



Canada by Mondrian:

NETWORKED FEDERALISM IN AN
ERA OF GLOBALIZATION

by Janice Gross Stein

PICASSO AND MONDRIAN: TWO PORTRAITS OF CANADIAN FEDERALISM

I argue that the Canadian federation is out of whack, seriously misaligned. This misalignment comes from three different sources. The first is quite visible: the two orders of government, provincial and federal, resemble a painting by Picasso. The responsibilities and the revenues of the two orders of government match less well than they ever have. The mismatch is currently so acute that the two parts of the picture do not resemble one another. The mismatch is compounded by a second factor, the behaviour of the federal government, which also looks like a work by Picasso. The federal government behaves globally very differently than it does locally. It shows one face abroad and another at home. As important, a third order of government, the municipal, has no face, no voice, no seat at the table with the other two orders of government. It is absent from the picture. This absence makes little sense in an era where 80 per cent of our population lives in urban areas. Cities are already the magnets for immigration among an aging population and are the engines of innovation and growth in Canada.

None of these problems is new to Canadians. They were less serious, however, 50 years ago, when states were the primary players in international politics and economies were largely national. This misaligned federation is a handicap as Canada moves into a world with a more globalized economy and increasingly dense connections across societies. Our federal system, as it is currently configured and as it now works, is not equipping Canadians well to thrive in an environment that is global as well as national and regional, and correspondingly more complex and layered than it was 50 years ago. The most serious mismatch is between Canadian federalism and the global economy and society.

We need to think about federalism differently. To continue the metaphorical language of art, at times we paint a picture of two parallel orders of government, each sovereign with a neat division of revenues and responsibilities. This picture certainly does not capture the contemporary messy reality of Canadian federalism, nor has it for the last 100 years. A second portrait is one of hierarchy, with a powerful federal

government at the apex of provinces and territories. Cities are nowhere in the picture. This portrait is also far too neat and orderly, and therefore misses much that is dynamic in our contemporary reality. Neither picture captures the practice of Canadian federalism, nor would either be well suited to a global economy and society.

In this essay I try to draw a different picture, one of “networked federalism,” located in a grid that is simultaneously horizontal and vertical, where movement is along many of the axes, not through a central hub. The institutions remain, but the pattern of movement among them and between them changes. The important questions become those of the genesis of policy ideas, the creation of shared policy space, the opportunities for feedback and correction, and the resilience of transmission lines. I ask whether a concept of “networked federalism” might better reflect Canadian federalism in a global age. I suspect that we are already moving from federalism by Picasso to federalism by Mondrian. Picasso painted the disjunctures, the asymmetries that were often not visible until you looked carefully. Mondrian, as is clear from his *Broadway Boogie-Woogie* reproduced in this volume, paints the lines within a grid, and shows how we can move horizontally or vertically along these lines, without passing through a single choke point or gateway. Multiple points connect through multiple connections, the essence of a network. It is networks that are emerging as the social organization of post-industrial life.

I divide this essay into several parts. In the first part I look at the global economic and social environment in which Canadians now live and our federation works. Do a global economy and society reshape our “national” space? Are Canadians facing different kinds of challenges and opportunities? I then take a brief look at contemporary federalism in Canada. What does it look like and what does it do in an era of globalization? Third, I examine the three important fault lines of Canadian federalism, as it is now configured, and argue that neither our political structures nor our performance equips us to engage effectively in the global economy and global society. In the final part I look at federalism as a network, working within a grid, and examine what such a

model might deliver and how well Canadian federalism approximates this model.

To prefigure my conclusion I argue that we are moving toward more overlap and shared policy space, not less. The attempt to match responsibilities and revenues neatly to the two orders of government, while logical and even elegant, is doomed to failure. A neat division of powers and alignment of responsibilities is, moreover, the wrong paradigm. A global economy rewards those who move sideways as well as up and down along the grid, with a large tolerance for fluid structures that give a quick response. Canadian federalism needs to be less defined, not more; less concerned with jurisdictional rights, not more; and much more focused on results, on what we need to get done and how we can get there.

GLOBALIZATION

There is no more overused and clichéd term than “globalization,” but the word does capture the thickening set of economic, social and cultural connections around us. Globalization is the set of processes that first connect and then integrate societies. It is centuries old and has proceeded throughout history at an irregular pace, in fits and starts, and with uneven intensity. Economic and cultural globalization accelerated again late in the 20th century, after almost 50 years of regression. The last intense period of globalization ended with the outbreak of war in 1914, and globalization did not pick up its pace again until the mid-1960s, as the global economy recovered from the two world wars.

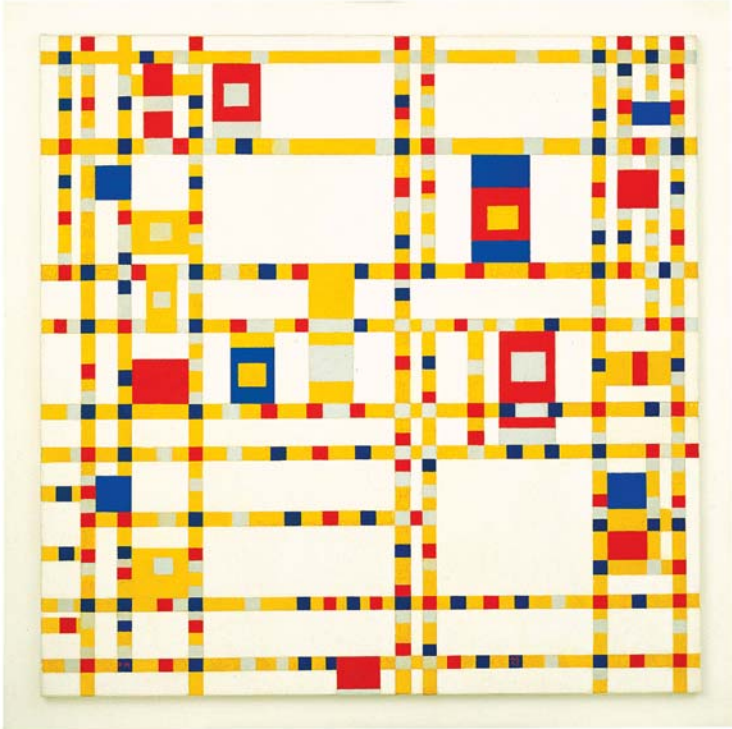
Globalization shrinks distances through networks of connections. In the modern era globalization works through economic, environmental, technological, political, cultural, social and legal processes that connect societies. It transcends geography and borders and creates new “transborder” spaces in our lives. Whether we speak of global warming, global communications or global financial markets, we are talking about spaces that cross traditional borders and institutions. Globalization

opens up new spaces, reshapes existing space and creates all kinds of interesting overlaps. Practically speaking, globalization defies neat categorization, in large part because it thrives in an ecology of diversity even as many of the processes of globalization homogenize.

The current global economy is “everywhere and nowhere.” It has profoundly important effects on our daily life, but we cannot see it, we cannot give it the same kind of face that we give our domestic institutions. The market that is nowhere and everywhere all at once is made possible in part by the revolution in information technologies. These technologies, which enable information to reach markets at the speed of light, have exponentially expanded capital markets, trade, the mobility of factors of production, and investment opportunities. In the last three decades, international trade and foreign direct investment have been expanding proportionally far more quickly than domestic trade and investment. The growth of global production through inter-firm trade has been explosive, as firms relocate parts of the production process where they see significant competitive advantage.

In this phase of the global economy, knowledge has replaced other factors of production as the most important commodity. Unlike commodities that were important at earlier phases in the history of the international economy, knowledge is an infinitely renewable resource, only loosely related to geographic space. At its deepest level the emergent knowledge-based global economy is non-territorial, less and less tied to political boundaries. It is an economy that favours mobility, flexibility, nimbleness, speed and knowledge. Processes of globalization reward innovation, analytic thinking, independence and the capacity to “lead” flexible networks rather than “command” hierarchically organized bureaucratic organizations that are slow to respond.

