THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

INSIDE POLICY

JUNE 2015

Income inequality

Advancing our great national debate on getting ahead

Chrystia Freeland on why we should worry.

Frank Buckley on why we shouldn't.

Brian Lee Crowley points out that Canada is already doing plenty.

Munir Sheikh says we should be more concerned about social mobility than income inequality.

Victoria Bateman says economic disparity in the West is all about sex.

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INSIDE POLICY
THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

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From the editors

Income inequality. The two words have become nearly inseparable in media commentary about jobs and the economy, as fears are raised that a large number of us are being left behind as a lucky few amass great wealth.

This edition of *Inside Policy* takes a close look at the issues. Liberal MP **Chrystia Freeland**, a former journalist and author of the bestseller *Plutocrats: The rise of the new global super rich and the fall of everyone else*, warns of "a winner-take-all phenomenon, with incomes at the very, very top — the 1 percent, and even the 0.1 percent — surging, and a hollowing out of incomes and jobs in the middle". To give one example, she points out that "the share of low-wage jobs has doubled from 22 percent to 33 percent of overall employment in Ontario". She calls for a new wave of "transformative social and political thinking" of the kind that met the challenges of the Industrial Revolution.

George Mason University professor **Frank Buckley** disagrees. He argues that while there are legitimate concerns about inequality in the United States, Canada is "one of the fairest societies in the world" and that the "Canadian Dream" of achieving prosperity through hard work is alive and well. Moreover, Buckley points out that there's not much that can be done about the global forces that create income inequality, and that more harm than good can come of trying.

Social mobility is what we should really be concerned about, writes former Statistics Canada Chief Statistician **Munir Sheikh**. He says that while income inequality is thought to be the cause of immobility, many policies that redistribute wealth to the poor actually prevent them from achieving independence because they are so poorly designed. He says that despite years of lip service, the welfare trap is still with us in dozens of programs that perversely penalize those who try to get ahead.

Also on the topic of inequality, **Brian Lee Crowley** points to MLI research that shows for the first time how truly progressive Canada's tax and transfer system is. "The top two-fifths of income earners are the only ones making a net contribution (they pay more in taxes than they get in benefits), and the top fifth is responsible for 80 percent of that net contribution", Crowley writes. "That's progressive". And CapX contributor **Victoria Bateman**, an economic historian, argues that the real story about income inequality is the gulf between the world's wealthy and poor women.

Also in this issue, **Philippe Legrain** says that protectionist Germany is poorly placed to lead the EU in the digital age, **Stanley Hartt** and **Iain Duncan Smith** show how conservative parties can show their softer side, **Neil Desai** says Canadians need to better understand how technology can fight terrorism, **Ailish Campbell** and **Brian Kingston** lay out the priorities for improving internal trade, **Benjamin Perrin** calls on the government to reform its life in prison legislation, and **Ken Coates** examines the roots of the Idle No More movement.

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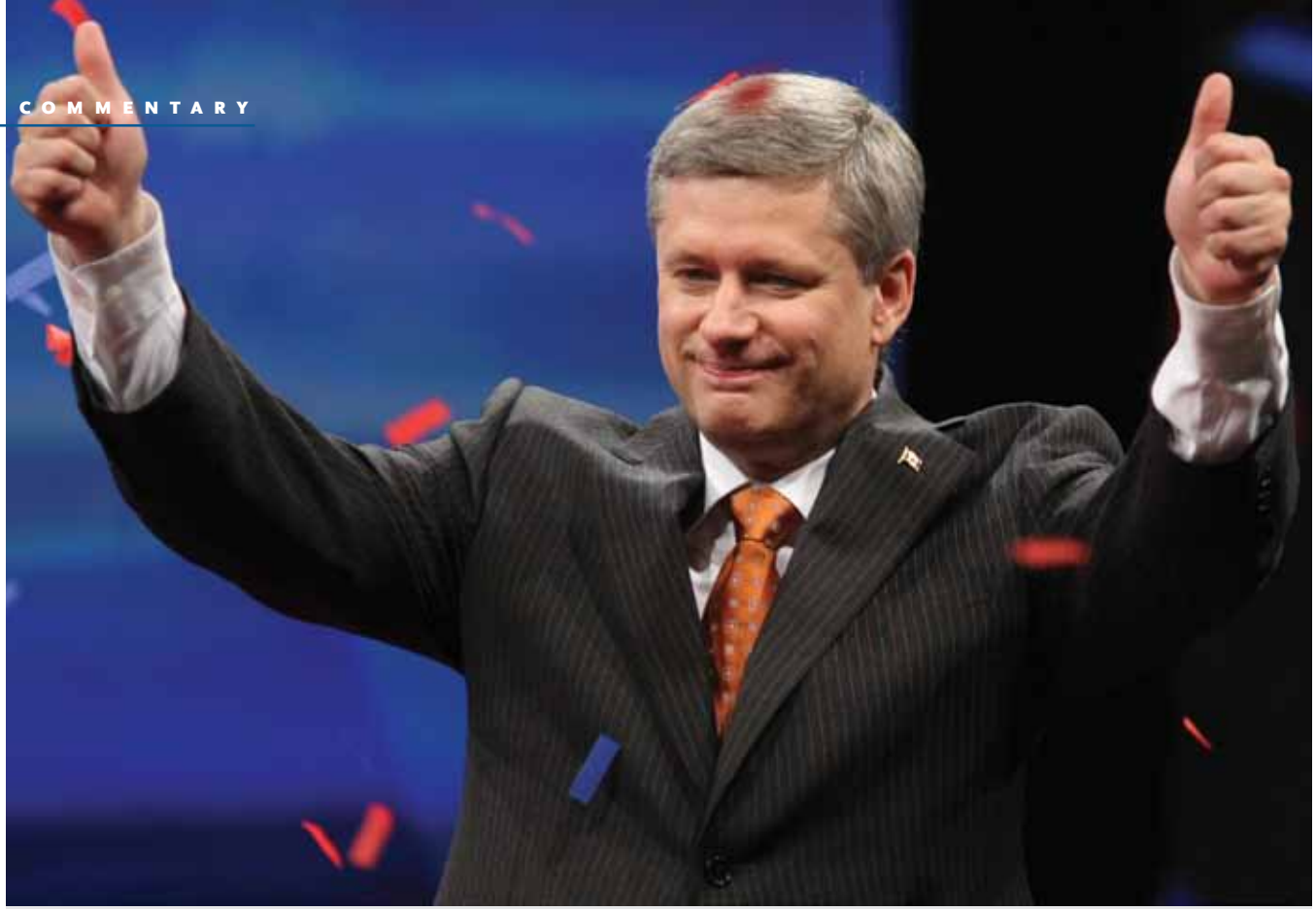

