

## **Intergovernmental Relations Trumps Social Policy Change: Trudeau, Constitutionalism, and Family Allowances**

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### Article abstract

Family allowances were one of the few programs shared by all Canadian families from 1945 to 1992, and one of the few means of building social cohesion across Canada. Family allowances became embroiled in the minefield of Canadian intergovernmental relations and the political crisis created by the growing demands from Quebec for greater autonomy from the federal government in the early 1970s. Ottawa initially dismissed Quebec's demands for control over social programs generally and family allowance in particular. However, Prime Minister Pierre Trudeau offered family allowance reforms as a means of enticing Quebec Premier Robert Bourassa to amend the British North America Act. The government's priority was constitutional reform, and it used social policy as a bargaining chip to achieve its policy objectives in that area. This study shows that public policy decisions made with regard to the family allowance program were not motivated by the pressing desire to make more effective policies for children and families.

# Intergovernmental Relations Trumps Social Policy Change: Trudeau, Constitutionalism, and Family Allowances

RAYMOND BLAKE

## *Abstract*

*Family allowances were one of the few programs shared by all Canadian families from 1945 to 1992, and one of the few means of building social cohesion across Canada. Family allowances became embroiled in the minefield of Canadian intergovernmental relations and the political crisis created by the growing demands from Quebec for greater autonomy from the federal government in the early 1970s. Ottawa initially dismissed Quebec's demands for control over social programs generally and family allowance in particular. However, Prime Minister Pierre Trudeau offered family allowance reforms as a means of enticing Quebec Premier Robert Bourassa to amend the British North America Act. The government's priority was constitutional reform, and it used social policy as a bargaining chip to achieve its policy objectives in that area. This study shows that public policy decisions made with regard to the family allowance program were not motivated by the pressing desire to make more effective policies for children and families.*

## *Résumé*

*Les allocations familiales représentent l'un des programmes partagés par toutes les familles canadiennes entre 1945 et 1992 et un instrument de cohésion sociale à travers le pays. Au début des années 1970, le programme s'est retrouvé dans le champ de mines des relations intergouvernementales canadiennes où les demandes du Québec pour une plus grande autonomie à l'égard du gouvernement fédéral se multipliaient. Dans un premier temps, Ottawa a rejeté les demandes du Québec relatives au contrôle des programmes sociaux en général et de celui des allocations familiales en particulier. Toutefois, le premier ministre Pierre Trudeau a fini par offrir une réforme des allocations familiales comme*

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*moyen d'inciter le premier ministre du Québec Robert Bourassa à modifier l'Acte de l'Amérique du Nord britannique. La priorité du gouvernement était la réforme constitutionnelle, et Trudeau s'est ainsi servi de la politique sociale comme monnaie d'échange pour atteindre ses objectifs en ce domaine. Cette étude démontre que les décisions gouvernementales prises à l'égard du programme des allocations familiales n'étaient pas motivées principalement par le désir d'élaborer des politiques plus efficaces à l'égard des enfants et des familles.*

## Introduction

The constitutional and jurisdictional question has been an important part of the debate about family allowances in Canada since the idea of paying families an allowance to support the raising of children was first raised. In 1929, when the Select Standing Committee on Industrial and International Relations of the House of Commons studied family allowances, it paid particular attention to the issue of jurisdiction: were family allowances a federal or a provincial matter? Although the Committee was not prepared to recommend family allowances at that time, it advised that the government consider the whole jurisdictional question which proved to be a perpetual challenge to social policy development in Canada. Ernest Lapointe, the Minister of Justice, subsequently asked his Deputy, W. Stuart Edwards, for a legal opinion on the matter, who concluded that family allowances were within Ottawa's jurisdiction because the federal government could raise money and spend it as it wished. However, Prime Minister Mackenzie King was not yet committed to a program of social security for Canada that included family allowances.<sup>1</sup> That commitment would come near the end of the World War II. At that time, both Quebec and Ontario argued that Ottawa had exceeded its constitutional reach with the program; King disagreed, using Edwards' decision as support for his position. Moreover, with a strong central government clearly in the ascendancy, King dismissed those who challenged Ottawa's constitutional right to make payments to individual Canadians. The Exchequer Court later confirmed Ottawa's jurisdiction, when it ruled in *Anger vs. the Minister of National Revenue* in 1957 that the 1945 *Family Allowances Act* was within Parliament's purview to legislate for the peace, order, and good government of Canada. That ruling did not settle the matter for long.<sup>2</sup>

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1 Library and Archives Canada (hereafter LAC), Department of National Health and Welfare (hereafter DNHW), Accession 85-86/343, Box 12, file 3201-3-3 pt. 3, "Family Allowances — Jurisdiction of the Parliament of Canada," 24 December 1979.

2 *Canada Law Reports*, Exchequer Court of Canada, 1957 (Ottawa: Queen's Printer for Canada, 1958), 83-7. After his claim for the \$300 exemption for his children was denied by the Income Tax Board, François-Albert Anger, a Quebec taxpayer, took the matter to court, claiming that the Board's decision constituted "an attack upon the legislative attributes of the Province in the

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By the 1960s support for the centralizing tendencies of the immediate post-war period had waned as a new province-building era began.<sup>3</sup> Quebec led the charge for major changes in the operation of the federation, as it challenged Ottawa's right — as well as its effectiveness — in the delivery of many federal programs, particularly those in the area of social policy. When Canada established its contributory pension plan in 1966, for instance, Quebec opted for its own plan and, not surprisingly, some of the more well-established social programs, notably family allowances, came to play an important role in the Canadian minefield of federal-provincial relations throughout this period. When that happened, the issue of jurisdiction, that is, which level of government should control the family allowance program, became more important than the social policy embedded in the program.

In the months leading to the Victoria Constitutional Conference in 1971, Quebec demanded a constitutional amendment that would have effectively transferred to the provinces both control over family allowances and the funds that Ottawa expended on the programs.<sup>4</sup> While Quebec often spoke of the need for an integrated approach to social policy that would rationalize and streamline all social policy spending within the province, what it really wanted was to extend to family allowances and other exclusive federal social programs the principle of shared jurisdiction with the proviso that the provinces would prevail in any instance where there was a conflict between the two levels of government. Constitutional scholars have long been aware of the key role that social policy played in Quebec's ultimate rejection of the Victoria Charter, but they have ignored how federal negotiators attempted to use social policy to achieve their constitutional goals. Peter Russell, Kenneth McRoberts, and others have argued that Quebec's social policy proposals did not fit with Prime Minister Pierre Trudeau's view of Canada as his government insisted on the importance of national programs.<sup>5</sup> What this analysis ignores is that the Trudeau government used social policy — as had the Bourassa government — as a key strategy in the constitutional negotiations in the early 1970s. Clearly, social policies in Canada have lives long after they are implemented.

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matter of civil rights and family authority." The Court ruled that the Act was within the legislative competence of the Parliament of Canada: it was "a national benevolent measure assimilated in the good government of Canada clause."

- 3 See R.A. Young, Philippe Faucher, and André Blais, "The Concept of Province-Building: A Critique," *Canadian Journal of Political Science / Revue canadienne de science politique* 17, no. 4 (December 1984): 783-818.
- 4 See Keith Banting, *The Welfare State and Canadian Federalism*, 2<sup>nd</sup> ed. (Montreal and Kingston: McGill-Queen's University Press, 1987), 120-1.
- 5 Peter H. Russell, *Constitutional Odyssey*, 3<sup>rd</sup> ed. (Toronto: University of Toronto Press, 2004), 85-91; and Kenneth McRoberts, *Misconceiving Canada: The Struggle for National Unity* (Toronto: Oxford University Press, 1997), 146.

This paper considers the impact of intergovernmental conflict on the development of family allowances in Canada. Scholars have previously recognized the role of the state itself in the creation of social welfare policy,<sup>6</sup> and, in a diverse and increasingly multinational state such as Canada, where the lines of regional and ethnic cleavage have been particularly strong, some scholars have argued that the social security system has been one way of maintaining national unity.<sup>7</sup> Those who have examined family allowances as a way to understand the development of Canada's social security system have offered a variety of explanations for their origins and subsequent development. It has long been argued that the King government introduced family allowances to maintain its strict wage control system that was put in place at the beginning of World War II to control inflation.<sup>8</sup> Others have maintained that King embraced family allowances solely to stifle the growing political threat on the left from the Co-operative Commonwealth Federation.<sup>9</sup> Marxist and neo-Marxist scholars contend that family allowances were a way to maintain industrial harmony in Canada. Taking as their starting point the conflict between capital and labour they contend that programs such as family allowances have been used by the state — with the support of big business — to ensure social control, to buy peace with labour, and to legitimize the capitalist social structure.<sup>10</sup> Feminist

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- 6 Theda Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States* (Cambridge: Cambridge University Press, 1992); Richard Splane, "Social Policy-Making in the Government of Canada," in *Canadian Social Policy*, ed. Shanker A. Yelaja, rev. ed. (Waterloo, Ont.: Wilfrid Laurier University Press, 1987), 224-44; and Daniel Patrick Moynihan, "The Professionalization of Reform," *The Public Interest* 1 (Fall 1965): 9.
- 7 T.H. Marshall, *Citizenship and Social Class and Other Essays*. (Cambridge: Cambridge University Press, 1950); Keith Banting, "Social Citizenship and the Multicultural State," in *Citizenship, Diversity, and Pluralism*, ed. Alan C. Cairns, et al. (Montreal and Kingston: McGill-Queen's University Press, 1999); Janine Brodie, "Citizenship and Solidarity: Reflections on the Canadian Way," *Citizenship Studies* 6, no. 4 (December 2002): 377-94.
- 8 Jane Ursel, *Private Lives, Public Policy. 100 years of State Intervention in the Family* (Toronto: Women's Press, 1992), especially 175-229.
- 9 See Brigitte Kitchen, "The Introduction of Family Allowances in Canada," in *The Benevolent State in Canada: The Growth of Welfare in Canada*, ed. Allan Moscovitch and Jim Albert (Toronto: Garamond Press, 1987), 222-41; and Dennis Guest, *The Emergence of Social Security in Canada* (Vancouver: University of British Columbia Press, 1991), 131-2.
- 10 Internationally, some of the major proponents of this approach are Ian Gough, *The Political Economy of the Welfare State* (London: Macmillan, 1979); and Frances Fox and Richard Cloward, *Regulating the Poor: The Functions of Public Welfare* (New York: Pantheon Books 1971). For the Canadian example, see Alvin Finkel, *Social Policy and Practice in Canada: A History* (Waterloo, Ont.: Wilfrid Laurier University Press, 2006), especially Chapter 6. Ursel also argues that "the driving force behind the development of the Family Allowance program was the stalemate between business and labour over wages." Ursel, *Private Lives, Public Policy*, 191; Dominique Marshall, *The Social Origins of the Welfare State: Québec Families, Compulsory Education, and Family Allowances*, trans. Nicola Doone Danby (Waterloo, Ont.: Wilfrid Laurier University Press, 2006).

