

Edited by Sujit Choudhry,
Jean-François Gaudreault-DesBiens,
and Lorne Sossin

Dilemmas of Solidarity

Rethinking Redistribution in the
Canadian Federation

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- 23 Banting, 'Social Citizenship and Canadian Federalism.'
- 24 William H. Riker, *Federalism: Origin, Operation, Significance* (Boston: Little, Brown, 1964).
- 25 John Porter, *The Vertical Mosaic: An Analysis of Social Class and Power in Canada* (Toronto: University of Toronto Press, 1965).
- 26 Nicola McEwan, 'State Welfare Nationalism: The Territorial Impact of Welfare State Development in Scotland,' *Regional and Federal Studies* 12, no. 1 (2002): 66, 79; Rachel Simeon, 'Free Personal Care: Policy Divergence and Social Citizenship,' in Robert Hazell, ed., *The State of the Nations, 2003: The Third Year of Devolution in the United Kingdom*, Constitution Unit, University College London (London: Imprint Academic, 2003), 215–35.
- 27 In a related area, environmental policy, Mark Winfield notes that when the issue is high on the public's agenda, both orders of government tend to engage in a rush to the top. See 'Environmental Policy and Federalism,' in Herman Bakvis and Grace Skogstad, eds., *Canadian Federalism: Performance, Effectiveness and Legitimacy* (Don Mills, ON: Oxford University Press, 2002), 124–37.
- 28 Noël, 'Is Decentralization Conservative?,' 215. See also Paul Pierson, 'Fragmented Welfare States: Federal Institutions and the Development of Social Policy,' *Governance* 8 (1995): 449–78.
- 29 Indeed, our traditional emphasis on the role of federalism and intergovernmental relations in the development and funding of policies related to social justice has paid far too little attention to policy and delivery at the local level. The behaviour of police forces in relation to visible minorities; of many civic agencies in relation to integration and services for immigrants; of other agencies in relation to provision of social housing; and other policy areas all suggest that a full analysis of social justice in Canadian public policy must include not only federal, provincial, and territorial governments, but also municipal and aboriginal governments.

Redistribution in the Canadian Federation: The Impact of the Cities Agenda and the New Canada

SUJIT CHOUDHRY

Richard Simeon asks the question of whether federalism promotes social justice, understood in T.H. Marshall's sense of 'social citizenship.' The promotion of social citizenship in federations such as Canada requires interpersonal redistribution, either directly between individuals through direct transfers from the federal government, the federal income tax system or the design of federal social programs (e.g., the regional differences built into Employment Insurance), and/or indirectly between the residents of different regions or provinces through federal transfer payments to provinces. Canada employs both types of policy instrument. Simeon concludes that redistribution is surprisingly resilient in federations, and that the relationship between federalism and distributive justice is at best moderately negative.

I want to explore the implications of Simeon's observation in the context of the growing debate over vertical fiscal imbalance and interprovincial redistribution, which invites Canada to address basic questions regarding the design of the federal-provincial transfer system in the near future. My question is whether the existing system of federal-provincial transfer payments, which involves large-scale interprovincial transfers of wealth, is politically sustainable. Against the backdrop of Ontario's new call for a dramatic restructuring of fiscal federalism, I want to speculate that in the medium term, it may not be sustainable, because of changing conceptions of citizenship and identity in Canada's urban centres.

My starting point is the report of the Commission on Vertical Fiscal Imbalance (the Séguin Commission), which has been skilfully deployed by the government of Quebec to set the provincial agenda in fiscal federalism.¹ The commission's argument is relatively straightfor-