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Kinder, gentler Conservatives

Heading into a tight fall election campaign, the governing Tories need to embrace policies that show they care, while remaining true blue. Many Canadians feel left out of the vaunted prosperity they are told to look for all around them. Stanley Hartt has the prescription for Harper.

Stanley Hartt

As political documents go, the April 21, 2015 pre-election federal budget nailed it. Not so many years ago, budgets were financial plans, and Ministers got in trouble if their contents leaked. Nowadays, the trial balloons and flags run up the flagpole have taken over the news cycle in the lead up to the actual budget speech and there were few real surprises.

Even in the face of dramatically reduced revenues from the oil patch, the Minister of Finance was able to conjure up the promised balance between revenues and expenditures. That was important symbolically, because it fulfilled a promise and allowed the governing Conservatives to proclaim, with justification, that they represented sound fiscal management. This boast was not frivolous: it marked the formal end to the enormous stimulus consciously injected into the economy during the global financial crisis, (which produced the largest deficit in Canadian history), and underlined the government's contention that, while preserving functionality in credit markets, the temporary intervention had avoided building in long-term structural distortions.

The trick was to do all of the above while still having sufficient resources to add to the baubles dangling from the Conservative Christmas tree in the form of tax expenditures aimed at the core constituency of their voters. The government has long defined itself as appealing to the classic "hard-working" Canadian family of husband, wife, and children. Tax credits or cheques for children's

fitness or participation in the arts, for using public transportation, for the costs of child care, for student textbooks, for serving as a volunteer firefighter, and dozens of other targeted measures have permitted the government to trumpet that it has introduced more than 180 tax relief measures at last count.

Budget 2015 was no exception. The Tax Free Savings Account annual contribution limit was increased to $10,000. The minimum annual withdrawal from a Registered Retirement Income Fund was eased. The Universal Child Care Benefit and the Child Care Expense Deduction were enhanced. But the most-anticipated tax reduction of all, the Family Tax Cut, (known colloquially as "income splitting"), which permits couples to shift up to $50,000 in income from a high earner to their lower-earning spouse, was introduced, although, in order to avoid the accusation that this is a plum for the rich, savings from this measure are limited to $2000.

If the recent Alberta election is any indication, people upset by the perception that the government is not 'doing' enough to alleviate hardship will turn a government out.

The problem, however, is not that these measures, individually or collectively, are in fact regressive, offering proportionally larger advantages to higher income earners. The opposite is actually true. The risk, rather, is that thousands of individuals of potentially conservative bent may not recognize themselves in the list of favoured activities targeted by the various Tory tax incentives, and may even feel left out of the vaunted prosperity they are told to look for all around them.

The government crows that its sound economic management has resulted in "solid performance, [with] over 1.2 million more Canadians … working now than at the end of the recession in June 2009 – one of the strongest job creation records in the G-7 over this period [and that] the majority of these net new jobs have been full-time positions in high-wage, private-sector industries".

But senior workers, too old to employ yet too young to retire, and laid off highly-paid manufacturing workers or white collar executive level and clerical employees are living with a shrinking world of opportunity. They live off short-term, contract assignments which they find it harder and harder to obtain; they face increasingly thinner opportunities to earn a living; they are anxious about their futures in a world where our retirement savings regime is fractured into a hodgepodge of plans and programs, public and private. They feel left out by the rhetoric. But these folks do not show up in unemployment statistics and know that they are not included in the pretty little picture of middle-class prosperity.

Then there are the younger voters, just starting out in their working lives, who sense that the lifestyle available to their parents from career choice, advancement, income appreciation, and a rising standard of living will all be harder to come by in an age of underemployment, part-time, temporary jobs, and an absence of correlation between educational achievement and the behaviour of the labour market.

We know that governments are careful not to claim to be the source of employment growth, that jobs are actually created by the private sector. Governments usually acknowledge that their role is limited to creating the environment in which risk-takers will invest, build enterprises, and employ people.

But if the recent Alberta election is any indication, people upset by the perception that the government is not "doing" enough to alleviate hardship will turn a government out. The falling oil price was certainly not something the PC government of Alberta could have done a whole lot to prevent. The consequences in terms of mass lay-offs, inability to meet mortgage or car loan payments, and other financial pressure led to an unprecedented turn to the left and a majority NDP government. To be fair, Premier Jim Prentice helped this phenomenon along by arranging the defections from the Wild Rose Party, the too-tough by half austerity budget, and some loose-lipped quotable quotes.