It is this knowledge-based global economy that will shape Canada’s future. More than 40 per cent of Canada’s gross national product is dependent on international trade, trade that is overwhelmingly with the United States. More and more, economic lines run north–south rather than east–west. Across the country Canadians trade with their neighbours to the south. Although “border effects” remain important and



Broadway Boogie Woogie. 1942–43. Oil on canvas, 50" × 50".
Mondrian, Piet (1872–1944). © 2006 Mondrian/Holtzman Trust
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large—we trade more with each other than we would if national borders did not exist—we look south a great deal of the time.

More recently we have been looking west to the surging economies of China and India. China and India are reshaping global markets in very large ways that we do not yet fully understand. Canadians are familiar with “outsourcing”—the capacity of firms to move jobs to places where labour costs are most competitive or where labour is most productive. When large American car manufacturers lose market share to competitors in Asia, Ontarians understand the outsourcing of jobs. When Japanese car manufacturers open facilities in Ontario, they acknowledge the superior quality of the Ontario workforce in a worldwide market. When software companies move a large chunk of their operations to Bangalore in India, young Canadians with degrees in computer science intuit the workings of the global market. Jobs move easily as firms “flatten” in their global search for competitive advantage.

China and India are also consuming natural resources as the purchasing power of their more than two billion people grows. They have a combined middle class of at least half a billion, and it is growing. The demand for energy to support their expanding economies is likely to increase in the next decade or two, as an uncertain world energy market tightens. Whether world energy resources are larger or smaller than experts think—a fierce debate is ongoing about the size and amount of the world’s non-renewable energy—Canada’s natural resources, particularly its energy, are becoming more and more valuable in a global market where consumption is rising. The uneven distribution of natural resources among the provinces sharpens economic and political differences among Canadians even while it contributes to Canadian prosperity.

In the west and the east of Canada, and in the north, provincial and territorial leaders are basing their near-term economic strategies on natural resources. Resources as a share of our exports have doubled in recent years, although they currently account for only 25 per cent of our exports. Many of these resources are non-renewable, however, and eventually they will be gone. If Canada is to succeed as a mature economy, it will have to deepen its capacity to compete effectively

in a knowledge-based global economy. The present is a cautionary tale about the future. Our growth in productivity has declined relative to that of our principal trading partner, the United States, in the last 25 years. The United Kingdom, France and Japan have had higher annual productivity growth than we have in the last decade. Our private sector investment in research and development as a percentage of industry value-added is the lowest in the G7. Our investment in post-secondary education is considerably less per capita than in the United States. These numbers are troubling: we are drawing down, consuming rather than investing to help us prepare for the future.

We hear very little of this conversation in public life in Canada. In the federal election campaign in early 2006, there was very little talk of the global economy, of Canada's future, of what we need to do as Canadians to prepare ourselves to participate effectively. It was frankly astonishing that there was almost no talk at all about global issues, except as they touched directly on the interests of a domestic constituency. Yet we all have an overwhelming interest in creating the knowledge we need in a thickly connected global market and global society.

We touch processes of globalization most directly in our large cities, where people from all over the world have come to live. The same revolution in information technology that powers global markets enables those who have migrated to Canada's cities to stay connected, in real time, with the families and societies that they left. Thickening networks of connection tie citizens "here" to citizens "there." Many Canadians now hold dual citizenship; Italians living in Toronto were able to vote in the recent Italian election. As social networks become denser, the politics of other societies play themselves out in Canada and our politics echo instantly to communities around the world. These social networks tie Canadians to others and create new patterns of mobility, of simultaneously here and there, of migration and travel, of diasporas and citizenship that would have been inconceivable even 20 years ago. These new networked patterns of social organization will, if they have not already done so, shape the way federal institutions in Canada work.

FEDERALISM: WHAT DOES IT LOOK LIKE? WHAT DOES IT DO?

Federalism is a set of legal arrangements among orders of government that fulfills important economic, political, social and cultural functions. Federal structures vary, of course, in their centralization, and Canada has one of the most decentralized federal structures among developed countries. A very decentralized federal system has distinct advantages as well as disadvantages in a global environment.

I argue that our federation is doing well in enabling Canadians to participate in global society but far less well in building what we need to compete in the global economy. Why?

- Federalism creates opportunities for difference and distinctiveness. It gives legal and political voice to different communities. In a unitary state all communities find their voices within the same political structure and work within the same political space. In a federal structure communities may have their own political structures, legally recognized, that give them voice within a larger context. Political spaces overlap.
- Federalism works to protect minority rights by layering levels of government. Here, it provides a significant advantage. If one order of government abuses the rights of its citizens, citizens have recourse to the other order. In well-functioning federations the temptation to abuse by one government should be lower because another government is watching. Citizens in a unitary state have no such intermediary protections. As the global movement of people increases, and societies become more diverse, more multicultural, overlapping political spaces can be a distinct advantage and a magnet for attentive immigrants.
- Federalism also enables pluralism, a critical requisite of mature democracies. It acts as a check on authoritarian rule and promotes vertical checks and balances. In a global society, where pluralism and democracy are increasingly valued, federalism is a significant asset.
- A federal structure provides political opportunities and entry points at different levels of government. From one perspective, it maximizes the opportunities citizens have to participate in public life.

From another perspective, federalism is “inefficient”: it can provide these opportunities for political participation only because it creates overlapping and “redundant” layers of government. Those who work with top-down, hierarchical models of organization tend to treat redundancy as a negative; it is closely associated with inefficiency. Those who think in terms of networks see that redundancy is an asset; it contributes to the suppleness and resiliency of our federal structures.

As globalization accelerates, local voice has become increasingly important. The local has become the counterpoint to the homogenizing forces of globalization, an important part of a diverse ecology and a site of creativity in the global economy. I connect the importance of cities as a local site of global innovation later in the essay, but here I want to make the generic point that federalism gives voice to the local—no mean achievement. Federalism as a political and legal structure may be better suited to globalization than less complex political structures. We need to ask whether Canadian federalism is creating enough room for the local—whether it is opening up enough space, for example, for Canadian cities. I return to this issue later on in the essay.

Federalism does more than make space for the local. Well-functioning federations open up room but simultaneously blur differences so that national policies are possible. This, too, is no mean feat in an era of globalization. Federalism allows for overlapping layers of jurisdiction to blur lines of division, acting as a counterweight to the fragmenting consequences of globalization. These kinds of institutions that can cross divides and meld preferences—the bridge builders—in our societies have become much more important. They help to create shared cultural norms, values and ideas across differences. In short, federalism can be very adaptive in the context of a global society.

Federal structures are less well suited to enabling performance in a highly competitive global economy. The global economy privileges nimbleness, skill, efficiency, high-quality performance and just-in-time delivery through firms that look more and more like networked supply chains that can maximize value, wherever value is to be found. Global

firms always have national headquarters, and the national component continues to be important even in a global economy. But connected to these national headquarters, these firms subdivide and move globally to where the advantage is locally. They weave around and through structures of political and legal authority. Embedded in value chains, global corporations are less about place than their predecessors were 50 years ago.

Federal structures were not designed to be efficient or to deliver just in time. On the contrary, as I have argued, they self-consciously build in duplication, overlap and redundancy. If efficiency were the highest value, Canada would have a single layer of government that could respond in real time to develop policies in a rapidly changing—and challenging—economic environment. Highly decentralized federal systems of the kind we have appear to be especially handicapped in managing economic performance in an era of accelerating globalization.

If we think about federalism less as an enabler and more as the designer of an appropriate regulatory framework for the economy, many of the same disadvantages apply. Good regulatory regimes provide free, high-quality information to global investors. Strong regulatory regimes for capital markets, for example, are an important asset in a competitive global economy; they provide timely information as a public good, at little or no cost to firms and investors. In addition, they provide “insurance” to firms seeking global advantage, again at no cost to them. In a decentralized federal structure, regulatory agreements must be negotiated between orders of government when the issues cross jurisdictions, so the regulatory environment becomes more complex and slower to adapt in a decentralized federation than in unitary political systems. It is harder in Canada, for example, to create a national system to regulate securities markets, because of provincial jurisdictions. Canada is one of the few OECD countries without a national securities system.

