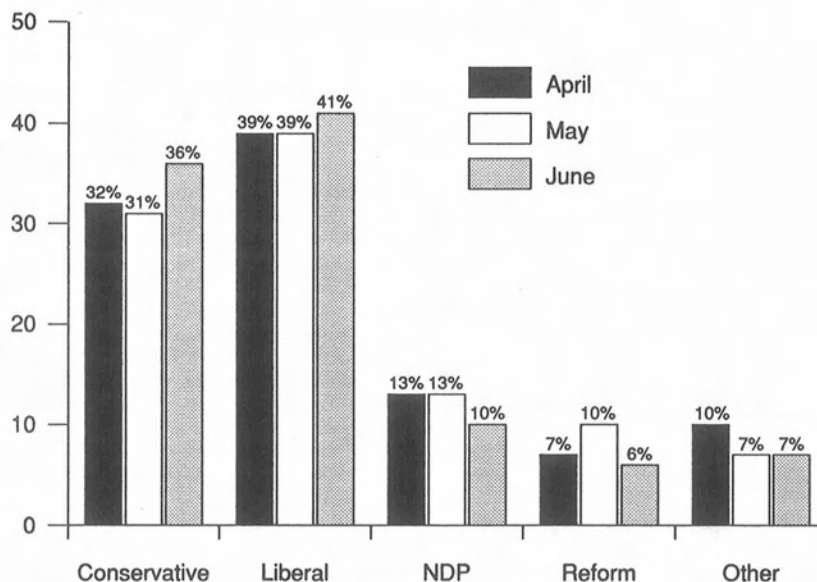
Mulroney appointed 57 people — 14 since the announcement of his resignation — to the 104-member red chamber. There are no vacancies in the Senate, composed of 58 Conservatives, 43 Liberals, and 5 independents.

### TORIES UP WHILE NDP, REFORM DOWN IN LATEST POLL

The latest Gallup poll, taken in the week immediately following **Kim Campbell's** second ballot win on June 17, showed the Tories up 5 points over their showing in May. But the Tories, at 36 percent of decided voters, still trail the first place Liberals under **Jean Chrétien** by 5 points. Support for both the NDP and Reform declined, while in Quebec the Bloc Québécois held firm at 31 percent, trailing the first-place Conservatives there by 3 points.

*Jonathan Batty, B.A. M.P.A., LL.B., is a member of the 1993 class at Osgoode Hall Law School.*

Latest Gallup Poll Results



Source: Gallup Canada, June 16-21, telephone poll of 1,014 adults.

# PARLIAMENTARY UPDATE

## The status of significant legislation in the 34th Parliament

### Bill C-62 Telecommunications Act

This Act brings regulatory control over the Canadian telecommunications industry into one omnibus statute for the first time. It does not apply to broadcast undertakings, and describes the powers awarded Cabinet, the minister of communications, and the CRTC.

|                  |              |            |
|------------------|--------------|------------|
| House of Commons | 1st reading: | Feb. 27/92 |
|                  | 2nd reading: | Apr. 20/93 |
|                  | 3rd reading: | Jun. 9/93  |
| Senate           | 1st reading: | June 10/93 |
|                  | 2nd reading: | June 15/93 |
|                  | 3rd reading: | June 21/93 |

Royal assent: June 23/93

### Bill C-93 Budget Implementation (Government Organizations Act) 1992

Agencies including the Canada Council and the Social Sciences and Humanities Research Council are to be amalgamated. Some agencies are scheduled to be eliminated, while three new tribunals are proposed dealing with procurement, intellectual property, and RCMP review.

|                  |              |                          |
|------------------|--------------|--------------------------|
| House of Commons | 1st reading: | Nov. 26/92               |
|                  | 2nd reading: | Feb. 16/93               |
|                  | 3rd reading: | Apr. 27/93               |
| Senate           | 1st reading: | Apr. 28/93               |
|                  | 2nd reading: | May 6/93                 |
|                  | 3rd reading: | June 10/93<br>(defeated) |

### Bill C-115 North American Free Trade Agreement Implementation Act

This bill implements legislative changes to abide by the trade agreement concluded between Canada, the United States, and Mexico.

