**MINORITY REPORT: The Political Economy of Canada's COVID-19 Economic Response Plan**

*Summary: In the immediate aftermath of a nationwide lockdown imposed due to Covid-19, the Canadian government launched an unprecedented programme of spending to bolster the economy and avoid the worst consequences of economic collapse. Canada's COVID-19 Economic Response Plan included support for individuals, businesses, organizations, including a taxable benefit of $500 a week to individuals, a wage subsidy for employers, and a rent subsidy for commercial property owners This paper examines how the dynamics of a minority parliament impacted the economic response of a centrist government, with support from a social democrat party holding the balance of power, and suggests some implications for electoral reform and proportional representation.*

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## 1. Background and Introduction

### A. Canada's Parliamentary System

Canada follows a parliamentary system of representative democracy. The Constitution Act of 1867, which forms the basis of Canada's written constitution, provides that the Parliament consists of three components: The Crown, represented by a Governor General, the Senate, and the House of Commons. The Senate is the upper house, consisting of individuals appointed by the Governor General, and the House of Commons is the lower house, consisting of an individual elected by eligible voters in each of its 338 electoral districts by a single-member first-past-the-post simple plurality system.

The leader of the political party that has the support of a majority of the Members in the House of Commons is invited by the Governor General to form a government and becomes the Prime Minister. The Prime Minister appoints a Cabinet consisting principally of members of the House from the governing party, and together, they carry out the executive function of government. The executive, led by the Prime Minister and Cabinet, are responsible to the legislative, and must always enjoy the confidence of the House of Commons expressed through votes of confidence of its members (Marleau 2000).

Where a majority of members of the House of Commons belong to and support a single political party, they control the executive through a "majority government". In Canada, since 1867, most governments have been majority governments formed by a single political party, and only in one in four elections have voters delivered a parliament in which no single party managed to secure enough seats in the House of Commons to constitute a majority (Marleau 2000, Appendices).

### B. The 2019 Elections

In October 2019, Canadian voters went to the polls for the 43rd time since Confederation, and delivered 157 seats to the incumbent Liberal Party, just 13 seats short of the 170 seats needed to secure a majority in the House of Commons. The Conservative Party, with 121 seats, became the largest official opposition in Canadian history. To stay on as Prime Minister, Justin Trudeau would need to secure for the Liberals the support of at least one of two smaller parties in the House of Commons.

**TABLE 1: ELECTION RESULTS AND VOTE PERCENTAGE – 2015 AND 2019**

| Political Party | Seats (%vote) in 2015 | Seats (%vote) in 2019 | Difference |
|---:|---|---|---|
| *Liberal* | 184 (39.5%) | 177 (33.1%) | -27 (-6.4%) |
| *Conservative* | 99 (31.9%) | 121 (34.3%) | +22 (+2.5%) |
| *New Democrat (NDP)* | 44 (19.7%) | 24 (15.9%) | -20 (-3.8%) |
| *Bloc Quebecois* | 10 (4.6%) | 32 (7.6%) | +22 (+3%) |
| *Greens* | 1 (3.5%) | 3 (6.5%) | +2 (+3%) |

One potential partner was the Bloc Quebecois, which won 32 seats, an all-time historic high for the sovereigntist party that was declared irrelevant by commentators not so long ago (Hebert 2010). Why this party came "back from the dead to haunt the Liberals" remained a mystery (Montpetit 2019), but it added novelty and uncertainly to the political calculus Ottawa had come to expect. The party and its new leader, Yves-Francoise Blanchet, remained an enigma for quite some time.

