term dislocation and stagnation. Developing countries complain, often rightly, that past colonial policies have left them in a dangerous state of dependance upon the more industrialized world. However, dependance is not so strong that latitude does not exist for designing strategies to overcome it with time. A first step in this direction is to have an agricultural policy that allows the country to feed itself.


I. FISCAL AND MONETARY POLICY

FISCAL - SOCIAL SECURITY AND THE BUDGET

Fear of being blamed for the worsening economy prompted the House to pass a last-resort Republican budget proposal June 10 allocating spending of $705.2 billion and a deficit of $99.3 billion (the Congressional Budget Office (CBO) estimates the deficit will be closer to $109.9 billion). Democratic reluctance to defeat the proposal in an election year suggests a long-term political goal of blaming American economic woes on Republican planning. After ratification of a conference committee compromise budget, Congress must attempt to reconcile appropriations bills with the spending limits specified in the budget resolution. Election year politics is likely to hinder effective budget control, however, as Republicans and Democrats procrastinate on Social Security and Medicare unpopular but needed tax increases. To hold onto political pressure on members of Congress, the President has set up a commission to study ways of keeping Social Security solvent, with recommendations due until after the October 1 budget deadline and the November elections. Because Social Security is such a large portion of total federal expenditures, any changes affecting it can have a tremendous impact on the budget. If it is not considered in the budget debate, the deficit will be more difficult to control and economic recovery possibly delayed. Moreover, if Congress cannot produce a budget compromise by October 1, it will have to fund the government through a series of continuing resolutions or individual spending and tax bills with no overall plan; either way, deficits are sure to rise. Although the Budget and Impoundment Control Act of 1974 was designed to provide Congress with an overall economic strategy to control spending and government deficits, Congress' continuing inability to achieve budget control suggests not that the budget process is a failure, but rather that political maneuvering impede effective economic policy planning. (N.Y. Times, 6-12-82, p. 11; Congressional Qtrly. Wkly. Report, 5-15-82, pp. 1092.)
A crucial issue in the current budget debate is reducing the federal deficit so that excessive federal borrowing will not cause interest rates to remain high and stifle business borrowing and investment. The solution lies in tax increases, defense cuts, entitlement cuts, and/or Social Security reform (Buse. Wk., 2-22-82, pp. 21; Congressional Qtrly. Wkly. Report, 5-1-82, pp. 697). One of the causes of the tremendous deficit is entitlement programs. According to David Stockman, director of the Office of Management and the Budget, the cost of all entitlement programs, including Social Security, with automatic cost-of-living adjustments will amount to $1.2 trillion dollars over the next three fiscal years. A recent Congressional Research Service study concludes that since 1975 Social Security has been contributing between $4 billion and $9 billion to the deficit each year. The study inspired Sen. John Heinz (R-Pa.) to introduce a measure to take Social Security out of the "unified" budget and let it stand on its own trust funds. Heinz realizes that such a move would not solve Social Security's financial problems or the real deficit problem; it would only serve temporarily to mask true deficits and remove the politically sensitive Social Security issue from annual congressional scrutiny (Nat'l J., 5-15-82, pp. 854; Congressional Qtrly. Wkly. Report, 5-15-82, pp. 1092; J. of Contemporary Studies 4(4):39-57, Fall 1981).

Social Security is financed through direct payroll deductions into three main trust funds: Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) and Hospital Insurance (HI). When income into the funds exceeds amounts necessary to pay benefits, the surplus goes into a reserve account. Then when payments exceed income, the system draws on its reserves. Although the trust funds are separate from the general reserves of the Treasury, trust fund fluctuations show in the budget deficit. Inflation has reduced trust reserves, however, and current estimates are that the OASI fund will be depleted by July 1983. Even if Congress decides to allow the three funds to borrow from each other, projections are that all reserves will be depleted by 1985 (Congressional Qtrly. Wkly Report, 5-15-82, p. 1092).

