



# INSIDE POLICY

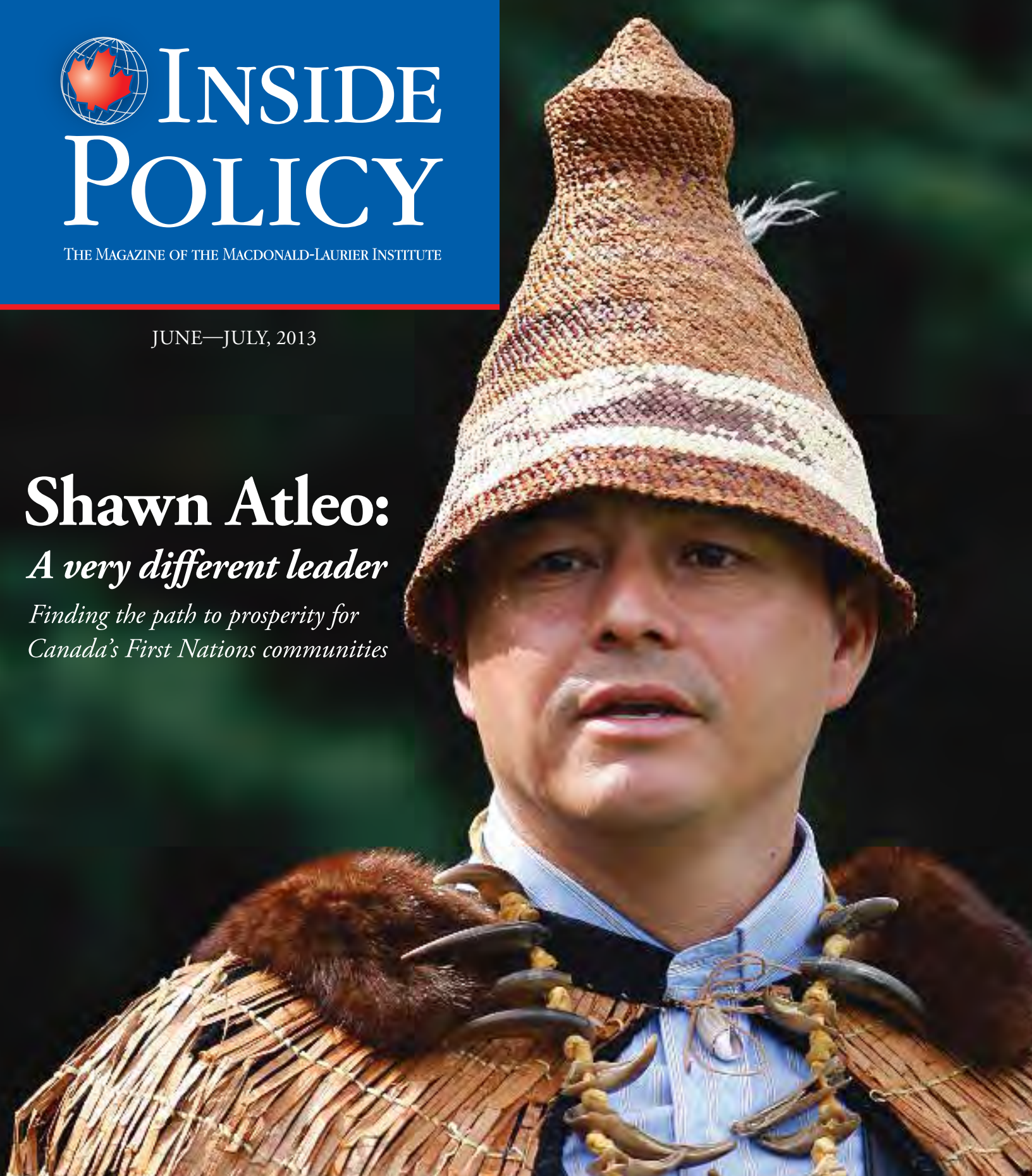
THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

JUNE—JULY, 2013

## Shawn Atleo:

*A very different leader*

*Finding the path to prosperity for  
Canada's First Nations communities*



*Also in this issue: reforming the RCMP, understanding Canada's tax burden,  
how public private partnerships can work, re-introducing monetary policy tools,  
private sector approaches to public health care, busting economic myths and more...*



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THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

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# Editor's message



Within these pages, you'll find what I hope is a welcome respite from the daily barrage of news about Senators' expenses and the Mayor of Toronto's alleged recreational activities. There are, thankfully, weightier issues that merit discussion.

In this issue of *Inside Policy* we seek to shed some light on the situation facing First Nations communities in Canada and, in particular, on how a new, collaborative approach to responsible management of abundant natural resources can be the key to long-term prosperity for many First Nations communities.

Six of the seventeen articles in this issue are dedicated to exploring these and related issues. In them, you'll find reason for hope, but also sobering assessments of the remaining practical and political challenges to progress. Robin Sears' profile of Shawn Atleo is a compelling read that provides interesting insight and background regarding this thoughtful, driven man who may have more impact on the future of Canada's First Nations communities than any leader who preceded him.

This issue also features expert analysis of: the challenges facing the RCMP; the benefits of public-private partnerships; the relative distribution of responsibility within our tax system; Canada's approach to international trade negotiations; tools which might be available for implementing monetary policy; the state of our economy; and management of Canada's freshwater resource.

We are also pleased to present an excerpt from Bob Plamondon's recently-released book regarding Pierre Trudeau. In the chapter presented, Plamondon examines the handling of the October crisis.

Enjoy your summer.

*James Anderson*

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# The RCMP needs a fresh start

*Paul Kennedy*

The famous American cowboy philosopher Will Rogers once said, “Even if you are on the right track, you’ll get run over if you just sit there.” The iconic RCMP in the recent past has manifested all the signs of an institution whose best days are behind it. The calls that bubble up, with increasing frequency, to replace the RCMP with another police service either on a reserve, a municipality or at the provincial level will not die down.

The sheer size of the RCMP, with over 20,000 police officers as well as some 10,000 civilian members and public servants dwarfs all other police services in Canada. In addition to being the national police force with responsibility for enforcing all federal laws it also has, through a series of federally subsidized service contracts, a presence on 200 First Nation reserves, 200 municipalities, 10 provinces (8 for which it acts as the provincial police force) and 3 territories. These service contracts, which represent some 2/3 of the Force’s resources, generate pressures that significantly muddle what should be a simple line of accountability between the Minister of Public Safety, the Commissioner of the RCMP and the Constable on the street.

The RCMP members who fulfill such contracts are sworn in as police

officers by the provincial government. By way of illustration, the RCMP officer who fulfills the position of Chief of the Provincial Police in British Columbia does so by virtue of his appointment under a provincial statute by the Government of BC. When this officer and members under his command enforce the Criminal Code in BC they are accountable to the Provincial Minister of Public Safety and the Provincial Attorney General, not to their Federal counterparts. This accountability is present for the RCMP in all 8 provinces and the 3 territories. There are, in addition, lines of accountability to Chiefs on First Nations reserves and the mayors of the 200 municipalities.

In the post-2008 world it has been said in respect of some major banks that their financial health is so important to the nation’s economy that we cannot let them fail. We have let the RCMP grow so big that, with its diffused mandates and myriad masters it can do nothing but fail. By way of example, a provincial coroner’s recommendation that motion activated digital cameras be installed in all RCMP holding cells to record interaction with persons in custody would have to be accepted by the provincial government before being acted upon.

Why would this be the case you may ask? Because the financial cost associated with its implementation is outside the terms of the service contract. Further, regardless of the recommendation’s merit, it would

not necessarily be adopted by other provincial or territorial jurisdictions that contract for RCMP services. It is not unusual for a problem that has been identified and addressed in one province to re-occur some time later in another province, accompanied by negative publicity (i.e., how often do you have to be told) for the RCMP, which is viewed by the public as a single entity.

The RCMP became seriously involved in police service contracts in the 1950s. There may have been a good rationale for the Force to undertake such a role at that time. The Canada of 2013 however is far different from the 1950s. The western and prairie provinces are neither under-populated nor poor. But for the cities of Surrey and Burnaby, the RCMP, under contract, provides mainly a rural and geographically remote police service. Such a form of policing carries with it unique risks, such as understaffing, poor quality holding cells and an absence of immediate backup, etc., that is not present in urban areas. The RCMP has been doing a commendable job in difficult circumstances.

I would raise two simple questions at this time. Firstly, what is the proper role of a national police service? The second question is whether a change to the RCMP's current duties would negatively impact the public's safety?

Unlawful activity is manifested in many ways but it does fall into the three basic categories of local, regional and national. Although each is distinct there are, on occasion, interconnections between all three. A Hells Angels' motorcycle club in a small town may also be the headquarters for central Canada and its president may be the group's representative at the international level. Such a group's activities will attract attention from and require co-operation amongst all levels of policing, including at the international level.

There is a clear class of minor and relatively uncomplicated unlawful activity that occurs at the local level running the gamut from driving offences to bar brawls and minor property offenses. These types of visible public disturbances are very important to residents as they have a direct and immediate impact upon their sense of personal safety. People expect immediate police action to address these challenges.

The second class captures more serious and complex unlawful activity. Examples would include serious crimes such as murder, robbery and significant frauds carried out by organized groups or which involve the use of sophisticated techniques to commit the crime. Such activity typically would cover a larger geographic area than local crime.

There is a third class of criminal activity that has existed for some time but which has undergone significant changes in relation to its nature, scope, complexity and the degree of threat that it poses to the Canada. This type of criminal activity is often interprovincial, national and international in scope. Such criminal actors employ the latest technology and are supported by lawyers and accountants. They are international players for whom the world is their oyster. The type of criminal activity they engage in includes the production and trafficking of drugs, the smuggling and trafficking of people, mass marketing fraud, payment card and debit fraud, vehicle theft (tens of thousands of cars stolen in Canada yearly and shipped abroad) counterfeit food and medical products.

The recent revelations from the Quebec Corruption Inquiry and the investigation of major Canadian firms for unlawful activities underlines the reality that no sector of Canadian society is beyond their reach. Between October 2008 and December 2009 organized crime defrauded the European Union of some \$7B (Cdn) from a system that it had put in place to reduce carbon emissions. It would be safe to assume that all government programs are similarly targeted.

*Unlawful activity is manifested in many ways but it does fall into the three basic categories of local, regional and national. Although each is distinct there are, on occasion, interconnections between all three.*

Policing in Canada has the personnel and skill sets required to address the first two classes of criminal activity. It is the third class, which poses the greatest challenge. Proper investigations of these activities entail national and international co-operation, are long-term in nature, require significant financial commitment, access to sophisticated interception and decryption techniques and recourse to non-traditional investigative skill sets.

The RCMP does some work in these areas especially as it relates to drugs and migrant smuggling. With a trillion dollar economy and a solid banking industry, it is easy to envisage how attractive Canada would be to organized crime. Unfortunately, what one sees in Canada in relation to the investigation of this most sophisticated form of crime appears to be largely as a follow-up of the work undertaken by other jurisdictions.

The RCMP's excessive commitment to providing policing at the municipal and provincial level has been at a cost to its recruitment of an appropriate investigative force with the skill sets required to undertake investigations on the new frontiers of criminality. As is evident by the presence of numerous competent police services in Canada at the municipal and provincial levels, others can ably undertake the role fulfilled by the RCMP as a contract police service. The public demand however for such police services to immediately deal with serious local crime in all its manifestations, coupled with serious financial constraints at the municipal and provincial levels, weakens their ability to commit to the substantial effort required to address this third class of criminal activity.

The federal government currently subsidizes the RCMP's role as a contract police service. The amount of that support has traditionally amounted to some 30 percent of the contract value. That money should be reallocated to the budget of a national police service to permit it to recruit, train and develop a revitalized RCMP: one dedicated to being the primary lead within Canada in respect to the interprovincial, national and international investigation of this most serious type of crime. ❖

*Paul Kennedy served as the Senior Assistant Deputy Minister at Public Safety responsible for national security activities. He also spent five years as Senior Chief Counsel to CSIS and four years as chair of the Commission for Public Complaints Against the RCMP.*

# Aboriginal reality is changing — the discourse needs to catch up

*Brian Lee Crowley writes about the alarmist media reaction to the launch of MLI's new project on Aboriginal Canadians and the natural resource economy. Despite the good intentions of the project's authors, much of the media coverage reinforced old prejudices the project hopes to help dispel. Crowley concludes that if we are to make progress in building partnerships between Aboriginal and non-Aboriginal Canadians we have to look past our fears and anxieties.*

## *Brian Lee Crowley*

Probe the mind of the average Canadian and you'll likely find a complex knot of feelings and thoughts about Aboriginal Canadians, a mixture of guilt, admiration, resentment and frustration in roughly equal measure. But perhaps more importantly, you'll find a deep vein of pessimism, a feeling that relations between Aboriginals and non-Aboriginals is a mine field, that the problems are intractable, that huge sums of money are spent but things never improve.

This picture comes from many sources, but one of the most important is the media who often reflect back at Canadians their own anxieties and preoccupations, including about First Nations.

Yet we are on the cusp of a revolution in relations between Aboriginal and non-Aboriginal Canadians. That revolution will be driven by the potential of the natural resource economy to create wealth, coupled with the increasing need to make Aboriginal Canadians full partners in resource development if we are to unlock that wealth. New respect from the courts for Aboriginal treaties and rights, particularly as they relate to resources, make them indispensable for developments that touch on their interests.

I tried to tell the story of the positive developments that are the most likely outcome of this increased Aboriginal power recently when my institute launched a new project on Aboriginal Canada and the Natural Resource Economy, but I made a bad mistake. I underestimated the



Photo: Shutterstock

power of important segments of the media to subvert a good news story that conflicted with their prejudices. Conflict and anxiety sell. Blossoming partnership doesn't.

Here's how I got it wrong: in my naiveté I thought we had to tackle the thorny issues around Aboriginal/non-Aboriginal relations head on. That meant looking at what could go right and what could go wrong, and a strategy to maximize the first and minimize the second.

My co-author, Ken Coates, Canada Research Chair at the University of Saskatchewan and I wrote about the great potential for partnership with First Nations, and how many of those partnerships in places like northern BC, the Yukon, northern Quebec and elsewhere are already paying huge dividends, including for Aboriginal people.

Vast new Aboriginal-owned development corporations are sprouting up to run their projects on a business-like basis, and soon will be among the largest corporations in the country. Aboriginal involvement in the oil pipeline from the Northwest Territories has been so successful they are now taking an equity participation in a proposed gas pipeline. These are models we can build on in enlarging the partnership with Aboriginal people beyond the communities where it is already working.

But I insisted that we not neglect or downplay the potential for things to go wrong. No one who remembers the Oka crisis, or followed the conflict at Caledonia in Ontario, or reads the many stories of Aboriginal blockades of critical highways and railways, can be in any doubt that

conflict exists between Aboriginal Canada and the rest of society, and sometimes that conflict boils over.

So I also asked Doug Bland, a retired colonel in the Canadian Forces and professor emeritus of strategic studies at Queen's University, to write about the potential for conflict, so that our two papers would lay out the alternative futures we have before us.

He sensibly wrote that the research on uprisings and insurrections from around the world indicated that the existence of certain factors, like a young disaffected group (the "warrior cohort"), vulnerable infrastructure and deep social divisions (such as between Aboriginal and non-Aboriginal Canadians) all made such conflict more feasible.

Bland's point was that we can lessen the chances of insurrection by dealing with these contributing factors, reducing the likelihood of conflict. Moreover, at the press conference where we launched the project, we were at pains to point out that we were not predicting conflict but laying out the reasons for optimism and strategies to reduce the risk of things going wrong.

For our pains we got front page stories across the country claiming

that our "grim" report "predicted" a long hot summer of Aboriginal uprisings.

Thus our effort to introduce a note of justified optimism into what can sometimes seem a desperately depressing discussion unleashed much alarmist coverage almost completely divorced (with some honourable exceptions) from what we said.

Fortunately the Aboriginal world got the real message and we have been encouraged by the outpouring of encouragement and even relief from people who were just delighted to see someone telling the optimistic story they are living every day on the resource frontier. We are swamped with invitations to speak to Aboriginal economic development conferences. The National Chief of the AFN, Shawn Atleo, wrote to congratulate us.

Aboriginal reality is changing all around us, largely for the better. But the way we talk about these issues has yet to catch up. I have the scars to prove it. 📍

*Brian Lee Crowley (twitter.com/brianleecrowley) is the Managing Director of the Macdonald-Laurier Institute.*

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# Aboriginal participation in resource development is essential for prosperity

*Ken Coates and Brian Lee Crowley*

*The following is the Executive Summary (slightly revised) of a Macdonald-Laurier Institute paper released in May 2013.*

Canada finds itself today in the midst of one of the most important resource development booms in national history. The scale and intensity of resource development in Canada has kept the national economy strong in the midst of global difficulties. Equally important, the vast treasure trove of Canadian resources provides solid assurance that the Canadian economy will remain robust well into the future.

These exciting and important opportunities hinge on Canada's ability to establish fair, clear, and durable agreements with First Nations. This paper sets the stage for the Macdonald-Laurier Institute's major new three-year project on Aboriginal Canada and the Natural Resource Economy by drawing attention to the experience of Aboriginal engagement with resource development; growing Aboriginal empowerment over the last 40 years; and the constructive, mutually beneficial collaborations that have emerged between Aboriginal groups, govern-

ments, and developers, informed and shaped by recent court decisions and modern treaties. We believe that this overview gives reasons for hope for Aboriginal and non-Aboriginal Canadians alike that the natural resource economy may provide the basis for shared prosperity and progress. Other papers over the course of this project will develop some of the themes in this paper in greater detail.