The other option for partnership was the New Democratic Party, with a diminished tally of 24 seats (Elections Canada 2019), it's lowest showing since 2004, and a decline of fortunes from its 2011 historic high of 103 seats, when it formed the official opposition for the first and only time. The NDP has a long history of collaboration with the Liberals. Under leader Tommy Douglas, the NDP supported two minority Liberal governments between 1963 and 1968 led by Prime Minister Lester B. Pearson. This collaboration resulted in the enactment of landmark initiatives such as a national health-care program and the creation of a new Canadian flag. Between 1972 and 1974, the NDP under the leadership of David Lewis propped up the minority government of Prime Minister Pierre Eliot Trudeau. This cooperation led to the creation of the government-controlled Petro-Canada and a new national program for affordable housing. The NDP under Jack Layton also supported two Conservative minority governments under Stephen Harper between 2006 and 2010. In each case, the NDP extracted concessions in terms of establishing universal programs, increasing welfare spending and an expanding the public sector (Boswell 2011).

By convention, support for a minority government is tested for the first time during the debate on the Address in Reply to the Speech from the Throne (Barnes 2019). On the day this speech was delivered at the opening of the 43rd Parliament, Yves-Francois Blanchet, pledged the support of the Bloc to the Liberals (CPAC 2019). While unexpected in its timing, it made political sense: The Bloc was elated by with its record haul of seats, and likely in no rush to go back to the polls. This support secured for Prime Minister Justin Trudeau, his second term in office, and established Canada's 12th minority government.

Little did anyone know that this minority government would find itself leading the country through its biggest national crisis since the second World War.

### C. COVID-19 and the Federal Economic Recovery Plan

On 11 March 2020, the World Health Organization declared the Coronavirus Disease (COVID-19) a global pandemic. Following that, provinces across Canada, including Ontario, where the capital city of Ottawa is located, declared states of emergency and placed restrictions on gatherings and several additional public health measures. In the weeks that followed, the federal government of Prime Minister Justin Trudeau announced unprecedented spending measures aimed at mitigating the economic damage, and providing support to individuals and small businesses. This paper examines how the dynamics of a minority parliament impacted the economic response of the Liberal government, with the NDP holding the balance of power.

## 2. Dynamics of Minority Governments

### A. A Framework for Analysis

In any parliamentary system of responsible government, the relationship between the executive and the legislature is "strategically rich and complex" (Laver 2006). When a single political party or coalition has a majority in the legislature, its leader forms government, and the executive is generally assured the confidence of the legislature. However, when that is not the case, there arises a distinction between the composition of the executive, and that of the legislature. A minority government is formed, which can govern as long as there are enough parliamentarians, not belonging to the parties in government, who nonetheless support the government in confidence votes.
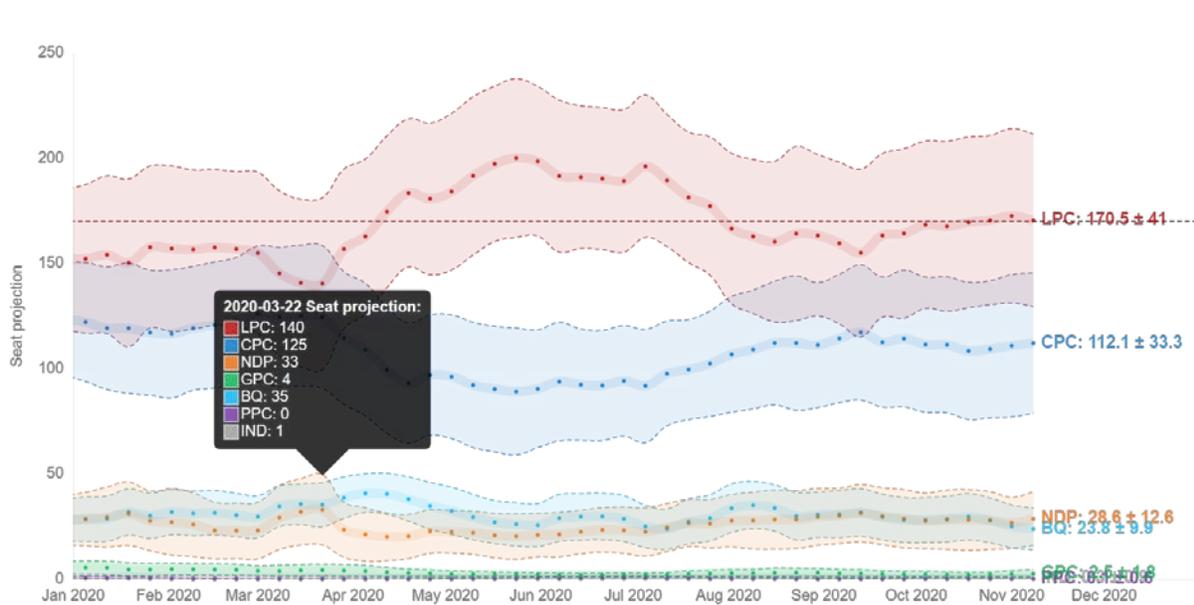
Sartori provides a framework for analysing the occurrence of minority governments within parliamentary systems (Parties and Party Systems: A Framework for Analysis, Volume 1 1976, 178) that seems particularly applicable for the Canadian context. Minority governments are usually associated with party systems that show "moderate pluralism", characterised by a moderate number (three to five) or relevant political parties, separated by a modest ideological distance. Given that there are at least three relevant parties, it is likely that no party attains majority rule, and minority governments materialise, either as a result of miscalculation, on the basis of a precise calculation, and otherwise as disguised coalitions or transitional governments. This also depends on the degree of polarisation and whether parties regularly ally with each other in permanent or semi-permanent electoral alliances (Wolinetz 2004).

