

Notes on the economic development implications of a strengthened economic union

Q. Do the proposed "economic union" provisions unreasonably constrain provinces in supporting economic development?

A. No, because only outright discrimination on basis of province (of residence, origin, destination etc.) would be prohibited.

Can still influence factors of development in many ways, including powers over

- natural resources
- labour (education, training, relations)
- land use, municipalities etc.
- local infrastructure

and providing non-neutral treatment on other bases, such as:

- sub-provincial regions
- disadvantaged groups
- industrial sectors

Supplementary

- In fact, applying discriminatory provincial barriers is only one of many techniques by which provinces can "beggar their neighbors" economically. The federal government looked at going further with constitutional provisions, but recognized that it would be necessary to be increasingly precise and selective to ensure that legitimate prerogatives not impaired. Decided to leave such matters as - industrial incentives programs and decisions on major development projects (where more than one province interested) for institutional policy resolution rather than constitutional decree.

Q. What would be the effect on the federal government?

A. Balanced against some limited loss of flexibility in policies (particularly procurement and employment), the federal government would gain the assurance that provinces would not be able to "hoard" their natural resources. Of more concern to federal government interests in economic development would be any limitations on the use of its spending power, as much of the "supply" requirements for development (eg. physical resources, manpower, land use) fall largely within the provincial domain.

them. The interests of all nations are becoming increasingly reliant on their economic development attributes, such as the capacity to develop and apply technology and the availability of critical resources. Canada finds itself relatively well placed in this regard, but dependent on vague mandates when it comes to responsibilities for marshalling our economic strengths and making economic development choices.

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July 6, 1980

ECONOMIC DEVELOPMENT AND THE CANADIAN CONSTITUTION:  
AN INTRODUCTION

Economic development comprises all of those elements and operations which influence the pace and pattern of economic activity over time. Broadly speaking, the principal components of economic development can be seen as the inputs to, or factors of, production (such as physical resources, energy, capital, human resources, infrastructure and technology), the demand for output, and the institutional arrangements within which economic interaction takes place.

At the time of Confederation, governments sought to influence economic activity in a number of ways, but were not involved in the management of the economic development process as it is known today. Accordingly, the subject was not dealt with explicitly in the B.N.A. Act. As the "Framework for Discussion" describes, economic development powers have been derived from the assignment of jurisdiction in particular economic fields, such as transportation and natural resources, as well as over broader heads such as trade and commerce, and property and civil rights.

In practice, for many decades federal attention concentrated on the management of demand (through stabilization and the maintenance of domestic and international markets), and on supporting infrastructure of national significance, particularly in the transportation field. Provincial governments concentrated on what can be called the supply side of the economy, notably through the management of public lands and resources, and the control of education. This arrangement seemed to allow for a reasonable functional distribution of responsibility which, to simplify somewhat, saw the federal government creating the general environment for economic development and provincial governments influencing the nature of the development within each province.

This is not to say that the arrangement has been fully satisfactory, as is illustrated by long-standing regional concerns about national economic policies such as the tariff, as well as national concerns about regional imbalances in economic performance and opportunity. Added to these traditional pressures for a more effective balancing of federal and provincial economic development interests is the rapidly increasing complexity of the international and domestic economies and of the role of governments concerning them. The interests of all nations are becoming starkly reliant on their economic development attributes, such as the capacity to develop and apply technology and the availability of critical resources. Canada finds itself relatively well placed in this regard, but dependent on vague mandates when it comes to responsibilities for marshalling our economic strengths and making economic development choices.

In setting out the support and promotion of economic development as one of the major economic responsibilities of governments, the federal government has no precast views on how it should be addressed in the process of constitutional reform. Indeed, it is not clear, given the encompassing nature of the subject, that it should be dealt with as a general head. What is clear is that economic development is a major concern of modern governments, and that in a federation such as Canada it must involve both levels of government. Accordingly, it is the view of the federal government that:

- (1) the implications for the economic development capabilities of the two levels of government should be taken into account as priority items in the economic development are examined in negotiations to September; and
- (2) in subsequent phases of constitutional reform, consideration should be given to the advisability of dealing more explicitly with economic development responsibilities and powers, in either general or specific terms.

Why is economic development of concern in constitutional review?

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Condensary

As the "Framework for Discussion" describes, economic development powers have been derived from the assignment of jurisdiction in particular economic fields such as transportation and natural resources, as well as from broader heads such as trade and commerce, and property and civil rights.

In practice, for many decades federal governments concentrated on the management of demand through credit control and the maintenance of domestic and international markets, and supporting infrastructure of national and international, particularly in the transportation fields. Provincial governments concentrated on what can be called the supply side of the economy, notably through the management of public lands and resources, and the control of a large part of the production of goods and services. In the 1960s, however, the federal government shifted its focus to the supply side of the economy, and in particular to the management of the supply of goods and services. This shift was a result of the federal government's growing concern with the economic development and the management of the supply side of the economy.

(same as text:  
Q+A format)

CONFIDENTIAL

July 7, 1980

ECONOMIC DEVELOPMENT AND THE CANADIAN CONSTITUTION:  
SOME INTRODUCTORY QUESTIONS

- Q. What does the federal government have in mind when it talks about "economic development"?
- A. Economic development comprises all of those elements and operations which influence the pace and pattern of economic activity over time.

Commentary

Broadly speaking, the principal components of economic development can be seen as the inputs to, or factors of, production (such as physical resources, energy, capital, human resources, infrastructure and technology), the demand for output, and the institutional arrangements within which economic interaction takes place.

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Commentary

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This is not to say that the arrangement has been fully satisfactory, as is illustrated by long-standing regional concerns about national economic policies such as the tariff, as well as national concerns about regional imbalances in economic performance and opportunity. Added to these traditional pressures for a more effective balancing of federal and provincial economic development interests is the rapidly increasing complexity of the international and domestic economies and of the role of governments concerning them. The interests of all nations are becoming starkly reliant on their economic development attributes, such as the capacity to develop and apply technology and the availability of critical resources. Canada finds itself relatively well placed in this regard, but dependent on vague mandates when it comes to responsibilities for marshalling our economic strengths and making economic development choices.

- Q. What is the position of the federal government concerning economic development and the Constitution?
- A. In setting out the support and promotion of economic development as one of the major economic responsibilities of governments, the federal government has no precast views on how it should be addressed in the process of constitutional reform.

Commentary

It is not clear, given the encompassing nature of the subject, that it should be dealt with as a general head. What is clear is that economic development is a major concern of modern governments, and that in a federation such as Canada it must involve both levels of government. Accordingly, it is the view of the federal government that:

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