

**THE IMPLICATIONS FOR ATLANTIC CANADA OF THE
FAILURE OF THE CHARLOTTETOWN ACCORD: A POLITICAL
ECONOMY PERSPECTIVE**

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This paper is based upon the notion of 'powerlessness'. It seeks both to examine the place of the Atlantic provinces in the Canadian federation and to investigate their political strategies in the quest to achieve constitutional reform in Canada. In particular, it questions the existence of a genuine constitutional vision in Atlantic Canada. What does Atlantic Canada want? Finally we will look at the implications for Atlantic Canada of the failure of the Charlottetown Accord of August 1992.

Atlantic Canada comprises four provinces which together account for only 11% of the total population of Canada. With its people scattered across Nova Scotia, New Brunswick, Prince Edward Island (PEI) and Newfoundland, the Atlantic provinces have always struggled to assert themselves in a state where two provinces - Ontario and Quebec - have a combined population of 15.6 million or approximately 62% of Canada's total population. Clearly this fact of size alone has had huge implications for political and constitutional strategies in Atlantic Canada. When we consider that the four provinces together can muster only 32 seats in a House of Commons with 295 seats in total, it is obvious that the hallowed principle of 'representation by population' is only limited political effectiveness for them. They fare somewhat better in the Senate where they are, strictly speaking, still over-represented with 30 seats out of a total of 103. Nonetheless, it is clear that in terms of their political representation in Parliament, the people of the Atlantic provinces face political marginalisation.

In addition to their political marginalisation, the people of Atlantic Canada also suffer from what has been called 'economic peripheralisation'. Without wishing to enter the complicated and still controversial debate about victims and culprits concerning the region's persistent economic underdevelopment, there can be no doubt that its underlying structural weaknesses assist towards a firm regional perception of political impotence. Canada has a highly regionalised national economy and it is the peculiar

structure of this economy which continues to work to the overall detriment of Atlantic Canada. Whether the focus of attention is the basic cause of economic underdevelopment or theories of regional dependency, it is impossible to avoid the significance of 'political economy' when seeking to explain and define the complex relationship which exists between these 'peripheralised' provincial economies and the central (core) Ontario-Quebec economic and political axis of Canada. I will return to this particular approach to Atlantic Canada's problems in the next section.

To sum up this introductory section of the paper, it is important to recognise the real economic and political weakness of the Atlantic provinces in a federation which, from its very inception, has been a source of great anxiety and concern to them. Indeed, if we understand the history of how each of these provinces entered the federation we are able much better to appreciate the irony of their collective place in Canada. In short, the fears and anxieties expressed by the numerous critics of union in these provinces have actually come to pass. The people of the Atlantic provinces can be forgiven for blaming Canada - or Ontario and Quebec under the aegis of the Federal government - for their current predicament. Their perception, and that of a growing body of scholars, is that they are relatively poor precisely because they are part of Canada.

The political economy of Atlantic Canada

The significance of the political economy approach to the study of Atlantic Canada lies in the extent to which it exposes and underlines the vulnerability of a regional economy which remains heavily dependent upon Ottawa. Furthermore, it provides a clue to both the perception and the behaviour of the Atlantic provinces in their struggle to achieve constitutional reform. While it does not enable us to predict precisely how provincial governments and premiers will behave in specific circumstances, it does nonetheless assist towards an explanation of their overriding economic and political priorities.

It is clearly important to emphasise the significant differences between the Atlantic provinces, but there remains a sense in which we can also situate them collectively in a political economy perspective.¹ The regional economic dependency which arises out of this particular approach derives from an assortment of historical reasons which are well-documented. In the case of the Maritime provinces the causes of economic decline are deemed to stretch back to Confederation itself in 1867. Recent revisionist research,

however, has begun to question the old orthodoxies of an inevitable long-term process of structural economic decline. James Bickerton, for example, has recently argued in strong political economy terms for much of the blame for Maritime economic decline to be placed squarely on the shoulders of the federal government in Ottawa which has consistently served central Canadian interests at the expense of the eastern provinces.²

The evidence which has been assembled by such staunch defenders of Maritime provincial dignity suggests that the Maritime regional economy did respond to changes in trading patterns, markets and technology - a response which was appropriate given the framework for development determined by the National Policy. It was only after the First World War that what has been called "de-industrialisation" occurred and this was due largely to Ottawa's control of the main policy levers upon which the postwar fate of the Maritime economy depended, namely, tariffs, transportation and competition. Major federal government changes during the interwar years in policy arenas crucial to the region's economic future, such as transportation, natural resources and fiscal revenues, established a "regional ghetto" whereby 'a relatively impoverished area had its economic disadvantages reinforced by a political system that made no provision for any inter-regional redistribution of wealth'.³ In practice, then, Canadian federalism accelerated a growing horizontal inequality between the provinces.

