THE DESIGN OF GOVERNMENT POLICY AGENCIES: DO WE LEARN FROM EXPERIENCE?*

R. W. Crowley
Public Service Commission of Canada
Touraine, Quebec
K1A 0M7

Introduction

In mid-1971 Parliament established a new concept in government organization - the Ministry of State [14]. Ministries of State were expected to deal with specific problems of priority concern to the government, to have a relatively short planned existence, and to have a highly technical and professional staff capable of long-term policy development and the coordination of national action.

At the time, the government established two such ministries: the Ministry of State for Urban Affairs and the Ministry of State for Science and Technology [2:16]. Although the latter continues to exist, the former was disbanded in June 1979. As well, in February 1979, the Government established a Ministry of State for Economic Development [12] (and in August 1980 a Ministry of State for social Development [13]) under a new Ministries and Ministers of State Act (1978). The Ministry of State for Economic Development, since renamed the Ministry of State for Economic and Regional Development or MSERD [22], was established as a secretariat to the Board of Economic Development Ministers, since superseded by the Cabinet Committee on Economic and Regional Development. It is worth noting, as well, that several Ministers of State (e.g., Mines, Trade, Small Business and Tourism, Canadian Wheat Board, Multiculturalism, Finance) have been appointed in the past few years, but in these cases separate bureaucracies were not established.

*The author acknowledges the useful comments of Harry Swain, Michael Hicks, Ron Watkins, Chris Burke, Ray Protti and others.

†This was made possible by the Government Organization Act, 1970, which included for the first time the concepts of Ministers of State and Ministries of State for designated purposes. A full discussion is contained in [18].
The purpose of this paper is to examine whether some of the problems inherent in the structure of the Ministry of State for Urban Affairs, which hampered its effectiveness and perhaps contributed to its demise, were addressed and corrected in the design (i.e., mandate and mode of operations) of the Ministry of State for Economic and Regional Development. This paper draws on a number of other studies that have been made of Ministries of State, although the author's experience in a variety of positions dating from the inception of the Ministry of State for Urban Affairs until 1976 provided an opportunity for direct observation. It should also be noted that space does not permit us to deal, except by inference, with Ministries of State other than Urban Affairs (MSUA) and Economic and Regional Development (MSERD).

The MSUA: Origins

In the late 1960s and early 1970s urban problems received a great deal of media and political attention [5,7]. The Economic Council of Canada drew attention in its 1967 Annual Review to the "challenge of urban growth" [6]. A senior member of the Government, the Honourable Paul Hellyer, led a task force on housing and urban problems which reported in 1969 [15]. Professor Harvey Lithwick was commissioned by the Government to report on the situation, and in 1970 a series of monographs, Urban Canada: Problems and Prospects, was published [9]. Contained in the Lithwick studies, and prominently used in the presentation of findings, were "isodemographic maps" extrapolating urban growth to the year 2001.2 The frightening prospect of gargantuan Montreal and Toronto virtually swamping the map of Canada focused the attention of politicians on the political dimensions of the problem. What politician - especially the vast majority representing ridings located elsewhere than Toronto or Montreal - would not be concerned with the possibility of Parliament dominated by these two cities?

It is important to remember, as well, that this concern in Canada took place in the context of a so-called "urban crisis" in the United States. The Department of Housing and Urban Development had emerged as a major institution of the U.S. government. Racial tension, urban blight, poverty, escalating crime, ethnic clashes (exacerbated by substantial population movements) and a host of other "social" problems received greatest focus and manifestation in the U.S. cities. We know now that some of these problems - at least in terms of intensity - have been transient and were problems in Canadian cities rather than of cities. As well, even at the time, problems in Canadian cities were not as critical as in the United States; this was partly the result of political organization (e.g., metropolitan governments in Canada) and partly the reduced intensity of certain underlying factors (e.g., racial tensions). But there was concern to avoid the excesses of the U.S. situation where it was argued, one hopes facetiously, that the only viable solution to the problems of cities was to bomb them [17]. The result was to focus a great deal of political and popular attention on urban problems. They were seen at the time as pressing and requiring urgent action.