Several alternatives exist to remedy the Social Security reserve shortage, including authorizing Social Security to draw from the general fund. Under this option the government would guarantee payment of Social Security benefits until Congress provided for other means of financing the program (Budget of the United States Government for FY 1982, p. 254). Other more practical but politically unsavory proposals have been suggested, such as increasing the payroll tax rate or freezing cost-of-living adjustments. Economist Richard W. Reuben believes the deficit could be reduced by $24 billion in fiscal year 1983 through a simple one-year freeze on cost-of-living adjustments in entitlement programs (Nat'l J., 5-1-82, pp. 542). According to a recent CBO study, an 8% inflation protection limit for Social Security recipients could produce up to $40 billion in savings over the next five years (Morgan Guaranty Survey, 2-82, pp. 1-3).

Whatever Congress decides to do with Social Security will impact budget deficits and in turn help determine economic conditions. Election year politics, however, have limited Congress' ability to deal with Social Security. The Social Security Administration reports that two-thirds of Americans 65 and older depend on Social Security for at least half their income. Politicians, realizing the voting power of those people and their families, are reluctant to alter Social Security in the short-term for long-term benefits. Therefore, the political battle over social security will likely prolong uncertainty over budget deficits and delay economic recovery (Nat'l J., 5-22-82, p. 919; Time, 6-7-82, p. 18).


ECONOMIC/COMMERCIAL - U.S. STEEL INDUSTRY AND THE EEC

Since the January 1982 suspension of the trigger price mechanism, American steel companies have brought unfair-trade-practice cases before America's International Trade Commission against foreign exporters of heavily subsidized steel. U.S. Steel, the largest domestic steel manufacturer, filed nine more cases in early May which demand that countervailing duties be placed on specific imports from Italy, France, West Germany, Brazil, and South Korea. As much as 85-90% of steel exports from the European Economic Community (EEC) to the U.S. are now challenged by duties, with approximately $2 billion in dispute (Economist, 5-15-82, p. 70). During the first quarter of 1982, U.S. imports of foreign steel increased 35%. The domestic steel industry charges that foreign governments provide both direct and indirect subsidies which allow companies to sell steel at an unfair price. Subsidies such as tax waivers, interest rebates, and conversion of debt to government equity may, for example, total a maximum value of $300 per ton of steel, which in turn sells for $450-$500 in the United States (N.Y. Times, 6-4-82, p. 40). European steelmakers are concerned with the possibility of trade restrictions by the U.S. government. The EEC is hoping that the U.S. industry will withdraw the duty cases (as they did in 1977 and 1980) and instead concentrate efforts on negotiations for a voluntary cartel. However, with American steelmakers losing an estimated $55 per ton of steel shipped to domestic customers, they are not modifying their stance against the EEC (Economist, 5-15-82, p. 70).

On May 17, 1982, Roy Donman, a top trade official for the Common Market, spoke with Commerce Department officials regarding possible U.S. measures to penalize European steel exports to America. Commerce is in the process of determining the extent of damage the U.S. industry has suffered from European competitors. American steelmakers are pressuring the Reagan administration to devise a plan which would establish quotas for steel imports. In the past, the administration has refused such action, stating that it would be a violation of U.S. antitrust law.

Donman reminded U.S. officials that a 1977 U.S.-European agreement, which began as an effort to revitalize the European industry, allows for subsidization. In Donman's opinion, any harsh restrictions imposed by the U.S. may serve as a poor example for solving problems of international trade. The Commerce Department's assessment of damage will weigh heavily in the action taken by the Reagan administration. Possible measures range from countervailing duties and extra tariffs to international quotas (Wall St. J., 5-18-82, p. 10). If the Commerce Department decides that foreign subsidies do not justify countervailing duties, U.S. steelmakers will still push for legislation on quota restrictions. The congressional steel caucus, composed of 130 representatives and 40 senators, has already proposed legislation which would limit foreign steel shipments in the latter half of 1982 to 5 million tons. Further requirements in the legislation include a quota of 10 million imported tons for 1983. Imports could be subject to greater restrictions if unemployment within the industry continues to increase (N.Y. Times, 6-4-82, p. 40).

