G. Stevenson, “Federalism and the Political Economy of the Canadian State,” in L. Panitch, ed., *The Canadian State: Political Economy and Political Power* (Toronto UTP, 1977)

**Overview**

The essay aims to provide the outline of an explanation both of the historical evolution of Cdn federalism and its present situation, seeking to draw attention to the economic factors that contribute to this political phenomenon. It is also an attempt to discover how successfully insights derived from Marxist writings on the capitalist state can be adapted to the peculiar circumstances of Canada’s decentralized federalism.

**Background**

* Analyses of the state from a Marxist perspective have given little attention to federalism
* Canada is an interesting case for those intending to construct a theory of federalism, since it seems to constitute an exception to a general trend towards centralization and the erosion of local power in advanced capitalist countries, including those that are formally federal\*\*\*
* Unlike the US, Canada over the past generation has seen its provinces gain in power and vitality
* A theory of state which ignores the dimension of federal-provincial relations is useless for Cdns seeking to understand or change their society
* In developing such theories, Marxists – in particular – ought to be skeptical of theories that lean too heavily on ethnic or “cultural” differences as explanatory variables, even when those differences are genuine, such as in the case of Quebec and ROC
* Economics and the BNA Act – support for Confederation was not confined to the Cdn bourgeoisie – either industrial or mercantile. Confederation was not really the establishment of a new state, but rather the adaptation of an existing state to new purposes and new circumstances
* BNA Act gave resources to the provinces – and in 1867, Section 109 seemed relatively unimportant as mining was almost non-existent.
* The resources under provinces began to acquire major economic, and therefore political, significance before the turn of the century
* These resources became hugely important in building the post-war strength of the provinces – as they expanded rapidly, mainly in response to American needs and with the aid of American direct investment
* Recession of the late 1950s slowed American investment, contributing to an increasingly ferocious competition among the provinces to attract direct investment from outside the country or lure it away from one another with tax concessions, subsidies, and the provision of infrastructure and services out of the provincial treasury
* Institutions and structures of provincial states underwent considerable development in the post-war period, reflecting increasing importance of their functions – legislatures were redistributed to the benefit of the urban bourgeoisie, political patronage gave way to merit principle in provincial administrations, quasi-public boards were developed, state ownership of utilities instituted or expanded, etc. These changes had 3 effects:
  + The modernized provincial state was a far more effective instrument for the promotion of bourgeois interests than the primitive small-scale state of earlier years
  + Ties between the provincial state and the bourgeois were strengthened, particularly by the merit system which in a capitalist economy almost ensures a circulation of elites between the corporations and the state, as well as the isolation of state administration from the influence of political parties that may represent other classes
  + A vast number of state functionaries at provincial level emerged
* Provincial expenditure increased – resulting in (1) conflict between the provinces and Ottawa; and (2) provinces dove into debt