A decentralized federal structure, even though it is less suited to a global economy than a unitary state is, can nevertheless facilitate economic performance in two important ways. The first is obvious, in theory if not in practice. A federal system can make the strategic investments that are necessary to strengthen capacity to participate in the

global economy. Investments in strategic infrastructure, to move goods, services and people, in education, in training, in research, in commercialization of knowledge—all are vitally important. They are more important in a global economy than they were when national economic space was more prominent.

A second function is less obvious but no less important. A high-functioning federal system can help to equalize opportunities across differences. Unitary governments are able, if that is their political will, to redistribute wealth to those people and regions that are disadvantaged by globalization. Revenues and losses all go to the same government. In a federal system the federal government has often taken upon itself to redistribute revenues, out of its tax revenues, to those governments and people faring less well. Almost all federal systems have some kind of equalization program, and Canada made its obligation to redistribute revenues constitutional in 1982, so that governments across the country could provide comparable public services at comparable levels of taxation. The “how much” and the “how” of equalization remain, however, politically contested. This contestation now takes place in the context of a global economy that advantages some parts of the country and disadvantages others.

Why would equalizing differences matter to performance in the global economy? It is clear why a federation would wish to do so in the name of social justice, but why link reduction of difference to economic performance? In fact, conventional wisdom suggests that it is inefficient to “prop up” unproductive regions by directing resources to weak industries and retaining populations “in place” rather than encouraging mobility. Many “successful” economies—the United States, China and India—have much larger socio-economic differences among their populations than does Canada.

This conventional wisdom is no longer universally considered quite as conventional or quite as wise. It is undergoing revision in the context of a global competition for talent. There are two related arguments to consider, and both speak to the importance of equalization of large differences. For the “creative class” that sparks innovation and global economic leadership, the reduction of difference makes

societies a more attractive and safer place in which to live, to invest and to create. Cities that have well-integrated and diverse populations and a high quality of life are more appealing as places to live and are more likely to become one of the “spikes” of innovation in the global economy. However, world-class cities, the spikes in the landscape of globalization, are not enough. Richard Florida, who studies global innovation, argues strongly that governments will have to make their “second tier” cities competitive and attractive places to live.¹ Countries that have stable societies, well-educated populations, low rates of crime and violence, and well-developed legal regimes attract a disproportionate share of foreign direct investment. Other things being equal, sharp social inequalities act as a disincentive for highly mobile global entrepreneurs.

Second, equalizing differences does not necessarily translate into subsidizing inefficient industries or sustaining populations in place despite the absence of economic opportunity. Equalization can be considered a form of “social investment” that is an essential prerequisite for participation in the global economy. It can translate into investment in the public services—health, education, retraining, commercialization of knowledge—that are a mixture of federal and provincial responsibilities, so that people are capable of adjusting, regenerating or moving. Whichever they do, the capacity to access equivalent services wherever they are or wherever they go is one of the most fundamental demands Canadians make of all their governments.² For Canadians, equalization is as much about persons as it is about place.

In the current global context, a successful federation would simultaneously work to diminish economic and social differences even as it gives expression to political and cultural differences. It is this capacity

1 Karen Christensen, “Interview with a Creativity Guru: Richard Florida,” *Rotman* (Spring/Summer 2006), pp. 10–13.

2 See The Council of the Federation, Advisory Panel on Fiscal Imbalance, *Reconciling the Irreconcilable: Addressing Canada’s Fiscal Imbalance* (Ottawa: COF, April 2006), Appendix 3, “The Citizen Dialogue Process,” pp. 109–112.

simultaneously to blur and reflect, I will argue, that, makes federalism so suitable to the challenges of a global environment.

CANADA BY PICASSO: THE FAULT LINES OF FEDERALISM

The Two Faces of Federalism: Federal and Provincial Governments

Federations vary in their degree of centralization. Canada is among the most decentralized in the world. Canadians are occasionally surprised to learn that only in Switzerland do the cantons have greater autonomy than the provinces have in Canada. Yet Canada is riddled with conflict between provincial and federal governments. Provincial governments complain, often bitterly, that the federal government disposes of sources of revenue far greater than it needs while provinces struggle to provide the basic services—health care and education—that Canadians want and need. The cost of these services, especially health care, has grown in the last two decades and will likely continue to grow faster than the economy. It is this structural problem that the provinces have come, with some sense of urgency, to call “fiscal imbalance.”

The federal government responds that the provinces need to be more fiscally responsible, that they can always raise additional revenue by taxing more, that the provinces are perennially demanding and always ungrateful, no matter what they receive. More to the point, the federal government claims that it embodies the “national project,” the vision of all Canadians, and articulates the national standards for programs that all Canadians want. The federal government insists that it and it alone is the bridge across the geographical, regional, cultural and linguistic divides of this country that spans a continent. Especially in a thickening global economy and society, the federal government claims that it is the focal point for Canadians.

Canadians listening to this increasingly raucous conversation are at times bemused but increasingly frustrated. There is disagreement not only between the provinces and the federal government but also among the provinces themselves. Canadians are losing patience with the endless cacophony. They want high-quality services, delivered in ways that

are transparent so that they can track results. They are pragmatists. Fix it, they demand. When it doesn't get fixed, they grow impatient with institutional gridlock. Many younger people especially, growing up in a just-in-time world, or in a virtual world, have no patience with the painfully slow pace of change. They are not only impatient; they are also mobile. They understand that jobs move, and many younger Canadians move within the country, or in and out of it. They want access to services, wherever they are within Canada, and are impatient with the jurisdictional wrangling that repeatedly gets in their way.

The Two Faces of Federalism: Canada at Home and Abroad

More important to the way a federation works than the degree of centralization or decentralization is agreement on norms and rules that govern the way the orders of government relate to one another and manage policy differences. Consensus on norms and rules oils the wheels of federal structures.

The federal government in Ottawa understands this issue very well. Historically, Ottawa has led the discussion internationally on the importance of rules-based regimes in the management of global public policy. It was a leading presence at the creation of the UN and has been an innovator ever since in the creation and design of new formal and informal institutions to manage global policy issues. It was, of course, Lester Pearson who creatively inserted peacekeeping between the chapters of the UN Charter and led in the design of new rules for management of global conflict. In the last decade Canada was the lead innovator on a treaty to ban land mines, a treaty that originated outside the UN in a parallel process of negotiation. The federal government worked actively in partnership with a network of non-governmental organizations to go around gridlocked institutional structures at the UN and, by going around, drove a new treaty to completion. Canada was also an important partner in the creation of a major new international institution, the International Criminal Court. Internationally, the federal government has shown itself to be nimble at creating new networks and channels to solve problems, and adept at institutional innovation.

We have long urged our neighbour to the south to follow the rules and abide by the rulings of the NAFTA panels. It was Canada that insisted on a dispute resolution mechanism when it was negotiating NAFTA with the United States. Canadian governments of all political persuasions have agreed that rules-based regimes, dispute resolution mechanisms that are built into agreements, and a willingness to come to the table and negotiate differences are the essential lubricators of a well-functioning global political order. Canada, more than any other state of its size and strength, has opposed unilateral action. Historically, our federal government has been a rule-maker and a rule-taker. It is how we have pursued our interests, and it is how we have defined our personality globally.

Yet in the last decade, that same federal government has behaved very differently at home. Federal governments have entered into the jurisdiction of provincial governments without consulting provincial premiers. They have made unilateral announcements about federal spending in areas of provincial responsibility. They have more than once unilaterally abrogated agreements when it suited their purposes to do so. In addition, they have repeatedly resisted binding dispute resolution mechanisms to manage a disagreement with their provincial partners. When Ottawa finally did agree to a mechanism to resolve disputes in the Social Union Framework Agreement, it never used the process it had agreed to, but systematically worked outside the agreement.

This story of unilateral federal action is not uniform. On social policy, for example, decision-making between the federal government and the provinces has at times been unilateral, at times collaborative, at times independent and non-hierarchical, and at times hierarchical and independent.³ No single policy regime guides the management of the social union. The unilateral actions by the federal government, however, in areas where policy space is shared loom large in the eyes of provincial leaders. They are a major irritant that gets in the way of a well-functioning federation.