The U.S. steel industry is currently operating at less than 50% capacity with one-third of the labor force either laid off or forced to accept part-time employment (N.Y. Times, 6-4-82, p. 40). The state of the market is prompting diversification in some steel companies. U.S. Steel is venturing into the oil business with the purchase of Marathon Oil for $6 billion. Bethlehem Steel, ranked second domestically, once denounced diversification but is now facing the realities of facility shutdowns which could cut production capacity by 15%. Many domestic steel customers believe that product quality and customer service will suffer from diversification. For this reason as well as for the price differential, they are increasingly choosing to make long-term supply agreements with European steelmakers (Wall St. J., 5-21-82, p. 11). While General Motors' purchases currently come from the U.S. market, the restrictive company policy regarding large purchases of foreign steel could change if U.S. firms cannot match the quality and price of foreign steel (Wall St. J., 5-21-82, p. 23).
The European steel industry has problems of its own. EEC industry ministers of the 10 countries believe it is necessary to extend EEC power over Community steel production. Since declaring a state of "manifest crisis" in the steel industry in October 1980, the problems have intensified. In the last 12 months, the price of steel in continental Europe has increased over 20%. The demand from car makers has helped certain parts of the steel industry, but the market for construction steel offers poor prospects. In an effort to ease the difficulties facing European steelmakers, EEC industry commissioner Viscount Davignon must solve other problems besides U.S. suits against European steel firms. Because of price increases by domestic firms, steel imports into the European Economic Community have increased. Although voluntary restraint agreements govern the majority of imports, steel from Latin America and Brazil is not subject to any restraints. In Italy, Davignon spoke out against the country's refusal to cut steel capacity, thereby forcing compulsory controls on EEC steel production for an additional 18 months. Another problem comes from the actions of independent Italian steelmakers known as the Pesciitali. The independents are upsetting the markets of south Germany and France through the export of cheap steel to those countries (Economist, 5-9-82, p. 65).

With the possibility of steel disputes interfering with other U.S.-European trade relations, the U.S. has initiated talks which could lead to voluntary restraint agreements on European steel exported to the American market. Voluntary restraints may be similar to those exercised by the Japanese auto industry on exports to the U.S. in 1981. Commerce Secretary Malcolm Baldrige has been instrumental in private negotiations between EEC and American steelmakers (N.Y. Times, 6-4-82, p. 31). Baldrige is trying to mediate an agreement that would convince EEC steelmakers to limit exports to America to 4.3% of the market. In earlier negotiation attempts, the EEC proposed a 4.9% limit, excluding tubular products, of which European Community steelmakers exported 1.8 million tons to the U.S. in 1981. Although the EEC has not responded to the latest American proposal, Davignon has suggested that whatever the final agreement, the U.S. industry should consent not to attack European steelmakers with unfair-trade-practice suits during the next five years (N.Y. Times, 6-10-82, p. 35).

Although European steelmakers do not want to lose the U.S. market, those exports are relatively small compared to production. The EEC produces approximately 130 million tons of steel per year and in 1981 exported only six million tons to the U.S. However, loss of U.S. business would critically damage several particular European steel firms. Davignon is concerned that those few firms may react by rejecting the power of the EEC and beginning a price war (Economist, 5-29-82, p. 65). If the European Community is unhappy with the decision of the Commerce Department regarding restrictive measures, the commission may retaliate by limiting U.S. trade in other areas, such as farm and textile products (N.Y. Times, 6-10-82, p. 35). To avoid a conscious trade dispute, an agreement on quotas would be beneficial to both sides. The U.S. and the EEC steel industries can then concentrate efforts on solving domestic production problems.


POLITICAL/ MILITARY - VERSAILLES SUMMIT.

When President Reagan left on his trip to Europe and the Versailles summit, he had three general policy objectives that he intended to pursue: (1) to generate support for his administration's arms and arms control policies, (2) to persuade the Western European nations to take a
tougher credit stance toward the Soviet Union, and (5) to encourage U.S. allies to have patience with present U.S. economic policies (N.Y. Times, 6-2-82, p. 3A).

The first objective was achieved to some extent at the NATO conference in Bonn. Western European hostility toward Reagan’s military policies has cooled somewhat in recent weeks with the announcement of more U.S.-U.S.S.R. arms negotiations and with Reagan’s call for nuclear arms reductions. At the NATO conference, Reagan received an endorsement of his plan to negotiate with the Soviets to ban all medium-range nuclear weapons from European and Soviet soil and to reduce arsenals by one third. In addition, some support was evident for the U.S. plan to accelerate reduction of force levels in Europe. Reagan proposed a one-step reduction to 909,000 per side. Instead of the presently contemplated two-step reduction. This would, by U.S. estimates, require the removal of 91,000 NATO troops and 269,000 Warsaw Pact troops. By Soviet estimates, the Warsaw Pact would have to remove only 112,000 troops (Ch. Sci. Mon., 6-9-82, pp. 14; N.Y. Times, 6-2-82, p. 3A; 6-11-82, pp. 1A+).