Strom (Minority Government and Majority Rule 1990, 7-8) lays down the fundamental tension that underlies minority governments:

> Minority governments violate the expectation that executive and legislative coalitions are identical. Even when the distinction between these two coalitions is recognized, it is difficult to see what would cause them to differ. Why would any party agree to support the government legislatively if it gets no portfolios in exchange? From a different perspective, the puzzle is why the opposition, by definition a majority coalition in parliament, does not depose the government and take the spoils of office for itself. These puzzles indicate that minority government is a counterintuitive phenomenon in the world of parliamentary democracy.

In many ways, this dynamic played out throughout the first year of the Liberal minority government. The NDP and Bloc Quebecois seemed to have made rational decisions in supporting the Liberals by weighing the costs and benefits of cooperation (both for the ruling Liberals and the smaller parties in opposition, in terms of reputational loss or gain amongst party members and potential votes as well as the ability to secure campaign promises or the risk of deviating from them), and the costs and benefits of another election (comparing their current tally of seats in parliament with potential gains or losing based on public opinion research, with the additional consideration of the communications battle needed to avoid paying a political price, if any, of being blamed for sending voters to the polls in the midst of a pandemic).

**FIGURE 1: SEAT PROJECTIONS BASED ON POLLS** *(Source: 338Canada.com Accessed 11 Nov 2020)*



B.  *NDP support for the Liberal minority government*

By the end of the summer, due to a range of factors, including rising poll numbers made the Bloc Quebecois more enthusiastic about its prospects of winning some Liberal seats in Quebec in the eventuality of another election (338Canada 2020), the dynamic soon evolved in a way that put the fate of the Liberal minority government in the hands of the NDP (Oxford Analytica 2020). During this time, the Liberal minority government received important shows of support from the NDP:

- The first instance was in April, when the NDP agreed, along with the Bloc Quebecois, to a Liberal motion to extend the adjournment of Parliament as a part of emergency lockdown measures. This meant, in effect, that the Trudeau government answered only to a 30-member committee that met via video-conference, with minimal oversight and without the possibility of any confidence votes (The Globe and Mail 2020)

- The second instance was in May, when the NDP supported a Liberal motion to suspend regular parliamentary sittings until September because of COVID-19, amidst protest from the Conservatives and the Bloc Quebecois, and seen as "shaking up the political dynamics of the minority Parliament" (The Globe and Mail 2020).