One response was the creation in 1971 of the Ministry of State for Urban Affairs as an instrument of federal government policy. It is important to note that this form of organization was not accidental [19]. Establishing a Department of Urban Affairs (as recommended by the Hellyer Task Force) was considered inappropriate. It was recognized that, in constitutional terms, municipalities (hence cities) were creatures of the provinces and that the federal government had no direct responsibilities. In fact, the only direct federal financial involvement was through grants-in-lieu of taxes on federal property; and in virtually all cases these were a small proportion of city budgets.3 It was also recognized, however, that the federal government had a great deal of indirect involvement in cities. With 75 percent of Canadians classified as "urban," it is understandable that federal programs to provide services to individuals should focus on cities. As well, in all major cities, a substantial amount of urban land was owned by the federal government;4 substantial sums were being spent on housing through the Central (now Canada) Mortgage and Housing Corporation; transportation policies and expenditures had great effects on cities even when they were primarily directed to non-urban areas; public works frequently took place in cities. In sum, the federal government, in the normal course of its activities, was providing (and still does) substantial "services" to urban property and services to citizens in cities. One final note to recollect the climate of the times: it was also the era of such major development decisions as proposed second airports (Mirabel and Pickering) for Montreal and Toronto and the government was facing the prospect of a difficult election (which it came close to losing in 1972).

In this context, then, the Ministry of State concept was an

---

2The exception, of course, was Ottawa. The federal government has de facto chosen not to use this instrument; the practice is to ensure that such grants are equivalent to what property taxes would have been.

3In the case of Quebec City, for example, almost 40 percent of urban land was owned by the federal government; at the time there was no inventory of federal lands and little appreciation of the federal role in this regard.
innovative way of approaching what was a problem essentially of politics and coordination - coordination not only among many different federal departments and agencies but also coordination with provincial and local governments (remembering that it was also a period of "cooperative federalism"). It was for this reason that the small budget (about $20 million) for the new Ministry was to be used for "think tank" salaries, research costs and very modest coordination and "seed development" activities. There were no programs under its control and "knowledge" was to be the basis of the new agency.5

The MSERD: Origins

Eight years after the Ministry of State for Urban Affairs was established, the conditions which led to the establishment of the Ministry of State for Economic and Regional Development were remarkably similar. The difference, of course, was that the substantive focus had shifted to economic development. The most recent changes, announced in January 1982, incorporate regional issues in the mandate, but modify rather than substantially alter the basic focus on economic development.

As with MSUA, economic and regional development was perceived to be a priority. By 1979, productivity growth had declined from the rates of the sixties, and the rate of growth in the economy as a whole had decreased to the point that it was negative in some periods. International oil prices had risen sharply and the concomitant economic adjustment had not (still has not) taken place. Interest rates were high, as was the fear of renewed inflation (remembering that the government had just abandoned wage-price controls and the Centre for the Study of Inflation and Productivity - the successor to the Anti-Inflation Board - was not meeting with much success). Unemployment was hovering just below 10 percent. In short, conditions were poor and perceived to be deteriorating; extant institutions were not seen to be dealing with the problems.

Moreover, when the Board of Economic Development Ministers was established, the prospect of an election loomed, with polls indicating the government much out of favour. (The election which was held later in 1979 did indeed result in a change in government under which MSERD was actually set up).

While there were no calls for a new agency in this area, as had been the case with urban affairs, there were nonetheless calls for action from the business community and the populace generally. There had been demands for an "industrial strategy" for at least ten years, and the government had committed itself to developing such a strategy. Yet nothing had come of this commitment. At the same time, it was not as if the government were doing nothing in the area of economic development.

Vast sums of money (in 1981, about $1 billion directly and $7-8 billion indirectly, with further "tax expenditures" of over $7 billion) were spent by many different departments/agencies on subsidies to various sectors of the economy. The concern of the Department of Finance and the Bank of Canada with macroeconomic policies clearly had sound economic development as a long run goal; employment policies were aimed at maintaining a flexible, well trained and adaptable labour force; departments with programs to provide infrastructure (e.g., Transport, Public Works) clearly had effects on economic development even if it was not their primary goal; and the Departments of Industry, Trade and Commerce, Regional Economic Expansion (since recast as Regional Industrial Expansion) and Energy, Mines and Resources were involved in major expenditures, all with substantial implications for economic development. There can be no doubt, therefore, that there was a need for coordination among federal departments and agencies just as there had been in the case of urban affairs. Some observers would probably take this point further and say that the need perceived by senior government planners was for control of the unwieldy expenditure areas represented first by urban affairs and then by economic development.