Even more attention was focused upon the economic summit in France. The intent of the summit, as well as others which have gone before, was to establish goals for the coordination of economic policy in the Western Alliance. The extent to which the final document produced by the summit achieved this objective is open to question. However, the summit did serve to point out the differences among member nations which form a barrier to the harmonization of economic policies. The major problem is that the alliance is in the worst economic slump since the 1930s, characterized by high unemployment and high inflation. The U.S. position has been that inflation must be dealt with first before the problem of unemployment can be addressed. Western European nations are more worried over unemployment. They are concerned with U.S. anti-inflation policies, which have driven up interest rates, destabilized the international monetary system, and inhibited productive investment in Western Europe (Time, 6-14-82, pp. 1B+).

The final communiqué of the summit represents a compromise between these two objectives. The document states that growth and employment must be increased, but that this increase cannot be durable only if inflation is successfully controlled (N.Y. Times, 6-7-82, p. 6D). To achieve this goal, the nations agreed to pursue prudent monetary policies and to control budgetary deficits. Reagan thus secured an agreement supporting current administration policies, while the European nations were able to give a high priority to fighting unemployment.

The disposition of other issues at the summit was more difficult. Reagan had hoped to convince other nations that credit subsidization to the Soviet Union was not in the best interests of the alliance, arguing that if the U.S.S.R. pays market interest rates of 16% instead of the current subsidized 12%, the Soviets would have to decrease military spending in order to finance international trade. The European nations, much more dependent upon trade with Russia than is the U.S., feel that credits are necessary to stimulate exports and jobs. The final communiqué calls for caution in financial dealings with the Soviet bloc and states a need for commercial prudence in limiting export credits. It seems the European nations will increase interest rates to the Soviets, probably adopting the guidelines of the Organization of Economic Cooperation and Development, which would raise rates 1.5 to 2.5 percentage points (N.Y. Times, 6-7-82, pp. 1A+; Time, 6-14-82, pp. 1B).

Apparently as a concession to encourage the interest rate increase, the U.S. changed its position on North-South economic questions. While Reagan had previously opposed any sort of global negotiations on these issues, summit participants announced they had unanimously agreed to make global negotiations a major political objective. They will likely take place in a summit outside the U.N. structure, giving the U.S. greater control over agreements reached (N.Y. Times, 6-7-82, pp. 1A+ & 6D; Ch. Sci. Mon., 6-7-82, pp. 14).

Another problem dealt with the international monetary system. With U.S. anti-inflation policy driving up interest rates, a dramatic devaluation of European currencies relative to the dollar has resulted. The
Europeans hoped to secure U.S. intervention in the money markets to stabilize currencies; but the actual agreement was that the nations would study the role of government intervention in money markets and the U.S. would intervene at certain times. Members nations were left to decide when intervention is necessary (N.Y. Times, 6-7-82, p. 60; Time, 6-14-82, pp. 18+1)

The vagueness of the final communiqué is unsurprising because such documents by nature have something for everyone (J. of Commerce, 6-8-82, pp. 1A+). However, the fact that a document is subject to widely varying interpretations and can have little or no policy effect casts doubt on the relevance and necessity of the summit process itself. The summit is a relatively new mechanism in international relations, first used regularly in the 1970s primarily in regard to economic problems. In recent years the summit has gained increasing importance because of its high visibility and large degree of "newsworthiness," as well as the fact that it enables national leaders to circumvent to some degree the traditional bureaucratic procedures through which international relations are usually carried out (Foreign Policy 39:130-42, Summer 1980; Atlantic Community Qtrly. 18(2):226-37, Summer 1980)

Three advantages are claimed for the summit mechanism. First, by avoiding the bureaucratic process and its relevant constituencies, a broader perspective can be achieved and agenda setting may be more fruitfully accomplished. Second, by drawing attention to the interdependence of national economies and the problems inherent in that interaction, the summit can educate citizens of member nations on the major issues. Finally, national leaders have sufficient power to take actions which might not be possible through traditional bureaucratic procedures (Atlantic Community Qtrly. 18(2):226-37, Summer 1980)

Given the growing importance of the summit process, surprisingly little critical analysis has been undertaken; however, several problems related to summit diplomacy have been identified: (1) Summit agreements are rarely put into action. Without implementation the disparity between government promises and actions undermines public confidence.

