SOCIAL EXPERIMENTS AND SOCIAL POLICY FORMULATION:

A STUDY OF

THE MANITOBA BASIC ANNUAL INCOME EXPERIMENT

by

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ABSTRACT

In 1973 the Government of Canada and the ten provinces agreed to undertake jointly a complete review of Canada's social security system. The review and development of policy options was scheduled to be completed by 1975 with the implementation of chosen options to take a further two or three years. A prominent and much debated policy option with respect to income security was a guaranteed annual income.

In 1974 the Government of Canada and the Province of Manitoba agreed jointly to undertake a guaranteed annual income experiment called the Manitoba Basic Annual Income Experiment. The primary research purpose of the experiment was to provide information respecting the labour supply response of the recipients of a system of guaranteed annual income payments. The experiment officially ended in March, 1979, but did not report on the labour supply response.

This study examines the history and fate of the Manitoba Basic Annual Income Experiment. Two major conclusions are drawn. The first conclusion is that the Government of Canada had decided shortly after the experiment had begun that it would not support a one-tiered guaranteed annual income program such as was being tested by the experiment. The second conclusion is that social policy research that requires the use of rigorous and complex social science methodology should be considered an important part of the normal policy-making process, but should be conducted by a research body that is independent of the initiating government(s).

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Chapter I

INTRODUCTION

In the early 1970s two significant events took place in the field of social policy in Canada. The first event (little publicized) was a jointly funded, multi-million dollar social experiment called the Manitoba Basic Annual Income Experiment (dubbed Mincome Manitoba) which was designed to investigate the economic and social consequences of a guaranteed annual income delivered as a negative income tax program.[1] This was the first time in Canada that the social experimentation method had been employed to assist in the development of public policy.

The second important event (much publicized) was an extraordinary research effort constituting a federal-provincial review of social security programs and policy called the Social Security Review.[2] This was a politically directed, three-year review which set out to evaluate Canada's entire system of social security including financial and jurisdictional responsibilities. Because the primary concern of the Review with respect to income security was to consider the means whereby all Canadians - unemployed and employed - could be assured access to a minimum, basic income, it was expected that a guaranteed

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[1] Derek P.J. Hum, 'Social Security Reform during the 1970s', in Canadian Social Welfare Policy, ed. Jacqueline S. Ismael, (Kingston and Montreal: McGill-Queen's University Press, 1985), p. 29.

[2] Ibid., p. 29.

annual income program of some type would be recommended. Indeed, as Derek Hum and Wayne Simpson note: "Although the aim of the review was to be new arrangements for sharing the costs of social programs, a guaranteed annual income for all Canadians was never far from centre stage in intergovernmental discussions".[3] A joint news release issued by the governments of Manitoba and Canada in 1974 stated that the experiment was expected to make an important contribution to the review of social security programs.[4]

These two events, then, were connected in both thought and purpose as well as in timing in that the experiment was expected to play an important role in the policy review and formulation process.[5] That an experiment to test a guaranteed annual income approach based on the negative income tax model should converge with the policy review process seemed obvious because the political and economic feasibility of a negative income tax program depends in large part on the expected labour supply response. In fact:

> Labour supply response is an important issue in income maintenance and other social policy evaluation since work disincentives are a powerful argument against such program initiatives. Time and again, suggestions to reform either income support or social insurance programs in Canada have pressed against the fear that altering benefits for those capable of work might prove counterproductive. At its core, the worry is that cash transfers would diminish work incentives.[6]

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[3] Derek Hum and Wayne Simpson, 'Income Maintenance, Work Effort, and the Canadian Mincome Experiment', Economic Council of Canada, (July 1991), p. 3.

[4] Ibid., p. 44.

[5] Hum, 'Social Security Reform during the 1970s', p. 33.

[6] Ibid., p. xvi.

Hence there seemed little purpose to further policy discussion of a guaranteed annual income approach without first "getting the facts" concerning the labour supply response.[7] The purpose of the Mincome Manitoba experiment was to provide factual and quantitative information on this crucial and controversial question as it was not expected that reliable estimates of the labour supply response to a guaranteed annual income could be generated from conventional data.[8]

Thus it seemed at the time as if policy concerns and research interests had "collided favorably in a happy combination of need and opportunity".[9] It could have been expected, therefore, that the experiment would make a significant contribution to the policy review and formulation process. This, in fact, did not happen as the Manitoba Basic Annual Income experiment never did provide timely answers concerning work incentives for the Social Security Review.[10]

1.1 RESEARCH ISSUE

In 1977 the Executive Director of the experiment declared that although the history of the Mincome Manitoba experiment had been an unsettled and difficult one, he firmly believed that it provided evidence that there is an important place for rigorous scientific investigation in social policy development.[11] In 1979 both the

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[7] Hum and Simpson, p. 92.

[8] Ibid., p. 3.

[9] D. Hum, 'Poverty, Policy and Social Experimentation in Canada: Background and Chronology', (Draft of a paper prepared for the Economic Council of Canada, 1979), p. 3.

[10] Hum and Simpson, p. 4.

Government of Canada (Canada)[12] and the Province of Manitoba (Manitoba) declared that the Manitoba Basic Annual Income Experiment had been completed successfully.[13]

The claim that the experiment had been completed successfully and that it provided evidence that there is an important place for rigorous scientific investigation in social policy development must be qualified in light of two observations. First, the information produced by the experiment had no bearing whatsoever on the outcome of the review of social security policy undertaken through the Social Security Review. Second, the data generated by the experiment respecting the labour supply response to a system of guaranteed income payments was not analyzed until 1987 - nearly ten years after the experiment had ended. From the point of view of the integration of social science research with the policy process, the experiment was a complete failure.

Much has been written by social scientists and others as to why social science research has been so little utilized in the policy-making process and has had such little impact on policy decision-making.[14] The explanations can usually be classified in one

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[11] Executive Director, Mincome Manitoba, Statement to the Federal-Provincial Conference on Government Research in the Field of Social Security, March 17, 1977.

[12] Reference will be made to either the "federal government" or "Canada" when referring to the national government depending upon the context and sentence structure.

[13] Draft Press Release, 'Monique Begin Encourages Careful Informed Approaches to Social Policy', February 22, 1979.

[14] Nathan Caplan,, Andrea Morrison, and Russell J. Stambaugh, The Use of Social Science Knowledge in Policy Decisions at the National Level, (Ann Arbor: The University of Michigan, 1975), p. x.

of three ways: explanations based on differences in approach, understanding, language, and priorities between social scientists and policy decision-makers; fact versus value situations wherein political and personal values override adequate considerations of factual information; and incrementalist versus rationalist approaches to policy formulation wherein an incrementalist approach is usually adopted due to the necessity of reaching a compromise. Canada, in fact, has been cited by a former senior public official with the federal government and the Province of Saskatchewan as a country "notable for the gulf between the theory and practice of the social sciences, and in particular between academicians and practitioners".[15] Indeed, in 1968 the Economic Council of Canada stated that the support given to research in the social sciences in Canada had been totally inadequate.[16]

The purpose of this study is to review the Manitoba Basic Annual Income experiment in an attempt to explain why it failed to play any role in the policy review and formulation process. The "policy-making process" is taken to suggest the organization of the behaviour of a number of interested parties within a certain political structure which gradually shapes and molds a response to a public issue from the definition of the issue through to the governmental response.[17] The

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[15] A.W. Johnson, 'Canada's Social Security Review 1973-75: The Central Issues', Canadian Public Policy, (Autumn 1975), p. 456.

[16] Economic Council of Canada, 'Fifth Annual Review', pp. 52-53.

The Economic Council of Canada was established by the federal government in 1963 to act as an independent advisory body with broad terms of reference to study, advise, and report on an extensive range of matters relating to Canada's medium- and long-term economic development.

primary focus of this study is the role that the federal government played in the policy process with respect to both the Mincome Manitoba experiment and the Social Security Review.

Donald Smiley, however, has cautioned that those "concerned primarily with substantive issues often proceed in complete neglect of the structures and processes of public authority".[18] In Canada this is particularly to be avoided as the federal arrangement has had an enduring and pervasive (if not overriding) impact on the formulation of public policy, especially social policy. Indeed, as Leslie Pal has noted, federalism "has been a subject of endless fascination for Canadian political scientists, since so much of Canadian policy making seems to involve intergovernmental bargaining."[19] Attempting to understand the role that social science research can play in the policy process in Canada or, in the case of the Mincome Manitoba experiment, attempting to explain why it failed to plan any role whatsoever, must therefore take into account Canada's federal arrangement. This study, therefore, emphasizes the federal-provincial aspects of the Social Security Review and the Mincome Manitoba experiment.

Derek Hum has pointed out that there are many unanswered questions concerning the Mincome Manitoba experiment that can only be dealt with adequately by a full account of the experiment and its relation to the

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[17] Leslie A. Pal, Public Policy Analysis, (New York: Methuen Publications, 1987).

[18] Donald V. Smiley, Canada in Question: Federalism in the Seventies, (Toronto: McGraw-Hill Ryerson, 1972), Introduction.

[19] Pal, p. 31.

Social Security Review.[20] It is hoped that this account of the Mincome Manitoba experiment will make a contribution to the literature respecting social experimentation. It is also hoped that it will provide some insight into the relationship between social science research and social policy formulation in Canada.

The methodological approach is that of a case study. The objective of the case study is to capture the particular and unique rather than to determine the relationships between a number of examples.[21] Hence, case studies do not lend themselves to generalizations and broad inferences respecting the object of study. Rather, the case study provides an intensive and detailed explanation of the phenomena under review which may then be used for comparative purposes in support of broad inferences based on a number of examples. Conclusions based on this one example are thus advanced in full view of the fact that they cannot necessarily be generalized as explanations of other similar situations.

The primary source of information and documentation is the extensive administrative files concerning the experiment which include planning and discussion papers, correspondence, departmental position papers, ministerial and cabinet briefing papers, and draft and signed agreements. Secondary sources include newspaper accounts and materials in the libraries at the London School of Economics, the University of Manitoba, the University of Winnipeg, and the Manitoba

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[20] Hum, 'Social Security Reform during the 1970s', p. 43.

[21] H. Eckstein, 'Case Study and Theory in Political Science', in Strategies of Inquiry Handbook of Political Science, eds. F. Greenstein and N.W. Polsby, (Manila: Addison-Wesley, 1975).

Legislature. Finally, conversations were held with a limited number of senior administrators and officials involved with the experiment.[22]

1.2 THE MINCOME MANITOBA EXPERIMENT

In 1969 the Province of Manitoba expressed an interest in exploring the feasibility of a guaranteed annual income program. In March, 1973, Manitoba submitted a research proposal to the Government of Canada (which had invited all of the provinces to submit proposals) requesting Canada's participation in a cost-shared guaranteed annual income experiment in the Province of Manitoba. Two months later the two governments approved the Manitoba proposal in principle. In the spring of 1973 detailed design work for the experiment was begun by federal and provincial researchers. On June 4, 1974, Canada and Manitoba signed a formal agreement in which the design of the experiment, the research objectives, and the respective roles of the two governments were outlined.

The decision by Canada and Manitoba jointly to undertake a guaranteed annual income experiment came at a time when considerable interest and debate were being devoted to social security issues. Of concern to both the provinces and Canada was the level of public

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[22] The survey research (formal questionnaires) method has been found to be inappropriate at the higher levels of policy-making. Peter Aucoin, 'Theory and Research in the Study of Policy-making, in The Structure of Policy-Making in Canada, ed. G. Bruce Doern and Peter Aucoin, (Toronto: The Macmillan Company of Canada, 1971), p. 30.

C.A. Moser and G. Kalton note that "interviewing is without doubt generally the most appropriate procedure, even though it introduces various sources of error and bias." C.A. Moser and G. Kalton, Survey Methods in Social Investigation, (New York: Basic Books, Inc., 1972), p. 271.

expenditures on social assistance programmes, the extent to which social assistance discouraged individuals from seeking low-wage work, and the plight of the "working poor" who were for the most part ineligible for social assistance regardless of need.[23] Of particular concern to the provinces was the extent of federal government involvement in the area of social policy which, from the provinces' the point of view, is an exclusively provincial matter under the constitution. Of major concern to the federal government was the state of federal-provincial relations after the failure in 1971 of constitutional talks to resolve the issue of jurisdiction in the area of social policy. In response to these and other concerns, in 1973 the federal government initiated a complete review of Canada's social security system in which the idea of a guaranteed annual income policy became a prominent policy option.

It was expected that there would be a close liaison maintained between the Mincome Manitoba experiment and the Social Security Review.[24] As a joint news release by the two governments in February, 1974, proclaimed: "The Manitoba experiment is expected to make an important contribution to the review of Canada's social security system launched last April by all ten provinces and the federal

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[23] Peter M. Butler, 'Establishments and the Work-welfare Mix', The Canadian Review of Sociology and Anthropology, (May 1980), p. 138.

[24] R.S. Hikel, M.E. Laub, and B.J. Powell, 'The Development and Design of the Basic Annual Income Experiment in Manitoba: A Preliminary Report', (For presentation to the Canadian Sociological and Anthropological Association, August 26, 1974), p. 4. The authors were respectively the Director of Mincome Manitoba, Research Director of Mincome Manitoba, and the Director of the Experimental Research Unit, Policy Research and Long Range Planning Branch, National Health and Welfare.

government".[25] In fact, there was a strong structural relationship established between the experiment and the Social Security Review. Federal officials participating in the experiment were under the overall authority of the Assistant Deputy Minister, Department of National Health and Welfare who was also the chairman of the federal-provincial Working Party on Income Maintenance, the group responsible for joint studies of income assistance alternatives. The chief delegate from Manitoba to the Working Party was at the same time the director of the group planning the experiment in Manitoba. Furthermore, the Ministers of Welfare from Manitoba and Canada responsible for the Review were also responsible for the experiment.

Funding for the experiment was based on a 75/25 cost-sharing ratio between Canada and Manitoba respectively, with total costs not to exceed $17.3 million. Operational responsibility resided solely with Manitoba and was carried out by an agency called Mincome Manitoba created under the auspices of the Manitoba Department of Health and Social Development. Canada was to maintain an active role in the monitoring and approving of decisions concerning the design of the experiment and its research objectives.

The primary research objective of the experiment was to test the hypothesis that a guaranteed annual income, administered as a negative income tax program, would have an adverse impact upon the work behaviour of recipients. An important, but secondary, objective was to determine the most cost-effective means of administering such a guaranteed annual income program on a national basis. In addition, a

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[25] Hum and Simpson, p. 44.

number of tertiary research objectives were identified such as the effect of guaranteed annual income payments on marital stability and mobility.

Payments to participants in the experiment began during the first months of 1975 and ended in March, 1979, as did the collection of data concerning the experiment. Upon the termination of the experiment the data was put into storage. No analysis of the data was conducted regarding the labour supply response during the actual term of the experiment. Thereafter, in 1981, the data base was turned over to a specially formed research unit created at the University of Manitoba called the Institute for Social and Economic Research. The Institute was mandated "to execute a feasibility study of the data, and to prepare it for analysis by qualified researchers".[26] In 1983 the Institute reported that the feasibility stage was well under way and that research using most of the data was now possible.[27]

The data produced by the experiment measuring the labour supply response were first analyzed in 1987.[28] The analysis found that the main difference between the results of the Mincome Manitoba experiment and the income maintenance experiments conducted in the United States

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[26] Institute for Social and Economic Research, Mincome User Manual, University of Manitoba, (February 1983), p. 1.

[27] Ibid., p. 1.

[28] W. Simpson, D. Hum, D. Sabourin, and A. Basilevsky, 'Family Labour Supply Behaviour of Low-Income Families in the Manitoba Basic Annual Income Experiment', (Unpublished mimeo, December 1987), referenced in Mario Iacobacci and Mario Seccareccia, 'Full Employment versus Income Maintenance: Some Reflections on the Macroeconomic and Structural Implications of a Guaranteed Income Program for Canada', Studies in Political Economy, (Spring 1989), p. 149.

was that the labour responsiveness of husbands exceeded that of wives and single parent heads.[29] It was, however, the opinion of at least one researcher that the data was of quite poor quality.[30]

In 1991 Hum and Simpson revisited the data and later in the same year released a study that had as its objective "to review and interpret the evidence concerning the effect of income transfers on labour supply in detail".[31] They reported that, compared to the income maintenance experiments conducted in the United States, the labour supply response from the Mincome Manitoba experiment was lower for men and married women and similar for single female heads of households.[32] (Caution, however, was advised with respect to such comparisons.) A major conclusion was that "the labour supply response to changes in the tax-transfer system, such as those involved in income maintenance programs, will be small".[33]

In the opinion of Hum and Simpson much more analysis of the Mincome Manitoba data are possible and, furthermore, "it bears repeating that the Mincome data set remains the most richly detailed longitudinal data on labour supply behaviour in Canada today".[34] Moreover, they recommend the continued use of social experimentation for policy

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[29] Mario Iacobacci and Mario Seccareccia, 'Full Employment versus Income Maintenance: Some Reflections on the Macroeconomic and Structural Implications of a Guaranteed Income Program for Canada', Studies in Political Economy, (Spring 1989), p. 149.

[30] Provided in conversation by one of the researchers.

[31] Hum and Simpson, p. 4

[32] Ibid., p. xiv.

[33] Ibid., p. 91.

[34] Ibid., p. 92.

research because although "the cost of social experimentation is high, so too are the costs of repeated non-experimental research and ill-advised social policy decisions".[35]

The remainder of this chapter will provide background information related to the evolution of Canada's social security system, the federal arrangement in Canada, and the policy and political environment at the time the Mincome Manitoba experiment was initiated. The purpose of providing this background material is to put the experiment and Social Security Review into the political and social context of the time.

1.3 SOCIAL SECURITY IN CANADA

Over the last century, through a piecemeal process, Canada has created a vast complex of social programs dealing with health, education, and income security needs. Bruce Doern and Richard Phidd separate the meaning of the phrase "social policy" into two parts.[36] First is social welfare policy (in this study also referred to as social security policy) which refers to income security and social services and therefore includes ideas of redistribution, equity, and stability. The second part, often summarized under the phrase "quality of life", includes cultural policy, language policy, broadcasting, individual and human rights, law enforcement, and a host of other policy fields. The primary focus of this section is on the development of social welfare policy generally and income security in

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[35] Ibid., p. 92.

[36] G. Bruce Doern and Richard W. Phidd, Canadian Public Policy, (Toronto: Methuen Publications, 1983) pp. 360-362.

particular.

From a narrow and solely constitutional point of view, jurisdiction for the provision of social welfare is the responsibility of the provinces.[37] This constitutional allocation of responsibility is consistent with the idea that the national government should have the major and most important powers with the provincial governments being assigned responsibility for matters considered to be of a minor and local nature. In strict legal terms this means that it is only the provinces which have the constitutional right to regulate with respect to social welfare matters.[38]

The evolution of the social welfare policy in Canada (as in other Western countries) can be roughly divided into three periods: before the First World War; the First World War and the inter-war period; and the Second World War and the years since. From 1867 to the First World War the provinces delegated much of the responsibility for welfare matters to their parishes and municipalities.[39] Thus up until the First World War social assistance programs in Canada were largely shaped by the local nature of social and economic needs and interests. Furthermore, social welfare legislation that was enacted in Canada between 1867 and 1900 was largely limited to the protection of

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[37] David Wolfe, 'Social Policy Issues Absent in Constitutional Debate', Perception, (A magazine published by the Canadian Council on Social Development.) (Nov.-Dec. 1980), p. 13.

[38] Keith Banting, The Welfare State and Canadian Federalism, (Kingston: McGill-Queen's University Press, 1987), p. 52.

[39] In the 1970s only in the provinces of New Brunswick, Newfoundland, Prince Edward Island, and the two territories was social assistance fully centralized. Christopher Leman, The Collapse of Welfare Reform: Political Institutions, Policy and the Poor in Canada and the United States, (Cambridge: The MIT Press, 1980), p. 38.

neglected and delinquent children and little else.[40] It is the opinion of some that the record of municipal and provincial efforts with respect to social welfare measures during this period is not a distinguished one.[41]

During the First World War and the inter-war period industrialization, the economic and social disruptions of the Depression, and internal migration from rural to urban centres recast the problems of social welfare from being a purely local concern to being regional and national in character and magnitude. Moreover, the financial resources of the municipalities quickly came to be completely unequal to the task of providing the required relief. The result was that both the provinces and the federal government (but especially the provinces) were forced to begin assuming more direct policy and financial responsibility.[42] However, with the growing demand for welfare services it became increasingly difficult for provincial governments to meet the required expenditures out of the tax sources available to them. Finally, faced with the catastrophe of the Depression, "the provinces were virtually begging the federal government to take over responsibility for unemployment relief"[43] as a

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[40] Joanne C. Turner, 'The Historical Base', in Canadian Social Welfare, eds. Joanne C. Turner and Francis J. Turner, (Don Mills: Collier Macmillan Canada, Inc., 1986), p. 54.

[41] Brian Wharf, 'Social Welfare and the Political System', in Canadian Social Welfare, eds. Joanne C. Turner and Francis J. Turner, (Don Mills: Collier Macmillan Canada, Inc., 1986), p. 103.

[42] Clarence L. Barber, 'Welfare Policy in Manitoba', (A Report to the Planning and Priorities Committee of the Cabinet Secretariat, Province of Manitoba, 1972), p. 11.

[43] L.A. Kelly, 'Emerging Social Security Issues', Industrial Relations Centre, Queen's University, Kingston, Ontario, (1969), p. 4.

means of getting federal financial assistance. The result was that although throughout the 1920s the federal government had become hesitantly involved in the area of social welfare, the Depression ensured that its further and continuing involvement became a certainty.

In Canada, as elsewhere, 1941 to 1975 is conventionally identified as the period marking the advent of what is referred to as the welfare state.[44] (The welfare state has been defined as a collection of institutions that effect transfers of income from one set of individuals to another set of individuals whose members are less fortunate by some measure of "fortune").[45] As in Britain with the Beveridge Report,[46] the structure of Canada's social security system can largely be credited to the efforts of one man, Lenard Marsh, who in 1943 presented his 'Report on Social Security' to the House of Commons' Special Committee on Social Security. Michael Bliss describes the Marsh Report as a "pivotal document in the development of war and post-war social security programs, the equivalent in Canada of the Beveridge Report in Great Britain".[47] In fact the Marsh Report

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[44] A. Moscovitch, 'The Rise and Decline of the Canadian Welfare State', Perception, (1982), p. 26.

[45] G. Daly and F. Giertz, 'Welfare Economics and Welfare Reform', American Economic Review, (March 1972).

[46] The central concept underlying the Beveridge Report was that of a national minimum whereby every citizen irrespective of circumstances, need or any means test would be entitled, as a matter of right, to a basic income sufficient for the essentials of life. This goal was to be achieved through a combination of social insurance, private insurance, and a system of children allowances. Karl de Schweinitz, England's Road to Social Security, (New York: A.S. Barnes & Company, 1943), p. 230.

[47] Michael Bliss, Preface to 'Report on Social Security in Canada', by Lenard Marsh, (first published in 1943), p. ix.

heralded the commitment to a full-scale welfare state along the same lines as envisaged by the Beveridge Report.[48] The essence of the Marsh Report can be found in its suggestion of a "social minimum" that was to be secured through the integration of children's allowances, social assistance, and social insurance.[49]

After the Second World War a number of factors including the effect of the Marsh Report, the adoption of Keynesian economic policies,[50] the commitment of successive federal governments to the goals of the welfare state, the "reform" liberalism of the Liberal Party of Canada, the fiscal impotence of the provinces, and problems of national unity (all of which will be discussed later in this chapter) compelled the federal government to initiate and implement a host of social security programs. In 1949 nine categorical programs in the health field were started. Federal grants to provincial universities were begun in 1952. Joint federal-provincial programs were continued or begun to provide financial assistance to the elderly, disabled, blind, and those individuals who were unemployed but did not qualify for unemployment insurance. In 1957 a national hospital insurance plan was established to be administered by the provinces. Federal aid for vocational education was begun in 1960. In 1965 the Canada Pension Plan was established and in 1966 the Canada Assistance Plan (CAP) both

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[48] William Christian and Colin Campbell, Political Parties and Ideology in Canada, (Toronto: McGraw-Hill Ryerson, 1990), p. 63.

[49] Michele Bergeron, Social Spending in Canada, (Toronto: Canada Council on Social Development, 1979), p. 1.

[50] Keynesian economics, in a simplified form, has had an enormous effect on economics and the economies of liberal democratic countries. Allan Budd, The Politics of Economic Planning, (Manchester: Manchester University Press, 1978), p. 27.

of which the Province of Quebec "opted out" of as a means of asserting its autonomy. In 1968 a national medicare scheme was established which was to be the last significant social welfare measure initiated by the federal government. In addition to these major programs there were hundreds of other minor agreements established in various sectors such as agriculture, housing, and transportation.

Most if not all of the provinces resented the fact that these policies were for the most part initiated, designed, and "forced" on the provinces through the use of conditional funding and shared-cost grants although the majority (especially the poorer provinces) found it very difficult for political and financial reasons to refuse to participate and pay their share of the costs. Then, in the 1960s, two major "forces" combined to shape Canadian social welfare policy for the next decade and a half.[51] First there was a determined provincial drive to gain more control over social policy or at least limit federal prerogative. Second, there was the crusade against poverty taken up by the federal government.

The result was the consolidation of federal financial aid for social assistance into a single program called the Canada Assistance Plan. Under the CAP, the federal government contributes 50 percent of the cost of social assistance, welfare services, and work-activity programs delivered by provinces and municipalities. The principal financial feature of the CAP was that the federal government would contribute towards the costs of provincial social assistance programs that provided adequate assistance to persons in need regardless of the

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[51] Leman, p. 37.

cause. Hence the legislation established for the first time a major federal role in sharing the cost of conditional aid to mother-headed families.[52] The CAP was also considered an important innovation in federal-provincial relations in that it provided for significant flexibility and discretion on the part of the provinces with respect to the social assistance that would be delivered, and allowed the Province of Quebec to opt out of a national and important cost-shared program.

Leslie Bella states that in some respects the CAP was just a further incremental step in the development of social security in Canada as it "consolidated and rationalized several cost-shared welfare programs that had been introduced in the postwar period".[53] In the opinion of some, however, the provision of significant provincial flexibility and discretion has not been entirely positive. The 1985 Royal Commission on the Economic Union and Development Prospects for Canada, for example, suggests that the exercise of the wide discretion on the part of the provinces in the application of the criteria for eligibility for social assistance has resulted in an uneven and, for some groups, an inadequate system of assistance across the country.[54] In addition, the CAP has been criticized in that "social assistance benefits under CAP normally produce strong work-disincentives".[55]

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[52] Ibid., p. 37.

[53] Leslie Bella, 'The Provincial Role in the Canadian Welfare State: The Influence of Provincial Social Policy Initiatives on the Design of the Canada Assistance Plan', Canadian Public Administration, (Fall 1979), p. 441.

[54] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Two, Minister of Supply and Services Canada, 1985, p. 793.

Most analyses of the development of social welfare policy in Canada gives the leading role to the federal government. Bella, however, argues that the Canada Assistance Plan was established as a result of provincial pressure and initiative to which the federal government responded.[56] The argument is that the provinces initiated the federal-provincial discussions that culminated in the CAP for two reasons.[57] First, the provinces wanted to make arrangements with the federal government that would simplify the cost-sharing arrangements that had already been entered into respecting the payment of welfare benefits but which would also maximize provincial flexibility and autonomy with respect to the delivery and level of such benefits. Second, the provinces wanted to bring a number of existing and proposed social assistance programs within the ambit of cost-sharing arrangements in order to gain additional federal financial assistance.

From the federal government's point of view there were a number of advantages to working out a new and comprehensive cost-sharing agreement with the provinces.[58] First, the CAP represented a national welfare program which was something that welfare administrators and commentators had long been advocating. Second, the CAP could be pointed to as evidence of a commitment at the political level by the federal government to a "War on Poverty" program in Canada. Third, during this period of increasing agitation for constitutional change and a questioning of the federal role in the area of welfare policy on

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[55] Ibid., p. 793.

[56] Bella, p. 439.

[57] Ibid., pp. 442-443.

[58] Ibid., pp. 445-449.

the part of the Province of Quebec, the CAP was viewed as a means of demonstrating federal flexibility and sensitivity to provincial concerns. Finally, the federal Liberal government, which was in a minority position at the time, was aware of the fact that the CAP legislation was generally supported by the New Democratic Party (NDP) although the NDP did demand concessions in other areas of social policy (specifically increased assistance to the elderly) to ensure their support.

Despite the intense degree of federal-provincial consultation that accompanied each stage - formulation, design, and implementation - the Province of Quebec opted out of the CAP (and several other conditional grant programs) "to the accompaniment of substantial fanfare about a 'victory' for the province and a 'weakening' of federal control over social policy".[59] In fact, however, that Quebec had opted out of the Plan (in return for additional taxing powers and a "balancing" cheque from the federal government)[60] "was not crucial, as the province still liked the plan, met all the conditions, and submitted claims in the same way as any other province".[61] The opting out by Quebec notwithstanding, the Canada Assistance Plan, with its flexibility respecting provincial benefit levels and method of administration, is viewed by some as an example of "co-operative federalism" at its best.[62]

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[59] Banting, pp. 11-12.

[60] Leman, p. 39.

[61] Bella, p. 449.

[62] Rand Dyck, 'The Canada Assistance Plan: The Ultimate in Cooperative Federalism, Canadian Public Administration, (Winter 1976).

The general trend, then, from 1945 to the 1960s was that responsibility (in the political sense at least) for social welfare policy moved from the municipalities to the provinces, and then to a shared responsibility with the federal government[63] even though the "federal response was gradual, often grudging, and initially at least constitutionally cautious".[64] For example, in 1939 the federal government met 43 percent of all social security expenditures, the provinces 40 percent, and the municipalities 17 percent.[65] However, by 1959 the federal government was meeting 74 percent of the total, the provinces 22 percent, and the municipalities only 4 percent.[66] By 1969, despite increasing health expenditures by the provinces and arrangements made available to the provinces to opt-out of federal-provincial programs, the federal share of expenditures was still at more than 60 percent of the total.[67] As Keith Banting suggests, "the federal government emerged in the postwar period as the principal guarantor of many of the social rights that stand as a hallmark of the twentieth century".[68]

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[63] Kelly, 'Emerging Social Security Issues', p. 3.

[64] Banting, p. 48.

[65] Kelly, 'Emerging Social Security Issues', p. 3.

[66] Ibid., p. 3

[67] Ibid., p. 3.

[68] Banting, p. 173.

1.3.1 Income Security

The most visible part of the expansion of government in liberal democratic countries over the last century has been the establishment of a plethora of social policy measures which define the contemporary welfare state. (the welfare state is then often broken down into the two areas of income security and social services).[69] The largest pillar in the modern welfare state, in virtually every industrial nation, is that of income security.[70] In Canada, for example, in 1984-85 the combination of tax expenditures (excepting the personal tax exemption), unemployment insurance payments, and federal and provincial expenditures on direct transfers added up to approximately $60 billion or just over 13 percent of Canada's gross national product.[71]

Of more importance from a political point of view than the actual expenditures involved is the fact that no other area of public policy has such a direct and powerful impact on individual citizens as income security measures since such measures constitute a direct exchange between citizen and state.[72] To the recipients of income security the role of government is direct, visible and, for many, crucial. Indeed, in Canada, as the 1985 Royal Commission on the Economic Union and Development Prospects for Canada phrased it: "Government income-security programs are a fundamental part of the social

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[69] Doern and Phidd, p. 361.

[70] Banting, p. 2.

[71] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Two, p. 771.

[72] Banting, p. 27.

consensus by which Canadians live".[73]

Over the past forty years, Canada's income security system has been constructed in a somewhat piecemeal fashion in combination with sometimes unco-ordinated adjustments to the personal income tax.[74] Moreover, the Canadian income security system is essentially categorical, differentiating between groups which are not generally expected to be part of the labour force and those which are either part of the labour force or expected to be.[75] Within this context four basically different types of income security programs have been developed:

(i) demogrant;

(ii) social insurance;

(iii) income supplements for certain groups such as the elderly; and

(iv) social assistance.[76]

Demogrant programs are universal, flat-rate payments made to individuals or families solely on the basis of demographic characteristics, such as age, rather than on the basis of need, as in the case of social assistance, or previous contributions, as in the case of social insurance. Two of the largest demogrant programs are Old Age Security payments and Family and Youth Allowances paid by the federal government. The only major provincial demogrant program is

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[73] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Two, p. 771.

[74] Ibid., p. 783.

[75] Ibid., p. 778.

[76] Doern and Phidd, p. 362.

the Quebec Family Allowance program which provides benefits for children.

Social insurance programs make up the next largest component of the income security system. The two largest programs are the Canada and Quebec Pension Plans and Unemployment Insurance. Workers' Compensation, the third most important social insurance program, was the first major income security program introduced in this century when the Province of Ontario passed the Workmen's Compensation Act in 1914.

Third are programs that guarantee the income of a certain groups such as the Guaranteed Income Supplement for pensioners. In 1971 it consisted of a basic annual payment of $660 to single persons and $1,140 to married couples, less a tax at a rate of 50% on all private income so that the basic payment was reduced to zero for single persons with private income in excess of $1,320 and married couples with private income in excess of $2,280.[77] This program is the closest that Canada has come to implementing deliberately a form of guaranteed annual income although many have argued that the system of Unemployment Insurance as it affects seasonal workers is virtually a guaranteed annual income program.

Social assistance, a provincial responsibility, is the residual element in the income security system - the last resort for the needy who do not qualify for other income security programs or whose income

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[77] David A. Dodge and John H. Sargent, 'Towards a New Tax-Transfer System in Canada: An Analysis of the Changes Proposed in the White Papers on Income Security, Unemployment Insurance and Taxation', (Discussion Paper No. 49, June 1971), p. 29.

from other programs is still inadequate.[78] Benefits are based on an assessment of the applicant's needs and income and vary from province to province. This is the most stigmatized of all forms of income support. (Banting has referred to social assistance as "the modern version of the ancient Poor Laws".)[79] As was noted earlier, the federal government contributes half of the cost of the provincial programs through the Canada Assistance Plan regardless of the level of benefits or the form of administration in the provinces.

The following table provides a chronological overview of the development of social welfare policy in Canada.

Events in the History of Social Welfare in Canada

1763	Government of Nova Scotia adopts English Poor Laws
1799	Act to Provide for the Education and Support of Orphaned Children in Upper Canada (Province of Ontario)
1867	British North America Act assigns responsibility for welfare provisions to the provinces
1880s	Provincial Governments introduce Workmen's Compensation plans
1889	Royal Commission on the Relations of Labour and Capital
1891	Children's Aid Society organized in Toronto, Province of Ontario
1893	Act for the Prevention of Cruelty to and Better Protection of Children, Province of Ontario
1908	Annuities Act, federal government makes pensions available on a voluntary basis
1914	Workmen's Compensation in Ontario and subsequently all of the provinces
1916	Mothers' Allowance Act, Province of Manitoba
1917	Provincial Governments begin introducing minimum wage laws
1919	Federal Department of Health established
1919	Royal Commission on Industrial Relations recommends the establishment of an old age pension plan
1927	Old Age Pension Act
1940	Unemployment Insurance Act
	Report of the Commission on Dominion-Provincial Relations
1943	Report on Social Security in Canada, (Marsh Report)
1944	Family Allowances Act
	Creation of the Department of National Health and Welfare

[78] Banting, p. 11.

[79] Ibid., p. 11.

	Adoption of a national housing policy
1945	White Paper on Employment and Income
	Dominion-Provincial Conference
1951	Old Age Security Act, Old Age Assistance Act, Blind Persons' Act
1954	Disabled Persons' Act
1956	Unemployment Assistance Act, Hospital Insurance Act
1957	Hospital Insurance and Diagnostic Act
1964	Youth Allowances Act
1965	Canada Pension Plan Act
1966	Canada Assistance Plan
1967	Guaranteed Income Supplement (for pensioners)
1968	Medical Care Act
1971	Major Revisions to the Unemployment Insurance Act
	Report of the Special Senate Committee on Poverty in Canada
	Report of the Quebec Commission of Inquiry on Health and Welfare
1973	Social Security Review initiated
1974	Mincome Manitoba experiment begins
1975	Social Security Review ends
1979	Mincome Manitoba experiment ends

1.4 SOCIAL POLICY AND FEDERALISM

The overriding aspect of Canadian political life since the founding of Canada in 1867 has been its federal structure wherein the powers of the state are divided between the national government and the provinces. Hence, as one might expect, Canadian politics since 1867 have been conditioned by ongoing (and often bitter) federal-provincial negotiation and dispute concerning jurisdictional powers and financial responsibilities.[80] Politics and policy-making in Canada, therefore, are difficult to understand without an appreciation of this fact of Canadian political life.

Constitutionally, federal and provincial jurisdiction is interpreted through Sections 91 to 95 of the British North America (BNA) Act, 1867 (now known as the Constitution Act, 1867) and the

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[80] Michael A. Walker, 'Introduction: Canadian Confederation at the Crossroads' in Canadian Confederation at the Crossroads, ed. Michael A. Walker, (Vancouver: The Fraser Institute, 1978), p. 3.

Constitution Act, 1982 (which includes the Charter of Rights and Freedoms). The BNA Act established the federal structure of Canada out of the then British colonies of Lower and Upper Canada (Quebec and Ontario), New Brunswick, and Nova Scotia. The division of legislative (law-making) powers between the national government and the provinces reflected the fact that the new provinces - especially French-speaking Quebec - "did not want to lose control over local matters to a new and distant legislature in which their representatives would be a minority".[81]

When the BNA Act was drafted in 1867 such twentieth century phases as "income security" and "social services" did not appear in the list of jurisdictions and responsibilities assigned to the federal and provincial governments.[82] Provincial jurisdiction in the health and social welfare field, however, is inferred from the specific headings of section 92 of the Constitution Act, 1867, which grants provincial authority over "hospitals, asylums, charities and eleemosynary institutions," "municipal institutions," "property and civil rights", and "all matters of a merely local or private nature in the province."[83] Federal jurisdiction (perhaps prerogative is a better term) with respect to social welfare is inferred from more general grants of power under section 91 of the Constitution Act, 1867 such as the power to make laws for the "peace, order and good government" of

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[81] F.L. Morton, 'The Living Constitution', in Introductory Readings in Canadian Government, eds. Robert M. Krause and R.H. Wagenberg, (Toronto: Copp Clark Pitman Ltd, 1991), p. 43.

[82] Banting, p. 47.

[83] Ibid., p. 48.

Canada and the general spending power of the national government.[84] "Needless to say, the boundary line between these two spheres of jurisdiction is not clear, and has been a source of dispute ever since".[85]

That the framers of the British North America Act showed a clear preference for a highly centralized federal structure is attested to by the fact that the national government was assigned unlimited taxing authority along with the major spending responsibilities then assumed by government.[86] To ensure the supremacy of Parliament vis-a-vis provincial legislatures, the federal government was granted a number of constitutional controls over provincial actions including the authority to disallow provincial legislation (which it made frequent use in the first 20 or so years of the federation). The salient feature, therefore, respecting the constitutional division of powers is the paramountcy of Parliament and the limiting of the jurisdiction of the provincial legislatures.[87] Not surprisingly, the provinces have been vigilant in defending their constitutional prerogatives and powers.[88] This especially has been the case with respect to education, health, and social welfare as expenditures and the political impact of

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[84] Ibid., p. 48.

[85] Morton, "The Living Constitution", p. 44.

[86] Robert F. Adie and Paul G. Thomas, Canadian Public Administration, Second Edition, (Scarborough: Prentice-Hall, 1987), p. 430.

[87] Kelly, 'Emerging Social Security Issues', p. 4.

Irving J. Goffman, 'Some Fiscal Aspects of Public Welfare in Canada', Canadian Tax Foundation, (September 1965), p. 17.