To draw out the parallels further, it was also true that provincial governments were actively involved in major developmental decisions. Even municipalities were taking many decisions affecting development, although they were not seen to be the major actor in the economic development matrix that they were in the case of urban affairs. In sum, for the issue of economic development, there was perceived to be an urgent need for coordination of federal programs, development of longer run policy options (i.e., "industrial strategy") and, in political terms, the need to be seen to be taking action. As with the similar conditions in the urban affairs field in 1971, the government response was to create a Ministry of State. As an ironic footnote, it is curious to note that the MSUA death notice was for control of the unwieldy expenditure areas represented first by urban affairs and then by economic development.

The MSUA: Was It Effective?

In retrospect, there can be little doubt that MSUA was less effective than it might have been and, as some critics claim, may have been close to useless [20]. In this section we look at certain problems in its
basic design. As noted above, the mandate of MSUA was to coordinate programs and policy development and to research and develop longer term urban policies. The means to carry out this task were probably adequate; as Table 1 shows, the budget was never fully used and the personnel complement was only partially filled. 1971 was one of the heady years of growth in government, particularly for policy planning, and budgets and person-year allocations grew considerably throughout the early years of MSUA. Indeed, it is possible that these allocations were too large. In establishing large budgets, the amount of time and resources necessary for the effective administration of these funds is sometimes overlooked. Similarly, the larger the establishment the more difficult the administration.

By way of background, let us look briefly at the administrative structure. Reporting to the Secretary (the senior civil servant) were two Assistant Secretaries: one for Coordination and the other for Research and Policy. "Coordination Wing" was further subdivided on a geographical basis, while "Policy and Research Wing" was subdivided into substantive groups. Of course, there were administrative and other staff personnel.

From the beginning, research was considered to be of primary importance. Not only were budgets large but a substantial proportion of personnel resources was devoted to research. In the initial scheme, the policy group was seen to be small and not so much geared to policy development as it was the critique from an "urban viewpoint" of the policy proposals of other departments.

MSUA, then, was established with a substantial research focus, a modest coordination staff and a small policy development staff. It had the authority resulting from its legislation, a dynamism in the early years, and, most important, "real" problems to solve. The agency had a well-defined "client" (i.e., Cabinet) and even a constituency - academics interested in urban research, local officials and politicians and, to some extent, provincial officials (who might have seen MSUA as an ally in securing additional federal monies for urban areas). Its budget was adequate for the basic role; job classification levels were high and there were no obvious constraints on hiring personnel. In short, this was an agency established in seemingly ideal circumstances, yet few tears were shed when the end came in 1979. What happened?

The events can be examined under the following headings:

1. The accident of personalities
2. Lack of control of the process

---

(3) Lack of budgetary control
(4) Non-support from other government agencies
(5) Lack of an agreed role
(6) Non-support from the "constituency"

The Accident of Personalities

The literature dealing with the prerequisites of sound organizations has traditionally grossly underestimated the effects of personality on organizational performance. In point of fact, organizations are collections of individuals and the nature of these organizations very much reflect key personalities. In the case of MSUA, a number of serious problems arose very early on this account.

As noted above, those responsible for establishing MSUA saw the organization primarily as a "think tank" with policy coordinated and developed primarily on the basis of "knowledge." The result was that personnel were selected for their academic credentials; very few (hardly more than five percent in the early days and including the author of this article) had had previous experience in government. Given the emphasis on knowledge and, hence, research in the mandate of MSUA, and the type of people who were hired, it is little wonder that the institution became known in some quarters as the "Ivory Tower of River Road."*

Moreover, critical senior appointments reflected the same criteria. The first Secretary and one of the two initial Assistant Secretaries both came from academia with virtually no government experience. When Professor Harvey Lithwick, the first Assistant Secretary of Research and Policy, left abruptly in August 1971, so early in the implementation period, an even greater hiatus occurred. The result was that there were neither substantial "connections" with senior bureaucrats in other departments nor were senior MSUA officials members of the inner circle of "mandarins."

And the situation did not materially improve later on. The second Secretary had had government experience but he was promoted into the position rather than laterally transferred to it. When relations between MSUA and Central Mortgage and Housing Corporation had deteriorated to such a point that action was necessary, the President of CMHC was appointed the third Secretary of MSUA.

---

*One need only read a personal account of corporate success to infer the importance of personality (Cf. 21).

*Virtually all of these were in Coordination Wing, the Assistant Secretary of which had previous experience in government.