3 Harvey Lazar, "The intergovernmental dimensions of the social union: A sectoral analysis," *Canadian Public Administration* 49, 1 (Spring 2006).

The crucial point here is not the overlapping jurisdictions and messy sharing of power, responsibility and revenue between the two orders of government. That has been the history of this federation and will continue to be even more so if globalization continues to thicken. What is at stake is the unilateral exercise of power, the failure to consult and the unilateral abrogation of agreements.

It is difficult to integrate these two faces of the federal government into a coherent whole. The discordance between the voice of the Government of Canada abroad—rule-maker, rule-follower, negotiator, mediator, enabler, facilitator—and the voice of the same government at home—rule-breaker, unwilling negotiator, go-it-alone unilateralist—is stunning. The federal government at home historically behaves much like those governments it roundly and repeatedly scolds abroad.

Yet Canada's prescriptions for a well-oiled global political order make just as much sense for a well-functioning federation. Indeed, as Canada and the provinces become individually and collectively more engaged in the global economy and in global society, it becomes more important that our federation be governed by the same commitment to norms and negotiated rules that we urge abroad. The Canadian federal system has no norms or rules to govern its business. No network—or hierarchy, for that matter—works well without shared norms and rules. I argue that, in networked federalism, rules of the road are especially important. The most successful networks succeed because they have a well-developed consensus not only on ordering principles and norms, but also on a small number of rules that govern shared behaviour.

The Absent Face of Federalism: Cities

Cities are an unrepresented voice in our federal architecture. In Canada, an important “local” voice is missing. The sharpest fiscal imbalance in this country is between large cities—Montréal, Toronto, Winnipeg, Calgary, Edmonton and Vancouver—and the two orders of government. Historically, the municipal tax base of all the cities in Canada has been far too low to provide the transit, the social services and the infrastructure needed by the modern, dynamic cities that are home to 80 per cent of Canada's population. The mayors of large cities

in Canada navigate between the two orders of government, moving up and down the hierarchy, pleading for funding to meet basic needs and provide basic services. Our cities are at risk, largely because they do not have adequate revenues to repair crumbling infrastructure and maintain social services, even in a period of prosperity. When recession comes, as it inevitably will, the burden will fall disproportionately on cities.

The dilemmas of cities are made more acute by processes of globalization. Canadian cities are growing in dynamism, in their attractiveness to entrepreneurs and new immigrants, as engines of wealth, as innovators and as incubators of new forms of cultural expression. They are the “local” sites of creativity. They have become the “hubs” connecting diverse populations to hubs worldwide, the links in global chains. Our cities could become powerful global players, generating resources that dwarf those of provincial and federal governments. They are likely to be the primary producers of cultural products that trade directly in global markets and “brand” Canada. Cities invest their tax revenues primarily in infrastructure, safety and tourism to increase their attractiveness as hubs. But these cities do not have an adequate tax base to meet the needs of those marginalized by new forms of wealth creation. It is in the cities that social inequalities grow most sharply.

Federal and provincial governments bump up against each other all the time on policies that directly affect cities. Without significant immigration, Canada’s productivity and growth will decline dramatically over the next 50 years. Indeed, in 30 years some parts of Canada may well be depopulated unless immigration increases rapidly. Immigration is a concurrent responsibility that requires a collaborative policy regime among municipal as well as federal and provincial leaders; today, immigrants settle in cities. Settlement strategies are an essential element in the successful adjustment of immigrants to their new lives, historically within the jurisdiction of provinces. So is credentialing of the skills immigrants bring with them, historically the responsibility of provincially based associations and organizations. Public transportation and infrastructure, the lifelines of cities, are a mixture of federal and provincial responsibilities. Cultural institutions, which act as magnets

within cities and draw outsiders to them, are the constitutional responsibility of neither order of government but draw support from both.

Within our cities, and more generally within big megalopolises worldwide—Mexico City, Buenos Aires, Beijing, Shanghai—live some of the most marginalized people who struggle at the edges of society. Income support is partly a federal and partly a provincial responsibility. Health care is a provincial responsibility, but employment insurance is a federal program. It is in cities that the intermingling of federal and provincial jurisdictions stands out most clearly, and it is here that they are tested most sharply. It is impossible to imagine that these overlapping jurisdictions could be disentangled from our city regions, which are at the core of our future economic success.

Our federal institutions were designed in a different era. They were created to help build a national economy and reflect two founding cultures. They exist now in the context of an increasingly multicultural, multilingual and diverse urban society that is connected worldwide and mobile, and where economic lines are no longer only east–west within national boundaries, but also north–south and increasingly transcontinental. Canada now lives in a largely post-industrial global economy with institutions designed before industrialization that, at best, have adapted reasonably well to the industrial age.

THE CHALLENGES TO FEDERALISM

What does this rapid survey of federalism in an era of globalization tell us? An effort to disentangle jurisdictions, to neatly sort responsibilities and match them to revenues, as seductive a picture as that is, is an impossible task. It is also not desirable.

Roger Gibbins argues in this volume that it would be helpful to distinguish the provincial responsibility for place from the federal responsibility for persons. This idea is attractive conceptually: it provides a tidy organizational schema and promises to minimize the fractious bumping up of one order of government against another that

has become so well known and so disliked by Canadians. However, it is very unlikely that we can easily separate persons from institutions, nor can we separate institutions or persons from place. Federal funding for most social services, for example, is partly direct to persons and partly indirect through transfers to the provinces. Funding for post-secondary education, for example, follows students to only a very limited degree. A significant proportion of federal funding for post-secondary education goes to research done in universities. The students are mobile but the universities are not. In this sense, federal funding is partly place-based. Funding for health care follows people not at all. It is place-based and would be very difficult to change. There are practical constraints, then, to a neat separation between roles and responsibilities in a federal structure such as ours.

I would like to make the more controversial argument that neat division and alignment is the wrong paradigm. If we think again about cities in the next 50 years, they are likely to be the site of “local” voices, engines of the economy, sources of innovation, sites of immigration and settlement, homes of the creative arts, places where the demand for social services and health care will be the strongest, neediest of renewal of their infrastructure, epicentres of epidemics, homes to head offices of global firms and locations of Canada’s research-intensive universities. Cities, not formally represented in our federal structure, will be the focal point, the site, of globalization.

In cities the responsibilities and the revenues of all three levels of government will be hopelessly intermingled, in theory, in policy and in practice, in persons and in places. It is from this intermingling, the friction of bumping into one another, from encounters rather than separation, from interconnected conversation rather than from silos, that creativity will flourish—in businesses, in universities, in the arts and in government. It is from collaboration across diverse sectors, diverse ways of thinking and diverse governments that innovative ideas and programs will grow.

I argue, therefore, that the federal project in Canada is not to disentangle overlapping jurisdictions. It is to acknowledge complexity and

pull on the best from the private, voluntary and public sectors to create shared policy space across levels of government for new ideas, feedback and correction. Our challenge for the next 25 years is not to simplify and order, as we intuitively think, but to build a grid that allows all three levels of government to manage complexity and avoid the gridlock that can be so crippling. The model of networks embedded in a grid is, as I will argue below, a more useful metaphor than that of parallel lines of government neatly separated from one another.

I call this “networked federalism,” located in a grid where movement is along many of the axes, not through a central hub. Others call it the “whole of government” or “multi-level governance.” The idea is the same: for hard and complex problems, the resources, expertise and jurisdictional authority of all levels of government need to be deployed in a coordinated way.

This is a hard argument to make today in a country that is prosperous, with an unemployment rate at historic lows. There is no guarantee, however, that present rates of growth will continue; indeed, the widening gap in productivity is a flashing orange light. Canada needs to invest in research and development, in new environmentally friendly technologies, in education, in science-based industries, in building the capacity to take discoveries to market, in state-of-the-art infrastructure, and in the support of its arts and culture that helps to make this country and its cities such attractive places to live. None of this will happen in silos.