- The third instance was in early October, when the NDP provided the necessary support to the Liberals in a confidence vote following a second throne speech outlining recovery measures, thereby avoiding a fall election (CBC 2020).

**TABLE 2: PARTNERS IN CONFIDENCE 2019-2020**

| Key Motions | Votes For | Votes Against | Result |
|---|---|---|---|
| *2019 Throne Speech* | Liberals, Bloc Quebecois | Conservatives, NDP, Greens | Liberals won |
| *Extending suspension of Parliament* | Liberals, NDP, Greens | Conservatives, Bloc Quebecois | Liberals won |
| *2020 Throne Speech* | Liberals, NDP | Conservatives, Bloc Quebecois, Greens | Liberals won |
| *Confidence vote on special anticorruption committee* | Liberals, NDP, Greens | Conservatives, Bloc Quebecois | Liberals won |

C. *Liberal concessions made to the NDP in Economic Recovery*

Early in the pandemic, on 11 March 2020, Prime Minister Justin Trudeau announced the outlines of a "whole of government plan" with a "comprehensive approach" for responding to the COVID-19 pandemic (PMO 11). On the economic front, this included:

- Strengthening investment in federal lending agencies
- Making available flexible arrangements for businesses trying to meet payment obligations to the Canada Revenue Agency
- Waiving the mandatory one-week waiting period for workers in quarantine or those who have been directed to self-isolate can claim Employment Insurance (EI) sickness benefits
- Enhancing the Work-Sharing program to help support employers and their workers who are experiencing a downturn in business due to COVID-19

The announcement hinted that the government was exploring additional measures to support other affected Canadians, including income support for those who are not eligible for EI sickness benefits. To pay for these, the government announced the establishment of a "more than $1 billion" COVID-19 Emergency Response Fund.

By the end of the year, direct federal support for Canadians and businesses would reach $212 billion (CBC 2020), and the list of federal and provincial programs would multiply manifold (KPMG 2020). What accounted for this massive expansion of the public sector and explosive increase in public spending, the largest in Canada since the second World War? Even though Prime Minister Justin Trudeau had

campaigned with a platform that anticipated modest deficits, the Liberal base of Toronto-Montreal bankers and upper-middle-class professionals hardly embrace such an expansion. It is likely, that to a certain extent, this was affected by political pressure from opposition parties, in particular the NDP, on whom it relied for political survival.

In exchange for this support, the Liberal minority government changed not just the scale of spending, but also where it was targeted, and how gaps were filled. The following table provides some illustration of the shifts that took place during these months.

**TABLE 3: THE EVOLVING RESPONSE OF THE LIBERAL MINORITY GOVERNMENT**

| Economic Response | Liberal Plan | NDP Position | Final Result |
|---|---|---|---|
| *Emergency income support for unemployed workers* | Income support through Employment Insurance (would only reach 40% of unemployed workers, include wait times, and result in bureaucratic delays) for 16 weeks | A more universal way to support workers and students was needed | The Canada Emergency Response Benefit (CERB) established and extended |
| *Long term income support* | Transition back to Employment Insurance | Extending CERB ($500 a week) | Establishing Canada Recovery Benefit of $500 per week (equivalent to CERB) for 26 weeks |
| *Income for students, caregivers, sick workers* | No plan. | Need for targeted benefits for students, caregivers, ten days paid sick leave, income for gig workers, and others ineligible for EI | Targeted benefits for students, gig workers, caregivers and others previously ineligible, ten days paid sick leave |

| Wage subsidy for employers | Subsidy should cover 10% of wages | Subsidy should cover 75% of wages | Wage subsidy covered 75% of wages |
| --- | --- | --- | --- |

From the above, that two statements can be made with some degree of confidence: (1) the NDP got much of what it wanted in expanding the Liberal government's economic response, and (2) the Liberal government got the support it needed from the NDP to survive crucial confidence votes in Parliament. As political commentator, and former NDP MP, Denis Gruending observed, (The NDP and COVID-19 Politics 2020) "It would be exaggerating to say that the Liberals have responded to the COVID-19 pandemic as they have only because the NDP was pushing them into it; but it is undeniably true that the NDP has played an important role and continues to do so."