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and gender scholars, while embracing some of the tenets of Marxists, have used the welfare state to explain sexual inequalities and the disadvantaged place of women in Canadian society. For them, social policies such as family allowances were designed to force women and children to remain dependent on the primary male bread-winner and perpetuate the traditional role of women as mothers and caregivers.<sup>11</sup> While each of these interpretations has some validity, few public policy decisions are the result of a single interest group and rarely the result of a single factor. Social policy making in Canada is complex; it emanates from a variety of forces, and it is usually the result of a conjunction of interests.

This paper suggests that the conflict between the federal government in Ottawa and the provincial government in Quebec in the late 1960s and early 1970s was a primary force leading to major reforms to the family allowances program in 1973. A few scholars have considered the role federalism plays in the origins and development of social programs in Canada, but they have largely ignored the impact of specific federal-provincial conflict on policy outcomes in specific program areas.<sup>12</sup> Canadian scholars are divided on the impact of the federal system on social policy. Some have suggested that federalism has had a negative impact on the development of the welfare state as it represents a form of institutional fragmentation;<sup>13</sup> others have argued that federalism actually encourages the growth of the welfare state as innovative policies adopted in one jurisdiction are copied by others within the federation.<sup>14</sup> In the case of family allowances in the early 1970s, Ottawa attempted a series of reforms to the program to satisfy Quebec's demands for greater autonomy within the Canadian federation during a period of intense constitutional negotiations. These reforms came at a time when Canada and many of the other liberal welfare states, including the United States and the United Kingdom, rediscovered

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11 Nancy Christie, *Engendering the State: Family, Work, and Welfare in Canada* (Toronto: University of Toronto Press, 2000); Maureen Baker and David Tippen, *Poverty, Social Assistance and the Employability of Mothers: Restructuring Welfare States* (Toronto: University of Toronto Press, 1999); Wendy McKeen, *Money in their Own Name: The Feminist Voice in Poverty Debate in Canada, 1970–1995* (Toronto: University of Toronto Press, 2004); Jane Lewis, *Should We Care About Family Change? The 2001 Joanne Goodman Lectures* (Toronto: University of Toronto Press, 2003), 8-9.

12 Keith Banting, "Institutional Conservatism: Federalism and Pension Reform," in *Canadian Social Welfare Policy: Federal and Provincial Dimensions*, ed. Jacqueline S. Ismael (Montreal and Kingston: McGill-Queen's University Press, 1985), 48-74.

13 Harold Laski, "The Obsolescence of Federalism," in *The People, Politics and the Politician*, ed. A.N. Christensen and E.M. Kirkpatrick (New York: Henry Holt and Company, 1941), 111-17; Banting, *The Welfare State and Canadian Federalism*; and Keith Banting, "Institutional Conservatism," 48-74.

14 Pierre Elliot Trudeau, "The Practice and Theory of Federalism," in *Social Purpose for Canada*, ed. M. Oliver (Toronto: University of Toronto Press, 1967), 371-93.

poverty in their midst and realized that reforms were necessary to existing social programs such as family allowances. The reforms to family allowances that were first contemplated by the Trudeau government after 1968 to address poverty in Canada changed radically in the heated constitutional debates of 1971. These reforms that were implemented in the early 1970s had more to do with accommodating Quebec than helping families living in poverty, which had been the primary imperative in reforming family allowances when the issue first arose in the late 1960s.<sup>15</sup>

### **Jurisdiction and Family Allowances**

Despite the heavy expenditure on social security after the end of the World War II, it was clear by the 1960s that Canada's social security system had not delivered its intended results. A series of investigations from governmental and non-governmental agencies reported that poverty continued to be a serious problem. In fact, there was a new-found consciousness of poverty throughout North America. Not unexpectedly, questions were raised about the efficacy of government expenditure on social security, especially among those in the policy branch of the Department of National Health and Welfare.

Quebec's Family and Social Welfare Minister René Lévesque — who, in 1961, had led the province's nationalization of the hydroelectric power companies — announced in November 1965 that he wanted control of all federal social security programs in his province and wanted to limit federal involvement to funding the programs.<sup>16</sup> He maintained that Quebec City knew better than Ottawa the particular needs of his province, a claim initially made in the 1963 *Rapport du comité d'étude sur l'assistance publique*, which had recommended that the federal government withdraw from a variety of joint programs and simply provide the province with the financial resources it expended on these programs.<sup>17</sup> Quebec believed that only through an integrated social security program could it deal effectively with poverty, and that could not happen if Ottawa continued to control programs such as family allowances. Lévesque's own plan for social security reform depended, in large measure, on getting his hands on the \$180 million that the family allowance program paid to families in Quebec.

At a federal-provincial meeting of welfare ministers on 7-8 January 1966, Lévesque demanded that Ottawa either radically reform the family allowance program to meet the priorities of Quebec or, barring that, transfer funds for the program to the provinces. He insisted on using "repatriation" to describe

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15 Rick Van Loon, "Reforming Welfare in Canada," *Public Policy* 27, no. 4 (Fall 1987): 470-505.

16 *Le Devoir* (20 Novembre 1965).

17 Government of Quebec, *Report of the Study Committee on Public Assistance* (Quebec City, 1963), commonly referred to as the Boucher Report.

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the transfer, suggesting that the transfer could be justified on constitutional grounds.<sup>18</sup> Of course, the reforms that Lévesque enunciated followed closely the masters-in-our-own-house rhetoric of a more autonomous Quebec. While the province had opted out of several federal-provincial programs during the 1960s, most notably the Canadian Pension Plan and Youth Allowances,<sup>19</sup> the withdrawal from family allowances would mark the first separation of Quebec from the trio of longstanding national programs — old age pensions and unemployment insurance, in addition to family allowances — that Ottawa had established as purely federal initiatives to create a national social security program during and immediately following World War II. If Quebec opted out of family allowances — a program seen, in part, by federal political leaders as an important aspect of Canadian citizenship — it would represent the strengthening of provincialism, particularly in Quebec, and an erosion of the strong central government that had emerged in post-war Canada.

Lévesque's request surprised Ottawa, though Judy LaMarsh, the Minister of National Health and Welfare, and some of her colleagues in Lester B. Pearson's minority government, had already become concerned over Quebec's propensity to opt-out of national initiatives and demand cash transfers to establish its own parallel programs. In her view, Lévesque was becoming more and more anti-Ottawa, and she contends that the government had decided that it would take a firm position with Lévesque on family allowances.<sup>20</sup> Ottawa indicated to him that it had no intention of surrendering its control of the program. Allan J. MacEachern, who replaced LaMarsh as minister in 1966, reportedly commented: "We are in the family allowances field and we don't contemplate any withdrawal."<sup>21</sup> The defeat of the Liberal government in Quebec in June 1966 did little, however, to halt the province's desire for greater control of federal social security measures.

Although officials in the Department of National Health and Welfare, the department responsible for the administration of family allowances, had been concerned for some time that the universal family allowance program was not able to provide the level of assistance low income families required, Quebec demands for control of the program accelerated the reform impetus that was

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18 LAC, DNHW, vol. 2361, file 264-1-8, "Brief of the Province of Quebec for the Federal-Provincial Conference on the Canada Assistance Plan," Ottawa, 7-8 January 1966, and "A note of Quebec's Proposal to Revise the Family and Youth Allowances Programs," prepared by Research and Statistics Division, 10 January 1966.

19 Quebec had pioneered the idea of youth allowances in 1961, a program that Canada adopted for the whole country in 1964.

20 See Judy LaMarsh, *Memoirs of a Bird in a Gilded Cage* (Toronto: McClelland and Stewart, 1969), 123-4; and *Ottawa Evening Citizen* (25 November 1965).

21 John Saywell, ed., *Canada Annual Review for 1966* (Toronto: University of Toronto Press, 1967), 49.



slowly taking root in Ottawa. Several provincial governments, notably Quebec, were already showing some interest in making social programs selective rather than universal.<sup>22</sup> The election of Pierre Trudeau as Liberal leader and prime minister in 1968 gave additional impetus to those in National Health and Welfare who had already decided that the universality of the family allowance program limited its effectiveness as an anti-poverty measure. Trudeau told the leadership convention, "In the field of social welfare programs it is my belief that we have enough of this free stuff .... We have to put a damper on this revolution of rising expectations .... We must not be afraid of this bogeyman, the means test. We must be more selective, to help those who live on uneconomic land or in city slums."<sup>23</sup> John Munro, Trudeau's Minister of National Health and Welfare, shared his leader's sentiments.<sup>24</sup>

### **Social Security Reform and the Constitutional Agenda**

Trudeau's government also committed itself to constitutional reform in 1968. It launched a series of constitutional conferences with the provinces that culminated in the Victoria Conference in June 1971. At one of the constitutional meetings in December 1969, Ottawa attempted to bring some clarity to the question of jurisdiction in matters such as income security and social policy. Earlier attempts by Ottawa to introduce old age pensions and unemployment insurance had proven difficult because of the constitutional uncertainties surrounding jurisdiction. Greater clarity in the social policy field could be established if the Constitution was reformed. Most of the provinces accepted the principle that both the federal parliament and the provincial legislatures had, and should continue to have, powers to make income support payments to individuals. Others agreed that it might be best if the federal government alone

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22 In Canada, many commentators and academics have associated "selectivity" with cutbacks in social spending and an attempt to dismantle the welfare state. For example, see Allan Moscovitch, "The Welfare State Since 1975," *Journal of Canadian Studies* 21, no. 2 (Summer 1986): 83, where he wrote, "One means of eroding social welfare has been through the use of more selectivity, or means testing benefits."

23 LAC, Grace MacInnis Papers, vol. 12, file Social Security 1966-74, "A Social Policy for Canada." The memo attributes the quote from Trudeau to the Canadian Manufacturing Association publication *Industry* (May 1968). In January 1969 the principle of selectivity was introduced into the Family Allowances program in the United Kingdom. See J.I. Clark, "Recent Trends and Developments in Guaranteed Income," paper prepared for Nuffield Canadian Seminar on Guaranteed Annual Incomes: An Integrated Approach, Canadian Council on Social Development, April 1972.

24 Quoted in Rodney S. Haddow, *Poverty Reform in Canada, 1958-1978: State and Class Influences on Policy Making* (Montreal and Kingston: McGill-Queen's University Press, 1993), 92. Munro told the *Globe and Mail* in May 1969 that, personally, he had considerable doubt about paying family allowances benefits to high-income families, but, he hastily added, the government had not yet considered the issue.