*River Road was the location of MSUA offices.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy development</td>
<td>-</td>
<td>-</td>
<td>1,941</td>
<td>707</td>
</tr>
<tr>
<td>Urban research</td>
<td>-</td>
<td>-</td>
<td>5,886</td>
<td>2,529</td>
</tr>
<tr>
<td>Coordination</td>
<td>-</td>
<td>-</td>
<td>5,483</td>
<td>1,227</td>
</tr>
<tr>
<td>Administration</td>
<td>-</td>
<td>-</td>
<td>1,690</td>
<td>1,491</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>1,858</td>
<td>15,000</td>
</tr>
</tbody>
</table>

| Person Years*     | 87      | 70      | 189     | 135     | 198     | 209     | 275      | 266     |

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy development</td>
<td>8,601</td>
<td>6,379</td>
<td>8,791</td>
<td>2,816</td>
</tr>
<tr>
<td>Urban research</td>
<td>9,656</td>
<td>8,612</td>
<td>8,090</td>
<td>6,522</td>
</tr>
<tr>
<td>Coordination</td>
<td>3,562</td>
<td>3,722</td>
<td>2,715</td>
<td>4,239</td>
</tr>
<tr>
<td>Administration</td>
<td>21,819</td>
<td>18,713</td>
<td>19,596</td>
<td>13,577</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>274</td>
<td>280</td>
<td>203</td>
</tr>
</tbody>
</table>

Person Years* = 87, 70, 189, 135, 198, 209, 275, 266.

* All expenditures in thousands of dollars
** Actual as of September 30.

with the intention that the two organizations could be more closely integrated. While he was rumoured to have good political connections, neither he nor his key appointment as an Assistant Secretary had especially strong connections among the mandarinate. Moreover, the new Secretary came to MSUA in 1976 with the view that the organization had to be reestablished from first principles, so fully five years after it had been established, it was judged that a virtually fresh start was necessary.

All in all, there can be little doubt that too many senior officials (including, but not limited to, the three individuals who served as Secretary) appointed throughout the life of MSUA lacked one of the prime prerequisites for effectiveness, namely, “clout” within the federal bureaucracy. As well, it would probably be fair to conclude the same with respect to the position in Cabinet of the succession of ministers responsible for MSUA. Certainly, most of these politicians were likely thankful to move on to other portfolios.

The initial mistake of selecting so few policy and research personnel with government experience was probably an error from which MSUA never fully recovered. In view of this, it is one of the ironies that so many former MSUA employees have gone on to occupy senior positions in other departments, including central agencies.

Lack of Control of the Process

With MSUA regarded primarily as a “think tank,” there was little concern in the initial design with how it should “fit” with other central agencies. In particular, the Privy Council Office and Treasury Board were, at the time, playing critical roles with respect to controlling the processes of decision making. Neither of these agencies was willing to share its responsibility for managing the Cabinet decision-making process and the budget allocation process. Although a role in this regard was not established in the original design of MSUA (by design of PCO/Treasury Board officials opposed to the MSUA concept?), MSUA officials soon recognized its importance to the effectiveness of the Ministry. As a result, there was an effort to establish an orderly process for coordinating and controlling federal urban policy. This was to take the form of a senior interdepartmental committee on urban affairs (or SIDCUA) composed of the deputy heads of departments with an involvement in urban affairs, coupled with a parallel Ministerial-level Cabinet Committee. SIDCUA did indeed meet on a few occasions, but with no budget control nor ability to sanction particular activities of departments, it could work only as a voluntary coordinating body. Bureaucrats seldom volunteer to be coordinated. The policy proposals of departments, even if they had a substantial urban focus, were not channelled for the most part through this committee. The result was that after a few meetings officials at increasingly junior levels came to represent their Deputy Ministers, and finally it stopped meeting altogether. The Cabinet Committee was never established.

Of course, given the importance of interdepartmental committees in the federal bureaucracy, this should not be interpreted to imply that there were no interdepartmental meetings afterwards. Rather, committees were formed to deal with specific issues such as urban finance, federal lands, and the like. But the problem in SIDCUA was mirrored in day-to-day dealings with departments. It was difficult, if not impossible, to enforce coordination on departments which did not otherwise wish to be coordinated. H. L. Laframboise, an MSUA alumnus, has coined the term “countermanagers” to connote those who tell others what to do but do not themselves have management responsibility. MSUA officials attempted to countermanage, based on superior knowledge of urban concerns, and in retrospect there can be no term but “naive” to describe the belief that this would work. And once the pre-eminence of the political issue had passed - as it probably had by 1976 or so - the small prospect for success totally disappeared as urban interests became subsidiary to others.