|                  |              |            |
|------------------|--------------|------------|
| House of Commons | 1st reading: | Feb. 25/92 |
|                  | 2nd reading: | Mar. 31/93 |
|                  | 3rd reading: | May 27/93  |
| Senate           | 1st reading: | May 27/93  |
|                  | 2nd reading: | June 3/93  |
|                  | 3rd reading: | June 23/93 |

Royal assent: June 23/93

July/August 1993

### Bill C-116 Conflict of Interests of Public Office Holders Act

A formal scheme of conflict of interest regulations is proposed to apply to parliamentarians, as well as a creation of an investigatory/advisory commission and information repository.

|                  |                    |            |
|------------------|--------------------|------------|
| House of Commons | 1st reading:       | Mar. 11/93 |
|                  | 2nd reading:       | Mar. 30/93 |
|                  | 3rd reading:       |            |
| Senate           | not yet introduced |            |

### Bill C-126 An Act To Amend the Criminal Code and the Young Offenders Act

Legislation is proposed that makes it a criminal offence to "stalk" someone, and restricts the movements of sex offenders.

|                  |              |            |
|------------------|--------------|------------|
| House of Commons | 1st reading: | Apr. 27/93 |
|                  | 2nd reading: | May 6/93   |
|                  | 3rd reading: | June 10/93 |
| Senate           | 1st reading: | June 14/93 |
|                  | 2nd reading: | June 17/93 |
|                  | 3rd reading: | June 23/93 |

Royal assent: June 23/93

### Bill C-128 An Act To Amend the Criminal Code and the Customs Tariff (Child Pornography and Morals)

The possession and distribution of pornographic material depicting minors is defined and criminalized.

|                  |              |            |
|------------------|--------------|------------|
| House of Commons | 1st reading: | May 13/93  |
|                  | 2nd reading: | June 3/93  |
|                  | 3rd reading: | June 15/93 |
| Senate           | 1st reading: | June 16/93 |
|                  | 2nd reading: | June 17/93 |
|                  | 3rd reading: | June 23/93 |

Royal assent: June 23/93

### Bill C-132 Nunavut Act

The government and boundaries of a new northern territory are defined.

|                  |              |            |
|------------------|--------------|------------|
| House of Commons | 1st reading: | May 28/93  |
|                  | 2nd reading: | June 4/93  |
|                  | 3rd reading: | June 4/93  |
| Senate           | 1st reading: | June 8/93  |
|                  | 2nd reading: | June 8/93  |
|                  | 3rd reading: | June 10/93 |


Royal assent: June 10/93

## Bill C-133 Nunavut Land Claims Agreement Act

An Act to settle land claims within the new northern territory of Nunavut.

|                  |              |            |
|------------------|--------------|------------|
| House of Commons | 1st reading: | May 28/93  |
|                  | 2nd reading: | June 4/93  |
|                  | 3rd reading: | June 4/93  |
| Senate           | 1st reading: | June 8/93  |
|                  | 2nd reading: | June 8/93  |
|                  | 3rd reading: | June 10/93 |

Royal assent: June 10/93

Note: The House of Commons recessed on June 16 until Monday, September 20. 

*Canada Watch* welcomes submissions on issues of current national interest. Submissions should be a maximum of 1,000 words. The deadline for consideration in our September issue is Monday, August 30. Write or fax us at:

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4700 Keele Street  
North York, Ontario  
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Fax: (416) 736-5546

*"Wishing Away the Question,"*  
continued from page 3.

of Jean-Jacques Bertrand. For his part, Gilles Loiselle was the Quebec government's London representative in the early 1980s; he was remarkably effective in his efforts to warn British parliamentarians off the Trudeau constitutional package. Tutoring by Masse and Loiselle was reflected both in Campbell's attempts to project empathy for Quebec's constitutional positions, citing her own roots in British Columbia's historical estrangement from national politics, and in her attempt to avoid taking a position on the Quebec government's notorious Bill 178.

Nonetheless, Quebec nationalists will not have as privileged a position within the new Campbell government. Marcel Masse is gone. More important, authority over all matters dealing with Quebec has now shifted to the new deputy prime minister, Jean Charest. For his part, Charest has a vision of Canada that is closely reminiscent of Jean Chrétien's spiritual ancestor, Pierre Trudeau. After all, Charest comes from a similarly bicultural background. His hand was clearly revealed in his leadership of a parlia-

mentary committee that was charged with re-examining the Meech Lake accord during its final few months. Through a variety of changes, the Charest committee was so successful in recasting the Meech Lake accord in pan-Canadian terms that many of the accord's Quebec supporters were up in arms and the Mulroney government had to ignore the report. By the same token, when

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*"Ottawa's response to any resurgence of Quebec nationalism is likely to be defined by Quebec Francophones who are fundamentally hostile to this sentiment. In this they will have the firm support of most English Canadians."*


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the question of Bill 178 came up during the PC leadership debates, Charest launched into a spirited defence of minority language rights.