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controlled basic income support and income security programs. Quebec stood alone, however, in insisting that the provinces should have exclusive jurisdiction in these fields.<sup>25</sup> Constitutional reform and social policy reform subsequently became fused.

Ottawa began work on a *White Paper* on social security to assess each of its programs, consider the constitutional implications of each, and propose a series of initiatives and reforms that might lead to a more effective social security system. Family allowances became part of this wider reconsideration of social policy, and when Munro tabled the *White Paper on Income Security for Canadians* in Parliament on 30 November 1970, it proposed to restructure the existing family allowances in favour of a Family Income Security Plan (FISP) to deal particularly with low income families. It set out a preferred course of action that embodied four steps: first, retention of income tax exemptions for dependent children; second, termination of family allowances for families with incomes exceeding \$10,000; third, tax family allowances and include them in the income of the parent who claimed the exemption for any dependent children; fourth, significantly increase the benefits for children in families with up to \$4,500 of family income by using the amounts recovered from taxing family allowances and withholding payments to higher income families, and provide graduated benefits to families with incomes between \$4,500 and \$10,000. The new program would provide a monthly benefit of \$16 for each child under 16 in families with incomes up to \$4,500. For families with incomes between \$4,500 and \$10,000, monthly benefits would be reduced by \$1 for each \$500 of income above \$4,500, and benefits would cease once incomes reached \$10,000.<sup>26</sup> The Family Income Security Program would have more than doubled the amount paid to families living below the poverty line, but would have eliminated benefits for 1.2 million or 39 percent of Canadian families.<sup>27</sup>

While the reforms were in large part meant to satisfy the demands of Quebec, the Government of Canada chose to act unilaterally. Although Munro travelled to Quebec City immediately after he tabled the *White Paper* to meet Quebec's Social Affairs Minister Claude Castonguay and invite him to present his comments at the annual Federal-Provincial Welfare Ministers' Conference scheduled for January 1971, the federal approach only served to confirm for Castonguay how unresponsive Ottawa was to Quebec's legitimate concerns.

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25 Provincial Archives of New Brunswick (hereafter PANB), Records of the Department of Finance (hereafter RDF), file 01-01-00, Ottawa — Conférence constitutionnelle 1969, Summary of Proceedings.

26 LAC, DNHW, Acc. 85-86/343, box 28, file 3301-3-C14, Privy Council Office, Record of Cabinet Decision, 19 November 1970.

27 Ibid., Memorandum to Cabinet, 29 July 1970, and Memorandum to Cabinet, 1 September 1970.

Ottawa announced its plans for social security just weeks before Quebec released its study of social welfare, the *Report of the Commission on Inquiry on Health and Social Welfare* (the Castonguay-Nepveu Commission). The *Report* made four points: first, it accused the federal government of fragmenting social and income security policies; second, it insisted that a policy approach geared to providing a guaranteed income commensurate with essential needs was the only means of alleviating the consequences of poverty; third, it claimed that such a policy required a complete harmonization and coordination of federal and provincial programs in the field of social policy; and fourth, an integrated approach was possible only if the provinces were given overriding responsibility for the social policy framework and objectives.<sup>28</sup> Castonguay described FISP as “piecemeal” and insisted, Munro told his colleagues, that Quebec have primary responsibility in social policy. Only then could Quebec implement an effective social security system to help its citizens, particularly the working poor. Castonguay told the federal-provincial conference in January 1971 that Quebec required “primary responsibility in the conception of social policy, the primacy of the power to legislate, [and] even in certain cases, the exclusivity of such power,” but Ottawa would have to finance and even administrate the various legislative measures.<sup>29</sup>

Quebec dismissed the proposals contained in the *White Paper*. So, too, did many in the middle class who would have seen their benefits eliminated.<sup>30</sup> Even though Munro and his department realized quickly that there were serious problems with the reforms they had proposed in the *White Paper*, they would not have the opportunity to respond to those criticisms as family allowance reform became inextricably linked to constitutional change. When that happened, Munro saw his authority on the subject disappear as responsibility for reforming the family allowance program moved to the prime minister’s office.<sup>31</sup>

Although Trudeau had high hopes for constitutional reform, he failed to appreciate that there were fundamental differences between Ottawa and the English-speaking provinces on the one hand, and Quebec on the other. While Trudeau and the English-speaking premiers sought fairly modest changes to

28 Ibid., file 3301-3-C8 pt.1, Memorandum to Cabinet from Mitchell Sharp, 1 February 1971.

29 Ibid., vol. 1937, file R234/100, “Summary of the Steps that have been taken to Accommodate Quebec’s Point of View,” 15 June 1972.

30 Munro later disbanded a secretariat he had created in the department to answer questions about the plan because of the lack of queries it had received. *Winnipeg Free Press* (20 September 1972).

31 LAC, Pierre Elliott Trudeau fonds (hereafter Trudeau fonds), MG 26 O7, vol. 117, file Memorandum to the Prime Minister, Meeting of Cabinet Committees on Federal-Provincial Relations, prepared by E. Gallant, 2 February 1971. In the memorandum Gallant noted that there was “a certain amount of annoyance shown that Mr. Munro has come forward with major [social policy] proposals at the last minute. Mr. Munro’s only active support came from Mr. Andras.”

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protect linguistic and cultural rights and entrench a modest charter of human rights, they did not envision any fundamental change to the relationship between the two levels of governments. They wanted to modernize the *British North America Act* by removing certain articles that had fallen into disuse and patriate the Constitution with a new amending formula. Quebec had much more aggressive constitutional aspirations. It wanted to clarify and enlarge the legislative and fiscal autonomy of the provinces with the goal of creating a national government in Quebec City. This aim was no more evident than in the area of social policy as outlined in the Castonguay-Nepveu Report. It recommended a new and radical approach to social policy, and it provided Quebec with further ammunition to insist that provincial legislative primacy in the area of income security had to be enshrined in the Constitution.<sup>32</sup>

Quebec wanted the best of both worlds when it came to income security. It insisted that provincial legislatures had paramountcy (or primary constitutional authority) to legislate in the field of social policy and income security, but that both levels of government shared the responsibility and the power to finance and operate programs within the policy objectives and priorities established by the provinces. The federal government was uncomfortable with such an approach, but it realized, too, that any confrontation with Quebec over the control of social policy would prevent it from patriating and amending the *British North America Act* — a policy objective of considerable urgency for Trudeau. Moreover, any confrontation with Quebec would have serious implications for Canadian unity. Such were the concerns over Quebec's stand on social policy that Mitchell Sharp, the Secretary of State for External Affairs, recommended to the Cabinet that the federal delegation avoid the subject of social policy in the Constitutional Conference scheduled for 8-9 February 1971.<sup>33</sup> Such avoidance was quite unlikely, however, given that Bourassa had made social security reform one of his major priorities. Many in Quebec approved of the clause in the 1970 Manifesto of the Front de Libération du Québec that attacked the inequities of the capitalist system.<sup>34</sup> Castonguay, one of the most powerful members of Bourassa's Cabinet, made it clear on numerous occasions that the existing constitutional division on social policy in Canada was unacceptable.

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32 DNHW, vol. 1605, file 6, Constitutional Conference, 3<sup>rd</sup> Working Session, 8-9 February 1971, "Statement of Conclusions," 8-9.

33 Ibid., Memorandum to Cabinet from Mitchell Sharp, 1 February 1971. Sharp said in the Cabinet on 7 May 1970, in a discussion on the Quebec situation and national unity, "the government had to do everything possible to assist the new Premier of Quebec [Robert Bourassa] because it might well be the last chance to solve the problems in Quebec." LAC, Privy Council Office, vol. 6359, Cabinet Conclusions, 7 May 1970.

34 John Saywell, ed., *Canadian Annual Review of Politics and Public Affairs 1971* (Toronto: University of Toronto Press, 1972), 42.

This position became abundantly clear at a February 1971 federal-provincial constitutional meeting. R. Gordon Robertson, the Clerk of the Privy Council and Cabinet Secretary, communicated regularly by telephone with his counterpart in Quebec City, Julien Chouinard, and four days before the conference Robertson briefed Prime Minister Trudeau. He told the prime minister that if Ottawa was willing to give Quebec what it thought it needed to meet objectives as laid out in the Castonguay-Nepveu Report, then social policy might be kept separate from the constitutional file.<sup>35</sup> Such a concession was unlikely given the position of many of the senior officials in the government. Robertson had R.B. Bryce, his predecessor, convene a meeting of the government's senior officials, including A. W. Johnson and Simon Reisman from the Department of Finance, and J.W. Willard from National Health and Welfare, to consider Bourassa's proposals. They preferred a coordinated approach to social policy whereby the two levels of government provided programs that complemented each other rather than an integrated approach that essentially fused the various social policies offered by the two levels of government. Ottawa was worried that an integrated approach would have Quebec assuming leadership in the field of social policy with the federal government losing a significant measure of control. The federal officials advised against a guaranteed income as Castonguay had recommended simply because of the expense. They recommended, too, that the prime minister reassure Bourassa that the federal government would endeavour to formulate and operate its social policies in a manner that would contribute to provincial social objectives while permitting each province the maximum flexibility in developing its own social policies. Bryce advised Trudeau that he should be clear in private with Bourassa that Ottawa had no intention of surrendering its right to provide family allowances in Quebec, nor should Bourassa expect a guaranteed income as it would necessitate an unacceptable increase in the level of taxation. As Bryce wrote in his memorandum to the prime minister, "They [Bourassa and Castonguay] should not expect us to tax other provinces ... in order to provide them with the funds necessary to finance a more advanced social program than we are able and prepared to finance in other provinces."<sup>36</sup>

35 LAC, DNHW, Acc. 85-86/343, box 28, file 3301-3-C8, Memorandum for the Prime Minister, prepared by Gordon Robertson, 4 February 1971. The memorandum was based on Robertson's telephone conversation with Chouinard.

36 *Ibid.*, box 29, file 3301-3-C6, Memorandum for the Prime Minister, Re: Quebec's Proposals in Social Policy, prepared by R.B. Bryce, 5 February 1971. Bryce also reminded the prime minister that if an arrangement on social policy were worked out with Quebec and then announced to the other provinces without any prior notice, it would cause trouble in getting them to agree on a package to patriate the Constitution "which most of them believe they are doing in order to help Mr. Bourassa."