[88] Thomas J. Courchene, 'The Poverty Reports, Negative Income Taxation, and the Constitution: An Analysis and a Compromise Proposal', Canadian Public Administration, (Fall 1973) p. 349.

policy in these areas has grown appreciably in the postwar period. Health, education, and welfare are now huge items in provincial budgets and of major political significance.[89]

The ongoing dispute over jurisdiction between the national government and the provinces raises the question of the impact of institutional arrangements on the formulation of public policy. The general proposition is that a federal arrangement constrains both rapid expansion and rapid contraction in the scope of state activity because,

> the fragmentation of power implicit in federal structures creates a set of checks and balances and veto points that increase the probability that any proposal for change - whether involving an expansion or a contraction of the public sector - will be delayed, diluted, or defeated. In effect, the additional opportunities for blocking change raise the level of consensus required before new initiatives can be introduced on a nation-wide basis.[90]

The problem is that policy that proposes significant change involving both levels of government only can be undertaken with the consent of eleven governments representing differing provincial, regional, and ideological interests. Thus Banting has concluded that federalism as a form of institutional fragmentation is one of the elements of Canadian political life that incline it towards an incremental process of policy change.[91] Christopher Leman has concluded that because the

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[89] Richard Simeon, Federal-Provincial Diplomacy: The Making of Recent Policy in Canada, (Toronto: University of Toronto Press, 1972), p. 40.

In Manitoba in 1990-91, for example, health expenditures accounted for 32.5%, education for 18.2%, and family services for 10.4% of total budgeted expenditures of $4.6 billion.

[90] Banting, p. 206.

[91] Ibid., p. 206.

policy making process in Canada is characterized by high-level negotiations among competing bureaucracies and between federal and provincial authorities in which public debates have little impact, it "may be that a country like Canada is the real outpost of gradualism".[92]

1.4.1 Federal-Provincial Relations

Since confederation there have been continuous disputes between the two levels of government over jurisdictional prerogative. This has been a complicating and often "bewildering" factor in the history of federal-provincial relations in Canada.[93] From the beginning of the federation many of the provincial premiers, but especially those in Ontario and Quebec, have insisted on their right to be consulted by the federal government on matters of major significance which, strictly speaking, may not have been within their constitutional prerogative. Finally, in 1906 the first conference of federal-provincial first ministers took place which established the precedent for the ongoing negotiation of matters deemed to be of mutual interest and significance.

Attempts by the provinces to expand upon their jurisdictional prerogative by pressing the case for "provincial rights" produced mixed results not least because until the 1960s the provinces lacked the fiscal and technical clout to stand behind their demands for more powers. During the 1920s, after the end of the First World War and

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[92] Leman, p. 135

[93] A.W. Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', Canadian Public Policy. (Autumn 1975) p. 447.

the decline of the sweeping emergency powers assumed by the federal government, there was a notable upswing in provincial power and responsibilities. The reason was that increasing urbanization and industrialization greatly increased the demand for services provided by provincial governments - most notably education, health, welfare, and highways. To help meet these growing responsibilities the provinces became more involved in the personal and corporate income tax fields and sought new revenues from various sources such as the sale of liquor through provincially-controlled retail outlets.[94] However, as both the scope of the social problems confronting the country and the difficulties facing a purely municipal and provincial response to them became clearer, advocates for greater action including many provincial governments, put increasing pressure on the federal government to provide financial assistance.[95]

With the onset of the Depression any illusions the provinces may have acquired during the 1920s about the extent of their financial strength were shattered. The Prairie and Maritime provincial governments came close to bankruptcy and eventually the federal government had to provide significant financial support to all the provinces to assist with welfare and employment measures and the provision of essential services such as health. In fact, during the Depression years federal contributions amounted to almost half of total relief expenditures and over 70 percent of total expenditures in the Western provinces.[96] Indeed, the hopelessly inadequate provision

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[94] Adie and Thomas, p. 431.

[95] Banting, p. 48.

[96] Ibid., p. 63.

of relief during the Depression convinced an entire generation of legal scholars and social welfare professionals that strong leadership from the federal government was essential to the establishment of a modern, co-ordinated social security system.[97] With the onset of the Second World War the federal government assumed emergency powers thereby creating a strong central focus to which the provinces deferred. The result was that by the end of the Second World War the federal government had clearly established its financial and bureaucratic dominance.

After 1945 three major and interrelated factors combined to ensure the continued preeminence of the federal government until at least the middle 1960s.[98] First, there was the acceptance of Keynesian economic theories and practices that required the national government to exercise the fiscal power (taxation and spending) at its disposal. (Doern and Phidd note that although there "was always criticism of Keynesian policy, the dominance of the Keynesian idea was not seriously challenged until the heady prosperity of the 1950s and early 1960s came to an end).[99] In 1945 the federal government released a White Paper (as in Britain, major statements of policy are published as "White Papers") promising a full-scale welfare state and central

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[97] Ibid., p. 59.

Banting goes on to note that many welfare professionals still insist that a strong federal role is essential to future expansion of the income security system, and that decentralization will inevitably result in an age of stagnation and confusion in the welfare world. p. 59.

[98] Adie and Thomas, pp. 433-434.

[99] Doern and Phidd., p. 355.

management of the economy along Keynesian lines.[100] Thus the general perception was that it was the federal government which had the expertise, competence, and responsibility to manage complicated social and economic policies in an increasingly complex world.

Second, the Liberal Party of Canada which dominated the political landscape during this time, was commited after the Second World War to the goals of the welfare state.[101] Indeed, as Richard Simeon observes: "Virtually all Canadian governments have been committed to the notion of the Welfare State, though there have been variations between them".[102] Hence there was internal political and governmental pressure on the federal government to assume a strong leadership role in the development of social policy as well as in the management of the economy.

The third factor was the perception (on the part of English-speaking Canadians at least) that there was a need for strong central government that would be able to foster a sense of national unity. The Liberal Party, in a majority government position through several federal elections, was viewed as being able to speak for both English and French Canada. For these reasons, this was a period of relative centralism with the federal government assuming a highly visible and dominant role in the political and economic life of the country.

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[100] Christian and Campbell, p. 63.

[101] Ibid., p. 63.

These points will be discussed at greater length later in this chapter.

[102] Simeon, p. 169.

However, beginning in the 1960s, serious federal-provincial disputes concerning jurisdiction and financial responsibility began to surface. Smiley has noted that contemporary provincialism in Canada has featured two major thrusts: first, the safeguarding of provincial autonomy from federal control and, second, an increase in provincial influence over federal policies which have a direct impact on the provinces.[103] For most of the provinces the problem was that of being "forced" to participate financially - cost-share - in social programs unilaterally initiated by the federal government.[104] For the Province of Quebec, however, jurisdictional prerogative and the legitimate role of the federal government in the field of social policy was the overiding issue.[105] Hence many of the provinces, but especially the Province of Quebec, began to complain about federal intrusions into areas of provincial jurisdiction.[106]

Thus many of the provinces, led by Quebec, began in the early 1960s to raise various objections on philosophical, political, financial, and practical grounds to federal involvement in provincial matters. They pointed out that they now had the technical expertise and competence to implement needed services. They also argued that they, being the level of government closest to the electorate, were in the best position to know how to respond to their needs and wishes. They

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[103] Smiley, p. 211.

[104] Banting, p. 140.

[105] Ibid., p. 140.

[106] Alain G. Gagnon and Joseph Garcea, 'Quebec and the Pursuit of Special Status', in Perspectives on Canadian Federalism, eds., R.D. Olling and M.W. Westmacott, (Scarborough: Prentice-Hall, 1988,) p. 304.

further complained that cost-shared programs distorted provincial priorities and that frequently the amount of contribution by Ottawa was insufficient.

Federal-provincial tension reached acute levels in the early 1970s. The reason was that the federal government, under Prime Minister Trudeau, increasingly came to view the implementation of some form of common public services, such as nation-wide social security programs, as being one of the primary tools by which the federal government could foster a sense of national unity.[107] Perceiving this as a threat to provincial autonomy, the provinces became increasingly hostile to and bitter about federal involvement in the area of social policy. Thus many of the provinces began to demand that Ottawa consult more closely with them before launching new programs in which they would be asked to participate financially. The Province of Quebec went a step further and began to demand consideration of constitutional changes that would protect and even enlarge provincial jurisdiction.

1.4.2 Province of Quebec

Richard Simeon suggests that the salient and historically most important basis of social diversity in Canada is the existence of what is commonly referred to as the "two cultures" of French and English Canada.[108] Some historians, however, such as Donald Creighton argue that this view should not lead to a theory of Canadian federalism

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[107] A.W. Johnson, 'The Dynamics of Federalism in Canada', reprinted from Canadian Journal of Political Science, (March 1968), in Canadian Federalism: Myth or Reality. ed. J. Peter Meekison, (Toronto: Methuen Publishers, 1968), p. 102.

[108] Simeon, p. 21.

based on the concept of the cultural duality of Canada.[109] He argues that Confederation was not a compact between two cultures or two nations, English and French, but rather the new Dominion of Canada was organized as a triumvirate of three divisions: Quebec, Ontario, and the Atlantic Provinces as a group.[110]

In fact, Creighton argues that the last thing the Fathers of Confederation wanted was to perpetuate the duality experienced by Canada prior to confederation which had paralyzed governments and prevented progress for a quarter of a century.[111] He suggests that the origins of this new theory of Canadian federalism are politically motivated and are an outgrowth of the rapid rise of French-Canadian nationalism beginning with the election of a liberal provincial government in Quebec in 1960 and the subsequent initiation of the Quiet Revolution.[112] Nevertheless, and despite Creighton's arguments, the idea that Canada is essentially comprised of two entities, French and English, which constitute the two fundamental partners in the federal arrangement seems to be widely accepted by the political leadership in the country if not the general population.

French-Canadians constitute about 30 percent of the Canadian population and are concentrated in the Province of Quebec where about 80 percent of the six million inhabitants are of French-speaking

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[109] Donald G. Creighton, 'John A. Macdonald, Confederation and the West', Paper presented to the Manitoba Historical Society, Winnipeg, January 11, 1967, p. 1.

[110] Ibid., p. 3.

[111] Ibid., p. 3.

[112] Ibid., p. 1.

origin. The Province of Quebec, in fact, is highly distinctive with respect to its linguistic, cultural, and legal characteristics.[113] Due both to this distinctiveness and the perception that French-speaking Quebecers were for decades discriminated against and disadvantaged, many in Quebec look to the provincial government as their political voice. Moreover, the way in which the issue of how Quebec's status and distinctiveness should be protected and safeguarded is different in Quebec as opposed to the rest of the country. In the view of many in Quebec "the real question is not the rights of French-speaking individuals, but the rights of the French-Canadian collectivity, the nation, and the solution lies in extending the safeguarding of the rights of that collectivity".[114] Former Prime Minister Trudeau, a native of the Province of Quebec, treats this collectivist view with contempt and derision.

Not surprisingly, successive Quebec governments since at least the 1920s have argued strenuously against the appropriateness of federal intervention in areas of provincial jurisdiction.[115] Then, in 1960, Quebecers elected a Liberal government headed by Jean Lesage which ushered in an era of interventionist and modern government.[116] Thus began what has been termed the "Quiet Revolution" in Quebec which lasted to 1966. Objectives were initiated with respect to virtually

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[113] Mary Beth Montcalm, 'The Evolution of Quebec', in Introductory Readings in Canadian Government, eds. Robert M. Krause and R.H. Wagenberg, (Toronto: Copp Clark Pitman Ltd., 1991), p. 87.

[114] Christian and Campbell, p. 70.

[115] Perrin Lewis, 'The Tangled Tale of Taxes and Transfers', in Canadian Confederation at the Crossroads, ed. Michael A. Walker, (Vancouver: The Fraser Institute, 1978), p. 6.

[116] Montcalm, p. 90.

all Quebec institutions including the school system, the civil service, public finance, and labour unions.[117] The driving force of the Quiet Revolution was a significantly increased role for the provincial state and successive Quebec governments have consistently pursued special constitutional, fiscal, and program objectives.[118]

Thereafter Quebec began to demand, among other things, constitutional change so to protect existing provincial jurisdiction better and, more importantly, wrest additional powers from the federal government. This was, in large measure, in reaction to the aggressive cost-sharing innovations in the area of social policy which had been initiated by the federal government in the late 1950s and early 1960s. To show how serious it was in the mid-1960s Quebec opted out of 28 shared-cost programs including the Canada Pension Plan and the Canada Assistance Plan. Soon a wide range of different organizations and spokesmen in Quebec began to view social policy as a test of Canada's ability to respect Quebec's need for significantly more autonomy than had been originally visualized or provided for in the Constitution.[119]

Thus one of the dominating questions in Canadian politics over the past forty years, but especially since the 1960s, has been the the division of powers between Ottawa and Quebec City.[120] In 1966, at the insistence of Quebec, the federal government reluctantly agreed to a

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[117] Peter Desbarats, Rene, (Toronto: McClelland and Stewart-Bantam, 1977), p. xvii.

[118] Gagnon and Garcea, p. 304.

[119] Leman, p. 61.

[120] Montcalm, p. 86.

full-scale constitutional review.[121] As one would expect, an important issue for Quebec was the distribution of legislative responsibilities, especially those pertaining to social policy. For the federal government the priorities were a constitutional entrenchment of a charter of human rights and the protection of language and cultural rights. As it turned out an important objective of the constitutional review became that of how to arrive at some kind of consensus with respect to the division of responsibility which ought to apply in the field of social policy.[122]

The constitutional review lasted four years during which time there were innumerable formal and informal discussions at all levels.[123] In January, 1971, the Quebec government insisted that the division of soical powers be placed on the constitutional agenda.[124] In June, 1971, a full-scale constitutional charter, called the Victoria Charter, was drawn up which made various proposals including ones respecting language rights, an amending formula, and social policy. In the document Ottawa made some major concessions regarding social policy.[125] Most of the provinces initially expressed tentative support and subsequently assented to formal approval.[126] The Quebec Cabinet, however, rejected the Charter on the grounds that it "failed to

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[121] Simeon, p. 90.

[122] Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', p. 457.

[123] Simeon, p. 122.

[124] Leman, p. 63.

[125] Simeon, p. 119.

[126] Leman, p. 63.

protect Quebec's claims and concerns regarding jurisdiction over social policy".[127] Hence the Constitutional Conference of 1971 failed in no small measure over differences concerning the constitutional provisions which ought to apply with respect to social policy.[128]

Constitutional talks were at an end for the time being although federal-provincial disputes over jurisdiction and prerogative continued unabated. In fact, the "constitutional debate of the 1960s and 1970s unleased a flood of proposals for redesigning the basic elements of the Canadian constitution, including both the structure of the central government and the division of powers between the federal and provincial levels of government".[129] The mid-seventies saw the election to provincial power of the separatist Quebecois Party which in 1980 held a referendum on independence that was defeated. In 1982 the federal government under Prime Minister Trudeau repatriated the BNA Act which Quebec has since steadfastly refused to acknowledge. In 1990 a major attempt at constitutional reform failed as the rest of Canada was unwilling to grant Quebec the special status it requested and the transfer of federal powers it demanded. Now even the provincial Liberal government in Quebec has taken the position that Quebec's powers must be significantly increased if another referendum on independence is to be avoided.

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[127] Doern and Phidd, p. 368.

[128] Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', p. 457.

[129] Banting, p. 197.

1.4.3 Federal Spending Power

Unlike the United States where the federal role in the area of social policy arose in the 1930s within a relatively short time, the Canadian federal role has developed gradually over the past forty to fifty years.[130] Furthermore, few issues have been more controversial in Canadian constitutional and political development than the extent to which the federal government has used its "spending power" in the area of social policy.[131]

Both the federal government and the provinces, up to the mid-1970s at least, have at various times sought to increase their political profile through the enactment of social welfare measures. Using income security as an instrument for sustaining or enhancing political power and profile has been especially important to the federal government since virtually all community and social services in Canada are provincially delivered.[132] The problem, however, has been that of being involved in an activity that is clearly, from a constitutional point of view, a provincial prerogative.

The federal government has attempted to extend its role in the field of income security in two major ways. First, in some cases such as Unemployment Insurance and Old Age Security it has obtained the agreement of the provinces to a constitutional amendment that would permit federal legislation in areas that were formerly the exclusive

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[130] Leman, p. 33.

[131] Richard A. Musgrave, Peggy B. Musgrave, and Richard M. Bird, Public Finance in Theory and Practice, (Toronto: McGraw-Hill Ryerson Limited, 1987), p. 30.

[132] Ibid., p. 177.

preserve of the provinces. Second, it has made use of what is commonly referred to as the federal spending power. The spending power of the federal government is usually regarded as one of a number of general discretionary federal powers and most cost-shared programs, as well as many direct transfer programs (such as Family Allowances), which make payments to individuals represent the exercise of the federal spending power.[133]

The constitutional right of the provinces to make welfare payments and provide services to individuals has never been in doubt. The same cannot be said with respect to federal initiatives in the area of social welfare. Some authorities have argued that the right to provide transfers is inherent in the Royal Prerogative and therefore resides in both provincial and federal governments. The federal government however,

> tends to argue that its power is derived from section 91(3) of the BNA Act, which empowers it to raise money by any mode of taxation, and section 91(1A), which empowers Parliament to deal with "public debt and property", and which the federal authorities construe broadly so as to include all federal assets, including the Consolidated Revenue Fund".[134]

Together these sections are said to confer on the federal government the right to spend for any purpose "provided the legislation does not amount to a regulatory scheme falling within provincial powers".[135] However, there has been remarkably little constitutional assessment of the spending power attempted in the courts[136] and therefore the

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[133] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Three, p. 243.

[134] Banting, p. 52.

[135] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Three, p. 243.

constitutional status of this argument has never been settled authoritatively.[137]

The federal government has exercised its spending powers in two principal ways. First, the federal government has extended its role by means of spending enactments allowing for provision of direct payment of transfers to individuals - Family Allowances being the major example. Second, it has employed conditional grants whereby it enters into cost-sharing agreements with the provinces that meet certain federal conditions - The Canada Assistance Plan, Hospital Insurance, and Medicare are examples. Since the Second World War (and especially in the 1960s) the federal government has responded to the ongoing problem of national unity and the lack of fiscal capacity on the part of the provinces by developing a vast array of conditional and cost-shared programs. The provinces, not surprisingly, have tended to view these federal initiatives as attempts to use fiscal methods to force the provinces to help pay for the establishment of social welfare measures desired by the federal government but in areas for which the federal government does not have any jurisdiction under the Constitution. Hence most, if not all of the provinces, have more or less consistently objected to the use of cost-sharing by the federal government with the Province of Quebec being the most adamant and outspoken in its objections.

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[136] Banting, p. 243.

[137] Ibid., p. 52.

Former Prime Minister Trudeau has argued that constitutionally the term "spending power" has come to have a specialized meaning in Canada in that it means the power of Parliament to make payments to people or institutions or governments for purposes on which Parliament does not necessarily have the power to legislate.[138] Trudeau has also stated the case for the federal spending power in political terms:

> The case for a federal spending power for the purpose of enabling Parliament to contribute toward provincial programs in fields of provincial jurisdiction is to be found in the very nature of the modern federal state - in its economic and technological interdependence, in the interdependence of the policies of its several governments, and in the sense of community which moves its residents to contribute to the well-being of residents in other parts of the federation. To understand these characteristics of an industrialized, Twentieth Century federal state is to understand the rationale for the spending power of the Parliament of Canada.[139]

Trudeau believed that it was the obligation of Parliament to use its spending power in the interests of national unity which meant more or less uniform social policy across the country. The problem with respect to federal-provincial relations, as A.W. Johnson has observed, is that in Canada the "role of the state has so increased that it is scarcely possible for the federal government to exercise its powers without affecting provincial programs, or for provincial governments to occupy their jurisdiction without affecting federal politics".[140]

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[138] Pierre Elliot Trudeau, 'Federal-Provincial Grants and the Spending Power of Parliament', in Canadian Federalism: Myth or Reality, (Toronto: Methuen Publishers, 1968), ed. J. Peter Meekison, p. 216.

[139] Ibid., p. 221.

[140] Johnson, 'The Dynamics of Federalism in Canada', p. 104.

Thus the use of its spending powers by the federal government is very significant in that the "exercise of spending power provides a means by which the federal government can by unilateral action involve itself in many matters which under traditional understandings of the constitution have been the exclusive concern of the provinces".[141] As was noted earlier, the federal government maintains that it has the power to give money away, and attach conditions if it wishes, even if the purposes involved fall clearly within provincial jurisdiction.[142] Therefore, as the Royal Commission on the Economic Union and Development Prospects for Canada notes, the question of limiting the federal spending power lies primarily in the political realm in that the provinces are ultimately protected by their power to refuse to participate in the programs.[143] However, for the poorer provinces especially, this power may be in political terms more theoretical than real as it may be very difficult for a provincial government to explain to its electorate why it will not "share" in the cost of a desired program. Indeed, as Banting has observed, the federal-provincial balance in the field of income security has not been determined by constitutional amendment but, rather, by the distribution of financial and political power between the two levels of government.

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[141] Donald V. Smiley, 'The Rowell-Sirois Report, Provincial Autonomy, and Post-War Canadian Federalism', reprinted from Canadian Journal of Economics and Political Science, (February 1962), in Canadian Federalism: Myth or Reality, ed. J. Peter Meekison, (Toronto: Methuen Publishers, 1968), p. 65.

[142] Banting, p. 52.

[143] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Three, p. 243.

The changing size and nature of federal transfers (to individuals and to the provinces) has been, therefore, both a major dynamic element in Canadian federalism and a constant focus of debate and discussion.[144] By the 1970s the debate had taken on a more urgent tone as concerns with increasing social welfare expenditures, overlapping federal and provincial programs, and federal intrusions into areas of provincial jurisdiction increased. In 1970 the federal government offered its view of what it believed its role should be with respect to income security policy.[145] First, the federal government should endeavour to make income security measures for which it is responsible more effective in reducing poverty. Second, it should be involved in co-operating with the provinces in their efforts to make income security measures more effective. Third, it should attempt, in co-operation with the provinces, to provide better co-ordination, particularly at points where federal and provincial income security programs overlap. It is clear that the federal government envisaged a continuing role for itself in the field of income security even though it recognized that future initiatives would have to take seriously the concerns and priorities of the provinces.

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[144] Musgrave, Musgrave, and Bird, p. 32.

[145] Canada, 'Income Security for Canadians', p. 17.

1.5 SOCIAL SCIENCE AND INTERVENTION

Decision-making in the policy process is invariably about politics and political elements in which the emphasis is on reaching some agreement through the processes of persuasion, bargaining or the straight exercise of power.[146] However, since the end of the Second World War there has been in modern government the growth of a phenomenon in which policy discourse is conducted as though it were neutral and objective rather than being motivated by various interests: indeed, policy arguments "have to appear 'scientifically respectable' to get a fair hearing".[147] The growth of the social sciences (among other factors such as the rise of the management sciences and the apparent success of Keynesianism) has contributed greatly to this phenomenon.[148]

This approach to policy-making is based on the premise that it is insufficient to frame or justify policy choices in purely (or primarily) ideological terms.[149] It further assumes that social science research is the major source of objective, unbiased, and nonpolitical information.[150] Faith in the methodology of the social sciences (characterized by the adaptation of the scientific method) is indicative of a belief "in the need to identify causality, to

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[146] John O'Shaughnessy, Inquiry and Decision, (London: George Allen & Unwin Ltd., 1972), p. 172.

[147] Pal, p. 70.

[148] Ibid., p. 70.

[149] Ibid., p. 77.

[150] Carol H. Weiss, 'Evaluation Research in the Political Context', in Handbook of Evaluation Research, eds. Elmer L. Struening and Marcia Guttentag, (London: Sage Publications, 1975), p. 18.

establish 'the facts', and to distinguish facts from values".[151] The embrace of the scientific method in the social sciences has been overwhelming despite the fact that there "has always been a feeling of uneasiness among philosophers and scientists concerning the concept of causality".[152] Most sociologists, nevertheless, have been relatively unconcerned with the philosophical debate over the status of causality.[153]

By the mid-1960s there "was much hoopla about the rationality that social science would bring to the untidy world of government".[154] Furthermore, it came to be widely believed that effective government could not rely only on practised amateurs, but also needed the advice and guidance of social science experts.[155] Moreover, there was a growing public belief that not only was the government,

> responsible for the detailed operation of the economy and the welfare of individuals, but that solutions did exist for all problems if only adequate structures and processes were put in place to anticipate, to plan, and to coordinate government activity.[156]

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[151] Doern and Phidd, p. 140.

[152] Rick Linden and Cathy Fillmore, 'Causal inferences in non-experimental research: a reply to Gomme', The Canadian Review of Sociology and Anthropology, (November 1985), pp. 579.

[153] Ibid., p. 580.

[154] Carol Weiss, 'Introduction' in Using Social Research in Public Policy Making, ed. Carol H. Weiss, (Lexington: D.C. Heath and Company, 1977), p. 4.

[155] Pal, p. 72.

[156] M.J.L. Kirby, H.V. Kroeker, and W.R. Teschke, 'The Impact of Public Policy-making Structures and Processes in Canada, Canadian Public Administration, (Fall 1978), p. 412.

The emphasis was, in fact, on planning which requires causal knowledge theories[157] - the very kind of knowledge promised by social science research. Therefore not only was social science research to provide hard data for planning, but was also expected to provide cause-and-effect theories for policy-making thereby indicating which variables governments should alter in order to get desired outcomes.[158]

Hence a number of people both within and outside of government became convinced that a way could be found through which the work of government could be better organized and evaluated.[159] Furthermore, many people began to believe that the key to better organization and evaluation in government lay in making more and better use of social science research. For example, in 1966 the Coleman Report (a large study mandated by the Civil Rights Act and funded by the U.S. government of the differences between public schools for blacks and whites) commanded attention because it "had the force of social science and a government imprimatur".[160] As a result, social science research became increasingly relied upon in the social policy-making process.[161] The expectation was that increased use of social science

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[157] Aaron Wildavsky, Speaking Truth to Power: The Art and Craft of Policy Analysis, (Toronto: Little Brown & Co., 1979), p. 120.

[158] Weiss, 'Introduction', p. 4.

[159] Kirby, Kroeker, and Teschke, p. 413.

[160] Nicholas Lemann, 'A False Panacea', A book review of Politics, Markets, and America's Schools, by John E. Chubb and Terry M. Moe, in The Atlantic Monthly, (January 1991), p. 101.

[161] Pettigrew, 'Can Social Scientists be Effective Actors in the Policy Arena', in Social Science and Social Policy, eds. Lance R. Shotland and Melvin M. Mark, (San Francisco: Jossey-Bass, 1985), p. 122.

research would result not only in more rational policies (decisions) but, as well, in more rational policy-making (decision-making) processes.[162]

In the minds of those committed to social science research, social problem-solving is largely (if not entirely) identified with a rationalistic and scientific investigatory process - a process characterized by identifiable problem-solving steps supported by factual and objective information.[163] Crucial to this process is the credibility of the methodology used to generate factual and objective information. The scientific method is relied upon because it is believed to be underpinned by careful, systematic analysis of verifiable evidence that can be checked by other researchers using the same methodology.[164] Such information may then provide evidence of patterns from which generalizations and predictions can be made. That is, it becomes possible to analyze relationships of cause-and-effect and thus to explain why something happens and to predict that it will happen again under the same conditions in the future.[165]

The social sciences became self-consciously and deliberately scientific when social scientists began to attempt to imitate the research techniques of the natural sciences which had established the

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[162] John O'Shaughnessy makes the point: "The emphasis in rationalistic decision-making lies in justifying action by following a rational process, as right thinking is an aid to right action". p. 165.

[163] A process referred to in the social science and public policy literature as the "rationalist" model of policy-making.

[164] Ian Robertson, Sociology, (New York: Worth Publishers, 1981), p. 7.

[165] Ibid., p. 7.

credibility of the scientific method. The adoption of a "scientific" research approach has allowed social scientists to suggest that valid knowledge about society should take the form of propositions and other law-like statements that are testable and subject to empirical verification.[166]

> In other words, the modern social sciences are based on the premise that regularities in social behaviour exist, that these regularities can be identified and expressed in the form of law-like statements about society, and that valid knowledge about social systems is collected and verified according to professionally agreed upon rules.[167]

The claims of social scientists to have expertise in a particular field of social relationships are thus based on two purported characteristics of the social scientific enterprise: systematic research and value-free analysis.[168] In short, it is believed by many that clear, unequivocal, and non-partisan answers to social and economic issues can be provided by social science research techniques conducted in accordance with the supposedly wholly impartial rationality of a scientifically guided investigatory system.

During the late 1960s and mid-1970s, politicians and officials in many industrialized countries supported the establishment of research units both within and outside government that would use policy research techniques consistent with accepted scientific methodology.[169] For example, in Canada, the Economic Council of Canada

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[166] Stephen Brooks and Alain G. Gagnon, 'Politics and the Social Sciences in Canada', eds., Alain G. Gagnon and James P. Bickerton, Canadian Politics, (Peterborough: Broadview Press, 1990), p. 42.

[167] Ibid., p. 43.

[168] Ibid., p. 43.

[169] Peter Solomon, 'Government Officials and the Study of Policy-making', Canadian Public Administration, (Fall 1983), p.

was established in 1963 and the Science Council of Canada in 1966 to provide detached and expert advice to the federal government.[170] As Michael Prince and John Chenier have pointed out, during this time the organizational and political worlds were steeped in an era of rationality and high expectations.[171]

The policy-making process in Canada was not immune to the promises of a more "rational" decision-making process based on the availability of social science research. Not unexpectedly from the mid-1960's to the mid-1970's the main demand for applied social researchers came from the federal and provincial governments.[172] The problem was that a shortage of skilled research and policy planning specialists meant that many of these units were not fully staffed and/or had to settle for less than the best.[173]

It was during this period of emphasis on rational decision-making processes in government that policy-makers in both the United States and Canada began seriously to evaluate the advantages and

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Pal points out, however, that after the initial proliferation of these groups in government in the mid-1970s there was a period of reorganization and retrenchment that led to a much more modest role and a lower profile than was first envisaged. p. 78.

[170] Pal, p. 73.

[171] Michael J. Prince and John A. Chenier, 'The Rise and Fall of Policy Planning and Research Units: An Organizational Perspective', Canadian Public Administration, (Winter 1980), p. 530.

[172] Paul Lamy, 'Applied Social Research and Canadian Public Policy', in The Social Sciences and Public Policy in Canada, ed. A.W. Rasporich, (Calgary: University of Calgary, 1979), p. 37.

[173] Prince and Chenier, p. 534.

disadvantages of the negative income tax concept.[174] The difficulty was that the available research respecting the labour supply response (which was the significant policy question) to a system of guaranteed annual income payments was inconclusive. In Canada, "reliable estimates of work reduction due to a guaranteed annual income were not available and, in the opinion of many researchers, were unlikely forthcoming from conventional data".[175] Hence policy-makers in both countries turned to the research methodology of social experimentation as a means of gathering data and information on what was known to be a highly controversial policy option. The belief was that social experimentation as a highly rigorous and empirical methodology based on the demanding technique of experimentation would provide the most objective and unequivocal behavioural information.

It was believed by the officials who planned and designed the Mincome Manitoba experiment that it would yield factual and objective information. It was also believed by the same planners that this information would then be used in the review of income security policy conducted as part of the Social Security Review.[176] Officials in the Department of National Health and Welfare (hereafter referred to as National Health and Welfare) were deeply aware of the far-reaching implications of experimentation and after lengthy contacts with key people in the United States devoted considerable effort to understanding just what experimental data could and could not

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[174] Mincome Manitoba, 'The Development and Design of Negative Income Tax Experimentation in Manitoba: A Preliminary Report', (July 1974, draft), p. 2.

[175] Hum and Simpson, p. 3.

[176] Ibid., p. 7.

indicate.[177]

1.5.1 Liberals and New Democrats

Canadian mainstream political parties tend to be characterized, and characterize themselves as "moderate" which tends to diminish the differences between them.[178] This has especially been the case with respect to the Liberal Party and the New Democratic Party. The Liberal Party, since at least 1945, has attempted to portray itself as a centrist, "middle of the road" party in order to draw from a wide spectrum of the electorate.[179] The NDP, meanwhile, has favoured an alliance with welfare liberalism rather than a commitment to socialist ideology.[180] The policy implications of the shallow ideological differences separating the Liberal Party from the NDP can be easily illustrated as William Christian and Colin Campbell do when they point out that the commitment of successive federal Liberal governments after the Second World War to the welfare state deepened and took concrete form in large part due to pressure from the rapidly rising Co-operative Commonwealth Federation (CCF), the predecessor of the New Democratic Party.[181]

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[177] Director General, Welfare Assistance and Services, National Health and Welfare, memorandum to the Deputy Minister, March 30, 1972.

[178] Paul Fox, 'Middle-of-the-Road Parties are the Canadian Tradition' in Politics: Canada, eds. Paul W. Fox and Graham White, (Toronto: McGraw-Hill Ryerson, 1987), p. 357.

[179] Christian and Campbell, p. 46.

[180] William Christian, 'Party Ideologies in Canada', in Politics: Canada, eds., Paul W. Fox and Graham White, (Toronto: McGraw-Hill Ryerson, 1987), p. 376.

[181] Christian and Campbell, p. 63.

The focus by the Liberal Party of Canada on "reform" or "positive" liberalism dates to 1919 when its leader, McKenzie King, proposed the tenets of positive or reform liberalism as an alternative to the laissez-faire view of "negative" or "market" liberalism[182] (as it has been termed). As Milton Friedman (who describes his political philosophy as "liberalism" and who has been described as a "present-day extreme liberal economist")[183] explains (without approval):

> Beginning in the late nineteenth century, and especially after 1930 in the United States, the term liberalism came to be associated with a very different emphasis, particularly in economic policy. It came to be associated with a readiness to rely primarily on the state rather than on private voluntary arrangements to achieve objectives regarded as desirable. The catchwords became welfare and equality rather than freedom.[184]

Negative liberalism (referred to as business liberalism by Christian and Campbell) tends to view the state with suspicion as a potentially coercive force. Negative liberalism, then, has as its primary and overriding objective the removal of restraints (primarily by government) on economic activity and individual freedom.[185] Reform or

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For example, the federal government only introduced the Old Age Pensions Act in 1927 after its hand was forced by two Labour MPs, J.S. Woodsworth and A.A. Heaps, (future founders and leaders of the CCF) whose support was critical during the minority Parliament of 1925-26. Banting, p. 62.

[182] Ibid., p. 59.

[183] Budd, p. 31.

[184] Milton Friedman, Capitalism and Freedom, (Chicago: The University of Chicago Press, 1962), p. 5.

In Canada, C.B. Macpherson, who was Professor of Political Science at the University of Toronto, has written extensively on the history of liberalism.

[185] Ibid., p. 7.

positive liberalism, on the other hand, attempts to integrate the traditional liberal focus on the rights and sovereignty of the individual with the idea that state intervention may be required in the interests of promoting equality of opportunity. Christian and Campbell suggest that positive government action is not only consistent with, but is central to, liberalism in the modern world.[186]

Since its inception the NDP has consistently looked for inspiration form the British Labour Party and to the Social Democrats in Sweden rather than to German Marxists.[187] To its own members, however, the NDP is both an electoral organization and a political organization pledged to the eventual transformation of society.[188] Reconciling these two goals has not always been easy for the NDP and has often confused its own supporters as well as the electorate. The notion of transforming society, which the NDP has never allowed to wither away completely, is more than anything else a carry-over dating to the Party's origins as the CCF.

The CCF was born in Western Canada in 1932 as a coalition of labour and farm groups proposing "a co-operative commonwealth, in which the basic principle regulating production, distribution and exchange will be supplying of human needs instead of the making of profits".[189] In 1933, in the now famous Regina Manifesto, the CCF went further stating that: "No C.C.F. Government will rest content until it has eradicated

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[186] Christian and Campbell, p. 60.

[187] Christian p. 374.

[188] Desmond Morton, Social Democracy in Canada, (Toronto: Samuel Stevens Hakkert & Company, 1977), p. 3.

[189] Ibid., p. 12.

capitalism and put into operation the full programme of socialized planning which will lead to the establishment in Canada of the Co-operative Commonwealth".[190] In 1944 the CCF won the provincial election in the Province of Saskatchewan but this was to be its only success. By 1957 with only 9.7 percent of the popular vote nation-wide, the same as it had in 1940, it had become apparent that some kind of change was required. Hence in 1961 the CCF transformed itself into the New Democratic Party whereby it formed a political alliance with the trade union movement, moderated its policy agenda in order to appeal to a broader section of the electorate, and left behind the radical rhetoric of the Regina Manifesto. The alliance with the trade unions involved the infusion of a heady dose of the welfare liberalism favoured by the trade union movement into the ideology of the Party.[191] Christian and Campbell suggest that this alliance made a real ideological difference in that as practical people concerned with this world rather than the next, the unionists found the millenarian aspects of the CCF unappealing.[192]

Thus the NDP has usually sought to make an electoral impact in alliance with welfare liberalism rather than on the basis of a radical alternative ideological approach.[193] In 1961, consistent with its new approach and alliance with the trade union movement it promised jobs, national programmes of health insurance, portable pensions and sick benefits, free education, and a steeply progressive taxation system.

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[190] Ibid., p. 12.

[191] Christian, p. 376.

[192] Christian and Campbell, p. 206.

[193] Christian, p. 375.

It pledged itself to protect the family farm, fishermen, credit unions, and even small businesses. Christian and Campbell conclude that the alliance with the trade union movement clearly transformed the socialist CCF into the social democratic NDP.[194]

The Liberal Party, unlike the NDP, does not have an automatic or ideological commitment to interventionist policies. However, by the 1970s it had acquired the habit of intervention as a result of the influence of Keynesian economic policies, positive or reform liberal ideology, and pressure from nationalists within the party[195] which has further exacerbated the competition between the Liberal Party and the NDP for the centre vote. Hence the NDP has often been at pains to separate its position on economic and social policy (but especially social policy) from that of the Liberal Party. Just how difficult this can be is illustrated by the attempt of the national leader of the NDP in 1988:

> The other parties are much more committed to the principle of a corporate global economy, of allowing market forces to go where they will . . . We have always been much more conscious that political power should be used to help shape the economy in ways that are compatible with a number of social goals, like full employment.[196]

The point is that while the NDP is certainly more ideologically predisposed to state intervention than is the Liberal Party, the NDP is not by any stretch of the imagination committed to the socialization of the "means of production" just as the Liberal Party

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[194] Christian and Campbell, p. 206.

[195] Ibid., p. 78.

[196] Edward Broadbent quoted in 'Search for an Opening: An NDP Surge', interview by Michael Rose, in Contemporary Canadian Politics, eds. Robert J. Jackson, Doreen Jackson, and Nicolas Baxter-Moore, (Scarborough: Prentice-Hall, 1987), p. 319.

is not ideologically neither unable nor unwilling to justify various forms of state intervention. The key to understanding the competition between the Liberal Party and the NDP at the polls, therefore, is to recognize the short distance between the adherence of the Liberal Party to positive or reform liberalism and the NDP's truly social democratic rather than socialist nature.

Under the parliamentary form of government the basic features of the political regime in power can be shaped by the philosophy, style, and objectives of the Prime Minister, or in the case of the Canadian provinces, the Premier. In fact, Peter Aucoin argues that Canadian and comparative studies on executive government make it clear that changes in the central machinery of government invariably follow changes in chief executive offices as new political leaders seek to mold structure and process to their personal philosophies of leadership, management styles, and political objectives.[197] There is considerable literature concerning the way in which governments govern in Canada which takes as its starting point the growing power of the Prime Minister and Premiers as the senior government member. Robert Adie and Paul Thomas, for example, observe that "the role and responsibilities of the prime minister are so predominant that some commentators have argued that our system would be better described as prime-ministerial rather than cabinet-parliamentary".[198]

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[197] Peter Aucoin, 'Organizational Change in the Machinery of Canadian Government: From Rational Management to Brokerage Politics", in Contemporary Canadian Politics, (Scarborough: Prentice-Hall Canada, 1984) p. 90.