If we turn to look at Newfoundland, its political economy is just as telling. Having joined Canada only in 1949, it can hardly blame Ottawa for its long-term economic decline. However, as Bruce Pollard has shown, Newfoundland's outstanding characteristic is its economic vulnerability: its provincial government does not exercise full control over the resources which are of critical importance to the Newfoundland economy.⁴ For example, all Canadian provinces own the resources on crown lands but since much of Newfoundland's resource base is offshore the final Supreme Court decision of 1984 which confirmed federal government ownership was particularly distressing. Moreover, if we add to this the inability of the province to secure complete control over its hydro resources in Labrador and the federal governments' jurisdictional grip on its fishery industry we can appreciate precisely why Newfoundland's economy remains 'more susceptible than other provincial economies to shifts in federal policy'. Here, then, 'intergovernmental relations, and especially relations with the federal government, are critical to policy-making in Newfoundland' and federal action has 'tended to dictate Newfoundland's approach'.⁵ None of this implies a slavish acquiescence to the policy whims of Ottawa, but it does provide us

with a invaluable insight into the province's concerns when we investigate its role in the process of constitutional reform.

Newfoundland's undeniable economic dependence upon Ottawa obviously has much in common with the Maritime provinces: the excessive reliance upon federal government transfer payments; below-average per capita earned income; above average unemployment; and an exceptionally resource-based economy. Indeed, on nearly every indicator of economic well-being, Newfoundland 'trails all other provinces in Canada'.⁶ But the failure in the 1980s of its constitutional strategy to achieve increased provincial control over its economy - a position not unlike that of Quebec and Alberta - has certainly not reduced it to a mere bit player in federal-provincial relations. Nor has it seriously weakened the province's capacity to assert its own interests in a decisive manner in the overall quest for constitutional reform, as its role in the demise of the Meech Lake Accord in June 1990 amply testifies. Indeed, its prominent role in destroying these constitutional proposals was primarily motivated by the reciprocal links between economics and politics. In other words, Newfoundland/s remorseless pursuit of constitutional clarification merely confirms the stark reality and significance of its underlying political economy.

The constitutional reform agenda in the 1990S

Given the political economy of Atlantic Canada sketched out briefly above, it would seem logical to expect a general pattern of constitutional politics which reflects a dependent compliance upon the federal paymaster. Indeed, just such a stereotypical image of Atlantic Canada was confirmed in the 1980s up until the slow unravelling of the Meech Lake Accord during 1987-1990. The Atlantic provinces were portrayed as 'amicably docile', motivated primarily by "bread and butter" issues. Their constitutional politics seemed, in short, to be nothing more than a predictable reliance upon the status quo and support for Ottawa - protective of federal powers that fed their dependency. The overall impression was of a 'centralistic politics' implicitly held by the poorest provinces in Canada.

This insulting image of a kind of predictably pedestrian 'constitutional dependency' in Atlantic Canada has at last been challenged and successfully refuted by political scientists who have tested this stereotype against the actual record of these provinces in constitutional negotiations. The reality, as usual, is more complex than the image would initially suggest. In a recent essay, David Milne has shown quite categorically that the actual

constitutional record offers little empirical support for the proposition that these provinces have been docile dependents.⁷ Nor, he adds, does it conform to the proposition advanced by David Elkins and Richard Simeon, in their seminal work on regional political cultures twenty years ago, that the constitutional politics of these governments simply mirror the traditionally conservative values of the region.⁸ Agar Adamson observed in 1986 that the Atlantic provinces did not present a united front in every area of policy development and in federal-provincial relations. On the contrary, he noted, they have reacted in 'dissimilar ways to dependency'.⁹