(2) National leaders not invited to participate in the summit lose face, and relations with those countries become more difficult. (3) Agreements of summits are so vague that they allow countries to continue doing what they wish with no real policy coordination. (4) Summits undermine the international order because they bypass the established structures for problem solving. The illusion is thus created that a quick fix of problems is possible. The summit agenda highlights the crisis of the moment, but the economic system is continuous. Since major economic problems are moving parts of a dynamic system, summit decisions become outdated and even counterproductive. Traditional international organizations, on the other hand, operate on the premise that these economic issues require sustained attention and cooperative efforts (Foreign Policy 39:130-42, Summer 1980)

The Versailles summit can be analyzed from this perspective. Despite calls in the final agreement of the Versailles summit for increased growth and employment, for lower inflation and interest rates, and for stabilization of money markets, if member nations exploit the ambiguities of the document and persist with the old contradictory policies, public confidence in government is likely to erode. The summit agreement also provides for bypassing present international structures. Although the document calls for strengthening the IMF and the GATT negotiations, the major economic powers will continue to use summits in attempting to coordinate policy. In addition, the North-South negotiations are to be conducted outside the United Nations mechanisms, thereby ensuring control by the nations of the North.

From a different perspective, however, the Versailles summit does not appear to pose a serious problem. The Atlantic Council of the United States has identified four needs a summit is designed to address: should provide an early and clear identification of key policy issues; should provide an intensive focus on mutual compatibility of the principal policy goals of key nations, both domestic and international; should encourage early and continuous consultation among key nations with adequate involvement of other affected nations; and when necessary, it should take steps to move beyond consultation toward collective
decision making and action (Atlantic Community Quarterly, 18(2):226-37, Summer 1980).

Thus the Versailles meeting can be viewed, not from a perspective of policy formation, but from one of education and agenda setting. Through discussion and negotiation, national leaders can identify the key needs to be addressed in policy formulation. They become aware of the interaction of their economic policies with those of their neighbors. They can learn what their allies expect of them in creating and carrying out economic policy. Implementation can then occur of the national level and within the structure of traditional international organizations.


III. DOMESTIC ISSUES

RESOURCES - LABOR MOBILITY IN THE U.S.

During the 1950s and 1960s Americans constituted a highly mobile workforce, with approximately 20% moving from one location to another every year. To progress more quickly up the company ladder by gaining what was considered valuable experience, a significant number of employees were willing to suffer the consequences of relocation. Today, the mobile workforce of earlier decades is being replaced by employees who increasingly choose to remain in present jobs and locations. Lifestyle and economics are two reasons for the changing attitude toward moving to obtain or keep a job. Interest rates, inflation, housing costs, two-career marriages, and a change in values are causing people to weigh carefully the decision to relocate (Bus. Nk., 7-27-81, p. 58). Although economic circumstances often serve as the determining factor in a relocation decision, the value placed on the quality of life through community involvement, recreation, and leisure time convince some employees that moving is not worth the sacrifice.

It is not only the individual employee who must deal with the dilemma of relocation, but U.S. industry as well. The average cost of transferring an employee has risen 174% in the past eight years (Personnel J., 60:530-45, July 1981). Employees are no longer easily convinced that a job transfer is in the best interests of themselves or their families, especially in the face of historically high housing mortgage rates. Under present conditions, many employees who initially decide to relocate change their minds after examining the real estate market. In response to this problem, some employers are hiring relocation companies to alleviate the pressure of the housing slump. Debate over the use of relocation companies centers around the argument that employers are swapping a portion of the house value for the comfort of an assumed sale. Other employers tackle the problem by establishing a relocation home-purchase program within the company. While such an operation demands capital and a specialty staff, companies can become more intimately involved in helping the employee make the transition to a new location (Wall St. J., 7-6-81, p. 1; Personnel J., 60:530-45, July 1981).

