

The New Harper Government A Delicate Balance Between Regional and Federal

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Jason Reed/Reuters

Stephen Harper's government has inherited a healthy economy. The Central Bank has predicted that average growth in 2006 will be three percent, despite a projected international increase in interest rates and a probable drop in the demand for exports to the United States.

In addition to the economic initiatives Harper has proposed (among them the reduction of the Goods and Services Tax, or GST, from 7

to 6 percent, an increase in the military budget and making direct payments to parents of Can\$1,200 per year for each child under six), other changes are also expected given the ideological and political career of the recently elected prime minister.¹

Some analysts foresee a close alliance with President Bush, which has begun to be noted in Harper's statement that Canada will stay out of the Kyoto Protocol. Others interpret this as an answer favoring the large oil companies in Alberta province, which are big polluters and

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| REGIONAL VOTE BY PROVINCE (PERCENTAGE) | | | | | |
|---|-------------------------------------|--|--|------------------------|--------|
| | LIBERAL PARTY OF CANADA (LIB) | PROGRESSIVE CANADIAN PARTY (PCP) | NEW DEMOCRATIC PARTY OF CANADA (NDP) | BLOC QUÉBÉCOIS (BQ) | OTHERS |
| Newfoundland | 42 | 42 | 13 | - | - |
| Prince Edward Island | 52 | 33 | 9 | - | 3 |
| Nova Scotia | 37 | 29 | 29 | - | 2 |
| New Brunswick | 39 | 35 | 21 | - | 2 |
| Quebec | 20 | 24 | 7 | 42 | - |
| Ontario | 39 | 35 | 19 | - | 4 |
| Manitoba | 26 | 42 | 25 | - | 4 |
| Saskatchewan | 22 | 48 | 24 | - | 3 |
| Alberta | 15 | 64 | 11 | - | 6 |
| British Columbia | 27 | 37 | 28 | - | 5 |

Source: Data from <http://www.cbc.ca/canadavotes/electionnigh/> [January 23, 2006].

clearly support Harper since his arrival in office.

Actually, Harper and Bush have several differences with regard to values and interests. For example, Canada has firmly defended sovereignty in areas of the Arctic Ocean, given the economic potential it represents in terms of natural resources like water and possibly oil, which has caused irritation in the United States. The Harper government promised to build three military ice-breakers and install a sensitive remote network in the Arctic to detect foreign ships and submarines traveling through the region. These plans to defend Arctic sovereignty would cost approximately Can\$5.3 billion.

Another difference with President Bush is that Harper does not defend Christian values to the hilt, although the Conservative Party, under whose leadership the Canadian right unified, does include Christians for whom the defense of family and society values is a

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priority. In fact, the Conservative Party has had a heated debate about whether to support the legalization of homosexual marriage or not, and Harper seems more disposed to act motivated by political interests and consensuses than to champion moral principles considered key for the development of society.

During his political career, his positions on the defense of the market economy, in favor of a small state and greater economic decentralization seem more important, and the latter is key for Canadian federalism.

A fundamental point in his platform has been the so-called “fiscal imbalance” between the federal government

and the provinces. While previous Prime Minister Paul Martin denied the existence of such an imbalance, Harper has promised to combat it and that he will achieve a long-term accord among the provinces to resolve it permanently.

This is a burning question in Canada’s economic history, and the provincial governments have already begun to discuss it. For example, in Ontario, it has been suggested that the way to achieve fiscal balance between the federal government and the provinces is not only increasing federal transfers, but changing mechanisms for tax collection in order to decrease federal taxes and augment provincial ones.²

As the political leader of Alberta province, Harper openly supported economic measures to weaken the power of the federal government and strengthen provincial governments, specifically, though not exclusively, those of the western provinces.

In fact, at the close of the electoral process, after his victory had been announced, Harper stated, “People of the West, let me just say one thing, and let me be clear. The West has wanted in. The West is in now! Canada will work for all of us!”³ The idea that the West “wants in” alludes to the fact that it had previously considered itself excluded from national decision making.