If we were to make an inventory of constitutional responses in the 1980s among the provincial governments in the region, it would clearly demonstrate variation rather than a pattern of consistency. Milne has shown that a regional perspective is dangerous precisely because it over-simplifies what is a complex reality of provincial responses to a changing constitutional agenda. It cannot, he argues, 'do justice either to recurring constitutional patterns in certain Atlantic provinces or to the bewildering changes in provincial constitutional agendas in Atlantic Canada arising from a changing cast of Atlantic premiers'.¹⁰ Admittedly, on some important issues, like the constitutional entrenchment of equalisation and regional economic development achieved in 1982, there has been unanimity of provincial interest, but in many other policy areas, like jurisdiction over fisheries and the debate over property rights, consensus has been either fragile or absent. In summary, then, recent research would suggest that the presumed existence of a 'constitutional dependency' in Atlantic Canada is, at best, over-simplified and, at worst, erroneous.

Where, then, does this leave the political economy approach to constitutional reforms in the Atlantic provinces? Let us look again at this question and reassess both its meaning and its significance.

Political economy: a reappraisal reappraised

David Milne's intellectual broadside against a regional dependency approach to constitutional analysis for Atlantic Canada is well-intentioned and perfectly defensible if it rids us of facile portraits of 'compliant docility'. However, corrective zeal has its own pitfalls and there is a danger that in dismissing the regional dependency perspective to constitutional reform too quickly Milne may have gone too far. He claims, for example, that it is 'a dangerously simplistic, almost mechanical, caricature' which 'distorts history and provides poor guidance on the present and future patterns of constitutional

activity in the region'.¹¹ We have to be very careful about what this kind of trenchant attack upon the dependency model actually means. It may itself over-simplify and distort what the regional dependency model implies.

My own temptation is to avoid what may turn out to be a phoney war. Instead I prefer to construe the constitutional politics of the Atlantic provinces in terms of the reciprocal links between economics and politics. This eschews the sort of crude 'economism' which seems to be the target of Milne's attack. It is not simply economic determinism. On the contrary, it acknowledges the crucial importance of 'human agency' in making decisions rather than the sort of impersonal, almost robotic, responses and reactions against which Milne has railed. There can be no doubt that the political economy of Atlantic Canada has impinged directly upon both the political strategies and the constitutional goals of these provinces. It has shaped both their demands and their means of achieving them.

Constitutional reform in Canada cannot divorced from its materialist base. It is not agnostic towards power relations. The Atlantic provinces are situated in a particular structural economic relationship with Canada, the continental (North American) economy and the global economy.¹² This does not mean that there is a simple casual relationship between extreme economic dependency and constitutional docility. It merely locates provincial constitutional concerns and interests in a wide framework which helps to explain their motives. This would help us, for example, to make sense of Newfoundland's seemingly capricious behaviour in the 1980s in reaffirming a distinctly centralist bias in favour of Ottawa's fiscal capacity, while simultaneously challenging the federal government over the Meech Lake Accord. Clyde Wells's aggressive championing of the principle of provincial equality, eventually expressed in his vigorous support for a full Triple-E Senate, was diametrically opposed to Quebec's insistence upon the "distinct society" clause in Meech Lake. But as one commentator shrewdly observed:

What drives Wells is not an anti-Quebec bias; it is a profound conviction that his province will be a perpetual welfare client unless the rules of Canada's constitutional game are radically altered ...Newfoundland - as the newest province in Confederation - has the lowest per-capita national income and pays the highest sales taxes while enduring the country's highest unemployment rate ... economics not language is what the Meech Lake process is all about.¹³

Here Wells is driven not by an obstinate refusal to recognise

e the unique socio-cultural realities of Quebec, but rather by a genuine fear that the creation of special constitutional status could adversely affect his own province.

In reappraising David Milne's reappraisal, then, it is clear that there is a significant linkage between the structure of provincial economies and their constitutional demands and responses. This explains precisely why the behaviour of the Atlantic provinces has been both variable and consistent depending upon which particular policy issue was at stake. Moreover, the theme of powerlessness with which we began this survey does not imply that the Atlantic provinces are completely lacking in power resources. Their limited representation in the House of Commons, the Senate and the Cabinet indicates a particular form of institutional weakness at the centre. But this is only one dimension and it does not tell the whole story. They still have vigorous and vocal governments which both aggregate and articulate provincial interests at First Ministers' Conference and they continue to be a not inconsiderable factor in the constitutional amendment equation established in 1982.