So, as the October federal election shapes up as a battle among the three major parties all claiming to advance the interests of the "middle class", some recognition of the burdens many face would be a good idea. Not statements of the "I feel your pain", or "Message – I care" kind that contributed to the defeat of President George H. W. Bush at the hands of Bill Clinton, but some acknowledgement of the lot of these other "hard-working" Canadians would be in order.

No electoral strategist would advise the Prime Minister to

Electors don't vote for a laundry list of 'what have you done for me lately?'

(ctv.ca)

dismantle the system of much-beloved targeted tax measures on which the Conservatives have built their appeal to a strong swath of the Canadian middle, certainly not before an election. But it would not be inconsistent with Conservative philosophy to grasp that:

- one really good way to boost investment and employment is to lower the marginal tax rate across the board, and
- after the election, a revenue neutral tax reform which eliminated many if not most preferences, credits, deductions, and other tax expenditures in exchange for a meaningful reduction in rates would be a strong boost to the economy.

The opposition's reaction to the budget appeared anxious enough to scrap some of the new proposed tax expenditures, but the push from the Liberals to scrap the government's package of family benefits including the income-splitting tax measures, and cancel the near doubling of tax-free savings account limits actually has less to do with preferring tax relief over targeted preferences than with objecting to the fact that the cost of these measures will leave the cupboard bare for a future government. The big spenders do not like a strategy which "starves the beast" by limiting the resources available to fund new big ticket initiatives!

As for the NDP, they have said that they would roll back income-splitting and keep the TFSA limit at its original $5500. They would, however, keep the boost to the universal child care benefit and the tax cut from 11 percent to nine percent for small businesses.

By proposing a $3-billion tax hike on the "wealthiest" Canadians, creating a new tax bracket of 33 percent for Canadians who make more than $200,000 a year, Liberal Leader Justin Trudeau makes it clear that his is not a strategy of broad-based tax relief.

Canadians earning $200,000 do not think of themselves as wealthy. Remember when former Finance Minister Michael Wilson got into trouble by declaring that "Canada suffers from an acute shortage of rich people"? He meant that our income distribution is bulked up around median numbers, so that "tax the rich" is a futile political strategy. A new, higher top tax bracket is the antithesis of what we need if promoting saving, investment, and enterprise is how we propose to create growth and employment.

So the dilemma is that the highly popular, loyalty-inspiring tax breaks are the core of the Conservative platform and the opposition parties threaten to dismantle them at their political peril, particularly if not in exchange for lower tax rates. Music lessons and girls' soccer, not to mention help with child care expenses, are in themselves a kinder, gentler image for the government to project, as are ways to augment savings for retirement.

The stimulating effect of significantly lower personal and corporate income tax rates takes time to work its way through the economy. Also, the process by which growth is generated in a free market economy is not completely understood by many.

How then can the government put a more attractive, less severe face on its platform offering without appearing to abandon its core political base? The answer lies in communicating messages of trust and hope. Trust, because electors don't vote

for a laundry list of "what have you done for me lately", but rather a sense that, as to issues that have not even arisen yet, this party or that one can be expected to deal with them effectively. Hope, because everyone wants to believe that life can be better for them, or at least for their children, as a result of their own efforts or the government's.

> *Veterans and seniors: everyone is a bleeding heart when it comes to these two categories of citizens. The stories about veterans being nickeled and dimed over benefits absolutely must stop.*

The severe messages of sound economic management and vigorous protection of citizens by combatting the scourges of terrorism and criminal activity need to be complemented by the rhetoric of trust and hope. On social issues, the Prime Minister has managed to sideline the most polarizing of those questions which divide us. The recent spate of Supreme Court of Canada decisions which seemed to isolate the government on *Charter* issues need not have been allowed to seep into the public consciousness as slaps on the wrist for hard right stances that are out of step with mainstream thinking.

Nothing in the window can have the direct, personal appeal of the use of the tax system to encourage and reward certain behaviours and activities, because the results are so tangible and immediate. But here is a list of some examples of things the government could crow about that would have wide appeal and seem more addressed to the average voter than the targeted base:

- work towards a joint tax return for spouses. The Americans have had this since 1948, albeit more as the result of a desire to have uniform tax treatment for all Americans, whereas, previously, only parties married under the community property regimes of 8 states with civil law antecedents had benefitted from this ultimate recognition of the principle of "family income". Warning: extremely expensive;
- assistance to municipalities to improve infrastructure, including transit, already something the government has begun addressing;
- privatization: Ontario's Liberals have legitimized policies that propose to use the proceeds of the sale of Crown assets to fund urgent priorities. A premise that state-owned enterprises, especially those engaged in commercial activities with mandates to operate as if they were private sector businesses, should be considered for sale rather than being blindly held onto, is already the norm in the UK. Assets that should be at the top of the list for privatization have already been analysed in previous editions of *Inside Policy*;
- veterans and seniors: everyone is a bleeding heart when it comes to these two categories of citizens. The stories about veterans being nickeled and dimed over benefits absolutely must stop. The response to the Supreme Court decision on physician-assisted suicide will need to appear compassionate as well as designed to prevent abuse while respecting *Charter* protections;
- medical research: flow through shares for life sciences and medical research would stimulate the commercialization of Canada's leading biotech research capabilities in much the same way that the flow-through mechanism has enabled early-stage mining and oil and gas companies to explore for and develop their resources with access to capital and stock exchange listings; and
- balance the constant push for mandatory criminal sentences with grants to the Association in Defence of the Wrongly Convicted on the basis that keeping the right people in jail but speedily exonerating the innocent saves fortunes in incarceration costs and subsequent damage awards.