The argument that future Aboriginal participation in the resource sector can be significantly better than the past need not be based on pie-in-the-sky forecasts of what might be, but rather on existing best practices in Aboriginal engagement with the resource sector. The last couple of decades yield promising examples of successful, positive collaborations.

## Significant court cases

After the government nearly lost a court case in 1973 on the issue of Aboriginal claims to land and resources, then-Prime Minister Pierre Trudeau started negotiating comprehensive modern treaties, and opened an era of Aboriginal legal empowerment. In the following



years, a series of major Supreme Court decisions expanded Aboriginal harvesting rights, reinvigorated existing treaties, and provided a new legal context for treaty negotiations.

In 2004, the Supreme Court determined that the government had “a duty to consult and accommodate” affected Aboriginal communities when planning major resource developments. The ruling proved of pivotal significance, making it clear to participants that Aboriginal people were to have substantial influence over resource decisions, while stopping short of giving them a legal veto. Governments and corporations now had an obligation to consult with the Indigenous peoples upon whose territories they wished to work. Furthermore, they had to make good faith efforts to accommodate Aboriginal needs and interests. In short order, extensive community-based discussions; impact and benefit agreements; a complex network of joint ventures; Aboriginal business development; training and employment schemes; and community participation in approval and oversight arrangements, became commonplace.

### **Development corporations**

The emergence of development corporations — Aboriginally-run, community-based, and collectively-owned commercial enterprises — is perhaps the most significant development in the field. Many have received funds from modern treaties, legal settlements, and revenue from resource activity, and are already significant players in Indigenous economic development.

### **Impact and benefit agreements**

Impact and benefit agreements (IBA) between Aboriginal groups and mining corporations provide for significant sharing of opportunity around resource developments. The companies realized, even before the judicial recognition of the duty to consult and accommodate, that working collaboratively with Indigenous peoples provided significant returns in terms of building a regional labour force, developing ties with area service and supply companies, and providing a noticeable return to the Aboriginal communities for activities on their traditional territories.

### **Collaboration on large-scale projects**

Sizable projects, like the Vale Newfoundland and Labrador deposit at Voisey’s Bay, Labrador, illustrate the extent and impact of Indigenous collaboration; in this case involving the Innu Nation and the Nunatsiavut government. The complex impact and benefit agreement, supported and enhanced by modern treaty agreements, has provided an economic and employment foundation for Innu and Nunatsiavut aspirations in their homelands.

### **Examples from British Columbia**

British Columbia has emerged as an innovator in provincial approaches to resource development. The BC government has signed several forestry revenue-sharing agreements with communities across the province, ensuring a direct return to the First Nations from logging activities on their traditional territories. Even more significant,

the Government of British Columbia has committed itself to sharing government mineral tax revenue — over and above what might be negotiated between the mining company and the First Nation — for each new mine.

### **Oil sands development**

Suncor, in particular, has developed an extensive community outreach and engagement process with Aboriginal peoples, focusing particularly on skills and job training but including contributions to community infrastructure and commitments to regional social planning. The firm created an Aboriginal Affairs department to focus company efforts in the area, gaining recognition for its efforts to hire and retain more Indigenous employees.

It took quite some time for Indigenous businesses, both community-based companies and individually-owned enterprises, to emerge as significant players in the regional economy, but the number and size of the companies has expanded substantially. The financial success of Dave Tuccaro, from Mikisew Cree First Nation (Fort Chipewyan), whose wealth has been described as exceeding \$100M, has been widely cited as an illustration of the declining barriers to Aboriginal entrepreneurship in the oil sands.

Canadians as a whole have as much of a choice in the months ahead as do Aboriginal peoples. There is a tendency to expect, unrealistically, unanimity among Indigenous leaders and organizations and to withhold support for Aboriginal aspirations unless there is an Aboriginal consensus on how to proceed. There will be no easy consensus, nor is it reasonable to expect one to emerge. It is fundamentally important, therefore, to connect with Aboriginal leaders and communities that favour engagement, primarily to demonstrate that significant and sustainable partnerships are attainable with government, the private sector, and the country at large.

Aboriginal participation in resource development is essential for Canadian prosperity and for a fair and appropriate pathway for the improvement of the situation of Indigenous peoples. The history of Aboriginal-newcomer relations in Canada has not been kind to Indigenous peoples. They have borne most of the negative effects of resources and settlement, with the impacts still painfully evident in the 21st century. The legal empowerment of Aboriginal peoples in recent years has given the Indigenous governments much greater ability, while still far from absolute, to shape development projects to better suit community needs and aspirations. It is vital that the historic pattern be changed and that models of more positive engagement come to the fore. The MLI paper shows that, far from being a vain and pious hope, such models are already emerging and provide guidance on where to go from here. 📌

*To read the entire paper — entitled “New Beginnings — How Canada’s Natural Resource Wealth Could Re-shape Relations with Aboriginal People” — visit the Macdonald-Laurier Institute website.*

*Brian Lee Crowley is Managing Director of the Macdonald-Laurier Institute. Ken Coates is co-leader of MLI’s Aboriginal Canada and the Natural Resource Economy project.*



Photo: Creative Commons/Kris Kūg

# Canada and the First Nations: Cooperation or conflict?

*Douglas Bland*

*The following is the Executive Summary of a Macdonald-Laurier Institute paper released in May 2013.*

For all the meetings, plans and requests by prime ministers and native chiefs, conditions within some First Nations communities languish. While a growing number are improving, others suffer from severe deprivation. The poorer communities often seethe with frustration.

Expectations raised by legal victories and government announcements seem to lead nowhere, or fall away. As the frustrations of unfulfilled expectations rise, anger in the communities festers, especially among young people.

The outcome? An idea that most Canadians would have seen as preposterous a year ago, but which is now very real: the possibility of a disruptive confrontation between Canada's Aboriginal and non-Aboriginal communities.

This paper examines that possibility in the context of five determinants central to an accepted 'feasibility hypothesis' developed by an Oxford researcher:

- Social fractionalization
- The 'warrior cohort'
- Economic and resources factors
- The security determinant, and
- Topography

The hypothesis suggests that feasibility, not root causes, provides the foundation for challenging civil authority. Do these factors support the likelihood of a First Nations insurgency in Canada today? If so, will it occur?

In mid-2012, these questions would have been seen as largely speculative unless one lived close to where Aboriginal protests had taken place. By January 2013, they had taken on entirely different meaning and immediacy.

## Social fractionalization

Social fractionalization significantly increases the risk of social conflict. The phenomenon provides motives for an insurgency.

The fractionalization along Aboriginal and non-Aboriginal fault-lines is obvious. Social life on many reserves is defined by poverty and its consequences. For many Aboriginal people in Canada, but especially for First Nations women and children, life on-reserve is dreary, dark and dangerous.

Over-crowded conditions and poorly constructed and maintained housing are the norm on reserves. Illicit drug use is widespread on many reserves; personal insecurity is a constant.

Left untended as they are today, these social cleavages present a growing danger to citizens in both communities and to Canada.

## The warrior cohort

The young warrior cohort is here to stay. By 2017, about 42 percent of the First Nations population on the Prairies will be under the age of 30, over twice the 20 percent in the non-Aboriginal community.

Many young Aboriginal people are disadvantaged by circumstance, government policies, band mismanagement, negative leader models or parental choices. They tend to be poorly educated and unskilled.

To reduce the feasibility of an uprising in the First Nations, Canada needs educational and employment policies that immediately transform future First Nations cohorts aged 15 to 24 into productive, self-reliant people.

The challenge for Canadian and Aboriginal leaders is to rescue today's Aboriginal youth from the negative social effects of Canadian realities and the shortcomings of Indigenous governments. At the same time, they must prevent conditions from disenfranchising future generations of First Nations youth. There is no either/or choice in this situation.

## Economic and resources factors

Unfortunately for Canada, the matrix of the economy, national resources and transportation is irreversibly vulnerable. It presents targets that cannot be fully protected. As Canada's economic health becomes more dependent on moving natural resources over long, difficult transportation routes, effective Aboriginal disturbances become more feasible.

And because they are feasible, it follows that strategic, co-ordinated First Nations actions against Canada's economy will occur.

The reality for Canadians and their governments is that in a prolonged dispute, Canada's transportation infrastructure would inevitably be targeted.

Nor is it necessary to disrupt an entire vital transportation system. A strong, enduring protest at a few critical bottlenecks would suffice.

## Security factor

The minimal capabilities of Canada's security forces are well understood in Aboriginal communities. Native leaders also understand the reluctance in governments, in the Canadian Forces and police organizations (as demonstrated at Caledonia) to intervene in Aboriginal demonstrations, even when there are urgent and lawful reasons for doing so.

This reinforces the feasibility factor, and makes more certain future challenges to civil authority at times and places of Aboriginal leaders' choosing.

Finding the right balance between legitimate protest and armed confrontation may be difficult, but it must be found. An indispensable part of the solution will be policing regimes that assure peaceful Aboriginal and non-Aboriginal people of their rights and freedoms under the law.

## Policy options

There are various policy options open to both sides. The federal government, in cooperation with provincial and territorial governments as warranted, might open talks with First Nations people to discuss a new constitutional framework to govern First Nations/Canada relations.

This framework might include measures aimed at diminishing national fragmentation and disarming the warrior cohort as part of a broad national economic and social program.

The options available to Aboriginal peoples are extensive, and were powerfully presented to Canadians during the 2012-2013 protests. The fact that Canada's natural wealth flows unfairly from Aboriginal lands and peoples to non-Aboriginal Canadians is a long-standing, justifiable grievance.

Therefore, it is morally and ethically just that Indigenous peoples act in their own interests and in the interests of their future generations to correct this unfairness. It is also appropriate that First Nations leaders use, or suggest that they will use, whatever peaceful means and advantages they have to achieve this outcome.

Without reasonable shifts in both communities in the near future, a great deal might change for the worse for both First Nations people and for Canadians. ❖

*To read the entire paper — entitled "Canada and the First Nations: Cooperation or Conflict" — visit the Macdonald-Laurier Institute website.*

*Dr. Douglas Bland, Professor Emeritus, Queen's University, retired from the Canadian Armed Forces in 1990 as a Lieutenant Colonel after more than 30 years of service. In his final years of service, Dr. Bland was Senior Staff Officer for Curriculum Development at the National Defence College of Canada. From 1996 to 2011 Dr. Bland held the Chair of Defence Studies at Queen's University where he conducted research and taught in the fields of defence policy making and management at national and international levels, the organization and functioning of defence ministries, civil-military relations, and insurgency operations. In 2006, he began a series of research studies concerned with Canada's internal security situation. He is the author of the political novel, Uprising, (Dundurn Press, 2009) that describes a future First Nations' insurgency against Canada. These studies continue.*



Photo: AADNC

# First Nations should be regarded as partners in creating prosperity

*Carolyn Bennett*

Over the past eighteen months Canadians have had unprecedented exposure to the issues of Aboriginal people in Canada. We have seen the shocking footage of Third World conditions in Attawapiskat; followed by months of Idle No More rallies; teach-ins; and round dances, all precipitated by the two omnibus federal budget bills that gutted environmental protections.

Two hundred and fifty years ago, the Royal Proclamation laid out how the richness of the land would be fairly shared. That hasn't happened. Upholding the relationship established by the Proclamation would ensure that Aboriginal people would have equitable access to Canada's natural resources.

The Conservatives' mishandling of this relationship and total failure to meaningfully consult has also endangered the government's progress on their chosen engine for Canada's economic recovery — natural resource development. A sustainably developed resource sector is essential to the success of the Canadian economy, serving as the founda-

tion for future economic growth and good jobs for a greater number of Canadians. The federal government has projected more than 600 major resource projects will yield hundreds of billions in jobs, tax revenues, and spin-off industries over the next decade.

What the government, and all Canadians, must understand is that almost every resource development activity currently operating or being planned is within, or impacts, traditional Aboriginal lands.

The Crown has historical and treaty relationships with Aboriginal communities in Canada which, amongst other things, established legal rights for Indigenous people. The foundation for dealing with existing and future issues was rooted in respectful, government-to-government relations between the Crown and Aboriginal peoples. These rights were subsequently recognized and affirmed in Section 35 of the *Constitution Act* of 1982.

Included in these rights is that of Aboriginal Peoples to be meaningfully consulted and incorporated into decision-making about development projects that affect their Aboriginal rights. This 'duty to consult'

has been upheld by the Supreme Court of Canada which means that resource development not done in full consultation and collaboration with affected Aboriginal communities is not only irresponsible, it is unconstitutional.

This is something the Canadian business community already understands. They recognize the necessity and potential of engaging Indigenous people as partners in energy and resource development.

The Canadian Council of Chief Executives has been clear that Aboriginal Peoples must be “true partners” in resource and energy projects and have pointed out the proximity of Canada’s resource and energy assets to Aboriginal communities. Jim Prentice, Mr. Harper’s former Minister for the Environment and Aboriginal Affairs, has pointed out that this engagement is not optional and mega-projects like pipelines will simply not happen without the cooperation of impacted Indigenous peoples.

Mr. Prentice has also rightly chastised the Conservative government for failing to live up to their obligations in this regard, saying, “the Crown obligation to engage First Nations in a meaningful way has yet to be taken up.”

Instead, the government seems to have opted for a confrontational approach with Aboriginal communities regarding resource development. Last summer, Treasury Board President Tony Clement was said to have alienated First Nations in Northern Ontario by dismissing their calls for a Joint Review Panel of the Ring of Fire resource developments; his critics suggested he had characterized their concerns as bringing up “irrelevant issues.” Government documents have also labelled Indigenous people as “adversaries” who impede resource and energy development. This is both untrue and insulting. With more than 170 legal victories under their belt, Aboriginal peoples have demonstrated that the government is on the wrong side of the issue.

What Aboriginal peoples rightly reject is the kind of unilateral and paternalistic decision-making the government is pursuing regarding Aboriginal territories and resources. This ‘see you in court’ approach simply results in protracted and costly legal battles, which limits development opportunities, deprives all parties of scarce funds, and increases delay, animosity and tension.

Matthew Coon Come, Grand Chief of the Grand Council of the Crees, recently spoke to the CBC about this misconception.

“The myth is that anytime that there is development that there is potential that the First Nations of this country would rise up, create unrest, create uncertainty and create confrontation. That is a myth. What First Nations of this country want is to be able to have a say in the way that development takes place. They are not anti-development.”

One need look no further than the James Bay Cree to see what an agreement based on the spirit of partnership, respect, and cooperation for mutual benefit can do for everyone involved.

Starting in 1975, the James Bay Cree began negotiating themselves beyond the paternalism of the *Indian Act* in exchange for a share of

resource royalties stemming from their traditional territories. In 2002, the governments of Quebec and the Grand Council of the Crees signed an agreement that ended 30 years of court battles and has resulted in the Cree of Northern Quebec receiving \$70M per year in royalty payments. This has not only meant new schools, housing, clinics and community centres for the roughly 18,000 Cree of northern Quebec, but it opened up a new era of responsible development in partnership with the Indigenous population. The James Bay Cree are welcoming development that benefits both business and the local population.

*“The myth is that anytime that there is development that there is potential that the First Nations of this country would rise up, create unrest, create uncertainty and create confrontation. That is a myth.”*

— Matthew Coon Come, Grand Chief  
of the Grand Council of the Crees

New resource developments are now being pursued with the James Bay Cree intimately involved from their inception. The mistrust and uncertainty of the past has been replaced with political and financial stability.

This is the promise of a new approach to Canada’s relationship with Aboriginal peoples. It is not a zero sum game, but a matter of recognizing that developing a framework around resource sharing will benefit everyone in Canada — both Aboriginal and non-Aboriginal. The legal certainty would unlock huge economic potential that would provide Aboriginal communities with sustainable sources of revenue and jobs and provide Canada with the economic growth we so desperately need.

The Aboriginal population is the youngest and fastest growing population in Canada. As we struggle to deal with an aging population and chronic skills shortages the status quo is not an option. The Third World conditions in the 100 communities like Attawapiskat are something that can be changed if we get this right. As Aboriginal communities reap the benefits of increased control over their own affairs, the shameful gaps in social outcomes and living conditions will close and the imperative of sustainability — thinking seven generations out — will truly benefit all Canadians.

It is time for the Prime Minister to show the leadership he promised at the Crown-First Nations Gathering last year and again on January 11, 2013. ‘Resetting the relationship’ means respecting Aboriginal rights, and working in partnership with First Nations, Métis and Inuit communities to build shared and lasting prosperity. The Prime Minister has an urgent responsibility to bring all parties to the table — Aboriginal leadership, provinces and territories to work together to equitably share the benefits of resource development. 🇩🇪

*Carolyn Bennett, M.D., is the Member of Parliament for St. Paul’s. She is the Liberal Party Critic for Aboriginal Affairs and is Chair of the Liberal Women’s Caucus.*



# Is it time to build a road to prosperity in the Far North?

*Mark Quinn*

Over the last decade Canadians have become increasingly aware of a number of First Nation communities that have been in serious crisis. The plight of communities like Attawapiskat, Pikangikum, and Kashechewan are well known in the national media but what is less well known is that they are all in the same region, Northern Ontario. These communities are three of the approximately 30 First Nation communities in Ontario's Far North. Most of these communities have much in common and are facing remarkably similar challenges.

The Far North — comprising some 42 percent of Ontario's land-mass (approximately 420,000 square kilometers) — has more in common with the arctic than with the rest of the province. Consider the following:

- it has virtually no community infrastructure;
- there is little access to the hydro grid in the region;
- these communities are dependent on diesel generators for

*Although First Nation lands are under federal jurisdiction, it is important to recognize that Treaty 9 is one of the few Treaty areas where the province is an official signatory. This is an important fact because Crown land south of the 60th parallel (excluding the Yukon, Northwest Territories & Nunavut) is provincial jurisdiction and reserve land is under federal jurisdiction. First Nation traditional activity often conflicts with provincial surface use of Crown lands.*

- power; and
- the cost of transporting diesel to these communities is staggering and further contributes to air and ground pollution.