### 3. Conclusions

While Canada's response to COVID-19 was widely praised, particularly in the United States, and is projected to result in a relatively quick economic recovery as well as a return to normal employment (CBC 2020), it is beyond the scope of this paper to test its attribution to the federal economic measures. Whether or not one is in favour of universal public sector programs and increased federal borrowing for social spending, what is clear that the above illustration is that the dynamics of a minority government made it necessary for the ruling Liberals to extend its benefits beyond its natural constituencies, and accommodate the concerns of constituencies prioritised by another political party. In a purely representational analysis, this had the effect of giving a voice to and increasing the participation of a larger proportion of the population, which should be considered a positive outcome.

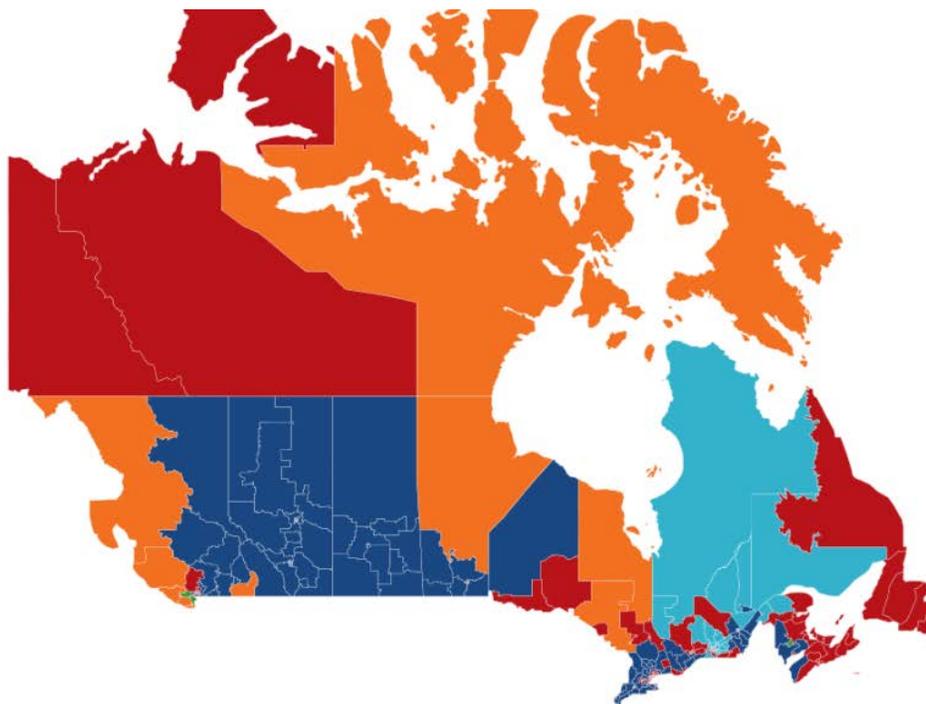#### A. *Legislative pressure is generally a positive force*

It has long been established that simple-majority single ballot electoral systems tend to favours two-party political systems (Duverger 1964, 217). Such systems, the "majority government" rarely commands the support of the majority of electors. In Canada's history, in only 3 of 23 elections since 1921 has a party won a majority of the seats and been supported by a majority of voters. It is not unusual for a party to receive less than 40% of the popular vote, and win over 50% of the seats in the legislature, and control 100% of the executive. Over the past 50 years, the emergence of the NDP, the Green Party and the Bloc Quebecois have forced the larger parties to accommodate their concerns, but they have never had as much success as they did during minority governments.