[198] Adie and Thomas, p. 213.

Also see, D.V. Smiley, Canada in Question: Federalism in the Seventies, (Toronto: McGraw-Hill Ryerson, 1976), chapter three.

This will certainly be the case if the Prime Minister or Premier is able to dominate other members of their government and party as was the case with Prime Minister Trudeau and Premier Edward Schreyer. The next section of this chapter will briefly consider the political views and governing styles of these two leaders. This is not to suggest that their philosophies, styles, and objectives can be easily or neatly separated from the intellectual, social, and political environment in which they held office. Rather, it is to suggest the importance of leadership in the way in which government operates and policy is formulated.

1.5.2 Prime Minister Trudeau

In 1968 Pierre Elliot Trudeau defeated the chief proponent of business liberalism for the leadership of the Liberal Party of Canada. Thereafter, although he often disappointed welfare liberals during his leadership, business liberalism played a secondary role in the outlook of the Liberal Party.[199] One of the results of the ascendancy of welfare liberalism and the decline in influence of business liberalism in the Liberal Party during Trudeau's leadership was the lowering of the threshold at which intervention was accepted by members of the Party and government.[200] This was possible under Trudeau's leadership because although he was a thoroughly committed liberal with respect to the paramountcy, rights, and sovereignty of the individual he was also committed to a decision-making process and style that was highly rationalistic. This militated against an overly, or even primarily,

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[199] Christian and Campbell, p. 79.

[200] Ibid., p. 78.

ideological or politically partisan approach to the problems confronted by his government.

At the core of Trudeau's philosophical and political views is a belief in the sovereignty and rationality of the individual. Richard Gwyn traces the sources of his ideas to nineteenth century Liberalism and eighteenth century Rationalism.[201] It was Trudeau's belief in individualism that led him to oppose the nationalism of his native Province of Quebec which is based on the primacy of collective rights over individual rights. It was his belief in rationality which underpinned his defense of federalism as he believed that it was through this type of political arrangement that there could be a rational and calculated compromise of conflicting regional interests.[202] As Pal has remarked, Trudeau was the consummate rationalist who "firmly believed in the power of logical analysis, research and argument to determine the right policy course".[203]

For Trudeau the common core in every individual was "reason" or "rationality".[204] This led him to the conclusion that if the individual can be thought of as being rational so government should be able to make decisions according to a rational process. Trudeau's philosophy of governing was "rationalist" in the sense that he argued that reason should take precedence over all forms of "emotionalism". Thus Trudeau insisted on a "cold, unemotional rationality" in his

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[201] Richard Gwyn, The Northern Magus, (Toronto: McClelland and Stewart, 1980), p. 52.

[202] Ibid., p. 72.

[203] Pal, p. 73.

[204] Aucoin, p. 72.

political approach wherein each problem is tackled on its own merits without reference to dogma and ideologies.[205] In 1964 he wrote the following often quoted passage,

> the state - if it is not to be outdistanced by its rivals - will need political instruments which are sharper, stronger, and more finely controlled than anything based on mere emotionalism: such tools will be made up of advanced technology and scientific investigation, as applied to the fields of law, economics, social psychology, international affairs and other areas of human relations, in short, if not a product of pure reason, the political tools of the future will be designed and appraised by more rational standards than anything we are currently using in Canada today.[206]

Trudeau's rationalist approach to decision-making was in sharp contrast to the incrementalist and informal style of his predecessors.[207]

Trudeau came to power in 1968 with the intention of governing in accordance with his views on rational decision-making. When he took office he immediately set about imposing his views and style on the policy process.[208] His objectives were threefold.[209] First, to overcome the tendency by which public policy decision-making was determined primarily by partisanship on the one hand and incremental drift on the other. Second, to overcome the relative chaos in Cabinet decision-making that had prevailed under his predecessor. And, third,

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[205] George Radwanski, Trudeau, (Toronto: Macmillan of Canada, 1978), p. 121.

[206] Pierre Elliot Trudeau, Federalism and the French Canadians, (Toronto: The Macmillan Company, 1968), p. 203.

[207] G. Bruce Doern, 'The Policy-Making Philosophy of Prime Minister Trudeau and His Advisors', in Apex of Power, Thomas A. Hockin, ed, (Toronto: The Macmillan Company, 1971), p. 191.

[208] Radwanski, p. 147.

[209] Aucoin, p. 92.

to check and curtail the political influence of the bureaucracy in the policy-making process. His two most important reforms were to restructure the Prime Minister's office, and to streamline the Cabinet decision-making process to permit more detailed and informed discussion. These moves were intended to introduce more and better planning into the political decision-making function of the government.

Hence Trudeau's rationalist philosophy of policy-making "stressed clear definition of goals, systematic analysis of policy options, the monitoring of the progress of programs and an anticipation of societal trends - in short, rational and comprehensive planning".[210] The reforms he initiated in accordance with his rationalistic aspirations were heralded as ushering in a new era in national policy-making. All proposals had to be fully documented, their conclusions and recommendations based on a careful consideration of alternatives, and the pros and cons of the argument presented.[211] The addition of formal planning units in the Prime Minister's Office and the Privy Council Office reflected a formalization of roles that previously had been developed only informally.

Trudeau surrounded himself with personal and advisory staff imbued with the same ideas.[212] As Bruce Doern has pointed out, there was little doubt that as a group the Trudeau advisors had a more rationalist conception of the way government ought to operate than any

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[210] Adie and Thomas, p. 106.

[211] Mitchell Sharp, 'Decision-making in the federal cabinet', Canadian Public Administration, (Spring 1976), pp. 4-5.

[212] Doern, p. 189.

previous group of central advisors.[213] In fact, a considerable amount of their time was spent in attempting to conceptualize the "nature" of decision-making. Not surprisingly, "various Trudeau governments were variously held to be influenced by a fascination with rationality, planning and technocratic approaches".[214]

Nevertheless, as Adie and Thomas point out,

> after discounting for the hyperbole which usually accompanies administrative reforms the structural changes introduced by the Trudeau government can perhaps fairly be seen as a mixture of limited success and a greater measure of failure.[215]

In fact, many observers would endorse the view that though Trudeau may have created the structures of rational policy-making, incrementalism continued to predominate within them.[216]

1.5.3 Premier Edward Schreyer

In 1969 the Province of Manitoba elected the New Democratic Party to office. This was the first general election won by the NDP in any province in Canada since the Party was formed from its predecessor, the Co-operative Commonwealth Federation in 1961.

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[213] Ibid., p. 195.

[214] Doern and Phidd, p. 140.

[215] Adie and Thomas, p. 106.

[216] R.J. Jackson, and M.M. Atkinson, quoted in Robert F. Adie and Paul G. Thomas, Canadian Public Administration: Problematical Perspectives. (Scarborough: Prentice-Hall, Canada Inc., 1982), p. 122.

The NDP won the election in the Province of Manitoba under "former CCF boy wonder" Edward Schreyer.[217] Schreyer, who had become a CCF Member of Parliament at the age of twenty-two, had taken over the leadership of the Manitoba New Democratic Party during the campaign. Throughout the campaign Schreyer billed himself as a social democrat (not a socialist) and a moderate. He promised premium-free Medicare, government-run auto insurance, consolidation of municipal governments, better roads for the North, more public housing, and so on.[218] Against the unanimous predictions of the experts, the NDP won the election and formed a government with a bare majority of one after an elected Liberal joined their ranks. Despite the precarious situation of his government, Schreyer stated that he expected to govern for a full term and he did.

It is difficult to understand the Manitoba NDP's approach to government without accounting for the influence of Schreyer.[219] Schreyer's social democratic philosophy of government stressed an activist approach. As he stated in his first address to the Manitoba Legislature as Premier: "The point is that my colleagues and I happen to believe, and believe sincerely, in an approach to government that is essentially activist".[220] The purpose of government was to bring about greater economic equality and social justice. As Schreyer put it:

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[217] Morton, p. 100.

[218] Ibid., p. 100.

[219] Ibid., p. 3.

[220] Premier Schreyer, Manitoba Legislature Assembly Debates, August 21, 1969, in Ed Schreyer: A Social Democrat in Power. Paul Beaulieu, ed. (Winnipeg: Queenston House, 1977), p. 2.

> To my mind this is what the art of good government is or should be all about: to work towards a more equitable distribution of those goods that are essential to well-being, because without that, civil rights or freedom or liberty, whatever way it's described, cannot be meaningful.[221]

Schreyer's social and political model was the social democratic system in Scandinavia. As he stated:

> It is very close to the kind of general notion of what I regard as the best politics, the best philosophy of government. There is literally nothing that I know of in the Scandinavian social-democratic political philosophy that I disagree with.[222]

Schreyer believed in the importance of a planning framework and substantive, rational guidelines for the development of policy.[223] Three examples illustrate the point. First, a three volume document of over three hundred pages was produced in 1973 by the Planning and Priorities Committee of Cabinet. The stated purpose of the document was to provide the information the government needed to intervene in the economy in an orderly and rational manner.

Second was the establishment of a Planning Secretariat which reported to the Cabinet and several subcommittees of the Cabinet. The purpose of involving the entire Cabinet was to raise the profile of the planning process and provide the Planning Secretariat with multiple points of entry into Cabinet. The intended result was to be broader political and bureaucratic input into cabinet planning processes and a higher profile for the people doing the planning.[224]

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[221] Schreyer in Beaulieu, p. 2.

[222] Ibid., p. 190.

[223] James A. McAllister, The Government of Edward Schreyer, (Kingston and Montreal: McGill-Queen's University Press, 1984), p. 6.

Significantly, many of the Planning Secretariat staff were not only sympathetic to the NDP, but also shared a background in social sciences academic training.[225]

Third, was Schreyer's commitment to test scientifically, through the use of an experiment, a guaranteed annual income proposal. In 1972 he stated:

> What astounds me is that so many people have been willing to talk about a guaranteed annual income, argue about its pros and cons, but no one has really made any effort to systematically and scientifically test and probe and weigh the evidence in a scientific way to determine just what a guaranteed annual income is likely to do.[226]

Schreyer's commitment to such an undertaking, and his rationale for doing so, was indicative of the belief, widely held at the time, in the relevance and desirability of working to develop decision-making processes supported by empirical and objective information generated in accordance with the prerequisites of the scientific method.

The following tables provide Manitoba election results and national election results from 1968 to 1984.

Manitoba Election Results 1968-1986

1969 June - New Democratic Party
1973 June - New Democratic Party
1977 October - Progressive Conservative Party
1981 November - New Democratic Party
1986 March - New Democratic Party

Federal Election Results 1968-1984

1968 June - Liberal Party

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[224] Ibid., p. 28.

[225] Ibid., p. 28.

[226] Winnipeg Tribune, 'Schreyer looks at his three-year record', July 15, 1972.

1972 October - Liberal Party (minority government)
1974 July - Liberal Party
1979 May - Progressive Conservative Party (minority government)
1980 February - Liberal Party
1984 September - Progressive Conservative Party

Chapter II

SOCIAL EXPERIMENTATION

In the view of some observers there are three major forces that drive the "normal" policy-making process in liberal democracies: interests, values, and causal assumptions.[227]

> Interests refer to the preservation, extension or creation of circumstances which will maintain or further one's goals (usually economic goals).
>
> Values refer to moral principals which people hold. They reflect the sense of what ought to be rather than what is.
>
> Causal assumptions refer to beliefs about the way the world works empirically, that is, which causes will lead to which effects.[228]

The policy process, therefore, is often conflictual (but non-violent) as it normally involves the interplay of differing interests, values, and causal assumptions on the part of those able to influence (or directly effect) the setting of the political agenda. The primary role of factual information in this process is to reduce the amount of uncertainty that must be dealt with[229] by providing a basis on which causal assumptions can be stated and defended. Social science research attempts to provide factual information respecting human behaviour. To this end, various research methodologies have been

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[227] Pal, p. 102.

[228] Ibid. pp. 102-106.

[229] David Twain, 'Developing and Implementing a Research Strategy', in Handbook of Evaluation Research, eds. Elmer L. Struening and Marcia Guttentag, (London: Sage Publications, 1975), p. 27.

developed of which social experimentation is one of the most rigorous and demanding.

One of the most difficult issues with which to deal in the quest to understand and predict behaviour is the significance of rationality or reason in the decision-making process. Information is critical to the process of reasoning - especially information that can be used to make inferences and causal assumptions. However, as John Haltiwanger and Michael Waldman point out, a recurring controversy in economic thought has been the conflict between the assumption of rationality and the fact that economic agents have limited and very different capacities to process information.[230] Further complicating the issue, as Keith Wilde et al. note, is that the "difficulty of making intelligent decisions, whether personally or in an organization, has changed from ability to get information to one of processing a super abundance".[231]

In the late 1960s and early 1970s there was a great deal of concern respecting the behavioural implications of social assistance programmes and, in particular, the extent to which their availability would have the effect of discouraging individuals from undertaking low-wage work.[232] Much of the discussion centered around the question of the incentive/disincentive effects of income security measures. This concern was a political flashpoint because of the strong feelings

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[230] John Haltiwanger and Michael Waldman, 'Rational Expectations and the Limits of Rationality: An Analysis of Heterogeneity', American Economic Review, (June 1985), p. 326.

[231] Keith D. Wilde, Allen D. LeBaron, and L. Dwight Israelsen, 'Knowledge, Uncertainty and Behavior', American Economic Review, (May 1985), p. 407.

[232] Butler, p. 138.

associated with the value and role of the work ethic. Part of the problem was the lack of empirical data that would either support or not support economic theory which hypothesized a reduction in work effort in response to income supplementation.

In the United States during the late 1960s and early 1970s the possibilities of social experimentation as a means of investigating the behavioural response to government interventions were considered so great that hundreds of millions of dollars were spent conducting social experiments. Social experiments were conducted in many social policy fields including education, mental health, economics, criminal justice, race relations, and labour.[233] The justification was that the information generated by these experiments could serve as the basis for designing national programs that could ultimately run into the hundreds of billions of dollars. Hence the large research outlays associated with social experiments were considered small if they would help policy-makers avoid errors in the implementation of potentially costly programs.[234] This led to the financing and implementation of a number of income maintenance experiments.

This chapter will review the technique of social experimentation, the idea of a guaranteed annual income, the features of the negative income tax model, and the income maintenance experiments that were conducted in the United States.

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[233] Lenard Saxe and Michele Fine, Social Experiments, (London: Sage Publications, 1981), p. 65.

[234] Robert Ferber and Werner Z. Hirsch, 'Social Experimentation and Economic Policy: A Survey', Journal of Economic Literature, (December 1978), p. 1,380.

2.1 SOCIAL EXPERIMENTS

Policy-makers and economists have long faced the problem of how to measure the effect of changes in policy variables on behaviour.[235] The basic purpose of a social experiment is to generate behavioural information about the effectiveness of some means of attaining a desired social policy objective.[236] More precisely, the aim is,

> to state a functional relationship between an experimentally induced effect and its outcome on the basis of controlled observations, and to use that relationship to predict the outcome of a similar policy for a total population of which the experimental subjects are only a sample.[237]

The promise, therefore, of social experimentation is that it will generate reliable and defensible behavioural information, namely, measureable and predictive information concerning a behavioural response to some change that can be generalized from a sample to the general population.[238]

Many social scientists are of the opinion that experimentation is the optimal methodology with respect to social science research and should be used where possible. Lenard Saxe and Michele Fine suggest that it is when the experimental method is used that empirical inquiry generates the least ambiguous data and dispels the greatest number of

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[235] Ibid., p. 1,379.

[236] Henry W. Riecken and Robert F. Boruch, 'Social Experimentation', in Social Experimentation: A Method of Planning and Evaluating Social Intervention, eds., Henry W. Riecken and Robert F. Boruch, (London: Academic Press, 1974), p. 2.

[237] Tom Atkinson, James Cutt, and H. Michael Stevenson, Public Policy Research and The Guaranteed Annual Income: A Design for the Experimental Evaluation of Income Maintenance Policies in Canada. (Toronto: Institute for Behavioural Research, York University, 1973, unpublished), p. 28.

[238] Atkinson, Cutt, and Stevenson, pp. 16-17.

alternative explanations.[239] Carol Weiss notes that it is because the controlled experiment promises information from which inferences and generalizations can be made that it has become the methodology of investigation preferred by many social scientists.[240] Pal is of the opinion that the ideal method of evaluating the impact of a policy intervention is the classic experimental design.[241] After reviewing the Mincome Manitoba experiment and the income maintenance experiments conducted in the United States, Hum and Simpson concluded that policy experimentation should be used in Canada for other social policy issues such as employment and training.[242]

The significance of the claim to scientific credibility by social science research with respect to the results of experimental research can hardly be overstated. An example concerning research on educational achievement can illustrate the point. In 1978 a review of the research respecting the effect of class-size on student achievement in elementary and secondary school was prepared by Gene Glass and Mary Lee Smith.[243] Although the research and related literature on the subject of class-size is immense, other reviewers of this research had concluded that the relationship between class-size

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[239] Saxe and Fine, p. 50.

[240] Carol H. Weiss, 'Evaluation Research in the Political Context', p. 20.

[241] Pal, p. 53.

[242] Hum and Simpson, p. 92.

[243] Gene V. Glass and Mary Lee Smith, 'Meta-Analysis of Research on the Relationship of Class-Size and Achievement', (San Francisco: Far West Laboratory for Educational Research and Development, 1978).

and pupil achievement was inconclusive.[244] Nevertheless, in their review of the same research, Glass and Smith concluded that there was a definite inverse relationship between class-size and pupil learning. Glass and Smith based their dissenting conclusions on the findings of only 14 of the 80 studies reviewed. The findings of the 14 were used because these studies were deemed to have exercised good "experimental" control. The research and findings by Glass and Smith received such a lot of attention and publicity that the Educational Research Service found it necessary to publish a special report examining fully (and refuting) Glass and Smith's findings and implications.

2.1.1 Experimentation

The particular strength of a social experiment as a research methodology is that it employs the technique of an "experiment". The essence of experimentation is that it attempts to demonstrate and explain the relationships between dependent and independent variables on the basis of empirical, measureable, and reproduceable information. Arthur Copeland notes that experimental tests constitute a fundamental aspect of scientific methodology.[245] Thus it is the use of experimentation which allows social experimentation to make such a strong claim to being an objective and scientifically credible form of

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[244] Educational Research Service Inc., 'Class-Size Research: A Critique of Recent Meta-Analysis', 1980. The Educational Research Service Inc. is an independent, nonprofit corporation in the United States whose purpose is to serve the research and information needs of the United States school system.

[245] Arthur H. Copeland, Sr., 'Mathematical Proof and Experimental Proof', Philosophy of Science, (December 1966).

policy research. Donald Campbell, for example, states: "To be truly scientific we must be able to experiment".[246] George Fairweather and Louis Tornatzky point out that it is essential that social experiments be very sound from a scientific point of view which means that the procedure must involve an actual experiment.[247]

The superiority of the experimental method lies in the fact that,

> in a true experiment the differences between a treated (experimental) group and an untreated (control) group can be attributed entirely to the effect of the treatment plus an accidental (random) error component which can be accurately estimated and which will be evenhandedly distributed across the control and the experimental groups alike.[248]

Experiments therefore are characterized by the systematic provision for the measurement of outcomes, for the establishment of controls over the experimental environment, and for the random assignment of subjects to different treatment groups.[249] Furthermore, because in an experiment an independent variable is manipulated in order to gauge its effect on a dependent variable, an attempt is made to control the experimental environment as much as possible so that any variation in

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[246] Donald T. Campbell, 'Reforms as Experiments', in Social Research: Principles and Procedures, eds. J. Bynner and Keith M. Stribley, (London: Longman Groups Ltd., 1978), p. 80.

[247] George W. Fairweather and Louis G. Tornatzky, Experimental Methods for Social Policy Research, (Toronto: Peramon Press, 1977), p. 18.

[248] Riecken and Boruch, p. 5.

[249] Margaret Emma Boeckmann, 'The Contribution of Social Science Research to Social Policy Formulation: A Study of the New Jersey Income Maintenance Experiment and the Family Assistance Plan', Ph.D. Dissertation, (The John Hopkins University, 1973), p. 16.

Randomization in experiments is a relatively recent idea first introduced by R.A. Fisher. Experiments that do not randomly assign subjects to different treatment groups are often referred to as "quasi-experiments". Donald T. Campbell and Julian C. Stanley, Experimental and Quasi-experimental Designs for Research, (Chicago: Rand McNally & Company, 1963), p. 2.

response other than that caused by the stimulus is minimized.[250]

The major difference between a social experiment and a laboratory experiment is that a social experiment attempts to measure the behavioural response on the part of a sample population to a particular "treatment" in an actual social setting. The treatment is usually some intervention or change to be introduced by government which is expected to cause a change in the behaviour of the recipients. Social experimentation, therefore, means that,

> one or more treatments (programs) are administered to some set of persons (or other units) drawn at random from a specified population; and that observations (or measurements) are made to learn how (or how much) some relevant aspect of behaviour following treatment differs from like behaviour on the part of an untreated or control group.[251]

Social experimentation as a technique of policy research has been considered to be superior to other forms of analysis in at least two ways.[252] First, in terms of the degree of confidence or assurance that can be placed in the functional relationships between the characteristics of some policy and the effects on the population influenced by that policy. Second, in the ability to extrapolate from the results of an experiment about these relationships to the effects of a policy formulation not explicitly tested in an experiment.[253] That is, inferences or predictions can be made about the effect of

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[250] O'Shaughnessy, p. 87.

[251] Ibid., p. 87.

[252] Three principal non-experimental alternatives forms of analysis: (i) demonstrations; (ii) new survey research; and (iii) analysis of existing programmatic data. Gary Burtless and Larry L. Orr, 'Are Classical Experiments Needed for Manpower Policy', Journal of Human Resources, (Fall 1986), p. 609.

[253] Atkinson, Cutt, and Stevenson, p. 26.

variations of the experimental variable on the population from which the sample in the experiment was drawn.

It is important to distinguish between social experiments and "demonstration" or "pilot" projects.[254] In a demonstration project the intent is to show that a particular treatment can be administered to a given population and that the status of this particular population will be altered in some discernible fashion. Because no attempt is made to control for the effect of non-treatment variables on the chosen population, it is not possible rigorously to generalize the results to other populations or times, or to slightly altered treatment variables. Mordecai Kurz and R.G. Spiegelman, therefore, suggest that "a 'demonstration' or 'pilot' project is intended to dramatize a program which the policy maker has already selected as the single most desired action."[255] Or, as Hum and Simpson have put it: "Demonstrations are often employed to dramatize some program already selected on a priori considerations as the committed course to follow, while pilot projects are typically feasibility studies of some proposed mechanism to test procedures or detect unforseen features".[256] A social experiment, on the other hand, seeks to provide

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[254] J.T. Allen, 'Discussion Paper on Strategy for Income Maintenance Experimentation,' (July 1969, unpublished), p. 3.

Also see Larry L. Orr, 'Introduction: Strategies for a Broad Program of Experimentation in Income Maintenance', in Income Maintenance: Interdisciplinary Approaches to Research, eds. Larry L. Orr, Robinson G. Hollister, and Myron J. Lefcowitz, (Chicago: Markham Publishing Company, 1971), p. 47.

[255] Mordecai Kurz and R.G. Spiegelman, 'Social Experimentation: A New Tool in Economic and Policy Research', (Research Memorandum 22, Menlo Park: Stanford Research Institute, November 1975), p. 2.

[256] Hum and Simpson, p. 45.

information on the effects of a given treatment which can be generalized not only to populations other than the particular one covered by the experiment, but also to variations in the treatment itself. Although a social experiment is conceptually far more difficult and may be more costly than a demonstration project, it potentially yields much more "powerful" causal information.

During the quest of the 1970s for those social science research tools that would be the most effective in a "rational" policy process many social scientists became strong advocates of social experimentation. Campbell, as an example, wrote that:

> The United States and other modern nations should be ready for an experimental approach to social reform, an approach in which we try out new programs designed to cure specific social problems, in which we learn whether or not these programs are effective, and in which we retain, imitate, modify, or discard them on the basis of apparent effectiveness on the multiple imperfect criteria available.[257]

Henry Riecken and Robert Boruch stated that:

> It is reasonable to encourage policy strategists and program managers to adopt an experimental attitude toward their work, employing experimental designs or experiment like approaches, because some experimental or quasi-experimental design can be devised for nearly every social setting and nearly every kind of social intervention which a policy-maker may be concerned.[258]

Fairweather and Tornatzky were of the opinion that: "If enough time and thought is given to such techniques and to the problem involved, it is usually possible to create an experiment for almost any social problem".[259] Saxe and Fine suggested that: "The methods of social

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[257] Campbell, 'Reforms As Experiments', p. 80.

[258] Riecken and Boruch, p. 8.

[259] Fairweather and Tornatzky, p. 18.

experimentation and the scientific logic which underlie its application are useful anywhere that rational decision-making is required . . . The spectrum of research designs suitable for social experimentation appears to be infinite".[260]

Much of the interest in social experimentation on the part of social scientists in the United States during the 1970s was the result of a search for more precise and credible program evaluation techniques in light of the notable failings of the "War on Poverty" programs of the 1960s.[261] During the 1970s the United States government spent over $500 million on social experiments (mostly on income maintenance experimentation) although much of this money was received by experimental participants as transfer payments (treatments).[262] The argument was that experimental design methodology offered the greatest opportunity for determining what, if any, causal linkages exist between policy action (income payment) and policy impact (work effort change).[263] It was further argued by some that increasing the use of experimental methodology as a policy research technique would lead to a more rational and orderly policy-making process.[264]

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[260] Saxe and Fine, p. 65.

[261] Ibid., p. 28.

[262] Jerry A. Hausman and David A. Wise, 'Introduction', in Social Experimentation. eds. Jerry A. Hausman and David A. Wise, (Chicago: University of Chicago, 1985), p. 1.

[263] Frank P. Scioli, Jr. and Thomas J. Cook, 'Experimental Design in Policy Impact Analysis', in Methodologies for Analyzing Public Policies, eds. Frank P. Scioli, Jr. and Thomas J. Cook, (Lexington: Lexington Books, 1975), p. 89.

[264] George W. Fairweather, 'Methods for Experimental Social Innovation', (New York: John Wiley & Sons Inc, 1967).

2.1.2 Advantages and Disadvantages

The central issue with respect to social experimentation is the extent to which expensive and difficult experiments are useful or necessary for conducting policy research.[265]

The most obvious circumstance in which the experimental approach to social policy research is warranted is when other sources of data are unavailable or inadequate. For example, in the case of a proposed negative income tax scheme the total cost of the program cannot be estimated unless the labour supply response to a particular program with a specified tax-back rate and guarantee level is known. However, when various negative income tax schemes were being considered seriously in the late 1960s, the usual types of economic and sociological data - governmental and private censuses and surveys - were not adequate to answer the question.[266] Some means had to be devised to generate the required behavioural information related to the parameters of the proposed policy. Experimentation was viewed as one means of generating such information.

A second situation in which a social experiment will look attractive is if there is significant uncertainty as to which theoretical approach should be used (due to either a total absence of

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[265] David B. Pillemer and Richard J. Light, 'Using the Results of Randomized Experiments to Construct Social Programs', in Reanalyzing Program Evaluations, eds. Robert F. Boruch et al., (San Francisco: Jossey-Bass Inc., 1981), p. 225.

[266] David Elesh et al., 'The New Jersey-Pennsylvania Experiment: A Field Study in Negative Taxation', in Income Maintenance: Interdisciplinary Approaches to Research, eds. Larry L. Orr, Robinson G. Hollister, and Myron J. Lefcowitz, (Chicago: Markham Publishing Company, 1971), p. 23.

theory or an over-abundance of theories) when considering the effects of some intervention.[267] The results of an experiment can be model-free in the important sense that the observed results do not depend on an unknown mechanism.[268] Put in the simplest terms, if there are two groups of identical subjects and one group is given a specific treatment and the other no treatment, the difference in response is a purely experimental result which is identifiable.

A third reason for conducting a social experiment is that independent variables can be varied over whatever range is needed, which from the point of view of the policy-maker means the range relevant to feasible policy options. In this case,

> experimentation is warranted and necessary when the environment does not contain sufficient variations of conditions to include those which must be examined or when, even if the conditions exist, there is no possibility of establishing sufficient methodological or statistical controls to establish cause-effect relationships.[269]

For example, with respect to research concerning income maintenance proposals, one of the major advantages of the experimental method over non-experimental methods is that the experimental method offers the possibility of better exogenous variation in the wage and income variables.[270] In these instances, the debate on whether experiments are "worth it" depends on the belief in the ability of the experiment versus the real world to generate truly exogenous variation in the

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[267] Frank P. Stafford, 'Income-Maintenance Policy and Work Effort: Learning from Experiments and Labor-Market Studies', in Social Experimentation, eds. Jerry A. Hausman and David A. Wise, (Chicago: University of Chicago, 1985), p. 100.

[268] Kurz and Spiegelman, 'Social Experimentation', p. 9.

[269] Atkinson, Cutt, and Stevenson, p. 24.

[270] Stafford, p. 109.

variables of interest.[271]

In many situations social experimentation may not be the most appropriate research strategy. First, it may be that the policy issue can be resolved with more traditional and less expensive research methods. For example, experimentation respecting income maintenance policy can be an extremely expensive research undertaking not only in financial terms but also in terms of research expertise. Hence if relevant nonexperimental data exist the presumption should be against using experimentation to generate new data.[272]

Second, it may simply be that the phenomenon at issue is one which cannot be simulated adequately in an experimental context.[273] For example, the treatment population of interest may be too small or too different to be able to make meaningful inferences that could be generalized to a larger population. Or, it may be that some important policy variables, for example interest rates or the national debt, cannot be disaggregrated so as to be able to observe differential effects on separate groups or sections of the population.[274] It may also be that it is ethically unjustifiable to conduct an experiment which requires that a group of people be divided into treatment and control groups and then treated differently. For example, it may be impossible on ethical grounds to construct an experimental design that

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[271] Ibid., p. 101.

[272] Orr, p. 48.

[273] Robinson Hollister, 'Introduction', in Income Maintenance: Interdisciplinary Approaches to Research, eds. Larry L. Orr, Robinson G. Hollister, and Myron J. Lefcowitz, (Chicago: Markham Publishing Company, 1971), p. 9.

[274] Pal, p. 54.

deliberately withholds a potentially life saving technology from some of the participants.[275]

Third, it may be that it is legally, administratively, or politically impossible or inappropriate to conduct a social experiment. Peter Rossi has pointed out that with respect to the political and administrative difficulties of conducting controlled experiments in social settings, it is not easy either to get the freedom to undertake properly controlled experiments or to do them even when that consent is obtained.[276] Tom Atkinson et al. note that politically experimentation may be considered impractical when the introduction of microprograms as experimental treatments might have the effect of advertising programs and building up commitments to their continuation before there has been a political commitment to implement such a program on a long-term basis.[277]

Finally, as Donald Campbell and Julian Stanley caution,

> even though we recognize experimentation as the basic language of proof, as the only decision court for disagreement between rival theories, we should not expect that 'crucial experiments' which pit opposing theories will be likely to have clear-cut out-comes.[278]

In other words, despite the credibility and defensiblity of the methodology, experimental research cannot be expected to provide data leading to analysis from which unequivocal conclusions can be drawn

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[275] Ibid., p. 54.

[276] Peter H. Rossi, 'Evaluating Social Action Programs', copyright June 1967 by TRANS-action, Inc., New Brunswick, N.J., in Readings in Evaluation Research, ed. Francis G. Caro, (New York: Russell Sage Foundations, 1977), p. 279.

[277] Atkinson, Cutt, and Stevenson, p. 24.

[278] Campbell and Stanley, p. 3.

concerning human behaviour. For these reasons some observers have concluded that because of the expense involved in terms of time, money, and expertise, social policy experiments should only be undertaken in very particular, and perhaps, relatively infrequent situations.[279]

2.2 GUARANTEED ANNUAL INCOME

The notion of a guaranteed annual income as a policy prescription can be traced back to at least 1796 when a conference of poor-law officials of Berkshire County, England, decided to establish "a table of universal practice" which became known as the Speenhamland Act. Under this practice, the amount of relief by which a family could be eligible was determined to be the cost of the amount of bread needed for sustenance.[280] This "bread scale" was used to supplement the wages of labourers whose earnings were less than the amount needed to buy the required bread. This method of determining income support has been described as "the ancient predecessor of today's official poverty definition which provides price level adjustments based on a range of consumer goods and services".[281]

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[279] D.S. Mundel, 'The Use of Information in the Policy Process: Are Social-Policy Experiments Worth While?', in Social Experimentation, eds. Jerry A. Hausman and David A. Wise, (Chicago: University of Chicago, 1985), p. 245.

[280] Walter A. Friedlander, Introduction to Social Welfare, (Englewood Cliffs: Prentice-Hall, Inc., 1968), p. 21.

[281] J. Patrick Madden, 'Poverty Statistics: A Guide to Interpretation, (Department of Agricultural Economics and Rural Sociology, The Pennsylvania State University, 1972), p. 12.

Since the Speenhamland Act the notion of guaranteeing a minimum level of livelihood whether through guaranteed employment, state underwritten social insurance, social assistance, or some combination of all three has had a long and often controversial history. The two most contentious issues have been that of determining eligibility especially with respect to the employed poor, and of establishing the appropriate type and level of support for those in need whether employed or not.

The idea of guaranteeing a minimum income for the poor - including the employed poor - through direct income supplementation has circulated in policy and academic circles in the United States since the enactment of the Social Security Act in 1935.[282] However, it was not until the 1960s that a guaranteed annual income as a policy proposal began to be discussed seriously.[283] The debate culminated in the 1969 proposal by President Nixon to introduce a form of guaranteed annual income through the Family Assistance Plan (FAP). In the five years following the proposed FAP legislation a number of other countries including Britain, New Zealand, the Netherlands, Denmark, Norway, France, Australia, West Germany, and Japan considered adopting a guaranteed annual income plan based on the negative income tax

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[282] Leslie Lenkowsky, Politics, Economics, and Welfare Reform: The Failure of Negative Income Tax in Britain and the United States, (London: University Press of America Inc., 1986), p. 23.

[283] In the United States G.J. Stigler, Milton Friedman, Robert Theobald, James Tobin, Robert Lampman, Edward Schwartz, and in Canada, Reuben Baetz, Clarence Barber, the Special Senate Committee on Poverty, the Quebec Commission of Inquiry on Health and Welfare and various provincial governments.

The notion of a guaranteed livelihood has also been associated with Edward Bellamy's novel, Looking Backward published in 1888.

model.[284]

It is the opinion of some observers that a consensus has persisted among economists that a modest negative income tax program would be good public policy.[285] In 1962 Professor Milton Friedman proposed a guaranteed annual income fashioned on the basis of the negative income tax model. In 1973 Professor John Kenneth Galbraith recommended consideration of "the provision of a guaranteed or alternative income as a matter of right to those who cannot find employment".[286] In 1985 a Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission) stated that,

> the provision of a Universal Income Security Program with relatively low guarantee levels and tax-back rates is an appropriate long-term goal for the Government of Canada and the provincial governments to pursue, in order to reform the current income-security system".[287]

In 1985-86 a movement in Europe "was developing among academics from a number of disciplines, and politicians across the political spectrum" to consider seriously a guaranteed annual income as a long-term policy option and in 1986 a conference in Belgium led to the formation of a Basic Income European Network.[288] In 1991, Greg Mason, former professor of economics at the University of Manitoba and now a partner in Prairie Research Associates Inc., stated that: "I don't think any

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[284] Lenkowsky, p. 3.

[285] Stafford, p. 95.

[286] John Kenneth Galbraith, Economics and the Public Purpose. (New York: Houghton Mifflin Company, 1973), p. 251.

[287] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Two, p. 803.

[288] Bill Jordon, 'The Prospects for Basic Reform', Social Policy & Administration, (Summer 1988), p. 115.

economist, left or right, doesn't agree a guaranteed annual income is a good idea".[289]

The strategy of implementing a guaranteed annual income through the mechanism of a negative income tax was first proposed in 1946 by G.J. Stigler.[290] Stigler started from the fundamental principle that those equally in need should be helped equally. He meant that eligibility for assistance should be based on the relationship between income and family size/composition rather than on occupation or ability to work. Accordingly, not only the unemployed poor but also the employed poor would be entitled to receive an income supplement. The dilemma, as Stigler saw it, was how to provide income assistance to the employed poor without impairing the incentive to work or creating a dependency on social assistance. He believed that if the negative tax rates were properly graduated some measure of incentive for a family and individuals to increase their earned incomes could be retained while they were receiving assistance.

The concept received little attention until the mid-1960s when the idea of a guaranteed income or negative income tax began moving out of academia in the United States.[291] The better known advocates have been Professor Robert J. Lampman of the University of Wisconsin, Professor James Tobin of Yale University, and Professor Milton Friedman of the University of Chicago.[292] Hum and Simpson note that the "proposals by

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[289] Winnipeg Free Press, 'Guaranteed income gets strong backing', July 4, 1991.

[290] G.J. Stigler, 'The Economics of Minimum Wage Legislation', American Economic Review, (1946).

[291] Hum and Simpson, p. 3.

Friedman, Lampman, and Tobin during this period were all based upon considerations of fiscal efficiency and tax equity".[293] The theories of Friedman and Tobin have received the most attention.[294] Both have favoured a universal income-support system that would provide an income guarantee at a zero level of income and a marginal tax-back rate such that benefits are reduced as income rises.[295]

The notion of a guaranteed annual income based on a negative income tax gained a wide audience after it appeared in Friedman's influential book Capitalism and Freedom in 1962.[296] Robert Theobald, for example, has noted that the most striking factor accounting for the shift in the opinions of many regarding guaranteed annual income plans was the acceptance of direct payments to the poor by Friedman.[297] Friedman agreed with Stigler in two important respects. First, if the objective is to alleviate poverty then any program should aim at all the poor and not any particular group, which meant including the employed poor as well as the unemployed and the unemployable. Second,

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[292] K.P. Kisker, 'A Note on the Negative Income Tax', National Tax Journal, (March 1967).

[293] Hum and Simpson, p. 93.

[294] Sar A. Levitan, 'The Pitfalls of Guaranteed Income', The Reporter, (May 1967), p. 13.

[295] Stafford, p. 95.

[296] Friedman, pp. 191-193.

[297] Robert Theobald, 'Introduction' in The Guaranteed Income: Next Step in Economic Revolution?. ed. Robert Theobald, (New York: Doubleday and Company, 1966), p. 16.

Theobald argued for a guaranteed income based upon the view that new technology and automation increasingly would displace people in the work place; hence he advocated a guaranteed income as an absolute and constitutional right. Hum and Simpson, p. 93.

such a program (as far as possible) should not distort the market or impede its functioning, meaning that the market-determined wage rate should remain unaffected by transfer payments. In other words, a guaranteed annual income should not induce people to work less nor should it bid up the wage rate.

2.2.1 Negative Income Tax

A general negative income tax model may be characterized as a universal, objective, income-conditioned transfer mechanism aimed at minimizing the work disincentives of the employable and the employed poor.[298] It is universal in that it is not limited to specific recipient groups, for example, the aged or unemployable. It is objective since the benefit entitlement is not susceptible to discretionary adjustments except those based on income. It is income-conditioned since the major eligibility criterion is the pre-transfer income of the recipient. Further, it seeks to encourage labour force participation by reducing the benefit entitlement by less than the full amount of any earned wages. Such proposals are "guaranteed annual income" plans in that they would ensure that families having no earnings whatever receive a minimum allowance.[299] They are based on the "negative income tax" model in that the delivery of income supplementation is usually related to the personal income tax.[300]

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[298] Derek P. J. Hum, Michael E. Laub, and Brian J. Powell, 'The Objectives and Design of the Manitoba Basic Annual Income Experiment', (Mincome Manitoba Technical Report No. 1), p. 7.