There could be much more than listed here. The point is a softer face is called for now that the government is seeking its fourth mandate and can no longer position itself as the tough but realistic outside force for change. Build the platform where the people already are.

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Understanding technology, security, and liberty in the modern world

Neil Desai of Magnet Forensics writes that law enforcement and national security agencies in Canada and around the world have an arduous task in understanding new technologies used by criminals, and developing and deploying their own technologies while balancing jurisdictional and civil liberties challenges.

Neil Desai

In laying out his theory on the need for a social contract, Thomas Hobbes described human life in the state of nature as solitary, poor, nasty, brutish, and short. Under such circumstances, mankind had to sacrifice liberty in exchange for the security afforded by the modern state. From that bleak, black and white picture of a feudal society, Hobbes left us to choose between the harsh realities of nature and the security provided by the state's apparatus. The unintended consequence for modern Western liberal democracies of this social contract has been a perpetual state of grey. Governments have had a constant challenge of managing the security expectations of their citizens while respecting their constitutionally guaranteed, democratic rights.

The tension created in striking the right balance between civil liberties and security has been prevalent in the Canadian political discourse in recent times. The latest attacks in Sydney, Paris, and Ottawa motivated by the Islamic State of Iraq and the Levant's (ISIL) hateful propaganda coupled with the gruesome images of the terrorist organization's reign of murder, torture, and the enslavement of those who challenge their dogmatic views of Islam in Iraq and Syria, have shifted the general population's willingness to cede more civil liberties in exchange for more security, or the perception of greater security. A recent poll by Abacus Data shows that 18 percent of Canadians list public safety and terrorism as one of their top three issues. In March 2014, the poll showed only 4 percent responding this way.[1]

The Government of Canada has responded with a suite of legislation to combat the threat of terrorism and other modern public safety challenges. Bill C-51 would ease the restrictions on the sharing of information between federal security agencies to "better detect and act upon threats". Bill C-44, dubbed the *Protection of Canada from Terrorists Act*, passed earlier this year. It increases the powers of Canada's domestic spy agency, the Canadian Security Intelligence Service (CSIS), to share information, operate internationally, and keep its sources anonymous. In 2014, the Government passed C-13, the *Protecting Canadians from Online Crime Act*, which includes new police powers such as warrants for surveillance, as well as the tracking and gathering of personal banking information. The warrants issued for crimes related to terrorism would have longer durations than those pertaining to other categories of crimes.

While there has been some criticism from Muslim community organizations, feeling targeted by anti-terror legislation, and civil liberties organizations, the legislation seems to have widespread support among the general population. While opposition criticism has tempered initial support for C-51, it seems the pendulum and public protest have generally swung towards security and away from liberty.

The great challenge for the government and its security agencies, when they achieve these unprecedented powers, is that they will have to shift from arguing for powers to operationalizing them in a timely fashion to keep Canadians safe. Much of the debate that has gone on in Parliament and elsewhere has remained at the existential level, with little attention paid to what practical capabilities exist for national security and police agencies today and what would practically be unlocked to keep Canadians safe by this new legislation.

Canadians likely expect that security agencies such as CSIS, the Royal Canadian Mounted Police (RCMP), the Canada Border Services Agency (CBSA), and the Communication Security Establishment (CSE) – Canada's counterpart to the United States' National Security Agency (NSA) – collect data on suspects of terrorism and other serious crimes using modern technologies. However, information on the tools and tactics used by security agencies has largely been left to the imagination. Activist civil liberties groups in Canada and elsewhere have struck fear that government is overreaching by invoking theories that resemble Hollywood-style, meta-data collectors that could allow security agents to review citizens' most intimate secrets with little oversight. However, the reality of the technological capability among police and national security agencies to thwart major crimes is practically unknown by Canadians.

The great challenge for the government and its security agencies, when they achieve these unprecedented powers, will be the shift from arguing for powers to operationalizing them in a timely fashion to keep Canadians safe.

A recently updated report by the Auditor General of Canada regarding the state of lawful information sharing between police from various jurisdictions in Canada suggests that we may be far from the advanced technological capabilities that Hollywood has dreamt up. The Auditor-General first reported in 2009 that the Canadian Police Information Centre Database (CPIC), a tool to share information on the criminal history of suspects and those who have been charged or convicted of new offenses, had a long lag time in being updated. In the update, it was reported that the backlog would not be fully up to date until 2018. Much of

[1] cbc.ca/news/politics/economy-not-terrorism-remains-canadians-top-vote-driver-1.2919792

the challenge pertains to the analog nature of many of the police agencies in Canada. It was further reported that some police forces sent paper copies of criminal records to have CPIC updated.[2]

At the heart of solving many modern security challenges, like basic information sharing, and the broader security-civil liberties dichotomy, is technology. Unfortunately, much of the global skepticism regarding government and law enforcement's respect for civil liberties is perceived to be technologically-driven.

The nature of national security and public safety threats continues to evolve quickly. Just as technology has enabled global commerce at rapid rates, crime has globalized and reached velocities never seen in history. The Internet has become a tool for terrorist recruiting and training, human trafficking, and child exploitation among other crimes. Recently, in a speech to the Council on Foreign Relations, the US Central Intelligence Agency's Director, John Brennan, stated that "the overall threat of terrorism is greatly amplified by today's interconnected world, where an incident in one corner of the globe can instantly spark a reaction thousands of miles away; and where a lone extremist can go online and learn how to carry out an attack without ever leaving home."[3]

A whole new category of crime, cybercrimes, has proliferated. According to a study by the Centre for Strategic and International Studies, the annual cost of cybercrime to the global economy is estimated at as much as $445 billion.[4] Law enforcement officers are saddled with the burden of dealing with these new types of crime and digital evidence while under resource constraints.