ward. Because of demographic pressures, the provinces face growing expenditures in areas of provincial jurisdiction such as health care and education, but they lack access to sufficient sources of revenue to meet these needs. The federal government, by contrast, reaping the benefits of deficit reduction, will enjoy surpluses that the Séguin Commission predicts will balloon in the years to come. A situation of symmetric disjunction between revenue-raising capacity and expenditures involving different orders of government – vertical fiscal imbalance – poses a number of serious problems for the healthy functioning of the federation. Echoing arguments first advanced by the Rowell-Sirois Report and the Tremblay Commission, provincial political communities require adequate financial means to effectively exercise jurisdiction in areas assigned to them by the constitution.² Without ensuring that provinces have adequate fiscal means to match their areas of policy responsibility, a basic objective of Confederation – provincial autonomy – would be severely undermined. And federal transfers that close the fiscal gap nonetheless undermine provincial autonomy if they impose conditions, are changed arbitrarily, or do not take into account actual levels of demand for public services. Such a situation exists in Canada, where the cash component of the Canada Health and Social Transfer (CHST) is subject to provincial compliance with the conditions spelled out in the Canada Health Act, where the CHST was introduced without either notice to or consultation with the provinces or provincial consent, and where the levels of CHST transfers are not tied to actual provincial expenditures in health and education. The solution proposed by the Séguin Commission is to eliminate the CHST, to permit provinces to occupy the GST field to make up for the lost revenues, and to enhance the existing equalization program.

Quebec has been able to convince the other provincial and territorial governments to place vertical fiscal balance at the top of the agenda of the newly created Council of the Federation.³ It is therefore important to understand how the Séguin Commission conceptualizes vertical fiscal imbalance. The commission devotes considerable attention to quantifying the size of federal surpluses, as well as future demands on federal expenditures. But it does not indicate where the bulk of federal revenue, including monies that are redistributed to the provinces through the CHST and equalization, comes from. The answer to this question can be found in a Department of Finance working paper by Marie-Anne Deussing published in October 2003. The paper responds to Finn Poschmann's provocative argument that federal taxes and

transfers have the effect of redistributing monies from lower-income Canadians in higher-income provinces to individuals with higher-incomes in other provinces. In the course of challenging this position, Deussing calculates the federal fiscal balance for each province – that is, the difference between federal expenditures made and federal revenues raised in each province. Deussing's analysis therefore helps us to track the extent of interprovincial redistribution through federal programs, and provides a financial balance sheet for the federation.⁴

For 2000, seven provinces (Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland) experienced net inflows, whereas three provinces (British Columbia, Alberta, and Ontario) experienced net outflows. For Ontario, the net outflow was \$26.4 billion. Let me put this figure in context. For 2000, the cash component of the CHST was \$15.5 billion, and equalization payments totalled \$10.9 billion.⁵ The sum of these transfers was \$26.4 billion, exactly the amount of the net outflow from Ontario in that year. Now I am not making the mistake of asserting that only Ontario taxes funded the CHST cash and equalization programs, because there were two other net contributing provinces, and Ontario also received significant amounts of CHST cash (\$4.7 billion in 2000). But on a net basis, Ontario tax revenue accounted for a significant proportion of these transfer payments. We can also contextualize these figures in another way. In 2000, \$26.4 billion was the equivalent of 42.6 per cent of Ontario's budget of \$61.9 billion, exceeding the province's health care budget of \$22 billion.⁶

The level of net outflows from Ontario is an astonishing and potentially politically explosive figure. What is remarkable is that in the war of numbers that characterizes the politics of fiscal federalism, this figure had only recently been mentioned in public. When Premiers Rae and Harris raised the cry of 'Fair Shares Federalism' in the 1990s, they did not deploy the province's level of federal fiscal balance to exert political leverage on the federal government. Even as late as January 2005, the new Liberal government, facing an \$8 billion deficit inherited from the previous administration, did not immediately identify the net outflow of funds as a reason for the province's current financial predicament. Indeed, Ontario remained silent as the equalization program was enriched by \$33 billion over ten years by the federal government in October 2004, by establishing a floor for equalization payments and an automatic escalator. It also welcomed the September 2004 Health Accord, which will distribute \$41 billion in additional funds over ten

years on a per capita basis, and will therefore further increase net outflows from Ontario.⁷ Finally, the Séguin Commission's 150-page report, which is devoted entirely to fiscal federalism and is otherwise comprehensive and detailed, does not even mention the notion of federal fiscal balance, let alone quantify it. This is all the more striking, given that the commission proposes a radical redesign of fiscal federalism that would not reduce, and could perhaps even increase, the net outflows from Ontario. It is even more surprising, given the commission's strong call for increased transparency in fiscal federalism. Aside from Deussing's study, this figure of net outflows from Ontario until recently lay buried in the financial statements of the government of Canada.