The sense of the interests of the Atlantic provinces being determined elsewhere, mainly inside Canada but also outside of it too, remains a fact of life but it is a reality which their governments constantly seek to combat. And they are not alone in this predicament. The Western provinces and Quebec share this perception. They are all searching for enhanced control over the policy levers which determine their respective futures, whether it be stronger representation in the central institutions of Canada or the transfer of federal powers to the provinces - or both. Underlying this provincial perception and behaviour, the logic of political economy remains compelling.

Back to the future: life after Charlottetown

On October 1992 Canadians were asked either to approve or reject a series of complicated changes to their Constitution which had been agreed at Charlottetown, PEI on 28 August 1992. Known as the Charlottetown Accord, the Consensus Report on the Constitution did not amount to a clear, simple and coherent vision of Canada. Since it was a highly fragile consensus based upon tough bargaining between several competing interests, this was hardly surprising. Nonetheless, Prime Minister Mulroney decided to submit the Accord to a national referendum the results of which are outline in the table below.

The Referendum results of 26 October 1992

Province	Yes %	No %
BRITISH COLUMBIA	32.0	68.0
ALBERTA	39.7	60.1
SASKATCHEWAN	44.5	55.1
MANITOBA	38.0	61.6
ONTARIO	49.8	49.6
QUEBEC	42.4	55.4
NEW BRUNSWICK	61.3	38.0
NOVA SCOTIA	48.5	51.1
PRINCE EDWARD ISLAND	73.6	26.0
NEWFOUNDLAND	63.0	36.5
YUKON	43.3	56.1
NORTHWEST TERRITORIES	60.0	39.0
Overall	44.6	54.4

When 54% of its people and 6 of its 10 provinces voted to reject the Charlottetown Accord on 26 October 1992, Canada had reached the end of the road on which it had been travelling since the Constitution Act, 1982. But if the verdict was decisive, none of the issues which had prompted the need for anew constitutional settlement in the first place had disappeared. Canada remains ill at ease with itself.

What, then, are the general economic and political implications for Atlantic Canada of the failure of the Charlottetown Accord? At the moment nothing is likely to happen on the constitutional agenda until after the next General Election due by November 1993, and even then probably little will be known until after the next provincial election in Quebec due in 1994. But from the specific standpoint of Atlantic Canada, the range of possible scenarios, apart from the status quo, look decidedly gloomy. The future does, indeed, seem bleak unless the Atlantic provinces can, by their own volition, formulate a new regional strategy for economic development which would enable them effectively to confront global re-structuring and increase their international competitiveness.

Apart from the status quo, there would now appear to be at least three broad options for Canada. The first is a radical re-structuring of the federal system itself which might include the following elements: a significant measure of general decentralisation; various forms of asymmetrical federalism

in order to reconcile Quebec's desire for substantial autonomy with the desire of those outside Quebec for central jurisdiction in the rest of the country; a redistribution of powers to strengthen Ottawa's capacity to sustain a genuine economic union together with a devolution of powers in other areas; and a series of institutional reforms which would enhance both the representativeness and the effectiveness of Canada's central government. The problem with this first option is that it - or a variation of it - has just been rejected in the October 1992 Referendum. The prospects for another package of constitutional reforms do not look at all favourable until there is a major change in Canada's political environment.

The second broad option would be to move towards a much looser federal union. This might mean in practice either a binational economic association of two units consisting of Quebec and a federation of the other nine provinces, or a loose confederation of four or five regional units. In the latter case, Atlantic Canada itself could become a real regional economic and political union within a larger association. Finally, the third option would be the political and economic independence of two or more successor states. Here much would depend upon what Quebec decided to do.

Clearly Atlantic Canada's best option, if it was possible, would be the status quo. However, even here the future seems uncertain. Some form of decentralisation, whether limited or extensive, seems likely to occur in the 1990s. The pressures on Ottawa to make further cuts in public expenditure and to accelerate the off loading of existing federal responsibilities on to the provinces in order to tackle the massive federal budget deficit of some \$31 billion will intensify. The main hope for Atlantic Canada therefore lies in what it can do for itself in terms of agreed regional objectives.