In spite of the problems and costs of convincing workers to relocate, many companies still believe that geographic mobility is a necessary step in preparing young employees for future management positions. Relocation managers in U.S. industry have the difficult task of motivating employees, approximately 300,000 of whom transfer annually, to "set up shop" in a new location and possibly accept an increase in taxes and a higher cost of living. As employees continue to refuse a transfer, companies may find it necessary to raise the benefits of relocation. While basic benefits usually include financial assistance with taxes, moving expenses, and temporary housing and a miscellaneous allowance, companies are devising new incentives, such as a mortgage interest differential allowance (MIDA), cost-of-living allowance (COLA), term loans, and spouse assistance programs (Personnel J., 58(9):62-69, Sept./Oct. 1981; Wall St. J., 3-10-82, p. 33).
Whereas employees in past decades readily relocated on the promise of career benefits, this promise is no longer as effective as it once was now that over 50% of all married women are participants in the labor force. Two-career households must weigh the possible consequences for both working members in reaching a decision to move. The necessity of the double income and the commitment to dual career goals have prompted an estimated 700,000 couples to choose the lifestyle of a commuter marriage in which spouses work in different cities (Time, 1-25-82, p. 85). Companies must not only consider the needs of their transferring employee, but the spouse's opinion and career objectives as well.

Although U.S. companies are concerned primarily with the reluctance of white-collar workers to accept a job transfer and are often willing to incur substantial expenses in order to maintain flexibility in the assignment of these employees, they have not become involved in relocation problems of blue-collar workers. These people must bear the full burden of relocation costs should they decide to move for the sake of better job opportunities. Housing expenses and transportation of family contribute to the difficulty of migration for industrial workers (Economic Inquiry 19:349-75, July 1981). Still, complaints and refusals to relocate have come mainly from the more educated members of the labor force (Review of Economics and Statistics 63:590-98, Nov. 1981). For both the blue-collar and white-collar population, nonfinancial psychic costs weigh heavily in the relocation decision as workers become more hesitant to leave behind the familiarity of community, relatives, and friends (Economic Inquiry 19:470-75, July 1981).

There is a silver lining to what U.S. industry may perceive as economically harmful attitudes toward job relocation. In fact, companies may find that maintaining the same experienced staff together year after year can ultimately benefit the overall productivity of their workforce. Many advocates of this practice consider it an integral part of Japan's industrial success. For employees who remain in their present location, improvements in company career-planning programs may work to their advantage (Bus. Wk., 7-27-81, p. 60). Whatever the consequences of a less mobile workforce, however, Americans clearly no longer

place salary and career advancement at the top of their priority list. Instead, quality of life is considered to be of prime importance as more workers trade the benefits and headaches of relocation for the comfort and enjoyment of a stable lifestyle.


14. NORTH AMERICA

Canada's new constitution and federal/provincial relations - Canada finally obtained its own constitution on April 17, 1982, as Queen Elizabeth signed the Constitutional Act of 1981 before a crowd of 30,000 Canadians. Although Canada became independent in 1931, it allowed Great Britain to exercise final approval over major amendments to the old constitution, consisting predominantly of the British North America Act of 1867, until an amending formula could be established. After over 50 years, patriation—or the bringing home of the constitution—has finally been completed with the enactment of the Constitutional Act, severing all British involvement in the Canadian political process. In addition, the Act has significantly amended Canada's constitution in response to growing problems and concerns over federal-provincial relations (Newsweek, 4-26-82, p. 51; Time, 4-26-82, p. 41; Maclean's, 4-26-82, pp. 30-4, 34 A 306).

While Prime Minister Pierre Trudeau called the enactment of the new constitution "an act of defiance against the history of mankind" (Maclean's, 4-26-82, p. 30), it is more accurately an act of defiance against Quebec and its ruling separatist party, the Parti Quebecois.
Quebec is the only province which has not consented to the new constitution; Rene Levesque, Quebec’s premier, boycotted the signing and led 20,000 protesters in Montreal. The “notwithstanding clause” provides the legal means to circumvent the objectionable provisions in the constitution by taking advantage of Section 33 of the Constitutional Act. This provision allows Parliament or a provincial legislature to declare a law not to be defeated by the courts if they are otherwise constitutional. Bill 62 inserts a clause invoking Section 33 and thereby protecting it from some degree of constitutional scrutiny (Grose & Malt, 5-6-82, pp. 1+; Maclean’s, 5-17-82, pp. 30+).