Lack of Budgetary Control

Related to the above, but of sufficient importance to single out, was the lack of control over the budgetary/expenditure process. It is commonplace to observe that the power of the purse is the strongest of all powers in terms of decision making. Whether it be decisions with wide-ranging impact such as Mirabel, or more specific decisions such as the Saint John Waterfront, all required co-option, cajoling, and the participation of other departments. Indeed, it was the money assigned to other departments that was being spent. There were virtually no urban policy decisions requiring expenditures that the Minister of State for Urban Affairs could take to Cabinet without the concurrence of other Ministers. At one point in 1975, MSUA came close to some budgetary control by way of a one hundred million dollar urban demonstration fund, but this was announced in Parliament and then quickly abandoned, virtually before any funds were spent.

Non-Support from Other Government Agencies

To a large extent this has been dealt with above. In the early 1970s there were only a few central agencies and these greatly resented the intrusion in their domain of Ministries of State. This was also

10In the early 1970s, proposals were sequentially approved on substantive political criteria by various Cabinet Committees and then on financial criteria by the Ministers and Secretariat of the Treasury Board.
true of line departments. Except for the effect that might result from having done solid work in support of a particular policy point of view, other government departments and agencies were not about to open policy room for a new Ministry with no particular clout. As one example, senior officials of the Treasury Board Secretariat were so openly hostile to the MSUA that they said so publicly on a number of occasions.

Lack of an Agreed Role
From the outset there was a conflict between the research role and other roles of the Ministry. This was exacerbated by the lack of a commonly shared perspective on the MSUA mandate an organizational structure which institutionalized different perspectives (i.e., research vs. policy vs. coordination), and the bane of all organizations, lack of effective communication). For those from academic backgrounds, research is often an end in itself, and it would not be unfair to conclude that research staff in the early years of the Ministry did see research as a pre-eminent goal. There was an early vision of applied interdisciplinary research (including audio-visual and computer technology, which were part of the Research Branch) leading to new policy development. But this vision was scuttled by the early departure of the first Assistant Secretary before he had fully communicated it and replaced with the more traditional separate realities of research on the one hand and policy on the other.

Indeed, the Policy Branch lost sight of its initial role of criticizing the analytical methods inherent in the policy proposals of departments and proceed instead in terms of developing new policies (for example, new towns, urban land policy, and the like). In the complex intergovernmental interdepartmental world of urban affairs it is not surprising that a great deal of effort was expended to little positive effect in developing generalized policy principles for Cabinet approval. Most of these policy proposals now seem naive since they were far removed from the possibility of implementation, but as well they often lacked a sound research foundation. When the Policy and Research Branches were merged in late 1974 it was in response to this problem, but by that time there had already occurred a diminution in the credibility that had existed.

There were other manifestations of the unclearly perceived role for MSUA. Communication between the Coordination Wing and the Policy and Research Branches was minimal throughout virtually the entire life of MSUA. The Coordination Wing operated mainly with respect to other levels of government in developing common projects. Research was looked upon as ephemeral by the more seasoned senior officers, and the opportunity for useful cross-fertilization was never seized. It may be instructive to note that one of the few successes - the Railway Relocation Act of 1974 to reclaim sur-

plus railway land - was also one of the rare occasions of substantial cooperation among the various units of MSUA.

One final point is how cities and city governments themselves were perceived within MSUA. It may seem strange, but there was no clear consensus on just how they should be treated. Was MSUA, as an agent of the federal government, to be directly involved in cities? Or should the involvement be through provinces? Or should it be indirect through federal government policies? Of course, the appropriate answer was some mix of these three, but on the nature of that mix there was no consensus.

The sum of this was a MSUA unable to resolve basic internal conflicts over its role. This led to an unclear perception - within MSUA, in other agencies of government, in cities, and in provincial governments - of what MSUA should and could do. Indeed, the catalogue of MSUA publications provides a lasting testimony to the inability of the young agency to identify and to speak to its audience. Little wonder that mayors of major cities used terms such as "useless" and "a flop" to describe the effectiveness of MSUA [19].

Non-Support from the "Constituency"
Government departments often play a dual role in advocating a certain interest within government as well as in communicating government policies to those interests. For example, the Departments of Labour and Industry, Trade and Commerce play these roles with respect to labour and industry respectively. Such a role was potentially available also for MSUA. Ideally, it should have been seen by urban interests as an agent and ally within the federal government. But "urban interests" did not coalesce either in aggregate or in effective subgroups (the way labour does, for example) and MSUA was never viewed in this way. Even the role of arbitrator among competing interests was denied MSUA.