[299] Hum and Simpson, p. 3.

[300] Ibid., p. 3.

There are three essential elements in a negative income tax model. First is an established minimum income or support level to which all persons are entitled if they have no income from earnings or other sources. Second is the subsidy payment to those with incomes until their total income (including the subsidy) reaches a break-even point. The third element is the reduction of the income subsidy for persons with other income (usually wage income) according to a predetermined tax-back rate.

Most negative income tax proposals contain the following basic components:[301] the guaranteed income level, G, which varies with family size and composition and represents the guaranteed minimum income to be paid to families or individuals with no other income; the tax-back rate, t, at which the level of income guarantee is reduced as income from other sources, Ya, rises; and break-even income, Yb, at which point the income payments cease. Income payments, P, are determined by the formula:

$$P = G - tYa$$

and the break-even amount of income is given by:

$$Yb = G/t$$

Most negative income tax programs containing these elements would work as follows. An income floor would be set probably having some relationship to the official poverty line. The official poverty line

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See Friedman, Freedom and Capitalism, page 192, for an explanation of the relationship of the negative income tax model to the positive income tax system.

[301] C. W. Meyers, 'A Base for the Negative Income Tax', Social Science Quarterly, (September 1970).

could be established in absolute terms (that is with reference to basic physical needs) or in relative terms (that is with reference to a particular social setting and point in history) - most official poverty lines are defined in relative terms. All families or individuals would be entitled to receive transfer payments bringing their incomes up to the income floor. Income earned beyond this floor would result in part of the transfer payment being taxed back at some rate less than 100 percent until a break-even point was reached after which all transfer payments would cease and the positive income tax rate would take effect.

The primary challenge from a policy and political point of view is that of choosing the "best" combination of guarantee levels and tax-back rates which together determine the break-even point. Accordingly, this is also the primary problem encountered when designing a negative income tax experiment.[302] The difficulty is that choosing the guarantee level and the tax-back rate raises the two issues of most concern to policy decision-makers: cost, and effect on work effort. If the income guarantee level is too low it will fail to raise incomes above an acceptable poverty threshold. If, however, it is too high the total costs will be high and some recipients may be induced not to work at all. A low tax-back rate will mean a high break-even point which not only increases the total costs of the program, but also means that higher income families will get more benefits. A high tax-back rate, on the other hand, lowers the break-even point, and hence the total cost, but also reduces the work

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[302] David N. Kershaw, 'A Negative-Income-Tax Experiment', Scientific American, (October 1972), p. 20.

incentive.

The choice of the guarantee levels and the tax-back rates will have different consequences for different groups. For those more or less regularly employed, the guaranteed income level is less important than the tax-back rate. The people in this group need only a relatively small guarantee level since they already have earned income and the benefit is only intended to supplement this income. They would prefer a low tax-back rate so that they can keep as much of their earned income as possible. However, for those outside the regular labour force with little possiblity of employment the tax-back rate applied to these earnings is far less important than the income guarantee level. L.A. Kelly has put the dilemma facing policy-makers as follows:

> It is doubtful whether any income maintenance program can be fully protected against the possibility of payments going to persons who wish to take advantage of the opportunity to receive income without work - unless the qualifying and related conditions for receiving payment are so restrictive that they penalize those for whom they are intended.[303]

These are important considerations as the costs of a guaranteed annual income based on the negative income tax model can be high. Professor Robert Lampman, for example, in 1967 estimated that a "reasonable" plan in the United States, that is one providing a high enough guarantee level to bring everyone to the poverty threshold and a low enough tax-back rate to provide an incentive to secure earned income, could cost the social security system as much as an additional $22 billion.[304] Others estimated the cost to be as high as $25

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[303] L.A. Kelly, Income Maintenance, Tax Savings and the Incentive to Work. (Kingston: Queen's University, 1970), p. 3.

billion.[305]

Implementing a guaranteed annual income through a negative income tax scheme has found support from across the political spectrum albeit for different reasons.[306] Four features of the concept are usually cited as being particularly attractive.[307] First, the problem of poverty is defined as primarily a matter of income and not ability to work - hence there is less reason to distinguish between the employed poor and the unemployed poor. Second, there is the possibility of being able to simplify the administration of welfare (which can be exceedingly complicated) and thereby reduce costs. Third, the stigma associated with receiving income support payments would be less as the employed as well as the non-employed poor would be eligible for benefits. And fourth, the incentive to work is retained because the transfer payments are reduced by only a percentage of earned income.

There are three basic and persistent objections to negative income tax plans. First, it is not thought to be politically (some would say ethically) feasible to introduce income supplementation measures whereby those able to work or working would be entitled to benefits.

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[304] Levitan, p. 13.

[305] Elesh et al., p. 23.

[306] Morely Gunderson, Economics of Poverty and Income Distribution, (Toronto: Butterworths & Co., 1983), p. 145.

Robert J. Fersh, 'An Assessment of Major Welfare Reform Proposals of the 95th Congress', in Income Support. eds. Peter G. Brown, Conrad Johnson, and Paul Vernier, (Totowa: Rowman and Littlefield, 1981), p. 305.

[307] Peter H. Rossi and Katherine C. Lyall, Reforming Public Welfare: A Critique of the Negative Income Tax Experiment, (New York: Russell Sage Foundation, 1976), p. 7.

Second, it is widely believed that under such a program a certain amount of labour would be withheld during the short term, while over the long term the work ethic would be seriously damaged and eventually eroded hence exacerbating the problem of welfare dependency. Indeed, the contention that welfare programs undermine the work ethic has a plausible economic proposition at its core.[308] Theoretically, any income maintenance payment, by reducing the cost of leisure, will have an adverse effect on the incentive to find or remain in employment, that is, the higher the payment, the greater will be its disincentive effect.[309] The third objection is that an income supplementation program that would provide transfer payments to the employed poor as part of a guaranteed annual income would be very costly. Most proponents acknowledge that the costs of providing income maintenance through a negative income tax plan would cost significantly more than existing income maintenance measures.

As an idea developed largely by academics and advocated by ostensibly disinterested experts both within and without government, the negative income tax version of a guarantee annual income has come to be viewed by many as "the quintessence of the professionalization of reform".[310] Nevertheless, wherever it has been proposed the negative income tax model version of a guaranteed annual income has, for the most part, never been implemented.[311]

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[308] James M. Gripton, 'Negative Income Tax Experiments: Can Canada Succeed Where the US Failed?', Perception, (November/December 1977), p. 36.

[309] Kelly, Income Maintenance, Tax Savings and the Incentive to Work, p. 1.

[310] Lenkowsky, p. 3.

2.3 INCOME MAINTENANCE EXPERIMENTATION

In 1969 the Republican Administration of President Richard Milhouse Nixon proposed that the United States Congress enact legislation that would make all Americans eligible for income support. Despite Nixon's remarks to the contrary, the Family Assistance Plan proposed a form of guaranteed annual income.[312] Some observers viewed the FAP as being the most innovative piece of social policy to be proposed in the United States since the enactment of the Social Security Act in 1935. Indeed, some believed that if enacted such a policy would become the benchmark against which other Western and developed countries would measure the development of social policy in their countries.[313]

To those interested in the policy-making processes of pluralistic and democratic political systems, the very fact that such innovative social legislation was being proposed by the President and supported in the Congress was as significant as the actual content of the proposal. Although the proposed legislation was finally defeated in the Senate, after being twice passed by the House of Representatives, that it had occupied such a prominent place in the President's domestic political priorities and was debated and voted on in the Congress was taken to be testimony of the capacity of the American political and policy-making system to develop policies (in particular social policies) proposing fundamental change as opposed to incremental tinkering. The FAP proposal, therefore, was taken by some

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[311] Ibid., p. 3.

[312] Leman, p. 53.

[313] Daniel P. Moynihan, The Politics of Guaranteed Annual Income, (New York: The Macmillan Company, 1973).

to be dramatic evidence that, when required, rational, comprehensive, and fundamental policy alternatives could and would be developed within pluralistic political and policy-making structures.

Much of the debate in the United States (as elsewhere) during the late 1960s and early 1970s concerning poverty, welfare reform, and proposals such as the FAP centered around the need to maintain adequate work incentives.[314] In the United States (as in Canada) the "so-called 'working poor' have in the past received almost no income transfers from the American welfare system - such transfers have predominantly been paid to 'nonworking' categories of the population".[315] The central question, then, was how to make income assistance available to the poor, including the employed poor, while at the same time encouraging recipients to seek and maintain employment. The policy problem concerning negative income tax proposals was to determine just what the effects of given combinations of guarantee levels and tax-back rates would have on the work effort of recipients. The research problem was that the usual types of economic and sociological data - governmental and private censuses and surveys - were not adequate to answer this question[316] (as was also the case in Canada).[317]

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[314] Atkinson, Cutt, and Stevenson, p. 47.

[315] G.F. Cain and H.W. Watts, in Income Maintenance and Labor Supply, eds. Glen F. Cain and Harold W. Watts, (Chicago: Rand McNally College Publishing, 1972), Introduction.

[316] Elesh et al., p. 2.

[317] Hum and Simpson, p. 3.

To acquire the relevant data and information (especially behavioural information respecting the labour supply response), five income maintenance experiments based on the concept of the negative income tax were initiated by the United States Department of Health, Education and Welfare and the Office of Economic Opportunity. The five income maintenance experiments were the Urban Income Maintenance Experiment (UNIME) in New Jersey and Pennsylvania; the Rural Income Maintenance Experiment (RIME) in North Carolina and Iowa; the Gary Income Maintenance Experiment (GIME) in Indiana; the Seattle Income Maintenance Experiment (SIME) in Washington; and the Denver Income Maintenance Experiment (DIME) in Colorado.

The five experiments taken together were the most ambitious attempt at social experimentation ever undertaken in the United States.[318] Some social scientists and economists were of the opinion that the experiments represented "a great leap forward in economics as a behavioral science".[319] Indeed, it has been suggested that as a "research endeavour they established a precedent in introducing large scale randomized controlled experimental designs to the social sciences, and resulted in methodological advances in many areas."[320] Hum and Simpson, for example, maintain that the experience gained from social experimentation, especially in the United States, provides a

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[318] Mordecai Kurz and Robert G. Spiegelman, 'The Seattle Experiment: The Combined Effect of Income Maintenance and Manpower Investments', American Economic Review, (May 1971) p. 22.

[319] James N. Morgan, 'Income Maintenance Experiments - Discussion', American Economic Review, (May 1971), p. 39.

[320] Derek P.J. Hum, 'Negative Income Tax Experiments: A Descriptive Survey with Special References to Work Incentives', (Draft of a paper prepared for the Economic Council of Canada, 1979), p. 2.

basis for effective experimentation in matters of Canadian public policy.[321]

All of the experiments focused on the controversial problem of work incentives in an income maintenance system. The primary research objective in each case was to measure the effects of alternative tax-back rates and/or different minimum income guarantees on the incentive to work. Each experiment attempted to measure such effects for a different population group or geographical area in order to determine whether work behaviour responses vary by population groups and/or by area.

The experiments were planned and overseen by members of the academic community, many of whom were associated with research institutes such as the Institute for Poverty Research and the Stanford Research Institute. Federal government representatives were involved in the planning of all the experiments but as advisors rather than as principal investigators. Funding was provided by the Department of Health, Education and Welfare and the Office of Economic Opportunity. The evidence from the experiments concerning the labour supply effect has been mixed as the tax-back effects were sometimes positive and sometimes negative.[322]

The following summarizes the features and results of each experiment:

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[321] Hum and Simpson, p. xvi.

[322] Robert Moffitt, 'Work Incentives in the AFDC System: An Analysis of the 1981 Reforms', American Economic Review, (May 1986), p. 220.

The Urban Income Maintenance Experiment's main research interest was in the labour supply response of the working poor; its participants were restricted to low-income, male-headed, able-bodied family units; the findings presented a picture of generally small labour supply differentials between treatment and control groups as a whole.

The Rural Income Maintenance Experiment focused upon the work efforts of rural low-income families; included female-headed families as well as aged-headed families in addition to male-headed families; found that although the response patterns differed significantly by site and race the overall results concealed great variations in response among individual family members (husbands in particular responded very little).

The Gary Income Maintenance Experiment's target population represented segments not prominently treated in other experiments - black and female-headed families in a ghetto setting; reported initial findings of a modest disincentive effect.

The Seattle-Denver Income Maintenance Experiment (sometimes referred to as two experiments), the largest and most elaborately designed of the experiments, had as its major research objective the work effort and family stability responses of families to a variety of negative income tax plans in combination with manpower programs and training subsidies; the sample was stratified by race, number of family heads, and income; based on the second year of data the estimated total effects were found to be quite large.[323]

2.3.1 New Jersey Experiment

The first and seminal experiment was the Urban Income Maintenance Experiment conducted in New Jersey and Pennsylvania (hereafter referred to as the New Jersey experiment). This experiment, as a piece of social policy research, stood out from all previous research conducted on social policy proposals for two reasons.[324] First, it was a genuine experiment involving the use of a social program as an

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[323] Hum, 'Negative Income Tax Experiments: A Descriptive Survey with Special Reference to Work Incentives', pp. 8-23.

[324] Rossi and Lyall, p. 2.

experimental "treatment" given to subjects and withheld from a statistically equivalent group. Second, the experiment dealt with prospective social policy and, as such, was intended to contribute to the formulation of future policy by providing information on several critical political issues.

The research objective of the experiment was to measure the effect of a negative income tax scheme in an urban setting on the labour supply response of male household heads and their family members. A number of secondary research issues were also identified including the measurement of attitudes towards work and job satisfaction, consumption and expenditure patterns, family integration, general mobility, dependency on government and so on. In addition, the experiment was expected to yield significant insight into the problems associated with the utilization of the technique of social experimentation.

The experiment cost $8 million, involved 1,350 families, and lasted five years. Both the design and the execution of the experiment has been criticized: it restricted the target population to low-income, work-eligible, male-headed families; was conducted as a series of "test bores" in four urban sites rather than as a national sample; failed to appreciate fully that the administration of an experimental treatment is also part of the treatment; and was deficient in the measurement of the labour supply response.[325] Nevertheless, the researchers were able to report some results.

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[325] Gripton, p. 37.

In 1971 Harold Watts reported that preliminary data indicated, at the very least, that transfer payments of the kind administered in the New Jersey experiment had not induced immediate and widespread withdrawals from the labour force. The report was made to Congress in response to a very urgent plea from the Administration for evidence that would support President Nixon's FAP legislation. Or, as Watts has put it, "some very preliminary results were untimely ripped from the first available batches of data".[326] In 1973 Harold Watts and Glen Cain reported that the labour supply results presented a picture of generally small absolute labour supply differentials between the experimental and control groups as a whole.[327]

In 1977 Albert Rees reported that for white and Spanish-speaking families, and for the treatment group as a whole, the labour supply response effects were negative but not very large.[328] The results consisted of a reduction in hours for white male heads, an increase in the unemployment rate of Spanish-speaking male heads, and a large relative reduction in the labour force participation rate of white wives. The major surprise was the absence of any negative effect on the labour supply response of black households, however this result

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[326] Harold W. Watts, 'The Graduated Work Incentive Experiments: Current Progress', American Economic Review, (May 1971), pp. 15-16.

[327] Harold W. Watts and Glen G. Cain, 'Basic Labor Supply Response Findings from the Urban Experiment (New Jersey-Pennsylvania)', (Report of research from the Graduated Work Incentive Experiment for presentation at the annual meetings of the American Economic Association, New York, December 30, 1973).

[328] Albert Rees, 'The labor-supply results of the experiment: a summary', in The New Jersey Income-maintenance Experiment: Labor Supply Responses eds. Harold W. Watts and Albert Rees, (New York: Academic Press, 1977), p. 31.

was considered to be "strange" and unexplainable.[329]

Based on her study of the New Jersey experiment and the Family Assistance Plan, Margaret Boeckmann concluded that Congressional members opposed to a policy proposal will tend to ignore, reject, or look for flaws in the research concerning the proposal; if supporting a policy proposal they will tend to accept the research findings as valid; and if neutral they will tend to look to opinion leaders for cues as to where they should stand on the issue.[330] Not surprisingly, therefore, the New Jersey experimental effort was discredited by those members of Congress who did not favour the introduction of a guaranteed annual income and were therefore opposed to Nixon's FAP legislation. The results were discredited mainly on the grounds that the people who reported them worked for and were supported by an agency (the Office for Economic Opportunity) advocating the introduction of a guaranteed annual income policy.

As Peter Rossi and Katherine Lyall explain, part of the problem with the reporting of the initial findings was that because the researchers never conceived of the experiment as a prototype negative income tax program (but, rather, as a piece of behavioural research designed to get some information on the "raw materials" of income-conditioned transfer programs) they were unprepared to answer political and administrative questions and this seriously undermined

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[329] Ibid., p. 31.

[330] Margaret Emma Boeckmann, 'The Contribution of Social Research to Social Policy Formulation: A Study of the New Jersey Income Maintenance Experiment and the Family Assistance Plan', Ph.D. Dissertation, (The John Hopkins University, 1973), 'Abstract'.

their credibility.[331] Viewed from this perspective, the New Jersey experiment provides an illustration of the precariousness of policy research in the politically competitive world of policy formulation - even policy research based on sound scientific procedures, principles, and assumptions. This precariousness is due, in large measure, to the differing purposes and rationale underlying the social science research enterprise as opposed to the politically charged world of values, interests, and power. This is not to suggest that social science research is always (if ever) completely value free or immune to the influence of self-interest or power. It is, however, to suggest that such factors play a much lesser role in social science research than in the political world of policy-making as the objectives and conceptual framework of each is quite different. It is important that these differences be understood and appreciated by those attempting to have social science research taken into account by policy decision-makers.

David Kershaw has listed what he considers to be the weaknesses and strengths of social experimentation based on the experience of the New Jersey experiment.[332] The weaknesses are that it is an expensive way of gathering information; it takes a long time to get results since measuring human behaviour with confidence requires at least several years; and it is difficult to control the environment of a social experiment. The strengths are that it is the only way to obtain information on some kinds of behavioural change before a new program is introduced; it is the best way to collect precise information on

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[331] Rossi and Lyall, p. 177.

[332] Kershaw, p. 25.

specific issues because social experiments are carefully structured and controlled; and social experiments can help to focus attention on new issues.

Kershaw concluded that the most important and lasting result of the New Jersey experiment was the support it provided for the idea of social experimentation. Rossi and Lyall state that "one cannot stress too much the importance of this experiment as setting a precedent" in the field of social experimentation.[333] Robert Haveman concurs: "The New Jersey project represented the general acceptance of large-scale social experimentation as a valid tool for estimating important behavioral responses to proposed policy interventions".[334] In 1971, Larry Orr observed that the New Jersey experiment had raised the prospect of an ambitious program of experimentation in social programs in general, and income maintenance programs in particular.[335]

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[333] Rossi and Lyall, p. 2.

[334] Robert H. Haveman, 'Foreword', in Income Maintenance: Interdisciplinary Approaches of Research, eds. Larry L. Orr, Robinson G. Hollister and Myron J. Lefcowitz, (Chicago: Markham Publishing Company, 1971), p. v.

[335] Orr, p. 47.

Chapter III

GUARANTEED ANNUAL INCOME IN CANADA

It is not unusual for an idea or an issue to gain prominence in Canada only after it has in the United States. For example, the budgetary technique called planning-programming-budgeting (PPB) was only introduced into Canada after it had been brought into the United States government ten years earlier in 1961 by Robert McNamara.[336] The concern with poverty during the 1960s was no exception. Shortly after the United States declared its "War on Poverty" program in 1964 and began to conduct research into the nature and extent of poverty in the U.S., Canada followed suit.[337] By 1964 the Pearson Liberal government was already putting together a number of programs to do something about poverty, even if they were not seen primarily as poverty programs.[338]

Thereafter, numerous reports and studies concerned with poverty in Canada were written. In most of these reports three facts were noted consistently.[339] First, in relative terms, the distribution of income

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[336] David Siegel, 'The Evolution of the Expenditure Budget', in Public Administration in Canada, ed. Kenneth Kernaghan, (Toronto: Nelson, 1988), p. 180.

[337] Rand Dyck, 'The Canada Assistance Plan: The Ultimate in Cooperative Federalism', Canadian Public Administration, (Winter 1976), p. 90.

[338] Leman, p. 41.

[339] 'Fifth Annual Review' (1968) and the 'Sixth Annual Review (1969),

had not changed much over the last twenty years or so.

Distribution of Family Income in Canada by Quintiles

	--- Percentage Distribution of Income ---				
year	Bottom Fifth	Second Fifth	Third Fifth	Fourth Fifth	Top Fifth
1951	6.1	12.9	17.4	22.4	41.1
1957	6.3	13.1	18.1	23.4	39.1
1961	6.6	13.5	18.3	23.4	38.4
1967	6.4	13.1	18.0	23.6	38.9
1969	6.2	12.6	17.9	23.5	39.7
1971	5.6	12.6	18.0	23.7	40.0

Source: David Ross, 'Income Security', in Canadian Public Policy. Shankar A Yelaja, (ed.), 1978.

Second, most of those in Canada who experienced low incomes were employed in full time jobs - a finding that was contrary to the belief of most people. In 1968 the Economic Council of Canada stated in its 'Fifth Annual Review' that 27 percent of the Canadian population lived in poverty, very stringently defined, and that of all the designated poor families in Canada, 68 percent were headed by workers - that is, the majority of the poor were employed Canadians and not part of the welfare caseload. In 1971 the Senate of Canada Special Report 'Poverty in Canada' reported that the heads of many poor families were not on welfare but in fact were employed - of the 832,000 families who fell below the poverty line in 1967, 525,000 or 64 percent had heads who were employed.[340] In 1977 the National Council of Welfare reported that 60 percent of low-income family units headed by persons aged

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Economic Council of Canada; Report of the Quebec Commission of Inquiry on Health and Welfare (the Castonguay-Nepveu Report), (1971); Canada, National Health and Welfare, 'Income Security for Canadians' (1971); Senate of Canada Special Report, 'Poverty in Canada', (1971); Adams et al., The Real Poverty Report, (1971); Manitoba, 'Welfare Policy in Manitoba', (Barber Report), (1972).

[340] Special Senate Committee on Poverty, 'Poverty in Canada', Senate of Canada, (1971), p. 133.

under 65 relied on employment rather than government assistance for their incomes.[341]

Welfare and Working Poor

year	welfare poor	working poor
1961	32%	68%
1967	36%	64%
1971	46%	54%

Source: David Ross, 'Income Security'.

Third, the percentage of low-income people in Canada had not changed much, if at all, over the previous decade and a half - another finding that was contrary to what most people believed. The federal government's 1970 White Paper, 'Income Security for Canadians', reported that in 1967 nearly one-fifth of all families and two-fifths of unattached individuals had low levels of income.[342] In 1971, the Special Senate Committee on Poverty put the number of Canadians living in poverty at one in four. The Canadian Council on Social Development reported that 18.1 percent of Canadian families fell below its poverty line in 1967 and 18.2 percent in 1973. The Senate Committee reported that 23.3 percent of Canadians were poor in 1967 compared to 22.2 percent in 1973.[343]

One of the first reports to draw attention to poverty in Canada was the Economic Council of Canada's 1968 'Fifth Annual Review'. The Economic Council reported that at least one Canadian in every five

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[341] National Council on Welfare, 'Jobs and Poverty', (June 1977), p. 2.

[342] Canada, National Health and Welfare, 'Income Security for Canadians', (1970), p. 6.

[343] Anthony Westell, The New Society, (Toronto: McClelland and Stuart, 1977) p. 127.

lived in poverty.[344] The impact of the Council's report was wide-spread and generated a lot of interest in the issue of poverty and welfare reform in Canada.[345] As David Ross noted in 1978: "The current examination of income security and poverty can probably be traced back to the interest and shock generated in 1968 by the material contained in the 'Fifth Annual Review' of the Economic Council of Canada".[346]

The Economic Council's Review was a shock because despite the wide-spread perception that the large amounts of money being spent on income security measures were not as effective as could be reasonably expected, it was still surprising to many Canadians that so many people lived on so little. In 1970 the federal government recognized that there might be problems with the delivery of income security programs with the statement that: "The central issue to be faced is the fact that there are about 4 million low income people in this country despite an annual outlay of about $4.5 billion on income security programs".[347]

In the minds of some of those concerned with welfare reform, part of the problem was that (prior to 1973) no province systematically or clearly granted direct income supplementation to the low-income employed not on social assistance.[348] Hence many observers and

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[344] Economic Council of Canada, 'Fifth Annual Review', (1968), p. 110.

[345] "The Economic Council of Canada reported in 1968 that poverty among Canadians was widespread beyond belief." Hum and Simpson, p. xi.

[346] Ross, p. 51.

[347] Canada, 'Income Security for Canadians', p. 8.

researchers began to conclude that some form of income supplementation for the employed poor was necessary if the number of people living on incomes below the poverty line was to be reduced significantly.[349] This naturally led to consideration of various guaranteed annual income schemes that would provide income assistance to the employed poor.

This chapter will discuss public and government opinion in Canada concerning a guaranteed annual income as a policy option at the time the Mincome Manitoba experiment was proposed. Of particular interest is the issue of the work ethic in the debate concerning welfare reform and the guaranteed annual income option.

3.1 PUBLIC OPINION

Canadian public opinion has tended to support welfare aid for some groups - especially the elderly and fatherless families - despite persistent concerns about cost and suspicions regarding "welfare abuse". A Gallup poll conducted in 1964 which asked "Which is more often to blame if a person is poor - lack of effort on his own part, or circumstances beyond his control?" found that 30 percent of those surveyed cited lack of effort, 34 percent cited circumstances, 30 percent cited both, and 6 percent were undecided.[350] Nearly half of those answering felt that 30 percent or more of all welfare recipients

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[348] David Ross, 'Income Security', in Canadian Social Policy, ed. Shankar A. Yelaja, (Waterloo: Wilfrid Laurier University Press, 1978), p. 53.

[349] Banting, p. 15.

[350] Leman, pp. 7-9.

were abusing the system which was a far higher estimate than the three to five percent usually reported by researchers and cited by government reports.

Not surprisingly, therefore, public support has never been especially high for providing direct income assistance to the employed or the employable. In 1973 a survey carried out for the Province of Alberta found that more than half the adult population of the province believed that "the Government should assist only those people who are unable to work because of age or sickness; the others must look out for themselves".[351] Nevertheless, in 1974, another Gallup poll found that almost half of Canadian adults (43%) predicted that a guaranteed annual income for all would be a reality within the next ten years, and that about six in ten (58%) approved of the idea.[352] The level of approval for a guaranteed annual income scheme was the lowest among the better educated (47%) as compared with high school graduates (57%) and those with elementary school education (67%).

Between 1966 and 1970 the idea of a guaranteed annual income was widely discussed in Canada.[353] Indeed, in the late 1960s and early 1970s a number of political parties and governments representing the spectrum of democratic political opinion in Canada either endorsed or at least expressed a strong interest in the idea of a guaranteed annual income. In 1969 the leader of the national Progressive Conservative Party proposed introducing some form of guaranteed annual

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[351] Globe and Mail, 'Poor will always be with us', April 26, 1973.

[352] The Gallup Report, '2-to-1 Approval Given Guaranteed Annual Income', (February 2, 1974).

[353] Leman, p. 41.

income.[354] The 1973 policy statement by the Liberal Party of Manitoba proposed that a basic income support system to replace the existing welfare system - tied to a program of job incentives and training - be adopted.[355] The Parti Quebecois (the separatist party in the Province of Quebec) in its presentation of a proposed budget for an independent Quebec outlined a series of sweeping reforms highlighted by the replacement of existing welfare programs with a guaranteed annual income plan.[356] In December, 1973, the Social Services Minister of the Province of Saskatchewan stated that a guaranteed annual income was necessary to solve the problem of poverty in Canada.[357] The Progressive Conservative government of the Province of Ontario (not known for its innovations in the field of social policy) seriously considered undertaking a guaranteed annual income experiment in 1973. At the February, 1974, Federal-Provincial meeting of Welfare Ministers the case for a guaranteed annual income was made by the Minister of Human Resources for the Province of British Columbia.[358]

Various labour, church, social activist, and other organizations were also either studying, debating, or endorsing the idea of a guaranteed annual income. In 1972 a seminar on guaranteed annual

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[354] Winnipeg Tribune, 'Stanfield presses for guaranteed annual income', December 4, 1969.

[355] Liberal Party of Manitoba, 'Initial Platform Statement - 1973' (Adopted at the Annual Meeting - March 25, 1973).

[356] Globe and Mail, 'Parti Quebecois unveils budget with $181,520,400 surplus' October 10, 1973.

[357] The Commonwealth, 'Guaranteed income needed to fight poverty: Taylor', December 19, 1973.

[358] Toronto Star, 'A guaranteed income may be "only solution" to the welfare jungle', February 23, 1974.

income was organized by the Canadian Council on Social Development which heard papers delivered by experts from several nations.[359] In 1974 the Ontario Federation of Labour urged the provincial government to consider introducing a guaranteed annual income.[360] The Federation of Labour in the Province of Nova Scotia suggested that work be started immediately to introduce a guaranteed annual income.[361] The United Church of Canada offically favoured a guaranteed annual income policy[362] and the Lutheran Council of Canada endorsed the idea in principle.[363] Guaranteed annual income proposals were prepared by the Canadian Association of Social Workers, the National Council of Welfare, the Canadian Council for Social Development, and the newly created National Anti-Poverty Organization.[364]

Opposition to a guaranteed annual income came from the Canadian Chamber of Commerce on the grounds that it would eventually destroy the work ethic.[365] However, a federation of employer organizations in

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[359] Canadian Council on Social Development, 'Guaranteed Annual Income: An Integrated Approach', (Ottawa 1973).

[360] Ontario Federation of Labour, 'Legislative Proposals 1974', (April 1974).

[361] Halifax Chronicle Herald, 'Lynk urges guaranteed annual income in 1974', December 12, 1973.

[362] United Church Observer, 'Guaranteed income guinea pig cautious', (September 1974).

The United Church's associate secretary, appointed to head up its concern with poverty, stated that as automation makes full employment unattainable in Canada the implementation of a guaranteed annual income plan is inevitable. Dauphin Herald, 'Minister favours G.A.I.', November 2, 1973.

[363] Division of Social Services, Lutheran Council in Canada, 'The Guaranteed Annual Income', (February 1970).

[364] Leman, p. 59.

the Province of Quebec, representing 80 percent of the Province's employers (Conseil du Patronat du Quebec), favoured a guaranteed annual income through the mechanism of a negative income tax on the grounds that it was a better means of fighting poverty than an increased minimum wage.[366] As Leman has noted: "Even businessmen listened patiently to talk of a guaranteed income".[367]

3.2 REPORTS

Debate concerning a guaranteed annual income in Canada was, however, plagued by a lack of clarity concerning what an actual plan might look like.[368] This problem was further exacerbated by the fact that different types of guaranteed annual income schemes were being proposed by various experts and academics.[369] The three most influential reports prepared in the early 1970s which recommended the implementation of some form of a guaranteed annual income in Canada were the Senate of Canada Special Report, 'Poverty in Canada' (Senate Report on Poverty); the Report of the Quebec Commission of Inquiry on Health and Welfare (Castonguay-Nepveu Report); and 'Welfare in

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[365] Winnipeg Tribune, 'Chamber view on income rapped' April 5, 1974.

[366] Globe and Mail, 'Quebec firms favor guaranteed income', January, 12, 1974

[367] Leman, p. 59.

[368] Iacobacci, p. 141.

[369] Ibid., p. 141.

In July, 1991, it was reported that "Canada doesn't lack support for the idea of a guaranteed annual income program, but they can't agree on a blueprint for replacing a hodge podge of support systems with one easy-to-administer plan, economists say". Winnipeg Free Press, 'Guaranteed income gets strong backing', July 4, 1991.

Manitoba' (Barber Report).

3.2.1 Special Senate Report

In 1968 the Canadian Senate (an appointed body), largely in response to the Economic Council of Canada's 'Fifth Annual Report', set up a Special Committee with a mandate to,

> investigate and report upon all aspects of poverty in Canada, whether urban, rural, regional or otherwise, to define and elucidate the problem of poverty in Canada, and to recommend appropriate action to ensure the establishment of a more effective structure of remedial measures.[370]

The Committee identified poverty as "the great social issue of our time"[371] and spent three years holding public hearings in every province, hearing testimony from 810 witnesses, and receiving 109 briefings.[372] (Robert Doyle notes that many considered the Senate Committee to have been little more than a "travelling circus" used as platform by vocal citizen groups across the country.)[373] The Committee reported that one Canadian in four lacked sufficient income to maintain a basic standard of living[374] and that sixty percent of the poor worked.[375] Furthermore, the Committee maintained that only two percent of those on welfare could be considered to be there on

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[370] Extract from the Minutes of the Proceedings of the Senate of Canada, (October 8, 1970).

[371] Special Senate Committee, p. xiii.

[372] Members of the Committee met with the poor in their homes and at evening gatherings in order to gain a first-hand and personal impression. Leman, p. 59.

[373] Robert Doyle, 'Canada's Social Security Review', Australian Journal of Social Issues', (February 1978), p. 26.

[374] Special Senate Committee, p. xiii.

[375] Ibid., p. xv.

fraudulent terms.[376]

The Committee condemned the social welfare system in Canada with its conclusion that,

> the social-welfare structure so laboriously and painstakingly erected in Canada over the past forty years has clearly outlived its usefulness. . . The whole welfare system, at all levels, costs Canadians more than six billion dollars a year, yet it has not significantly alleviated poverty, let alone eliminated it.[377]

With respect to public opinion concerning the poor, it made the following comment:

> The prevalent public attitude to the work ethic has engendered a blind refusal to deal with the present realities, and a total unwillingness to search for bold and courageous solutions. The notion that the poor do not want to work can be quickly dispelled. The plain fact is that the vast majority of the "working poor" continue to work at jobs that pay no more than they would receive on welfare.[378]

Thereupon, without any reference to the Constitution or federal-provincial jurisdictional controversy in the area of social policy,[379] the Committee recommended that the Parliament of Canada enact legislation to provide a guaranteed annual income for all Canadians.[380] The establishment of a guaranteed annual income program was viewed by the Committee as an idea whose time had come.[381]

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[376] Ibid., p. xvii.

[377] Ibid., pp. xiii-xv.

[378] Ibid., p. xvii.

[379] Courchene, p. 356.

[380] Special Senate Committee, p. xvi.

[381] Ibid., p. 175.

Before reaching this conclusion the Committee had explored three income maintenance approaches:[382]

(i) reform and expansion of existing income-maintenance programs;

(ii) payment of a flat-rate subsidy to all citizens meeting simple demographic criteria; and

(iii) a negative income tax system.

The negative income tax approach was considered the most feasible because it met three basic requirements:

(i) it would provide adequate income;

(ii) it would preserve the incentive to work; and

(iii) it was fiscally possible.[383]

The Committee recommended a negative income tax scheme in which the income floor would not be allowed to fall below 70 percent of the poverty lines it had identified, the tax-back rate would be set at 70 percent, and implementation would be phased in over a number of years. The following table gives the poverty lines and the corresponding guaranteed annual income amounts recommended by the Committee.

Recommended Guaranteed Income Levels

Family Unit Size	Poverty Line	GAI Level
1	$ 2,140	$ 1,500
2	3,570	2,500
3	4,290	3,000
4	5,000	3,500
5	5,710	4,000
6	6,430	4,500
7	7,140	5,000
10	9,290	6,500

Source: Special Senate Committee on Poverty in Canada, 'Poverty in Canada', p. 179.

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[382] Ibid., pp. 177-178.

[383] Ibid., p. xvi.

It was the view of the Committee that the adoption of a guaranteed annual income would necessarily mean the abolition of much of the existing social-welfare system (for example, Family Allowances, Old Age Security, and the Canada Assistance Plan) although some form of special assistance still would be necessary to meet special needs.[384] It was also expected that those parts of the social security system such as Unemployment Insurance, the Canada Pension Plan, and Veterans' Allowances with social insurance goals would be retained.[385]

The Committee estimated that its recommended guaranteed annual income program would have cost an additional $655 million in 1967. Four factors were considered.[386] First, the savings which could be realized from the curtailment or elimination of certain social-welfare programs. Second, the direct costs of guaranteed annual income transfers themselves. Third, the costs incurred by the elimination of personal income taxes of those below the poverty line. Fourth was the factoring in of the provincial share of social assistance payments.

The Committee noted that it seemed probable that significant savings would accrue from the simplification of administration under a guaranteed annual income plan. It also pointed out that although there was no basis on which such savings could be estimated for Canada, in the United States one estimate of savings based on a similar proposal was in the order of 40 to 64 percent of existing administrative costs.[387]

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[384] Ibid., p. xvii.

[385] Ibid., p. xvii.

[386] Ibid., p. 188.

3.2.2 Castonguay-Nepveu Report

In 1971 the Quebec Commission of Inquiry on Health and Welfare released its report in which the technical means required for the devolution of social policy from the federal to the provincial government were laid out.[388] The Commission took four years (1966-1970) to complete its inquiry and the Report totaled seven volumes with twenty-eight appendix volumes. The Commission proposed nothing less that the restructuring and coordination of a wide range of health, social service, manpower training, and income security programs in the Province of Quebec.[389] Moreover, there was no place in the proposals for the federal programs of Old Age Security, Guaranteed Income Supplementation, Family Allowances, or even the Canada Assistance Plan. The Commission made it clear that the Province of Quebec wanted near total control over social policy.

The Commission pointed out that with respect to income levels, the situation in Quebec had been historically less favourable than in the rest of Canada - 28 percent of Quebecers had inadequate income (even after the payment of social benefits) in 1961 whereas for Canadians generally it was 25 percent.[390] Furthermore, it was among breadwinners aged 25 to 54 years that the gap between the Quebec situation and that of Canada as a whole was the most significant.[391] In addition,

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[387] Ibid., p. 191.

[388] Leman, p. 62.

[389] Ibid., p. 62.

[390] Commission of Inquiry, Vol. 1, p. 33.

[391] Ibid., p. 39.

statistical studies indicated that, in Quebec, income inadequacy was strongly related to employment difficulties since the risk of unemployment was high.[392] The Commission concluded that "poverty in Quebec does not result mainly from inability to work but especially because of unemployment, insufficient employment and low salaries".[393] Hence the Commission emphasized the situation of low-income workers and the lack of employment incentive in social assistance programs.

The Commission favoured a social assistance system that would both make it possible directly to assure sufficient income to the chronically unemployed and the unemployed who temporarily could not find jobs and, as well, supplement the earnings of the employed who could not obtain adequate income on the labour market.[394] In light of these objectives a three-point system was recommended for consideration:

> (i) a general social allowances plan (GSAP), whose role of income replacement and complement, not exceeding a pre-established level, would be similar in concept to that of the guaranteed income supplement for the aged;
>
> (ii) an integrated social insurance plan whose development and extension was to be spread over several years and which would provide regular labour force participants with basic protection in the event an economic or social risk should occur (e.g. unemployment); and
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> (iii) a universal and standard family allowance plan, designed to serve as a hinge between the two preceding programs and directly meet the needs created exclusively by the incidence of family obligations.[395]

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[392] Ibid., p. 209.

[393] Ibid., p. 57.

[394] Ibid., p. 253.

[395] Ibid., p. 259.