However, in the last few months, the political scene has changed dramatically. Ontario now trumpets the '\$23 billion gap' as a major public policy issue which requires immediate redress. The turning event seems to have been the agreement reached between the federal government, Nova Scotia, and Newfoundland over the treatment of royalties from offshore oil and gas projects by the equalization program in February 2005.⁸ Strictly speaking, equalization payments should be reduced by one dollar for each dollar of such royalties earned. Arguing that this would have the effect of converting equalization into a welfare trap, the federal government had taxed back royalties at 70 cents on the dollar. The new agreement excludes these royalties from the calculation of equalization payments entirely.

Although the value of these agreements is relatively small (approximately \$3.5 billion), it was the straw that broke the camel's back. Ontario went on the attack, noting publicly that the entire equalization program, as well as enhancements to it, is largely funded on a net basis by taxpayers in Ontario. And the provincial government has gone beyond equalization, brandishing the figure of \$23 billion, which is calculated on the basis of all federal programs. Ontario's position has been supported by a recent study from the CIBC, which suggests that this gap has risen dramatically over the past decade, from \$2 billion in 1995.⁹ Ontario's argument is that this gap must be reduced, because a prosperous Ontario is key to a prosperous Canada, and as a starting point has asked for an immediate transfer of \$5 billion. But one gets the sense that Ontario would welcome a more wide-ranging discussion on the scope of interprovincial redistribution. The depth of the Ontario government's commitment to this dramatic new agenda is illustrated by Premier McGuinty's apparent willingness to make it an issue in

federal election campaigns. Thus far, Ontario's calls have met with no success in Ottawa.

The question which naturally arises is why federal fiscal balance had not become a central term in the debate over fiscal federalism until very recently in the manner that vertical fiscal imbalance has quickly become. The durability of the existing architecture of fiscal federalism, I think, can be attributed to a widely shared understanding of the nature of the Canadian political community, a conception that I have described as the 'community of fate.'¹⁰ As a community of fate, our federation is imagined not merely as a network of political communities bound together by convenience and self-interest, which cooperate together only for mutual advantage on matters of common interest, but as a community that arises through concrete, historical experiences of interdependence. These experiences support a sense that future well-being is dependent on ongoing cooperation. Moreover, questions of fairness enter into the calculus, since cooperation will only proceed if its benefits and burdens are perceived as being distributed justly. In Canada, the move is to imagine our community of fate as a sharing community that partakes in the extensive interprovincial redistribution of wealth through programs such as the CHST and equalization.

I think that the community of fate is a description of Canada that is embedded in many of our political institutions and practices, and indeed, in the very grammar of Canadian federalism itself. For example, the national standards spelled out in the Canada Health Act tap into the community of fate, by spelling out some elements of national social citizenship. Rather than being conceptualized solely as constraints on provincial policy autonomy, these standards must be understood as the political reasons that justify to Ontarians the redistribution of resources from their province to other parts of Canada through federal-provincial transfers. In the absence of such standards – for example, if the CHST were phased out and replaced with unconditional, equalized tax points – I think the political case for interprovincial redistribution would be considerably more difficult to make in the 'have' provinces.

The question for Canada is whether the community of fate will come unstuck. The new Ontario agenda suggests that this process may have already begun. The taboo against making arguments that rely on Ontario's level of federal fiscal balance in order to challenge the existing federal-provincial transfer system has been broken. Now that this door is open, it cannot be shut. And it is not only provincial politicians

who are making these arguments; the recipients of provincial funding – universities, hospitals, and municipalities – have all lined up with the province to pressure the federal government. And I want to suggest that two emerging trends could put the community of fate under further strain, especially in the medium term.