For these isolated communities, the main mode of transportation for

the provision of goods and services is winter roads. With the changes in climate, the availability of winter roads is reduced; in some years by up to 20 percent. That means community supplies for the entire year must be hauled north in a two-to-three month window of time. Perishable goods must be flown into these communities by air, making some basic necessities (e.g., milk) four times more expensive than in the south.

To get a better sense of the servicing cost in this area, consider First Nation health care. Most communities have a nursing station, but the majority of the region is serviced by the zone hospital in Sioux Lookout, which is responsible for 31 communities in an area larger than France. Not surprisingly, transportation is one of the largest costs of the health care system.

Most importantly from a First Nations and a legal perspective, this entire region is a Treaty area, assuring First Nation rights to a traditional livelihood. Treaty 9 (1905-06) covers the majority of the region; a small section in the northwest is covered by Treaty 5 (1908). Although First Nation lands are under federal jurisdiction, it is important to recognize that Treaty 9 is one of the few Treaty areas where the province is an official signatory. This is an important fact because Crown land south of the 60th parallel (excluding the Yukon, Northwest Territories & Nunavut) is provincial jurisdiction and reserve land is under federal jurisdiction. First Nation traditional activity often conflicts with provincial surface use of Crown lands.

In 2010, the Ontario government passed the *Far North Act*, as a precursor to the Ring of Fire development. The legislation essentially froze development in half the area north of the 51st parallel. The bill was widely praised by environmental groups but was bitterly opposed by First Nations. Of the 49 communities that make up Nishnawbe Aski Nation (NAN), the political voice of the communities in northern Ontario, only two signed a memorandum of understanding with the province. This brought a sense of disconnect to a relationship once viewed with a new sense of hope.

Throughout Canada, there are many examples to illustrate that First Nations people are not opposed to economic development. They want to build on their economies and be included as equal partners during the process of development. They weigh the long-term cost of development and how it will have a direct impact on their lands and environment. For the communities in Northern Ontario, why would they expect any less?

Since the mid-1970s, this area has been subject to a mining development moratorium. However, that may be about to change. It is reported that the Ring of Fire's development plan is based on the possibility of 10 new mining projects coming on line over the next 10 to 15 years.

Understandably for most Canadians, the affected First Nation communities would like to have a Joint Review Panel Environmental Assessment (EA) review of the development plan and potential effects on those communities in the region. Again not surprisingly, the local non-native community in Greenstone — the gateway to the Ring of Fire — strongly supports the conduct of an EA review.

What emerges from this development plan and the review process are a variety of business opportunities for First Nation consideration. By way of an example: to develop a mine site will require thousands of truckloads of equipment, supplies and manpower on a year-round basis. Absent all-weather road or rail access, the costs of development become prohibitive and could render the proposed mines uneconomical. The construction and operation of an all-weather road will certainly improve the economics of most mine projects (and will fatten the provincial royalty wallet when the mines are producing). An all-weather road will also improve the conditions, and reduce the costs of services to the now-isolated First Nation communities. Is it time to think about building an all-weather road, a road system that would start in Greenstone and head north? A road system is often the precursor to the provision of hydropower and broadband.

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Those with a business mind will see an opportunity where an all-weather road could be constructed using some variation of a public-private partnership. Those people will also see an opportunity to include the First Nations as part of the ownership of the road during construction and as part of the long-term operations of the road. Road maintenance and operations may provide new employment opportunities to these communities. Hydro and broadband access will allow the communities to move into the 21st century.

For the mine developers, a road becomes available to them on a fee-for-service basis but they will not have the capital costs to manage. For the province, a road opens up the Ring of Fire for development; a potential boon to the treasury. It gets a road into the north with considerable private sector contributions over time and it becomes the basis for a new and positive relationship with First Nations in the region. Additional roads may follow.

The provision of infrastructure (road, power and broadband) will significantly reduce the cost to service these communities, and removes the hindrance to new investments and economic development, while providing a better quality of life. ✚

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Photo: PCO

# Public private partnerships can solve infrastructure needs without placing burden on future generations

*Seen from any angle, infrastructure spending clearly is an investment in the literal sense of the word. The problem with harnessing the vision for governments to step up infrastructure spending, when there is no perceived need to bolster employment, is that infrastructure projects are big ticket items. This is why governments are increasingly turning to a structure known as Public Private Partnerships to finance, build and operate essential infrastructure.*

**Stanley H. Hartt**

Is infrastructure spending: (a) stimulus; (b) investment (c) social overhead capital; (d) all of the above?

During the recent global financial crisis, it became customary to associate government spending on infrastructure projects with the need to stimulate the economy in a recession. There is nothing new in that. Throughout history, monarchs understood the connection between building massive projects, including testaments to their own presumed

greatness, as a strategy to create work for the masses.

Under Franklin Delano Roosevelt's "New Deal", more than 34,000 projects were undertaken, including: bridges; airports; dams; post offices; courthouses; roads; government buildings; hospitals; and schools — to "prime the pump" of the depressed marketplace. The approach was consistent with the deficit financing mantra of John Maynard Keynes' classic "General Theory of Employment, Interest and Money." More recently, during the lengthy period of stagflation experienced by the Japanese economy, it became commonplace for



successive Ministers of Finance to make budgetary promises to their G-7 partners of massive spending on “public works.”

But infrastructure is also much more. Whenever politicians seek to justify spending on some favourite initiative, they tend to trot out the euphemistic expression “investment” to support their case for the expenditure. This happens even if there is no realistic expectation of any measurable return on the outlay over a reasonable time horizon. The case of infrastructure, however, is clearly different. Seen from any angle, infrastructure spending clearly is an investment in the literal sense of the word.

This is because infrastructure is also social overhead capital (a concept attributed to the American economist, Thorstein B. Veblen). Social overhead capital consists of basic services and facilities without which the remaining productive activities of the economy cannot function efficiently. Thus, our roads; bridges; railroad rights-of-way; ports; harbours; terminals; and airports; as well as electricity; gas; water; telecommunications and other utilities: schools; hospitals; courthouses; jails and other public buildings: all fall under the rubric of the definition. What they have in common is that, once built, they collectively facilitate other economic activities conducted by both the private and public sectors.

Viewed this way, it is important to distinguish between downturns in our reported GDP numbers and far-seeing plans to upgrade or add to the essential physical pre-conditions for long-term growth in a modern economy. There is, in effect, no bad time to turn serious attention to a society’s infrastructure and to plan a rational program for the creation and maintenance of these facilities.

The problem with harnessing the vision for governments to step up infrastructure spending, when there is no perceived need to bolster employment, is that infrastructure projects are big ticket items. They call for up-front outlays of huge amounts of cash though their benefit and value are realized only over a much longer term. The electoral calendar is not friendly to those who espouse massive expenditures for results not demonstrable during a standard mandate. It takes foresight to dedicate the resources from which business, employment and society as a whole can benefit.

This is why governments have increasingly turned to a structure known as Public Private Partnerships to finance, build and operate essential infrastructure. Even though a government entity usually has a lower cost of capital than a private-sector concessionaire, political exigencies can often motivate public sector planners to prefer the use of other people’s money to realize the goal of constructing or improving a vital infrastructure project. So the more expensive capital, with the natural and normal requirement of a private investor for a return commensurate with the risk, can mean that a given project costs more over its life in the PPP model than it would if simply directly funded by the relevant government. The real benefits of PPPs come in their efficiencies as a delivery mechanism which far outweigh any additional costs of private capital relative to taxpayer supported debt.

The modern PPP concept really only came into frequent and recognizable use and practice as recently as the 1990s when govern-

ments determined to mobilize private market resources in a substantial way in order to accelerate the development of much-needed infrastructure or the renewal of crumbling facilities near the end of their lifespan.

There are many models for how a successful PPP can work. The most basic structure begins with a perceived need for a project regarded as beyond a government’s capacity to finance on its own in the short-term. The government entity will typically draw up extremely detailed specifications for what is wanted and issue a request for proposals to the marketplace; usually accompanied by a clear statement of the regulatory regime under which the asset will be operated.

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After the bidding process is complete, a candidate is selected for detailed negotiations of the concession contract, leading to a financial close. Essential to the project’s viability is a revenue source and its sufficiency to produce the required returns over the length of the concession. User-pay PPPs are common internationally in relation to throughput-based assets such as: toll-roads; mass transit; airports and ports; as well as the provision of utility services such as water, electricity and gas. PPPs are often able to improve on a traditional regulated utility model as the underlying assets remain in public ownership and the private sector partner is judged and paid based on the quality of the services they deliver rather than being guaranteed a return on the capital investment they make.

The life of a concession can vary depending on the nature of the asset, but 30-year concessions, or longer, are typical. The long-term nature of most PPP concessions mirrors the useful economic life of the assets themselves and ensures that today’s political legacy assets do not become the next generation’s white elephants because insufficient money was set aside to operate, maintain and refurbish them.

The revenue source ought to be straight-forward, but is often not. For example, a toll-road can be serviced by the establishment of a regime governing the rate at which tolls can be assessed.

But sometimes it is politically difficult to introduce a toll regime for a previously available service even if the road has been substantially upgraded through the provision of private capital. One solution in such cases is to negotiate an “availability tariff”, where traffic studies are carried out and likely usage forecast over time. The government simply sends a cheque to the PPP partner for the projected usage without bothering the general public to pay a toll.



Photo: Shutterstock

Governments can also get the revenue source for a planned project very wrong. When Toronto Mayor Rob Ford wanted to study the feasibility of building subways for the City's expanding mass transit needs instead of the Light Rail Transit favoured by the Province and the previous City administration, he suggested turning to the private sector for the funding required. But the plan called for the Toronto Transit Commission to operate the subway lines and keep the revenues. So, why would any private sector investor contemplate putting up money? The Mayor identified a classic revenue source known as Tax Increment Financing (TIF), where the increase in municipal tax revenues generated by the very project in question are assigned to the project developer to pay back capital and provide a suitable return.

The only problem was that, in every previous case where TIF had been used, any shortfall is backed by the municipality. Mayor Ford was unwilling to do that and the project became unfinanceable.

A second type of PPP addresses the needs of social infrastructure which does not lend itself to the user pay model. This includes schools, hospitals, police stations, fire halls, prisons and other public facilities. In these situations, the availability payment PPP model ensures that the private provider of these facilities receives a stream of payments directly from government provided that the facilities deliver the performance specifications required by governments. Such PPPs work best when the performance payments shadow the needs of the users - well-designed, clean, well-maintained and efficient facilities where the public sector can deliver services.

Another way PPPs can come into being is in the case of privatization. A concession for a publicly-owned asset can be auctioned to the highest bidder, so construction risk is eliminated, since the asset is already in existence and its historical revenue stream known. Experience shows that private ownership can dramatically enhance the revenues from an asset without impairing the quality of service. For example, the airport

in Sydney, Australia, has a revenue mix of 70 percent retail, 30 percent landing fees, whereas recent statistics for Toronto Pearson Airport were the exact opposite, 70 percent landing fees, 30 percent retail.

Ontario's recent budget proposal called for \$35B in infrastructure spending over three years, a bold move from an impoverished government. Ontario's government must be betting that the economic spin-offs from the projects' construction and their subsequent operation will generate enough activity to both jump-start the faltering manufacturing sector and encourage the growth and development of new sectors of specialization which can help settle the unstable fiscal situation.

The response to our opening question is that infrastructure must be viewed as (d) all of the above — a stimulus to the economy, an investment in the future and an essential creation of social assets that pay their dividends to society through the functionality afforded to wealth creation. Much of Canada's (and indeed the developed world's) infrastructure was built in the 1950s and '60s when governments were typically spending 10-12 percent of GDP on fixed asset investment. Since then, deferred maintenance, demographic changes and new global trading patterns have provoked a need for more and new types of infrastructure. Despite that, the federal government is now spending less than 2 percent of GDP on infrastructure. ❖

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# Should we tax the rich more?

*Philip Cross*

The May 30 Munk debate states boldly: be it resolved tax the rich more. The idea is partly simple expedience — for cash-strapped governments, that is where the most money is. But it also reflects an inaccurate perception held by many that the distribution of income in Canada is becoming more unequal. In fact, the trend to rising inequality essentially stopped in 1998, when lower and middle income families began to recover after two decades of lower earnings.

At a time of floundering public finances, especially at the provincial level, it seems reasonable to ask the better off in our society to shoulder a growing share of the tax burden. The US and Europe have already moved in that direction. Provincial governments in Canada have raised taxes on the rich, with both Ontario and Quebec pushing their highest marginal tax rates as close as they can to 50%, a psychological and political barrier after which people start working more for the taxman than themselves, risking a flight to other jurisdictions.

Most measures of income inequality show a long-term rise in the share going to the upper quintile. However, almost all of this increase occurred in the 1980s and 1990s, not in the last decade when income distribution questions moved to the fore.

The rising share of pre-tax income going to the top 20% of families between 1976 and 1998 reflected both falling real incomes for lower and middle class families and a 17% increase in the top quintile's earnings.

Income inequality has levelled off since 1998 because of a marked resumption of earnings growth for lower and middle income families, whose gains nearly matched the 22% increase for top earners. The return to income growth for all classes accompanied a resurgence in the resource and construction sectors and a notable narrowing of regional differences in unemployment.

The more rapid growth of incomes across the spectrum should be the focus of Canadians, not whether this was slightly more or less than those higher up the income distribution. It is instructive that income inequality was not hotly-debated when income growth stalled in the 1980s and 1990s, but itself is a luxury indulged by the body politic only when incomes are growing sufficiently that attention can turn from wealth creation to its distribution. Most of the time, it matters more whether the economy is growing than how it is carved up.

The tax and transfer system has reversed nearly half the polarization of income shares over the past 3 decades. The top 20% of earners paid 58.3% of all income taxes in 2010, up from half in 1976. The top 1% of income earners alone pay 21.7% of all income taxes. This reflects both the increase in their income and a sharp drop in taxes paid by lower income earners.



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It is often overlooked how much the progressivity of the income tax system has steepened by exempting lower income earners from paying taxes or lowering their rate. The lowest 40% of households pay only 6.8% of all income taxes, almost half their share in 1976 despite higher a absolute level of incomes. As a result, over one-third of tax-filers pay no income tax, which means a larger portion of society has 'no skin in the game' of making sure money is spent efficiently.

Should the rich pay more?

Partly, the answer depends on the motivation behind the question. If it's a misinformed attempt to compensate for imaginary losses of lower-income people, the answer clearly is no.

If the intention is to lower government deficits, the answer is that the better off have already seen their tax burden rise because of more government spending, which has driven debt higher despite rising tax revenues. At some point, lower spending rather than higher taxes has to be the solution to provincial debt problems. ✚

*Philip Cross, Research Coordinator with the Macdonald-Laurier Institute and the former Chief Economic Analyst at Statistics Canada, prepared a background note for participants in the May 30 Munk Debate.*



## IV Cumbre ALIANZA DEL PACÍFICO

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# Decision not to join Pacific Alliance sheds light on the Government's trade strategy

*The decision not to join [the Pacific Alliance] is being noticed in other capitals where Canada is, or would like to begin, negotiations. And, it will undoubtedly factor into calculations about Canadian intent, seriousness and concomitantly, the value of negotiating with Canada.*

### **Carlo Dade**

Sitting at the table in Cali, Columbia, with the leaders of the four most dynamic and aggressive trade liberalisers in the hemisphere and with a serious pot on the table Prime Minister Harper finally had to show his cards. In essence, he decided to fold — again.

At least now we have clarity on the depth of commitment, or lack thereof, by the government to pursuing an ambitious trade agenda.

Canada's decision not to join the Pacific Alliance — the deep integration initiative undertaken by Chile, Peru, Colombia, Mexico and

Costa Rica to prepare for trade with Asia — is eerily reminiscent of the government's earlier miscalculation in not joining the Trans Pacific Partnership in the early stages when the cost of entry was low. By waiting until the TPP group had doubled in size (and included the US), Canada wound up paying a higher price to join. This will be the case with the Pacific Alliance.

The decision not to join is being noticed in other capitals where Canada is, or would like to begin, negotiations. And, it will undoubtedly factor into calculations about Canadian intent, seriousness and concomitantly, the value of negotiating with Canada.

The issue for the government is that all of the easy trade deals, the

ones where none of the sacred cows of the Canadian political-economic landscape are on the auction block, are gone. From here on out, unless the government plans to negotiate with Vatican City, some domestic interests will be put in play, political capital will have to be spent and risks will have to be taken.

The question then is how to proceed in a more difficult trade environment. Cali presented an alternative to the government's current model, the all-in or single undertaking approach whereby a comprehensive negotiating process is started and negotiations drag on until all items are agreed upon. The Pacific Alliance process has been an "early harvest" approach where a broad vision is set and items are negotiated, and implemented, in order of their easiness to reach agreement. Progress leads to momentum which leads to more progress. In addition the early harvest approach is useful to keeping opposition siloed. One issue at a time generally means only one organised opposition and threatened interest at a time, in other words only one person with a picket sign outside your window instead of a collection of thousands representing a variety of aggrieved constituencies. The one-at-a-time approach can also keep some issues out of the political theatre of parliament or congress and legislative review.

Given the relative failure of the current all-in approach — as seen in the stalled EU, Korean, Caricom and Central American negotiations — one would think that the Prime Minister would be open to a new approach. Especially given the record of achievement and the ambition of what the Pacific Alliance has done.

Over the past 18 months the countries of the Alliance have linked their stock exchanges, creating a single bourse — news of interest to the TSX and anyone financing the extractive sector. The Alliance has not only just eliminated visas for travel within the bloc but is already looking at the APEC visa and the EU for ideas for next steps to enhance movement of business people. It has removed borders between its universities, opened joint trade offices abroad, implemented the World Customs Union's SAFE standard customs, and is moving toward cumulation of rules of origin, single trade windows, and unified e-commerce certificates.