Conclusion : the uncertain future

One way to understand the depth of Atlantic Canada's economic vulnerability is to consider how much it depends on federal transfers and general public expenditure. In a recent study conducted by Tim O'Neil, the following items were identified as crucial to the ability of the Atlantic provinces to provide a national standard of living for their citizens:

1. Federal Transfers to Provinces : Equalisation Entitlements amounted to \$ 3.1 billion of a total of \$8.4 billion from the federal government for 1991-1992.

2. Transfers To People: In Atlantic Canada these amounted in 1989 to \$4.7 billion out of a total of almost \$38 billion.(mainly unemployment insurance costs).¹⁴

If we add to these two principal forms of federal spending, regional development expenditure, federal transfers to business and federal spending on wages/salaries of federal government employees in the region, it is patently obvious how far significant decentralisation in Canada will reduce the capacity of the federal government to effect the redistributive policies so essential to Canadian identity. In Atlantic Canada, especially since the 1960s, these policies of revenue-sharing and transfer payments have become a veritable 'social contract' - an act of faith - binding all citizens to the state and integrating them into society. What is clear from each of the options sketched out above, including the status quo, is that the future for Atlantic Canada is a mixture of the bleak and the uncertain, though not the hopeless. Above all, the study of the Atlantic provinces - as an economically vulnerable and politically weak region of Canada - underlines the difficulties which are inherent in a federation where just two constituent units (Ontario and Quebec) dominate a parliamentary federation.

Notes & References

1. For a recent summary of the political economy approach, see W. Clement and G. Williams (Eds.), *The New Canadian Political Economy*, (McGill-Queen's University Press, Kingston, Montreal, and London 1989).
2. See J. Bickerton, "Atlantic Canada: The Dynamics of Dependence in a Federal System", In M. Burgess (Ed.), *Canadian Federalism: Past, Present, and Future*, (Leicester University Press, Leicester and London 1990), Chap.6.
3. Bickerton, "Atlantic Canada" in Burgess (Ed.), *Canadian Federalism*, p.124.
4. See B.G. Pollard, "Newfoundland: Resisting Dependency" in P.M. Leslie (Ed.), *Canada: The State of the Federation*, (Institute of Intergovernmental Relations, Queen's University, Kingston, Ontario 1985), Chap.3.
5. Pollard, "Newfoundland" in Leslie (Ed.), *Canada: The State of the Federation*, pp.83-84.
6. Pollard, "Newfoundland" in Leslie (Ed.), *Canada: The State of the Federation*, p.87.
7. See D. Milne, "Challenging Constitutional Dependency: A Revisionist View of Atlantic Canada" in J.N. McCrorie and M.L. MacDonald (Eds.), *The Constitutional Future of the Prairie and Atlantic Regions of Canada*, (Canadian Plains Research Center, University of Regina, Saskatchewan, 1992), Chap.17.
8. See R. Simeon and D. Elkins, "Regional Political Cultures in Canada", *Canadian Journal of*

Political Science, 7, no.3 (September 1974), pp.420-421.

9. A. Adamson, "Nova Scotia: Optimism in Spite of it All" in P.M. Leslie, (Ed.), *Canada: The State of the Federation*, (Institute of Inter-governmental Relations, Queen's University, Kingston, Ontario, 1986), Chap.3., p.46.

10. Milne, "Challenging Constitutional Dependency", in McCrorie & MacDonald, (Eds.), *Constitutional Future*, p.314.

11. Milne, "Challenging Constitutional Dependency", in McCrorie & MacDonald, (Eds.), *Constitutional Future*, p.314.

12. For a detailed analysis of this, see M. Burgess, "From Trudeau to Mulroney: The Political Economy of Constitutional Reform in Canada, 1980-1990" in C.H.W. Remie and J.-M. Lacroix (Eds.), *Canada on the Threshold of the 21st Century*, (John Benjamins Publishing Company, Amsterdam/Philadelphia 1991), pp.371-382.

13. "Divided They Stand" in "Meech Lake Crisis", *Ottawa Citizen*, 12 April 1990, p.7.

14. For a detailed analysis of the financial position of the Atlantic provinces in the Canadian federation, see T. O'Neill, "Restructured Federalism and its Impacts on Atlantic Canada" in McCrorie & MacDonald, (Eds.), *Constitutional Future*, Chap.4.