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As the federal government anticipated, Bourassa made it clear at the Third Working Session of the Constitutional Conference on 8-9 February 1971, that social policy was a major issue for Quebec; it had to be included on the agenda for the conference scheduled for Victoria in June 1971.<sup>37</sup> The communiqué from the meeting acknowledged the impasse between the federal and provincial governments: social policy was fundamental to any constitutional change for Quebec, but Ottawa offered only a coordinated approach which might lead to greater cooperation between the federal and provincial governments and even allow the provinces to achieve their social policy priorities; but Ottawa would not transfer the sums it expended on social policy to the provinces.<sup>38</sup> New Brunswick Premier Richard Hatfield insisted that it was crucial that Ottawa maintain its spending power in social policy to protect the national interest, and Saskatchewan Premier Ross Thatcher stated that if Quebec secured greater powers it would mean the end of Ottawa's authority to deal with national problems. Thatcher was blunt in his assessment, noting, "If Quebec persists with the demands she [*sic*] is making today, perhaps she [*sic*] should become a separate nation."<sup>39</sup> Despite the gulf between Quebec and the other governments, social policy was put on the agenda for the Victoria conference.

For the Trudeau Cabinet, then, the question became one of working out a mutually acceptable approach with Quebec as it kept in mind the interests of the other provinces.<sup>40</sup> The Cabinet had decided some time earlier that it would continue to make direct payments to individuals. Yet Quebec had proposed an income security system that would see the existing programs — federal as well as provincial — folded into a unified structure, and it insisted that the provinces had priority in the conception of income security policy, if not primacy in matters of determining benefits and administration. In other words, if the province decided to move into an area where the federal government operated, Ottawa would simply withdraw and turn over to the province the fiscal equivalent of all monies spent in that particular province.

An overwhelming concern for Trudeau became the need to satisfy the interests of Quebec.<sup>41</sup> The Cabinet Committee on Federal-Provincial Relations took control of the file in early 1971, as the discussions on social policy accel-

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37 Ibid., vol. 1937, file R234/100, Summary of the Steps that have been taken to Accommodate Quebec's Point of View, 15 June 1972.

38 PANB, RDF, file 01-03-00, Ottawa — Conference — Constitutional, 1971, Statement of Conclusions.

39 Saywell, *Canadian Annual Review of Politics and Public Affairs* 1971, 44.

40 See Trudeau fonds, MG 26 O7, vol. 117, Memorandum to the Prime Minister, Meeting of Cabinet Committees on Federal-Provincial Relations, prepared by E. Gallant, 16 February 1971.

41 Privy Council Office, Cabinet Minutes, 25 February 1971; and Trudeau fonds, MG 26 O7, vol. 117, Memorandum to the Prime Minister, Meeting of Cabinet Committees on Federal-Provincial Relations and Social Policy, prepared by R.B. Bryce, 1 March 1971.

erated and broadened. Bryce, by this time the Economic Adviser to the Prime Minister on the Constitution and Chair of the Interdepartmental Committee on Federal-Provincial Social Policy Issues, played the leading role. He realized that the success achieved in the discussions on social policy would have an important bearing on Quebec's willingness to approve the proposals for constitutional revision that Ottawa was preparing for the First Ministers' Constitutional Conference scheduled for June. A memorandum prepared for Trudeau on 16 February 1971, made the issue abundantly clear: The Cabinet did not want constitutional change in respect of social policy, but it realized "that unless Quebec is able to argue that it has obtained 'something of substance' in the field of social security there may not be agreement in Victoria on the constitutional proposals."<sup>42</sup> Still, Bryce reminded the Cabinet, Quebec was dependent on federal financing for many of the programs for which it demanded primary responsibility, and that fact alone was perhaps enough to prevent it from saying "that [its] approval of the present constitutional proposals is definitely contingent upon agreement on the constitution or other particular changes in this field." Yet, he told the ministers, Quebec had two objectives. One was ostensibly political — to stand up to the federal government and gain something of substance out of the constitutional discussions. The other was essentially policy — to make the most of the resources available to the province to allow it to develop a program along the lines suggested in the Castonguay-Nepveu Commission and deal with the persistent problem of widespread poverty in the province.<sup>43</sup>

To allow Quebec to save face, Bryce said it might be necessary to consider some modest provision in the Constitution relating to social measures that would not impair the powers of Parliament to make payments to individuals. At the same time Bryce spelled out the approach that Munro should adopt for a meeting with Castonguay on 29 March. Bryce effectively told Munro what to say: he suggested that the minister should first indicate sympathetic interest in Quebec's proposal to have the family allowance proposals address the requirements of large families, and, second, generally try to find out what Castonguay really desired with his income security policies. Munro offered to make a number of changes in FISP to conform to the principles underlying the family allowance recommendations in the Castonguay-Nepveu Report.<sup>44</sup> Bryce subsequently reported to the Cabinet on the meeting between Munro and Castonguay. The atmosphere at the meeting, he told the Cabinet, was tense,

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42 Trudeau fonds, MG 26 O7, vol. 117, Memorandum to the Prime Minister...prepared by E. Gallant, 16 February 1971.

43 LAC, DNHW, Acc. 85-86/343, box 28, file 3301-3-C6, Memorandum to Cabinet, prepared by Bryce, 1 March 1971.

44 Ibid., file 3301-3-C8, pt. 1, Bryce to Willard, 24 March 1971.

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even though Munro offered to modify his proposals for family allowances in light of the Castonguay-Nepveu Report. This concession was not enough for the Quebec Minister, who told Munro that he wanted family allowances to become completely a Quebec program, both in structure and administration. He also wanted Ottawa to transfer to Quebec the financial equivalent of the family allowance benefits it would pay directly in Quebec under a federal program. Castonguay said the Constitution should give Parliament the power to legislate in a field of social policy only if Quebec did not; if Quebec chose to legislate in the field, its legislation would have precedence, and any subsequent federal initiative would not apply in Quebec, except to the extent permitted by Quebec law. In such an event, the federal government had to compensate Quebec for the amount that would have been spent in the province if the federal laws had been applicable. Castonguay then provided Munro with a preliminary draft text of a constitutional section that would satisfy Quebec.<sup>45</sup>

This proposal was more than Ottawa was willing to concede. By April 1971, just two months before the Victoria Conference began, Ottawa adopted a different approach: it decided to inject more money into the family allowance program as a way to gain support from Quebec. The Cabinet authorized an additional \$150 million for the program, bringing expenditure to \$800 million. Interestingly, several months earlier the Cabinet had steadfastly refused to allocate extra funds to increase benefits for families living in poverty, and the \$150 million was the amount that a detailed study of the 1971–1972 Estimates for the Committee on Priorities and Planning of Cabinet had set as the ceiling that could be added to the 1971–1972 budget for *all forms* of social security.<sup>46</sup> Now, all of it was being used to try and bring Quebec on side. The Cabinet was able to justify the new expenditure for family allowances on the grounds that it would go some way to meet the demands of Quebec and address some of the criticisms levelled at the proposals contained in the *White Paper on Social Security*. Ottawa proposed to direct additional benefits to large families and drop the proposal to tax family benefits. Federal officials realized that these two measures would not put more money into the hands of low-income families, but they would go some distance to satisfying Quebec and answering the critics of the *White Paper*.<sup>47</sup> The Cabinet approved the changes on 16 April 1971, but insisted that Quebec not be told about the additional funds until an appropriate or opportune time.<sup>48</sup>

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45 Ibid., file 3301-3-C8, pt.2, Memorandum to Cabinet, Report on initial discussions with Minister of Social Affairs of Quebec, prepared by Bryce, 30 March 1971.

46 Don Jamieson, *A World Unto Itself: The Political Memoirs of Don Jamieson*, ed. Carmelita McGrath. (St. John's: Breakwater Books, 1991), 44.

47 LAC, DNHW, vol. 1629, file 1, Memorandum, Allocation of \$150 million Additional Funds for FISP, 7 April 1971.

48 Ibid., Acc 85-86/343, box 28, file 3301-3-C8, pt. 2, Memorandum to Cabinet, Negotiating Positions on Social Policy with Quebec, submitted by John Munro, 26 April 1971.



As the Cabinet prepared to sweeten its offer to Quebec, it maintained that a constitutional amendment to include family allowances in section 94A of the *British North America Act*, as Castonguay insisted, was unnecessary. Quebec already operated in the provincial field, and Ottawa was provided family allowances under its use of the federal spending power. If Ottawa agreed to Quebec's request for an amendment, it would be put in the impossible situation of implicitly agreeing that its longstanding use of the federal spending power to pay family allowances was constitutionally suspect. The best strategy, Ottawa thought, was to offer Quebec an administrative arrangement for coordinating family allowances in that province.<sup>49</sup> John Turner, the Minister of Justice, warned the Cabinet on 4 May 1971, however, that a deal with Quebec was unlikely without a constitutional amendment. The Quebec government, Turner told the Cabinet, could not possibly agree to the proposed Constitutional Charter to be presented in Victoria without an amendment regarding social policy if it hoped to secure the approval of any change in the Quebec Assembly. Bourassa had said at the Constitutional Conference in April that family allowances must be included in Section 94A of the Constitution so that it would read:

The Parliament of Canada may make laws in relation to old age pensions and supplementary benefits, including survivors' and disability benefits irrespective of age, *and in relation to family allowances*, but no such law shall affect the operation of any law present or future of a provincial legislature in relation to any such matters.

Ottawa had to decide what to do about Bourassa's proposal. The Department of Justice did not see any serious problem accepting it from a legal perspective. However, Turner warned the Cabinet that there were risks to federal-provincial relations, as well as political implications, to do so. The most serious risk, of course, was that Quebec might insist that the change was an important one, and it might eventually demand that Ottawa withdraw from the fields in which the province enacted legislation. Turner was worried that if Quebec exaggerated the meaning and implications of the amendment, some of the other provinces, particularly in Atlantic Canada and the West, might oppose any substantial weakening of the federal power in social policy. Ottawa could, he said, acknowledging the position already adopted by the Cabinet, continue in the field of family allowances, and amend Section 94A as Bourassa suggested, which would give Parliament full power to legislate with respect to family allowances in the same way that it had power to legislate with respect to matters enumerated in Section 91. Turner recommended that the Cabinet accept

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49 Ibid.