But all of this has largely gone unnoticed in Canada. The Pacific Alliance — though important as a trade partner — has attracted scant attention in Canada. Had the Prime Minister agreed to have Canada join the Alliance and its mandate of zero tariffs on all goods in the near future, it is doubtful that anyone in Canada would have noticed. That is more an accurate analysis than a rhetorical device. If the issue for the government was that it would like to pursue a more ambitious trade agenda but felt constrained by domestic political considerations, then Cali should have been the perfect venue.

On the table was possible admission as a full member in what is unambiguously described as the most ambitious and successful trade liberalisation and integration agenda to date. This is occurring amongst a group of countries with which Canada has close and privileged ties. Given that Canada already has full trade agreements with these countries the cost for Canada to join the group has largely already been paid.

While Canada is more attractive to Asia as part of the Pacific Alli-

ance, the Alliance would have been even more attractive to Asia with Canada as a member. A bloc of such importance to China for natural resources with unified rules and regulations and common financial systems would be a godsend for China and open new possibilities for trade with Asia; all without the need to pass everything through the US Senate.

And that may be the most interesting and rewarding aspect of the Alliance for Canada; the ability to actually get things done.

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A larger pact is potentially more lucrative and offers more opportunities. But a larger group also creates more, and more complex, problems. The TPP group includes eleven widely disparate countries from New Zealand, to Brunei dar es Salaam, to Vietnam to Japan. Unlike the Pacific Alliance most of these countries do not have free trade agreements, so even simple items are problematic. But the larger issue with the TPP is political. Even if the eleven negotiating teams can forge an agreement it would still need ratification. And no one is optimistic that the US Senate could do this at all let alone expeditiously. The extent of difficulty that trade pacts pose for US legislators is simply not understood or appreciated outside of the United States. And little analysis has been done about how much more difficult the political landscape for trade has become in the United States.

The TPP will eventually pass; it is too important not to, and as Winston Churchill noted, the US always does the right thing — after trying every other possible option. This is why Canada fought so hard to join. But, in the years it will take to come into being, Canada could have benefited from membership in the Pacific Alliance and from taking a leading role in establishing rules and precedents for trade with Asia that the TPP would likely be forced to adopt or incorporate. Doing this with allies in the Pacific Alliance, and without the US in the room, may have been the best chance to actually achieve and protect Canadian interests in trans-Pacific trade.

Yet, for a government that is overly cautious and calibrates its approach to trade through the lens of domestic political calcula-



tion rather than economic benefit, a long drawn out TPP process and not getting ahead of the US may actually be the preferred option, offering the appearance of doing something without actually gorging any domestic oxen, or dairy cows as the case may be.

The Pacific Alliance countries had made clear that they were interested in having Canada become a full member. By declining the invitation, the government of Canada has made it clear to the four Pumas of the hemisphere as well as to the tigers of Asia and China that it is not ready to make the domestic political sacrifices for a serious or ambitious trade agenda. The list of stalled negotiations would seem to confirm that hypothesis.

The decision by Canada may also engender a subtle backlash from the Pacific Alliance countries, which had invited Canada into the group as its first observer. Canada alone has been an observer to the group and its predecessor, the Arc of the Pacific, since that group's founding in 2007.

When the idea for a new trade bloc along the Pacific coast of the Americas was first floated at the Asia Pacific Economic Cooperation meeting in Australia in 2007, Prime Minister Harper received an informal and spontaneous invitation from President Garcia of Peru to join in a meeting with the Presidents of Mexico and Chile. The Prime Minister was quick to accept and quicker yet to pick up on the potential of what his colleagues were proposing, especially as his government was on the verge of concluding negotiations with two of the four founders of the Pacific Alliance.

One would now expect to see a subtle distancing, occurring both naturally as the now five countries begin to move on a more aggressive trade path but that distancing will likely spill over into other areas as every decision on whether to include of work with Canada gets run, consciously

*The decision by Canada may also engender a subtle backlash from the Pacific Alliance countries, which had invited Canada into the group as its first observer. Canada alone has been an observer to the group and its predecessor, the Arc of the Pacific, since that group's founding in 2007. When the idea for a new trade bloc along the Pacific coast of the Americas was first floated at the Asia Pacific Economic Cooperation meeting in Australia in 2007, Prime Minister Harper received an informal and spontaneous invitation from President Garcia of Peru to join in a meeting with the Presidents of Mexico and Chile.*

or sub-consciously through the lens of what happened in Cali.

On trade, the government's direction appears clear; on relations with its closest allies in the hemisphere, less so. 🚧

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# The way out: New thinking about Aboriginal engagement and energy infrastructure to the West Coast



*Canada is failing to live up to its potential as an energy superpower due to a lack of access to world markets, but a new paper by the Macdonald-Laurier Institute shows how the Northern Gateway pipeline project can be put on sounder footing and deliver sustainable benefits to Canadians, including First Nations in the pipeline corridor, by increasing access to Asia. The following is the Executive Summary of the MLI paper released on May 30, 2013.*

## **Brian Lee Crowley and Ken Coates**

The April 12, 2013 release of the Joint Review Panel's (JRP) interim report on the Northern Gateway pipeline project – with its lengthy list of recommendations and requirements – provided a reminder of the formidable challenges facing one of the largest and most important infrastructure projects in recent Canadian history. This hotly debated project, the subject of protests, high level politicking, and extensive public commentary, stands at the intersection of (1) Canada's aspirations to be an energy superpower, (2) the environmental standards of 21st century resource development, and (3) the present and future of Aboriginal/non-Aboriginal relations in Canada. It is a test of our country's ability to reconcile competing visions of resource development and the management of the national economy, and this is especially true with respect to newly legally-empowered First Nations communities, on whose support the success of Northern Gateway may hang.

Whether Northern Gateway goes ahead or not, Canada must find a way to build the necessary infrastructure to capitalize on the robust international markets for energy and the resource available in the Western Canadian oil sands. The opportunities, particularly in Asia, are very significant and – most important – long term. But because other suppliers may sew up those opportunities if Canada cannot get its energy products to market soon, and because alternatives to Northern Gateway, or its close equivalent, will take much longer to get approved, the project is of unusual economic significance to Canada.

Northern Gateway proponent and developer Enbridge may need to revise significantly the proposed project before it can move forward. De-

spite the amount of excellent technical work put into Northern Gateway thus far, the political and financial dynamics require a shift in thinking about how resource development happens. The Northern Gateway pipeline cannot be rerouted because it would send the project back to the starting point in terms of regulatory approvals; the current proposed route should be accepted only if all parties agree on a better process for defining the route for future energy infrastructure.

## **Revenue/Cost-sharing Agreements**

The financial engagement of Northern First Nations should be a central part of the long-term strategy. Engaging First Nations in the regions surrounding the pipeline corridor as equity partners is the best means of ensuring productive, long-term partnerships. This paper suggests several ways to structure the equity partnership, which would yield multiple revenue streams: the return on investment; rent or other charges to be levied for the use of the pipeline right-of-way within the energy corridor; and Aboriginal property tax revenues within a pipeline corridor designated as reserve lands.

## **Impact and Benefit Agreements**

Impact and Benefit Agreements (IBAs) are used to define how First Nations are consulted and accommodated in the resource development process, but creating this corridor brings up new issues and strains the limits of current IBAs. Existing IBAs in Canada focus on short-term resource projects, and IBAs in the corridor must take into account the need for longer-term arrangements. Given the nature of the global energy sector, conditions could include an IBA renewal system to accommodate



changes in financial circumstances, pricing, and demand.

There should be a new, two-tiered process of IBAs:

- **Corridor-wide IBAs:** The pipeline will affect all First Nations in northern British Columbia and portions of northern Alberta. A corridor-wide IBA could address issues that extend beyond the First Nations directly connected to the corridor.
- **Specific First Nations IBAs:** Some communities will need more targeted IBAs because of the direct impact and opportunities associated with the pipeline route through their traditional territories. It is vital that the IBAs include:
  - ◇ the launch of a training and workplace preparation program;
  - ◇ a commitment to sign supply, procurement, and service agreements with First Nations businesses and development corporations; and
  - ◇ a model regional initiative for elementary and high schools, designed to improve educational outcomes, increase employability, and support community development initiatives.

## Environmental Protection

The pipeline and shipping system will be the most advanced in the world. To maintain this status, First Nations should participate fully and environmental groups should contribute to developing the environmental protection and response system. We recommend an expert panel with demanding deadlines produce an evidence-based report of environmental best practices and technologies to build and manage the land and sea-based aspects of the pipeline; this panel would suggest a regime that will set the highest standards available worldwide.

## Land and Rights-of-way

The Government of Canada should indicate its willingness to designate the corridor land in question as reserves under the *Indian Act*. This would create another revenue stream from the pipeline (and eventually other energy infrastructure in the corridor): tax revenue. First Nations are entitled to tax, including property taxes, economic activities on their lands. The land could be transferred in one of two ways:

- The governments of Canada and of British Columbia could transfer ownership of all remaining corridor lands not currently in private hands (primarily provincial Crown lands) to the appropriate First Nations.
- The governments could undertake to transfer the lands as part of the final negotiated deal allowing Northern Gateway to proceed.

The corridor should also be the default route for future energy infrastructure under rules similar to those established for Northern Gateway.

## Federal and Provincial Participation

Canada, Alberta, and British Columbia stand to benefit financially from the project; therefore, they should all contribute to the final resolution.

Alberta should:

- provide fully repayable loans to finance First Nations participation in equity ownership all along the corridor. Northern Alberta First Nations already have many pipelines crossing their territories; and
- encourage the collaboration of Alberta First Nations with northern BC First Nations and point to the most effective means of capitalizing on the project.

British Columbia has the opportunity to utilize its resources the way Alberta has. The BC government should target its contributions at northern First Nations and conservation issues, and:

- help create an Aboriginal-owned energy corridor and then set aside equivalent conservation lands;
- establish a Northern First Nations Initiative, focussing on career and skills training and business development; and
- establish a pipeline emergency response program.

The federal government should:

- help finance, on a fully repayable loan basis, First Nations' equity engagement in the pipeline company and Aboriginal ownership of the energy corridor; and
- together with Alberta, fund a substantial insurance endowment to cover the cost of any oil spill clean-up on water or land.

Northern Gateway can be seen as part of the new wave of resource-centred partnerships that redefine relationships between Indigenous peoples, the State, and the business community, and that fuel a renaissance in Aboriginal economic activity. To be successful and sustainable, Northern Gateway must be based on a transformational business and development model.

The conditions laid out in the first instance – First Nations engagement, high-level environmental protection, inter-jurisdictional collaboration, and commercial viability – must be met, ideally in an atmosphere of cooperation and mutual respect. For reasons having as much to do with government and business practices as with First Nations responses and regional protests, the project has stalled. This pipeline is too important to Canada to languish because of misunderstandings and a failure to explore all possibilities. The options, strategies, and processes outlined above represent a non-technical starting point, a principles-based approach to transforming conflict into collaboration.

Done properly, Northern Gateway could do more than carry oil sands oil to international markets. It could symbolize a new era in business-First Nations-government collaboration in the proper and carefully managed development of this country's natural resources. ➔

*To read the entire paper visit the Macdonald-Laurier Institute website.*

*Brian Lee Crowley is Managing Director of the Macdonald-Laurier Institute. Ken Coates is co-leader of MLI's Aboriginal Canada and the Natural Resource Economy project.*



e. Goose fly  
 her goose?  
 e called father  
 he raise?  
 e goslings follow  
 here?

Father Goose  
 1) Who taught the swans and Canada geese to follow a boat?  
 2) What year did they decide?  
 3) What did they decide to try?  
 4) Why did they chose to work with Canada Geese?  
 5) What did they do with the twelve eggs?  
 6) What does "imprint" mean? Find it in the dictionary.  
 7) If a plane did he use for the...  
 8) ...been flying?  
 9) ...light?  
 10) ...geese to fly follow the...  
 11) ...eggs hatched, how long did he...  
 12) ...the geese?

13) What was one big problem?  
 14) What else did they do with the geese to get use to the sound?  
 15) What else did he do to train the geese?  
 16) What is a "goose tender"?  
 17) Why did he decide to teach the geese to migrate south?  
 18) Where did he decide to lead them?

19) What made him...  
 20) What did her...  
 21) What did she us...  
 22) What did he u...  
 23) Was he amaze...



# Shawn Atleo: A very different leader

## *Robin Sears*

A small boy stands alone on a magnificent coastline. Across a deep blue strait the majesty of a towering rain-soaked forest, and beyond, the infinity of the Pacific rolls silently to the horizon.

His awe at the beautiful power of his homeland breaks as he turns to face the dirt and squalor of his community: a few hundred closely-related families wracked by centuries of abuse. He walks cautiously toward the tiny home of his great-aunt. He has learned early that the arms of the strong women elders are the best sanctuary from those whose rage at their inheritance of pain is often turned against the women and children around them.

From the age of five the mantle of leadership is draped on his tiny shoulders. He is a chief, by birthright, initiated into that obligation by ancient ritual before he could walk. His earliest memory is of the deep and serious tones of the elders who outline the inescapable path of the young boy's life. His destiny is to "serve his people and to protect the land."

This dual legacy — the proud history of a community grounded in majestic beauty but fractured by centuries of abuse — is his emotional lodestone. In a childhood of too many new places, new people and new challenges, he is anchored by this knowledge. Imposing such a heavy expectation of leadership on a young child sometimes begs rebellion and disaster.

In this small boy, it is his anchor: to never forget the sacred trust that is his responsibility, to never stoop to insult, to never brag of his role, to always return to the elders for counsel at times of doubt.

His early life is the First Nation equivalent of an army brat. He and his younger brother are moved from town to town by his teacher dad. Before he turns thirteen he has lived in the communities of three different tribes, been immersed in three different native languages, with three strange and different cultures, across the vast sweep of British Columbia. And then he is plunged into the shock of teenage life of first one and then another Vancouver high school.

That he was not broken by this cultural rollercoaster he credits to the strong women he returned to each summer in his fishing community on a tiny peninsula, to work on the salmon fishing fleets from the age of twelve. It was mother, grandmother, great-aunt, great-grandmother who school him about life; who toughen him against the abuse of drunken neighbours and the racist taunts of teenagers; who ground him about who he is, why he can be proud of his community and his history; and about how a leader must always behave.

Flash-forward 35 years, and the adult chief travels from squalid reserve to glittering fundraising galas, from leaden political negotiations, to endless highway miles. He is now the pivotal leader of

every Canadian First Nation citizen at one of the most decisive moments in the long and bitter history since the morning in May 1778 when the arrival of Captain James Cook's fleet in Nootka Sound first shocked the Vancouver Island First Nations with the sight of a strange people from half a world away.

As he moves from one end of the country to the other — from Northern reserves to Vancouver's tough Downtown Eastside neighbourhood; to endless grinding negotiation with often recalcitrant governments — it is the small boys and girls he encounters that give him stamina.

*Never bombastic, rarely threatening, smiling far more than scowling, publicly — at least — unflappably optimistic; he is cut from a different cloth than his predecessors in First Nations leadership. The product of an astonishingly rich and diverse life, built on the deep devotion of those strong women; his successful bounce from one First Nations world to another in childhood; and then surviving the cruelties of high-school in suburban Vancouver. Short and barrel-chested, with that powerful leadership gene we foolishly dismiss as charisma, you often sense his arrival in a crowded room before you see the source of the attention.*

He calls them "my mirror of myself at their age". The ones who rise above the horrors of a life without clean water, or power, or enough heat; with nine family members in a single room. Like the small boy in Northern Manitoba who says proudly to him, "My grandpa is very proud of my marks at school!"

"That they revere their elders, that they take inspiration from them, that those elders never flag in supporting a way up, that the young ones continue to triumph over the pain and the despair around them — that's the most powerful and the most moving part of my work. These are a truly great generation. They are so much more advanced than we were at their age. I have every confidence in them."

By any measure, Shawn A-in-chut Atleo is a very unusual leader.

Never bombastic, rarely threatening, smiling far more than scowling, publicly — at least — unflappably optimistic; he is cut from a different cloth than his predecessors in First Nations leadership. The product of an astonishingly rich and diverse life, built on the deep devotion of those strong women; his successful bounce from one First Nations world to another in childhood; and then surviving the cruelties of high-school in suburban Vancouver. Short and barrel-chested, with that powerful leadership gene we foolishly dismiss as charisma, you often sense his arrival in a crowded room before you



see the source of the attention.

At fifteen, he meets another strong woman, who becomes his partner for life. He acknowledges that there were a “few raised family eyebrows,” at his decision to marry a non-Aboriginal teenager at 19, but quickly adds that it was his grandmother who conferred on Nancy Atleo her aboriginal name, “Keeper of the Sun and Moon.” Two children follow quickly; Tyson and Tara, and by 31 Atleo assumes the mantle of hereditary chief formally.

He decides to pursue an unusual graduate degree in Australia, devoted to a global perspective on education and pedagogy. It was a pioneering programme at the time; a joint endeavour of universities in four countries, including the University of British Columbia, attempting to provide a broad cross-cultural approach to teaching. But for the young native leader the time down-under was eye-opening in several dimensions.

Soon after arriving, he decides to explore Aboriginal life in urban Australia. A cab driver refuses to carry him all the way into the rough turf of Redfern, a sometimes violent aboriginal Sydney neighbourhood. As a stranger, he is challenged as he approaches a group of young men gathered around an oil can fire. They demand to know “Where do you think you’re going?” He calmly responds he has come to visit Uncle Phil, a legendary figure in the Aboriginal community.