The purpose of the GSAP component (which was to replace existing social assistance programs) was to address situations of inadequate income for both the employed and the unemployed by providing income allowances. The allowance would be paid when the income situation of families or unattached individuals justified it without any examination of the circumstances giving rise to the situation.[396] The principal assumption underlying this objective was that,

> a guarantee of minimum resources is an essential condition for participation by each citizen and each family in the society in which they live, as well as for the utilization of means to develop within it and to subsequently achieve a certain degree of development.[397]

With respect to the GSAP component, the Commission recommended a two-tiered approach to guaranteeing income levels. In terms of a negative income tax model, the two-tiered approach means setting two income guarantees with different tax-back rates. Under the GSAP proposal, the first tier would have low guarantee levels and low tax-back rates primarily aimed at those with significant earned income. The other tier would have high guaranteed income levels and high tax-back rates primarily aimed at those with no significant earned income. Access to the first tier was to be based on income whereas access to the second was to be based on income and, as well, whether the potential recipient was thought to be employable.

Under the first tier, the benefit structure was to be related to the negative income tax concept in that it would be possible for a recipient to combine income and social assistance in such a way that

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[396] Ibid., p. 262.

[397] Commission of Inquiry Volume II, p. 16.

the amount of assistance would be reduced by only a fraction of other income. The basic allowance would be equal to 60 percent of an established minimum income level but be taxed back at less than 100 percent. This benefit structure was considered appropriate for those who were expected to find employment or who already had other individual resources in that it was intended to provide a strong incentive to remain employed.

Those included in the second tier would be eligible for a basic allowance which would be relatively high so as to meet the needs of unattached persons or families with no earning possibilities either on a short-term (one year) or a long-term basis. Other income would be subtracted in total from the maximum allowable, that is the tax-back rate would be set at 100 percent. This program was thought to be appropriate for the unemployable or those experiencing a prolonged period of unemployment as a high guaranteed income level in combination with a high tax-back rate would allow for an adequate transfer to individuals but at the same time keep total costs down.

Despite its apparent similarities to a negative income tax model, the GSAP proposal was believed by the Commission to differ from negative tax proposals in two significant ways.[398] First, the GSAP plan would involve administrative mechanisms independent of the administration of income tax. Second, the GSAP plan was designed for two levels of income guarantee to be related to income characteristics and employment possibilities rather than only one guaranteed income level for both the employed and unemployed which is typical of

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[398] Ibid., pp. 271-273.

negative income tax proposals. In other words, the GSAP was modelled as a two-tiered guaranteed annual income approach as opposed to a one-tiered approach.

Net costs of between $640 and $720 million were estimated after allowing for the fact that there would be changes in the level of benefits paid by the Old Age Security and Family Allowance plans, and that the GSAP would replace existing social assistance expenditures.[399]

3.2.3 Barber Report

In Manitoba responsibility for the provision of social assistance is divided between the Province and its municipalities. The Province assumes responsibility for the longer-term cases and the municipalities assumes responsibility for shorter-term cases. In the early 1970s, Manitoba's welfare allowances were close to the average level provided by the three prairie provinces and near the top among all Canadian provinces. There was, however, substantial variation in the scale of allowances provided by the municipalities within the Province.

In 1972, in response to public concerns about increasing welfare costs and program effectiveness, Manitoba commissioned Professor Clarence Barber from the University of Manitoba to investigate the major aspects of welfare policy in the Province. The objective of the Barber Report was to,

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[399] Ibid., p. 56.

> appraise present welfare policy in the context of the complex system of social welfare that exists in Canada . . . and to show how and in what way the present system of social allowances relates to the overall degree of poverty that exists in the Province of Manitoba.[400]

Barber concluded that much of the criticism directed against the system of welfare was unjustified:

> Contrary to widely repeated charges that the "welfare system" in our economy is a mess, a careful examination of the evidence gives little support to this thesis. . . . the popular "myth" that the typical welfare recipient is an able bodied individual with a large family who refuses to work because he is better off on welfare has little substance.[401]

The provincial government agreed with Barber's characterization of the "myth".[402] It believed that the proportion of individuals receiving welfare who were capable of working and supporting themselves constituted at most between five and 10 percent of the provincial caseload.[403] The federal government shared this point of view. It stated that not more than 10 to 20 percent of families receiving social assistance in Canada would qualify as being able and expected to work and only a fraction of these could be said to be "abusing the system".[404]

One of the most serious weaknesses in the system of welfare in Manitoba cited by Barber was its failure to provide adequate incentives for recipients to seek and obtain employment either on a

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[400] Barber, p. 5.

[401] Ibid., p. 35.

[402] Province of Manitoba, 'Guidelines for the Seventies - Volume 2 - Social Goods and Services', March, 1973, p. 36.

[403] Ibid., p. 37.

[404] Canada, 'Working Paper on Social Security in Canada', p. 12.

part- or full-time basis.[405] With minor qualifications, the existing system provided for a 100 percent tax-back rate on earnings from part-time employment, and for full-time employment the monetary incentives to seek work was likely to be weak or non-existent for anyone with three or more dependents.

Barber recommended two alternatives to the Province's welfare system: a guaranteed annual income, and some form of guaranteed employment.[406] With respect to guaranteed annual income, he recommended that consideration be given to a two-tier formula similar to that proposed in the Castonguay-Nepveu Report.[407] Barber was of the opinion that a two-tiered guaranteed annual income plan could be significantly less costly than a universal, one-tiered plan.

Barber did not recommend that a guaranteed annual income program be introduced as a replacement for the whole system of welfare as it would not be expected to replace the Canada Pension Plan, the Old Age Security, or the Unemployment Insurance Plan.[408] Furthermore, a guaranteed annual income program was not was not thought to be feasible as a complete alternative to the welfare payments made under the Canada Assistance Plan as many recipients of a guaranteed annual income would require support beyond the income levels provided by guaranteed annual income payments. Hence those who would be expected to benefit most from a guaranteed annual income would be the employed

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[405] Ibid., p. 9.

[406] Ibid., p. 56.

[407] Ibid., p. 9.

[408] Ibid., p. 56.

poor - those individuals who were earning incomes below or just above the poverty level.[409]

Two likely effects that a guaranteed annual income plan would have on work effort were noted.[410] On the one hand, strong work incentives could be expected to encourage potentially employable people receiving social assistance to find employment. On the other hand, it could be expected that low-income workers eligible for the guaranteed annual income supplement might choose to work less. Barber concluded that the net effect was unlikely to be large.[411]

The cost of implementing a guaranteed annual income in Manitoba under two sets of income guarantees with a tax-back rate of 50 percent was estimated. The following table shows the guaranteed income levels proposed for the two plans.

Guaranteed Income Levels

Size of Family	Plan One	Plan Two
1	$ 1,600	$ 1,800
2	3,000	3,000
3	3,300	3,600
4	3,600	4,200
5 or more	3,900	4,800

Source: Clarence L. Barber, 'Welfare Policy in Manitoba', 1972, p. 60.

For 1971 the net additional costs over and above existing welfare expenditures were estimated to be between $38 to $66 million for Plan One, and between $94 and $123 million for Plan Two.[412] It was noted by

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[409] Ibid., p. 58.

[410] Ibid., p. 61.

[411] Ibid., p. 62.

Barber that reducing the guarantee level by one-third would result in cost savings as high as one-half or two-thirds.

3.3 GOVERNMENT OF CANADA

In 1970 Canada released a White Paper called 'Income Security for Canadians' for public debate and discussion.[413] The challenge posed by the White Paper was to,

> arrive at a renewed affirmation of income security policy which will have the effect of assisting the people in greatest need, without detracting from programs designed to stimulate the economic development which is the basis of national well-being.[414]

The major issue identified was whether or not the existing income security system should be replaced by a guaranteed annual income program. Arguments that poverty could be eliminated by the creation of a single, large guaranteed annual income plan replacing all income security programs were explored at length. The preferred alternative, it was stated, was to exploit the existing system in a more effective manner and in a way which would develop more fully the potential of existing programs.[415]

Four major problems with a guaranteed annual income policy were identified. First, there was the question of the impact of such a policy on the incentive to work. The White Paper suggested that,

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[412] Ibid., p. 60.

[413] Canada, Minister of National Health and Welfare, 'Income Security for Canadians', (1970), p. 1.

[414] Ibid., p. 1.

[415] Ibid., p. 23.

> a great deal of further study and investigation, like the experiments now underway in New Jersey and Seattle in the United States, is needed to find out what effects such a program would have on people's motivation, on their incentives to work and to save. Until these questions are answered, the fear of its impact on productivity will be the main deterrent to the introduction of a general overall guaranteed income plan.[416]

Second was the concern that if guaranteed income payments were made applicable to those normally in the labour force the complexity of administration (including difficulties in the reporting and verification of incomes) would be greatly increased.[417] Third was a concern about the potential cost of a guaranteed annual income program. Using the guaranteed income levels suggested by the Economic Council of Canada in its brief to the Senate Poverty Committee, and a tax-back rate of 50 percent, the White Paper estimated the gross costs for 1971 to be $5 billion with the net (incremental) cost estimated to be between $2 and $2.6 billion.[418] The fourth concern was that constitutional and jurisdictional problems would make the development of one comprehensive income security system very difficult.[419]

Hence the White Paper concluded that the best approach for overcoming the deficiencies of the social assistance system did not lie in the dismantling of the entire social security system in favour

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[416] Ibid., p. 25.

[417] Ibid., p. 25.

[418] Ibid., p. 26.

[419] Ibid., p. 17.

> In fact, the White Paper stated that: "The development of one comprehensive income security system is not possible under these [federal] circumstances. This would be possible in a unitary state". Ibid., p. 17.

of one, overall guaranteed annual income program.[420] Instead it was proposed that the best approach was to revise each of the four instruments of income security policy - demogrants (universal programs), social insurance, guaranteed income for the elderly, and social assistance - to redirect their emphasis and scope and to seek the combination that would best meet basic income security objectives.[421] Surprisingly, however, the White Paper recommended that the selective use of the guaranteed income concept be extended beyond its current use as a means of supplementing the incomes of pensioners, and that the development of the guaranteed income technique as a major anti-poverty policy be pursued.[422]

In 1973 the federal government presented its 'Working Paper on Social Security in Canada' as a starting point for the Social Security Review.[423] The proposals contained in the Working Paper became the subject of the most intensive federal-provincial consultations ever attempted in Canada.[424] Leman has referred to the Social Security Review as a "massive experiment in federal-provincial policymaking".[425]

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[420] Ibid., p. 2.

[421] Ibid., p. 27.

[422] Ibid., p. 2.

[423] Canada, Minister of National Health and Welfare, 'Working Paper on Social Security in Canada', (1973).

[424] Leman, p. 113.

[425] Ibid., p. 113.

The White Paper noted the following deficiencies in Canada's social security system:

> (i) full employment cannot always be achieved;
>
> (ii) the income of people who are employed often is inadequate to meet family needs;
>
> (iii) there is too little - in some cases, virtually no - incentive to get off social assistance;
>
> (iv) differing levels of assistance are available to families who have similar needs but who are in differing circumstances (e.g. working at minimum wage, in a training program, on social assistance);
>
> (v) problems concerning the interrelationship between income support plans and social insurance plans;
>
> (vi) the income security system was a "patchwork quilt" of programs without adequate coordination; and
>
> (vii) there was the problem of the stigma associated with social assistance.[426]

It listed the basic values the federal government believed (or wished to believe) Canadians shared regarding social security policy:

> (i) a belief in the independence (or self dependence) of the individual - it was expected that individuals would meet their own needs through their own efforts to the extent possible;
>
> (ii) interdependence - that when it comes to people who are unable or are not expected to work that those able to work will contribute to their care; and
>
> (iii) that there is a need for equity in distributing the benefits of a growing country.[427]

The following principles were proposed as a guide for the review of Canada's social security system:

> (i) the social security system must assure to people who cannot work, the aged, and the blind a compassionate and equitable guaranteed annual income;

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[426] Canada, 'Working Paper on Social Security in Canada', pp. 6-11.

[427] Ibid., pp. 3-4.

> (ii) the social security system as it applies to people who can work must contain incentives to work and a greater emphasis on the need to get people who are on social assistance back to work;
>
> (iii) a fair and just relationship must be maintained between the incomes of people who are working at or near the minimum wage, the guaranteed incomes assured to people who cannot work, and the allowances paid to those who can work but are unemployed;
>
> (iv) the Provinces may wish to have the structures of social security vary in accordance with social needs, income standards and the cost of living in different communities; and
>
> (v) the consideration of Canada's social security system must be conducted jointly by the Federal Government and the Provinces.[428]

The Working Paper made it clear that the federal government rejected the idea that the social security system should be designed on the assumption that the "work ethic" was dead. It stated that Canadians had not come to the conclusion that everyone should be given a choice as to whether to work or not, and be paid whatever that choice might be. The federal government was firmly of the view that income guarantees or supplements should not be offered at such levels that might impair willingness to work.[429]

This concern notwithstanding, two situations were described in which people who are working may need to have their family income supplemented.[430] First, when due to family size employment earnings were insufficient to support the family. Second, when it was

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[428] Ibid., pp. 12-13.

[429] Khalid Sayeed, 'Politics and administration of poverty programs in affluent societies', Canadian Public Administration, (Summer 1975), p. 310.

[430] Canada, 'Working Paper on Social Security in Canada', p. 21.

impossible, or perhaps undesirable, to relocate people with insufficient employment income to areas where they would be able to find jobs.

Two measures were recommended as part of the effort to provide income assistance to the poor whether employed or unemployed.[431] First, that there be a substantial increase in Family Allowances. Second, a system of income support and supplementation was outlined. For those not expected to work a support program was proposed that would provide for fairly high support payments but with little incentives to work - a 75 percent tax-back rate was a common figure in early discussions.[432] For the employed poor, an income supplementation plan was proposed which would provide for lower income payments but very favourable work incentive measures - most proposals had the tax-back rate under 40 percent.[433] Such a plan,

> would not pretend to provide a 'guaranteed income' sufficient to support people who are not working and/or had no income; it would be designed instead to provide an acceptable minimum income when combined with private or family earnings (income).[434]

The supplement available under such a plan would provide a continuing incentive to increase employment earnings by reducing the supplement by only a proportion of earned income.[435]

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[431] Ibid., p. 22.

[432] Leman, p. 114.

[433] Ibid., p. 114.

[434] Canada, 'Working Paper on Social Security in Canada', p. 22.

[435] Ibid., p. 23.

It was proposed that the income supplementation levels for the employed be set by the individual provinces with federal cost-sharing so long as the income levels met national minimums and norms. The National Council on Welfare considered this strategy to be an exceedingly important innovation as it had the potential to be the long-sought solution to the jurisdictional impasse which had blocked previous income security initiatives.[436] The provinces would be given the power to vary the levels subject to three conditions:

> (i) the provinces would be bound to observe the minimum standards set by the Parliament of Canada in respect of the income support programs administered or financed by the Government of Canada;
>
> (ii) the provinces would not be free to use this flexibility in such a way as to increase net federal payments to any province beyond what would have been paid under the "program norms" legislated by Parliament to determine total federal contributions to the program; and
>
> (iii) the provinces would be required to contribute to the social security system the amount they would otherwise have contributed prior to any changes in the system, and before any changes in the levels of federal allowances or income support payments under any new "flexibility formula".[437]

It was believed by the federal government that this approach, encompassing the two propositions of "provincial flexibility" and "national minimum standards", represented a major constitutional innovation.[438] As the Minister of National Health and Welfare stated, one of the objectives of the Social Security Review was to resolve the deep differences which had developed over how responsibility for social security measures should be divided between the federal

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[436] National Council of Welfare, 'Incomes and Opportunities', (November 1973), p. 42.

[437] Canada, 'Working Paper on Social Security in Canada', p. 27.

[438] Ibid., p. 28.

government and the provinces.[439] It was clearly the central problem of national unity which dictated the federal-provincial strategy as laid out in the Working Paper.[440]

Hence by 1973 Canada was of the opinion that a two-tiered guaranteed annual income program could be an effective weapon used against poverty and therefore was sympathetic to such proposals.[441] What the federal government favoured, to reiterate, was a plan in which recipients would be categorized according to employability/unemployability with a full guaranteed income for the latter group (basically social assistance) and income supplementation (at a rate less than what would be required for a livelihood) for the former. As Leman notes, these proposals were strikingly similar to the two-tier plan advanced in the Castonguay-Nepveu report in 1971 since that report had emphasized the need to have separate plans for the unemployable and the employable.[442] Furthermore, besides being a means of deflecting Quebec's expected argument that the federal system could not accommodate its preferences in this area, this two-tiered proposal was more likely than a unitary scheme to give the federal government a direct role in administration.[443] Thus the federal government sought, through the proposals in the Working Paper to maintain the prerogative with respect to discussions of income

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[439] Minister, National Health and Welfare, 'Notes for an Address to the Canadian Tax Foundation', (November 20, 1973).

[440] Sayeed, p. 311.

[441] Minister, National Health and Welfare, Debate in the House of Commons, (March 19, 1974).

[442] Leman, p. 67.

[443] Ibid., p. 68.

security options.

Given the federal preference for guaranteed annual income measures that separate the unemployable from the unemployable, it is not surprising to find the Minister of National Health and Welfare state in 1973 that a guaranteed income plan which would give Canadians a choice whether to work or not to work would not be consistent with the values of the vast majority of Canadians.[444] In 1974 the Minister had this to say about a general, one-tiered approach:

> Such an approach would be very costly indeed, at the income levels involved, and would impose a considerable pressure to adjust the tax system. Even more important, it could well imply a significant shift in our social priorities, involving as it might turn out to do, a shift away from our current policy of providing more assistance to those people who are least able to help themselves. We would have to ask whether such a change in social priorities would, in fact, be involved, and whether it would be consistent with the values and standards held in the community today.[445]

He further stated that, with respect to the unemployed, the answer was to find employment opportunities rather than guaranteeing an income. On January 11, 1973, the Minister stated in a speech to Parliament that one of the corner-stones of social security policy was employment at a decent rate of pay for those who could work.[446]

Thus Canada consistently expressed serious reservations about a one-tiered guaranteed annual income program because of the potential

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[444] Minister, 'Address to the Canadian Tax Foundation', (November 20, 1973).

[445] Minister, National Health and Welfare, 'Notes for an Address to the Canadian Conference on Social Welfare', (June 18, 1974).

[446] Minister, National Health and Welfare, Speech in the House of Commons on the Subject of Canada's Social Security Policy, (January 11, 1973).

impact on the incentive to work and the cost.[447] This reservation seemed to preclude the development of a universal guaranteed annual income program offering employables enough to live on in the absence of any earned income - the very kind of universal and non-categorized negative income tax program tested by the Mincome Manitoba experiment.[448]

3.4 GOVERNMENT OF MANITOBA

In November, 1970, the social democratic Government of Manitoba stated that it viewed poverty "as a function of the dispersion range in the distribution of both wealth and power in today's society".[449] An attack on poverty was not simply considered to be a matter of providing sufficient income (whether considered in relative or absolute terms) but, as well, a question of the manner or the process by which sufficient income was provided.

Hence Manitoba presented its anti-poverty proposals in the context of an "overall social developmental" approach which was to encompass all government departments in an attempt to redistribute power as well as income. Manitoba believed that a guaranteed annual income program should only be one element in such an approach:

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[447] Winnipeg Free Press, 'A Sensitive Social Assistance Experiment', February 25, 1974.

[448] Director, Manitoba Minimum Annual Income Project, memorandum to the Secretary, Cabinet Planning Secretariat, December 3, 1974.

[449] Manitoba Health and Social Services, 'A Social Development Approach to Poverty', A brief to the Special Senate Committee on Poverty by the Government of Manitoba, November 4, 1970.

> By itself, it is not a remedy for poverty; it is not even sufficient, on its own, to fully assist those presently caught in the poverty cycle. To suggest that the G.A.I. is an effective solution to the poverty problem would be irresponsible and dangerous. It would be irresponsible in that it could delay the adoption of a much needed, comprehensive social development framework for government programming and decision-making at all levels; it would be dangerous because it could arouse false hopes and ultimately result in frustration and disappointment.[450]

Rather, the Manitoba Minister of Health and Social Services testifying before the Senate Special Committee on Poverty, stated that "we must now develop a new approach which deals directly with the root social causes of poverty. This will require changing the structure and operation of the existing social order".[451] Nevertheless when asked if he would put into force a guaranteed annual income program if he could, the Minister replied, "Definitely".[452]

By July, 1971, Manitoba appeared to be significantly more sympathetic to the possibilities of a guaranteed annual income program. When asked about the proposed Mincome Manitoba experiment the Premier stated: "We are definitely committed to the idea of trying out such a project and I'm quite optimistic we will".[453] In September, 1971, he stated that:

> In the field of income security - which I stress is but part of the overall approach to social development - one of the most promising approaches appears to be the establishment of

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[450] Manitoba Health and Social Services, 'A Social Development Approach to Poverty'.

[451] Testimony of the Manitoba Minister, Health and Social Services, 'Proceedings of the Special Senate Committee on Poverty', November, 4, 1970.

[452] Ibid.

[453] Winnipeg Tribune, 'Schreyer outlines guaranteed annual income test', July 10, 1971.

a guaranteed annual income, a G.A.I.[454]

Manitoba took the position that if the cost proved to be too high, or if it was found on scientific investigation not to work for some reason, then the Province would not proceed with the plan. The Premier stated that he was firmly convinced of the need "to systematically and scientifically test and probe and weigh the evidence in a scientific way to determine just what a guaranteed annual income is likely to do" and, depending on how the test worked out, "either adopt a guaranteed annual income or else put it to rest for all time".[455]

Manitoba considered it to be the responsibility of the federal government to provide adequate funding if a guaranteed annual income program was to be implemented.

3.5 SOCIAL SECURITY REVIEW

In November, 1972, at the Conference of Welfare Ministers the provinces joined in insisting that a federal-provincial conference be called to consider the means by which the social security system in Canada could be restructured and rationalized.[456] Or, as Doyle has put it:

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[454] Premier of Manitoba, Speech to the Canadian Institute of Chartered Accountants, Winnipeg, Manitoba, September, 1971.

[455] Winnipeg Tribune, 'Schreyer looks at his three-year record', July 15, 1972.

[456] Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', p. 457.

> This conference turned out to be a tirade against the federal government's intrusions into provincial jurisdictions - with ill conceived programs that were neither coordinated with one another nor with provincial programs. The frustration of provincial politicians, even in those from provinces in which the Liberal Party held power, had reached an all time high.[457]

It was the view of the provinces that the federal government had been taking a far too unilateral approach to social policy-making whereby it would secretly formulate policies to which the provinces would then be asked to "react".[458] Thus there was deep and growing resentment on the part of the provinces over what was perceived to be federal intrusion into provincial jurisdiction with what were felt to be ill-conceived and unco-ordinated social programs.[459]

Other factors and events also played an important role: indeed, "almost no one was content with the current system - doing nothing, maintaining the status quo, did not seem to be a viable alternative".[460] First, the "War on Poverty" programs in the United States and increasing pressure by influential organizations concerned with social policy was making welfare reform in Canada a prominent public issue.[461] Second, for at least a decade prior to 1975,

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[457] Doyle, p. 27.

[458] Ibid., p. 27.

[459] Hum and Simpson, p. 43.

> Moreover, as Hum and Simpson note: "Provincial dissatisfaction was fueled by the federal government's unilateral changes to unemployment insurance in 1971 and its proposed reform of family allowances". p. 43.

[460] Federal-Provincial Social Security Review, 'Background Paper on Income Support and Supplementation', Prepared by Officials of the Federal-Provincial Working Party on Income Maintenance, Published under the Authority of the Federal-Provincial Conference of Ministers of Welfare, February, 1975, p. ii.

expenditures on social programs in Canada had been increasing at a considerably faster rate than either the gross national product or government spending. For example, between 1965 and 1975 the increase in spending for the nine social programs studied by Michele Bergeron was fivefold while GNP only tripled and overall government spending quadrupled.[462] Finally, after the 1972 general election the Liberals ended up with only two more seats in the House of Commons than the Progressive Conservatives with the NDP holding the balance of power. Hence the minority Liberal government agreed, at least informally, to review social policy and particularly to expand demogrant programs as partial return for the support of the New Democratic Party.[463] The NDP decided to sustain the Liberals in office in the expectation that they would be able to extract a number of policy concessions.[464]

It was not, however, only because the provinces were clamoring for a review, or that there was a general and widespread belief that the social assistance system was in need of serious reform, that prompted the federal government to initiate the Social Security Review. In fact the "impetus for the review in 1973 was not an overriding concern about the lack of progress in redistributing income nor was it due to escalating costs or a welfare backlash".[465] According to Doern and Phidd the only backlash in Canada was over the generosity of changes

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[461] Ibid., p. 27.

[462] Bergeron, p. 4.

[463] R.J. Van Loon, 'Reforming Welfare in Canada: The Case of the Social Security Review', Public Policy, (1979), p. 475.

[464] Christian and Campbell, p. 229.

[465] Doern and Phidd, p. 368.

made to unemployment insurance in 1971.[466] Rather, as Richard Van Loon points out, a major factor motivating the federal government was the collapse in the summer of 1971 of a major attempt to rewrite and "patriate" the BNA Act.[467] A series of federal-provincial meetings from 1968 to 1971 had led to basic agreement between the Premiers and the Prime Minister respecting the patriation, an amending formula, and a Bill of Rights which collectively came to be known as the "Victoria Charter". The Charter was, however, unexpectedly rejected by the Quebec Cabinet a few days later on the grounds that it failed to provide for jurisdictional settlement in the field of social policy, and control of social policy had become fundamental to the Quebec government's determination to acquire the powers needed to foster a strong French culture in North America.[468] The result "was much discontent in federal-provincial relations after the Victoria conference".[469] This discontent on the part of the provinces was further exacerbated by major changes made by the federal government in 1971 to the Unemployment Insurance program and in Ottawa's 1971-72 proposal to change family allowances from a demogrant to a means-tested program, both made without consultation with the provincial governments.[470]

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[466] Ibid., p. 368.

[467] Van Loon, p. 473.

[468] Ibid., p. 474.

[469] Hum and Simpson, p. 43.

[470] Doern and Phidd, p. 369.

In fact, Prime Minister Trudeau did not appear much interested in social policy in general or income security reform in particular until Quebec scuttled the Victoria Charter over the issue of social policy. However:

> The foundering of the Victoria Charter over income security - of all things - changed Pierre Trudeau's view on the subject. Because it had proven capable of scuttling such truly important matters, it was something which had to be fixed.[471]

Shortly thereafter, Marc Lalonde, a close associate of Trudeau's who had been his primary policy secretary during the years of the Constitutional Review,[472] became the Minister of National Health and Welfare. One of his first duties was to resolve the jurisdictional differences with the provinces in general and Quebec in particular over social policy in order to facilitate a process of constitutional negotiation and change. In short, as Van Loon points out, "the Social Security Review was initiated in an environment where welfare programs were in many respects a surrogate for broader political issues, a situation that left the reform process very much open to control by larger political and social forces".[473]

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[471] Leonard Shifrin, 'Income Security: The Rise and Fall of the Federal Role', in Canadian Social Welfare Policy, ed. Jacqueline S. Ismael, (Kingston and Montreal: McGill-Queen's University Press, 1985), p. 24.

[472] Leman, p. 66.

[473] Van Loon, p. 475.

3.5.1 Strategy

Thus in the Throne Speech of January 4, 1973, Canada announced its intention to initiate a joint federal-provincial review of the social security system. On January 11, 1973, the Minister of National Health and Welfare stated that Canada was,

> proposing that social security be recognized by Parliament as one of the two top domestic priorities, and that the federal and provincial governments should set about, now, to review and revise the system so as to reflect in it more adequately the values and the goals of the Canadian people.[474]

The Prime Minister and his Minister of National Health and Welfare "promised to make the Social Security Review a truly comprehensive one, harmonizing and possibly even combining separate programs for social assistance, social services, social insurance, demogrants, and manpower programs".[475] The Minister of National Health and Welfare stated that it was important to have the courage to undertake major policy reviews and substantial policy revisions.[476] The federal government did note, however, that it did not wish the launching of the Review to be taken as a sign that Canada's social security system was "fundamentally unsound and in need of total transformation".[477]

The Review was begun in April, 1973, with the tabling of the federal government's 'Working Paper on Social Security in Canada'. There was agreement among the provincial Welfare Ministers that the suggestions contained in the Working Paper formed an appropriate basis

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[474] Minister, 'Speech to the House of Commons'.

[475] Leman, p. 115.

[476] Minister, 'Speech to the House of Commons'.

[477] Canada, 'Working Paper on Social Security in Canada', p. 2.

for the Review.[478] The scope of the Social Security Review was stated:

> We have sought in developing our proposals, to comprehend the whole sweep of social security policy and to develop a comprehensive, logical, and hopefully imaginative approach to this field. We have sought, too, to exercise our ingenuity in finding new, and if necessary radical, federal-provincial or constitutional arrangements, in order to achieve the kind of integrated social security system which will best serve the needs of the Canadian people.[479]

The primary objective of Canada's social security system was described:

> The central, though by no means the sole, objective of social security in Canada is an acceptable basic income for all Canadians - whether that income comes through employment, if a person is able to work, or through pensions or allowances if a person is unable or not expected to work. For a basic income is essential if a person is to live in decency and in dignity.[480]

The necessity of an adequate and acceptable income for all Canadians was emphasized:

> But the starting point for all of this must certainly be an acceptable basic income. Without this, any person, any family, is seriously handicapped from the beginning. This, then, will be the focal point of this Working Paper: how best to achieve the objective of security of income for all Canadians.[481]

The emphasis on an adequate income was, of course, to be expected for as the Royal Commission on the Economic Union and Development Prospects for Canada notes: "The provision of an adequate income to all citizens is perhaps the goal most commonly associated with modern income-security systems, and virtually all transfer programs address

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[478] National Council of Welfare, 'Guide to the Guaranteed Income', (March 1976), p. 28.

[479] Canada, 'Working Paper on Social Security in Canada', p. 2.

[480] Ibid., p. 3.

[481] Ibid., p. 3.

it to some degree".[482]

Five general strategies were proposed concerning employment, social insurance, income supplementation, social services, and federal-provincial relations. It was anticipated that the policy review component of the undertaking would be completed within two years. In several speeches the Minister of National Health and Welfare spoke of the work of the Social Security Review being completed by the summer of 1976 - he hoped that agreement could be reached on the details of support/supplementation by that time.[483]

The Review was conducted under the political direction of the provincial Ministers of Welfare and the federal Minister of National Health and Welfare organized as the Federal-Provincial Conference of Ministers of Welfare.[484] Between 1973 and 1976 there were eight full-dress, two-day meetings of the Ministers of Welfare.[485] Responsibility for the organization and supervision of the technical and policy work was assigned to their Deputy Ministers serving as the Continuing Committee on Social Security. The Continuing Committee met formally at least ten times and informally six times.[486]

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[482] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Two, p. 774.

[483] National Council of Welfare, p. 36.

[484] Doyle, p. 29.

[485] Leman, p. 113.

[486] Ibid., p. 113.

Three Working Parties on Employment, Social Services, and Income Maintenance reported to the Continuing Committee. The Working Party on Income Maintenance was directed to consider the issues involved in the development of more adequate social insurance programs, and in the provision of income support and supplementation.[487] The Working Party on Income Maintenance held more than twenty-five meetings across Canada.[488]

3.5.2 Guaranteed Income

Income support and supplementation issues were the most important and controversial aspects of the Review. With respect to income security, the Ministers of Welfare first focused their attention on the income needs of two particular groups - those 65 years of age and over, and larger families whose income from employment was considered to be inadequate.[489] Almost immediately it was proposed by Canada and accepted by the provinces that universal Old Age Security pensions and Family Allowances be increased. On January 1, 1974, Family Allowances were raised and later in the year the federal government passed amendments to the Canada Pension Plan which increased both contribution levels and benefits paid under the Plan.

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[487] Canada, Federal-Provincial Conference of Ministers of Welfare, Federal-Provincial Social Security Review: Background Paper on Income Support and Supplementation', (Prepared by officials of the Federal-Provincial Working Party on Income Maintenance and published under the authority of The Federal-Provincial Conference of Ministers of Welfare, 1975), Preface.

[488] Leman, p. 113.

[489] Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', p. 461.

Thereafter, the Ministers of Welfare turned their attention to the development of a general guaranteed income system for people under 65 years of age. At this juncture a number of provincial governments were committed to, or at least seriously interested in, the possibilities of a guaranteed annual income.[490] The Ministers of Welfare, therefore, initially agreed that a guaranteed or minimum income system, in combination with the higher family allowances, potentially could replace existing social assistance plans.[491] In November, 1974, the Ministers agreed to limit their consideration of possible mechanisms for guaranteeing incomes to three options:

> (i) a single guaranteed income program based on the negative income tax which would cover both the working poor and the non-working poor - such a program was referred to as the unitary system and was favoured by the New Democratic governments of British Columbia, Manitoba, and Saskatchewan;
>
> (ii) a two-tiered program with one part (called the support program) for those who could not be expected to work and the other (called the supplementation program) for those who were working but whose wage income was inadequate for their families' needs; and
>
> (iii) a two-tiered program similar to the one described above but with the supplementation program delivered through the income tax system.[492]

The Ministers of Welfare instructed their officials to carry out detailed studies of these options.

Eventually the idea of a single, one-tiered guaranteed annual income program to replace all existing programs was rejected by the federal government and most of the provinces, but there appeared to be

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[490] Banting, p. 75.

[491] Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', p. 461.

[492] National Council of Welfare, p. 30.

general agreement respecting a two-tiered system.[493] Decisions as to the financing of the program, the delivery of the income supplements, the operational design of the system, its harmonization with social insurance plans, and the timing of its introduction were postponed to the operational or implemention stage of the Review.[494] Thus the Ministers of Welfare abandoned the notion that one "omnibus" guaranteed annual income program could do away with the great mixture of federal and provincial income security programs.[495]

Given that one "of the most difficult questions for Canadians to face in dealing with reform of the income-security system is whether or not to provide, for employable persons, benefits other than those provided by Unemployment Insurance",[496] it is not surprising that a majority of the Ministers of Welfare rejected the idea of single guaranteed income system as a replacement for all existing programs. The following reasons were given for taking this decision.[497] First, and most simply, a single new program was thought to be found practical as an immediate goal and would, moreover, have resulted in

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[493] Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', p. 459.

The National Council of Welfare favoured a single guaranteed annual income program for all. It stated that the idea of a two category, two program approach raises concern because of the unfortunate history of categorical programs in the welfare field - a history of rigid definitions of categories rigidly applied. National Council on Welfare, 'Incomes and Opportunities', p. 41.

[494] Ibid., p. 463.

[495] Doyle, p. 35.

[496] Royal Commission on the Economic Union and Development Prospects for Canada, Volume Two, p. 778.

[497] Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', pp. 464-466.

delays in the immediate reforms which were thought to be required in the social security system.[498]

Second, there was the fact that social insurance plans were in place in Canada and people were unlikely to accept the dissolution of these plans in favour of some unknown plan. Third, and perhaps most important, was the fundamental issue of the place of the work ethic in the social security system. In fact, ideological differences among the provinces and the federal government fueled a protracted argument as to whether a one-tier or two-tier approach was better.[499] This argument was, in essence, about the nature, role, and importance of the work ethic in the social, economic, and political life of the country.

The concern with the role of the work ethic and the protracted debate as to whether a one-tiered or two-tiered approach was better eventually resulted in a majority of the Ministers of Welfare agreeing that an employment strategy (income through employment) should be the first priority in reforming the social security system. Two reasons were given.[500] First, it was believed that the provision of productive employment (where and when possible) was preferred to income supplementation by the vast majority of people on social assistance. Second, it was believed that the community at large wanted a social security system which placed emphasis on making employment available, not one which emphasized making social assistance more easily

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[498] Leman, p. 116.

[499] Banting, p. 75.

[500] Johnson, 'Canada's Social Security Review 1973-1975: The Central Issues', pp. 464-466.

available. It was thought that the evidence of a "welfare backlash" across the country substantiated this view. Leman suggests that by 1972 events in the provinces reflected an emerging welfare backlash that "even found its way to socialist Manitoba"[501] although, as noted earlier, Doern and Phidd have suggested otherwise.[502]

3.5.3 Failure

Although the Ministers of Welfare had come to the conclusion that the introduction of one "omnibus" program in place of all other programs was not feasible, they could not agree as to what a more limited, two-tiered guaranteed income program should look like. The federal government continued to press for a two-tiered program that would separate the employed from the unemployed and treat each as two sets of beneficiaries separated into different programs.[503] The Province of Quebec also preferred a two-tiered program that treated the employed and the unemployed differently but wanted all recipients to be part of the same program to be administered by the provinces. The NDP provinces, on the other hand, continued to support a unitary scheme, while the Province of Ontario preferred the alternative of a tax credit approach.[504] Some of the smaller and poorer provinces wondered if they would be able to afford any of the approaches being discussed.[505]

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[501] Leman, p. 64.

[502] Doern and Phidd, p. 368.

[503] Leman, p. 69.

[504] Ibid., p. 123.

[505] Ibid., p. 118.

Then in February, 1975, the federal government announced that it would agree to fund only the two-tier support-supplementation approach. Furthermore, it indicated that it wanted the implementation of the supplementation component of the agreed upon two-tiered approach delayed. The request by the Minister of National Health and Welfare to Cabinet for an immediate commitment of funds for a new support and supplementation scheme was opposed by the Minister of Finance and members of the Treasury Board.[506] As well, and fatally, the federal government proposed that it share in the administration of the supplementation program (once implemented) depending upon the level of government the recipient had been dealing with prior to receiving a supplementation payment. A press release issued at the end of the conference which summarized the agreements reached by the federal and provincial ministers seemed to indicate general agreement by the provinces to the federal proposals.[507]

However, at the next meeting of Ministers in April, 1975, responses by the provinces demonstrated considerable disagreement and dissatisfaction with the federal proposals. Nearly all the provinces, and particularly Quebec, spoke out in strong terms against what it perceived as yet again an intrusion of the federal government into areas that were the exclusive jurisdiction of the provinces.[508] The three province with NDP governments - British Columbia, Manitoba, and Saskatchewan - all reiterated their opposition to treating employed

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[506] Ibid., p. 122.

[507] Doyle, p. 33, and Leman, p. 123.

[508] Leman, p. 124.

and unemployed people differently[509] and insisted that they had never firmly agreed to a two-tiered system. There were also strong objections to the proposed delay in the supplementation component, and some provinces objected to the idea of the provincial governments having to contribute towards a supplementation program that would involve the federal government in its administration.[510]

Although the federal government offered major concessions in both the cost-sharing arrangements and in the area of jurisdiction at the eighth and final meeting of the Ministers of Welfare held in June, 1976, only seven of the ten provinces agreed "in principle" to the proposal.[511] New Brunswick and Prince Edward Island reserved judgement, Ontario rejected the proposals outright, Saskatchewan and Manitoba argued that the plan should give more to the employed poor, and "virtually all the provinces were uneasy about the costs".[512] Indeed, only the provinces of Quebec and British Columbia expressed wholehearted support for the the federal government's proposals.

Thereafter, in a last desperate attempt to salvage something from the income security component of the Review, the Minister of National Health and Welfare declared that the federal government was willing to accord the provinces a full degree of flexibility with respect to the timing and phase-in of implementation. However, by 1977, even the possibility of implementing something piecemeal had faded largely

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[509] Ibid., p. 117.

[510] Doyle, p. 34.

[511] Leman, p. 128

[512] Ibid., p. 128.

because by this time so few provinces were willing to consider further proposals.[513] In the end, even the mild proposals proposed by the federal government "were flatly rejected by Ontario and deferred by several other provinces, dashing the fondest hopes of social reformers in the 1970s."[514]

Many observers, such as Bergeron, would argue that in the end the Social Security Review had very little impact on Canada's social security system. He cites three reasons as to why the Social Security Review ultimately failed.[515] First, the decision early in the Review to increase Family Allowances substantially pre-empted new funds that would have been required to implement a new income support and supplementation package. Second, the inability of the Review participants to integrate provincial income maintenance programs with federal pension and unemployment insurance programs meant that no financial leeway could be generated through a rationalization of existing programs. Third, the rise of inflation to crisis proportions, and the general economic stagnation of the mid-1970s, combined to reduce the desire of all governments to undertake significant new social program expenditures. Indeed, by the mid-1970s the diffuse consensus that had sustained the expansion of social programs during the 1950s and 1960s had clearly weakened.[516]

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[513] Leman, p. 131.