In the nature of things, a PQ government would have little interest in exploring routes for accommodating Quebec within the federal system. The leadership for defining an alternative to Quebec sovereignty would have to come from within the federal government. But with Jean Chrétien

leading the Liberal party and Jean Charest setting the tone for the Conservative's stance on Quebec, and the constitution in general, such leadership seems highly unlikely.

Once again, Ottawa's response to any resurgence of Quebec nationalism is likely to be defined by Quebec Francophones who are fundamentally hostile to this sentiment. In this they will have the firm support of most English Canadians. The Bloc Québécois MPs will argue for a different approach to the Quebec question, but they will be lone voices in Parliament. Next time around, the constitutional lines will be very tightly drawn indeed.

*Kenneth McRoberts is Director of the Robarts Centre for Canadian Studies and Professor of Political Science at York University.* 

# SUPREME COURT WATCH

## A digest of recent significant decisions of the Supreme Court of Canada

by Jonathan Batty

### *Canada (Attorney General) v. Public Service Alliance of Canada* (March 25)

A grievance was filed with the Public Service Staff Relations Board when a government department hired contract workers, despite a formal policy calling for limits on contract workers and greater utilization of surplus public service employees. The board ruled in favour of PSAC, finding that the decision to hire contract workers violated the government policy. The government unsuccessfully appealed the board's jurisdiction and findings at the Federal Court of Appeal and the further appeal to the Supreme Court of Canada was dismissed.

### *Finlay v. Canada (Minister of Finance)* (March 25)

After a social assistance recipient in Manitoba was overpaid, the Manitoba government attempted to recover the overpayment through reductions in his current benefits. The recipient, Finlay, challenged Manitoba's scheme as a violation of the Canada assistance plan because allowing deductions would reduce his benefits below his basic requirements. At trial and appeal at the Federal Court, the Manitoba scheme was found to violate the CAP agreement. The Supreme Court, in a 5 to 4 decision, held that the CAP agreement was not violated and the benefits reduction was lawful.


### *Dayco (Canada) Ltd. v. National Automobile, Aerospace and Agricultural Implement Workers' Union of Canada (CAW Canada)* (May 6)

After shutting a Canadian plant, Dayco ended a benefits scheme for retired workers that had been provided for in an expired collective agreement. The union filed a grievance that went before an arbitrator. The company objected to the arbitrator's assuming jurisdiction over an expired agreement. At Divisional Court, the arbitrator's award was set aside. At the Ontario Court of Appeal, and later at the Supreme Court, it was found that retirement rights may survive the expiration of a collective agreement.

### *R. v. Thorton* (June 4)

Thorton was convicted on a charge of nuisance for donating blood to the Red Cross when he knew that he was HIV positive. Although his crime was not included in the *Criminal Code*, the Trial Court found that he had breached the common law duty he owed toward other citizens not to endanger them. The Supreme Court of Canada dismissed the appeal by the accused and upheld his conviction.

### *Reference re Education Act (Que.)* (June 17)

The Quebec government submitted a reference to the courts about the validity of legislation that reorganized the school board structure in the province. Specifically, the legislation divides denominational schools along linguistic lines. The Supreme Court held that such divisions do not infringe upon the rights found in section 93 of the *Constitution Act, 1867*. 

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*"New-Look Canada Watch,"*  
continued from page 1.

emphasis on the deficit and debt challenges facing all governments in Canada;


- **Parliamentary Update** — providing up-to-date information on the status of major pieces of legislation before Parliament. Unlike other services and publications, our focus is selective — we identify for our readers those pieces of legislation that are of major significance and track their progress through the House of Commons and the Senate.
- **Supreme Court Watch** — a digest of major decisions handed down by the Supreme Court of Canada, including the latest rulings on the *Charter of Rights*.

Again, our focus is selective — we tell you only what you need to know about developments from the highest court.