The crowd recognizes a friend, and guides him to the struggling old man’s modest house. Listening to his painful tales of the life of urban poverty, he is rocked by the old activist’s tears of despair and his plea for help. “I realized then that the suffering I saw in Ahousat, had the same roots as those in Redfern, that I was part of a global legacy of the treatment of our peoples, and that it would be an international struggle to reverse these attacks, and to begin to heal.”

The cultures of Canadian First Nations are as diverse as those of Western Europe. The difference between the arctic life of a Swede and the Mediterranean seacoast of an island Greek, maps the spectrum between rainforest British Columbian Aboriginal Canadian, arid Prairie nomad, and the Great Lakes mastery of Ontario Mohawks.

Yet they are all simply Indians to most Canadians, a race from elsewhere, and a relic from another time. The enforced homogeneity of the infamous Indian Act imposed a foreign leadership culture, a racist school system, a cruel criminal justice system and servitude to a parsimonious welfare empire — and every Indian is the same. Unless they left the reserve, and then they aren’t an Indian at all.

We did not attempt the genocidal murder of entire continents of Aboriginal peoples that took place in many parts of Latin America, Australia and Asia. We did create a Kafkaesque system of state- and church-led bondage whose scars are felt by even the youngest children today, a lifelong trap of bureaucracy and boundaries Atleo and his generation are fighting hard to break.

Atleo struggles to overcome this legacy, with a conviction and an optimism that is not shared by many of his peers, and one that is hard sometimes to believe can prevail, given the chains of this history. This is no political Pollyanna, however. Mid-flight conversationally, heralding the achievements of the next generation of First Nations leaders, he stops and cites former BC Lieutenant-Governor Stephen Point’s tough aphorism, “We treat our Aboriginal peoples like a man whose leg we have broken one day, who we attack for limping the next...” And pauses with a sour laugh.

His optimism and his refusal to be broken by the despair he witnesses all around is perhaps similar to that of a Martin Luther King or a Mandela — partly a pose to maintain the morale of sometimes quer-

ulous followers and partly his own armor emotionally and politically.

Atleo recalls the political cool and media savvy of the young James Bay leader, who urged his teenaged flock to march through winter forests from the far North to Ottawa this spring, only to be rebuffed by a Prime Minister who chose to visit panda bears over meeting young First Nations leaders. Atleo chuckles as he quotes the young leader offering to the media this grace, “Well, I can understand him choosing the bears. We respect the bear deeply in my culture, too”.

To have grown up on the ragged edge of North America may have been a joy of forest and fish and wilderness play, but it was not a great political asset in Canadian First Nations politics. Atleo’s base is tiny and isolated. Yet before he was thirty he had helped to broker one of the most important Aboriginal resource agreements in the country. Out of the mess of the battle over logging in Clayoquot Sound, Atleo was among the leaders who helped forge a new revenue-sharing agreement, a new environmental approach to forest management, and access to good jobs for a generation.

By the time he was forty he had risen to the top of the very divisive and often bitter world of BC First Nations politics. He worked closely with former Premier Gordon Campbell on a ‘big solution’ to a wide range of Aboriginal issues, from land use to education to economic development. It was a courageous, if perhaps naive, effort. It failed, as some of the First Nations leaders balked at its impact on their authority.

To its champions, the defeat of the Campbell Accord was the triumph of the ‘narcissism of small differences,’ a small-minded rejection of a generational victory. To its detractors, it was proof of a criticism made of Atleo in his bargaining with Stephen Harper: he is more concerned about making a deal than ensuring that everyone is on-board. Atleo also helped Harper’s most successful Minister of Indian Affairs, Jim Prentice, kick-start a new approach to land claims.

By the time he ran for National Chief, after two terms leading BC First Nations, he had united a previously highly fractious group of chiefs and communities. The leadership group he helped to forge solidified the ‘peace in the woods’ process that had begun with the Clayoquot ceasefire. They pioneered an education reform process which has seen the development of the first jointly managed and funded schools, teaching a curriculum focused on First Nations culture in BC, and begun the tough heavy slogging of bargaining with various firms in the resource sector to develop mines that are more respectful of the environment, share both the revenue and the jobs being created, and offering training and access to young Aboriginal job applicants.

As National Chief, most famously, he forced the Harper government to come to the table not once but twice for a high-level series of negotiations on a short list of priority issues. The Crown/First Nations Gathering last year was an image and messaging triumph, its follow-up a bitter disappointment. The second round in January took place amid controversy and its follow-up may be derailed by the departure of its internal champion, the Primer Minister’s now-fallen chief of staff, Nigel Wright.

No Canadian Aboriginal leader has had a higher profile, and won greater respect than Atleo has over nearly five years. He speaks endlessly to conferences of business leaders, academics, government officials, and community activists. He uses his bully pulpit in the media with power and confidence. He brushes off with a smile the snarls behind his back from the usual collection of angry old Prairie Chiefs.

Whether he retires at the end of this term — Atleo is already under pressure to seek a third term in 2015 — he is confident about the new processes he has set in train at the national level. “After all, the work we did as a team in BC didn’t end when I left. It has accelerated. I am confident that will happen at the national level too.”

One may hope his confidence is well-grounded, for a regression to the days of old will almost certainly lead to confrontation. The conventional leadership approach of Canada’s First Nations leaders has been one lifted from the angry union/green activist/student protester handbook: lots of shouting, colourful rhetoric, stormy exits and baleful threats. Its appeal is clear: you get instant media attention and you look tough to your frustrated constituents.

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Sometimes, however, the shouting leads to shooting.

It is a quick slide from an angry demonstration to a shot fired in anger. We have watched that slow-moving tragedy too many times for anyone to be sanguine about the potential for future conflict. Even if one does accept the somewhat controversial thesis [see page 8] of military historian Douglas Bland about the emergence of an angry cohort of Aboriginal warriors, with access to weapons, and a highly vulnerable national energy and transportation infrastructure, it would be irresponsible to deny the lessons of Oka and Ipperwash.

Canadians and Canadian politicians had a foretaste of the ‘warrior nation’ approach to First Nations leadership last January as angry chiefs and their lieutenants attempted to storm both Atleo’s own office and the PMO to prevent the talks which took place after weeks of hunger strikes and demonstrations. If they had succeeded, no one would have benefitted more than Stephen Harper. He could have



safely wiped his hands clean of such an irresponsible and internally-divided dialogue partner.

Atleo's courage in pursuing an agenda of negotiation and incremental progress, despite the venom to which he has been subject as an "Uncle Tom" collaborator has been poorly acknowledged by even his allies. It is testimony to his deep commitment to his role as a leader, trained from birth to push hard but respectfully, to win by persuasion not threat, to bring an opponent to understand the shared victory available to them, that gives him this deep confidence in what he always refers to as "the Work".

Atleo could succumb to the easy-out of media attack. He would earn the guaranteed adulation of some quarters, front-page headlines, and a place in history alongside those of his predecessors who chose that path. First Nations citizens would see no benefit, however. They could only watch in silent anger as one government after another refused to negotiate with a National Chief returning to attack mode.

The weakness of the confrontation agenda is, of course, that governments don't threaten easily — they either ignore the ranting or they engage with force and then tragedy ensues. Politicians also know that voters don't like threats of insurrection or property destruction, so they have political license to ignore the protesters chanting outside their office window or to call in the army. Its appeal for an embittered leadership, is that it gives their angry constituents an opportunity to lash out.

The risk of Atleo's approach, as every leader who has gambled on ending a long period of hostility with negotiation painfully discovers, is that it must be private — which always elicits suspicion; and it always takes longer than promised — causing further unease. And

sometimes, as Atleo learned following the years of dialogue with BC Premier Gordon Campbell, you fail. Years of failure preceded the Clinton/Blair triumph in Northern Ireland. Years of failure followed the apparent success in Oslo in the Israeli/Palestinian conflict. Atleo is keenly aware of the risks and the obstacles to success.

But as he says to worried members of his team, to his massive National Executive body, and to regional chiefs, "the alternative is worse". He cautions those who expect him to deliver dramatic change, where two centuries of predecessors have signally failed, about how long and hard real change always is.

No one is more keenly aware of the ticking clock than he. If he has not delivered some change by the time of his Chiefs' Assembly this summer the whispered attacks will become more public again. If he cannot point to success by the time of his retirement as National Chief in the summer of 2015, his will be a bitter and frustrated legacy.

Atleo is a consummate retail politician, spotting advantage in a new phenomena like 'Idle No More' and bending it to his agenda, stopping on a visit to a reserve to listen to a young teen's despairing story and telling an aide to take his name and contact details. He works a room as effectively as Bill Clinton or Brian Mulroney, with the same eerie ability to deduce a supplicant's need and appear to be seized of her issue's importance. If he had been a white kid growing up on Vancouver Island he might have been a stereotypically irrepressible entrepreneur or the well-loved community leader every party seeks out as a star candidate.

Atleo knows part of what has driven Stephen Harper to a more serious effort at dialogue is fear. The social failure that is Canada's centuries of Aboriginal policy is reflected in staggering statistics such as:

- Aboriginal citizens make up fewer than 10 percent of Albertans and yet make up 80 percent of its prisoners;
- if you are an Indigenous Canadian you are nearly 6 times more likely to be murdered than other Canadians; and
- if you are a First Nations woman you are more than 3 times more likely to be beaten by a domestic partner.

These grim statistics lie behind the often bitter and angry rhetoric of a Chief like Manitoba's Terry Nelson who is often sneered at for snapping that the only way to negotiate with a white man is to "pick up a gun and get between him and his money."

Harper knows that a bloody confrontation over resource development on his watch would be very damaging indeed.

Atleo has vigorously resisted the victim narrative, choosing to focus on messages of hope and achievement, insisting on the inspiration of successful local chiefs, in speech after speech. It sets him at odds with another generation and style of leadership that sees their power in humiliating Canadians with the horrors of Attawapiskat and similar First Nations nightmare across Northern and Prairie Canada.

The good news stories of tough, innovative chiefs like Marriana Couchie in North Bay who have created jobs, attracted investment and built deep community, police and academic links don't get attention or sell newspapers or drive TV ratings. Chief Jim Bouchie in Fort McKay, who used his band's territory near the Alberta oilsands to win millions for his people, and the dozens of his colleagues who have made economic development and jobs their political legacies, may have been outliers as modern Aboriginal leaders until recently.

Atleo's gamble is, in part, that an educated young generation now determined to win safe and prosperous lives for themselves and their families, will see the path of negotiation and economic success as a more enviable goal than massive demonstrations or highway blockages. That gamble, even if successful, does not generate media frenzy, however.

Threatening to close a highway, blow up a pipeline or commit slow suicide through starvation does.

So what is more likely: that this unusual young leader will achieve the breakthrough in education, land claims, treaty implementation and an end to the painful cycle of violence, prison, and suicide of too many young First Nations citizens; or that we slide inevitably towards the next Oka?

The answer probably lies beyond the power of either man. The Prime Minister is hobbled by an incompetent empire of welfare bureaucrats still called "Indian Affairs," by its many angry clients. It has successfully resisted any effort to break up its state-within-a-state, despite the efforts of half-a-dozen governments and more than a dozen ministers. Atleo carries the burden of a fractious, often personally-ambitious group of 632 men and women who as First Nations chiefs, many of whom often have greater personal incentive to block change than to champion it.

Such a breakthrough to a new agenda with new rules is within the power of two players who have yet to come to the table with any diligence or a coherent agenda: Canadian business and the provinces. It is slowly dawning on the resource sector that the hold grail of some \$600B in new resource development, most of it in Northern Canada and almost all of it on territories claimed by First Nations, will remain a pipedream without an overarching agreement with Canada's Aboriginal peoples.

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The provinces, with rare exception, have usually found it more convenient to blame Ottawa for failing 'to live up to its mandate to its First Peoples' than to accept responsibility themselves. The painful experience of Gordon Campbell's efforts to break the paralysis has given all his peers every reason to avoid a similar fiasco on their own watches.

Yet Ontario is coming to recognize that its Ring of Fire development dream will never be realized unless it is able to pull off the kind of transformational dream that Quebec has done twice in a single generation with its Cree Nations.

Brian Crowley, the Director of the MacDonald Laurier Institute, and the co-author of a paper released on Aboriginal issues last month [see page 8 for the Executive Summary], outlines the impact of those agreements in detail. He highlights similar smaller successes in individual negotiations between individual bands and stand-alone resource developments. He rings the bell loudly for a more comprehensive approach by business and the provinces to making similar agreements across Canada.

What is frustrating to Atleo and his core of reform-minded chiefs is that the template for success is now written. There is no mystery about what is required to move from today's paralysis to a new future. What is lacking is less about money than political courage.



The Supreme Court has sketched the path forward on treaty implementation. The framework for a new form of First Nations-led schools on reserve has been demonstrated in New Brunswick, BC and the Yukon. The Quebec/Cree agreements set out governance structures that have worked for years now. A series of one-off resource agreements, perhaps most usefully Voisey's Bay, provide a template for those negotiations. Even the fraught issues surrounding urban poverty and crime, substance abuse and domestic violence have been the subject of dozens of pioneering projects in cities and communities across Canada. No politician can credibly claim that the answers to most of the agenda are not now well understood and agreed upon.

However, Premier Brad Wall surprised many supporters with a sharp denunciation of revenue-sharing with First Nations in Saskatchewan, single-handedly wiping out a series of development plans in his province with obduracy not typical of him. Alison Redford is probably not strong enough now to push her oil and gas and resource players to the table, enfeebled by a series of blows in her first year in office.

That leaves Premiers Wynne, Clark, Selinger, Marois and perhaps Dunderdale as leaders of provinces with significant resource projects in the planning stages, and with huge unresolved Aboriginal issues in their territories. Perhaps the fact that four of them are women will help create a critical mass of negotiators more committed to progress than to partisan male measurement games.

The centre of business leadership is less obvious. The various trade associations and executive groups are probably not up to the task, given the internal tensions within and among them. The industry associations are hobbled by a classic Canadian structure of two or three sector giants surrounded by a dozen relative pygmies. The solution here is probably a more individually self-selected and CEO-led

process among a small group of executives bringing together a few of the finance and resource giants. This was the model used in developing the breakthrough in BC's forest sector nearly twenty years ago.

Some small-scale efforts at such a CEO-led dialogue have been the subject of quiet dinners and conversation. It is not yet clear that they will achieve the momentum to be able to deliver the big and risky commitments required.

However the premiers with the courage to follow Quebec's lead choose to organize their efforts, and whomever hosts the barbecue for the relevant CEOs to use as a pretext to gather, the window of opportunity is now months, not years. It would be foolish to bet on a new federal government in 2015 approaching this file as an early priority. Even less likely is the prospect of a confrontation-free summer this year or next.

Most damaging of all, if National Chief Atleo steps down at his next National Assembly with nothing to show for his years of negotiation but promises turned to ashes, one may be certain that the next leader will be far more open to the path of confrontation and civil, perhaps even violent, disobedience. Canada will once again have squandered an opportunity to right the wrongs of 250 years, as it has done so many times before.

And Shawn Atleo will return to his magnificent home on the Pacific and focus on the teaching and healing for which he is famous among his own people, leaving the hundreds of broken hearts and broken promises for another transformative leader to tackle, one unlikely to arrive for many years from now. ✚

*Contributing writer Robin V. Sears, former national director of the NDP, is a principal of the Earncliffe Strategy Group.*





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# Bank of Canada should restore the “Made In Canada” monetary policy instrument

*Dan Ciuriak*

For some time now, the Bank of Canada has adopted inflation targeting to operationalize its general policy of maintaining price stability in Canada. Inflation targeting has a number of important benefits: it anchors private sector inflation expectations, provides a clear and transparent way to communicate the Bank’s policy, and guards the Bank’s independence from political pressure which might undermine public confidence in the currency as might happen with unfettered discretion.

The Bank implements its policy by adjusting its policy interest rate which has some direct leverage over commercial interest rates, but more importantly, acts as a signal to the commercial banks, which usually follow the Bank of Canada’s lead. At the same time, the Bank leaves the exchange rate to be determined by financial markets. In an

open economy, the degree of monetary restraint is, however, determined by both the interest rate level and the exchange rate.

In the 1990s, the Bank of Canada developed an indicator to capture this feature: the Monetary Conditions Index (MCI). The policy mix matters: the monetary restraint generated by a high exchange rate and low interest rates has dramatically different implications for the economy than the same degree of restraint generated by a lower exchange rate and higher interest rates.

Canadian policy has ignored this feature; the result has been a sustained period of ultra-low interest rates and an over-valued currency, which have combined to fuel asset bubbles and a debt build-up, while adversely affecting Canada’s trade, innovation and industrial health. The MCI constitutes a “Made in Canada” solution to what has become a “Made in Canada” problem: the Bank of Canada should re-

store its use and, combined with inflation targets, navigate towards a policy mix more appropriate to Canada's needs.

Canada's economic performance over the past two decades has been stellar on inflation and solid on overall growth, taking due account in the latter regard of the "Great Recession" of 2008-2009 and the dominant influence of the soft US economy in the period since.<sup>1</sup>

The Bank of Canada has two main planks in its monetary policy: it allows the exchange rate to be determined by the market, and sets a target range of 1 to 3 percent for inflation, as measured by the full consumer price index (CPI), which it acknowledges is the most meaningful measure of inflation for most Canadians, and tries to keep inflation at the 2 percent target midpoint.

Inflation targeting has a number of important benefits: it anchors private sector inflation expectations, provides a clear and transparent way to communicate the Bank's policy, and guards the Bank's independence from political pressure which might undermine public confidence in the currency as might happen with unfettered discretion.

How well has the Bank done? The Bank adopted inflation targeting in 1991. Let's cut it a few years slack to allow markets to adapt and expectations to get anchored and consider performance from say, 1994. The Bank has promised 2 percent inflation and it has delivered 2 percent inflation on average over the period, with few and modest departures from the trend (see Figure below).



Source: International Monetary Fund, *World Economic Outlook* database, April 2013.