Provincial governments were hostile from the outset to the concept of a federal agency concerned with what they considered their domain. They argued against it from the beginning and lobbied long and hard afterwards for the abolition of MSUA. At best, it was viewed as a needless intrusion and, at worst, an impediment to effectively coordinated actions (notwithstanding its objective to the contrary). As well, municipal governments were of two minds with respect to MSUA. On the other hand, they generally welcomed the chance to participate as equal partners with federal and provincial governments in national tri-level conferences.12

11The British North America Act makes municipal governments "wards" of provincial governments.

12Only two tri-level conferences were held. At the second conference in Edmonton in 1973 a Task Force on Public Finance was established. However, its
However, municipalities were most concerned with their finances, and this was an issue with which both provinces and the federal government were reluctant to be involved. MSUA was supportive but, as on so many issues, ineffectual in working towards a resolution acceptable to municipalities. Moreover, the diverse interests within the Canadian Federation of Mayors and Municipalities (now Federation of Canadian Municipalities) made it difficult for cities to come forth with a common point of view. Notwithstanding some strong spokesmen, it was too difficult to overcome differences of size, geography and politics.

Nor were academics - even those who had advocated the need for increased attention to urban affairs - supportive. In many cases, they viewed the research function in the Ministry as competitive rather than complementary to their research interests. In the academic and quasi-academic community, there are always those skilled in "grantsmanship." The relatively large research contract budget in MSUA attracted these from the earliest days. When they produced, presumably value was obtained, but too often they did not, and too often good academics were reluctant to change their research agendas to this new policy area. In addition, in academic circles research is often dictated by disciplinary methods rather than the policy problem to be studied. The result is, perhaps, "good" research but in many cases not a very effective base from which to develop policy. Lord Keynes once observed that policy makers are beholden to the last generation of academics, and this observation probably says as much about academics as it does about policymakers.

In short, then, there was very little support from external constituencies for the continued existence of the Ministry of State for Urban Affairs. Cities and the Canadian Federation of Mayors and Municipalities viewed MSUA as impotent and preferred to deal directly with politicians. Provinces viewed it as undermining their authority. And academics viewed it as competitive for scarce federal research funds. The failure of MSUA to develop a complementary mode of activity, and of other urban affairs operands to view MSUA as complementary to their own interests is one of the most significant reasons why, in the final analysis, MSUA was ineffective. It also helps to understand why federal politicians - always anxious to avoid political quagmires - provided so little active support for the young agency. As noted earlier, even ministers directly responsible for MSUA made little secret of their desire to "move on" to other portfolios.

Summary Assessment
At the time of its demise, MSUA was an agency without friends. The political importance of the issue it addressed had passed in the mid-70s; municipalities, provinces, academics, bureaucrats in other agencies all viewed it with suspicion at best. To some extent, this situation was of MSUA's own making or, at least, inherent in the original design. Hampered by a lack of control over budget and the policy process, MSUA can hardly be judged to have been a success. But one can learn as much from failure as from success and the question we now examine is whether those responsible for establishing MSERD learned from these failures.

The MSERD: How Does It Measure Up?
In this section we look at the same criteria dealt with in the last section with respect to MSUA. The Ministry of State for Economic and Regional Development (then MSED, Ministry of State for Economic Development) was established about the same time that the "envelope system" was put in place, and the two must really be considered together. The "envelope system" involves the delegation of budgetary and substantive authority to a particular Cabinet Committee. Hence, the role previously performed by a Cabinet Committee with respect to substantive issues and by the Treasury Board with respect to economic development expenditures became more or less the sole responsibility of the Cabinet Committee on Economic Development.13 An "envelope" budget was assigned to MSERD for further allocation among the departments.14 Since there was a Cabinet Committee of Ministers, a parallel committee of deputy ministers was also established.

In terms of organization, until January 1982, there were three deputy secretaries reporting to the MSERD Secretary. One deputy secretary was responsible for the Operations Branch, which processed proposals to Cabinet Committees and provided a traditional secretariat function; another headed the Evaluation and Assess-

---

13Of course, Treasury Board and PCO continued to exist but since the introduction of this new system both have evolved to assume quite different roles.