The first trend is the cities agenda. As everyone now knows, Canada's cities, principally its major urban centres, want a 'New Deal' from the federal and provincial governments. The impetus for this demand is the fact that, despite our self-description as a country spread thinly across the vast Canadian expanse, Canada is increasingly becoming a country of city dwellers. Cities are the engines of economic growth, and their health is essential to Canada's competitiveness in the global economy. Just as provinces argue that they lack sufficient resources to deliver programs within their jurisdiction, cities also argue that they require both the finances and the legal powers to deal with their particular needs, ranging from social housing and public transportation and urban sprawl, to immigrant settlement and labour market integration, to investment in universities and cultural institutions. Thus far, the New Deal has not amounted to very much; the federal government recently introduced a GST rebate for municipalities, and has announced limited funds for public transport in Toronto.

The cities agenda is gathering steam in Toronto. David Miller, who was elected Toronto's mayor in 2003, placed a New Deal for cities at the heart of his election platform. It has attracted support from an unusually broad coalition of groups from the left and right, because on the surface it marries a social agenda with the drive to economic prosperity by focusing on urban quality of life. The public campaign has been led by the Toronto Board of Trade, which has been running the following advertisement on the Toronto subway with great effect:

Every year Toronto pays \$9 billion more in taxes than it receives in services. Yet, our roads are packed, our transit system is stalled, people are searching further from the city to access affordable housing and our waterfront remains an untapped opportunity. If Toronto is to continue to generate funds that are critical to the strength and vitality of our province and nation – then Toronto needs support.

A Toronto Board of Trade study breaks down this figure, and values Toronto's federal fiscal balance at \$7.6 billion (with the remaining \$1.4 billion representing the gap between provincial taxes collected

and provincial expenditures in the city).¹¹ Whether this figure is precise or not is largely beside the point, because most commentators would agree that, whatever its exact level, Toronto's federal fiscal balance is large and negative. Far more important is how the Board of Trade's argument is framed. The advertisement does not call for increased funding from Ottawa or somewhere else in Canada to solve Toronto's problems. Rather, it says that the funds to fix Toronto's problems are generated by the city's own businesses and residents, and the public policy challenge is not to bring new monies to Toronto, but to keep those funds from leaving the city in the first place.

This way of reframing the question of municipal finances is quickly catching on in Toronto. But what has not been fully appreciated is the dramatic implication it may have for Torontonians' sense of their selves as citizens of a federal political community, especially one where a strong sense of national social solidarity is necessary for maintaining political support for significant levels of interprovincial redistribution. The not-so-implicit message in the Board of Trade's campaign is that Toronto, and perhaps by extension Ontario, should no longer fund federal transfers at the level that it has in the past. And underlying this message is an even more challenging one that strikes at the very heart of Canada's self-understanding. Since Confederation, the nation-building project has been understood to include the building of strong regional communities, including in rural Canada. The message now being sent is that this interpretation should be replaced with one which holds that in the twenty-first century, Canada's prospects depend largely on the growth and vibrancy of its principal urban centres.

I do not think the potential implications for Canadian federalism of the emergence of cities as sites of political identification is yet fully understood. To the extent that there has been any thinking at all, the focus has been on the juridical and financial empowerment of local government and the relative decline in provincial power. But the demand on the part of some urban centres, such as Toronto, to keep significant resources at home could have more wide-ranging implications for interprovincial redistribution. Rural Canada seems to have realized quite quickly that the cities agenda cuts against interprovincial redistribution and that an emphasis on major urban centres implies the lack of comparable expenditures on smaller municipalities. Pressure from these municipalities resulted in the morphing of the cities agenda into the 'communities agenda.' This defensive manoeuvre on the part of smaller rural centres – made possible by the over-

representation of rural Canada in the House of Commons – suggests that the old politics of interprovincial and inter-regional redistribution enjoys considerable resilience.