The political conflict between the federal and Quebec governments reflects their apparently irreconcilable goals and values regarding the future of Canada and Quebec. The national Liberal Party—led by Prime Minister Trudeau—believes that Canada can only survive through increased national power. Meanwhile, the PQ of Quebec, on the other hand, emphasizes collective rights and individual rights and insists that Quebec as a French society is entitled to choose its own political guarantees for its citizens (P.S. Qtrly. 96(2):226-40, Summer 1981; Univ. of New Brunswick Law J. 30:27-41, 1981). In May 1980, the PQ held a referendum on Quebec’s independence, which failed partly because of Trudeau’s continued insistence that a new constitution could solve many of the problems and grievances of Quebec and the western provinces. Trudeau declared that Quebec belongs in the Canadian confederation and that it could achieve a satisfactory position in the confederacy through amendments to the constitution. As Trudeau subsequently failed to form a consensus among the federal and provincial governments on an amending formula: to the British North America Act, he tried to amend that document without the consent of the provinces. The Canadian Supreme Court held that while Trudeau’s actions were legally sufficient, constitutional convention required a substantial measure of provincial consent, although how many provinces this requirement entailed was not made clear. By April 17, 1982, Trudeau had obtained the approval of all provinces but Quebec (Law and Contemporary Problems 44(3):169-95, Summer 1981).

The Constitutional Act of 1981 is divided into the Canadian Charter of Rights and Freedoms and a series of sections pertaining to such diverse matters as equalization payments, the amending formula, and natural resources. While the constitution will have a profound effect on Canadian federalism, it is still clearly a product of compromise between the provinces and the federal government. The western provinces were originally against a new constitution since they were suspicious of federal government attempts to reallocate their wealth, which was based on provincial control of natural resources such as oil and gas. The Charter reaffirmed the federal government’s commitment to equalization payments, designed to ensure that provincial governments provide a reasonably uniform level of public service through subsidies to less wealthy provinces. The oil and gas producing provinces in the west objected to this provision, but by adding other provisions to the Constitutional Act, the federal government was able to make the Act acceptable to them. Provinces now have concurrent power with the federal government to regulate interprovincial trade of nonrenewable national resources, forestry resources, and electric energy, although federal law still is supreme in instances of conflict. Furthermore, provinces received increased power to tax resources as long as the taxes are not discriminatory against out-of-province interests. Finally, the amending formula allows up to three provinces to opt out of future amendments. This permits resource-rich provinces to exempt themselves from measures designed to further regulate natural resources (Wall St. J., 11-6-81, p. 10; Public Law, Autumn 1981, pp. 340-54).

The west’s initial opposition to a new constitution was relatively easy for Trudeau to overcome: it was basically a dispute over fiscal control of the proceeds of natural resources. Quebec’s fundamental and philosophical opposition to the new constitution has not been assuaged, however. Quebec’s objections to the Constitutional Act are based on its infringing on cultural sovereignty, which was incorporated to some extent in the old British North America Act. While education has...
traditionally been a provincial concern, the Charter extends federal power into this field. The document gives parents the right to have their children receive instruction in the minority language of the resident province if a parent was educated in that language in Canada. This measure—which is not subject to the "notwithstanding clause" (Section 33)—is inconsistent with Quebec's Bill 101, which recognizes the right only if the parent was educated in the minority language within Quebec (Maclean's, 4-26-82, p. 34).

Beside passing Bill 62, Quebec and the PQ have at least two other long-range plans to attack the new constitution. First, Quebec is currently challenging the constitutionality of the Constitutional Act in court. Quebec contends that, based on past events and accommodations, it retains an historic veto over any changes in the fundamental structure of federal/provincial relations. Quebec argues that whatever else a "substantial measure of provincial consent" may mean, it at least requires the consent of Quebec (Globe & Mail, 1-6-82, p. 2). Since, however, the Supreme Court decision requiring provincial participation in the amending process was based on convention and not formal law, the usually conservative Canadian court probably will not strike down the amendments, which have complied with the formal legal requirements and are backed by nine of the ten provinces. Second, the PQ plans to run the next election, which must occur before 1987, on the sovereignty issue and to regard a victory at the polls as a mandate to seek independence.