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Quebec's proposal to include family allowances in Section 94A, but only if Bourassa and Castonguay understood fully Ottawa's position. Even so, Turner reminded the Cabinet that they should inform Quebec of their decision just before the ministerial meeting on the Constitution on 31 May-1 June because if the issue was settled too early Quebec might be encouraged to seek something else before June 14.<sup>50</sup>

### Victoria Conference

When he opened the Constitutional Conference in Victoria on 14 June, Trudeau said repatriation and an amending formula had been the main objective of the Conference, but social policy had emerged as a major issue. He acknowledged that Quebec had proposed that the provincial legislatures be given the authority to limit the power of the federal Parliament to make income security payments, such as family allowances, in the provinces. If the federal government acceded to the demands of Quebec to divert federal spending for social policy to the provincial treasuries and allow each province to determine how to spend the funds, it would not only lead to the erosion of the federal presence in such areas, but also might undermine Ottawa's ability to collect taxes in affluent provinces to support provincial programs in have-not provinces.<sup>51</sup> The federal government was faced with a dilemma. On the one hand, it had decided that it would not consider any constitutional change that emasculated federal spending power and ability to redistribute monies in relation to individuals; but still it wanted to provide "the necessary minimum to Mr. Bourassa" that would allow him to win support for the constitutional package in the National Assembly of Quebec.<sup>52</sup>

After three days of debating various constitutional proposals, the conference concluded at midnight on 16 June with a new Canadian Constitutional Charter. The Victoria Charter addressed a variety of issues, including political and language rights, the appointment of Supreme Courts judges, and an amending formula; but the major issue at the conference came down to the issue of jurisdiction over social policy, which, as one commentator noted, was a microcosm of the larger issue of the division of legislative and taxing powers.<sup>53</sup> As mentioned above, the federal government was willing to go only part way to

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50 Ibid., vol. 1629, file 1, Memorandum to Cabinet, Quebec Proposal to Amend the Constitution Concerning Family Allowances, 4 May 1971, submitted by John Turner and accompanying Appendix A, Inclusion of Family Allowances in Section 94A.

51 John Saywell and Paul Stevens, "Parliament and Politics," in *Canadian Annual Review of Politics and Public Affairs 1971*, Saywell, 51-2.

52 Trudeau fonds, MG 26 O7, vol. 103, file 306.21 — June 1971, Memorandum for the Prime Minister. Strategy at Victoria, 7 June 1971. The memorandum is marked "Confidential" and signed by R. Gordon Robertson.

53 Saywell and Stevens, "Parliament and Politics," 56.

meet Quebec's demands for legislative primacy in social policy. Trudeau insisted that Ottawa would not surrender its power to make direct payment to individuals, but he agreed that federal legislation in social areas could "dove-tail with their [Quebec] legislation in social areas and if there is a conflict, ours [federal legislation] will have to adjust to theirs."<sup>54</sup> The federal government agreed to amend Section 94, but the proposed amendment did not satisfy Quebec. While the amendments recognized provincial paramountcy in the fields of family allowance and other income security measures, it did not prohibit Ottawa from participating in income support programs, nor did it offer to provide financial compensation to the provinces if they chose not to participate in a new federal initiative.<sup>55</sup> The final communiqué from the Conference, which promised that the premiers would meet shortly to discuss all aspects of the federal-provincial fiscal arrangements, did not give Quebec the decentralized federalism it sought.

Although Bourassa agreed to consider the Victoria Charter, he realized that there was little support for it — labelled *La Charte à Trudeau* — in Quebec. Peter Meekison, who attended the conference as part of the Alberta delegation, contends that the Quebec representatives decided before they left Victoria that they would not ratify the Charter.<sup>56</sup> As Bourassa perhaps expected, opposition in Quebec was fierce; Claude Ryan, the editor of the *Le Devoir*, wondered in an influential editorial on 22 June why Bourassa had accepted a document "qui tend á consolider la preponderance du gouvernement central dans les affaires canadiennes et á ramener le Québec au rang de province comme les autres."<sup>57</sup> The Parti Québécois saw Bourassa's acceptance of the Charter as an act of treason against the people of Quebec. The premiers agreed that they would indicate to Ottawa before 28 June whether or not they would take the Charter to their legislatures for ratification.

Even as Bourassa considered the Victoria Charter with his Cabinet, Ottawa continued to search for ways to solve the impasse over social policy with Quebec. It was R.B. Bryce again who suggested a way forward. He recommended a solution that would "assist" Quebec without additional cost to the federal treasury, without loss of ultimate control of future federal programs, and without creating the impression that Trudeau was doing anything special for Quebec. He proposed that Ottawa allow all provinces — not just Quebec — the option of determining how the federal benefit for each recipient would be made within their province. This proposal was in keeping with the Cabinet's insistence that "in developing the federal position on the substance of social policy

54 Quoted in *Ibid.*, 58-79.

55 *Ibid.*, 48-9, 63. The Victoria Charter can be found at <[http://www.solon.org/Constitutions/Canada/English/Proposals/Victoria\\_Charter.html](http://www.solon.org/Constitutions/Canada/English/Proposals/Victoria_Charter.html)>, (viewed on 22 February 2008).

56 Peter Meekison, interview by author, Calgary, 17 October 2003.

57 Quoted in Saywell and Stevens, "Parliament and Politics," 61.

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it [was] important to bear in mind the need to avoid giving the appearance of a substantive concession to Quebec alone.”<sup>58</sup> The federal government would continue to administer the program and send cheques directly to parents. Bryce’s plan would allow Quebec, for example, to determine how its envelope of funds were distributed in that province; it could decide the amount of the benefit paid to each child, and it could, for instance, increase benefits for the fourth child and subsequent children in a family at the cost of some reduction in the scale of payments for other children. The added incentive for Ottawa, Bryce suggested, was that only Quebec was likely to be interested in such an option.<sup>59</sup> Bryce’s plan conformed to Trudeau’s vision of federalism that was determined to reverse the trend towards special status for Quebec by allowing all provinces to make special arrangements with Ottawa in the delivery of social programs.<sup>60</sup>

Bryce said the proposals should be put to Premier Bourassa on 23 June “if it appears that such action is needed and has a good chance of success in gaining Quebec’s approval to the Charter.” Bryce added that there seems to be a “reasonable chance of reaching a conclusion on this proposal by Monday, June 28, the deadline for governments to approve the Charter.” The Cabinet liked the proposal but made it clear that Ottawa’s intention should be kept secret from Quebec until after the Quebec Cabinet had met on the evening of 21 June. The Cabinet did not think that Bourassa would make a decision on Victoria at that meeting, and it wanted to be prepared with additional incentives if the Quebec Cabinet wavered on the constitutional proposal. Trudeau’s Cabinet was clear in its objectives as the Record of Cabinet Decisions shows: concessions on family allowance could be an important bargaining chip with Quebec Ministers.<sup>61</sup> A few days later, on 22 June, the federal Cabinet agreed that “if the action was needed and had a good chance of making possible Quebec’s acceptance of the Canadian Constitutional Charter 1971,” then the prime minister should inform Premier Bourassa of Ottawa’s willingness to change the Family Income Security Plan (FISP) to accord broadly with changes proposed by Quebec and *enrich* the plan by the allocation of an additional \$150 million. The Cabinet knew the game it was playing with social policy and the Record of Cabinet Decisions for 22 June noted, “it would be preferable to make no such offer unless it was essential to success on the

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58 Trudeau fonds, MG 26 O7, vol. 117, Memorandum to the Prime Minister...E. Gallant, 16 February 1971.

59 DNHV, Acc. 85-86/343, box 28, file 3301-3-C8, pt. 2, Memorandum, Re: Provincial Options to modify federal Family Income Security Plan, 20 June 1971, prepared by Bryce. Bryce noted in his memorandum that the proposals should be put to Premier Bourassa on 23 June.

60 See Richard Simeon, *Federal-Provincial Diplomacy* (Toronto: University of Toronto Press, 1972), 66-8.

61 LAC, DNHV, vol. 1629, file 1, Record of Cabinet Decision, 18 June 1971.

Constitutional issue and it was clear that it would lead to Quebec's approval of the Charter."<sup>62</sup>

The next day, 23 June 1971, Bourassa formally rejected the Victoria Charter. Ottawa had counted on Bourassa waiting until the 28 June deadline before he rendered a final decision; his announcement caught Ottawa by surprise and pre-empted Ottawa's strategy. Trudeau's proposed amendment to the *British North America Act*, "to guarantee prior consultation of the provinces before changing federal income security measures and to protect provincial social allowance plans from interference by parallel federal programs," was too little to satisfy Quebec.<sup>63</sup> A statement issued by Bourassa's office gave a measure of hope to Ottawa; it was enough to ensure that family allowances would remain at the top of the federal-provincial agenda. Bourassa insisted, "Federalism constitutes for Quebecers the best way of attaining their economic, social and cultural objectives" and noted the failure of the constitutional reforms to deal adequately with social policy. "The texts dealing with income security," the statement noted, "leave an uncertainty that meshes badly with the objectives inherent in any idea of constitutional revision. If this uncertainty were eliminated, our conclusions could be different." He and Trudeau decided to meet in a week or so, but Bourassa had made it clear to the prime minister that success was contingent on new powers for Quebec in the social security field. Trudeau also told the House of Commons on 25 June that further negotiations with Quebec were likely, pointing out that Bourassa had said that "ambiguities" in language were the source of difficulty with the Victoria Charter.<sup>64</sup>

While Bourassa may have been misleading the Liberal government in Ottawa and English-Canadians generally with what was necessary for Quebec to agree to constitutional reform, Ottawa believed that an agreement could be reached with Quebec. Bourassa's insistence on social policy reform continued to have a major impact on policy-making in Ottawa. The Cabinet decided on 25 June to push ahead with the proposals for the Family Income Security Plan that it had previously approved. Ottawa could not withdraw the \$150 million it had committed to lure Quebec into signing the Victoria Charter: to do so would have caused a split in the Cabinet and, above all, shown how the Trudeau government had attempted to use social policy to manipulate the constitutional agenda. However, the federal government dropped its proposal to allow provinces to play a greater role in family allowances; it alone would determine the structure of the benefits, perhaps in retaliation for Quebec's rejection of the

62 Ibid., 22 June 1971.

63 Saywell and Stevens, "Parliament and Politics," 48-9, 63. See also Jeremy Webber, *Reimagining Canada: Language, Culture, Community, and the Canadian Constitution* (Kingston and Montreal: McGill-Queen's Press, 1994), 97-9; and Haddow, *Poverty in Canada*, 94-6.