Beyond cybercrime and managing ever-changing forms of digital evidence, law enforcement is also faced with unprecedented jurisdictional challenges as it tries to protect citizens from the unscrupulous. A Council of Canadian Academies report, titled *Policing Canada in the 21st Century*, suggests that "the lack of coordination has the potential to become a much greater concern in the future given the growing cross-jurisdictional nature of crime."[5]

Law enforcement and national security agencies in Canada and around the world have the arduous task of understanding new technologies used by criminals, and developing and deploying their own technologies while balancing jurisdictional and civil liberties challenges. The technology industry has an important role in addressing these challenges.

The industry must be a partner of police and security agencies in managing technology and technological challenges. Governments, under the best of fiscal circumstances, cannot be expected to continually evolve to match the constant innovation of the technology sector. Details of these partnerships must be transparent to build trust with each other and the general public.

The technology sector, police, and national security organizations need to partner to develop new tools to not only address today's threats, but to also anticipate future threats. Such a partnership should put respect for civil liberties and managing jurisdictional challenges at the heart of its dialogue.

As governments work with these partners to practically address these challenges they should also aim to move the debate away from the dichotomy of security versus civil liberties. It should instead try to focus the public discourse on the nature of the threats we face, what technologies and subsequent legislative powers it needs to address them, and how the respect for civil liberties will be built in to the these systems.

One area that governments, working with law enforcement, national security agencies, and other partners may want to focus their attention in this regard is how to cross-analyse the data that has been lawfully acquired in cases across the country. Much of this data, from computers, smart phones, tablets, and other digital devices, sits idle awaiting trials or appeals, and upon the conclusion of legal proceedings goes into archives, often never to be thought of again. A utility that allowed for cross-case coordination, with parameters to respect privacy, could be an integral tool to unlocking evidence to prevent larger-scale crimes.

While the Hobbesian state of nature may never fully be eliminated, it is only through the purposeful co-development of tools that address the greatest security challenges of our time with an expressed purpose to respect civil liberties that we will see the technological lag between crime and law enforcement closed, and the supposed tension between security and civil liberties revealed as a false dichotomy.

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[2] cbc.ca/news/politics/criminal-database-backlog-won-t-end-until-2018-rcmp-says-1.2991118

[2]cbc.ca/news/politics/criminal-database-backlog-won-t-end-until-2018-rcmp-says-1.2991118

[3] https://www.cia.gov/news-information/speeches-testimony/2015-speeches-testimony/director-brennan-speaks-at-the-council-on-foreign-relations.html

[4] csis.org/files/publication/60396rpt_cybercrime-cost_0713_ph4_0.pdf

[5] www.scienceadvice.ca/uploads/eng/assessments%20and%20publications%20and%20news%20releases/policing/policing_fullreporten.pdf

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The microbrewery "Le Trou du Diable", in Shawinigan, Québec.

It's time for decisive action on internal trade

Ailish Campbell and Brian Kingston of the Canadian Council of Chief Executives establish three priorities for liberating interprovincial trade in Canada

Ailish Campbell and Brian Kingston

Here are two numbers that should give us pause: 60 percent of Canada's economy depends on trade, yet only 5 percent of Canadian companies export.

To ensure Canada's success in the global economy, we need to increase that second figure. More Canadian firms, large and small, should be selling goods and services beyond our borders.

But how?

One way to prepare Canadian companies to become exporters is to give them access to a larger domestic market. We often think of Canada as a single commercial space, but the reality is different: interprovincial trade barriers impede everything from beer to coffee creamers to insurance. Meanwhile, different occupational standards stand in the way of true labour mobility.

If our goal is to increase Canadian exports, a single Canadian market has to be seen as table stakes. Anything less would represent the triumph of protectionism.

Interprovincial trade barriers exist to protect local businesses, yet there is strong support in the private sector for the removal of barriers to internal trade. The challenge lies in securing the political leadership to move forward.

The 2015 federal budget established a new Internal Trade Promotion Office within Industry Canada. The office is meant to function as a hub for research and analysis, including the creation of a new internal trade barriers index. Its staff will engage with counterparts at the provincial and territorial level, as well as other stakeholders, to address barriers and regulatory cooperation.

Industry Minister James Moore has clearly taken a personal interest in this file and deserves much of the credit for keeping up the momentum toward a common Canadian market. But without additional powers, and a faster and more efficient legal process for

> *The big question is whether Ontario and Quebec will join the push for a common domestic market. Combined, these two provinces generate more than half of Canada's GDP.*

challenging trade barriers, this new office will be hard-pressed to achieve meaningful progress.

One idea that makes a lot of sense is for the federal government to become the permanent chair of the Agreement on Internal Trade (AIT). That, at least, would ensure some consistency in leadership. But the provinces would never let that happen, so any progress from this point forward depends on the provinces themselves demonstrating leadership.

Unfortunately, the role of chair rotates every year. That makes it next to impossible to maintain momentum.

Last year it was Manitoba's turn. The province's jobs and economy minister, Theresa Oswald, made encouraging statements about the need to tear down barriers but a meeting of provincial trade ministers regrettably never materialized.

Now advocates of reform are hoping that Ontario's economic development minister, Brad Duguid, will call a meeting in 2015. And they want to see decisive action, rather than yet another discussion with stakeholders.

Right now the western provinces are exhibiting the strongest leadership. Saskatchewan Premier Brad Wall says he supports the concept that "everything is open", and agrees that the AIT needs more robust enforcement powers. He has the backing of BC and Alberta. All three provinces are members of the New West Partnership Trade Agreement (NWPTA), which goes further than the AIT in reducing barriers.