Over the eighteen years since 1994, the Bank budgeted for 42.8

percent inflation (the trend line in the graph above) and delivered 42.0 percent. In this line of work, that would be a bulls-eye. However, in many other respects, Canada's performance has not been stellar in recent years.<sup>2</sup> Canada's fiscal and external balances have deteriorated, its innovation performance has been poor in the context of an unprecedented decline in its manufacturing sector (both in absolute terms and relative to the United States),<sup>3</sup> it has developed a housing bubble,<sup>4</sup> household debt loads are at dangerous levels,<sup>5</sup> and the prolonged period of ultra-low interest rates is threatening the health of pension funds which rely on fixed income instruments.<sup>6</sup>

This article considers the following questions:

- How much of this is the Bank's problem?
- If these issues are the Bank's problem, why so and how?
- How the Bank might adjust its approach to monetary policy to address these problems.

The Bank's mandate as carved in stone in the *Bank of Canada Act* is broad. The Bank's current approach to fulfilling its mandate is based on its own interpretation of the mandate and is not carved in stone. It has room to manoeuvre, has used that room in the past, and should do so in the present.

The problems identified above constitute a syndrome associated with an external shock; namely the global weakness of the US dollar. This has resulted in a sustained period of over-valuation of the Canadian dollar by any measure of relevance to the "real economy" — that is the economy which produces goods and services, which exports and pays Canada's way in the world.

In the 1990s, Canada faced a similar but opposite shock. In that case, with a persistent under-valuation of the dollar due to non-economic shocks, the Bank developed a technique — the Monetary Conditions Index (MCI) — to interpret the implications of the Canadian dollar's under-valuation for the conduct of monetary policy and to provide markets a frame of reference for understanding how it intended to meet its inflation targets in that context.

The preamble to the *Bank of Canada Act* states that the Bank was put in place by the Canadian legislature:

"...to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment,

1. See, e.g., Tiff Macklem, "Regearing Our Economic Growth," W. Edmund Clark Distinguished Lecture, Queen's University Kingston, Ontario, 10 January 2013: "Canada [...] had the shortest recession and the strongest recovery among major advanced economies. Indeed, Canada is unique among this group to have regained its pre-recession level of both real GDP and employment [...] Canada is by itself in an expansion."

2. Conference Board, *A Report Card on Canada*, 2012.

3. Ciuriak (2013), *Canada's Manufacturing Malaise: A Comment*.

4. See, e.g., CNBC, "Is the Canadian Housing Market Falling Apart?" <http://www.cnbc.com/id/100725735>. See also Phillippe Bergerin, "Housing Bubbles and the Consumer Price Index: A Proposal for a Better Inflation Indicator", CD Howe Institute Commentary No. 362, September 2012.

5. See Certified General Accountants Association of Canada, "Where is the Money Now: The State of Canadian Household Debt as Conditions for Economic Recovery Emerge," 2010.

6. See Paul Masson, "The Dangers of an Extended Period of Low Interest Rates: Why the Bank of Canada Should Start Raising Them Now," CD Howe Institute Commentary No. 381, May 2013.

so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.”<sup>7</sup>

The Act mentions mitigation of fluctuations in prices in the same breath as it mentions mitigation of fluctuations in production, trade and employment. If sequence were to be taken as an indication of hierarchy, production would be first, trade second, and prices only third. But even if sequence is not an indication of hierarchy, there is no legislative indication that price stability ranks as *primus inter pares*.

*[T]here is a general injunction to “promote the economic and financial welfare of Canada” which requires the Bank to take action when situations detrimental to Canada’s economic welfare arise, to the extent that such situations can be addressed or mitigated using the tools at its disposal. As noted above, the Bank has done an exemplary job of delivering a steady and predictable inflation environment for Canada and, taking all things into account, a very solid job on mitigating fluctuations in production. But Canada has not done so well in a number of other areas covered by its mandate.*

However, there is an important narrowing clause — “so far as may be possible within the scope of monetary action” — which reduces the burden of responsibility of the Bank to what can reasonably be achieved through the monetary levers over which it has control.

At the same time, there is a general injunction to “promote the economic and financial welfare of Canada” which requires the Bank to take action when situations detrimental to Canada’s economic welfare arise, to the extent that such situations can be addressed or mitigated using the tools at its disposal.

As noted above, the Bank has done an exemplary job of delivering a steady and predictable inflation environment for Canada and, taking all things into account, a very solid job on mitigating fluctuations in production. But Canada has not done so well in a number of other areas covered by its mandate, including trade, employment, and various financial conditions as outlined above. A full stock-taking by the Bank of Canada, as the new Governor takes office, is therefore warranted.

### How the Bank implements its policy matters

The Bank of Canada has two main planks in its monetary policy: it allows the exchange rate to be determined by the market, and sets a target for inflation. These choices matter because, in an open

economy, the degree of monetary restraint is determined by both the interest rate level and the exchange rate—and the mix has important and pervasive implications for the economy, both in real and financial terms.

For example, the combination of a low exchange rate and high interest rates systematically favours exports over imports, saving over spending, and hiring workers over investment in capital. Economies with this configuration are likely to feature:

- strong exports and current account surpluses;
- strong employment performance as domestic labour is favoured over more expensive imported capital goods, but lagging productivity growth;
- real investment over financial investment to take advantage of attractive export opportunities, including new entry of firms into exporting; and
- improving public finances as strong growth drives revenue growth.

By contrast, the combination of a high exchange rate and low interest rate systematically favours imports over exports, spending over saving, and investment in capital over hiring workers. Economies with this configuration of monetary conditions are likely to feature:

- weak exports leading to current account deficits;
- weak employment performance as companies first substitute capital for labour (which drives imports of capital goods) and then shift production abroad, hollowing out industry;
- asset price inflation and a build-up of household debt; and
- public sector budget deficits as fiscal policy inevitably is pressed to support the economy because of the drag on real growth.

The first economy is recognizably Canada’s economy of the late 1990s and early 2000s, prior to the steep appreciation; the second is Canada’s economy since the appreciation. However, the above description also captures Japan’s economy pre and post the Plaza Accord event which led to a major revaluation of the yen.<sup>8</sup> Also, although less sharply etched in the data, the contrast is evident in the US economy pre and post the turnaround in US currency policy associated with Robert Rubin’s declaration of the “strong dollar” policy in 1995.<sup>9</sup>

In short, how central banks achieve their desired degree of monetary restraint matters as much – if not more – than their ultimate success in actually achieving specific inflation targets.

It is important to emphasize that this point is well understood by central bankers. For example, writing in 1995, then Deputy Governor of the Bank of Canada, Charles Freedman, made the

7. *Bank of Canada Act*, R.S.C., 1985, c. B-2, Preamble. <http://laws-lois.justice.gc.ca/eng/acts/B-2/page-1.html>

8. See Dan Ciuriak. 2002. “Japan’s Malaise: A Comment,” for a full discussion of these points.

9. *Ibid.*

following observations:<sup>10</sup>

*At various times, over the last couple of years, we have been faced with shocks, mainly as a result of fiscal debt and deficit concerns, that have led to higher risk premiums in interest rates and a lower value for the Canadian dollar. While the changes in interest rates and the exchange rate had roughly offsetting effects on aggregate demand, the change in the mix of monetary conditions was unfavourable for the functioning of the Canadian economy. Higher interest rates result in less capital investment than would otherwise take place and in higher interest payments to non-residents. A very low exchange rate leads to a higher level of prices, somewhat weaker terms of trade, lower real incomes and perhaps a risk of inappropriate investments in response to a temporarily weak dollar. Thus, while the mix of monetary conditions is largely the outcome [of] market expectations and actions and is not determined by the Bank, some mixes of monetary conditions are not as good for the economy over time as others. And the mix we have seen in the past year or so, with a low dollar and relatively high interest rates, was certainly not a desirable one.*

Faced with the reality of shocks to which small open economies are prone, the Bank of Canada developed an approach to integrate the joint influence of exchange rates and interest rates on the degree of monetary restraint – the Monetary Conditions Index.<sup>11</sup> This provided the Bank a way to analyze and – equally importantly – to communicate the management of monetary policy in a context where the exchange rate was in some sense “misbehaving” because of those shocks (which included, in addition to concerns raised by Canada’s fiscal situation, the Charlottetown Accord referendum of 1992 which impacted the economy but was not rooted in the fundamental economic variables over which the Bank of Canada had sway).

## Discussion

Arguably, Canada is in a comparable situation today to the one it was in during the early 1990s. For some years now, the exchange rate has been persistently elevated well above long-run equilibrium values (e.g., as reflected in notions of purchasing power parity) because of an external shock: the global weakness of the US dollar. As Governor Mark Carney has observed:<sup>12</sup>

*Overall, the Bank estimates that about 40 percent of the appreciation of the Canadian dollar since 2002 is due to the multilateral depreciation of the US dollar.*

It is important at this point to emphasize that Governor Carney was downplaying the significance of the multilateral depreciation of the US dollar, which in his account was associated with the adverse move-

ments of terms of trade for the United States. Governor Carney went on to attribute some 60% of the dollar’s rise to positive factors associated with Canada’s own doings:

*The balance of the appreciation reflects forces other than US-dollar weakness and commodity prices. In particular, a variety of attributes make Canada an attractive investment destination, including our sound public finances, resilient financial system, and credible monetary policy.<sup>13</sup>*

Regardless of the decomposition of causes, the Bank’s internal analysis, which informs the remarks made by the Governor, attests to the fact that a significant part (40%) of the dollar’s rise was due to factors that might be considered “shocks” from the Bank’s perspective. Given that the overall rise in the dollar was from a state of persistent undervaluation to one of overvaluation, one can reasonably attribute the excess appreciation to the external shock.

This is important. If concerns about Canada’s fiscal situation (as recounted by Deputy Governor Freedman in 1995) can constitute a negative “shock” that cause an under-valuation and require active policy engagement by the Bank of Canada to deter negative consequences for the economy caused by the adverse policy mix that inevitably ensues, by the same token a “safe haven” movement of capital into Canada because of confidence in Canada’s sound public finances constitutes a mirrored positive “shock” that the Bank can hardly ignore.

Accordingly, on the basis of the most authoritative voice on the matter – the Governor of the Bank of Canada – it may be concluded that Canada is experiencing a comparable but opposite set of conditions that motivated the formulation of the MCI in the first place.

By the same token, this suggests that re-adoption of the MCI would be useful as a way to explain and guide the extrication of Canada from the pernicious set of monetary conditions which it faces today. ✚

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10. Charles Freedman. 1995. “The role of monetary conditions and the monetary conditions index in the conduct of policy,” Excerpts from remarks by Charles Freedman, Deputy Governor of the Bank of Canada, to the Conference on International Developments and the Economic Outlook for Canada, organized by the Policy and Economic Analysis Program, Institute for Policy Analysis, University of Toronto, 15 June 1995.

11. See, e.g., Neil R. Ericsson, Eileen S. Jansen, Neva A. Kerbeshian and Ragnar Nymoen, “Interpreting a Monetary Conditions Index in economic policy,” Norges Bank. See, also, Charles Freedman. 1994. “The use of indicators and of the monetary conditions index in Canada.” In *Frameworks for monetary stability: Policy issues and country experiences*, edited by T.J.T. Balbino and C. Cottarelli. Washington: International Monetary Fund.

12. Mark Carney, “Dutch Disease,” Remarks by the Governor of the Bank of Canada, Spruce Meadows Round Table Calgary, Alberta, 7 September 2012.

13. Ibid.



Photo: Shutterstock

# Private sector approaches can improve a public healthcare system

*Tony Blair's New Labour Government shortened patient wait times and improved productivity within the National Health Service (NHS) by introducing some private sector principles on the delivery side.*

## ***Paul Corrigan***

UK's New Labour Government left one important legacy to governments that want to reform their socialised medicine systems. That is the vital importance of the development and deployment of a compelling public narrative for change as an integral part of the reform program. Unless the public thinks there is a very strong reason for challenging some of the preconceptions about their socialised medicine system, they will mistrust any government attempting reform.

Like most Canadians, the English electorate love their socialised medicine system, the National Health Service. The 10-minute representation of real nurses dancing at the opening of the London Olym-

pics is more talked about than any other aspect of the ceremony. As the biggest gift that the British people have ever given to themselves, changing the NHS is something that governments do at their peril.

By 2001 the New Labour Government had developed a strong narrative for change, based on public anxiety about waits for hospital and doctor appointments. From 2001 onwards, every time that the New Labour Government said anything about reforming the NHS, it stressed that access was poor and needed improvement.

The 2001 Labour Manifesto pledged “We will cut maximum waiting times by the end of 2005 for outpatient appointments from six months to three months and for in-patient appointments from 18 to 6 months.”<sup>1</sup>

1. 2001 Labour Party General Election Manifesto.

The politics of this was not a shot in the dark by the Labour Party. Every focus group and opinion poll showed that long wait times were the major issue the public had with NHS services. People were worried and wanted something done.

Interestingly, most staff and managers in the NHS did not see access as a problem in the same way that the public did. After all, if you provide a service, a long queue is simply a long order book, and the willingness of people to wait a long time suggests your service must be acceptable.

This meant that the New Labour Government's compelling narrative for changing the NHS — decreasing maximum wait times — had originated within the public as a criticism of the current NHS. The work of the government was to translate this criticism into successful policies that would reduce wait times.

It is within this context that the Independent Sector Treatment Centres (ISTC) programme was developed. The 2001 Manifesto explicitly pledges that “We will create a new type of hospital — specially built surgical units — managed by the NHS or the private sector — to guarantee shorter waiting times.”<sup>2</sup> The government had a direct mandate to introduce something very new which could be run by the private sector.

This was not a universally popular idea within the Labour Party or the NHS. In developing this policy, we knew there would be sharp political debate from the very beginning. However, given the framing of the policy issue, when people within the NHS argued against ISTCs, they were arguing against a policy that would reduce wait times for NHS patients.

In terms of the politics of reform, this moved the argument from public versus private provision to reducing wait times for patients or not.

Britain historically has had a private health care system in secondary hospital care, paid for mainly by insurance but also with a strand that was “pay as you go”. Traditionally, the NHS bought “spot purchase” operations from the private sector to fill gaps in provision (in 2003-2004 some 99,000 operations were purchased for NHS patients). However, the spot purchase price was expensive because they were bought individually and led to a 40 percent mark up for cost.

The ISTC program moved to a series of procurements for large numbers of procedures from new facilities. While the existing private sector providers could apply, new providers had to be introduced to get sufficient numbers of new procedures. In the first procurement, none of the existing providers of private health care won contracts and we had to create a new market of international providers.

That meant that we had to create a new market between De-

ember 2002 (when the Department of Health invited expressions of interest to run treatment centres) and September 2003 (when preferred bidders were announced).

The first attempt to create this market in the summer of 2002 simply did not work, as Department of Health civil servants had no experience or expertise with this. It was recognised that external expertise was required. Ken Anderson, who had been working in private health care and had experience creating such a market, was appointed to head the Commercial Directorate.

The fact he was a Texan was a culture shock for the NHS and ensured that the prospective private sector providers knew there was a market-making competency within the Department of Health.

*The government had a direct mandate to introduce something very new which could be run by the private sector. This was not a universally popular idea within the Labour Party or the NHS. In developing this policy, we knew there would be sharp political debate from the very beginning. However, given the framing of the policy issue, when people within the NHS argued against ISTCs, they were arguing against a policy that would reduce wait times for NHS patients.*

The aims of the Treatment Centre Program were to:

- help provide the extra capacity needed to deliver swifter access for NHS patients;
- spearhead diversity and choice in clinical service for NHS patients (the 2001 Manifesto also said that there would be a choice of provider for NHS patients); and
- stimulate innovative models of service delivery and increase productivity.

Several waves of ISTCs were planned and about 30 were opened by 2007. By 2006, 122,000 NHS patients had received elective surgery. The program was and remains controversial, but given the public desire to shorten maximum waiting times, the argument to go ahead with the additional capacity was a powerful one.

One of the arguments from within the NHS against the ISTCs was that they would not add to existing capacity because staff would simply transfer from the NHS to the ISTCs. This led to the principle of additionality — staff for the first wave of ISTCs had to come from overseas, ensuring no depletion of the existing NHS workforce.

2. 2001 Labour Party General Election Manifesto.



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But the ISTCs went beyond adding capacity and more staff. They introduced new, more efficient methods of providing services for NHS patients. For example, in mobile ISTCs that provided cataract surgery, 39 surgeries were carried out per day. Before the creation of ISTCs, the NHS carried out 270,000 cataract surgeries through 141 providers, about 5 cataracts per provider per day.

The ISTCs were able to increase productivity because they concentrated on a single procedure in modern, purpose-built mobile units. Over time this provided existing NHS providers with competition from a new supplier.

Similarly, orthopaedic hospital stays in one hip and knee ISTC were reduced from 12 days to 5 and a half days for hip operations and about 6 days for knee operations as a result of new preoperative assessment procedures.

Over the last decade nearly every health service has improved its productivity in terms of procedures per day and length of stay. I am not saying that the creation of ISTCs was the only reason that productivity rose and length of stay for patients fell, but it was one of many reforms that achieved this result.

Throughout the program, there were arguments against ISTCs from existing NHS providers and their organisations. In any reform of specialised medicine it is vital not to be surprised by the power and consistency of the argument against change. There is no guarantee of the long-term survival of the ISTC programme within the NHS.

However the outcome of the ISTC program demonstrated the success of one part of the narrative for reform — the reduction of maximum waiting times — over another — the need for the NHS to learn new methods of working.

By 2010 maximum wait times fell to 18 weeks from the time of a referral from a general practitioner to the start of a hospital in-patient procedure. Because of this drop, the public no longer felt that wait times were a problem.