64 Saywell and Stevens, "Parliament and Politics," 63-4, 68.

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Victoria Charter. The failure of the central agencies to deliver on the Constitution allowed Health and Welfare Minister John Munro to regain a little of his power in the Cabinet. He told the House on 29 June 1971, that he had revised the *White Paper* to ensure that the federal plan would fit into provincial priorities and social policies. Munro insisted that the plan embraced the anti-poverty concept of selectivity by placing substantially large benefits in the hands of low-income mothers, while preserving a measure of protection for middle-income families. Moreover, an improved FISP, he said, could be dovetailed with the proposed Quebec social allowance plan without interfering with its operations.<sup>65</sup> The new scheme was to begin in May 1972. Don Jamieson, the Newfoundland representative in the federal Cabinet, commented in his memoirs, that many in Cabinet believed that “what was at first a bargaining position involving give and take on both sides became a matter of Quebec taking while still uncommitted to give on the constitutional issue.”<sup>66</sup>

As the federal government prepared the necessary legislation and worked out the technical details to make payments under FISP, the issue of Quebec continued to dominate Ottawa. Munro told the Cabinet on 22 July 1971, Quebec might attempt to frustrate Ottawa by introducing its own family allowance legislation to “occupy” the income security field, leaving Ottawa to duplicate the program with its new legislation. Even if Quebec introduced a similar program with very low benefits, it could then claim that Ottawa was merely supplementing the Quebec plan with its FISP. The Cabinet wanted to prevent such manoeuvring and initiated a publicity campaign in Quebec to explain Ottawa’s new social policy approach directly to the people.<sup>67</sup> The Cabinet also agreed to proceed in early September with the legislation to replace family allowances with the Family Income Security Plan, but it agreed that Trudeau provide Bourassa with a draft of the legislation, inviting him to propose changes to the federal plan; there is no evidence that the other premiers were given any such consideration or received notification of the impending legislation.<sup>68</sup>

The strategy forced Premier Bourassa to respond. On 2 September 1971, he wrote Trudeau that he hoped to find a way of “averting conflict” in the area

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65 LAC, DNHW, vol. 1937, file R234/100, Announcement by Honourable John Munro, 29 June 1971, and House of Commons Debates, 29 June 1971.

66 Jamieson, *A World Unto Itself*, 187-8.

67 LAC, DNHW, vol. 1629, file 1, Memorandum to Cabinet, Three Aspects of Canada-Quebec Relations on Income Security, prepared by Munro, 22 July 1971, and Record of Cabinet Decision, 29 July 1971.

68 *Ibid.*, Record of Cabinet Decision, 1 September 1971; *Ibid.*, Record of Cabinet Decision, 29 July 1971. Interestingly, Allan J. MacEachern, the President of the Privy Council, told John Munro on 28 July 1971, that he did not think it was possible to have the FISP legislation introduced in the third session as Munro wanted. MacEachern said it might be done early in the fourth session of the Parliament. See LAC, DNHW, vol. 2367, file 264-16-1, MacEachern to Munro, 28 July 1971.

of family allowances. Bourassa continued to insist that the province required supremacy in the design of social security programs to meet its own social policy priorities. He wanted the proposed federal legislation to reform family allowances to conform to any existing terms, conditions, and regulations of the family allowance legislation in Quebec. He also wanted the province to have control over designating the recipients, the nature and the amount of the allowances, the scale of benefits, and the total amount payable to the citizens in that province. Trudeau was optimistic because Bourassa had intimated that it was possible to find a legislative solution to the social policy question rather than a constitutional one, which had derailed the Victoria Conference earlier that summer. When Bourassa referred in his letter to family allowances distributed by the Government of Canada, Trudeau and his officials assumed that Bourassa had come to accept a federal role in the program, even though the nature and scope of the benefits in each province could be determined by provincial priorities. Given that, Trudeau suggested that federal and provincial representatives meet to discuss the Quebec proposal. The government had already decided to table the new Family Income Security Plan in Parliament on 13 September 1971, and Trudeau told the House that a letter from Bourassa had arrived too late for the federal government to change the legislation it had already prepared. Amendments would be introduced in due course.<sup>69</sup>

There was no legislative action taken on Bill C-264 after it received first reading, as Ottawa struggled to meet Quebec's demands. The federal government had good reason to be patient because Bourassa had told the *Le Devoir* in late September that after Quebec had found a workable solution with Ottawa on family allowances it would begin new constitutional discussions: "Mais ... je ne veux pas m'engager, et je l'ai dit clairement au premier ministre du Canada que je ne veux du Québec qui déterminera le moment opportun de reprendre le débat constitutionnel." Quebec's ultimate goal was to obtain sole jurisdiction over all social policy, or legislative primacy, although it appeared at times to be willing to contemplate something less. Quebec's preferred approach was to have a provincially designed basic plan for children under 18 with a supplement for larger families included in a single plan. While it was agreeable to having the federal government issue the cheques, it wanted the province to play an important role in the following: having income statements verified by the province; identifying the province on the application forms, on all literature relating to the program and, most importantly, on the cheques issued to parents;

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69 Ibid., Acc 85-86/343, box 37, file 3303-3-A16, Bourassa to Trudeau, 2 September 1971, and Trudeau to Bourassa, 17 September 1971 (unofficial translation of both letters); and Ibid., vol. 1929, file 1, Memorandum to Cabinet 14 October 1971. Prime Minister Trudeau tabled the letter from Premier Bourassa in the House of Commons on 15 September 1971.

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and having the province determine final benefit amounts using the provincial definition of income.<sup>70</sup>

This was essentially the proposal that Bryce discussed with Cabinet earlier in the year — as Lalonde reminded the prime minister. Various federal departments, notably Finance, Supply and Services, Health and Welfare, and the Privy Council Office, had discussed and considered Quebec's position through the fall of 1971. At the same time, Lalonde was in constant communication with Bourassa and senior officials in the Quebec government, and he suggested on a number of occasions that the Canadian government was still interested in a constitutional solution to the problems that social policy had created; but Chouinard told him that Bourassa had no obvious enthusiasm for a particular constitutional solution.<sup>71</sup> By December, the departments agreed that the Quebec plan obscured federal expenditure on the program while maximizing provincial identification, noting that the proposal would inevitably lead to duplication, administrative inefficiency, and public confusion.<sup>72</sup> Even so, the officials realized that the proposal would meet Quebec's social policy objective by achieving the streamlined, integrated approach that it had emphasized; any other option would be seen in that province as further frustration of its aspirations. Yet the federal authorities also wanted to ensure that it was not too easy for provinces to redesign the FISP program. Ottawa insisted that each province that wanted to modify the federal plan contribute at least 20 percent of federal expenditures to the redesigned program. If the negotiations with Quebec failed, Munro suggested that Ottawa proceed with Bill C-264 as it stood,<sup>73</sup> but the government allowed the legislation to lapse with the termination of the third session of the 28<sup>th</sup> Parliament on 16 February 1972, only to announce its continued commitment to the Family Income Security Plan and its intention to reintroduce legislation covering the Plan in the Speech from the Throne on 17 February 1972, that opened the 4<sup>th</sup> and final Session of the 28<sup>th</sup> Parliament.

### **Family Allowance Reforms**

On 9 March 1972, in response to Quebec's demands for a redesigned, more flexible FISP, which would allow them to meet their own provincial social policy objectives, Prime Minister Trudeau offered each province the right to redesign FISP for operation within the province, subject to certain minimum

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70 Trudeau fonds, MG 26 07, vol. 332, file 363.44, Lalonde to Trudeau, "Conversation téléphonique avec l'honorable Bourassa," 6 décembre 1971; and LAC, DNHW, Acc 85-86/343, box 28, file 3301-3-C1, Memorandum to Cabinet, 10 December 1971.

71 *Ibid.*, Lalonde to Trudeau, with report on Lalonde's conversation with Julien Chouinard, 2 décembre 1971.

72 *Ibid.*

73 *Ibid.*, vol. 105, file 306.4, Memorandum from Lalonde to Trudeau, 3 mars 1972; and LAC, DNHW, Acc. 85-86/343, box 28, file 3301-3-C1, Memorandum to Cabinet, 10 December 1971.



federal standards. This had been proposed in the period leading to the Victoria constitutional conference. In a letter to Premier Bourassa, Trudeau wrote, "Acceptance of a plan along these lines would represent, as you will appreciate, a very important change so far as the federal government is concerned." For the first time, a federally financed and administered program, legislated by Parliament, would be subject to modification by the provinces even though the amount of financial participation by the province would be small in comparison with that of the federal government. Provinces with family allowance programs, providing a supplement amounting to at least 15 percent (not 20 percent as the federal inter-departmental committee had recommended) of the total spent on family allowances in that province, would be given the right to alter the monthly benefit rate, the reduction rate, and the income threshold for FISP, provided that total federal spending on FISP did not exceed the amount that would have been spent had this right not been exercised. The benefits per child could not be set below 80 percent of the national benefit rate, the threshold could not be set below the income tax exemption level, and provincial definitions of residence could not be more restrictive than the federal definition. Trudeau insisted that the federal definition of income would have to be used for the purpose of federal payments. He also said that the literature describing the program would indicate clearly that the plan in each province had been designed in accordance with provincial legislation, and there would be recognition of provincial financial participation.<sup>74</sup>

Trudeau also told Bourassa and the other premiers that the federal government would proceed with the Family Income Support Plan legislation in the current session, but the bill that would be presented to Parliament would not include the provision for the kind of flexibility he now suggested. He reassured Bourassa, however, that Ottawa would amend the bill to do so as soon as the provinces agreed to his proposal. What must have been encouraging, particularly for Bourassa, was Trudeau's suggestion that "the principles involved [with FISP] are clearly capable of extension to other income support programs" and might pave the way for constitutional change in matters relating to social security: "While the difficulties are considerable, the federal government would be prepared to consider this kind of extension of the principles I am proposing if a satisfactory constitutional basis can be found and if it solved the problem of social security which remained to be cleared up to permit further progress in the process of constitutional review."<sup>75</sup> Bourassa telexed the prime minister on 17 March expressing his satisfaction with the proposal and telling Trudeau, "I have

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<sup>74</sup> Ibid., MG 26 07, vol. 332, file 363.44, Lalonde to Trudeau, "Rencontre avec l'honorable Bourassa," 17 janvier 1972.

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a conviction that we shall soon arrive at developing a successful formula for family allowances.”<sup>76</sup> Constitutional reform was clearly on Trudeau’s mind. In fact, when Trudeau met with Bourassa earlier in February, the prime minister had insisted, “Les allocation familiales et la question constitutionnelle” be the first item on the agenda for the meeting.<sup>77</sup>

In Trudeau’s view, he had conceded little to Quebec. The federal government claimed that it did not recognize in the changes to FISP any provincial supremacy in this particular social program, as it retained the undiluted right to make direct payments to individuals anywhere in Canada. Trudeau and his advisors had realized much earlier that there was considerable division within the Quebec Cabinet over social security policy. Trudeau knew, however, that Bourassa was his best chance for finding a solution within the current framework of Confederation. Trudeau’s offer, in his view, had simply allowed Bourassa to claim victory. The Premier had described it as a “great step forward.” As Trudeau said in an interview with TVA television news, there were many people in Quebec who did not want to see any agreements between the federal and provincial governments. Trudeau realized that the agreement on family allowances showed that Confederation continued to work, and he expected a more cooperative attitude from Premier Bourassa in the future on other important national issues.<sup>78</sup>

Trudeau’s letter to the other premiers outlining the proposed changes had a different introduction than the one he sent to Bourassa. In his letter to the nine English-speaking premiers, Trudeau briefly reviewed the course of events following the Victoria Constitutional Conference where Quebec had insisted on a

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75 Ibid., 105, file 306.4, Trudeau to Bourassa, le 9 mars 1972; DNHW, vol. 1610, file 6, Trudeau to Bourassa, 9 March 1972; and Department of National Health and Welfare, Acc. 85-86/343, box 84, file 3201-3-3, pt.3, Memorandum on Policy Consideration Underlying the Design and Development of the Family Income Security Plan, 4 January 1980. Trudeau tabled the letter in the House a few days later. On the issue of the federal definition of income, Claude Castonguay had stated emphatically in September 1971 that Quebec required that determination of income reside with its department of revenue. This issue was important because income levels determined the level of allowance. See *Montreal Gazette* (16 March 1972).