While the economic effects of an independent Quebec are unknown since they would depend on the economic association Quebec established with Canada, secession would have a significant impact on the balance of political power within the federal government. The central and eastern provinces, represented largely by the Liberal Party, are the most populous and possess a majority of seats in Parliament. If Quebec were to leave the union, the western, primary-producing provinces would have the majority of seats in Parliament and control the government (Poli Sci. Q., 96(2):226-41, Summer 1981). Thus, while Lévesque predicts his party will have a firm mandate to go ahead with independence by 1990, the national Liberal Party has a political as well as an economic and nationalistic incentive to avoid taking any action which would fuel the separatist movement in Quebec (Globe & Mail, 5-31-82, pp. 14; Barrons, 6-7-82, pp. 32).


V. EDITORIAL

THE NEW FEDERALISM - if one principle lies behind all the policies and proposals of the Reagan administration, it is that the size and role of the federal government should be diminished. Indeed, Reagan's ultimate hope is that, by 1991, there would be a national government devoted primarily to national security, fiscal and monetary control, programs for the elderly, including Social Security, and health care for the poor (U.S. News & World Report, 2-8-82, pp. 20-24). The new federalism of the Reagan administration, then, brings into contemporary focus a debate which has been going on since the adoption of the Constitution: the respective roles and powers of the federal, state, and local governments.

The idea of increasing state power and decreasing the power of the federal government is a popular one. Administration officials have frequently said Reagan's election shows that voters want a decreased federal role. A recent Gallup poll tends support to this statement,
with 56% of respondents favoring a concentration of power in state governments and 67% saying they felt state governments were more understanding of community needs (Nat'l J., 2-27-82, pp. 374-79).

The problems come when focus shifts from the broad idea of a new federalism to specific actions taken to institute it. A number of political constituencies must be overcome, not the least of which includes members of Congress who see their involvement in federal programs as a way to win votes. Thus, the new federalism is given little chance of passage in this year's Congress, and many observers think the full Reagan program will never be explicitly adopted (Nat'l J., 2-27-82, pp. 301+). Even without specific approval, however, congressional approval of reductions in social spending results in de facto adoption of Reagan's approach. When the federal government no longer acts in these areas, the states must either assume responsibility for the programs or let them die.

The budgetary process has already resulted in partial implementation of the new federalism. States and cities absorbed approximately 37% of the first round of budget cuts. In addition, many federally controlled programs were combined into block grants to the states, with power over their distribution passing to the state as well (Nat'l J., 12-19-81, pp. 2224-28; U.S. News & World Report, 2-8-82, pp. 264+). Thus the states now have an added responsibility to make up for cuts in federal spending and a new power to direct some of the remaining federal funds.

If the administration is successful in winning approval of its new federalism, or if further budget cuts continue to result in de facto adoption, a number of problems are likely to develop. First, the states may be unable or unwilling to act. State legislatures, which are most likely to fill the void left by federal government withdrawal, may not be sufficiently sensitive to the needs of the cities within their states. Thus the particular problems of cities may be ignored as power is transferred. Second, the states may be unable to find the necessary funds to continue social programs. Most state budgets are in as much trouble as the federal budget, and funding of programs previously run by the federal government would require new sources of revenue. Raising taxes may be politically infeasible. If the transfer of power and responsibility is not joined with transfer of revenue sources—some have suggested giving states control over such federal revenue sources as highway, alcohol, and tobacco taxes—then the states may be unable to undertake this new responsibility.

That problems are associated with revitalizing federalism does not mean the attempt should not be made. Indeed, power may be overly concentrated at the federal level and in need of dilution. What must be avoided, however, is movement too far in the other direction. The federal system envisioned by the authors of the Constitution was not a hierarchical one, with each "level" of government having discrete power and authority. The underlying principle of the federal system is cooperation and coordination. To leave the states alone with the burden of operating social programs is not, therefore, a new federalism; it is the antithesis of federalism as envisioned in the Constitution. Thus, when programs are transferred to the states, the federal government should not surrender all control. Where unequal treatment is a danger, federal guidelines should be adopted and enforced. Where state funding is insufficient, the federal government should be willing to help.

Federalism is a state of affairs where different governments work together to solve common problems. Certainly in a constitutional federal system such as exists in the United States, the welfare of the people is a responsibility of the state and national governments together. The federal government may be better able to establish goals and objectives, and the states, better able to apply these objectives to local needs. Neither, however, should be left to do the entire job alone.


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