[514] Banting, p. 75.

[515] Bergeron, p. 3.

[516] Banting, p. 185.

Others, such as Doyle, suggest that the Review was at least a qualified success in that some accomplishments could be identified. He lists the following: it assisted both the federal and provincial governments to recognize and operationalize the interdependency of their action in the field of social security and welfare where they have joint responsibilities; it had educational effects, especially on politicians and public servants; it reaffirmed what many planners have always taken for granted - the incremental nature of most planned change effort; it came face to face with the lack of a data base for projections of program impact, both for cost and administration; and it brought to the fore the issue of the need for continuous citizen education and input into the process of reviewing highly technical programs such as those of social security.[517]

Still others, such as Van Loon, maintain that from "many perspectives the Review was not a failure, even if its "rational" plans were not implemented in the time allotted".[518] Van Loon points out that the Canada and Quebec Pension Plans were significantly altered, the levels and escalation rules for Old Age Security and the Guaranteed Income Supplement were revised, and the level and basic structures of the Family Allowance Programs were fundamentally changed. Furthermore, in his opinion, it is important to note that one of the fundamental reasons for the Review was to improve federal-provincial relations in the social-policy field and in this the Review succeeded.[519] Banting, however, is of the opinion that

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[517] Doyle, pp. 36-37.

[518] Van Loon, p. 501.

[519] Ibid., p. 502.

federal-provincial conflict was one of the major factors that doomed proposals for the restructuring of the income security system through the Social Security Review.[520]

[520] Banting, p. 211.

Chapter IV

THE MINCOME MANITOBA EXPERIMENT

In June, 1971, Manitoba indicated an interest in the feasibility of a guaranteed annual income program.[521] On September 9, 1971, the Premier stated:

> The Government of Manitoba is committed to launching a pilot project - strictly on an experimental basis, in designated urban and rural areas - to determine if the concept of GAI can be translated into effective action.[522]

Eight days later Canada announced a program to cover 75 percent of the cost of guaranteed annual income experiments based on the concept of the negative income tax and jointly conducted with the provinces.

In June, 1972, Manitoba hired a University of Winnipeg professor specializing in political behaviour to begin recruiting staff and collecting information about guaranteed annual income experiments undertaken in the United States.[523] In July, 1972, technical discussions began between Manitoba and Canada concerning a guaranteed annual income experiment in Manitoba.[524]

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[521] Province of Manitoba, 'Proposal for a Guaranteed Annual Income Experiment', Prepared by: The Manitoba Minimum Annual Income Project, March 2, 1973, p. 1.

[522] Premier of Manitoba, Speech to the Canadian Institute of Chartered Accountants, September 9, 1971.

[523] Dauphin Herald, 'Dauphin headquarters for minimum income study', November 14, 1973.

[524] Province of Manitoba, 'Proposal for a Guaranteed Annual Income Experiment', p. 3.

In March, 1973, Manitoba submitted a formal proposal to Canada suggesting that a guaranteed annual income experiment be jointly conducted in the Province. The submission by Manitoba coincided with the initiation by Canada of the joint federal-provincial review of Canada's social security system. In April, 1973, approval in principle to undertake jointly a guaranteed annual income experiment in the Province of Manitoba was announced by the two governments.[525]

In September, 1973, planning for the experiment was begun by officials from both governments. Although the experiment was to be conducted by officials of the two governments, efforts were made to include academics and experts from outside of government in the design and research effort. On June 4, 1974, both governments signed a formal agreement commiting each to joint participation in the experiment. The original agreement was subsequently amended on April 28, 1976, May 2, 1977, and March 10, 1978. Although the experiment was scheduled to end in December, 1978, the termination date was extended to March 31, 1979.

Funding of the experiment was shared with Canada assuming 75 percent and Manitoba 25 percent of the costs. A final statement of total experiment expenditures (audited by the Provincial Auditor of Manitoba) was to accompany the final report to be submitted to the Experiment Committee by January 1, 1979.[526] At Canada's insistence an expenditure ceiling of $17.3 million for the experiment was

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[525] Minister, National Health and Welfare, letter to the Premier of Manitoba, April 17, 1973.

[526] Agreement Concerning a Basic Annual Income Experimental Project. June 4, 1974, p. 21.

established.

The following table provides a chronological overview of the experiment.

Key Dates and Events

1970	General discussions between Manitoba and Canada begin
1971 Jan.	Canada announces readiness to share in the costs of conducting guaranteed annual income experiments with the provinces
1971 Sept.	Manitoba announces readiness to proceed with a guaranteed annual income experiment
1971 Sept.	Canada announces establishment of a program to finance up to 75% of approved experiments conducted jointly with the provinces
1972 July	Officials from Canada and Manitoba start intensive technical discussions
1973 March	Formal proposal submitted to the federal government by Manitoba
1973 April	Manitoba and Canada sign an agreement-in-principle
1973 Sept.	Interim financial agreement
1973 Dec.	External evaluation of design conducted
1974 June	Main financial and design agreement
1975 Jan.	Payments begin
1976 Jan.	Payments begin for supplementary sample
1976 April	Major revision of research objectives
1976 July	Further revisions to the research objectives
1977 Dec.	End of payments for most participants
1978 Dec.	End of payments for supplementary sample
1979 March	End of all experimental activities

This chapter will examine the problems encountered in the planning of the experiment and briefly outline the design the experiment finally took. It will be demonstrated that it was not an easy task for Canada and Manitoba to agree eventually on what the purpose of the experiment should be and therefore on how the experiment should be designed.

4.1 PURPOSE OF THE EXPERIMENT

In the broadest terms, the objective of the experiment was to assess the economic and social consequences of introducing a system of guaranteed annual income payments fashioned as a negative income tax program.[527] In more precise terms, the purpose was to measure the effect of various combinations of guaranteed income levels and tax-back rates on the labour supply response of the recipients of guaranteed annual income payments. The experimental design focussed on these two parameters because:

> The tax rate and the support level are the two basic elements of any income-conditioned transfer program, and the way in which these elements are combined in the benefit structure of a program will similarly have cost implications. Thus the Experiment was specifically designed to measure the effects of various tax rates and support levels on work and earnings.[528]

By the time the final design features of the experiment had been confirmed both Manitoba and Canada had agreed that the the labour supply response was the appropriate primary research focus.[529] Associated economic research included the effects of a guaranteed annual income program on various market variables such as wage rates,

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[527] Hum, Laub, and Powell, Foreword.

[528] Mincome Manitoba, and the Survey Research & Special Projects Directorate, p. 4.

[529] The final proposal submitted by Manitoba, which formed the basis of the formal agreement, stated: "The primary focus of the experiment is on labour supply and the relations of individuals and families to the labour market". Province of Manitoba, 'Proposal for a Guaranteed Annual Income Experiment', p. 9.

National Health and Welfare stated: "The Department has established as the primary objective of experimentation to analyze the effect of guaranteed income plans on the relationship of individuals to the labour market". 'Guidelines for Financing of Guaranteed Income Experimentation', July, 1973, p. 6.

the relative wage structure, and rent levels. Important, but secondary research was planned respecting administrative issues associated with the delivery of a guaranteed annual income program.[530] Finally, sociological research respecting a number of topics and issues such as martial stability were also included.

Anticipating the labour supply response to a proposed system of guaranteed annual income payments is essential because of two major types of cost implications.[531] First, changes in labour supply will result in changes in family income and this in turn will affect the cost of transfer payments made under the program and hence the total cost of such a program. Second, systematic changes in the labour supply of a large segment of the population will significantly affect the total labour supply available and could result in a decline in total national income. As well, there is the concern that if the supply of particular types of labour is affected there could be adjustment problems for industries, sectors, or regions dependent upon that type of labour.

The experiment was considered to be necessary in spite of the very similar experiments that had been conducted in the United States and which were used as prototypes for the design of the Mincome Manitoba experiment.[532] It was acknowledged that the design and operation of the Mincome Manitoba experiment had benefited considerably from the

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[530] For a number of reasons which will be discussed in the next chapter, during the course of the experiment the administrative research assumed an increasing importance and eventually dominated the labour supply research objectives.

[531] Hum, Laub, and Powell, p. 4.

[532] Ibid., Acknowledgement.

pioneering American efforts.[533] It was believed, however, that the major problem with using the findings of the U.S. experiments was that it was not valid to generalize the findings to Canada where the social and economic environment was held to differ significantly. Furthermore, the samples used in the experiments in the United States (which concentrated to a great extent on minority groups) were not thought to be representative of the target population to which a guaranteed annual income program would be directed in Canada. As the Department of National Health and Welfare stated:

> The work psychology of large segments of the Canadian population may well differ from those populations being sampled in the U.S. -- with the high proportion of black, Puerto Rican, and Mexican families being included -- many living in urban ghettoes. This is one reason for mounting experiments. In addition, the Canadian populace faces a radically different pattern of government income support and employment programs, and this institutional difference may well affect behaviour. Finally, a sufficient number of problems were encountered in the 'early' U.S. projects that generalizing from them will be difficult even in the U.S.[534]

It was also believed that the Mincome Manitoba experiment could improve upon the American attempts at income maintenance experimentation and, by including a saturation site, significantly add to the research information available.

It was agreed by the two governments that Manitoba would be responsible for all operations including data collection, data processing, the payments system, and budgetary control. In fact, throughout planning discussions with Canada, Manitoba continually sought to clarify the fact that it was to be responsible for the

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[533] Mincome Manitoba and Survey Research and Special Projects Directorate, p. 22.

[534] National Health and Welfare, submission to Treasury Board, January 5, 1973, p. 3.

operational management of the project.[535] This responsibility was discharged through an agency called Mincome Manitoba created under the auspices of the Department of Health and Social Development.[536] Canada's role was to be limited to that of monitoring and approving proposed budgetary, research, and design changes. Hence, with regard to the experiment's operations, Manitoba alone was to be responsible with Canada's role limited to evaluating the development of the operational plans prior to their being launched in the field.[537]

Canada, however, was careful to maintain a role as an equal partner with respect to the setting of the research objectives. It was Canada's view that a major theme running through the agreement with Manitoba was that decisions on research were to be taken jointly by both governments, and that those decisions would comprise the "research policy" of the project.[538] To ensure a high and continuous degree of consultation and communication between the two governments an Experiment Committee was established comprised of four officials from each government.[539] The Experiment Committee was to be

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[535] National Health and Welfare, memorandum for the Minister, 'Federal-Provincial Agreement with Manitoba', p. 2.

[536] The experiment was legally operated under the provincial The Social Services Administration Act and the Canada and Manitoba Agreement Concerning A Basic Annual Income Experiment Project. Manitoba Health and Social Development, submission to the Management Committee of the Manitoba Cabinet, 'Mincome Manitoba Personnel Termination Plan', November 22, 1977, p. 1.

[537] Deputy Minister, National Health and Welfare, memorandum to the Minister, May 2, 1974.

[538] National Health and Welfare, memorandum for the Minister, 'Federal-Provincial Agreement with Manitoba', circa. spring, 1974, p. 2.

[539] When the Committee was struck in the summer of 1974 the provincial representatives were James Eldridge, Assistant Deputy Minister,

responsible for determining research objectives and for approving and guiding the development of specific research projects. It was believed that through this mechanism both governments would be deeply involved in the actual research undertaking.[540] The Experiment Committee was to meet at least three times each year. The first meeting was chaired by Manitoba with subsequent meetings chaired on an alternating basis by Canada and Manitoba. In addition to the regular meetings, either party could request a special meeting of the the Experiment Committee.[541]

Both Manitoba and Canada were of the opinion that the decision to undertake the experiment was significant in at least two respects.[542] First, it was a manifestation of the decision to evaluate seriously the option of a guaranteed annual income program. Second, it was believed to be significant in that it was the first attempt in Canada to use social experimentation to assist in the development of social

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Federal-Provincial Relations, Department of Finance; R.S. Hikel, Director, Mincome Manitoba; Michael Laub, Director of Research, Mincome Manitoba; and Lee Loveridge, Co-ordinator of Operations, Mincome Manitoba. Director, Mincome Manitoba, memorandum to the Director, Experimental Research Unit, National Health and Welfare, August 7, 1974.

Federal representatives (all from the Department of National Health and Welfare) were T.R. Robinson, Assistant Deputy Minister; B.J. Powell, Director, Experimental Research Unit; P.A. Veness, Project Manager; and N.J. Hunking, Senior Research Officer. Director, Experimental Research Unit, National Health and Welfare, memorandum to the Director, Mincome Manitoba, July 31, 1974.

[540] Deputy Minister, National Health and Welfare, memorandum to the Minister, May 2, 1974.

[541] Agreement Concerning a Basic Annual Income Experimental Project, June 4, 1974, p. 3.

[542] Mincome Manitoba, and the Survey & Special Projects Directorate, p. 22.

policy. Furthermore, it was expected that the experiment would provide important information for the Social Security Review as was made clear in a joint new release issued on February 22, 1974: "The Manitoba experiment is expected to make an important contribution to the review of Canada's social security system launched last April by all ten provinces and the federal government".[543]

In Canada's view, in the long term, the experiment would be relevant to the consideration of a wide range of policy parameters such as different support levels and tax-back rates associated with negative income tax plans.[544] In the short term, the experiment was expected to generate data respecting the characteristics of low-income families. In Manitoba's view, initially at least, the purpose of the experiment was to demonstrate the feasibility of implementing a guaranteed annual income program.

4.2 CANADA'S INTEREST

Canada contemplated two approaches respecting the provision of support for guaranteed annual income experiments to be jointly undertaken with the provinces.[545] First, based on the rationale that the federal government had no direct jurisdictional responsibility in the field of social welfare, it could "respond" to provincial initiatives and consider the experiments to be under provincial

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[543] quoted in Hum and Simpson, p. 44.

[544] National Health and Welfare, submission to Treasury Board, January 11, 1974.

[545] Canada, National Health and Welfare, 'Guaranteed Annual Income Pilot Project Program', July 19, 1971, p. 2.

control and responsibility. The problem with this approach was the potential for a number of very similar and duplicating experiments that would have strained available resources.

The alternative approach, jurisdictionally supported by the fact that Canada already had authority for a range of income maintenance programs through the use of its spending powers, and financially justified by Canada's contribution of 75 percent of the cost of approved experiments, was for Canada to "encourage" specific experimental thrusts across the country.[546] There were obvious advantages to this approach. First, it would be a means of discouraging the outright duplication of experimental effort in the same regions of the country. Second, it would provide the means whereby the federal government could influence the design and administration of the experiments in which it was going to participate and for which it would partly pay. The third advantage was that by providing a major portion of the funding, the federal government would have the financial means to encourage the participation of the poorer provinces.

Canada decided in favour of the latter approach and developed a program of financial and consultative support for federally approved experiments undertaken with the provinces. It was announced in January, 1971, during the week of the Federal-Provincial Conference of Welfare Ministers, that the federal Cabinet had approved appropriations of $25 million over three years to "conduct jointly with certain provinces pilot projects designed to test the feasibility

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[546] National Health and Welfare, submission to Treasury Board, April 26, 1971, p. 3.

of the guaranteed income approach".[547] The purpose of the program was to enable the federal government to,

> enter into joint collaborative arrangements with provinces intending to conduct experiments with federal assistance, so the establishment of the research aims will reflect joint interests throughout.[548]

The research objectives of interest to the federal government were designated as primary and secondary.[549] The primary objective - an analysis of the effect of guaranteed annual income payments on the relationship of individuals to the labour market - would be common to all federally funded experiments. Secondary objectives were divided into two sets: those which would deepen the analysis of labour supply response, and those respecting other dependent variables such as consumption of private and public goods, family behaviour, political activity, preservation of socio-economic status, etc. Secondary research objectives were not necessarily to be included in all federally funded experiments.

Canada's overall aim was to ensure a common and identical "core" of analysis in all experimentation in line with the primary research objective. The reasoning was that,

> both the federal and provincial interests will be directly served if clear, primary research objectives were established, reflecting this consensus. This consensus, in particular, is that work behaviour response is of primary concern to all governments.[550]

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[547] National Health and Welfare, 'Guaranteed Income Experimentation', (discussion paper), November, 1971, p. 1.

[548] National Health and Welfare, 'Guidelines', p. 2.

[549] Ibid., p. 6.

[550] Ibid., p. 4.

For example, officials in National Health and Welfare felt very

Hence all federally funded experiments were to have a common set of program features (identical income support levels, tax-back rates, program rules), common experimental design features (sample structure and size), and a common research objective (measurement of the labour supply response). The expectation was that a policy of core experimentation would lead to the "comparability" of the behavioural response in the various regions of the country and under differing economic and social conditions.[551]

In April, 1971, Canada anticipated providing support for five experiments: one in each of the five main geographical areas of the country - British Columbia, the Prairie region, Ontario, Quebec, and the Atlantic region. The objective was to measure the variation in behavioural response in various parts of the country in the light of social and economic conditions peculiar to each.[552] At least three provinces other than Manitoba indicated an interest in conducting a guaranteed annual income experiment. Ontario gave consideration to an experiment of a more limited type than that being proposed in Manitoba; British Columbia had made a decision, in principle, to proceed with an experiment; and Saskatchewan had indicated a willingness to explore the possibility of co-operating in an experiment with Manitoba.[553] By the fall of 1971 Canada had entered

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strongly that they must be involved in any discussions between Manitoba and Ontario respecting experimentation. National Health and Welfare, memorandum C.L. Gill to A.W. Johnson, February 25, 1974.

[551] National Health and Welfare, 'Paper on Policy Issues', June, 1973, p. 4.

[552] National Health and Welfare, submission to Treasury Board, April 26, 1971.

into extensive consultations with a number of the provinces regarding the possibility of jointly conducted experiments.

However, by 1972, despite the fact that Canada had invited the provinces to submit proposals, and had begun consultations with many of them, Canada had decided that experimentation should not be extensive and that it would participate only in a maximum of three experiments.[554] To Canada's relief, so it would appear, the provinces were not exerting "any pressure for a rapid proliferation of experimental projects, for many reasons: political considerations, resources, differences in view about policy reform, costs, and so on."[555] Indeed, in July, 1973, National Health and Welfare officials wrote that the consultations with the provinces were not intended "to positively stimulate interests, nor did they".[556] In January, 1974, the Minister of National Health and Welfare decided that the Manitoba experiment was to be the only one he was prepared to approve. His Deputy Minister considered it prudent that his provincial counterparts be informed of the decision so as to forestall any future misunderstandings.[557]

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[553] Mincome Manitoba Director, memorandum to the Manitoba Cabinet, 'Proposed Design Guaranteed Annual Income Experiment: An Overview', December 18, 1972.

[554] National Health and Welfare, memorandum to the Working Group on Income Supplementation, National Health and Welfare, 'Federal Interest in Guaranteed Income Experimentation', July 10, 1973, p. 4.

[555] Ibid., p. 4.

[556] National Health and Welfare, draft memorandum for Mr. Robinson, July 7, 1973, p. 2.

[557] Deputy Minister, National Health and Welfare, memorandum 'Guaranteed Annual Income Experiments', to J.E. Osborne, T.T. Robinson, and Guy Fortier, January 22, 1974.

Canada set out two major goals with respect to its role in the Mincome Manitoba experiment.[558] First, it wanted to be in a position to be a party to all research decisions throughout the experiment in order to ensure that its research priorities were established and pursued. Second, it wanted Manitoba to take full operational responsibility for the experiment. Thus the Agreement Concerning A Basic Annual Income Experimental Project contained the following provisions:

> (i) that the experiment be defined as a joint federal-provincial project;
>
> (ii) that the federal and provincial governments take joint decisions regarding research policy throughout the project, though operational responsibility be carried by the Manitoba government; and
>
> (iii) that a Joint Federal-Provincial Project Committee be established to take joint decisions respecting the research objectives and their specifications.[559]

4.3 MANITOBA'S INTEREST

During 1971 and early 1972 a considerable amount of pre-design work was carried out by Manitoba.[560] Discussions between senior government officials in Manitoba and Ottawa were initiated in November, 1971. In June, 1972, Manitoba hired a full-time staff member and in July formal discussions were begun between officials of National Health and

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[558] National Health and Welfare, submission to Treasury Board, January 11, 1974. p. 7.

[559] National Health and Welfare, submission to Treasury Board, January 11, 1974, p. 1.

[560] Mincome Manitoba, 'The Development and Design of Negative Income Tax Experimentation in Manitoba: A Preliminary Report', (draft), July, 1974, p. 5.

Welfare and the Manitoba Minimum Annual Income Project.[561] Agreement on the basic aspects of the Mincome Manitoba experiment was reached before the end of 1972.

In March, 1973, Manitoba submitted to Canada a draft of the final proposal accompanied by a budget.[562] Approval in principle was announced by the two governments one month later and an interim legal agreement was signed covering cost-sharing and the respective design roles of the two governments. Later that spring, detailed work was begun by a group of federal and provincial researchers and outside consultants.[563] This work, which took the form of commissioning papers to be discussed in seminars, was concerned with the identification of potential areas of research and the building of theoretical models to guide the collection of data.

Reaching agreement on the basic design of the experiment was not without its problems. Early in the planning stages it became apparent that the two governments wished to undertake the experiment for quite different reasons. Because Manitoba was primarily interested in the administrative and operational feasibility of a guaranteed annual income program, it wanted the experimental design to reflect as much as possible a program that might be implemented. "Indeed, this was the basis for its original support by Manitoba".[564] Canada, on the

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[561] Premier of Manitoba, submission to The Planning and Priorities Committee of the Manitoba Cabinet. 'Federal-Provincial Agreement on the Guaranteed Annual Income Project', February, 14, 1973.

[562] Mincome Manitoba, 'The Development and Design of Negative Income Tax Experimentation in Manitoba: A Preliminary Report', (draft), July, 1974, p. 6.

[563] Ibid., p. 6.

other hand, insisted on the primacy of the measurement of the labour supply response which implied a rigorous and controlled experimental undertaking.[565] Thus, the first task of the joint federal-provincial planning group was to reconcile Manitoba's interest in a shorter project with immediate policy relevance with Canada's interest in a more elaborate exercise which would emphasize the experimental design aspects required to deal adequately with the testing of the unknown behavioural response.[566]

That, initially at least, Manitoba was more concerned with administrative feasibility than with the labour supply response is clear. On June 7, 1971, the Minister of Health and Social Development for Manitoba declared at a Conference of Federal-Provincial Ministers of Welfare that, in Manitoba's view, it was "of vital interest to examine the complexities involved in the administration of guaranteed income programs" and that "much knowledge [could be] gained . . . in a demonstration project".[567] On September 9, 1971, the Premier of Manitoba stated that the big problem to be solved with respect to guaranteed annual income proposals was one of administration.[568] On

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[564] Hum and Simpson, p. 44.

[565] Bawden, Kershaw, and Watts refer to a continuum bounded on the one end by a pilot project, and on the other end by a full-blown controlled experiment, with an administrative experiment located in the middle. D. Lee Bawden, David N. Kershaw, and Harold W. Watts, 'Some Alternatives for a Guaranteed Annual Income Test in Manitoba', August 29, 1971.

[566] Director, Guaranteed Annual Income Project, memorandum to the Manitoba Cabinet, 'Proposed Design Guaranteed Annual Income Experiment: An Overview', December 18, 1972.

[567] Hum and Simpson, p. 44.

[568] Premier, 'Speech to the Canadian Institute of Chartered Accountants, September 9, 1971.

November 27, 1972, the Manitoba Minister of Health and Social Development stated:

> It should be stressed that our interest in experimentation with the guaranteed annual income is based upon our consideration of such testing as a responsible way of preparing to introduce a guaranteed annual income program at the earliest feasible date. Our attention at the GAI is therefore a policy focus more than just an abstract focus on experimentation itself.[569]

In December, 1972, the senior Manitoba official in charge of the design work stated that much of his time had been taken up "reconciling the Provincial interest in a shorter project with immediate policy relevance, and the Federal Government's interest in a somewhat more elaborate study".[570]

In July, 1971, Premier Schreyer estimated Manitoba's financial involvement at "something over $500,000" and the number of families involved "possibly 500" but probably "closer to 300".[571] In fact, the original plan developed by Manitoba in 1971-72 was to cost an estimated $2 million "for a very limited and crude administrative demonstration project".[572] In late November, 1971, the Planning and Priorities Committee of the Manitoba Cabinet discussed possible guaranteed annual income experiments on at least two occasions.

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[569] Minster, Manitoba Health and Social Development, speech to the Welfare Ministers' Conference, Victoria, British Columbia, November 27, 1972.

[570] Director, Manitoba Guaranteed Annual Income Project, memorandum to the Manitoba Cabinet, 'Proposed Design Guaranteed Annual Income Experiment: An Overview', December 18, 1972.

[571] Hum and Simpson, p. 44.

[572] Director, Mincome Manitoba, memorandum to the Minister of Health and Social Development, 'Briefing Notes, Federal-Provincial Press Conference on the Manitoba Basic Annual Income Experiment', February 21, 1974.

General approval was obtained to pursue negotiations with the federal government on the basis that the project become operational by July 1, 1972, the existing field administration of the welfare department be used to administer it, and the project last no more than two years.[573]

The intent of this proposed demonstration project was to produce operational and administrative information while at the same time generate as much public support for a guaranteed annual income policy as possible.[574] The proposal, however, was not acceptable to federal officials who insisted that an experiment be developed with a more "scientific" design and a larger sample size.[575] Hence, "what emerged was not the simple demonstration involving 300 families and $500 thousand that Manitoba wanted, but an extremely complicated scientific experiment, modelled along the lines of the pioneering U.S. efforts and concentrating on the issue of work responses".[576]

At the time that the experiment was being planned, the scheduling of the Social Security Review was announced. This suggested to Manitoba that the experiment must be begun as soon as possible if the results were to have any impact on social policy decisions stemming from the Review. In the view of Manitoba:

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[573] National Health and Welfare, 'Report on Discussions with Manitoba Officials, December 6th and 7th, 1971,(2nd meeting)', December 10, 1971.

[574] Minister, Manitoba Health and Social Development, memorandum to the Planning and Priorities Committee of Cabinet, 'Guaranteed Annual Income Project', November 25, 1971.

[575] Director, Mincome Manitoba, memorandum to the Minister of Health and Social Development, 'Briefing Notes, Federal-Provincial Press Conference on the Manitoba Basic Annual Income Experiment', February 21, 1974.

[576] Hum and Simpson, p. 45.

> The converging development of the federal government's initiation of an overall social policy review and the Manitoba government's interest in experimentation has made it possible to design the experiment so that it will yield data that are relevant to the major policy options identified by the review process. Continuing co-ordination is assisted by having the director of the Manitoba experiment also serve as Manitoba's chief delegate to the federal-provincial Income Maintenance Working Party.[577]

The sense of urgency and opportunity felt by Manitoba was expressed in May, 1973, by the Director of the experiment (then called the Manitoba Minimum Annual Income Project):

> Clearly, because of Manitoba's experiment we are at the centre of the process; the concept of guaranteed incomes has gained considerable political support and legitimacy. The one danger now is being overtaken by events, i.e., having the data after the policy decisions have been made. To prevent this, the fastest possible development of staff and implementation will be necessary.[578]

In February, 1973, the Premier stated in a letter to the Minister of National Health and Welfare that he considered the joint undertaking of the experiment to be a fundamental response to the Minister's call for collaboration between the provinces and Canada in reviewing the entire social security structure.[579] As well, at the May 23-25, 1973, Federal-Provincial Conference of First Ministers, the Premier stated that he believed "the experiment would provide a great deal of valuable information which should be evaluated carefully before final decisions are made concerning a general national income

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[577] Mincome Manitoba, 'The Development and Design of Negative Income: Preliminary Report', p. 7.

[578] Director, Manitoba Minimum Annual Income Project, memorandum to Secretary to the Manitoba Planning and Priorities Committee of Cabinet, May 1, 1973.

[579] Premier of Manitoba, letter to the Minister, National Health and Welfare, February 22, 1973.

security program".[580] In January, 1974, in a submission to Cabinet, Manitoba Health and Social Development noted that one of the justifications for proceeding with the experiment was that it was closely integrated with the social security review initiated by Canada.[581] It is clear that Manitoba expected the Social Security Review to focus on the option of a guaranteed annual income, and equally clear that Manitoba also expected the experiment would become a vital source of information and analysis for the Review.

4.4 RECONCILING DIFFERENCES

Canada, however, was unwilling to compromise research on the labour supply response for the sake of ensuring that the experiment replicated an actual program of guaranteed annual payments.[582] Nor was Canada prepared to hurry the planning and implementation of the experiment in order to ensure that results were available before the Social Security Review had reached its conclusions. In November, 1972, the Manitoba Minister of Health and Social Development noted that, "Manitoba is eager to get GAI development off the ground. It is more difficult to detect a similar sense of urgency at the Federal level".[583]

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[580] Premier of Manitoba, 'Review of the Social Security System', May 23, 24 and 25, 1973.

[581] Manitoba Health and Social Development, submission to Health, Education and Social Policy Committee of Cabinet, 'Final Federal-Provincial Agreement Concerning the Implementation of a Minimum Annual Income Experiment in Manitoba', January 28, 1974.

[582] National Health and Welfare, 'Report on Discussions with Manitoba Officials - December 6th and 7th, 1971, (2nd meeting)', December 10, 1971.

[583] Minister, Manitoba Health and Social Development, speech to the

In fact, early in the planning and discussion stages Canada had decided that a controlled research experiment would be supported but not a pilot project.[584] In Canada's view, the important distinction was that controlled research experimentation attempts to produce empirical data on behavioural responses and therefore does not prejudge the features of the program that might be introduced. A pilot project, on the other hand, was considered to be a test run of a given, already formulated program in order to discover how it could be made to work.[585] Canada stated that the lack of empirical data about the effects of a guaranteed annual income program was what warranted federal support of the experiment.[586]

Officials in National Health and Welfare were well aware of the difficulties of implementing social experiments. In anticipation of difficulties it was recommended that a departmental official be placed in the field during the planning process as during such time "there is an unending series of critical steps being taken" which if not successfully planned could "bring the entire project down in subsequent years".[587] Mistakes made by similar experimental efforts undertaken in the United States were identified.[588] The conclusion was

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Welfare Ministers' Conference, Victoria, British Columbia, November 27, 1972.

[584] National Health and Welfare, 'Guaranteed Income Experimentation', November, 1971, p. 11.

[585] Ibid., pp. 12-13.

[586] National Health and Welfare, 'Guidelines', p. 4.

[587] National Health and Welfare, 'Notes on Staffing Requirements', March 30, 1973.

[588] The deficiencies of the New Jersey experiment were known to the Mincome Manitoba researchers when they designed the experiment.

that the planning stages for social experiments were of critical importance as hurried planning accounted for many of the problems that had been encountered in various social experiments conducted in the United States.[589]

Thus it was concluded by Canada that planning of the Mincome Manitoba experiment could and probably should be a lengthy process. In preparation for the implementation of the federal funding program (which included the development of a set of guidelines for distribution to the provinces), National Health and Welfare officials held discussions with a wide range of professional and academic opinion. Included in the discussions were officials at the United States Department of Health and Economic Welfare; the Office for Economic Opportunity; the Urban Institute in Washington; experts at the Institute for Research on Poverty at the University of Wisconsin; the Stanford Research Institute; and officials in all the provinces except Prince Edward Island.[590]

It is not surprising, therefore, to find that when presented with Manitoba's first proposal "for a very limited and crude administrative demonstration project" Canada insisted on an experiment with a more "scientific" design.[591] Indeed, in October, 1972, the Director of the

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Gripton, p. 37.

[589] National Health and Welfare, 'Guaranteed Income Experimentation', (discussion paper), November, 1971, p. 13.

[590] Ibid., p. 1.

[591] Director, Mincome Manitoba, memorandum to Minister, Manitoba Health and Social Development, 'Briefing Notes, Federal-Provincial Press Conference on the Manitoba Basic Annual Income Experiment', February 21, 1974.

Manitoba Guaranteed Annual Income Project reported that the "bulk of my time has been spent in re-designing the Province of Manitoba's G.A.I. experiment to bring it in line with Federal preferences".[592] He also suggested that the process had been extensively prolonged because of the continually shifting conception of experimentation among staff in National Health and Welfare. Jodie Allen et al. concluded in their report of December, 1973, that while federal involvement had been considerable during the initial planning phase, and while this had consumed a good deal of Manitoba staff time during a very busy period, it had been beneficial.[593]

The result was that federal-provincial "negotiations" ended with a final proposal in which Manitoba presented a project plan with a significantly modified approach.[594] First, the proposal was now considered to be a social science experiment and not a demonstration project wherein the primary policy issue was deemed to be the impact of guaranteed annual income payments on the labour supply response of recipients. This ensured adherence to a rigorous experimental design methodology.

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[592] Director, Guaranteed Annual Income Project, memorandum to the Clerk of the Manitoba Planning and Priorities Committee of Cabinet, October 20, 1973.

[593] Jodie T. Allen, D. Lee Bawden and David A. Dodge, 'Evaluation Report on the Manitoba Minimum Annual Income Experiment', December 10, 1973, p. 13.

[594] Province of Manitoba, 'Proposal for a Guaranteed Annual Income Experiment', pp. 3-7.

Federal officials were, however, of the opinion that: "With regard to the basic design features of the experiment, there is good progress in identifying the issues and the problems. The work in this area is, however, highly dispersed and ad hoc." National Health and Welfare, 'Notes on 1st Joint Committee Meeting: Manitoba Experiment July 25-27, 1973'.

Second, to accommodate the operational reality of a guaranteed annual income if it was implemented as well as the more "purely" experimental prerequisites of the experiment, a saturation module was proposed. In the saturation module all eligible recipients received income payments (in other words there was not a control group), whereas in the dispersed module some eligible recipients received payments as part of the treatment group while others in the control group did not receive payments or were not included in the experiment at all. Together the two experimental modules were viewed as providing an overall experimental design that was optimally satisfactory both from the perspectives of experimental methodology and policy relevance.[595] The dispersed module, in terms of a controlled experiment, was considered to be more scientifically rigorous in the measurement of certain relationships regarded as crucial in predicting behavioural responses. The saturation module, on the other hand, was thought to represent best the social milieu likely to be found under a universal guaranteed annual income and therefore provide a more realistic setting for the testing of the effects of a guaranteed annual income program. Hum and Simpson describe the final design of the experiment as a "hybrid" in that it "conformed to the format of the 'classic' experiment (the Winnipeg portion), but it also included 'demonstration' aspects (Dauphin)".[596]

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[595] Province of Manitoba, 'Proposal for a Guaranteed Annual Income Experiment', pp. 4-5.

[596] Hum and Simpson, p. 45.

The final point of contention requiring extensive negotiation was Canada's insistence that it would not contribute more than $13 million to the costs of the experiment. During the summer of 1973, both the Minister of Manitoba Health and Social Development and the Premier sent letters to the Minister of National Health and Welfare expressing concern over the expenditure ceiling. Both suggested that the insistence of the federal government on an expenditure ceiling could delay the signing of the final agreement.[597]

Manitoba considered the ceiling to be a modification of what was initially understood to be Canada's willingness to pay 75 percent of all expenditures. Manitoba objected to the fact that the ceiling arrangement meant that Canada would know its cost obligations in advance meaning that Manitoba could be pressured into paying 100 percent of all costs exceeding the overall $17.3 million limit. Moreover, the ceiling was considered to be inappropriate given that federal officials were directly participating in the experiment's design and planning and were therefore in a position to restrain planned costs. In short, Manitoba wanted Canada to agree to share in the payment of any unanticipated costs. As the the Deputy Minister, Manitoba Health and Social Development, stated in July, 1973:

> The only bone of contention concerning the overall project appears now to be the $13 million limitation placed on it by the Federal Government. . . . The Federal Government should be left under no illusion that the province intends to pick

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[597] Premier of Manitoba, letter to the Minister, National Health and Welfare, August 16, 1973.

Manitoba Minister of Health and Social Development, letter to the Minister, National Health and Welfare, August 21, 1973.

The two letters were word for word almost the same - the letter from the Premier was sent by mistake.

> up any slack for the sake of rescuing the experiment if this should become necessary.[598]

Canada, however, was adamant that the expenditure ceiling remain so that the experiment would not be conducted under an open-ended shared cost agreement. National Health and Welfare officials were under strict instructions to treat the ceiling as a fixed constraint within which the research benefits would have to be optimized.[599] This position was underlined by the federal Minister in a letter to Manitoba's Premier on July 3, 1973: "I must stress again, however, that the ceiling on the federal contribution remains absolute at $13 million".[600] Finally, after repeated attempts to get Canada to remove the expenditure ceiling, Manitoba decided that the experiment should proceed despite the ceiling. Interestingly, it was felt by Manitoba that to some extent it (and the experiment) was protected as "should worse come to worse and the project have to be terminated before it has yielded expected information, the Federal Government will have jeopardized its own investment which is three times the size of the provinces".[601] As it turned out, the expenditure ceiling was to have a major impact on the fate of the research effort.

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[598] Deputy Minister, Manitoba Health and Social Development, memorandum to the Director, Manitoba Guaranteed Annual Income Project, July 13, 1973.

[599] Deputy Minister, National Health and Welfare, memorandum to the Minister, June 20, 1973.

[600] Minister, National Health and Welfare, letter to the Premier of Manitoba, July 3, 1973.

[601] Deputy Minister, Manitoba Health and Social Development, memorandum to the Director, Manitoba Guaranteed Annual Income Project, July 13, 1973.

4.5 DESIGN OF THE EXPERIMENT

The design of the Mincome Manitoba experiment was based on the classical negative income tax model. In an experimental version of this model, participants are selected from a number of sites and assigned randomly to treatment and control groups, treatment families are provided with income-conditioned payments over a predetermined period of time, and data respecting the response of the treatment and control families is gathered.[602] The classical negative income tax model can be expressed algebraically,

$$P = Si - tY,$$

where

P = payment to the treatment unit

S = income support level

i = number of people in the treatment unit

t = tax-back rate in respect of transfer payments

Y = treatment unit income.

In the case of the Mincome Manitoba experiment, the classical model was expanded to include consideration of family wealth and the integration of other transfer and tax programs. Thus the classical equation was expanded,

$$P = Si - tY - rW - T,$$

where

P = payment to the treatment unit

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[602] Mincome Manitoba and the Survey Research and Special Projects Directorate, p. 4.

Hikel, Laub, and Powell emphasize the fact that the experimental payment system was designed on the basis of the classical negative income tax system. Hikel, Laub, and Powell, p. 5.

S = income support level

i = number of people in the treatment unit

t = tax-back rate in respect of transfer payments

Y = treatment unit income

r = treatment unit net worth tax-back rate

W = treatment unit net worth

T = transfers of benefits or tax payments.

An additional feature of the Mincome Manitoba experiment, therefore, was that it provided for an income support level which depended on family size, income, and wealth. As a family's income increased the payment for which it was eligible would decline at a rate determined by both the income tax-back rate and the net worth tax-back rate.

The primary research objective was to explore the behavioural response, specifically the labour supply response, of recipients to a variety of combinations of income support levels and tax-back rates.[603] The research objectives set out in the Agreement Concerning A Basic Annual Income Experimental Project were were stated as being:

> (i) estimation of the impact of various basic annual income plans on such behavioural aspects as hours of work, investment in human capital, job search processes, job satisfaction, self-esteem and achievement motivation, geographic mobility, family splitting, and labour force participation;
>
> (ii) investigation of the impact of various basic annual income plans on such marked societal variables as wage rates, relative wage structure, and rental levels;

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[603] Hikel, Laub, and Powell, p. 5. (The authors were, respectively, Director of Mincome Manitoba, Research Director of Mincome Manitoba, and Director of the Experimental Research Unit, Policy Research and Long Range Planning Branch, Department of National Health and Welfare.)