Taylor and Herman (Party Systems and Government Stability 1971) and G. Bingham Powell, Jr. (Social Fragmentation and Political Hostility 1970, 143) argue that when the party and electoral system produces majorities, party leaders tend to rely on election outcomes to orient themselves to the forthcoming election, rather than to legislative bargaining. When the electoral system does not produce a majority, the parties are more attuned to the need for coalition building.

In Canada, it could also be demonstrated that majority governments tended to ignore the will of the electorate altogether. According to one analysis, "two decades of back-to-back majorities under successive Conservative (1984–1993) and Liberal (1993–2004) governments have delivered largely on the demands of corporate Canada, not the broader electorate" (Campbell and Klein 2006).

In the Canadian system in particular, due to unique historical reasons, the Liberals, Conservatives, NDP and the Bloc currently represent vastly different regions. Geographically, consensus building amongst political parties means the representation of different parts of the country.

**FIGURE 2: ELECTORAL MAP OF CANADA (2019)**



Ideologically, each party brings its own priorities and perspectives as well, and consensus building strengthens the quality and effectiveness of government programs, and closer represents the priorities of the median voter.

*B. Minority Governments are an imperfect solution*

Luebert ("A Theory of Government Formation" 1984) explains the formation of minority governments through macro-political regime characteristics. Parliamentary systems that possessed a degree of regime legitimacy, and a high degree of consensus building amongst opposition parties, were most likely to have minority governments. Governments without such conditions are less to have such outcomes. In Canada, these political conditions have resulted in increased frequency of minority governments in recent years, and for the most part, this is a welcome feature.

However, for all their benefits, minority governments are not a perfect solution, as the executive can still thwart the will of the legislature.  As noted by Laver (Legislatures and Parliaments in Comparative Context 2006, 123):

> On the face of things, parliaments may seem to have far-reaching powers to make and break governments. The other side of the coin is that governments have far-reaching powers to say to the legislature: "You may oppose us on this particular issue but, if you don't let us have our way, you can go find yourself a whole new government."

Canada's parliament recently found itself in such a situation. In October, the Conservatives had called for a special committee to scrutinize the Liberal government's choice of the WE Charity to administer the multimillion-dollar Canada Student Service Grant program — including the ties between the charity and members of the Liberal government and their family members. Threatened by negative news stories and buoyed by polling numbers and strong fundraising, the Liberal minority government made this routine committee vote into a confidence vote, threatening to send the country into snap federal elections unless they had their way (CBC - The Current 2020). Despite being opposed to the vote in principle, the NDP was compelled to vote with the Liberal government to avoid an election (The Toronto Star 2020).

*C. This could be the rule, not the exception.*

In order to encourage greater coherence between the popular vote, the composition of the legislature and the rule of the executive, there are a few compelling options for electoral reform. The benefits of proportional representation over winner-take-all systems is extensive, and well studied by several experts (Fair Vote Canada 2020).

In the 2019 elections in Canada, had it been conducted through proportional representation, the results would been different (CBC/Radio-Canada 2019). With this type of electoral system, where the seat count

accurately reflects the popular vote, the Liberals would have gone from 157 seats to 112, the NDP from 24 to 54, and the Green Party would have had 22 seats. Such a result would have arguably encouraged greater cooperation, maybe even a formal coalition, leading to more representative and responsible government.

In 2020, in the face of an unprecedented crisis, the government of Prime Minister Justin Trudeau delivered the most expansive public response since the second World War. Behind the scenes, through consultation and cooperation with smaller opposition parties, the ruling Liberal government was forced to accommodate the interests of the legislature, and act in a truly responsible manner, benefiting larger proportions of the country's geography and population. This was in large part due to the accidental and counterintuitive phenomenon of a minority government. Through electoral reform, we could make this the rule, not the exception.

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