The second trend that could put the community of fate under strain is the increasing ethnic diversity of Canada, flowing almost entirely from extraordinarily high rates of immigration. This demographic shift shows up clearly in the 2001 census. There are two sets of statistics that I want to emphasize. First, at present, 18 per cent of Canadians are foreign-born, a rate second only to Australia's. Assuming current levels of immigration and Canada's relatively low birth rate continue, the percentage of foreign-born Canadians will only increase. Second, ethnic immigrants tend to concentrate in Montreal, Toronto, and Vancouver. Between 1996 and 2001, of the 1.2 million immigrants to Canada, 75.3 per cent went to those cities.

The impact on Canadian federalism of Canada's increasing ethnic diversity and the concentration of that diversity in Canada's urban centres is a question that has until recently been largely unexplored. Yet political arrangements, no matter how well designed by constitutional lawyers, will only function properly if they are animated by a sense that they are valuable and worthwhile. The institutions of Canadian federalism accordingly require the existence of a political culture of federalism. My sense is that federalism is in for a bit of a shock, because many recent immigrants do not identify with Canada's self-description as a federal political community; they have not taken to federalism in the same way that they have embraced other aspects of our constitutional identity, such as rights and the rule of law. Moreover, this asymmetric pattern of political identification will only intensify, because Canada has no option but to rely on extremely high rates of immigration to sustain our economic base.¹²

I suggest that ethnic immigrants have four stances on federalism: ignorance, indifference, anger, and frustration. First, ignorance means that many ethnic immigrants are only dimly aware of the constitutional arrangements that distribute governmental power in Canada. The ignorance, in extreme cases, is of the very existence of federalism. But probably more widespread is a lack of understanding about the relative powers and status of the different orders of government. Second, indifference towards federalism is part of a larger story regarding the character of democratic citizenship in twenty-first-century Canada. Many Canadians liken citizenship to consumerism, and view governments largely as sources of public services. Consumer citizens care

much less about who gets the job done than about the job being done well. To the extent that policy delivery straddles jurisdictional divisions, the attitude of indifference demands that governments cooperate and sort matters out in a constructive manner, providing seamless service to the citizen.

Third, for some immigrants, federalism is a source of anger or resentment. The difficulty here is that accounts of federalism offer up a conception of the Canadian political community with which immigrants find it difficult to identify, such as those conceptions which imagine the country as the union of two or three founding nations to which immigrants cannot trace their ancestry. Deploying the language of equality, ethnic immigrants have sought to challenge these historically oriented accounts of Canada and their reflection in public policy. The mobilization against the distinct society clause in the Meech Lake Accord is a well-known example. Finally, for many recent arrivals, federalism is a source of frustration if it impedes their economic and social integration because of a lack of policy coordination. The leading example is the difficulty faced by immigrants in securing the recognition of professional or trade credentials obtained abroad. Since Canada's immigration system rewards such credentials through the point system, immigrants are surprised to find when they settle in provinces that these same credentials are difficult to convert into a locally recognized qualification. To the extent that federalism prevents policy integration in this area, ethnic immigrants feel no loyalty toward it.

A failure of New Canadians to buy into and embrace the federal project, combined with the rise of cities as sites of political identification, could potentially be deployed to threaten the political viability of the existing federal-provincial transfer system. Let me explain the point this way. The federal-provincial transfer system is sustained by narratives of solidarity of the 'other Canada' – the idea that our fellow citizens in other parts of the country are deserving of a basic level of services, no matter where they are born, and no matter where they live. For two generations of Ontarians, the other Canada has been in other provinces – in Corner Brook, Prince George, Rimouski, and Yellowknife. But for many residents of Canada's major urban centres, especially the New Canadians and even many 'Old Canadians,' the other Canada is not in a distant part of our vast country to which they may have never travelled, and to which they have no family connections, but much closer to home. In Toronto, the other Canada is now in Thorncliffe Park, Malvern, and St James Town – namely, the growing

enclaves of poverty in our major urban centres that are taking on an increasingly racialized character, and which are at least in part a function of the well-documented difficulties that recent immigrants are facing in labour market integration.¹³ This new urban reality is very hard for residents of Canada's largest city to ignore, and is attracting increasing media attention.