We will also be continuing the regular features that we introduced in Volume 1 — Western Report, Quebec Report, Legal Report, the Month In Review, and the Canada Watch Calendar.

We are also pleased to announce that our Legal Editor, Osgoode Professor Jamie Cameron, has been appointed as Co-editor for Volume 2 of *Canada Watch*. Professor Ken McRoberts, Director of the Robarts Centre for Canadian Studies, will

continue as Co-Editor for Volume 2. Professor Patrick Monahan, who will be on sabbatical leave for the 1993-94 academic year, will begin writing a regular column on National Affairs beginning with the September issue.

The response from our subscribers in government, business, and the media to the first year of *Canada Watch* has been uniformly enthusiastic. With these changes and added features, we expect to provide our readers with coverage of national affairs that is even more comprehensive and useful. 

## CANADA WATCH CALENDAR

- June 13 Kim Campbell chosen as leader of the Progressive Conservative party and prime minister — designate.
- June 15 Alberta Premier Ralph Klein elected with a majority government.
- June 16 House of Commons breaks for summer recess.
- June 23 NAFTA implementing legislation approved by Senate and receives Royal assent.
- June 25 New federal Cabinet sworn in.
- June 30 U.S. District Court rules that NAFTA should be evaluated for its environmental impact prior to being submitted to Congress.
- July 4 First ministers' meeting on the economy in Vancouver attended by all first ministers except Bob Rae of Ontario and Clyde Wells of Newfoundland.
- July 7-9 Group of Seven industrial nations meeting in Tokyo.
- July 12 Senate recalled for session to rescind allowance increase.
- August 1 Deadline for negotiation of agreements limiting compensation to Ontario public sector employees under Ontario Bill 48.
- Sept. 20 House of Commons to resume sitting, subject to earlier recall by the government.
- Dec. 11 Expiry of the five-year term of the current Parliament of Canada.

### *"Uphill Battle," continued from page 2.*

making her ministry the smallest since the first Cabinet of Lester Pearson in 1963. And this Cabinet downsizing was followed a few days later by media reports of senior bureaucrats facing layoff or reassignment as a result of the restructuring.

Eliminating a few dozen ministers and deputy ministers won't save much money. But the downsizing is important in symbolic terms, since it sends a clear message about the government's intention to come to grips with deficits through spending cuts rather than tax increases.

### **CHRETIEN STILL IN DRIVER'S SEAT**

Despite these promising beginnings, the upcoming election would still appear to be Jean Chrétien's to lose.

Although Campbell has managed to effect a major turnaround in Tory fortunes, she still hasn't managed to overtake the leading Liberals. And her government doesn't appear to have a great deal of room to manoeuvre on the key issue of taxes and the deficit.

The Conservatives under Mulroney have already reduced the direct operating costs of government — the money it spends to run the civil service and the government itself—to the point where further reductions of this kind are unlikely to achieve much real savings. This means that any further progress in reducing government expenditures will have to target transfers to the provinces or individuals. And the furor over the changes to the unemployment insurance system earlier this year indicates just how politically sensitive any reduction in these transfers is likely to be.

A more promising strategy for Campbell would be some kind of highly visible reduction on the tax side — such as reducing the GST from 7 to 5 percent. Campbell could then attempt to label the opposition parties as "tax and spend" politicians who will allow deficits and taxes to rise inexorably.

But this strategy will be very difficult to execute successfully, particularly given the huge tax increases that the Conservatives have brought in over the past nine years. The experienced Jean Chretien is also

likely to run a safe campaign, making few expensive promises and attempting to link Campbell with Mulroney in the public mind.

The other great obstacle for Campbell is the collapse of the NDP vote in Ontario, which will mean that the anti-government vote in the province will tend to coalesce around the Liberals. The Conservatives won 43 seats in Ontario in 1988 and they will have to come close to that total if they are to form the government after the next election. But that kind of success depends on the NDP being strong enough to draw sufficient numbers of anti-government voters away from the Liberals.

What all this suggests is that Chrétien's Liberals must be rated as the odds-on favourites to form the next government. But Campbell and the Tories have made the race sufficiently close to ensure a fascinating and hard-fought campaign this fall.

*Patrick J. Monahan is Director of the York University Centre for Public Law and Public Policy and is Associate Professor at Osgoode Hall Law School, York University.* 