14Ministers who are members of economic development Cabinet Committees are: Finance; Transport; Industry, Trade and Commerce; Agriculture; Consumer and Corporate Affairs; Energy, Mines and Resources; Indian and Northern Affairs; Fisheries and Oceans; Science and Technology; Environment; Supply and Services; Regional Economic Expansion; Labour; Treasury Board; Government Leader in the Senate; Wheat Board; National Revenue; Small Business and Tourism; and Employment and Immigration. It should be noted that not all of their departmental responsibilities fall within the purview of the Committee.
ment Branch, which was primarily responsible for dealings with Treasury Board and the mechanics of the "envelope" system; and the third deputy secretary was responsible for the Policy Formulation Branch with a mandate for synthesizing and developing intermediate-term policy.

In January 1982, the Prime Minister announced a major reorganization [22] which, among other things, involved eliminating the position of the deputy secretary responsible for Evaluation and Assessment Branch and giving these functions to the Deputy Secretary, Operations. As well, an Associate Secretary (second-in-command) was appointed with special responsibility for regional policy and coordination; the intention was signalled to appoint Federal Economic Development Coordinators (at the Assistant Deputy Minister or Deputy Secretary level) in each provincial capital. The name was changed from MSED to MSERD.

In terms of budget (Table 2), it is interesting to compare the magnitude of sums involved in MSERD to those that were available in MSUA. Even without taking into account the reduced purchasing power of the dollar over the past decade, the amounts are substantially smaller. This reflects the absence in MSERD of a funded research program and of a program of "seed" development outside Ottawa (although time will tell with respect to the latter, since the Prime Minister's announcement referred to a Regional Fund).

Table 2
MINISTRY OF STATE FOR ECONOMIC DEVELOPMENT EXPENDITURES AND PERSON YEARS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Expenditures</td>
<td>1,157,000</td>
<td>3,628,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Appropriation)</td>
<td>(1,253,000)</td>
<td>(3,716,000)</td>
<td>(4,824,000)</td>
<td>(5,494,000)</td>
</tr>
<tr>
<td>Authorized Person Years</td>
<td>108</td>
<td>110</td>
<td>108</td>
<td>108</td>
</tr>
</tbody>
</table>


The Accident of Personalities
The factor of personalities worked to the disadvantage of MSUA; it has probably worked to the advantage of MSERD. Following a different practice from the outset, all initial appointments to the staff of MSERD were secondments from other departments. In other words, unlike MSUA where most appointments were new to the government, MSERD appointed experienced bureaucrats, for the most part at very senior levels (on average, one or two levels higher than at MSUA). For example, before his appointment, the first Secretary of MSERD had served in a number of senior and important governmental positions (including Secretary of the Treasury Board and Deputy Minister of Industry, Trade and Commerce). The second Secretary (appointed in January 1982) had slightly less senior, although certainly extensive, experience in this regard. Secondments were later "normalized" into regular appointments, but the important aspects of this procedure were that a full staff complement was achieved virtually without delay and that the staff brought with them a variety of appropriate experience. Finally, the two Ministers that have had responsibility for MSERD appear to have been supportive and to have had "clout" with their cabinet colleagues.

Lack of Control of the Process
As noted above, when MSERD was established there was coincidentally established a Cabinet Committee and a senior committee of deputy ministers. Unlike MSUA, which had to spend considerable effort towards setting up SIDCUA, MSERD was given an appropriate committee structure at a senior level as well as an integral role in the decision-making process. In particular, all proposals going forward to Cabinet have been required to go through MSERD and the Cabinet Committee on Economic and Regional Development, and the latter appears to have had considerable freedom from second-guessing by other Cabinet Committees. This has resulted in close MSERD control over the process of program approval of constituent departments. Moreover, MSERD ministers have not had to battle with their colleagues for "turf": their coordinating responsibilities are clear just as the program responsibilities of other ministers are clear.

Lack of Budgetary Control
As noted above, the MSUA situation was not replicated in the case of MSERD. With the "envelope" system, budget allocations are made to the Economic Development Committee of Cabinet. Staff of MSERD provide common assessments for Ministers on all expenditure proposals and, indeed, serve as coordinators for recommending allocations of funds above the budgetary base (called "policy
It is clearly understood that budget allocations are to the envelope, after which they are further allocated to departments/agencies. It is difficult to imagine how greater control over this part of the decision-making process could have been obtained.

**Non-Support from Other Government Agencies**

With respect to this criterion as well, there does not appear to have been the antipathy from other government agencies that there was towards MSUA. This partly reflects, no doubt, the general agreement among departments that the previous Cabinet decision-making/budgetary system was not working well. Over the period of two to three years since its inauguration, moreover, M5ERD has been able to quietly wrest a substantial amount of control from the two other critical agencies in this area, the Treasury Board and the PCO. Some changes have recently occurred in the mode of operation of PCO and Treasury Board and, if this writer is correct, more are imminent.