The big question is whether Ontario and Quebec will join the push for a common domestic market. Combined, these two provinces generate more than half of Canada's GDP and are home to the majority of Canadian firms.

Let us suggest three priority areas for action.

Government procurement: The AIT must be updated to align with the government procurement commitments made in Canada's latest international trade deals, and it must have the teeth to enforce rules and ensure transparency.

Lowering provincial, municipal, and other public sector procurement thresholds (such as those established by school boards and hospitals) would strengthen competition and ensure value for taxpayers' money. Common standards would also counteract the fragmentation of provincial procurement markets, ultimately lowering costs.

Ontario and Quebec have made welcome progress on government procurement. The Premiers recently announced an update to the 2009 Ontario-Quebec Trade and Cooperation Agreement public procurement chapter to align it with the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). While this is welcome progress, all provinces and territories should have the same ambitious government procurement rules under the AIT.

Agri-food and alcohol: Provincial rules surrounding the certification of food products and the transportation of alcohol are inconsistent. Follow-through by provinces to implement the new federal legislation on trade in wine must be a top priority.

One craft beer producer we spoke to said it is easier for him to ship from Ontario to the United States than to Quebec. Antiquated rules and protectionism make no sense at a time when Canada produces a wide variety of high-quality foods and beverages, from producers in every province and territory.

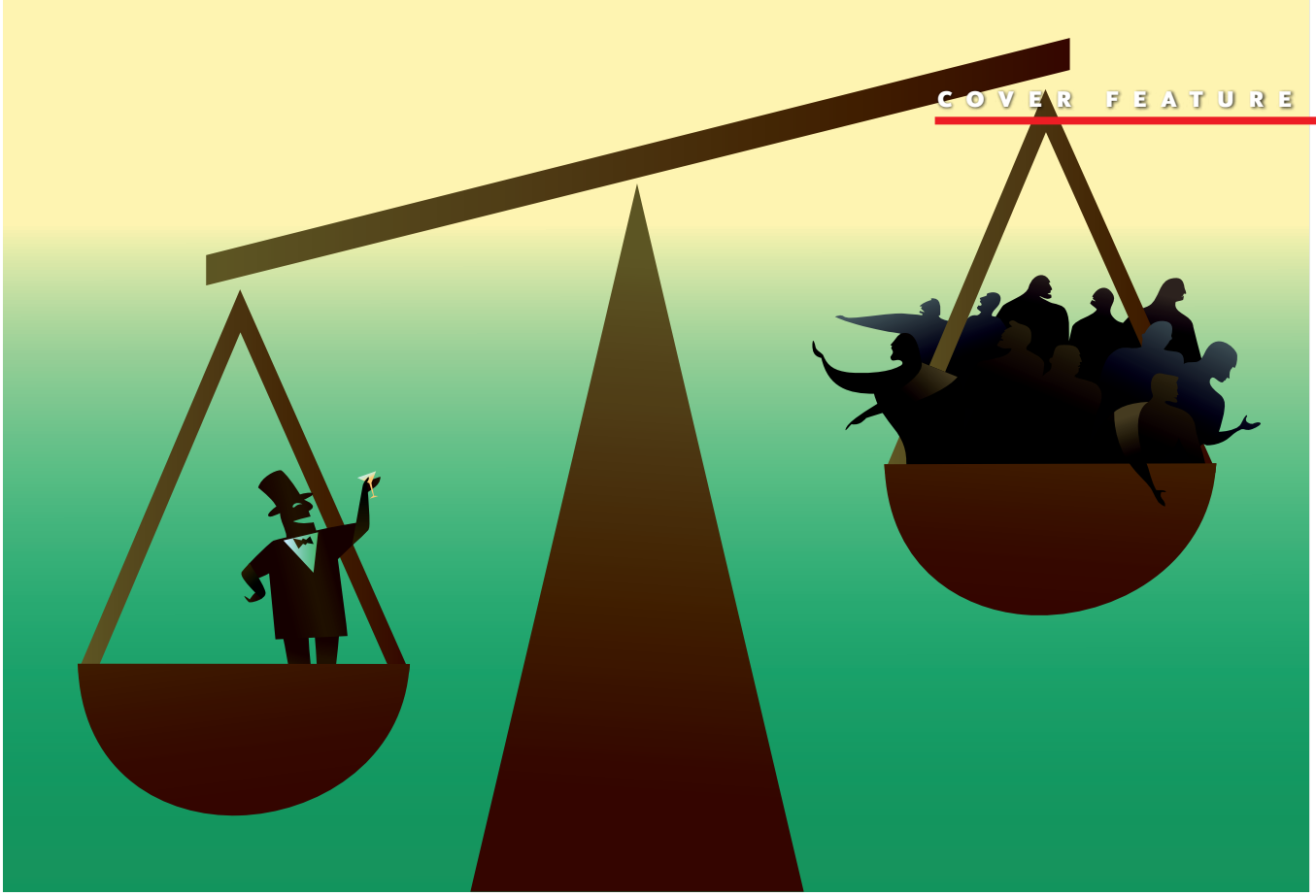
Labour mobility: Skilled tradespeople are in demand across Canada, particularly in the West. Further progress toward harmonization of apprenticeship programs would allow individuals to take new jobs where and when they arise.

Progress is required in many other sectors as well, ranging from insurance to hairstyling to dentistry, where the lack of common Canadian certification standards prevents labour mobility.

The time for consultation is over. The necessary ingredient is political leadership.

Through their recent work on climate change and government procurement, Ontario Premier Kathleen Wynne and Quebec Premier Philippe Couillard have shown that cooperative federalism is alive and well. It is time now for Premiers to show an equal degree of passion for all sectors of the economy in order to allow Canadian companies to sell goods and services to customers across the country.