Federal, provincial and municipal governments must work to forge new, more flexible structures that are more nimble, less rigid, less cumbersome and more transparent to Canadians. Contrary to much of the current public rhetoric, the principal issue is not accountability. On this issue we are using a sledgehammer to crack a nut and, in the process, crippling our public institutions. Corruption may be a terrific campaign issue, but it is not Canada’s most important challenge. We need to let our officials loose, to free them up, so that they can take some reasoned risks as they work to position this country in a global market and society. Most Canadians are already there. We now need to let our governments catch up to us.

THE “NETWORKED” SOCIETY

What does “networked federalism” mean conceptually? What would it mean in practice? How would federalism change if it were networked? Would networked federalism help to solve the problems of institutional deadlock that are so frustrating to Canadians across this country? State power is alive and well, skeptics would argue correctly, and hierarchical institutions—command-and-control institutions where orders come down from the top and compliance flows up from the bottom—still shape significant parts of our society. Governments and federal arrangements are a fixed part of Canada’s landscape and will remain so.

It is important to qualify the claims that I will make for networked federalism. Institutions rarely disappear, but as new institutions and forms of social organization appear, they cohabit within shared space and change their function. Our federal institutions need to cohabit and share policy space. To function within this larger grid, they are going to need better traffic rules and more roads. I develop these arguments in part by telling a messy historical story of institutional evolution and cohabitation and then by looking over the frontier of social organization before pulling back again to look at our federal arrangements.

Tribes, Hierarchies, Markets and Networks

First, the evolutionary history of social organization. To make this narrative a little easier to follow, I borrow David Ronfeldt’s story of history as an evolution through different forms of social organization.⁴ Societies have evolved through four basic social units, he tells us, which exist in different combinations. We began as clans and tribes, organized as extended families around kinship. In some societies today clans and tribes still remain the most important unit of social organization. It is hard to think about Saudi Arabia or Somalia, for example, without giving pride of place to tribes in politics and society. In their

4 David F. Ronfeldt, *Tribes, Institutions, Markets, Networks: A Framework about Societal Evolution* (Santa Monica, California: Rand, 1996).

purest form tribes are rooted in ties of extended family and kinship, in remembrance of a common ancestor and common traditions. Tribes have evolved and continue to exist in even the most advanced societies through their cultural and social ties.

Hierarchies soon emerged to coexist with tribes and then to replace them as the dominant form of social organization. Empires and armies are hierarchical, as is the modern bureaucratic state and the corporation. Hierarchies have centres for decision and control, usually at the apex of the pyramid. Members report up and manage down. Think of the difficulties “whistleblowers” usually experience when they challenge the top of the pyramid. Hierarchies are more open than tribes because we can join a hierarchy, even if we are not connected through kinship. The weakness of hierarchies, however, is their limited capacity to handle complex flows of information and exchange. Information and exchange are all routed along the same roadway that gets more and more clogged, especially as volumes of traffic grow.

Open competitive markets rose to prominence in part because they were so much better at handling these complex flows of information and exchange. In an open market, in theory but often not in practice, everyone is free to join, as long as they participate in an exchange. Markets generally work to open up spaces. The weakness of markets is their tendency to create uneven distributions of wealth, to grow inequality along with wealth. In the modern era the state regulated markets and redistributed income to moderate these inequalities. Working in contrapuntal tones, hierarchies and markets dominated the last century as the principal forms of social organization. In the process states took on new responsibilities and forged new social contracts with citizens. The state hierarchy evolved.

Networks, the latest organizational form to become prominent, are growing in importance because they are especially good at dealing with dense flows of information. They connect all members to each other in a “flatter” structure, without a pyramid and sometimes even without a formal centre. They enable communication and collaboration among members who may be dispersed in different organizations, in space and

in time. Networks multiply the channels through which information and exchange flow, and are, therefore, much less subject to blockage and gridlock.

Although networks have existed for centuries, the revolution in information and communications technology enabled them to proliferate and grow. They are only now becoming socially important because of their comparative advantage in handling the large volumes of information that flow around the world at unprecedented speed. Networks are joining tribes, hierarchies and markets as contenders to shape societies and states.

What is a network? We can think of a network as a collection of connected points or nodes. It can be one terminal connected to the Internet, or one expert communicating with another in a common network devoted to a shared problem. I am a member of a global network that uses e-mail every morning to share information and exchange views. In our network we all communicate directly with one another, without going through a centre that controls the flow of information, in what is called a “distributed” form of communication.⁵ In a distributed network messages are broken into individual “packets” that then take many different paths to reach their destination. This kind of transmission allows communication to continue even if some nodes are destroyed or not working. When one node is not working, information is rerouted to others. In my e-mail network, when one expert has turned off her computer, information still moves to the other computers; it is not blocked because one node is off-line. Networks are resilient because of their built-in redundancy; the more nodes are added to the network, the more resilient the network as a whole becomes. It is this distributed pattern of communication that makes gridlock much less likely as information moves simultaneously along several paths. Ask any commuter in a large city: reducing gridlock is a huge comparative advantage in a just-in-time world.

5 Paul Baran, *On Distributed Communications* (Santa Monica, California: Rand, 1964), and Katie Hafner, *Where Wizards Stay Up Late* (New York: Simon and Schuster, 1996).

When a new form of social organization—such as a network—becomes prominent, older forms adapt. The most advanced societies have absorbed each new form of social organization without destroying its predecessors. New combinations emerge through adaptation and change the way older structures work. Hierarchies changed the way tribes operated, and markets changed the way tribes and hierarchies worked. As markets grew, states assumed the responsibility of moderating the inequalities that markets created. As the network grows in prominence, it too will change the way tribes, states and markets work.

Corporations have already moved to more networked forms of organization to do business in global markets. They are consequently able to move information, ideas and products much more quickly than they could if they were organized exclusively as a hierarchy. Corporate headquarters set goals and strategies, and generally monitor overall performance, but decision-making has been pushed down and out through global supply chains.

It is not only the corporate sector that has become more “network-like” in its behaviour. Using distributed forms of communication, open global networks of every kind have multiplied in the last decade: civil society activists, journalists, scientists, physicians, lawyers, scholars and environmentalists. These networks have created new conditions for local and global political action. They have been able to go around one state to work with another to innovate on policy. One of the obvious consequences of networks, a consequence that we do not often talk about, is that states have lost their monopoly on public policy. They are already sharing space in the formulation of many public policies. Many of the new policy ideas are already generated outside government structures.

We may be only at the beginning of a revolutionary phase in information technology. The ongoing revolution will continue to diffuse power further from traditional command-and-control structures—away from hierarchies. The capacity of tiny silicon wafers is still multiplying, enabling computing power to grow as its costs per unit decline. As costs decline networks will multiply and thicken, and software will become “smarter” still and develop the human capabilities of voice

and vision. If not in the next 10 years, certainly within the foreseeable future, we will see the “death of distance” as people anywhere will be able to connect in real time.⁶ Advances in biotechnology and microelectronics will also create new capabilities for connectivity and “micro-sensing.” We are on the verge of allowing “grid” technology to lash computers together to solve shared problems. Technology would become almost like a utility, where users could then tap in to the problem-solving capacity of powerful unused computing capacity anywhere within the grid.

We need the equivalent in our political institutions. Policy-making is becoming less hierarchical as policy players from across sectors of society become more actively engaged in the policy arena. Multiple players participate in converting problems into policy issues, in putting these issues on the policy agenda, in disseminating policy-relevant knowledge and in informing public debates. The making of public policy is becoming more network-like, with policy experts and highly knowledgeable policy watchers connected to government. In this sense our federal architecture is already living in a networked environment.

