R.L. Watts, *Spending Power in Federal Systems: A Comparative Study* (Kingston, 1999) p 1-8, 63-5

**Overview**

Purpose of the study is to review key issues associated with federal spending power in selected other federal systems and the EU. The

**Background**

* Federal spending power and its use has been an important and controversial element in the operation of Cdn federation
* “Spending Power” has come to refer to the power of Parliament to make payments to people, institutions, or provincial govts for purposes on which Parliament does not necessarily have the power
* In 1969 – Trudeau govt presented a proposal to Fed-Prov FMC which tentatively advanced certain principles about spending power:
  + The federal spending power should be formally entrenched in constitution
  + Parliament should have an unrestricted power to make conditional grants to provincial govts for the purpose of supporting their programs and public services
  + Parliament’s power to initiate cost-shared programs involving conditional grants in areas of provincial jurisdiction should require both a broad national consensus and per capita reimbursement of the people (not the government) of a province whose legislature decided not to participate
* Similar approach developed as part of the “best efforts draft” during 1978-79 constitutional discussions with the provinces
* Ds
* Following 2 failed mega-constitutional reforms, the issue of federal spending power remained unresolved.

**Conclusions and Implications for Canada**

* There is an enormous range of variations in financial arrangements between federations – nonetheless, three general (if cautious) lessons can be drawn:
  + First, all federations have been marked by considerable overlap and interdependence, especially in social policy and programs. Trying to separate these has proven impossible – thus attempting to confine the activities of federal and provincial governments to separate, watertight compartments, would be self-defeating in the long run
  + Second, since interdependence is unavoidable, some federations have made provision for provinces/states to have a role in designing and approving federal spending in areas of their legislative jurisdiction
  + Finally, among federations, Canada stands out in the recognition of provincial autonomy through the relatively low degree of conditionality attached to most federal transfers to provinces