

CANADA'S NATIONAL POLICY BARGAIN

The policy horizon for Prime Minister Mark Carney's newly elected Liberal government will depend on successful negotiations with the provinces and territories that dominate policy making in Canada.

Gerald Butts, a central player in the Ontario Kathleen Wynne and federal Justin Trudeau Liberal governments knows that provinces and territories do the heavy lifting of policy making in Canada (*The Bridge*, March 13, 2025). They oversee the core social and economic policies and physical infrastructure that shape the nation, from education and health care. They usually do not raise sufficient revenue to pay for these functions. The federal government has few such direct obligations and raises much more revenue than it can spend on its own responsibilities.

This creates a central dynamic of Canadian public policy. The provinces and territories need money to fulfill their many obligations while the federal government has excess funds it can provide provinces and territories to help fulfill these demands. Provinces and territories seek federal financial support for their initiatives while the federal government may seek to influence the content of provincial and territorial public policies in areas outside its direct control. This **national policy bargain** is the fulcrum of public policy in Canada.

Figure 1 captures the current dynamics of this bargain (see [here](#) for an explanation). It displays the policy commitments made in the recent federal Speech from the Throne against an average of those made across provinces and territories. The new federal government sees itself having a central role in the economy, housing, fiscal responsibility, public safety and international affairs. The provinces and territories oversee health care, the economy, education, housing, energy and safety as well as building the major infrastructure required to fulfill these critical functions of government. Negotiations are required to square responsibilities, priorities, and funding, particularly in areas of major overlap such as the economy and housing and to a lesser extent public safety.

Successful policy bargaining in Canada requires all 14 governments to understand and respect each other's distinctive interests.

Money and jurisdiction are the bargaining chips of these negotiations. For the federal government, how much money to purchase influence? For provinces and territories, how much lost autonomy for additional financial support? The answer may vary from nothing to a great deal.

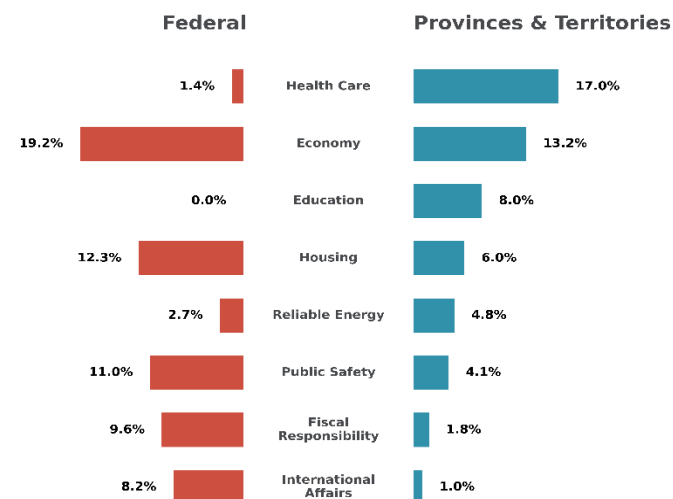
The content of the national policy bargain will reflect the financial and strategic resources each of the 14 governments brings to the table, calculations as to how bargaining affects their power and the content and effectiveness of policies, and what it will do for their chances of re-election.

Canada is also distinctive in the degree to which provinces and territories play a key role in international politics. Local involvement in international agreements such as those on trade with the United States, Europe, Asia and in matters as diverse and climate policy and culture – “Team Canada” – sets Canada apart from other federal democracies. National policy bargaining is critical in shaping international agreements.

Figure 1: The Federal Policy Bargain

Government Policy Priorities

Proportion of commitments made, by theme, in most recent throne speech*



Source: PoliticalAffairs.ca (2025)

*Based on text analysis of most recent Throne Speech for Canadian Governments. Created on May 29, 2025

The national policy bargain is particularly important in the early years of a new government as it strives for policy wins to set a foundation for being re-elected. Recognizing the centrality of bargaining helps citizens and governments understand the policy process and how we might find solutions that strengthen Canadian society and help grow the economy.

A federal government wishing to improve the lives of Canadians in critical areas such as health care, housing, and the economy must be sensitive to the distinct character of provincial and territorial societies, their economies, and the policy preferences of their governments.