How has this sharing of policy space worked globally? Networks of human rights organizations have created new platforms to press governments to be accountable for the treatment of their citizens. They partnered with states to push for the creation of the International Criminal Court to hold leaders accountable for genocide and crimes against humanity. Over the last two decades these networks have changed norms and expectations worldwide about human rights. It was a network of non-governmental groups that partnered with Canada and other like-minded states to engineer the treaty banning land mines. The treaty was developed through this partnership, in a parallel process outside the UN. Only in its very last stages did the process become “official.” Transparency International is a networked organization that monitors

6 Frances Cairncross, *The Death of Distance: How the Communications Revolution Will Change Our Lives* (Boston: Harvard Business School Press, 1997), and the United States Commission on National Security/21st Century, *New World Coming: American Security in the 21st Century* (Washington, D.C.: U.S. Commission on National Security/21st Century, September 1999), pp. 6–8.

corruption in governments worldwide. Networks of environmentalists push to hold governments and corporations accountable for their performance on environmental commitments. Citizens networks use boycotts to hold corporations accountable for their labour practices and push for “fair trade.” Across the spectrum of public policy, locally and globally, networks are sharing—and shaping—policy space with states and in markets. They are changing the way states and markets work.

Before turning to networked federalism and shared policy space as the federalism of the next few decades, I tell one last story of what may lie just over the frontier of social organization. It is a fascinating story of new understandings of the “ownership” of the knowledge that is created and travels through networks.

Over the Frontier: Policy-Making and Creativity in the Open

The ownership of knowledge is a central issue for states, markets and networks that operate in the global economy. In the last several years, the battle has played out largely on terrain defined by well-known institutions. Within the World Trade Organization (WTO), broad coalitions of developing countries and non-governmental organizations have challenged the legal regimes surrounding trade in intellectual property and services. Copyrights and patents for essential medicines to contain pandemics and treat their victims, for example, have been one of the epicentres of controversy. Networks of non-governmental organizations have led the effort to remove restrictions so that low-cost anti-retroviral drugs can reach the millions within the poorest societies who are stricken with AIDS. Doctors Without Borders built a coalition of non-governmental organizations to negotiate with the pharmaceutical companies under the auspices of the UN. The negotiations broke the logjam: they led to an enabling resolution at the WTO meeting in Doha in 2002 and to reductions in the price of anti-retrovirals from \$15,000 to \$300.

The successful movement to develop “open source” software was very different. Software code is a set of instructions for a general-purpose computer. It is the code that provides the operating system and enables the hardware—the machine—to work. Computing is central to

the information revolution, to the knowledge economy and to the networked society. The story of open source software is not a story at the margins, but one that goes to the heart of the way networks may change the way states and markets work.

The story of open source begins with the personal computer. Once it became available, programmers began to come together in clubs, informally, to experiment and fool around. They began to write, share and borrow code to see what they could do. The battle was joined as early as 1976, when Bill Gates, who with his partner had written computer language that could run on one of the first mass-produced PCs, wrote a letter to the “hobbyists,” charging that they were stealing software. This practice of “thieving” software, he argued, would stifle innovation.⁷ These lines of conflict between open sharing and closed proprietary knowledge still exist today.

Richard Stallman, an early pioneer of open source at the Massachusetts Institute of Technology, rejected the standard arguments about intellectual property and proprietary software. On the contrary, he said, they made “pirates” out of people who wanted to help each other solve a shared problem. They “ran directly against the moral sentiments of a decent society.”⁸ Stallman established four fundamental freedoms in a manifesto he released in 1984: the freedom to run the program for any purpose, the freedom to modify the program, the freedom to distribute copies, and the freedom to change and improve the program and to redistribute modified versions so that others can benefit and modify again. Stallman’s manifesto was the kernel of the open source community. He developed the General Public License (GPL), which he called “copyleft” rather than copyright. Software that is licensed under GPL cannot be made proprietary by anyone who uses it. In effect, Stallman established some basic rules for operating a network to develop software.

7 Steve Weber, *The Success of Open Source* (Cambridge: Harvard University Press, 2004), Chapter 2, p. 22. Weber has written a superb analysis of open source, and I draw heavily from his work.

8 Weber, *The Success of Open Source*, Chapter 2, p. 35.

In 1991, Linus Thorwald, a young computer scientist at the University of Helsinki, released the source code of an operating system that he had developed to an Internet newsgroup. He called the source code Linux and invited others to modify it, improve it and circulate their improved code, as long as there were no restrictions to distribution. By the end of the year, 100 hackers worldwide had joined his newsgroup and the first open source network was up and running. Fifteen years later, in an astonishing story, Linux runs more than a third of the servers that make up the World Wide Web, is being used by the Pentagon for specific tasks and is challenging the market giant Microsoft. This enormously complex and sophisticated operating system was built—and is being built—by the voluntary contributions of thousands of people spread around the world, linked together through networks.⁹

These knowledge networks, often drawing on spare processing capacity from computers linked in a grid worldwide—capacity that is volunteered by their owners—produce software that they do not copyright and that they release freely along with its source code. Anyone is welcome to redistribute the modified package to others free of charge. Thousands of volunteers have come together to collaborate on a complex product, sustain that collaboration over time, build a product that challenges some of the most powerful global corporations and give that product away.

The story of open source software is almost impossible to believe. It defies economic logic. Yet, contrary to prevailing logic, work on the product continues and the network model is spreading to other areas of research that seek to provide knowledge-based “public goods.” Less radical experiments are going on elsewhere. Customers are co-creating products. In 1998 Lego introduced a build-your-own robot kit with a proprietary microprocessor and operating system. A university student quickly reverse-engineered the software and posted it on the Net. Operating as a distributed network, programmers around the world began writing applications, and after initial resistance, Lego now

9 Weber, *The Success of Open Source*, Chapter 3, pp. 1–2.

actively promotes customer-written applications. Here, customers work for Lego—for free!¹⁰ The success of open source tells an important story of the potential of networks to change the way markets behave, even when strong legal protection shapes the market.

It also tells a story of a changing concept of property that can reconfigure the relationships among networks, markets and states. We generally understand property as an enforceable claim with regard to some “thing.” Where property regimes exist, the owner can exclude others in ways that are consistent with the regulations embedded within the regime. I own my home, so I can prevent you from coming inside, if I so wish. Indeed, some scholars argue that the creation of core property rights enabled the development of modern economies and their absence helps to explain why some economies fail to develop.¹¹

Open source networks and systems redefine property as “the right to distribute rather than to exclude.”¹² This redefinition of property has potentially fundamental implications for processes of knowledge creation through networks. One can imagine the coming together of knowledge networks configured around the right to distribute that could vastly increase the supply of knowledge as a global public good. Knowledge would be produced collaboratively through networked processes that draw on the work of networked individuals and would be governed by new norms of fairness in distribution. Innovation could change dramatically, as could the distribution of wealth, if open source networking grows to become an important paradigm.

The story open source networking tells, while still sketchy and preliminary, and almost visionary, is nevertheless important. It speaks first to innovation through networked processes. Knowledge networks are not a passing phenomenon; they are fast becoming the most important global form of production and exchange. They are important not

10 Don Tapscott and David Ticoll, *The Naked Corporation: How the Age of Transparency Will Revolutionize Business* (Toronto: Viking Canada, 2003), p. 85.

11 Douglas North, *Institutions, Institutional Change, and Economic Performance* (New York: Cambridge University Press, 1990).

12 Weber, *The Success of Open Source*.

only because of the knowledge they produce and disseminate, but also because of the social organization and innovation they enable. The most significant consequence of open source networking is likely to be the changes in social practices that challenge legal, political and social barriers to openness.

Open source tells a story of a potentially radical bottom-up transformation of what knowledge means, of rights and entitlements. The transformation comes not from advances in science and technology, not from the policy authorized by states or by the courts, but from the “community of practice” these “knowledge workers” have established, their norms and their values. This is, at its core, a story of new norms that reshape practice. Older, hierarchical orderings of policy space lose their meaning in a context of a volunteer network that distributes its products freely, in an endless cycle of innovation.

The success of open source challenges our conventional notion of cheaters and thieves—of those who steal, as Bill Gates put it 30 years ago, the ideas and work of others. Open source sees proprietary knowledge as an obstacle to innovation and creativity. It also challenges conventional concepts of political space and institutional design. Open source networks do not worry about stealing or bother with performance measures, the current obsession of many who design ever more elaborate accountability systems for everything. Performance is “measured” every day by the usefulness of the code you write, and by how interested other people are in the code you post for others to see. Mistakes and bugs are not the issue; if you write something that is potentially useful, others will find the errors and debug the problem. Nor do open source networks worry about the perennial problem of “free riders,” those who use work without contributing. Almost everyone contributes eventually, because as they use programs, they find bugs and limitations that others then fix. The usefulness and creativity of the code you share make reputation grow throughout the network. Network members “know” the innovators.