**Lack of an Agreed Role**

This factor is more difficult to assess. No one views M5ERD as a research agency and, in general, there does not appear to be a conflict over the central process role that has been assigned to it. MSUA had to define its own role, to a large extent, and this meant energies were sapped in internal debates. M5ERD, on the other hand, with its critical process role, has been able largely to avoid this.

As noted above, M5ERD has three organizational components: one dealing with the management of operations and the decision-making process, another dealing with medium-term economic development (i.e., an industrial strategy), and a third dealing with regional policy and coordination. These functions are similar to those of MSUA (save the absence of research) but with a more experienced bureaucratic staff have not given rise to the same conflicts. As a result, M5ERD sees its major role quite clearly as one of coordination, both of policy proposals and the allocation of economic development money. And, perhaps more important, departments see it that way.

**Non-Support from the "Constituency"**

The business community has been supportive of M5ERD and of the need for coordinated economic policy. Granted, the life of this agency has been relatively brief and, in the absence of an agreed industrial strategy, pressure could still build from external communities. Indeed, M5ERD has yet to prove itself in policy development. The important new regional function adds a dimension to the policy development role which might be characterized as a real "character builder," but it is too soon to comment on this. The involvement of the academic community, important to MSUA, is inconsequential to M5ED.

**Conclusion**

There are many similarities between MSUA and M5ERD - both ministries of State; both with a broad mandate for policy coordination and development; both (at least since the January 1982 announcement of changes in M5ERD) dealing with other levels of government; both involved in asserting a federal presence outside Ottawa; both concerned at their time of creation with sensitive areas of political concern; and both relatively small, by government standards, and with no operating responsibilities.

But MSUA "died," a relatively rare occurrence for government institutions. The question addressed in this paper is whether M5ERD has within it the same fatal flaws that led to the demise of MSUA, or whether the design and mandate of M5ERD avoids them. At the risk of being overly simplistic, the general conclusion must be that they were avoided. Part of the reason for this lies in the different circumstances of the two ministries, but part also lies in their fundamental design.

MSUA was given direct influence on neither the program budget it was supposed to coordinate nor the decision process. Without these - and given the difficulty of seizing some form of control in a power conscious bureaucracy - prospects for success were minimal from the outset. Moreover, these fundamental problems were linked to other difficulties. Recruitment tended to be from outside the Public Service, and too many senior officials lacked contacts and "clout" within the bureaucracy. Hostility - from powerful central agencies as well as departments resenting interference, from provincial governments fearful for their jurisdiction, from academics and even from municipalities - meant that there was no coalescing about common goals. Finally, lukewarm political support, even at its inception, compounded other difficulties. With the benefit of hindsight, it is little wonder that MSUA accomplishments were not great and that it "died" after a life of only seven years.

*In the evolution towards M5ERD there were two committees in the mid to late 70s which addressed the issue of coordinated economic policy: the so-called "DM-10" (from which emanated The Way Ahead) and the Interdepartmental Committee on Trade and Industrial Policy (ICTIP).

*It is intriguing to speculate why the Ministry of State for Science and Technology, established at the same time as MSUA and with many of the same handicaps, has continued to exist. One critical difference is a well defined,
MSERD has had none of the above problems. By design, it was given coordinating control of program budgets and of the decision process. There has been remarkably little evident hostility and its senior officials have had considerable “clout.” Finally, it appears to have had full political support, at least to the present time. In fairness, the real tests may still be in the future. The “envelope system,” which is the basis for its control of budget and decision process, is still in its infancy and may not be fully tested until financial constraints come face to face with election demands for above-envelope expenditures. The January 1982 reorganization added extensive new responsibilities and the burden of these (especially the regional policy coordination role) could be too much for MSERD to bear effectively. As well, MSERD has still largely to prove itself in policy development. And finally, while it is difficult to imagine economic problems disappearing, there is no doubt that they could drop from their ascendant priority position. If so, there may be some question as to whether MSERD would still receive strong political support.

Notwithstanding this, the prospects for MSERD are probably better than they ever were for MSUA, largely because the basic ingredients for success are present. Can one conclude that governments learn from past errors? Or do they simply “muddle through,” by chance doing a better job the second time around?

References

articulate and supportive constituency, but a full analysis would no doubt reveal other factors as well.