76 Trudeau fonds, MG 26 07, vol. 105, file 306.4, Bourassa to Trudeau, le 17 mars 1972; DNHW, Acc. 85-86/343, box 27, file 3301-3-A16, Telex to the Prime Minister from Robert Bourassa, 17 March 1972. Bourassa wrote in the telex, “I think that the proposals in your letter are in keeping with the talks we have been having on this matter for some months and that they make an appropriate framework within which we shall be able to draw up the specific terms and conditions for an agreement at further meetings.” (translation in Trudeau fonds). See also *Journal de Montréal* (14 March 1972).

77 Trudeau fonds, MG 26 07, vol. 332, file 363.44, Lalonde to Trudeau, “Rencontre avec l’honorable Bourassa,” 17 janvier 1972.

78 See DNHW, Acc. 85-86/343, box 27, file 3301-3-P15, “Basis of Federal Approach, March 1972”; *Montreal Gazette* (14 March 1972); and *Le Devoir* (14 and 15 March 1972), for instance.

provision in the Constitution allowing provinces to have some measure of control over federal programs, particularly family allowances, to suit the needs of each province. Trudeau pointed out that the Conference had tried to meet the needs of Quebec by providing for an amendment to Section 94A of the *British North America Act*, but that the Government of Quebec subsequently decided that it could not accept the approach on income security included in the Victoria Charter. He noted, however, that in September 1971 Premier Bourassa suggested to him that an administrative arrangement through the federal and provincial legislatures might achieve Quebec's objectives in the area of income support if it was proving impossible to do so constitutionally. Since that time, Trudeau wrote, Quebec and federal officials had held discussions on the matter, but at all times Ottawa had insisted that any arrangements which might appear feasible would have to be the subject of a discussion with all provincial governments and would have to be equally available to all. The federal government was now prepared to modify the application of the federal Family Income Security Plan, he told the premiers; and he added, "While the difficulties are considerable, the federal government would be prepared to consider this kind of extension of the principles I am proposing if a satisfactory constitutional basis can be found and if it solved the problem of social security which remained to be cleared up to permit further progress of constitutional review."<sup>79</sup>

Many newspapers hailed these developments, which Trudeau made public in an interview on the Réseau TVA French station on Sunday, 12 March, as a victory for Quebec. On 13 March the *Ottawa Journal* claimed, "Quebec gets control over baby bonus," while *Le Devoir* saw it as "Un triple gain pour le Québec." This triple victory, as reported by many newspapers, was that Ottawa agreed to most of Quebec's proposals in the social security field; Ottawa agreed to consider a similar approach in other sectors of social welfare jurisdiction; and Ottawa would consider family allowances as a separate issue from the other aspects of social welfare jurisdiction. The *Toronto Globe and Mail* saw Trudeau's jurisdictional concession as a major policy shift in federal-provincial

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79 Trudeau fonds, MG26 07, vol. 105, file 306.4, Trudeau to W.A.C. Bennett, 9 March 1972. The same letter was sent to all of the premiers with the exception of Quebec. See also DNHW, vol. 1610, file 6, Trudeau to premiers, 9 March 1972. This is not to suggest that the provinces other than Quebec had not been involved in the discussions over FISP: they had been. Both Munro and his officials had met with provincial ministers and their officials on numerous occasions since the release of the *White Paper*. See Ibid. Acc. 85-86/343, box 27, file 3301-3-A16, "Consultations with the Provinces," 16 March 1972. Later, Alexander B. Campbell, Acting Chair of the Council of Maritime Premiers, wrote Trudeau that the stipulation that the province provide at least 15 percent of total outlays for family allowances meant that economically challenged provinces would not be able to participate in the new arrangement. "Your proposal," he wrote Trudeau, "would further tend to perpetuate and increase the disparity in income security and social assistance payment levels across the country." See Trudeau fonds, MG26 07, vol. 105, file 306.4, Campbell to Trudeau, 6 July 1972.

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affairs. The *Windsor Star* went so far as to suggest that the “constitutional road [was] now open again.” *La Presse*, too, hinted that the Victoria talks would soon continue, but other newspapers in Quebec expressed considerable doubt about federal sincerity in allowing the provinces to take over family allowances: *Le Devoir* wrote, “Québec scrute la teneur de la réponse d’Ottawa.”<sup>80</sup> Yet, as *Le Droit* reported, “Bourassa se dit satisfait de la Proposition Trudeau.”

As federal and provincial officials met to plan for the arrangements necessary to give effect to the federal proposals, Ottawa nearly scuppered the deal when it announced in the federal budget on 8 May 1972, significant improvements to the Old Age Security pensions and the Guaranteed Income Supplement, as well as the special income tax exemption for the aged from \$650 to \$1,000. Although there had been considerable pressure on Ottawa to enrich support for seniors, Quebec denounced Ottawa’s unilateral action on another income security program. The announcement threatened to undo the deal between Quebec and Ottawa.<sup>81</sup> Castonguay was livid and unleashed a bitter attack on Ottawa, calling the proposal for the aged a “low blow” to Quebec’s efforts to establish an integrated approach to all social benefit spending. Ottawa acted without any prior consultation with or warning to the provinces. To Castonguay, Trudeau’s budget had demonstrated that Ottawa could not be trusted and any hope that it had that the deal over family allowances marked the beginning of a new era that gave the provinces a measure of control over social policy was shattered. The *Toronto Star* reported that Castonguay said the administrative arrangements proposed by Trudeau and reluctantly agreed to by Bourassa could not work. Quebec needed full jurisdiction over all aspects of social security to implement an integrated social policy.<sup>82</sup> Castonguay told the annual conference of Canada’s Learned Societies in Montreal on 7 June, “It is pointless to expect sufficient consultation to ensure a unified conception of the programs concerning guaranteed income-social aid,” adding that amiable, non-formal arrangements could not give sufficient guarantees. He went on to say that without constitutional change giving Quebec legislative primacy in social policy, the Canadian federation was at risk.<sup>83</sup>

Not surprisingly, federal-provincial negotiations over family allowances

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80 A number of newspapers, including *Ottawa Citizen*, *Ottawa Journal*, *Toronto Star*, *Globe and Mail*, *Windsor Star*, *La Presse*, *Le Soleil*, *Le Devoir*, and others carried major stories and editorials on the development in the period from 13 March to 18 March 1972.

81 LAC, DNHW, vol. 1937, file R234/100, Osborne (Assistant Deputy Minister, Research, Planning & Evaluation — Welfare) to Willard, 15 June 1972.

82 *Montreal Gazette* (13 May 1972), and *Toronto Star* (13 May 1972).

83 *Globe and Mail* (8 June 1972).

stalled.<sup>84</sup> On 9 June 1972, Prime Minister Trudeau reminded Bourassa that a great deal of progress had been made by the two sides over the past few months, and the federal government had conceded on all of Quebec's demands. In a veiled threat, Trudeau also reminded Bourassa of the tight time frame for the enactment of the legislation and told him that it was necessary for Quebec to decide quickly whether or not to proceed with the provincial option amendment to Bill C-170. He gave Bourassa a week to make his decision.<sup>85</sup> Bourassa had to contend with Castonguay, who continued to argue that the only way for Quebec to control its social policy and implement an integrated policy on income security was through a constitutional process that addressed the division of powers in the field of social security. The *Montreal Gazette* reported that Castonguay threatened to resign after Ottawa unilaterally announced increases to the Old Age Security pension, but reluctantly decided to stay after Premier Bourassa assured him that Quebec would take a stronger stand with Ottawa.<sup>86</sup> The delay killed the legislation. Bill C-170 died on 7 July 1972, the last day of the Session, when it failed by one vote to receive unanimous consent that was necessary for Third Reading before Parliament was adjourned. Parliament did not meet again before the federal election on 30 October 1972.

In that election Canadians sent Prime Minister Trudeau and the Liberals a strong message that they were not impressed with their handling of affairs, returning them to a minority government. In the unsettled period following the election, Trudeau re-organized his priorities to win support from the New Democratic Party (NDP) by promising action on social policy and a program to increase the presence of the state in the national economy. These changes kept the Liberal government in office until 8 May 1974, but the compromise with the NDP effectively stymied any fundamental change to the family allowances program that targeted low-income families through selective measures contained in the FISP. Trudeau must have been appalled that his important constitutional plans had foundered on something as unimportant (to him) as social policy, and he handed the National Health and Welfare portfolio to Marc Lalonde, his former private secretary and constitutional advisor, to fix the social policy problem with Quebec. Trudeau had made it clear to Lalonde that he wanted a major review of Canada's social security system to integrate federal and provincial social security policies, and reform the various programs based on a number of specific principles around which a national consensus of opinion might be formulated. This approach was designed to avoid the constitutional impasse that had derailed the earlier constitutional agreement in

84 LAC, DNHW, Acc. 85-86/343, box 28, file 3301-3-C12, Draft Statement by the Honourable John Munro, 28 July 1972.

85 Trudeau fonds, MG 26 07, vol. 105, file 306.4, Trudeau to Bourassa, le 9 juin 1972; and DNHW, vol. 1610, file 4, Trudeau to Bourassa, 9 June 1972.

86 *Montreal Gazette* (17 May 1972), and *La Presse* (18 and 22 July 1972).

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1971.<sup>87</sup> In the January 1973 throne speech, the federal government promised “that Canada’s total social security system — including both federal and provincial elements — must be reconsidered and reorganized, and made more sensitive to the needs of people in different parts of the country.”<sup>88</sup> Castonguay could have written the words himself, and it showed that Canada had entered a new period of harmonic federalism on social policy, at least.