Ailish Campbell *is Vice President, Policy, International and Fiscal Issues, and* **Brian Kingston** *is a Senior Associate, both with the Canadian Council of Chief Executives.*



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Should Canadians stop worrying about inequality? NO

Member of Parliament Chrystia Freeland argues that rising income inequality and a hollowed-out middle class are the dominant social and political challenges facing our generation.

Chrystia Freeland

One of the central economic trends of our time is the profound shift in the income distribution of industrialized Western societies. We are moving from the postwar era, a time of strong economic growth, when the gap between those at the top and the bottom actually shrank, to an age of rising income inequality. The most striking characteristics of this age are a winner-take-all phenomenon, with incomes at the very, very top – the 1 percent, and even the 0.1 percent – surging, and a hollowing out of incomes and jobs in the middle.

When you look at pre-market incomes – what we earn before the state intervenes with taxes and benefits – this distributional shift is pronounced across all the industrialized economies. It has been sharpest in the laissez-faire United States, but it is happening in the cozy social democracies of northern Europe, too.

As this trend became more and more apparent south of the border, some Canadians were tempted to believe it wasn't happening here. There were some good reasons for that wishful thinking.

For one thing, our stronger social safety net, particularly our universal health-care system, mitigated the underlying trends driving up income inequality more effectively than the weaker protections in the United States.

The 2008 financial crisis, which we avoided here thanks to our well-regulated banks, played into our perceptions of income inequality, too, because we saw the average wealth of Canadian households rise relative to those of our American cousins.

Finally, the high price of commodities had a ripple effect on wages, particularly those for blue-collar men – the group hardest hit by the hollowing out of the middle class elsewhere – across the country.

But, as Warren Buffett likes to say, when the tide comes out, you find out who is swimming naked. Today, as the falling price of oil is pulling down our national gross domestic product and the United States is finally recovering from its Great Recession, the longer-run erosion of middle-class jobs and incomes in Canada is being exposed.

A recent York University study found that over the past decade, the share of low-wage jobs has doubled from 22 percent to 33 percent of overall employment in Ontario. According to the Organisation for Economic Co-operation and Development, that puts Canada in third-worst place among the organization's 34 members when it comes to quality of jobs. The Bank of Canada is worried, too. In the monetary policy report for January, the bank said, "the proportion of involuntary part-time workers continues to be elevated." As the Canadian Imperial Bank of Commerce has put it, we are becoming a nation of part-timers with more and more people precariously employed.

What is to be done? The answer is complicated by the paradoxical nature of rising income inequality and the hollowed-out middle class.

Today's skewed income distribution is certainly driven in part by successful political efforts of those at the top to tilt the rules of the game in their favour – what some call crony capitalism.

But that is only part of the story. The other powerful underlying forces are the technology revolution and globalization, two largely positive economic transformations that have increased prosperity and created new and exciting ways to live and work around the world.

We are experiencing the same disorienting combination of tremendous technological and scientific advances going hand-in-hand with increasing economic insecurity for much of the population that characterized the Industrial Revolution. A 19th-century American economist described his era as an age of "progress and poverty." That is the dissonant pairing we are living through today.

The worst response is the one that, in their despair, the Luddites offered. These skilled artisans whose talents were made redundant by the Industrial Revolution decided the only way to defend themselves and their families was to smash the machines.

From the vantage point of today, when we are all wealthier, live longer, are healthier and even taller than our ancestors, thanks to the Industrial Revolution, it is easy to see that while the motives of the Luddites are deeply understandable, their reaction was wrong.

We need to guard against 21st-century Ludditism – anti-globalization and opposition to trade; a rejection of the life-enhancing advances of technology.

Equally, though, we need to reject the counsel of despair we so often hear from the right – that in the 21st century, rising income inequality and a hollowed-out middle class are simply inevitable.