Open source is, finally, a story of the governance of shared space. Those who participate in the open source community voluntarily abide by a set of principles and norms that they share. Through a simple set

of rules, which members voluntarily accept, the network governs an ever-increasing volume of traffic along multiplying routes. In large part because the routes increase as traffic grows, this network provides almost instantaneous feedback about errors that is widely shared. There is constant quality improvement with very low transaction costs. It is not difficult to imagine that the open source paradigm will spread widely through research sectors to product delivery.

CANADA BY MONDRIAN: NETWORKED FEDERALISM

What, you may well ask, does this story tell us about the future of federalism in Canada? There is quite a stretch, you would be justified in arguing, from shared policy space in open source software to shared policy space in networked federal institutions. I argue that the leap of faith is not quite as big as it first appears. Drawing on the stories I have told about the global economy, global society, networks as an emergent form of social organization and innovation as shared policy space, I want to make a set of interrelated arguments about federalism in Canada.

- 1. Networked federalism is most suited to areas where policy jurisdictions overlap. Networked federalism is especially likely where global economic and social issues converge in Canadian political space. In areas where either order of government not only has a legal monopoly but also exercises exclusive jurisdiction, shared policy space is unlikely to develop.*

I am not arguing that networked federalism replace or substitute for the existing legal and institutional arrangements that govern federalism in Canada. Nor am I arguing that these arrangements are inappropriate for those policy areas where policy does not cross, intersect and overlap jurisdictions. Defence spending, for example, will obviously remain an exclusive area of federal activity, with no maladaptive consequences.

There are, however, remarkably few such policy issues that can be neatly segregated. International trade, for example, now directly impinges on provincial and municipal interests. Take, for example, the issue of the border between Canada and the United States, seemingly a straightforward issue of exclusive federal jurisdiction. Yet the practice is already very different. A summit meeting on “borders” in Gimli, Manitoba, in May 2006 included most of the provincial premiers, many U.S. governors and the ambassador from the United States to Canada, as well as the Canadian ambassador to the United States and the Prime Minister of Canada. The summit followed the annual Western premiers’ meeting, hardly the usual venue for this kind of international and federal–provincial discussion. Recent controversies over softwood lumber and passports convinced the Premier of Manitoba, however, that premiers and governors had to be part of Canada–U.S. discussions. Around this meeting parallel groups of experts from both countries have met to explore management of shared borders and are working together to feed their reports to federal agencies in Washington and in Ottawa, as well as to premiers and governors. New ideas and information are moving, not along a single track, or up a chain of command, but along several tracks simultaneously connected in a grid-like structure. Even on an issue where one order of government has exclusive jurisdiction, the practice of federalism looks more and more like a network running along a grid.

How does this practice of networked federalism change the way federalism works? It provides more comprehensive information in a timely way and allows information to move around institutional blockages in central nodes. It is difficult to exaggerate the importance of just-in-time comprehensive information that can help to inform policy agendas. Networked federalism should also increase the costs of unilateral action by the federal government. As the participants increase in number and significance, it becomes harder for the federal government to abrogate understandings that are the result of a broadly based consensus.

Critics of networked, messy federalism could well respond with derision. Of the claims that can be made for networks, the claim that

they are more functional and efficient at decision-making is the most dubious. “Death by a thousand public consultations and working groups,” one critic observed, “seems the more recognizable fate.” This argument conflates form with substance. Public consultations are often cynical exercises to manipulate opinion. Governments know that opinion is divided and that the consultations will produce enough division so that they can do precisely as they wanted once the consultations are over.

The concept of networked federalism starts from a different place. In a network governments connect with those who have important information, good policy ideas or strategic assets in policy implementation. Since network membership is voluntary and fluid, those who participate expect real benefit over time. Federal, provincial and state leaders who came to the Manitoba meeting expected to be better able to go around the one or two central players that generally control the flow of information on these kinds of issues. Practically, they wanted information flows to look much less like a hierarchy and more like a grid. Some of those who came also wanted unmediated and unfiltered access to information. They expected to acquire valuable information, push new ideas or proposals, and broaden the policy framework. All this on an issue that is classically considered one of exclusive federal jurisdiction.

Who has final power of decision when there is no consensus? This is a legitimate question to ask of networked federalism that works less through formally articulated channels and more through multiple connections of official and unofficial participants, decision-makers, “policy wonks” and stakeholders who come in and out as the issues and problems change. In mixed networks of the kind I am talking about, decision-making power remains at all times with those who have legal authority. There is no ambiguity whatsoever about where the power to decide rests. Decisions are made by those empowered to do so, but in an iterative process, major decisions usually provoke a further round of problem-solving discussions as new questions arise. Feedback can be almost instantaneous.

What about accountability in networked arrangements? Who is ultimately held accountable by voters for getting things done? Networks generally place much less emphasis on accountability and representation, and pay much more attention to innovation and problem solving. The best networks generally wrestle with a problem, looking for new information and new ideas, and working to frame a problem so that it becomes more tractable. They judge each other by the value of the contribution they make. Over time, reputations are built for different kinds of skills and contributions—quality information, good ideas, a willingness to experiment, ideas that work. Within the network, then, accountability does not loom large.

A focus on innovation and problem solving among people who have come to know and respect each other is not enough for voters. Voters need to know who is responsible for moving the agenda forward and who is blocking agreement. When all is said and done, whose file is this? Networks are not much help in answering this question, other than by the reference to formal responsibility. On public security, for example, even though federal and provincial governments must work together and with partners in the private and voluntary sectors, it is federal officials who will be held formally accountable for achievements and for errors. The thrust of my argument has been that this kind of accountability, while politically necessary and legally mandated, is nevertheless misleading in our complex environments. Perhaps we are asking the wrong question.

I have argued that the global context in which federalism operates joins issues together in new ways and creates unanticipated linkages. I have already talked about shared public policy space in our cities, but many other policy issues—public health and health care, emergency preparedness, research and innovation, infrastructure, security—come to mind. Security, which falls exclusively within federal jurisdiction, may be a surprise on this list. Yet it is now people organized in networks, rather than states, who are more likely to be security threats. Many criminal networks and networks of terror thrive in urban areas and have local as well as global connections. Federal security agencies

will be unable to do their jobs without the active collaboration of agencies at the provincial and municipal levels. A silo approach, as the United States learned on September 11, 2001, can generate devastating failure. The issue was not jurisdiction, nor roles and responsibilities, but the sharing and pooling of information in a timely way. Asking who was accountable for the intelligence failure was not terribly helpful in figuring out how to do better in the future.

How would “networked federalism” help on these kinds of issues? The way it has begun to work already, only more so. The three levels of government would come together to create a shared policy space, governed by a minimum of rules. Networks of citizens and experts would be invited to contribute ideas. Officials would be encouraged to look outside Canada for innovative solutions. Officials from governments and other relevant institutions would work together to draft policies that could be shared until a consensus emerged or the responsible level of government was satisfied. Each level of government would contribute proportionately to the funding and would work out its contribution in collaboration with the other two. Small, temporary secretariats drawn from all three levels of government and other institutions would be created to evaluate the consequences of policy after it was rolled out and to provide feedback throughout the network. That is how highly functional networks work.

This kind of problem-solving network would be a parasite that would draw from existing institutions. It would borrow infrastructure, postage, telephones, a little space and, most important, people. Networks of this kind appear to be inexpensive because, like their open source counterparts, they are making use of capacity that is available, at least for the moment. In this kind of network, federal, provincial and municipal governments keep their identities; indeed, the need for recognition can be better met this way than it can be in adversarial bargaining. A non-hierarchical, interdependent problem-solving network focuses on cross-policy linkages, consequences that cross jurisdictions, and design of modalities to get quick and constant feedback so that errors are corrected on an ongoing basis. It is possible to imagine immigration

policy that is coordinated with settlement, infrastructure and housing in major cities across Canada.