If narratives of social citizenship undergird the federal-provincial transfer system, then changes to those notions of social citizenship that emphasize local bonds of solidarity could have dramatic implications for the financial structure of the Canadian federation. Instead of redistributing their income away to provinces, Torontonians may demand that it remain in the city, not for tax reductions, but to be redirected to a new target population. In effect, they may demand that the kind of energy and resources we have long invested in regional development projects in Northern and Atlantic Canada now be thrown at our deprived inner cities and immigrant populations. In concrete terms, these demands could manifest themselves in different sorts of policy prescriptions, all of them controversial, to change Ontario's federal fiscal imbalance. It may mean that the balance of federal-provincial transfers and direct transfers to individuals be shifted toward the latter. Alternatively, building on the demand of major urban centres for direct dealings between the federal government and municipalities, it may mean that the federal government introduce new federal-municipal or federal-provincial-municipal shared-cost programs that are focused on urban populations, directing more federal funds on a net basis into Ontario. Or most dramatically of all, it could mean a large tax point transfer to Ontario. Under any scenario, fiscal federalism would undergo a major upheaval, but of a far different kind than that envisioned by the Séguin Commission.

NOTES

Thanks to Jean-François Gaudreault-DesBiens for his excellent comments.

- 1 Quebec Commission on Fiscal Imbalance, *A New Division of Canada's Financial Resources* (Quebec: Quebec Commission on Fiscal Imbalance, 2002), available on-line at http://www.desequilibrefiscal.gouv.qc.ca/en/pdf/rapport_final_en.pdf (accessed 18 May 2004).
- 2 Royal Commission on Dominion-Provincial Relations, *The Rowell-Sirois*

- Report* (Ottawa: Queen's Printer, 1937); Province of Quebec, *Report of the Royal Commission of Inquiry on Constitutional Problems* (Quebec: Royal Commission of Inquiry on Constitutional Problems, 1956) (chair: T. Tremblay).
- 3 Council of the Federation, 'Press Release: A New Study Confirms the Existence of Fiscal Imbalance,' 8 March 2004. The study referred to is Conference Board of Canada, *Fiscal Prospects for the Federal and Provincial/Territorial Governments* (Ottawa: Conference Board of Canada, 2004). This study updates and expands upon an earlier Conference Board of Canada study, *Fiscal Prospects for the Federal and Québec Governments* (Ottawa: Conference Board of Canada, 2002), available on-line at http://www.desequilibrefiscal.gouv.qc.ca/en/pdf/board_en.pdf (accessed 18 May 2004), which provided the empirical support for the Séguin Commission's analysis.
- 4 Marie-Anne Deussing, 'Federal Taxes and Transfers Across Canada: Impact on Families,' Department of Finance Working Paper 2003-21 (Ottawa: Department of Finance, 2003), available on-line at <http://www.fin.gc.ca/wp/2003-21e.html> (accessed 18 May 2004). Finn Poschmann, 'Where the Money Goes: The Distribution of Taxes and Benefits in Canada' (Toronto: C.D. Howe Institute, 1998).
- 5 Finance Canada, 'A Brief History of the Health and Social Transfers,' available on-line at <http://www.fin.gc.ca/FEDPROV/hise.html> (accessed 18 May 2004); Finance Canada, 'Equalization Program,' available on-line at <http://www.fin.gc.ca/fedprov/eqpe.html> (accessed 18 May 2004).
- 6 Ontario, Ministry of Finance, *Public Accounts of Ontario, 2000-1* (Toronto: Queen's Printer for Ontario, 2001), 10.
- 7 Prime Ministers' Office, 'Prime Minister Announces New Equalization and Territorial Funding Formula Framework,' 26 October 2004, available on-line at <http://pm.gc.ca/eng/news.asp?category=1&id=300> (accessed 28 April 2005); Prime Ministers' Office, 'New Federal Investments on Health: Commitments on 10-year Action Plan on Health,' 15 September 2004, available on-line at: <http://www.pm.gc.ca/grfx/docs/FundingENG.pdf> (accessed 28 April 2005).
- 8 Arrangement between the Government of Canada and the Government of Nova Scotia on Offshore Revenues, 14 February 2005, available on-line at <http://www.fin.gc.ca/FEDPROV/NovaScotiaArr-e.html> (accessed 29 April 2005); and Arrangement between the Government of Canada and the Government of Newfoundland and Labrador on Offshore Revenues (14 February 2005), available on-line at <http://www.fin.gc.ca/FEDPROV/NfldArr-e.html> (accessed 29 April 2005).
- 9 Warren Lovely, 'Killing the Gold Goose?' *Canadian Financing Quarterly* (15 April 2005), available on-line at <http://research.cibcwm.com/>