As prime minister, Harper will have to deal with a series of thorny regional issues, but now from Ottawa, presid-

With regard to another regional issue, Atlantic offshore oil, in November 2004, when he was leader of the opposition, Harper stated that Newfoundland’s economic development should be achieved following in the footsteps of Alberta, through autonomous management of its oil resources. He exhorted then-Prime Minister Paul Martin “to let Newfoundland and Labrador keep 100 percent of its offshore oil revenues.... Alberta’s financial arrangements with Ottawa have allowed it to flourish, and Newfoundland and Labrador and Nova Scotia should receive similar treatment.”⁵ These Atlantic provinces managed to establish maritime infrastructure for drilling oil thanks to enormous federal financing, with the commitment of repaying the money using oil revenues.

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ing over an entire country with a great diversity of interests and problems.

For example, during his political career, Harper has made statements criticizing equalization payments, transfers sent to Canada’s less developed provinces. A writer in the *National Post* wrote that Harper “has spent much of his life attacking the policies and institutions that made Canada great,” adding, “Harper’s open hostility to the role of the national government is completely at odds with Canadian tradition and history.”⁴ Equalization payments are important for the Atlantic provinces, for Quebec and, in the West, for Manitoba and to a lesser degree, Saskatchewan.

With regard to the Canadian social welfare system, in 2004, Harper said, “Canada is a Northern European welfare state in the worst sense of the term, and very proud of it. Canadians make no connection between the fact that they are a Northern European welfare state and the fact that we have very low economic growth, a standard of living substantially lower than yours [the United States], a massive brain drain of young professionals and double the unemployment rate of the United States.”⁶ This has created fears that Harper will attempt to privatize the Canadian health system, which is publicly managed and provides universal coverage. During his

campaign, Harper said that the changes the provinces would like to make to the health system should be based on the Canada Health Act; he has ratified this statement to allay any fears about a possible privatization of the health system. The thing is that Premier Ralph Klein of Alberta, Harper’s home province and political base, has put forward the possibility of Canadians’ purchasing medical insurance “for non-essential problems”, and come out in favor of the so-called “third road” which would allow doctors to offer their services in both private and public health systems.

In Canada, provincial governments have constitutional jurisdiction over health care, and to cover these costs, they receive transfers from the federal government. But if any province violated the Canada Health Act, the federal government could stop transferring the money. Previous liberal governments have warned Alberta that it should stay within the confines of the act. The premier of Saskatchewan, Lorne Calvert, has expressed his concern that Klein could violate the act: “The federal government’s job is to ensure the act’s principles and values are being adhered to so that Canadians can be confident health care will be provided no matter where they live or what is available in their wallet.”⁷

The Canadian health system, together with other social welfare measures, have been an important factor in keeping Canada united, have become part of Canadian identity and have differentiated it from its neighbor to the south, the United States.

Under his mandate, the new prime minister will face the difficult task of reconciling diverse regional interests at the same time that he efficiently takes on his federal responsibilities. Because

of his government's characteristics, the positions Harper takes will depend on how much he negotiates and how far he moves toward the center in order to neutralize the trends of the different positions to stay in power as a minority government.

The expectations created around his platform and declarations include not only that he will constitute a more transparent government, as he clearly stated alluding critically to the rival Liberal Party, but also that he will create a favorable climate for provincial governments, foreseeing possible clash-

es of interests with the federal government.

Harper maintains good political relations with the population of the West, who supported him, but he also needs to negotiate in the House of Commons with parties whose votes he will need to avoid being brought down like his predecessor. ■■■

NOTES

¹ <http://www.canada.com/components/print.aspx?id=FC790167-4185-9294-f52ea9e21cf0&k=>

² http://www.thestar.com/NASApp/cs/ContentServer?pagename_thestar/Layout/Article_Print-Frien (February 14, 2006).

³ http://www.cbc.ca/canadavotes/analysiscommentary/western_cloud.html (February 14, 2006).

⁴ <http://www.canada.com/components/print.aspx?id=c6d738b6-4117-9342-40f7c61424aa> (February 14, 2006).

⁵ http://www.cbc.ca/nl/story/nf_harper_motion_20041104.html

⁶ http://www.cbc.ca/canadavotes/lidersparties/harper_speech.html (March 9, 2006).

⁷ http://www.ctv.ca/servlet/ArticleNews/print/CTVNews/20060126/alberta_private_healthcare_06 (January 30, 2006).