Some of what I am describing already happens, albeit in partial and limited ways. Officials from different jurisdictions do meet, share information and talk about coordinated solutions to problems. Federal and provincial officials are working together with private partners on emergency preparedness and on managing pandemics. The new *City of Toronto Act*, given first reading in December 2005, contains an important provision for “shared policy space” with the province. This is the first time in Canada that the policy development role—as opposed to a service delivery role—of a city will be recognized in legislation. There are a few, small experiments in tri-level approaches to problem solving in cities in the West. It is not happening often enough, however, and not broadly enough. When officials from the different orders of government do meet, moreover, they often complain privately about their lack of confidence in one another.

2. *Networked federalism requires “sticky networks” and social glue.*

It is this social glue—shared norms, shared values, long-standing ties of friendship—that often underpins highly functional networks. From this perspective, federalism can be seen as a structure that is given life by the networks of informal political and social relationships among public officials, policy experts and academics that connect one order of government to another. In Canada, there is a limited number of officials and experts who come to know one another over the years. These “sticky networks” of teachers and students, of officials and advisors, of policy experts and researchers, of staffers and pollsters, traditionally have helped to glue the social fabric of federalism together.

In the last decade, these sticky networks have not worked as well as they have in the past. Particularly since the sharp cuts in federal transfers in the mid-1990s, confidence and trust among officials from different orders of government seem to have broken down. The capacity to talk informally together, to complain about their elected bosses

and to share stories seems to be much less than it was a decade ago. In a series of interviews with provincial officials across the country that I did recently, I was struck by the distrust, the suspicion, the resort to “enemy” language. I was more familiar with that kind of imagery in international politics, but, to my surprise, it was alive and well in federal–provincial relations. It is troubling to hear this language in Canada.

When these “trust networks” break down, federal–provincial relations become rigid and brittle. Without these sticky networks Canadian federalism becomes less able to share information across boundaries and less able to innovate, to test ideas, to broker compromise and to move in something that remotely approaches “real time.” The inability to talk freely, to go out for a beer with a federal or provincial counterpart, all make the day-to-day business of federalism much more difficult. Here networked federalism can compensate, at least to some degree. The shared experience of working on a common problem, repeated rounds of engagement, the sharing of data and the pooling of information all help to break down barriers and build the sticky relationships—the “trust ties,” as J. Stefan Dupré described them, that are essential to the functioning of any network.

3. *Networked federalism does not require constitutional change, or the creation of a completely new set of institutions.*

The proposals I am making for networked federalism require neither constitutional amendments nor formal institutional change. On the contrary, all that is required is the linking together of existing institutions in new chains of connections, connections that can form and dissolve as necessary. The historic advantage of networks is their capacity to form and sustain themselves and contribute to policy generation and implementation if there is agreement on principles and rules. Their geometry is variable. In this sense, networks are more flexible and less rigid than deeply embedded institutions.

What networked federalism absolutely does preclude is unilateralism. I argued earlier that there has been a disturbing pattern of

unilateralism in the last decade by the federal government in its relationships with the provinces. Unilateralism undermines networked collaboration; indeed, it makes it impossible. Were the federal government to commit to a networked process, it would be committing to a collaborative solution. Why would it do so? Only because the process promised better, cheaper and faster information, a better capacity to identify linkages and unintended consequences among policy issues, better ideas than the federal government could generate alone, and better and cheaper feedback. These are considerable advantages, even to a government that has relatively greater resources. Finally, the federal government would have to get greater recognition and visibility, as would all other levels of government that participated in a networked process.

4. *Networked federalism, to succeed in Canada, will require a deep change in culture among political elites.*

I have left the most serious obstacle, the one most likely to cripple experiments in shared policy space, to the last. The most serious obstacle to the renewal of federalism in Canada is the deeply embedded political culture of rights and entitlement of both orders of government and their emphasis on control. Over and over again, we hear about the rights a government has and the irresponsibility and bad faith of others. Our challenge is not another round of institutional design, but a shift in culture to accommodate networked politics.

Leaders at every level will have to move from this culture of rights and control to one of problem solving and innovation. This is probably the steepest and most important challenge Canada's leaders face if our institutions are to remain relevant to large numbers of our citizens, especially our young people. If this sounds like a tall order, it is helpful to remember that this kind of shift has already occurred in the corporate and voluntary sectors. In these two sectors, there were the equivalent of "centralized agencies" that play such an important role in government, but leaders in the other two sectors are more disciplined by their environments and, consequently, move faster. Leaders in government have to catch up.

A new set of leadership skills will be important. Matrix management, the capacity to steer throughout the grid, to look sideways as well as forward, to have peripheral vision, is demanding of time and energy. It requires the capacity to elicit rather than to order, to listen as well as to speak, and to be alert to the unanticipated, the non-linear. Most challenging of all, network leadership requires a capacity to sustain messiness, iterated rounds of problem solving and some loss of control. The advantages, however, can be significant. When a network is working well, the quality of information, its timeliness, and the opportunity to generate creative ideas and approaches more than compensate. In a knowledge-based economy and society, it is difficult to exaggerate the value of good information and good ideas.

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Networked federalism will not solve the most important issues that dominate current federal–provincial discussions. At least, it will not do so directly. The Picasso-like arguments about the fiscal imbalance, or about equalization, or about representation, or about distinctiveness will not go away. These issues will remain part of our institutional landscape. They may, however, not continue to be the most prominent issues.

First, in a context of networked collaboration, of good governance of shared policy space, of a growing habit of collaboration, even of shared innovation and of greater policy responsiveness in a Mondrian-like landscape, it may well be that these recurring issues that so embitter our politics will become less prominent in our federal landscape. They have not always been as prominent as they are now, especially when Canada has faced significant challenges. We face the challenge of investing in a sustainable future so that we are prepared to live in global society and compete in the global economy. That is not an insignificant challenge. None of our current preoccupations speaks to this challenge. We cannot meet the challenge of the post-industrial world if we rely exclusively on ways of managing public business that were adaptive in the industrial age.

Second, governments everywhere are recognizing that silo policy-making is inadequate. The federal government, for example, has been struggling for the last five years to reduce policy silos and to thicken the horizontal connections among departments. To give voice to what it wanted to do, it coined the quite awful word “horizontality.” Nevertheless, “horizontality” captures the urgency of working across departments and across policy issues so that linkages and consequences can be identified. Provincial governments focused on public emergencies have engaged in very similar processes. In all cases it has been a struggle. Old habits die hard, sometimes only in the face of shock. SARS, for example, shook the Ontario government out of long-standing habits.

To replicate silo decision-making in order to reduce federal–provincial friction would be to solve a smaller problem at the expense of a much larger challenge. Societies that do well in the next several decades will be those that innovate at the edges, where different policy issues meet and create friction. Innovation of environmentally friendly technologies and development of environmental policy cannot happen in silos. Immigration and strategic infrastructure must be considered in the context of health care, education and social assistance in our large cities as a set of interconnected issues that will shape our capacity to mirror global society. If we get it right, that set of issues, bundled together as the consequences of one reshape another, will increase our productivity and our capacity to engage in the global economy.

Let me leave you with some bold assertions, deliberately phrased to provoke:

- A heavy emphasis on our traditional culture of control and order in our federal architecture will not serve us well as Canada engages more heavily in global markets and in global society. Messiness, overlap and linkage are the incubators of creativity. Creativity and innovation will happen at the edges, where the tectonic plates bump up repeatedly against one another. In Canada, we overvalue order, especially in institutional design.

- Those societies that thrive in messiness and can see new patterns in what appears to be disorder will do best. They will attract the most creative people, at home and abroad, and will lead.
- Federal institutions, like all other government institutions, must better reflect the societies they govern. Jurisdictional arguments and silo arrangements reflect the past. They slow access by government to new information and new ideas, and lag in policy responsiveness. Problem-solving networked federalism is just one approach to bringing laggard governments up to speed with their societies. Time is pressing. Just-in-time delivery is here.