economic_public/download/cfqapr05.pdf (accessed 29 April 2005).

- 10 Sujit Choudhry, 'Citizenship and Federations: Some Preliminary Reflections,' in Kalypso Nicolaidis and Robert Howse, eds., *The Federal Vision: Legitimacy and Levels of Governance in the US and the EU* (Oxford: Oxford University Press, 2001), 377-402.
- 11 Toronto Board of Trade, *Strong City, Strong Nation: Securing Toronto's Contribution to Canada* (Toronto: Toronto Board of Trade, 2002), available on-line at <http://www.bot.com/assets/StaticAssets/Documents/PDF/StrongCityRpt.pdf> (accessed 18 May 2004).
- 12 As Jean-François Gaudreault-DesBiens has suggested, the situation in Montreal may be different. He is of the opinion that ethnic immigrants' attitudes towards federalism and towards Canadian citizenship in Montreal are less homogeneous than in Toronto or Vancouver. The linguistic variable plays a significant role, as some ethnic groups such as South Americans, North Africans, and Haitians more easily integrate into the French-speaking mainstream society and are more likely to adopt some of its dominant narratives.
- 13 United Way of Greater Toronto and Canadian Council on Social Development, *Poverty by Postal Code: The Geography of Neighbourhood Poverty, 1981-2001* (Toronto: United Way of Greater Toronto, 2004), available on-line at http://www.unitedwaytoronto.com/who_we_help/pdfs/PovertybyPostalCodeFinal.zip (accessed 18 May 2004). Abdurrahman Aydemir and Mikal Skuterud, *Explaining the Deteriorating Entry Earnings of Canada's Immigrant Cohorts, 1966-2000* (Ottawa: Minister of Industry, 2004), available on-line at <http://www.statcan.ca/english/research/11F0019MIE/11F0019MIE2004225.pdf> (accessed 18 May 2004).

Social Justice in Overlapping Sharing Communities

ALAIN NOËL

The purpose of this volume is to reflect upon social justice in Canada, in the context of ongoing discussions on the distribution of resources and powers in the federation. In the beginning of 2002, Quebec's Commission on Fiscal Imbalance presented a report documenting the causes and consequences of fiscal imbalance in the federation and proposing a new distribution of financial resources in the country. The same year, in November, the Commission on the Future of Health Care in Canada recommended major changes in the sharing of powers and resources associated with health care. In the fall of 2004, a new federal government led by Paul Martin responded to these demands with commitments to improve the health transfer and to redesign the equalization program. It is still difficult to assess the significance of these new federal commitments. We know, however, that the stakes are high. With ever-increasing federal budgetary surpluses, the division of financial resources among orders of government is changing rapidly and this will have a profound impact on the Canadian federation and, more broadly, on Canadian society.

Is the federal government going to return to its early postwar role as the dominant player in social policy? Or are new arrangements gradually emerging that will allow the different governments to collaborate effectively, perhaps with some form of asymmetric relationship with Quebec? Can social justice be maintained through this process, in the different communities and in the country as a whole? Are some institutional arrangements more sustainable than others?

It is probably a sign of the times that these issues were raised at a law school colloquium, usually a forum more concerned with questions associated with constitutional law, individual and collective