The review of Canada’s social security system began when Lalonde tabled the *Working Paper on Social Security* (the Orange Paper) in the House of Commons on 18 April 1973. The *Working Paper* was the federal government’s contribution towards a joint federal-provincial review of Canada’s social security system, and the provinces all agreed to participate in the exercise.<sup>89</sup> The Cabinet wanted to avoid putting a series of proposals on the table that would clash with the objectives of the provincial governments, particularly those of Quebec; but the Cabinet wanted a concrete family allowance proposal put before the provinces at the April meeting of welfare ministers.<sup>90</sup> This effort would reassure Canadians that the Liberal government was committed to substantial and immediate benefits through universal family allowances, as well as provide tangible evidence that the government was serious about meaningful social reform. It was also clear that the principle of universality in social programs would not be threatened as long as the Liberals remained in a minority position in Parliament.<sup>91</sup>

The *Working Paper* proposed that family allowances be increased from an average of \$7.21 per child per month to an average of \$20 per child, and be made taxable. The 1970 *White Paper* recommendation to eliminate the universality of family allowances had fallen victim to the political pressures of keeping the minority government in office and the need for provincial approval. Further evidence of the political practicalities was Lalonde’s proposal that the level of benefit be reviewed periodically in relation to changes in the Consumer Price Index (as Old Age Security had been several months earlier). Lalonde suggested, subject to a national minimum and assuming the development of a consensus regarding provincial flexibility and national norms, the precise amount paid for

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87 On the point, see Splane, “Social Policy-Making in the Government of Canada,” 237.

88 Stevens and Saywell, “Parliament and Politics,” 105.

89 The Joint Review of Canada’s Social Security System turned out to be a long and complicated process and its final outcome is beyond the scope of this paper. The reform of Family and Youth Allowances and the decision to integrate the federal Family Allowance Program with the provincial schemes were a part of the review, but family allowance reforms were completed by the end of 1973. Family allowances did not figure prominently in the review after that date.

90 LAC, DNHW, Acc. 85-86/343, box 26, file 3301-3-A3, pt. 2, A.W. Johnson to Lalonde, 26 March 1973. John Turner wrote to Marc Lalonde on 23 March 1973, suggesting that a family allowance proposal be put to the provinces in April.

91 MacInnis Papers, vol. 15, file Social Security, 1966–1974, “Speech Delivered by the Honourable Marc Lalonde to the Montreal Chamber of Commerce on Canada’s Social Security Policy,” 5 February 1973.

each child would be left to the provinces, as with the proposed FISP. Provinces could choose to vary the amount paid either by the age of the child or the size of the family. With an obvious reference to Quebec, Lalonde noted that it was a major constitutional innovation to permit the provinces to determine the benefits paid to individual Canadians by the Government of Canada, within the limits set by Parliament.<sup>92</sup> This flexibility allowed provinces to design their own income support and supplementation programs for families and would mark the introduction of a new — yet much discussed and anticipated — approach to federal-provincial relations in the social security field.<sup>93</sup> When Ottawa accepted a provincial role in a national program such as family allowances after spending more than a generation defending its sole prerogative to legislate in the field, it ensured itself a role in this area for some years to come. Quebec newspapers saw the change as a decisive step and a major breakthrough for Quebec. *La Presse* wrote, “Fasse le ciel que l’esprit de conciliation dont fait prévue M. Lalonde contribue à mettre un terme aux différents constitutionnels qui ont trop longtemps paralysé l’évolution constitutionnelle du Canada.”<sup>94</sup> The English Canadian media saw the legislation simply as an increase in family allowances benefits.

On 16 July 1973, Marc Lalonde introduced in Parliament the new reforms to the family allowances program, claiming it represented a new formula for federal-provincial cooperation in the area of social security.<sup>95</sup> Only three provinces took advantage of the federal offer that provinces be allowed to determine benefits. Not surprisingly, Quebec was one; Alberta and Prince Edward Island were the others. The increase now gave Quebec control of \$8 of federal payment when it had only asked for control of \$7.21 — the average monthly federal expenditure per child on family allowance when Quebec asked Ottawa to transfer control of the program to Quebec City. Even though Ottawa had insisted there was no additional money, with the reforms the fam-

92 DNHW, Acc. 85-86/343, vol. 31, file 3301-3-C47, News Release, Health and Welfare Canada, 18 April 1973.

93 As P.E. Bryden has argued for the Quebec and Canada Pension Plans, this shared approach to the administration of family allowances also represented a new method of negotiating with the provinces that served to enhance the role of the federal government while, at the same time, strengthening national unity. See P.E. Bryden, *Planners and Politicians: Liberal Politics and Social Policy* (Kingston and Montreal: McGill-Queen’s University Press, 1997).

94 *La Presse* (20 April 1973).

95 Ottawa had also bowed to the pressure to maintain the universality feature of family allowances and permitted every Canadian family the privilege of receiving a monthly cheque, although introducing a measure of income redistribution through the tax system. In a period of rising living costs, the Liberal government could boast that with its new social security legislation, it added \$840 million to the incomes of mainly low and middle-income families. The total cost for family allowances was then \$1.83 billion annually. See DNHW, vol. 2081, file 20-2-2, pt. 3, News Release, Minister Introduces New Family Allowance Legislation, July 1973. It was estimated that the tax recovery for the Federal Treasury would be \$350 million and a further \$115 million for the Provincial treasuries.

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ily allowance program cost nearly \$1 billion dollars.<sup>96</sup> When Premier Bourassa announced Quebec's plan on 19 September 1973 — just days before the provincial election — he said that it “constituted an admirable example of a type of federalism which is both flexible and beneficial for Quebec.” It was Social Welfare Minister Claude Castonguay who championed the new Quebec Family Allowances Program that would cover all children up to the age of 17, thus eliminating Quebec's Schooling Allowances that had been created when the province opted out of the federal Youth Allowance program. The Province set the benefits according to the number and age of the children, as provided under the provisions of the Bill before Parliament. Federal monthly allowances were pegged at \$12 for the first child, \$18 for the second, \$28 for the third, and \$31 for the fourth and each additional child in the family. Additionally, the basic allowance was supplemented by an age premium of \$5, paid for children between the age of 12 and 17 years. The Quebec government administered and financed a separate Quebec scheme which provided additional monthly allowances of \$3 for the first child, \$4 for the second, \$5 for the third, and \$6 for each additional child. The Quebec benefits were administered through the Quebec Pension Board that was already in charge of family and school allowances. Further, the Quebec Government decided to make its family allowances tax-free because it felt middle-income families would carry too great a burden if family allowances were taxed, though the federal portion would be subject to federal income tax. Castonguay noted that Quebec had sufficient freedom of action to establish a structure of its own under the proposed federal legislation, and he claimed that the new Family Allowances Program took into consideration the special needs and circumstances of Quebec families — particularly those of large families in the middle and low income bracket — whose interest had not been sufficiently considered under the earlier federal schemes.<sup>97</sup> A short time later, Castonguay resigned from the Quebec legislature and became a consultant to Mr. Lalonde. His mission was accomplished.

The legislation passed third reading in November 1973, and parents saw the increases in cheques that arrived in January 1974. Lalonde inserted a message in the cheques going to Quebec, explaining the main features of the new program. He wanted to make clear that, while the provincial government asked

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96 Leonard Shifrin, “Income Security: The Rise and Fall of the Federal Role,” in *Canadian Social Welfare Policy: Federal and Provincial Dimensions*, ed. Jacqueline Ismael, 24-5.

97 LAC, DNHW, Acc. 84-85/085, box 2m file 2106-71-6, pt. 1, Press Release, Government of Quebec, Executive Branch, 19 September 1973. Bourassa also said there would be reform in the province's welfare program in light of the changes in the family allowance program so that family allowances and welfare benefits were never greater than the income from employment calculated on the basis of the minimum wages so that individuals will be encouraged to work.



Ottawa to vary federal payments based on the age and number of children in a family, the Canadian Government paid an average of \$20 to each child in Quebec. Lalonde wanted to show that the federal government was still largely responsible for the payment of family allowances in the province. It was a month later before parents in the other provinces received a similar note from the minister.<sup>98</sup>

## Conclusion

The example of the family allowances program suggests that Canada's federal system had an important impact on the development of family allowances especially as the two levels of government attempted to resolve outstanding constitutional issues. When a nationalist Quebec government demanded that Ottawa withdraw from the social policy field and transfer monies expended on such programs to the provinces, family allowances became intricately involved in the minefield of Canadian inter-governmental relations. Because family allowances were one of the few programs shared by all Canadian families and one of the means of building social cohesion across the country, the federal government initially refused to allow any provincial involvement in the program. By the early 1970s, however, family allowances was elevated from sectoral or "low politics" to the realm of "high politics."

Family allowance had rarely been the concern of the prime minister except when the program was introduced in 1945, but during the constitutional negotiations during in 1970 and 1971 this issue moved to the centre of Canadian politics. Prime Minister Pierre Trudeau proved willing to make changes to the family allowance program as a means of enticing Quebec Premier Robert Bourassa to amend the *British North America Act*. In those inter-governmental negotiations to patriate the Constitution, family allowances played an instrumental role. Ottawa promised certain reforms to the program to satisfy some of Quebec's social and constitutional objectives and its demands for greater autonomy within the Canadian federation as a way to move the constitutional file to a conclusion. The changes made to family allowances, to allow the provinces to determine how the benefits were allocated to parents, came as a result of the political manoeuvring with Quebec. Even so, Trudeau realized — as Mackenzie King had much earlier — that family allowance served as a link between the federal government and individual Canadian citizens in various regions and especially in Quebec. Even as the program was being reformed, the federal government made certain that family allowances remained a nation-building tool to help foster a pan-Canadian citizenship and attachment to the Government of Canada. The federal government, it might be concluded,

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98 *Ibid.*, vol. 1609, file 6, "January Family Allowances Insert for Quebec," and "An Important Message for Fathers and Mothers."

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designed some of its family allowance reforms to counter the province-building project in which the Quebec provincial government was so heavily involved.

What is equally clear is that the Department of National Health and Welfare, which had pushed for selectivity over universality in family allowances to get additional funds into the hands of parents in greatest need, failed in some of its aims in the 1970s, even though the Liberal government had initially agreed with that approach. However, when constitutional reform and inter-governmental conflict moved to centre stage in the early 1970s, family allowance reform became a surrogate for the broader political issues of the day. When that happened, family allowance reform became for Ottawa a bargaining chip to be used with Quebec. Ottawa hoped that by accommodating Quebec on social policy it might clear the way for Trudeau's constitutional renewal and reform. Subsequently, Ottawa permitted the provinces greater control over the federal family allowance program and in the process lost sight of its original objectives in its initial family allowance reform package. Still, Ottawa managed to reinforce the nation-building intent of the program even as it made concessions to the Quebec. However, targeted social spending, which had initially been the primary goal of family allowances reform, would have to wait.

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