New Labour had succeeded in winning the argument for ISTCs as a method of reducing waiting times. However, once the extra capacity had helped to reduce wait times, governments subsequent to Tony Blair's could not stand up to the pressure from the NHS to reduce external competition.

This meant that the support for the ISTC program diminished once maximum waiting times had gone down.

However, New Labour's wider political goals to reform the method of delivery of health services for NHS patients within the overall principles of NHS funding — with equal access for all with health care free at the point of access — was bolstered by the reforms, including the ISTC program.

The drop in maximum waiting times meant that fewer people who had the income to buy private health insurance actually did so. In 2011, 700,000 fewer people bought health insurance than in 1997.

In the 2010 election, the proportion of the public that actively supported the basic principles of the NHS was greater than ever.

The reform program succeeded in strengthening public support for the overall principles of the NHS. 🌱

*Paul Corrigan was special adviser to the Secretaries of State for Health 2001-2005 and senior health policy adviser to Prime Minister Tony Blair 2005-2007.*



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# A fresh take on the October Crisis

**Bob Plamondon**

*The following is an excerpt from the author's recently released book, [The Truth about Trudeau](#).*

In October 1970, Canada needed a prime minister with nerves of steel — and it got one. While some Canadians had dismissed Trudeau as a peacenik and pacifist, he proved to be the exact opposite: an authoritarian and political opportunist. Rather than protect civil liberties, as was his expressed passion, he suspended habeas corpus, which landed nearly 500 people in jail without a warrant or charge. While he showed that the federal government could and would play rough, Trudeau's real focus was not with the kidnappers who sparked the crisis, but Quebec separatists.

During his academic studies, Trudeau did not reject violence as a means to an end. "Terrorism," he wrote as a student, "does not constitute political violence if it is absolutely needed to attain the accepted political end of a given nation." He also defended the right of a government to keep the peace, arguing that fighting oppressors might require the suspension of some civil liberties. "If a fight is unavoidable," Trudeau wrote, "strike hard and first... it is sheer stupidity to begin belly-aching over its illegality, the superstitious fear of illegality has made more than one great man tremble and spoil his aim."

*Trudeau argued that, during this crisis, the WMA was the only tool at his disposal, ignoring the possibility, even likelihood, that he could have passed suitable legislation in a matter of days. The country wanted a strong response, and the scattering of opposition voices in the House of Commons could have quickly been silenced.*

Trudeau admitted his government was badly prepared and poorly equipped to respond to the October Crisis. But the methods employed by the FLQ were not new. Five months earlier, in March of 1970, a Cross kidnapper had been charged with the failed kidnapping attempt of an Israeli diplomat. He skipped bail and joined the crew who abducted Cross. Yet Trudeau called the events in October 1970 as "highly unforeseeable," and claimed to be "completely stunned" by the abductions of James Cross and Pierre Laporte by the FLQ.

But even before becoming prime minister, Trudeau had thought about how he would deal with such a situation. He told his girlfriend (and future spouse) Margaret that were she or any of their children

ever to be abducted, he would not meet any ransom demands. “You mean you would let them kill me, rather than agree to terms?” Margaret asked incredulously. “Yes, I would,” he replied.

Trudeau blamed the RCMP for Ottawa’s poor state of readiness. He claimed in his memoirs that he had instructed the force to take the terror campaign seriously prior to the abductions. But his actual instructions were not about terrorism, but separatism.

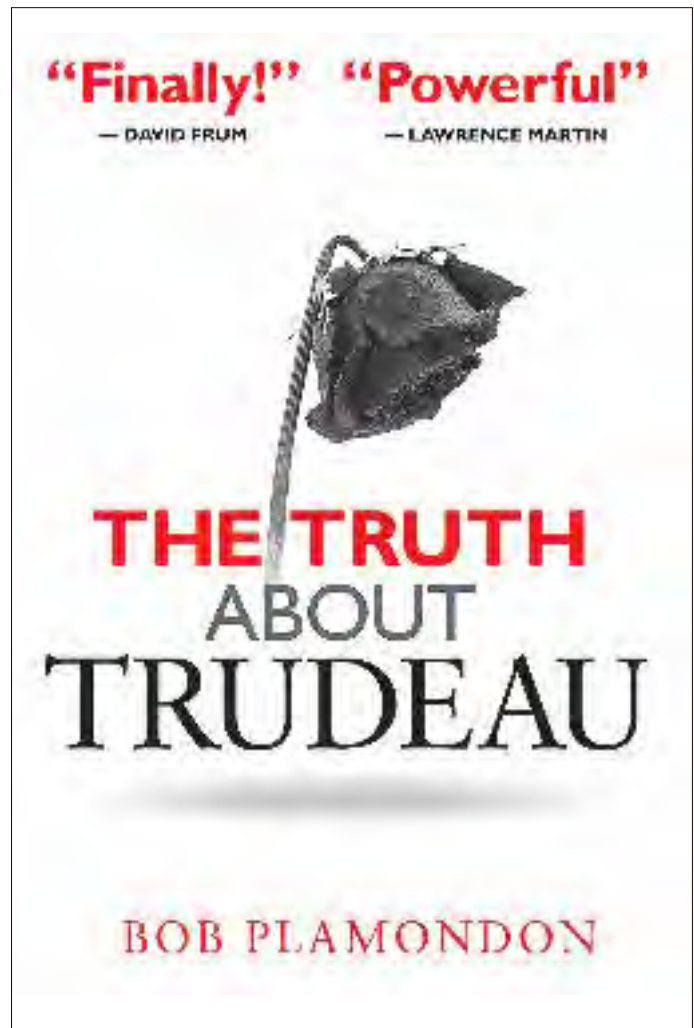
Although Trudeau had no evidence or intelligence to suggest a conspiracy beyond the kidnappings, in order to protect politicians and defend federal buildings Canadian soldiers were dispatched to Ottawa on October 12. The province of Quebec called in the army on October 15, using the provisions of the *National Defence Act*. To the many Canadians who felt unsettled at the sight of armed troops on the streets Trudeau warned of more to come with the quip, “Just watch me.” By that he meant the *War Measures Act*.

The conventional thinking is that Quebec premier Robert Bourassa made the determination that led to Trudeau invoking the *War Measures Act* (WMA). The reality is that the WMA was inspired by Trudeau and not Bourassa, and certainly not by the RCMP.

In assessing the situation, and the limits of his actions, Trudeau said that it was not the kidnappings that worried him most, but how eminent Quebec officials responded to FLQ demands. He described it as a turning point when people of influence in Quebec had “shamefully” signed a manifesto that appeared in *Le Devoir* on October 15 urging his government to negotiate and give in to the demands of the terrorists to negotiate the release of “political prisoners.” Trudeau said he needed to shock the province out of its “extremely disordered state.” Again, the target was not the kidnapers but his political opponents.

Trudeau had argued for the WMA in cabinet before it had been discussed with the governments of Quebec or Montreal. The cabinet settled on a strategy whereby the law would be invoked in response to a request from another government. Although Trudeau “passed the buck” to Bourassa and Montreal mayor Jean Drapeau by having them make the request, the evidence is that Trudeau’s principal secretary, Marc Lalonde, actually drafted the request and personally delivered the letter that Bourassa signed. Lalonde admitted to having a hand in drafting the request, but claims it was more as an editor than originator.

Eric Kierans, Trudeau’s minister of communications, described a fateful cabinet meeting on October 15 as one of the strangest sessions he ever attended. While ministers were given little information and no concrete evidence of an insurrection, it was clear to Kierans that the fix for the WMA was in. Marc Lalonde, who controlled the agenda, said, “things look very bad, very bad indeed.” He added that Quebec was ready to explode, and that without swift and stern action there would be riots and political assassinations. Jean Marchand claimed, without evidence, that the terrorists had infiltrated every strategic place in Quebec and that theirs was an organization with “thousands of guns, rifles, machine-guns, bombs, more than enough [dynamite] to blow up the core of downtown Montréal.”



Kierans followed the government line that if Canadians generally “knew what we knew,” they would understand the need for drastic action. John Turner reiterated the same point in the House of Commons: “It is my hope that someday the intelligence upon which the government acted can be made public, because until that day comes, the people of Canada will not be able fully to appraise the course of action which has been taken by the government.” That day has yet to come.

Trudeau addressed the nation on October 16 to say our democracy was in a fragile state. To dramatize and personalize the terror, Trudeau said the identity of the hostages was immaterial. “The kidnapers’ purposes would be served equally well by having in their grip you or me, or perhaps some child.”

Trudeau argued that, during this crisis, the WMA was the only tool at his disposal, ignoring the possibility, even likelihood, that he could have passed suitable legislation in a matter of days. The country wanted a strong response, and the scattering of opposition voices in the House of Commons could have quickly been silenced. Indeed, the WMA had been similarly enacted at the outset of the First World War. NDP leader Tommy Douglas said in debate that Trudeau was “using a sledgehammer to crack a peanut.”

Within hours of the WMA being invoked, 497 people had been arrested, many of them poets, writers, artists, and legitimate political activists. When the police sought out Nick Auf der Maur, then a left-wing storyteller and host of a CBC television program, they went to his former apartment by mistake and arrested the new occupants — South Vietnamese students — who just happened to be in the right place at the wrong time. The police eventually caught up with Auf der Maur and threw him in jail for a few days. Beyond the arrests, some 10,000 homes were searched without warrant, and 12,500 troops were deployed on the streets of Québec.

*Months after the crisis had peaked, Trudeau was invited to a private gathering of journalists who complained that because of emergency measures they had faced editorial censorship. Trudeau replied that “an honourable person would have resigned in protest.” Yet Trudeau himself had been far from honourable. He had wildly overestimated or purposely exaggerated the threat to society imposed by the FLQ. James Cross concluded, “It was a case of six kids trying to make a revolution.”*

But the more immediate shock came the day after the invocation of the WMA. The FLQ directed journalists to an abandoned car at the St. Hubert airport parking lot, the trunk of which contained the body of Pierre Laporte. We do not know the extent to which the invocation of the WMA was a factor in Laporte’s murder.

John Turner later admitted that the WMA had been “substantial overkill.” He doubted that there had been an “apprehended insurrection,” and felt that the criminal code was adequate for dealing with most aspects of civil disorder

It is impossible to say what shocked Quebec back to its senses — the actions of a steely prime minister or the death of Laporte. Even the most ardent separatist-anarchists lost their will when they saw their ideals turn murderous. Onetime radicals, like Pierre Vallières, denounced violence and advocated a political and democratic path to separation through the Parti Québécois.

Reg Whitaker, Distinguished Research Professor Emeritus at York University and a specialist in security and intelligence issues as well as politics, examined all the available evidence and concluded that Trudeau and his cabinet deliberately exaggerated the crisis to obtain emergency powers to intimidate Quebec separatists. According to Whitaker, the RCMP never asked for the WMA, and if their opinion had been sought, they would have advised against invoking it. A Trudeau cabinet minister, Don Jamieson, recalled that then-RCMP Commissioner William Higgitt confirmed that the WMA had produced nothing of any consequence to their investigations.

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emergency measures they had faced editorial censorship. Trudeau replied that “an honourable person would have resigned in protest.” Yet Trudeau himself had been far from honourable. He had wildly overestimated or purposely exaggerated the threat to society imposed by the FLQ. James Cross concluded, “It was a case of six kids trying to make a revolution.”

Author Peter C. Newman debunked the notion that a manifesto signed by many Quebec intellectuals represented an attempt to form a provisional government, calling it a “meticulously concocted lie.” Before the WMA had been invoked, Marc Lalonde summoned Newman to a meeting in the prime minister’s office. “We believe that a group of prominent Québécois is plotting to replace the province’s duly elected government. The conspirators are René Lévesque, Jacques Parizeau, Marcel Pepin, and Claude Ryan. This move towards a parallel power must be stopped ... There is nothing speculative about this.” A short while later, Trudeau called Newman to confirm and amplify Lalonde’s warnings. It was a conversation that Trudeau also told Newman he would deny had ever taken place. When Newman challenged Trudeau to back up his assessment that a credible conspiracy was in the works, Trudeau replied, “I acted on information I’ve been accumulating since I was three years old.”

To judge Trudeau’s response to the October Crisis fully, we must ask one last question: Did his conduct strengthen or weaken the nation? Given the election of the PQ government in Quebec in 1976, the rise of the Bloc Québécois in the 1990s, and the results of the 1995 Quebec referendum, Trudeau’s actions clearly did not squelch separatist forces.

It is more likely that Laporte’s brutal murder explained the collapse of the FLQ. Ironically, Trudeau’s heavy-handed tactics may well have inspired many Quebecers to support the “democratic” arm of separatism, the Parti Québécois, which came to power within six years of the event.

Another way to assess Trudeau’s actions is to consider what would have happened had he not invoked the WMA. While we don’t know if it had any influence on the murder of Laporte, we know that freeing Cross and arresting the kidnapers and murderers resulted from investigative work that required no special legislative measures.

While the WMA had popular support at the height of the crisis, it did nothing over the long-term to enhance the attachment of Quebecers to Canada. Quebec was never going to leave Canada by way of force, only by democratic means — means which separatists have pursued with vigour ever since. ✚

*Bob Plamondon is one of Canada’s leading political commentators and public policy experts. He is the author of three critically acclaimed bestsellers: Blue Thunder: The Truth about Conservatives from Macdonald to Harper; Full Circle: Death and Resurrection in Canadian Conservative Politics; and Hay West: A Story of Canadians Helping Canadians. Bob has taught at three universities on a full and part-time basis over a twenty-year period. He received the Queen’s Diamond Jubilee medal in 2012.*



# Busting six economic myths about Canada's resource sector

*Philip Cross*

Canada's abundant natural resources have always been an important source of economic growth. However, some economists have been critical of relying on resources for development. From this skepticism evolved the notion of a staples trap — that growth based on natural resources lowers our terms of trade, stifles innovation, and is a source of economic instability. This paper examines a half dozen of these myths surrounding Canada's natural resource sector.

**Myth 1: The price of natural resources lags the price of Canada's imports, slowing our long-term income growth.**

This myth evolved out of flawed research that argued commodity prices would fall relative to prices for manufactured goods. Instead, since Confederation prices for Canada's exports have steadily risen more than import prices, led by higher commodity prices. This has added about 18% to real incomes in Canada.

**Myth 2: Demand for natural resources is excessively cyclical, injecting unwanted instability into the economy.**

Manufacturing and construction are the most cyclically sensitive sectors of the economy, with output contracting four times more than natural resources during recessions. Instead, the major impact in commodities is felt by prices and investment in future output. Moreover, not all commodities move together: the commodity price boom over the last decade has been sequential, not synchronized, with each sector passing the baton to another as its price leveled off.

**Myth 3: Canada exports raw materials and imports finished goods, and this gap is widening.**

Natural resources are the fastest growing component of imports. This reflects more imports of crude oil, precious metals, and metal ores for smelting and refining in Canada, sometimes for re-export. Imports of natural resources rose faster than exports of natural resources between 1988 and 2012. Over the past century, Canada's export base has diversi-

fied away from its near-total reliance on natural resources.

**Myth 4: Natural resources are the leading source of regional inequality in Canada.**

All regions have a sizeable resource sector. The boom in the resource sector over the past decade has helped narrow regional variations in the unemployment rate to their lowest on record. This narrowing of inter-provincial inequality was most evident in Saskatchewan and Newfoundland, where higher incomes led to a resumption of population growth after decades of decline. Ontario moved to 'have not' status largely due to its dependence on manufacturing, which is disproportionately located in central Canada.

**Myth 5: Natural resources are technologically primitive, slowing innovation in Canada's economy.**

Resource industries are well-represented in broad measures of innovation, such as the share of knowledge workers in the labour force. Canada's resource boom arguably began in the late 1990s, when oil sands output started to ramp up, partly in response to innovative production techniques, even as oil prices cratered.

**Myth 6: Development of our natural resource industries hampers growth in other industries, notably manufacturing.**

In the 1990s, rapid growth in manufacturing accompanied a withering away of both capital and labour invested in Canada's resource sector, which laid the foundation for today's shortages in the resource sector. From 2002 to 2008, capital and labour shifted back to the resource sector, while parts of manufacturing contracted. Since 2009, resources and manufacturing have grown together, helping Canada diversify from an over-reliance on any one sector. ✦

*Philip Cross, Research Coordinator with the Macdonald-Laurier Institute and the former Chief Economic Analyst at Statistics Canada, prepared a background note for participants in the May 30 Munk Debate.*

# The MLI Leading Indicator

*“Look a little ahead, my friends.”*  
SIR JOHN A. MACDONALD

MAY 2013

A MACDONALD-LAURIER INSTITUTE PUBLICATION

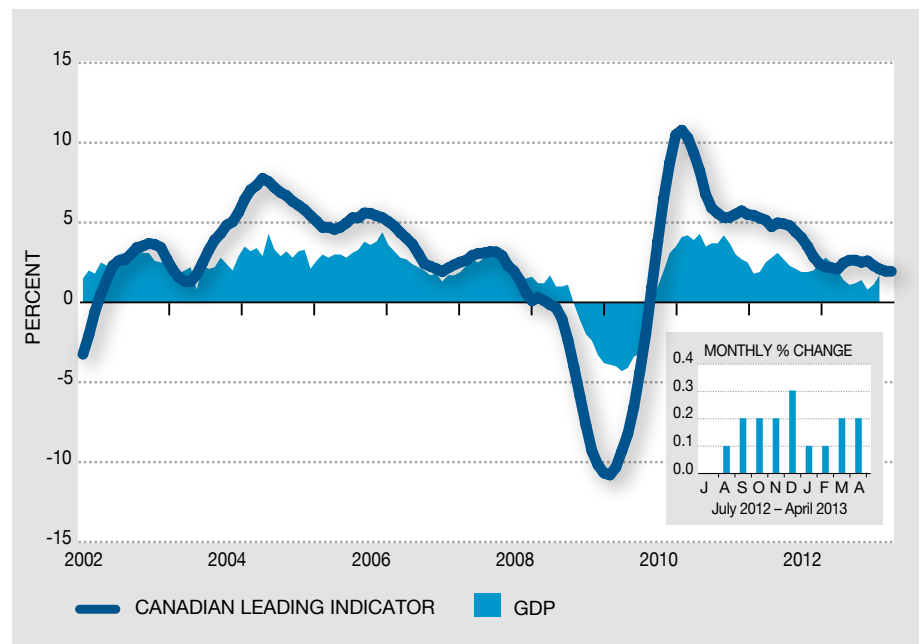
VOLUME 2 ~ ISSUE 5

La version française suit la version anglaise

**T**he Macdonald-Laurier composite leading index rose 0.2 percent in April, matching its gain in March. Four of the nine components advanced, with the pattern of gains and losses basically the same as the month before. After surpassing expectations for growth in the first quarter, this suggests that the economy has shrugged off the turbulence related to sequestration in the US and Cyprus in the EU and is poised to strengthen in the second half of the year.