(iii) investigation of the relationship between the complexity of questionnaires and reporting periods on the accuracy of information supplied and administrative cost; and

(iv) analysis of such other administrative questions such as overall cost of administration, efficiency of administrative procedures, and participant comprehension of the administrative structures.

Other research objectives, such as the effects of various basic annual income plans on family stability, community participation, consumption patterns, time budgeting, and other behaviour were to be included at the discretion of the Experiment Committee.

Research was expected to be conducted by three separate sources:

(i) Canada and Manitoba together;

(ii) Mincome Manitoba (Manitoba) or the Experimental Research Unit (Canada) independent of each other; and

(iii) persons not employed by either party but authorized for that purpose by both parties.[604]

Consistent with the process of federal-provincial consultation regarding research objectives, interim progress reports were to be prepared by each principal researcher for each research undertaking and be submitted to the Experiment Committee for review.

Because of the theoretical and policy importance with respect to the labour supply response, only the guarantee level and tax-back rate were selected as experimental variables - all other basic parameters were held constant over all financial treatments.[605] The selection of the program parameters was dictated by the primary research objective of the experiment, namely, measurement of the labour supply response

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[604] Agreement, p. 8.

[605] Hum, Laub, and Powell, p. 19.

to a range of programs whose characteristics differed in terms of income support levels and tax-back rates.[606]

Three income support levels and three tax-back rates were established. The upper income levels were limited by the budget constraint of the experiment and the lower levels by existing transfer programs. Three considerations influenced the setting of the income support levels:

> (i) the range of income support levels should extend over all the policy relevant levels;
>
> (ii) the range of income support levels should be broad enough to permit separate measurement of their effect; and
>
> (iii) the income support levels should take into account existing transfer and tax programs.[607]

When payments commenced in January, 1975, the income support levels were set at $3,800, $4,800, and $5,800 per year for a family of four and were adjusted annually to maintain approximately constant real values over the three-year duration of the experiment. Hence for the calender year 1977, the three income support levels were raised to $4,982, $6,114, and $7,246 per year for a family of four. The income support levels were also adjusted according to the size of the participating family in order to provide similar minimum standards of living to all families and hence offer a "neutral" support structure which would not discriminate systematically against any family size. The three tax-back rates were set at 35%, 50%, and 75%. The following considerations influenced the selection:

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[606] Ibid., p. 20.

[607] Ibid., p. 8.

(i) the policy relevant range of tax-back rates would be covered;

(ii) the breadth of the range should be sufficient to allow separate measurement of the tax-back effect; and

(iii) no tax-back rate would be so high as to substantially remove the work incentive.[608]

Hence the three income guarantee levels and the three marginal tax-back rates yielded nine possible combinations which, with the addition of the control group, yielded a total of ten possible experimental cells. However the combination of the highest guarantee level with the lowest tax-back rate was not used since it was considered to be too far outside the bounds of policy relevance. The combination of the high tax-back rate and the low guarantee level was also omitted in order to minimize the problem of domination by competing transfer programs. Hence eight experimental cells were employed - seven treatment plans to which participant families could be assigned, and a control cell.[609]

Income Support Levels and Tax-back Rates

Combination*	Support Levels	Tax-Back Rate
1	$ 3,800	35%
2	3,800	50%
3	4,800	35%
4	4,800	50%
5	4,800	75%
6	5,800	50%
7	5,800	75%

* Each combination assumes a family of four.

The experimental sample was comprised of three parts:

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[608] Ibid., p. 10.

[609] Mincome Manitoba and the Survey Research and Special Projects Directorate, pp. 10-11.

> (i) a stratified random sample drawn from the City of Winnipeg;
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> (ii) a stratified random sample from several smaller rural Manitoba communities; and
>
> (iii) a saturation site sample in a single community - the town and rural municipality of Dauphin - wherein all families and individuals were eligible to apply for enrolment in the program.[610]

The families in the first two categories were referred to as the "dispersed sample" in that the sample sizes were small relative to the communities from which they were drawn at random. The points drawn for the dispersed sample were selected by means of information generated in pre-experimental interviews and an assignment model. The dispersed sample was also stratified by family type and normal income. The characteristics of family structure deemed important were the number of heads and the number of earners. Accordingly, the categories chosen were double-headed family, both heads working; double-headed family, one head working; single-headed family; and single individuals. Families were also stratified in terms of normal income; that is an income measure from which transitory income components were removed. Five normal income classes were used with the cut-off level of income equal to $13,000 adjusted for family size.

Families in the third category were referred to as points drawn from the "saturation site". A saturation site was included because all the income maintenance experiments conducted in the United States had utilized randomly drawn dispersed (and stratified) samples.[611] This procedure was thought to be deficient in that the isolation of

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[610] Hum, Laub, and Powell, p. 10.

[611] Ibid., p. 17.

the treatment families created a highly artificial environment.[612] It was believed by the planners of the Mincome Manitoba experiment that because a change in work effort or leisure activity often involves individuals outside the immediate family, the non-involvement of other members of the community in the experiment could exert a significant influence on the response of those families and individuals in the dispersed sample.

A second concern related to the administrative realism of the delivery system - namely, the integration of a guaranteed annual income program within the wider social network of a community.[613] The response of the saturation site sample was expected to approximate the response to a universal program, to provide experience with the administration of a real program, and to provide information on community effects. The major advantages of saturation sampling were thus thought to be that:

> (i) the individual responses to an experimental negative income tax available to all members of the community should more closely approximate the response to a universal program;
>
> (ii) valuable experience with the administration of a "life-like" negative income tax program could be obtained; and
>
> (iii) information on community effects could be generated.[614]

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[612] Ibid., p. 50.

[613] Ibid., p. 51.

[614] Mincome Manitoba and the Survey Research and Special Projects Directorate, p. 19.

Only one combination of income support levels and tax-back rates was used in the saturation component since any differences in treatment, though justified by scientific inquiry, would have struck participants who lived side by side as inexplicable or inexcusable inequities.

Shortly after the first payments were made to the treatment group it was found that an unacceptably large proportion of the families had incomes much higher than previously estimated and were therefore receiving only minimal payments. Hence it appeared that there might not be enough low-income families in the experiment to allow for the labour supply response to be estimated efficiently and with acceptable precision. In addition, the attrition (drop-out) rate proved higher than anticipated, and if assumed to continue, would have led to a smaller sample size than desired for research purposes. Finally, it was discovered that certain households relevant to the experiment had been, for various reasons, systematically excluded from selection which further argued for design modifications and sample changes.[615]

As a result of these and other considerations (and after considerable internal disagreement) a supplementary sample was added, which was restricted to the City of Winnipeg and confined to those household types and income strata for which the existing sample sizes were thought to be inadequate.[616] The supplementary sample received experimental payments for the same length of time as the original

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[615] Ibid., p. 16-17.

Mordecai Kurz, 'An Evaluation of the Experimental Sample of Mincome Manitoba', April, 1977.

[616] The same stratification variables were used in selecting the supplementary sample. Mincome Manitoba, and the Survey Research & Special Projects Directorate, p. 16.

sample, but payments commenced one calendar year after the first payments to the initial sample were begun.

Experimental payments were made to the participants in the treatment cells on a monthly basis.[617] Each month families in the experimental group were required to report the total income received by all members of the family from all sources. Payment for that month was then based on the total income reported in the previous month. Calculations of the monthly payment took into account any income above the break-even level in any month and any overpayment was carried forward to be counted as income in later periods when income fell below break-even. At year-end the actual payments received by a family over the accounting period were reconciled with the amount to which it was entitled based upon the total income received over the year. Resulting underpayments to families were corrected and any substantial overpayments were recovered.

The experimental and control families were interviewed every four months in order to collect detailed information on types of employment, hours of work, wage rates, job search, education, non-labour income, and net worth. In addition, the participants' attitudes and perceptions about their life, jobs, and involvement in the community were recorded. The interviews were long, detailed, and personal which contributed to the high drop out rate experienced by the experiment.

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[617] Mincome Manitoba, and the Survey Research and Special Projects Directorate, pp. 11-12.

In November, 1973, an evaluation of the design of the experiment (as developed to that point in time) was requested by Canada. It was acknowledged that it was not possible to provide definitive answers as the experimental design had not yet been finalized, however, it was thought that the planning had reached a stage that made it appropriate for an independent evaluation.[618] The evaluation undertook to answer three questions:

(i) Was the experiment well planned?

(ii) Was the experiment feasible within the imposed budget constraints?

(iii) Was the experiment feasible from an operational standpoint?

The planning of the experiment was considered from the point of view of both research and operations. With respect to research, the experiment was found to be very well planned and compared to the research design of such experiments in the United States (including income maintenance experiments) at least as well planned, and in some cases, far better planned.[619] It was reported that the important objectives of the experiment had been addressed in a rigorous manner and that the overall research design was basically sound. From the point of view of operations and administration, it was noted (on the basis of discussions with Mincome Manitoba staff) that although not yet in written form there was no reason to believe that plans then being developed were not proceeding satisfactorily. It was cautioned, however, that at least one U.S. experiment which had been well designed from the research standpoint had failed on operational

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[618] Allen, Bawden, and Dodge, p. 1.

[619] Ibid., p. 2.

grounds, and that all had suffered to a greater or lesser degree from inadequate preplanning of operations.

The budgeting process was judged to be satisfactory and the preliminary cost estimates to be realistic although it was recommended that Canada agree to share the responsibility of inadvertent cost overruns should they occur.[620] The reason given for the recommendation was that: "In the absence of such a promise, the Manitoba government will most likely build-in a safety cushion which is far too large, resulting in a suboptimal design at best, and a noticeable sacrifice of research quality at worst".[621] Concern was also expressed that insufficient attention might have been given to the development of procedures (the Rules of Operation as drafted were inadequate), too few experienced researchers might be on staff, and that some management level people might be overworked.

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[620] Ibid., p. 3.

[621] Ibid., p. 8.

Chapter V

PROBLEMS WITH THE EXPERIMENT

Conducting large-scale, social science research projects is difficult under the most favourable of circumstances. Social experimentation, however, is especially prone to problems.[622] Because social experiments are usually large, complex, and costly they are exceedingly likely to experience a variety of organizational, technical, and administrative problems. Kurz, for example, notes that self-selection in enrolment and attrition during the experiment are common problems.[623] Indeed, the problems encountered can often be of a magnitude or significance sufficient to threaten the credibility of the experiment.

Despite careful planning, based in part on the experience of the U.S. income maintenance experiments, the Mincome Manitoba experiment encountered a number of "scientific difficulties, political difficulties, management difficulties, operational difficulties - the list goes on".[624] In fact, as early as the spring of 1975 federal officials were expressing considerable concern about the low number of participants, the administrative costs being incurred, the inability

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[622] Rossi and Lyall, pp. 157-173.

[623] Mordecai Kurz, 'An Evaluation of the Experimental Sample of Mincome Manitoba', Mincome Manitoba Technical Paper Series, Report No. 5, (1977), pp. 3-6.

[624] Hum, 'Social Security Reform during the 1970s', p. 41.

of Manitoba to recruit highly qualified senior officials, and management and organizational difficulties that were becoming apparent.[625] By April, 1976, it was becoming increasingly obvious that the original research objectives of the experiment could not be achieved within the budget of $17.3 million and the time frame that had been planned.[626]

On April 28, 1976, Canada and Manitoba agreed to revise the research objectives of the experiment and to alter its administrative organization. The following reasons were given for revising the research objectives:

> (i) the original research plans could not be achieved within the budget and time originally allocated;
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> (ii) the two governments were facing a period of fiscal restraint;
>
> (iii) doubts were being expressed about the quality of the sample, and hence, about the scientific value of the experiment; and
>
> (iv) there was a decline in the priority attached to income security by both Canada and Manitoba.[627]

The most important provisions introduced by the Amending Agreement included:

> (i) reiteration of a fixed budget of $17.3 million;
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> (ii) extension of the experiment by 3 months to March, 1979;

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[625] National Health and Welfare, 'Suggested Comments: Meeting with Treasury Board Officials', September 24, 1975.

[626] Mincome Manitoba, 'Briefing Note for The Hon. Laurent L. Desjardins Minister of Health and Social Development', April 15, 1977.

Executive Director, Mincome Manitoba, Statement to the Federal-Provincial Conference on Government Research in the Field of Social Security, March 17, 1977.

[627] Mincome Manitoba, Ministerial Briefing Book, March, 1977.

(iii) the placing of administrative research as a first priority with behavioural research identified as a second priority to be undertaken only as time and money permitted;

(iv) the transfer of administrative responsibility for Mincome Manitoba to the Secretary of the Management Committee of the Cabinet of Manitoba; and

(v) the creation of the Mincome Manitoba Steering Committee.

These changes indicated that the labour supply research would probably not be undertaken as part of the experiment but, rather, that the data base (from which behavioural research could be conducted) would become part of the experiment's "final report".[628]

On July 24, 1976, Canada and Manitoba further revised and defined the April, 1976, changes made to the research objectives. The modifications included:

(i) definite postponement of any analysis respecting labour supply response;

(ii) identification of administrative studies and technical and scientific documentation as the goals of the experiment; and

(iii) a commitment to provide a scientifically valid data base to be made available to the research community for future analysis of labour supply and other behavioural responses.[629]

In addition, a Research Working Group was established in order to bring senior scientific personnel from Mincome Manitoba and from Canada together with two of the foremost authorities on U.S. income maintenance experiments. Dr. Bawden, from the Urban Institute in Washington and Dr. Kurz, a professor of economics at Stanford University, were contracted as consultants to Mincome Manitoba to

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[628] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, November 10, 1976.

[629] Mincome Manitoba, Ministerial Briefing, (no date).

provide ongoing scientific advice and recommendations to Mincome Manitoba and the two governments.

This chapter will outline and discuss the problems that eventually resulted in the abandonment of research on labour supply response in favour of less demanding and costly administrative research. The areas to be discussed include sample bias, budgetary constraints, personnel and management problems, and federal/provincial difficulties.

5.1 SAMPLE BIAS

By the middle of the first year of payments, serious concerns were being expressed regarding the validity of the sample.[630] Two problems were considered to be particularly serious. First, the attrition rate and the rate at which potential participants had refused to join the experiment had greatly exceeded projected rates based on the U.S. experience which meant that fewer sample points were available than had been expected. In November, 1975, the attrition rate had reached 49%. By comparison, the attrition rate in the New Jersey experiment was only 18% over the three year life of the experiment.[631]

The attrition problem was a serious concern as it is vital to limit as much as possible the number of participants who drop out of an experiment after it has begun. Most designs require the comparison of experimental and control groups at different points in time meaning

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[630] Kurz, 'An Evaluation of the Experimental Sample of Mincome Manitoba', p. 8.

[631] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, December 1, 1975.

that a statistically meaningful number must remain in each group from the beginning to the end of an experiment. Attrition in the control group (as opposed to the treatment group) can often be a major problem (especially in the case of income maintenance experiments) as these participants may have little incentive to remain in an experiment.[632]

The second problem was that the limited size of the sample raised the possibility that the sample was "unrepresentative". Because some members of the sample received large amounts of other transfer payments, a larger than expected portion of the sample had total incomes above the break-even level thus raising the possibility of a bias in the sample. Furthermore, a large group of low-income families had been systematically excluded from the original sample simply because they had changed their addresses.[633]

Officials from both Manitoba and Canada formed the opinion that the experimental sample was so small and potentially biased that it placed the original research goal - measurement of the impact of guaranteed annual income payments on the labour supply response - in jeopardy.[634] Thus they became convinced that an increase in the size of the sample was needed if behavioural research regarding the impact on work effort was to remain the primary research thrust of the experiment.[635] The

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[632] Riecken, pp. 186-192.

[633] 20,569 families were missed from the original screening interview (16% of the original sampling frame). Director, Experimental Research Unit, National Health and Welfare, letter to the Mincome Coordinator, November 18, 1975.

[634] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, December 1, 1975.

[635] Director, Experimental Research Unit, National Health and Welfare, letter to Dr. Graham Clarkson, November 7, 1975.

problem was that to rebuild the sample, and thereby extend the life of the experiment, would increase the overall budget from $17.3 million to about $25 million. As well, there was considerable disagreement as to the potentially biasing effect of adding a supplementary sample.

In December, 1975, the Mincome Manitoba Executive Director proposed that the urban (City of Winnipeg) sample be immediately supplemented by 200 families.[636] Moreover, in his view, virtually no delay was possible.[637] However, the Director of the Experimental Research Unit, National Health and Welfare doubted whether a supplementary sample could be successfully enrolled and integrated into the existing sample in a scientifically acceptable manner.[638] In addition, Canada took the position (in view of the firm ceiling of $13 million on the federal contribution) that if there was to be supplementary sampling the cost had to be accommodated within the existing budget or be financed entirely by additional Manitoba funds.[639]

After extensive discussions both governments agreed that the sample would not be enlarged and that the emphasis of the experiment should be shifted to the saturation site.[640] They also agreed that the

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[636] Assistant Deputy Minister, Division of Social Security, Manitoba Health and Social Development, memorandum to the Deputy Minister, National Health and Welfare, December 3, 1975.

[637] Executive Director, Mincome Manitoba, memorandum to the Mincome Manitoba Research Director, 'Redesign Proposals', December 2, 1975.

[638] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, December 1, 1975.

[639] Deputy Minister, National Health and Welfare, letter to the Assistant Deputy Minister, Division of Social Security, Manitoba Health and Social Development, December 10, 1975.

[640] Mincome Coordinator, letter to the Minister, Manitoba Health and

experiment would not be lengthened by another year and that the cost would be contained within the budgeted figure of $17.3 million.[641] As the Secretary to the Management Committee of the Manitoba Cabinet wrote in November, 1976:

> It is my impression, and this has been reconfirmed by comparing notes over the last few days with Mr. Desjardins and Mr. Miller [former and then Ministers of the Manitoba Department of Health and Social Development], that the Federal authorities were justified in believing that Manitoba was in full agreement with the Federal goal of maintaining an absolute ceiling on expenditures during the official lifetime of the experiment, and with the shift in emphasis.[642]

In short, it appears as though by the end of 1975 both Canada and Manitoba had given up on the labor supply response research objectives of the experiment as originally planned and designed.

Nevertheless, in late 1975, the Executive Director of the experiment decided to increase the sample size without the consent of either government.[643] Hence a supplementary sample of 293 families in the City of Winnipeg segment was added bringing the total sample, including controls and the saturation segment, to over 1,700 families by early 1976.[644] In spite of the fact that both Manitoba and Canada had agreed not to increase the size of the sample, and Manitoba acknowledged that Canada was under no legal or moral responsibility to

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Social Development, April 2, 1976; letter to the Minister, National Health and Welfare, April 17, 1976.

[641] Mincome Coordinator, letter to the Minister, National Health and Welfare, April 17, 1976.

[642] Secretary, Management Committee of the Manitoba Cabinet, memorandum to the Premier, November 10, 1976.

[643] Mincome Manitoba Coordinator, letter to the Manitoba Minister, Health and Social Development, April 2, 1976.

[644] Ibid., p. 8.

share in the cost of the sample supplementation, Canada agreed to recognize the additional costs as being shareable.[645]

In June, 1976, Professor M. Kurz conducted an evaluation of the experimental sample at the request of Mincome Manitoba after consultation with Canada.[646] The terms of reference instructed Professor Kurz to:

> (i) advise Mincome Manitoba, after consultation with officials of both Mincome Manitoba and the Government of Canada, on the feasibility and manner of conducting research into the issue of the impact of a guaranteed income on labour supply response, taking into account data collected, or to be collected, by the experiment, and relevant operational and budget constraints; and
>
> (ii) help develop a set of recommendations for Mincome Manitoba with respect to data base issues, bearing in mind operational questions and budget constraints within the new Agreement's requirements.

The objective of the evaluation was "to arrive at some conclusions regarding the scientific merit of the data at hand and the problems which may be encountered by future researchers and policy makers who may wish to employ this information".[647]

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[645] "Manitoba acknowledges that Canada has no legal or moral responsibility to share in any of the costs of the sample supplement that was added to the experiment by Manitoba after December 2, 1975, and, notwithstanding, Canada agrees, subject to paragraph 56, to share the costs of the transfer payments and administrative costs associated with those transfer payments as if that sample supplement formed part of the experiment for the purpose of this agreement". Amending Agreement. April 28, 1976, p. 10.

[646] Second Meeting of the Mincome Manitoba Steering Committee, 'Minutes", June 30, 1976, p. 3.

[647] Mordecai Kurz, 'An Evaluation of the Experimental Sample of Mincome Manitoba', p. 1.

Kurz found that the attrition problem had been severe and critical and therefore legitimately raised the question of the scientific merits of the sample. Nonetheless, he concluded that although it was clear that the sample was inefficient and wasteful there was no evidence supporting the view that it was hopelessly biased.[648] Hence he reported that the experiment had been designed in a sound manner and that the data base was sufficient to permit analysis respecting the labour supply response if advanced statistical methods were utilized.[649]

It was the opinion of Canada that the results of the evaluation were a significant milestone in the development of the experiment and that it was the verification of the quality of the sample that allowed the experiment to continue.[650]

5.2 BUDGET CONSTRAINTS

As Hum and Simpson note, the "significance of the fixed budget amount established at the beginning of the experiment cannot be overestimated".[651] By the summer of 1976 both Canada and Manitoba realized that it was going to be impossible to accomplish the original

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[648] Kurz, Mordecai, 'On the Feasibility of a Study of the Impact of Guaranteed Income on Labor Supply in Mincome Manitoba', (draft report), July 20, 1976, p. 1.

[649] Kurz, 'An Evaluation of the Experimental Sample of Mincome Manitoba', p. 1.

[650] Director, Experimental Research & Special Projects Unit, Policy Research and Long Range Planning Branch, National Health and Welfare, letter to the Executive Director, Mincome Manitoba, February 20, 1978.

[651] Hum and Simpson, p. 47.

objectives within the allocated time and budget. Indeed, when the budget of $17.3 had been set:

> No one really believed that this figure was anything but a wild guess. The number was a convenient one; it had the right "feel" in terms of getting the project approved. As the experiment proceeded, more accurate estimates would be possible and, accordingly, budgets could be redrafted to reflect actual expenditures and resubmitted. Or so it was thought!.[652]

The problem was that the amount of money allotted for income payments to the participants in the experiment was not under the experiment's control as the payments were indexed and therefore depended upon such factors as the rate of inflation.[653] Hence "these funds had first claim on the $17 million total because of their 'statutory' nature" which meant that operational and research costs could only have second or third claim.[654]

Revised budgets prepared by provincial officials estimated an overall increase to $25 million if the original research goals were pursued and the sample increased by 200. Federal officials estimated a potential increase to $23.2 million even after substantial cutting in some areas.[655] Furthermore, in view of what was perceived to be the poor performance of the Mincome Manitoba organization, Canada began to question whether its contribution was being utilized in an efficient manner. In fact, as early as in April, 1975, federal officials had recommended that Canada not commit its full $13 million share until it

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[652] Hum, 'Social Security Reform during the 1970s', p. 42.

[653] Hum and Simpson, p. 47.

[654] Ibid., p. 47.

[655] Director, Experimental Research Unit, memorandum to the Deputy Minister, December 8, 1975.

had been clearly established that viable objectives had been set and that the capability to improve dramatically on past performance had been established.[656]

Thus Canada came to the conclusion that a new agreement should be developed that would contain a new design, a new set of limited research objectives, and a new budget.[657] In any case, by the summer of 1975 both Manitoba and Canada agreed that fiscal restraint demanded a more modest set of objectives rather than additional funds. Hence, in July, 1975, a review of all research projects was undertaken to determine which research items within the existing budget were of sufficiently high priority to justify their continuing, and whether valid research was possible given the nature of the expected sample.[658] It was concluded that within the existing budget, research could continue into administrative issues.

The experiment originally contemplated extensive research programs in four major fields: economic topics, sociological topics, administrative issues, and statistical questions.[659] When it became apparent that additional funding would not be forthcoming, and that existing funding was insufficient, it was decided to eliminate some of the originally planned research. The first research programs to be eliminated were the sociological topics and farm labour supply

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[656] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, December 1, 1975.

[657] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, December 1, 1975.

[658] Research Director, Mincome Manitoba, memorandum to All Researchers, July 11, 1975.

[659] Hum and Simpson, p. 46.

projects as neither had widespread support among the project's permanent senior research staff.[660] The assessment of the impact of guaranteed annual income payments on labour force attachment and hours of work were now relegated to secondary importance in favour of research on administrative issues. In other words, less costly and technically less demanding research objectives related to the administration of a guaranteed annual income were now given priority over the labour supply response question in order to stay within budget.

In the summer of 1976 Dr. Bawden was asked to prepare a report addressing the desirability of conducting research on administrative issues. His report discussed the feasibility and necessary prerequisites to carry out such research, and evaluated the administrative research plans prepared by the Mincome Manitoba staff. He pointed out that,

> it is now believed by most researchers and bureaucrats in the income security area that the U.S. overinvested in research on recipients' response (primarily labor supply) to the basic parameters (tax rate and minimum guarantee) of a basic annual income (BAI) type of program, at the expense of recipients' response to the way in which the program was administered.[661]

Hence Dr. Bawden concluded that the Mincome Project potentially offered not only a feasible but a desirable setting for research on administrative issues. Thereafter it was decided that without additional funds,

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[660] Ibid., p. 46.

[661] D. Lee Bawden, 'Research on Administrative Issues in the Mincome Manitoba Project: Evaluation and Recommendations', 1976.

> there was virtually no alternative but to declare the project a "success" and to close it down gracefully. The project's mandate was therefore redirected towards administrative issues for its remaining life. The project was told to prepare the data already collected for storage and to document whatever work had already been completed. The data, it was hoped, would at least be preserved for analysis at a later date.[662]

Hum and Simpson ask the obvious question: "Why was the budget simply not increased?"[663] In fact, "concerted attempts to obtain funds or seek other sponsors" were undertaken and, moreover, Mincome Manitoba staff did develop alternative research proposals to investigate labour supply with much more modest designs in the hope that minimal additional funding would be forthcoming.[664] By that time, however, the policy and political environment had become much less favourably disposed towards a guaranteed annual income in that the Social Security Review had ended, the economy's performance was poor and getting worse, fiscal restraint had become the order of the day, and there had been a change in government in both Ottawa and Manitoba. The result was that there was no longer "political support in the country for sweeping reforms of the type promised by a guaranteed income".[665] Hum and Simpson conclude that: "Given all this, it is understandable why everyone wanted Mincome to conclude quietly and gracefully".[666]

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[662] Hum and Simpson, p. 47.

[663] Ibid., p. 47.

[664] Ibid., p. 47.

[665] Ibid., p. 47.

[666] Ibid., p. 47.

5.3 PERSONNEL AND MANAGEMENT

By the end of 1975 federal officials were of the opinion that management problems in the experiment were acute and in need of immediate attention.[667] In fact, it was believed that the sample problem was, "in good part, a symptom of management deficiencies in experimental operations."[668] In June, 1976, the new Executive Director of Mincome Manitoba (appointed on a part-time basis at the beginning of June and on a full-time basis on July 12, 1976) reported that there was clear evidence of a serious gap in communications and working relations between the research and operations sides of the experiment.[669]

This view was supported by the evaluation conducted by Dr. Kurz in July, 1976, who reported that part of the reason for the early high attrition rate was due to the weak relationship between the organization of research and operations.[670] It was Dr. Kurz's assessment that the Mincome Manitoba experiment had "experienced a very high early attrition rate because the 'program' nature of the

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[667] Director, Experimental Research & Special Projects Unit, National Health and Welfare, letter to the Mincome Manitoba Executive Director, July 31, 1975.

National Health and Welfare, 'Notes for Briefing the Deputy Minister', October 22, 1975.

[668] National Health and Welfare, 'Notes for Briefing the Deputy Minister', October 22, 1975.

Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, December 1, 1975.

[669] Executive Director, Mincome Manitoba, Report to the Steering Committee, June 21, 1976, p. 2.

[670] Kurz, 'On the Feasibility of a Study of the Impact of Guaranteed Income on Labor Supply in Mincome Manitoba', p. 54.

project gave more attention to administrative rather than research issues".[671] Thus he concluded that it was the relative weakness of the research division which from the beginning had been the main cause of the problems experienced by the experiment. Professor Kurz further observed that,

> the present research team will never be able to accomplish the research program as outlined in the agreement between the two governments . . . to attempt to continue the experiment with the existing team will inevitably lead to the politically embarrassing outcome that only very weak research will come out of Mincome Manitoba and the program will be a complete failure.[672]

Dr. Bawden had pointed out in his evaluation of the experiment in 1976 that successful completion of administrative research required two prerequisite conditions. First, there had to be staff of sufficient competence and size to design the research and conduct the analysis. It was Dr. Bawden's judgement that the existing research staff at Mincome Manitoba did not fulfill this condition. In a memorandum he stated:

> Any administrative research must be taken seriously, which means honest and ambitious effort to explore and test relevant alternative procedures. Moreover, the research must be conducted in a rigorous and scientific manner, a manner which will bring credit to the experiment. To accomplish this, the present research staff will have to be substantially upgraded, as discussed in my report on administrative issues. If there is not a high probability that the required research talent can be obtained, or if the analysis cannot be deferred if the required research

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[671] Ibid., p. 54.

In March, 1976, Dr. Graham Clarkson commented that "there can be little doubt that the principal reason for the alarming attrition rates was an administrative one". Dr. Graham Clarkson, 'Commentary on the Basic Annual Income Experiment (Mincome Manitoba)', March, 1976, p. 6.

[672] Kurz, 'On the Feasibility of a Study of the Impact of Guaranteed Income on Labor Supply in Mincome Manitoba', pp. 16-17.

> personnel are not obtained, then the administrative research objectives should be dropped.[673]

This view was shared by some staff members. In an internal document it was written that,

> the provincial members of the experimental team have not assumed direct future responsibility for all the types of analysis which could be done on the administrative data that we are collecting and intend to collect. We simply do not have the research manpower necessary to assume such responsibility.[674]

The second prerequisite identified by Dr. Bawden was that "the Project Director and the relevant federal officials be convinced of the desirability of administrative research and possess the enthusiasm of conducting it within the context of the Mincome Manitoba Project".[675] By this time the experiment was suffering from very serious personnel and morale problems. Part of the reason may have been that "though unsaid, the experiment's senior people knew that interest and political support for the guaranteed income concept was waning".[676] It had become clear that the experiment was in need of some major changes that would deal with these problems.

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[673] D. Lee Bawden, memorandum to the Executive Director, Mincome Manitoba, 'Future Direction and Scope of the Mincome Manitoba Project', July 24, 1976.

[674] Scott Bennett, 'A Brief Overview of Current Intentions and Interests in the Area of Administrative Research', January, 27, 1975, p. 1.

[675] D. Lee Bawden, memorandum to the Executive Director, Mincome Manitoba, 'Future Direction and Scope of the Mincome Manitoba Project', July 24, 1976.

[676] Hum and Simpson, p. 46.

In July, 1976, the new Executive Director attempted to address some of the more serious management problems. The following priorities were identified:

> (i) to improve substantially the Executive Director's capacity to monitor and control research operations and work flows;
>
> (ii) to introduce sound management practices;
>
> (iii) to improve the effectiveness of decision-making practices;
>
> (iv) to improve the planning, development, operationalization and problem-solving capacity of the organization through a greater functional focus on Project objectives and priority problems;
>
> (v) to increase substantially the integration and coordination between research and operations, and between the various operating divisions; and
>
> (vi) to facilitate the effective introduction of additional leadership and support to the Project.[677]

At the same time the operational side of the experiment was brought under the direct control of the Manitoba government. The Executive Director was to report and be subject to the direction and authority of the Secretary of the Management Committee of Cabinet. The Secretary of the Management Committee, in turn, was to report directly to and be subject to the direction and authority of the Minister of Health and Development. Any pretence that may have existed that the operational aspects of the experiment had been independent of political control were now completely discarded.

In November, 1977, it was noted that the governments of Canada and Manitoba had "recognized for sometime that the premature loss of project personnel represents the most serious threat to their

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[677] Third Meeting of the Mincome Manitoba Steering Committee, July 28, 1976.

multi-million dollar investment in the Mincome phase of the basic annual experiment and the related future research".[678] In May, 1978, the Executive Director reported that although Mincome Manitoba was managing to maintain reasonable adherence to target dates, it was operating under increasingly difficult circumstances and no one should be lulled into a false sense of security as the situation was still very fragile.[679] Hum and Simpson note that the "question of an effective organizational structure for Mincome [Manitoba] was never satisfactorily or directly resolved".[680]

5.4 CANADA-MANITOBA RELATIONS

From the beginning it was apparent that the establishment of a satisfactory working relationship between federal and provincial officials was not going to be easy. This could have been expected given the history of federal-provincial relations in the area of social policy. The problem, however, was that with respect to an undertaking as large and complex as the Mincome Manitoba experiment, a maximum degree of co-operation was not only desirable but essential. In fact, this was not to be the case - there were problems from the beginning.

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[678] Manitoba Department of Health and Social Development, submission to the Management Committee of the Manitoba Cabinet, 'Mincome Manitoba Personnel Termination Plans', November 22, 1977.

[679] Executive Director, Mincome Manitoba, letter to G. Clarkson, B. Rawson, and H. Schneider, May 11 , 1978.

[680] Hum and Simpson, p. 46.

As early as in October, 1972, there was a major misunderstanding when the Director of the Manitoba Guaranteed Annual Income Project complained that after a long series of meetings spent redesigning Manitoba's proposal to bring it in line with federal preferences, the project was being aborted by federal officials without notice.[681] In April, 1973, the Director of the Experimental Research Unit, National Health and Welfare observed that rushed and tense meetings had damaged the working relationship between Canada and Manitoba.[682] In August, 1973, federal officials expressed apprehension over the working relationship that was developing with the Executive Director, especially with regard to Manitoba's willingness to report and document budgetary matters.[683]

It was not long before tempers began to flare. In March, 1974, the Assistant Deputy Minister, National Health and Welfare in a letter to the Mincome Manitoba Executive Director stated that although the nature and management of the federal role in the experiment warranted examination:

> This leads me now to your comments on the "disruptive" effect certain interventions by the federal government may have had. On this, let me offer the following points: (a) Yes, our participation has sometimes been disruptive; (b) The leaders in our group must share the blame; and (c) Things must in the future be handled more efficiently and with more attention to an orderly, structured process. It

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[681] Director, Guaranteed Annual Income Project, memorandum to the Secretary, Planning and Priorities Committee of Cabinet, October 20, 1972.

[682] Head of the Division, Experimental Research Unit, National Health and Welfare, letter to the Director, Manitoba Guaranteed Annual Income Project, April 30, 1973.

[683] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Head, Guaranteed Annual Income Division, August 30, 1973.

> is ridiculous, however, to pursue such a line of argument to some conclusion without reference to your own project's handling of its organization, the planning function, and the substantive issues involved in certain "disruptive" events . . . . It is too easy to conduct or evaluate events in a way that renders our role an external "disruption" and to use that view as an excuse for difficulties. That sword cuts both ways, and I'm sure we both have our lists of "gremlins" that could easily be blamed on the "other guys".[684]

The letter concluded with the suggestion that an effort should be made to establish a more structured and professional relationship.

In June, 1976, the Mincome Manitoba Executive Director noted that there had been some genuine misunderstandings between Manitoba and Canada over the development of research objectives. He further stated that federal-provincial consultation,

> has been an extremely distressing aspect of the project's history. There is a major job to be undertaken in rebuilding a relationship based on trust, integrity and a clear sense of respective roles and responsibilities.[685]

The Director of the Experimental Research Unit, National Health and Welfare concurred with the comment that the observation was almost "British" in its understatement.[686]

The problem was that dual responsibility for the experiment by the two levels of government had created many difficulties not the least of which "was distinguishing between research issues, which were to be resolved jointly, and operational concerns, which were a provincial

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[684] Assistant Deputy Minister, Policy Research and Long Range Planning, Department of National Health and Welfare, letter to the Director, Minimum Annual Income Project, March 13, 1974.

[685] Executive Director, Mincome Manitoba, Report to the Steering Committee, June 21, 1976.

[686] Director, Experimental Research Unit, National Health and Welfare, letter to Dr. R.B. Splane and Mr. R.A. Draper, July 7, 1976.

responsibility".[687] Very early in the experiment Canada came to the conclusion that its role of being jointly responsible for research while being unable to control essential related operations was less than ideal. Indeed, as early as October, 1975, Canada had formed the opinion that the separation of federal researchers from related operational activities such as data processing and surveys was untenable.[688] Hence Canada began to consider the means by which it might increase its role and influence in the experiment. In fact, the problems were so severe that at one point more than half way through the experiment consideration was given to radically altering the arrangements by setting up a "Crown corporation" or "independent institute" to run the experiment.[689] However, this option was not pursued.

Provisions in the Amending Agreement of April, 1976, sought to clarify and improve the relationship between Canada and Manitoba. Under the terms of the Amending Agreement, Canada considerably strengthened its monitoring and approval prerogatives respecting future research. All actions taken by Mincome Manitoba now had to fall within the terms of the Amending Agreement and if any research activity continued which was not specifically included in the Amending Agreement it could be considered contrary to and in breach of the agreement.[690] Manitoba was required to submit to Canada the research

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[687] Hum and Simpson, p. 46.

[688] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, October 10, 1975.

[689] Hum and Simpson, p. 46.

[690] Mincome Manitoba Steering Committee, 'Minutes', May 10, 1976, p. 3.

objectives to be pursued, proposed methodology, data requirements, proposed budget, identification of the researchers and consultants involved in each undertaking, proposed reporting schedule and research completion dates, and security procedures. As well, Manitoba was required to report and review its research activities with Canada every six months.

Moreover, to provide for a mechanism that would ensure a third opinion in the event of major disagreements, the Experiment Committee was replaced by a high level Steering Committee to be comprised of a chairman (appointed by mutual agreement by Canada and Manitoba) and two members appointed separately by Canada and Manitoba.[691] The role of the Steering Committee was to advise the Minister responsible for the experiment in each government on policy and budgetary matters.[692] It was clarified at the first meeting of the Steering Committee that it was not an executive committee but, rather, a monitoring committee.[693] Finally, the establishment of a Research Working Group (to include Drs. Bawden and Kurz) was expected to improve the relationship between Mincome Manitoba staff and the research staff at National Health and Welfare.[694]

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[691] Amending Agreement, April 28, 1976, p. 2.

[692] Director, Experimental Research Unit, National Health and Welfare, memorandum to the Deputy Minister, November 10, 1976.

[693] Mincome Manitoba Steering Committee, 'Minutes', May 10, 1976, p. 3.

[694] Steering Committee, Mincome Manitoba, 'First Report', July 28, 1976.

Despite the fact that the April 28, 1976, amendments to the original agreement had sought to clarify the relationship between Canada and Manitoba, tensions and frustrations became public in November, 1976. In an uncharacteristically tough attack on the federal government, the Premier of Manitoba accused it of terminating the experiment prematurely.[695] Before the political situation completely deteriorated, the Premier was assured that the experiment, although significantly altered, would continue.

There were further amendments on May 2, 1977, which provided for a Coordinator (to be appointed by mutual agreement by Canada and Manitoba) to replace the Steering Committee. The Coordinator was mandated to:

> (i) monitor the annual budget and all expenditures of Mincome Manitoba;
>
> (ii) monitor any special matters related to Mincome Manitoba referred to him by Manitoba or Canada;
>
> (iii) rule on any matters arising out of the agreement where there was difference of opinion between the parties;
>
> (iv) review any other matters that the Coordinator regarded as relevant to the administration and financing of the experiment; and
>
> (v) report to Canada and Manitoba from time to time, and at the request of either Canada or Manitoba.[696]

In August, 1977, continuing uncertainty about major tasks remained and in January, 1978, the relationship between Canada and Manitoba was still fragile. In May, 1978, the Executive Director reported that the continuing delay in approval of a Canada/Manitoba personnel agreement

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[695] Winnipeg Free Press, 'Ottawa uses us: Premier', November 6, 1976.

[696] Amending Agreement, May 2, 1977.

and the absence of concrete plans for future research were exacerbating problems of staff retention and motivation which could result in significant changes in what the project could be expected to deliver.[697] By July, however, it appeared as if the working relationship was improving. In a letter to the two Ministers responsible, the Coordinator was able to say that he was impressed by the improvement in the relationship between Mincome Manitoba and the Experimental Research and Special Projects Unit in National Health and Welfare Canada.[698]

5.5 ENDING THE EXPERIMENT

When the Mincome Manitoba experiment was started no one envisaged that the management of the experiment would be transferred from Mincome Manitoba prior to analysis of the data respecting the labour supply response being undertaken.[699] Nevertheless, in September, 1977, Canada agreed to maintain and operate the data base after the completion of the field work of the experiment.[700] It was agreed by Canada and Manitoba that by March 31, 1979, Manitoba was to have completed the construction of the data base containing all the information gathered from participants during the experiment. In

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[697] Mincome Executive Director, letter to G. Clarkson, B. Rawson, and H. Schneider, May 11, 1978.

[698] Mincome Manitoba Coordinator, letter to the Minister of National Health and Welfare, and the Minister of Manitoba Health and Social Development, July 5, 1978.

[699] Mincome Coordinator, letter to the Deputy Minister, National Health and Welfare, January 16, 1978.

[700] Director, Policy Research & Strategic Planning Branch, National Health and Welfare, memorandum to the Deputy Minister, August 24, 1978.

addition, Manitoba committed itself to producing a series of research papers covering administrative, operational, and scientific issues.

Canada made the decision to assume responsibility of the data base and further research after the end of the experiment in light of the following considerations:

> (i) since the establishment of the experimentation fund in 1971 and the experiment in 1975 considerable public expectation had been generated concerning the conduct of the research and the production of findings,[701]
>
> (ii) other government departments, both federal and provincial, and other research organizations expected the data to be available generally,[702] and
>
> (iii) in view of the nature of the press coverage over the years, it was concluded that the expense and uniqueness of the experiment had not been lost on the public.

The concern with respect to negative publicity and potential political embarrassment was well founded. In February, 1978, Mincome Manitoba reported that: "The termination of the main sample of participants has raised a great deal of press attention right across the country with questions focussing on when research results could be expected."[703] On January 4, 1979, the Winnipeg Tribune (the daily newspaper with the second-largest circulation in the City of Winnipeg) concluded an editorial with the message: "And, in the grand tradition of Canadian shared-services programs, Mincome has cost the taxpayers

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[701] ". . . there is no doubt that the Canadian research community is anxiously waiting for this unique data base (the only one of its kind in Canada)." Mincome Manitoba, 'Briefing Note for The Hon. Laurent L. Desjardins Minister of Health and Social Development', April 15, 1977.

[702] Mincome Manitoba, 'Briefing Note for The Hon. Laurent L. Desjardins Minister of Health and Social Development', April 15, 1977.

[703] Mincome Manitoba Report to Canada and Manitoba, February 6, 1978.

$17.5 million - without even a glossy report to show for it, and to be thoughtfully filed away, to gather dust".[704] On January 8, 1979, the Winnipeg Free Press (the daily with the largest circulation in the City of Winnipeg) commented in an editorial: "One thing is certain. A considerable amount of money was spent on the experiment. Perhaps, if taxpayers are lucky, some future government will not consider it necessary to repeat the procedure".[705]

Canada committed itself to placing a high priority on generating analysis related to the labour supply response after the termination of the experiment.[706] The transfer of the data base, however, was expected to be a difficult and delicate operation.[707] (The data base held an estimated 12 million bits of data that were to be computerized.)[708] The period of August-September, 1978, through March-April, 1979, was designated by Canada as a "transition period" which was to consist primarily of a vigorous and continuous effort to plan for labour supply response research after the end of the experiment.[709]

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[704] Winnipeg Tribune, 'End of Mincome: Nothing tangible for the effort', January 4, 1979.

[705] Winnipeg Free Press, 'Mincome Manitoba ends', January 8, 1979.

[706] Winnipeg Tribune, 'Gov't pledges to finish job', January 11, 1979.

[707] Mincome Coordinator, letter to the Deputy Minister, National Health and Welfare, January 16, 1978.

[708] Estimated by the Director, Special Research and Special Projects, National Health and Welfare, Ottawa Citizen, 'While social scientists argue: Poor must remain poor', January 13, 1979.

[709] Ketchum, E.J.D. 'Planning for Post-Experiment Research', draft of an internal paper, July 25, 1978.

Mathematica Policy Research, an American group having extensive experience with the U.S. income maintenance experiments, provided cost estimates to National Health and Welfare for a broad range of possible research topics. The estimates ranged (in 1977 dollars) from $323 thousand for a small initial findings study aimed primarily at determining the quality of the data base to $3.3 million for a full set of studies which would more than fulfill the original objectives of the experiment.[710] A major constraint, however, was the federal government's recent commitment to a policy of fiscal restraint which was intended to curtail severely any growth in departmental spending, especially with regard to staffing. Furthermore, consultations with a variety of individuals representing institutions with expertise in the area of social experimentation determined that the history of the U.S. experiments indicated that much of the research could be conducted outside of government in a more academic environment.[711] This suggested the possibility of separating the data base management function from the proposed analysis.

Four options for dealing with the data base were examined:

(i) postponing all activity which was thought to have considerable political costs;

(ii) postponement after an initial and cursory report;

(iii) maintenance of the data base under a partnership arrangement whereby someone other than Canada or Manitoba would pay the research cost; and

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[710] National Health and Welfare, 'Discussion Paper - Post-Experiment Activities', (no date).

[711] An independent research institute or an institute attached to a university were always the vehicles used by the U.S. government in such endeavours.

(iv) initiation of a full research program.[712]

Funding a complete set of studies was rejected for reasons of cost. Proceeding with only a cursory report was also rejected as it would utilize only a very small portion of the data base which would mean that Canada's commitment to analyzing the whole of the data base would not be fulfilled. Postponement of all activities for several years was rejected as it would be viewed by Manitoba (and others) as Canada's reneging on firm promises made earlier. Furthermore, it would almost certainly have resulted in irretrievable loss of some of the data and therefore have created a high risk that the research potential of the experiment would never be realized leading to charges that the two governments had wasted over $17 million. It was concluded, therefore, that the choices were limited to two basic strategies. Either limit departmental activity to receiving, completing, enhancing, and operating the data base or search out a partnership arrangement whereby some other organization would use the data base but finance its own research.

Canada decided to pursue the latter strategy. It was felt that the completion of the data base, coupled with the development of a research partnership, provided the best solution to the problem of fulfilling earlier commitments within the context of fiscal constraint. It was believed that this strategy provided both a clear demonstration of the value of the expenditures already incurred and a realistic reflection of the fiscal constraints that had been imposed by the government. Indeed, in 1979 Canada was still insisting that it

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[712] Director, Survey Research & Special Projects Directorate, Policy Research & Strategic Planning Branch, National Health and Welfare, memorandum to the Deputy Minister, August 24, 1978.

was "committed to completing all the research required for the Mincome experiment" and definitely intended "to look at the basic question of the experiment concerning the work ethic".[713]

Discussions were held with the Institute for Research on Public Policy, the Institute for Quantitative Analysis, and the Economic Council of Canada but no agreement could be reached with them. Discussions with most external agencies such as the Institute for Research on Public Policy and the Institute for Quantitative Analysis generated a great deal of interest provided that the Department of National Health and Welfare would not only provide the infrastructure (that is manage the data base and provide retrieval tapes) but also fund part of the research. Only the Economic Council of Canada indicated an interest in funding the research independently.[714] The discussions with the Economic Council did not, however, result in an agreement.

In the spring of 1979 exploratory discussions took place between representatives of Canada, Manitoba, and the University of Manitoba concerning the disposition and analysis of the data. The University proposed that a centre or institute focussing on data collection and research related to social, income, and policy studies be established which would take charge of the data base. This would mean bringing the Mincome Manitoba experiment within the ambit of the University's research interests whereby the institute's initial contract would be

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[713] Winnipeg Tribune, 'Gov't pledges to finish job', January 11, 1979.

[714] Director, Survey Research & Special Projects Directorate, Policy Research & Strategic Planning Branch, National Health and Welfare, memorandum to the Deputy Minister, August 24, 1978.

to complete the experiment.[715] The University was not, however, prepared to commit money to the establishment or maintenance of the proposed institute.

In June, 1979, the President of the University of Manitoba reported that a good deal of support existed in the University (including the Executive Committee of the Board of Governors) for the establishment of such an institute.[716] The President also expressed the view that reasonable financial assurances had to be given to the University if the project was to be at all viable. The critical factor, in the President's view, was federal support for the Mincome Manitoba data base and the associated research.

Federal officials, however, were of the opinion that financial discussions in the past had reflected "soft commitments" and that federal financial assistance should not be considered to be automatic.[717] The University then made it clear that they could not proceed without a firm understanding of Canada's commitment. It was therefore agreed that a Steering Committee (established on April 1, 1979, to oversee the transition of the experiment) and the President of the University of Manitoba would request confirmation of Canada's intentions from the Minister of National Health and Welfare.

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[715] Vice-President, University of Manitoba (D.J. Lawless), 'University of Manitoba - Mincome Discussions', (briefing note), April 12, 1979.

[716] Minutes of the Experiment Steering Committee, June 22, 1979.

[717] Ibid.

On April 30, 1979, the Minister of Manitoba Health and Community Services stated in a letter to the Minister of National Health and Welfare that he felt that any research activity involving the Mincome Manitoba data base should be conducted in an environment other than government, and that he was pleased that discussions with the University on the creation of an independent institute to house the experiment were proceeding well.[718] On July 24, 1979, Canada expressed its support for the creation of an institute for economic and social research at the University of Manitoba.

The Minister of National Health and Welfare did not, however, wish to see the proposed institute committed to "a very sophisticated, time consuming and expensive program of research on labour supply in response to a full scale guaranteed annual income".[719] Two reasons were given. First, the department's policy research needs could be met adequately by using the Mincome Manitoba data base as it existed. Second, the University should not be tied to a massive project that would occupy all of the resources committed to the institute for a period of up to 18 months before any research product would appear.

A third reason may be that the federal government was no longer interested in the labour supply information and, in fact, did not wish to have the analysis undertaken because it might have shown that there was little negative labour supply response to a system of guaranteed annual income payments. Hum and Simpson, however, are of the opinion

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[718] Minister, Manitoba Health and Community Services, letter to the Minister, National Health and Welfare, April 30, 1979.

[719] Minister, National Health and Welfare, letter to the Manitoba Minister, Health and Community Services, July 24, 1979.

that "there were no villains in the piece, that the project was not shut down for purely political considerations, and that research activities were not 'cut off' because any party feared their expected conclusions".[720] While it may be true that there were no villains and that no party feared the expected conclusions of the labour supply response research, it certainly is possible that the federal government decidely was no longer interested in conclusions that would have shown insignificant labour supply response and may even have been annoyed at such results.

On August 1, 1979, the Mincome Manitoba data base was transferred to the University of Manitoba. In 1981, with funding provided by National Health and Welfare Canada, the Institute for Social and Economic Research was created at the University "with a major responsibility to execute a feasibility study of the data, and to prepare it for analysis by qualified researchers".[721] Hum has made the following comment on the transfer of the data:

> Indeed, the manner in which the data was archived (unpublicized location, unknown means of access, and so on) stirs the imagination to wonder whether those who were arranging its sequestering from the research community were possibly the same individuals who arranged sites for the safe disposal of radioactive waste products.[722]

In 1983, the Institute reported that the feasibility stage was well under way, and research using most of the data was now possible.[723]

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[720] Hum and Simpson, p. 47.

[721] Institute for Social and Economic Research, 'Mincome User Manual, February, 1983, p. 1.

[722] Hum, 'Social Security Reform during the 1970s', p. 43.

[723] Institute for Social and Economic Research, 'Mincome User Manual, February, 1983, p. 1.

Finally in 1987 and again in 1991 the experimental data were analyzed in an attempt to generate information respecting the labour supply response of the participants in the Mincome Manitoba experiment who were in receipt of guaranteed annual income payments.[724]

[724] see Chapter 1, section 1.2.

Chapter VI

SUMMARY AND CONCLUSIONS

The Manitoba Basic Annual Income Experiment is an example of a costly and complex piece of social science research concerning a relevant policy option that did not play a role in the policy formulation process. This is especially surprising given that the experiment was initiated, funded, and essentially conducted by government, concerned a highly prominent and probable policy option, and was the subject of considerable public interest.

Indeed, at the time, it was believed by many both inside and outside government that the research interest of the experiment and the policy interest in the idea of a guaranteed annual income had coincided in truly compatible and complementary circumstances. That some form of a guaranteed annual income would become part of Canada's income security system seemed almost a foregone conclusion. That research which would provide factual and precise information regarding the behavioural effect of such a policy was both necessary and desirable seemed obvious.

This chapter provides a summary and two major conclusions. The first conclusion is that the federal government had decided shortly after the Mincome Manitoba experiment had begun that it would not support the introduction of a universal, one-tiered guaranteed annual

income program such as was being tested by the experiment. This turn of events virtually guaranteed that the Mincome Manitoba experiment would be doomed to irrelevancy with respect to the review of income security policy being conducted through the Social Security Review.

The second conclusion is that policy research that is costly, is based on the principles of social science research, and concerns a controversial policy proposal should be considered part of the normal policy-making process, but should be conducted by a body that is independent of the initiating government(s). The aim would be to enhance the stature of social science based policy research while at the same time shielding such research, as much as possible, from political interference that might critically impair its claim to objectivity and relevance. This conclusion assumes that the policy-making process (thought of in the broadest terms) should attempt to "avoid monopolies of knowledge, and seek instead to broaden the social and political process dealing with public problems".[725]

6.1 SUMMARY

6.1.1 The Experiment

As a piece of methodologically defensible research the Manitoba Basic Annual Income Experiment was a qualified success. Despite numerous and serious organizational, operational, and technical difficulties the experiment did manage to generate a data base from which some research concerning the labour supply response of the recipients of a system of guaranteed annual income payments could be

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[725] Pal, p. xi.

derived. The experiment also resulted in a number of reports concerning the administrative difficulties of making operational a system of guaranteed annual income payments fashioned on the negative income tax model. These achievements should not be undervalued given the complexity of the research undertaking, the ongoing managerial and staffing problems, the difficult federal-provincial relationship that pervaded the whole of the research endeavour, and the fact that this was the first ever social experiment conducted in Canada.

There were two major factors which should be highlighted as they especially inhibited early and satisfactory resolution of the many problems encountered by the experiment. The first factor was that both Manitoba and Canada, but especially Manitoba, seriously underestimated the complexity of the experimental undertaking. From the conception of the experiment through its planning and implementation, Manitoba did not seem to appreciate the degree of organizational and technical expertise required to conduct such a complex piece of social science research. As a result, the experiment suffered throughout from a lack of senior researchers and administrators who adequately understood the nature and requirements of the project. This situation contributed to the long period of planning, management and organizational difficulties, and resulted in the contracting of expert assistance from the United States at a critical juncture in the experiment.

The second factor was the continuously difficult relationship that existed between some senior Mincome Manitoba staff (particularly the first executive director) and officials in National Health and

Welfare, especially in the early stages of the experiment. The relationship was made difficult from the beginning as both governments harboured suspicions that the other was involved in the experiment for unstated reasons. A review of the planning phase of the experiment, which was essentially an effort to reconcile the divergent interests of the two governments, supports this contention. That the Experiment Committee was replaced by a Steering Committee which was eventually replaced by a Co-ordinator indicates the extent and ongoing nature of the problem that required three different structures be instituted to try and address the problems in the relationship. Indeed, conversations in 1988 with the National Health and Welfare official responsible for Canada's remaining interest in the experiment, and with the first executive director of the experiment, indicated that such attitudes and even bitterness still existed.

The serious organizational, operational, and technical problems which beset the experiment caused the question of the credibility of the research effort, and at times even the merits of continuing with the project to be raised. It is not difficult to conclude, therefore, that this would have made it problematic for officials and politicians in the Manitoba government to argue for the relevance or the significance of the research. If the experiment had not experienced the many serious difficulties it did, officials in the Manitoba government may have been in a position to have made the argument more forcefully that policy decisions concerning income security stemming from the Social Security Review should be delayed until the results of the experiment could be made available.

In the case of most social experiments it is usually very difficult for the research to be integrated with the policy process in a timely fashion because social experiments take a much longer time to complete than can usually be tolerated by the political and policy-making process. There is no question that the Social Security Review was subject to more than its share of political pressures as will always be the case in a federal system with jurisdictions that exhibit competing and often conflicting priorities and preferences. There was, however, an opportunity with respect to the Mincome Manitoba experiment and the Social Security Review to argue that the time frame of the policy review process should have been adjusted to accommodate the research requirements of the experiment.

Two points can be made in support of this contention. First, it was stated by the federal government that the Social Security Review was to be a comprehensive and "imaginative" process. This provided an opening to structure the Review as a lengthy process that, given the comprehensive objectives and the anticipation of fundamental change, could logically have been expected to take a number of years to complete. The argument could have been made by the federal government that to incorporate the experiment in the review process was part of the comprehensive and imaginative policy review process it had in mind. Second, a major focus of the Review was income security through a guaranteed annual income about which basic information was unavailable. The argument could have been made that it was important to wait upon the availability of the required information before any firm policy decisions could be made. In short, a commitment to social

science research and a policy formulation process based on the precepts of a "rationalistic" model should have facilitated the integration of the experiment within the policy review process. This, however, did not happen.

6.1.2 The Policy Research Environment

At the time the Mincome Manitoba experiment was proposed there was considerable interest in the United States in social experimentation in general and in income maintenance experiments in particular. The New Jersey income maintenance experiment was winding down and a number of other income maintenance experiments were underway or being planned. As well, there was considerable academic and government interest in the possibilities of social experimentation as a social policy research tool.

The interest in social experimentation was only part of the broader concern at the time with finding better ways to utilize social science research tools and information in the policy process. Disappointment with the effect of many of the programs established with enthusiasm in the 1960s had precipitated a search for policy research tools which would more precisely model and predict the effects of policy measures. Social experiments seemed to be the essence of such an objective and methodologically defensible policy research tool. Thus the technique of social experimentation, which promised to deliver empirically-based analysis, seemed to be an essential tool in the search for a rational decision-making process, the essence of which is the utilization of

factual and objective information.[726]

Canadian researchers, academics, and government officials were, of course, well aware of the interest in the United States in more empirical and predictive policy research tools. Furthermore, they were well aware of the growing interest and utilization of social experiments especially with respect to income maintenance proposals. As the nature and causes of poverty became a public policy issue in Canada after the "War on Poverty" programs were initiated in the United States, so too did social experimentation become of interest in Canada after it had been widely discussed and attempted in the United States.

In addition to the general interest in a more empirically-based, social scientific approach to policy research fueled by developments in the United States, there was the more specific interest in rational decision-making by then Prime Minister Trudeau. Trudeau came to office in 1968 determined to introduce decision-making processes that would require more planning, evaluation, and policy research. To this end he elevated officials and Cabinet ministers who shared this perspective and would attempt to implement his ideas concerning rational decision-making. It is not surprising, therefore, to find that the Minister of National Health and Welfare introduced the Social Security Review with the statement that: "We have sought, in

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[726] A "rational" and "scientific" approach to problem solving is considered by many to be inexorably linked (and highly regarded) by most people in the "modern" world. Russell L. Ackoff, The Design of Social Research, (Chicago: The University of Chicago Press, 1953).

Harvey Seigel, 'What is the Question Concerning the Rationality of Science', Philosophy of Science, (December 1985).

developing our proposals, to comprehend the whole sweep of social security policy and to develop a comprehensive, logical, and hopefully imaginative approach to this field".[727] This was certainly the language one would associate with a description of a "rationalistic" decision-making process.

Hence it is not unreasonable to suggest that the technique of social experimentation (understood as an obvious and unrefuteable social scientific tool of policy research) would have appealed to federal government senior officials and politicians irrespective of the policy issue. It can be suggested, therefore, that the experiment may have been undertaken in large part because of the prevailing belief that the development of social science based policy research tools was desirable in and of itself. The issue of a guaranteed annual income was, in some respects, merely incidental in that it offered just such an opportunity. In other words, Canada became involved in the Mincome Manitoba experiment in large measure because of its interest in developing and promoting social science research techniques as part of the policy formulation process. In the end, however, and despite the intense interest in social science based policy research and a more "rational" policy process, incrementalism prevailed.

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[727] Canada, 'Working Paper on Social Security in Canada', p. 2.

6.1.3 The Political Context

In the early 1970s there were a number of political factors at work which forced the issue of a guaranteed annual income onto the political agenda. First, there was a growing public interest in the idea of a guaranteed annual income. Many of the provinces were advocating the exploration of a guaranteed annual income policy as an alternative to the existing system of income support and supplementation as were a number of influential private and public organizations. Furthermore, interest at official and political levels fueled the interest and awareness of the general public in the possibilities of a guaranteed annual income program. Thus the issue was being widely discussed and debated.

Second, there was the publication of the highly innovative Castonguay-Nepveu report which left social-policy initiative in Canada squarely with the Government of Quebec, a situation that was difficult for members of the federal government to countenance.[728] One of the central pieces of the Castonguay-Nepveu report was the two-tiered income support and supplementation plan which, contrary to the authors' assertions, looked a lot like a guaranteed income plan. Banting argues that the report put the federal government on the defensive and forced it to respond ambitiously if only to demonstrate that federalism did not inevitably doom progress in the field of income security.[729] The Government of Canada, as the senior level of government and with a Prime Minister profoundly commited to preserving

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[728] Van Loon, p. 475.

[729] Banting, p. 75.

federal prerogative, and given the failure of the Victoria Charter over the issue of jurisdiction with respect to social policy, had to respond. The response came in the form of a Social Security Review and a commitment to conduct an experiment on the question of a guaranteed annual income.

Third, from 1972 to 1974, the New Democratic Party held the balance of power in a minority government situation and insisted that the federal government reconsider social programs in return for continued support. Of the three national parties it was the NDP that was the most commited to the idea of a guaranteed annual income[730] and, as well, the three provincial governments most commited were also NDP. Furthermore, at the time the NDP was using its position on matters concerning social policy as a means of differentiating itself from the Liberal Party, which the NDP wished to portray as being indistinguishable from the Progressive Conservative Party. During the 1972 general election, for example, the New Democratic Party leader attacked Prime Minister Trudeau "for 'fueling backlash and prejudice' against welfare recipients".[731] Hence the NDP took every opportunity to make social policy a prominent item on the political agenda with a guaranteed annual income highlighted as a favoured option.

These factors - government and public interest in a guaranteed annual income, the income support and supplementation proposal in the Castonguay-Nepveu report, and pressure from the federal NDP - were all instrumental in forcing the Government of Canada in 1973 to revisit

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[730] Hum, 'Social Security Reform during the 1970s', p. 31.

[731] Leman, p. 65.

the idea of a guaranteed annual income which it had rejected three years earlier. Hence there was considerable political pressure on the federal government in the early 1970s to respond in some fashion to the idea of a guaranteed annual income. Or, as Leman puts it:

> Proposals for a guaranteed income sprang quickly to the agenda because they became the answer to independent and relentless trains of events: commitment by elites to the proposal and deadly serious constitutional debate. After 1974 these separate processes began to work at cross purposes, but between 1968 and 1973 they acted in conjunction to place guaranteed income squarely at the center of debate.[732]

Conducting a long and involved experiment was one means by which the federal government could respond and participate in the debate but not commit itself.

By 1974, however, all governments in Canada were beginning to express a growing concern about the share of social programs in overall public expenditures. In fact a major issue in the 1974 election was Canada's faltering economy in which inflation raged and unemployment reached recession levels.[733] This resulted in almost all levels of government in Canada adopting policies of fiscal restraint. Thus the environment that had been supportive of social welfare reform and of major new spending programs began to become hostile to new policy initiatives.[734] By the end of the seventies "there was no political support in the country for sweeping reforms of the type promised by a guaranteed annual income; the GAI concept itself had lost its fashionable patina."[735]

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[732] Ibid., p. 58.

[733] Ibid., p. 122.

[734] Van Loon, p. 495.

Considering the change in the political and economic atmosphere by the mid-1970s, it is not surprising that the interest of both Manitoba and Canada in the idea of a guaranteed annual income began to wane. Indeed, by 1976 it was evident that Canada was no longer interested in a guaranteed annual income of any type. In 1977, the election in Manitoba of a Progressive Conservative government that had campaigned on a platform of less government made it clear that Manitoba too was no longer interested. A breakdown in the consensus that had sustained the growth of the welfare state since World War II was clearly evident in Canada by this time.

6.2 CONCLUSIONS

6.2.1 Canada's Commitment

Large-scale research projects conducted or funded by government are by the very fact of government involvement undertaken within a political context. It would seem reasonable, therefore, to expect that any attempt at research endeavours in the area of policy decisions and actions necessarily would be based on the assumption that such efforts would make an important contribution to the policy process.[736] It could be expected that this would be even more the case with regard to research undertaken through the technique of social

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[735] Hum, 'Social Security Reform during the 1970s', p. 43.

In 1977, after eight years of administration by the New Democratic Party in Manitoba, the Progressive Conservative Party came to power determined to reduce the size and role of the state in Manitoba's economy. Harold Chorney and Phillip Hansen, 'Neo-conservatism, social democracy and 'province building': the Manitoba experience', The Canadian Review of Sociology and Anthropology, (February 1985), p. 10.

[736] Fairweather and Tornatzky, p. 1.

experimentation which is usually a costly and complex endeavour.

Because of the cost and complexity of undertaking a social experiment, Riecken and Boruch suggest that social experiments should be initiated only after "considering their political impact and making a conscious determination that, on balance, the experiment seems feasible and likely to produce usable information that can be brought to bear upon social policy decisions".[737] They list what they consider to be three important preconditions that should be met prior to the undertaking of a social experiment:[738]

> (i) if the experiment may influence the fact, form, or substance of the proposed intervention;
>
> (ii) if the proposed intervention is expected to be something of sufficient importance in the life of the individuals affected to justify the investment of considerable resources, both human and financial; and
>
> (iii) if the cost of delaying the introduction of a solution to a social question would be small relative to the cost of proceeding with an intervention based on less information.

There is, however, another precondition that must exist if the cost and risk are to be justified - a precondition which at first glance would seem to be so obvious as not to require discussion but which in the case of the Mincome Manitoba experiment was nonetheless absent. This precondition is that the government(s) initiating the social experiment must be committed to a policy process and time frame that will accommodate the methodology of the research. The conclusion of this research is that a major reason was that there was never a genuine interest on the part of the federal government in a guaranteed

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[737] Riecken and Boruch, p. 203.

[738] Ibid., pp. 29-31.

annual income program such as was tested by the Mincome Manitoba experiment. The following is offered as evidence of this conclusion.

First, there is the question of the timing of the experiment in relation to the Social Security Review. As was pointed out earlier, the timing of the policy decisions to be taken as part of the Social Security Review made it impossible for the results of the Mincome Manitoba experiment to be ready for consideration. Manitoba anticipated this problem but was unable to either shorten the time frame of the experiment or lengthen the policy review process. Canada was not the least interested in either possibility in spite of the obvious relevance and significance of the experiment if a guaranteed annual income was going to be considered as a policy option by the Social Security Review. As the major partner in both the experiment and the Review, and given the emphasis placed on comprehensive and rationalistic policy-making processes, the opportunity existed for either extending the time frame of the Review or shortening the experiment (at the risk of compromising some of the experimental aspects of the project). In fact, the federal government put as much distance as possible between the experiment and the Review and participated in each as if the other did not exist.

Second, there was the ongoing insistence on the part of the federal government that a one-tiered, universal guaranteed annual income which did not discriminate between the employable and unemployable was inconsistent with the work ethic. Throughout the Social Security Review the Minister of National Health and Welfare continually suggested that a one-tiered guaranteed annual income program (such as

that being tested by Mincome Manitoba) would be incompatible with the values of most Canadians. It was for this reason, and in response to the recommendations in the Castonguay-Nepveu Report, that the two-tiered option was favoured by Canada. It would seem clear that political calculation and personal values dictated the policy choice before there was any possibility of what essential empirical information could have become available.

The third reason has to with the potential cost of a one-tiered guaranteed annual income. There was, in Canada as in the United States, a burgeoning belief that social welfare expenditures were growing out of control. Trudeau's government shared the broad concern that had emerged in most Western countries in the late 1960s regarding the general effectiveness of the welfare state apparatus.[739] From the time Trudeau took office, he and his advisors had been concerned about the increasing costs of programs created in the mid-1960's. In fact, by 1965 the Pearson Liberal government was feeling that it was financially overcommitted to new social security schemes; the Canada Pension Plan, the Canada Assistance Plan, and the Health Resources Fund and Medicare were all in the works and the costs were climbing to more than one billion dollars a year.[740] By 1968 the government had become convinced that the taxpayers in Canada were becoming restive and the government had begun looking for ways to restrain further cost increases.

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[739] Doern, p. 192.

[740] Anthony Westall, Paradox: Trudeau as Prime Minister, (Scarborough: Prentice-Hall, 1972), p. 167.

Fourth, what little interest there might have been initially on the part of the federal government in a guaranteed annual income program was soon challenged by a changing consensus in the country and, more importantly, in the Liberal Party. In 1973 delegates to the Liberal Party of Canada's convention repeatedly rejected proposals for new welfare measures whereas only two years earlier Party delegates had called for the development of a comprehensive guaranteed annual income policy. When asked why the government could not do more for the poor, Prime Minister Trudeau cited middle-class backlash at the prospect of higher taxes as being the major constraint.[741]

These concerns were reflected in disagreements around the Cabinet table. In 1975 the idea of income supplementation for the employed went to Cabinet for consideration but was vigorously opposed by those Cabinet members opposed to further social spending led by the Minister of Finance[742] who was very much against introducing a potentially very costly income security program of any type and who, as the debate went on, made his views increasingly public.[743] In the end those in the Cabinet opposed to further social spending prevailed (Prime Minister Trudeau chose not to take sides)[744] and the idea of implementing a one-tiered guaranteed annual income program was shelved. In fact, the Finance Minister's deputy specifically has been credited with having defeated the attempt to introduce a guaranteed annual income.[745]

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[741] Toronto Star, 'Liberals ignore poor's plight: Croll', September 15, 1973.

[742] Doern and Phidd, p. 371.

[743] Van Loon, p. 496.

[744] Doern and Phidd, p. 371.

Thus there is significant circumstantial evidence to support the view that there was little likelihood that the federal government would have supported the introduction of a one-tiered guaranteed annual income such as was tested by the Mincome Manitoba experiment regardless of the outcome of the experiment. In fact, in September, 1975, a former management consultant to the Manitoba New Democratic government and past president of the Social Planning Council of Winnipeg, who had participated in preparing Manitoba's brief to the Senate Committee on Poverty, criticized the Mincome Manitoba experiment calling it a "cop-out" for the federal government and a "fraud" because it was testing what had already been tested in the United States.[746] Indeed, in May, 1976, it was reported that the Minister of National Health and Welfare had stated that because economic conditions had changed from the time the experiment had been started, Canada was not prepared to support a guaranteed annual income program regardless of the results of the experiment.[747]

6.2.2 Social Policy Research

Not all policy research can or should be used in the policy-making process. Nor is it reasonable or politically realistic to expect all policy decisions to wait on the availability of all the information that can be generated.[748] Watts, for example, has observed that "one

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[745] Christina McCall-Newman, Grits: An Intimate Portrait of The Liberal Party, (Toronto: Macmillan, 1982), p. 223.

[746] Winnipeg Free Press, 'Rehabilitation Needed in Welfare: Realtor', September 11, 1975.

[747] Winnipeg Tribune, 'Mincome plan 'may be futile'', May 28, 1976.

[748] Aaron Wildavsky, Speaking Truth to Power: The Art and Craft of

cannot expect the process of public policy formulation to wait upon the completion of scientific studies".[749] Furthermore, there is no intrinsic reason why empirically-based specialized policy research generally should be considered any more important than other kinds of information and analysis.[750] Indeed,

> it should be clear that persuasive policy arguments and good policy analysis are never enough to carry the day, partly because it is rarely possible to arrive at incontestable conclusions, but more importantly because the policy process, as a political process, rests on power and interests.[751]

Nevertheless, it is vitally important that governments undertake policy analysis and evaluation that attempt to assess in an objective and disinterested fashion the effect of proposed and existing policies. Such analysis must, however, be distinguishable from other information which has as its objective the generation of support for a policy on ideological, political, or personal grounds. Social science research can play an important and, indeed, crucial role in this endeavour for it is the methodology of the social science enterprise which sets it apart as nonpartisan, disinterested, and objective.

The problem, as Boeckmann pointed out in her study of the New Jersey income maintenance experiment, is that decision-makers and vested interests will often ignore social science research that does not support their preferred policy option and, alternatively, will

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Policy Analysis, (Toronto: Little Brown & Co., 1979).

[749] Watts, p. 17.

[750] Charles E. Lindblom and David K. Cohen, Usable Knowledge, (New Haven: Yale University Press, 1979).

[751] Pal, p. 19.

promote research that does. Furthermore, decision-makers and interests will attack the credibility of the researchers if this will support their position.

Considerations of purpose and cost suggest that not all policy research should be treated the same in the policy-making process. In the case of policy research that is costly, concerns a controversial policy proposal, and claims to be able to provide objective and factual information, there must be a clear commitment to attempt to accommodate and integrate the research, as far as possible, within the normal policy-making process. Recognition of social science based policy research as an important and necessary part of the policy process would give what is supposed to be factual and objective information added stature and legitimacy thus enabling it better to compete with other types of information in the policy process. Policy decision-makers would then endeavour to state their commitment to such research in spite of the fact that the policy process in pluralistic and democratic political systems will be (and should be) preoccupied by compelling and often competing political considerations and personal values.

To maximize the credibility of social science based policy research it may be important that such research (whenever possible) be conducted by a body that is independent of the initiating government(s). The major advantage is that policy research conducted by an independent body will more likely be, and be perceived to be, more objective than if undertaken directly by government.[752]

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[752] Pal, p. 113.

With respect to the Mincome Manitoba experiment there was a deliberate decision to conduct the experiment under legislation rather than incorporate Mincome Manitoba as a non-profit corporation in order to show that this type of experimentation could be conducted under the auspices of government.[753] Hum and Simpson argue that there is much to be said for the organizational structure under which the experiment was conducted:

> The joint effort would set a precedent for future endeavours of this type, both governments would receive any credit due, both bureaucracies would become equally committed to the project, both governments would determine the "political" matters, and both administrations would gain expertise and experience.[754]

They also note the disadvantages:

> Decision making might be hesitant or slow. Deadlock between two bureaucracies was a possibility, and opportunities for political interference would be maximized since both levels of governments were involved; conflicts concerning unrelated matters might show up in discussion of experimental decisions. The potential for conflict and confrontation was therefore great.[755]

They conclude, however, that there really was no alternative to "dual" control as neither government could have conducted the experiment alone. (Canada required provincial co-operation to deliver the "treatment" program and Manitoba could not have afforded such an undertaking).[756] Moreover, in their opinion, the setting up of an

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[753] Deputy Director, Mincome Manitoba, memorandum to the Secretary of the Planning Secretariat of Cabinet, 'The Authority of Mincome Manitoba to make Experimental Income Maintenance Payments to Participants', January 7, 1974.

Also, 'Notes Concerning the Proposed Amendment to the Welfare Act to Authorize The Manitoba Basic Annual Income Experiment', Deputy Director, Mincome Manitoba.

[754] Hum and Simpson, p. 45.

[755] Ibid., p. 45.

independent Crown corporation was not a good idea as "social experimentation is the kind of research that necessitates direct government involvement at times".[757]

Government involvement (especially two governments), however, may have been a large part of the problem. There is no direct evidence to suggest that the Mincome Manitoba experiment would have been more successful had the enterprise been less subject to government influence and direction, but it does appear as though much of the focus of the management of the experiment was concerned with the political implications of their decisions. Indeed, during the course of the experiment "the experiment's senior people knew that interest and political support for the guaranteed income concept was waning"[758] which suggests a preoccupation with the "politics" of the experiment. This is not to suggest that political factors can or should be ignored when initiating such research but, rather, that such factors should be taken into account during the planning phase to ensure the policy relevance of the research and that thereafter an attempt should be made to minimize political influence through organizational and structural means.

Objective and factual research that has credibility is critical to social policy formulation in Canada for two reasons. First, the formulation of social policy in Canada is made extremely difficult due to the fact of jurisdiction disputes between Canada and the provinces.

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[756] Ibid., p. 46.

[757] Ibid., p. 46.

[758] Ibid., p. 46.

The problem is that in a federal arrangement "divided jurisdiction raises the level of consensus required for innovation, and thereby complicates the process of introducing new programs".[759] Political pressures emanating from conflicts arising as a consequence of jurisdictional differences over priorities and preferences can easily override all other considerations. Adie and Thomas suggest that the factor of federal-provincial negotiation pervading the policy process in Canada makes the idea of a coherent, national blueprint for action in any policy field seem almost utopian.[760] Smiley has stated: "Federal-provincial relations are the despair of those who accept the desirability of rationality in the devising and implementing of public policy".[761] Banting, in fact, concluded that federal-provincial conflict was one of the elements that doomed proposals for the restructuring of the income security system during the Social Security Review.[762] In the highly charged political and partisan circumstances that usually characterize social policy debate in Canada it may be desirable to have an independent and credible source of factual, non-partisan information.

Second, governments in Canada have traditionally operated on the principle that all government information is secret unless the government decides to release it.[763] Only in the last ten years with

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[759] Banting, p. 174.

[760] Aide and Thomas, p. 113.

[761] Smiley, p. 74.

[762] Banting, p. 211.

[763] Kenneth Kernaghan, 'Freedom of Information in Canada', in Public Administration in Canada, ed., Kenneth Kernaghan, (Toronto: Nelson, 1988,) p. 380.

the introduction of freedom of information legislation (by both provincial governments and the federal government) has the heavy curtain of government secrecy been raised somewhat. This is indeed a concern if, as Banting states, the complexity of the political system in Canada insulates decision-makers from public opinion.[764] Leman, in fact, suggests that the policy-making process in Canada is characterized by high-level negotiations among competing bureaucracies and between federal and provincial authorities in which public debates have little impact.[765]

Indeed, Paul Lamy has observed that the federal and provincial governments publish the results of some of the applied social research which they commission, however, political considerations are paramount with respect to the decision.[766] Hence those outside of government need assurance that they will have access to factual, objective, and credible information concerning controversial policy options. Conducting social science based policy research through independent research bodies should help to ensure that this happens.

Thus it is important that there be as many avenues as possible by which policy research that claims to be factual and objective is made available and accessible to all those with an interest in the policy

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[764] Banting, p. 43.

The failed attempt at constitutional change through the ratification process of the Meech Lake Accord would seem to bear this out.

[765] Leman, p. 199.

[766] Paul Lamy, 'Applied Social Research and Canadian Public Policy', in The Social Sciences and Public Policy in Canada, ed. A.W. Rasporich, (Calgary: University of Calgary, 1979), p. 37.

debate. It is important because the participants in the policy process will tend to define the issues in terms of their interests and values, and therefore advance different interpretations about what are "the facts" and how they may be linked.[767] Hence it is desirable that a means be found whereby the facts can be established and agreed upon. If common ground can be found with respect to the facts then further discussion concerning values, priorities, and assumptions can proceed in an informed manner. Independent social science research should, at the very least, help to clarify and establish what are the facts. Greater use of social science research in the policy process should help to ensure that the facts are not ignored by politicians and officials even when they fail to support the particular policy they prefer.

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[767] Pal, p. 116.

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