## Leading Indicator April 2013

FIGURE 1 Year over year percent change



The US leading indicator consistently has grown slightly faster than the Canadian leading index so far this year, with a 0.4 percent gain in April. The US economy has received a boost from the clear signs of a turnaround in its housing sector, which has made lumber Canada’s fastest growing export. Commodity prices also received a boost from higher lumber prices, along with natural gas – another long-suffering

industry. The 1.4 percent increase in commodity prices was the fastest of any component.

Housing remained the weakest component, down 0.9 percent for its eighth straight decline. Housing starts were the major source of retrenchment, as sales of existing homes have levelled off. Spending on other big ticket items like autos remains firm.

Manufacturing stayed sluggish. The average workweek in factories shrank for the fifth consecutive month, while new orders edged down 0.2 percent.

Elsewhere, two of the three financial market components edged up, while claims for employment insurance inched up 0.1%.

*The analytical model underlying this MLI Leading Indicator is the creation of Philip Cross Economics and is used here with his permission.*

## Leading Indicators

	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
<b>Canadian leading indicator (January 2002=100)</b>	<b>133.2</b>	<b>133.6</b>	<b>133.8</b>	<b>134.0</b>	<b>134.3</b>	<b>134.6</b>
% change	0.2	0.3	0.1	0.1	0.2	0.2
Housing index (January 2002=100)	98.0	96.3	94.4	92.0	90.7	89.9
% change	-3.0	-1.7	-2.0	-2.5	-1.4	-0.9
US Conference Board leading indicator (2004=100)	95.8	95.9	96.2	96.5	96.7	97.1
% change	0.2	0.1	0.3	0.3	0.2	0.4
<b>FINANCIAL</b>						
Money supply, M1 (millions, 2002) <sup>1</sup>	555,326	558,261	561,328	565,799	572,236	577,137
% change	0.4	0.5	0.5	0.8	1.1	0.9
S&P/TSX stock price index (1975=1000)	12,119	12,273	12,420	12,521	12,586	12,629
% change	1.1	1.3	1.2	0.8	0.5	0.3
Interest rate gap	-2.01	-2.00	-2.02	-2.03	-2.03	-2.04
change <sup>2</sup>	0.02	0.01	-0.02	-0.01	0.00	-0.01
<b>MANUFACTURING</b>						
Average workweek (hours)	37.4	37.5	37.3	37.2	37.1	36.9
% change	-0.3	0.3	-0.5	-0.3	-0.3	-0.5
New orders, durables (millions, 2002)	26,181	26,524	26,858	26,594	26,546	na
% change	0.4	1.3	1.3	-1.0	-0.2	na
Commodity price index, all (US dollar terms)	631.9	632.2	630.9	629.2	631.8	640.4
% change	1.0	0.0	-0.2	-0.3	0.4	1.4
Employment insurance claims received	231,114	230,326	232,118	230,400	230,738	na
% change	-0.1	-0.3	0.8	-0.7	0.1	na
<b>Unsmoothed version</b>	<b>133.5</b>	<b>134.1</b>	<b>134.3</b>	<b>134.8</b>	<b>134.9</b>	<b>134.9</b>
% change	0.2	0.4	0.1	0.4	0.1	0.0

<sup>1</sup> Deflated by the Consumer Price Index for all items.

<sup>2</sup> First difference.

*The Macdonald-Laurier Institute's monthly Leading Economic Indicator series provides unique and valuable insights into the future course of the Canadian economy – giving advance warning of recessions and upturns. The next release date is June 25, 2013.*



Peter Lougheed in the Legislative Chambers. Flickr/ governmentofalberta

# Above water: learning from three Albertan leaders

*Thomas S. Axworthy*

Alberta is often viewed as the stormy petrel of Canadian politics: the Gateway Pipelines pit Albertan interests against British Columbia's claims, the Keystone Pipeline faces great opposition from US environmental groups, and the oil sands are a whipping boy for everyone. Less recognized, however, is that Alberta also generates superior examples of leadership that Canadians in the rest of Canada would do well to emulate. Like all provinces, Alberta has many problems, and this article will focus on water as a relatively new issue that also must be tackled. But Alberta also has a history of providing leadership more than sufficient to overcome its challenges.

Leadership is a term much used, and little understood. Searching "leadership" online shows 459 million results, and books on the topic — especially from business school presses — tumble out at a prodigious rate. Yet despite the overwhelming attention paid to the concept, its meaning is so contested that important thinkers, like Henry Mintzberg of McGill University, argue against "the cult of leadership," asking "Have you heard the word 'leadership' lately—say, in the last 10 minutes?" His advice: "we make too much fuss

about it and should stop."

Despite Mintzberg's healthy skepticism about exaggerated notions of leadership, while we ignore more mundane tasks like management and implementation, still, the nature of leadership has preoccupied us throughout history. So what does history teach us about leadership?

The vast literature on leadership falls into three main schools, which emphasize vision, character and learning. My thesis is that three Albertans I have known and have worked with embody the virtues described in these three different takes on leadership. Further, I argue that learning from the different leadership styles of these individuals will assist us in addressing a public policy area that cries out for leadership: the necessity for federal, provincial, territorial, corporate, community, and individual actions to protect and enhance Canada's precious resources of fresh water.

## **The Necessity for Vision:**

"Where there is no vision, the people perish," Proverbs 29:18 tells



us, and the impact of larger than life individuals who have helped us achieve imagined futures has been a staple of history ever since it was first written. In Thucydides's *The Peloponnesian War*, written in the fifth century, for example, (the first and probably greatest book on international relations) Pericles is extolled and Alcibiades derided.

This "heroic" leadership school is best articulated by the historian Thomas Carlyle, whose 1840 lectures on the topic makes the essential point that however much society is constrained by geography, climate, resources or past choices, individuals can make a difference, sometimes decidedly so. Carlyle writes, "Ideals can never be completely embodied in practice. And yet, on the other hand, it is never to be forgotten that ideals do exist; that if they be not approximated to at all, the whole matter goes to wreck!"

Individual leadership is, therefore, central to the accomplishment of group purpose: leaders articulate a vision of the future and then persuade constituents to make it their own. In the person of Peter Lougheed, Alberta produced just such a leader. Last year I helped organize, for the Institute of Research on Public Policy, a survey on Canada's best premier over the past generation. Peter Lougheed won the contest in a landslide. There are many aspects of Mr. Lougheed's career that are admirable: forgotten is the fact that when he was beginning his political career, the Conservatives had never formed a government and had no seats in the legislature. Mr. Lougheed built a dynasty from scratch. He was a skilled negotiator: I was an advisor to Mr. Trudeau during the patriation of the Constitution and that eventual success was due to Mr. Trudeau accepting the Alberta amending formula in exchange for Mr. Lougheed and the other Premiers accepting the *Charter of Rights and Freedoms*. Mr. Lougheed was the axis around which the negotiations swirled.

But it was his vision of the coming of a "new west" where Mr. Lougheed played his most crucial role in extolling an imagined future to a skeptical present. He, of course, defended Alberta's jurisdiction over natural resources, but just as important, he wanted to use the oil revenues of today to forge a modern, sustainable, skills-based Alberta for the future. He had the idea of a Heritage Fund, for a post-oil Alberta, years before Norway adopted the idea. "Canada will be a stronger nation," he said, "because we'll be a strong west." So it has proved.

### **The necessity for character**

If Thucydides credited vision as one key component of Pericles' leadership, another ancient writer, Plutarch, emphasized character. Plutarch was as much a moralist as a historian, and his famous *Parallel Lives of Greek and Roman leaders* highlighted the capacity of leadership to inspire trust through the force of personal example. *Lives* is an examination of human nature, more than a narrative of events. He writes that the source of Pericles' predominance, for example, was not only his "power in language," but "the reputation of his life and the confidence felt in his character."

The necessity for character and trust is exemplified by the career of Dr. David Schindler, Killam Memorial Chair and Professor of Ecology, a member of the Alberta Order of Excellence, and an inter-

nationally renowned expert on water quality and management. Trust depends on truth-telling and it has always been the role of science to describe phenomena as they are, despite the orthodoxies of the times. Galileo uttered, according to the legend, "and yet it moves," about the earth revolving around the sun despite the views of the Inquisition.

*Individual leadership is, therefore, central to the accomplishment of group purpose: leaders articulate a vision of the future and then persuade constituents to make it their own. In the person of Peter Lougheed, Alberta produced just such a leader ... There are many aspects of Mr. Lougheed's career that are admirable: forgotten is the fact that when he was beginning his political career, the Conservatives had never formed a government and had no seats in the legislature. Mr. Lougheed built a dynasty from scratch ... But it was his vision of the coming of a "new west" where Mr. Lougheed played his most crucial role in extolling an imagined future to a skeptical present.*

Scientific advances depend on experiment, measurement, critique, and creativity. These are the exact opposite to today's fondness for spin. Working early in his career as a member of the Experimental Lakes Area, perhaps the single most renowned water research institute in Canada, Schindler identified detergent phosphates as a pollutant killing lakes, and acid rain as the cause of fish deaths.

Turning his attention to the oil sands, in 2007, Schindler brought scientists together to test the claim of the Alberta government that toxins in the Athabasca River resulted from natural causes. A report by him and colleague Erin Kelly on the data collected showed that the oil sands industry was a source of contamination and that there were serious defects in the joint Alberta-Industry Regional Aquatic Monitoring Program, as it had missed major sources of pollution in the Athabasca watershed.

In 2011, an Alberta review panel confirmed the Schindler-Kelly finding and in 2012, a federal review panel found evidence that the pollutants had travelled even farther than anyone had guessed.

Seeking the truth, without fear or favour, is the mission of science and of academe generally. How appropriate then, that the president of the Natural Sciences and Engineering Research Council of Canada, in awarding the Gerhard Herzberg medal, said "David Schindler is a role model for young scientists the world over."

### **Necessity for learning**

Perhaps reflective of our less heroic age, compared to the leadership schools of fifth century Athens, or 19th century Britain, modern scholars emphasize leadership as learning. Ronald A Heifetz, in his



well-known book *Leadership Without Easy Answers*, describes leadership as “adaptive work.” This may be too understated for many, but Heifetz is right to concentrate on the leader-constituent interaction and to make the point that leadership is using mutual learning to mobilize “people to tackle tough problems.” In that process constituents learn from leaders but leaders, if they are wise, also learn from and adapt to their followers.

Joyce Fairbairn, recently retired from the Senate of Canada and ravaged by the cruel disease of Alzheimer’s, is an example of the power of listening and learning. Joyce’s grandfather drove stage coaches, fought in the Riel Rebellion and became sheriff of Lethbridge. By the age of nine, Joyce knew she wanted to be a journalist.

She started at the Lethbridge Herald, went on to the Ottawa Journal, and then United Press International covering Parliament Hill. Think of it: a 22 year-old young woman, as the first female member of the Parliamentary Press Gallery, and whose members in that era were straight out of the Front Page!

She joined the Office of Pierre Trudeau in 1970, and it was there that I saw firsthand her great talent for listening and practicing the little arts of democracy. Pierre Trudeau was a strong leader with many talents, but “emotional” intelligence was not one of them. He needed, as part of his team, people who could serve as his eyes and ears, a political radar, if you will, to keep him in touch with the personal needs of cabinet and caucus. Joyce was a great listener with a genuine love of the human parade. She made all who entered her office feel welcome.

Joyce listened, remembered and got her boss to adapt. It should come as no surprise that this listener and learner made literacy her personal crusade when she eventually joined the cabinet herself as the leader of the senate.

## Applying the lessons

On the importance of fresh water, Peter Lougheed, as in so many other areas, pointed the way forward. Some years before his death, he delivered a speech on the theme that “water is a more important resource to the people of Alberta than oil and gas, and it’s becoming more crucial all the time.”

Albertans know Mr. Lougheed was right to highlight the importance of water. The Government of Alberta is now undertaking a consultation to update the Water for Life strategy first unveiled in 2003. The University of Alberta should also be applauded for its Water Initiative, which will bring together the interdisciplinary capacity of over 200 researchers in the field of resource economics, water treatment toxicology, northern research, and nanotechnology.

So what can we learn from the leadership talents of our three prominent Albertans that will help move Alberta and Canada towards better water policy? The first requirement is for a vision that can capture the world’s imagination. And we have one at hand, though it is little known. The Government of the Northwest Territories has produced a water stewardship strategy entitled “Northern Voices, Northern Waters,” which is the most comprehensive and enlightened water strategy in Canada. The goals of the strategy are to assure:

- Waters that flow into, within or through the NWT are substantially unaltered in quality, quantity and rate of flow;
- Residents have access to safe, clean, and plentiful drinking water at all times;
- Aquatic ecosystems remain healthy and diverse;
- Water resources are sustainable; and
- Residents are involved in and knowledgeable about water stewardship.

The essence of the NWT vision is stewardship, which aims for a balanced approach for the benefit of people, plants, animals, and the watershed itself. Mother Nature must be at the table where decisions are made. Robert Sandford, another Albertan and the EPCOR chair of the Canadian Partnership Initiative, captures this value well with his summary that “nature needs water, humanity needs nature.”

Canada’s Great Basins publication of the Walter and Duncan Gordon Foundation, made the points that the Mackenzie River system, which is Canada’s longest at 4,241 km, with a drainage area one-fifth the size of Canada as a whole, “is a global treasure.” So large, and so important to stability of the Earth’s climate, if the Mackenzie Basin is under too much stress, there will be implications for the entire continent. This was the essential scientific finding of the Rosenberg International Forum on the global significance of the Mackenzie held in Vancouver in September 2012. The responsibility to protect the Mackenzie is a collective one for every Canadian, not just the citizens of the Northwest Territories and Yukon.

And as key as the global significance of the Basin is the precautionary principle — by and large the Mackenzie Basin is as yet unspoiled, though under increasing stress. The Mackenzie can be sustained by intelligent policy and regulation because it has not yet been ruined. It should be a national goal.

In contrast to the “Nature Needs Water” vision of the NWT, one only need examine the dire situation of the Central Great Plains region of the Prairie Provinces. The Lake Winnipeg Basin covers one million square kilometers, through four Prairie Provinces, and four US states. Ninety percent of the natural wetlands in the region have been drained. Lake Winnipeg was just declared “Threatened Lake of the Year 2013” by the Global Nature Fund. The floods of 2011 cost Manitoba a billion dollars.

If floods are one problem, droughts are another. The drought of 2001 cost Alberta over \$3 billion. Alberta Environment has estimated that 85 percent of natural flow is needed in the South Saskatchewan River Basin for channel maintenance, fish habitat and water quality, but the first set of water objectives aim for only 45 percent, of annual flow. Humans are taking too much. The drought in the western US last year was the most severe in 800 years. Due to the loss of hydrological stability, the new norm is extreme weather. If you provoke Mother Nature too much by overexploitation of water for our species, while ignoring the needs of the watershed, “nature’



has a way of striking back. Over time, Mother Nature always wins.

The Northwest Territories water strategy also emphasizes community monitoring of water quality. Water stewardship depends, it rightly states, on up-to-date knowledge, continually monitored and widely disseminated to decision-makers and citizens. In Canada, we have not yet mapped our groundwater resources though we make public policy decisions on the assumption that we have ample quantities. Although data about water quality and flow does not ensure good water strategies, it is a necessary precondition. The Program on Water Issues at the University of Toronto is bringing

together economists, engineers, scientists, corporate leaders, and environmentalists to think through a new model on how to fund, organize, and ensure the integrity of data collection and analysis for Canada’s water quality. Speaking truth to power is a lesson we can all draw from the career of David Schindler, and it is a value we need to embed in Canada’s water policy.

Listening and learning is the third requirement of inspired leadership. “Northern Voices, Northern Waters,” the NWT water strategy, begins with a section on the importance of water to Aboriginal people, stating “Aboriginal people have a long and intimate relationship with the natural environment, they draw their spiritual and cultural integrity and strength from the land and water.”

Canada needs a new water ethic, one based on stewardship and balanced use. The First Nations, Métis and Inuit have had such an ethic for thousands of years. Our first water ethic was the best. Alberta’s water allocation policy is based on the 19th century practice of “first in time, first in right.” Well, ask yourself, who was here first? We must embrace this traditional wisdom of our Indigenous peoples, especially here in the central plains basin, whose very future is threatened by our culture of carelessness when it comes to water.

Leadership is the accomplishment of group purpose in tackling tough problems. None is tougher than changing our approach to water. But with vision, integrity, and listening it can be done. Great Albertans have shown how exceptional leadership can be achieved; now we need the same kind of inspired purpose to preserve fresh water — the staff of life — for our children and grandchildren, and for generations yet to come both in Alberta and in Canada as a whole. ✦

*Thomas S. Axworthy is a Senior Distinguished Fellow at the Munk School of Global Affairs.*

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one direction  
one goal  
one national organization**



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