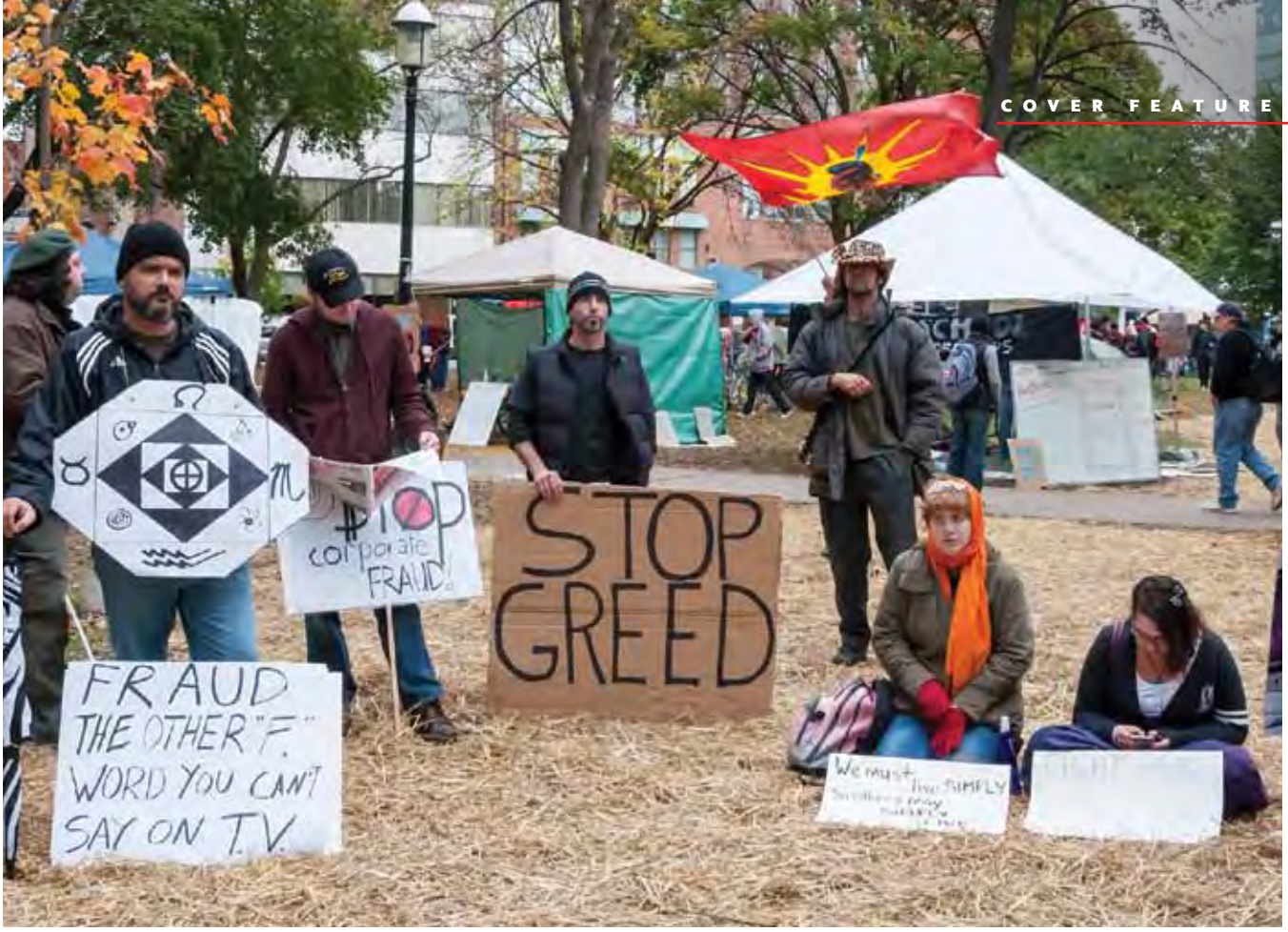
That's neither acceptable nor true. One of the most dangerous consequences of rising income inequality is that social mobility stalls, too – as the space between the rungs at the top and the bottom gets bigger, it gets harder to climb. Strong public education is therefore more important than ever.

Another essential response is aggressive efforts to spur growth – a hotter job market gives the hollowed-out middle class more bargaining power. Infrastructure investment, a policy strongly recommended by the International Monetary Fund, is an effective way to invest in our economy, and a valuable source of middle-class jobs that can't be outsourced or done by robots.

Doing no harm is important, too. Government policies – like income-splitting – that specifically benefit those at the top while doing nothing for everyone else will exacerbate rising income inequality, rather than moderating it. The same is true for anti-union rules: A raft of new academic studies shows that unions provide valuable protection for workers whose economic power is waning.

Rising income inequality and a hollowed-out middle class are the dominant social and political challenge facing our generation. North America and Western Europe survived the economic transformation of the Industrial Revolution – and ultimately thrived. But we did that only thanks to a wave of transformative social and political thinking – the rise of public education, public health care and the social safety net – that harnessed its technological advances for the public good. We need to do that again today.

Chrystia Freeland *is the member of Parliament for Toronto Centre and the author of* Plutocrats. *She argued against the resolution "Canadians should stop worrying about income inequality" at a debate hosted by the Macdonald-Laurier Institute on March 31. This article first appeared in the* National Post.



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Participants at an 'Occupy Toronto' demonstration protest corporate greed and inequality.

Should Canadians stop worrying about income inequality? YES

George Mason University law professor F.H. Buckley argues that Canadians should stop obsessing about inequality because their country is already one of the fairest in the world.

F.H. Buckley

There is more income inequality today than in the past, and we'd like to reverse that if we could. Without cost, that is. There are a lot of things we'd like to do without, but just can't change. Let's suppose there's an asteroid out there that might hit our planet and destroy all life on Earth, but that we simply can't do anything about. The causes of Canadian income inequality are like that asteroid.

First, the technological revolution. Factory jobs that used to provide a reliable entry into the middle class are increasingly performed by machines, from robots on the plant floor to check-out kiosks at Home Depot. The iron law of the new economy is that anything which can be turned into an algorithm will be performed by machines and not by humans. In the process, middle-class jobs have cratered, and while we might not like that, we're not going to start throwing our iPhones into the river. Just the opposite. We'd like to see Canadian companies compete in the new economy and would want BlackBerry to wipe the nose of Apple.

Second, globalization. The growth of a world economy has

moved jobs offshore from Canada to Third World countries. We might not like that either, but at the same time it's moved people in Third World countries out of poverty, more than a billion of them, and it's a bit much to object to that. And it's not as though a retreat from free trade to a corporate state's trade barriers is the answer. The last thing we need is corporate cronies begging politicians for protection from competition.

> *So worrying about them is sheer waste, and even something worse than waste – the preening sentimentality that has no answers but wants you to know just how sensitive it is, how deeply it feels your pain.*

Third, globalization technology. When globalization interacts with new technology, there are immense economies of scale in corporate management. Before the advent of new technology, deeper levels of firm management were required, branch managers and the like. Today that work shifts to the head office, and that in turn produces a winner-take-all economy with enormous rewards for those on top and a sharp fall-off in earnings for those one rung down.

Finally, genetic advantages. Twenty years ago Charles Murray and Richard Herrnstein argued in *The Bell Curve* that I.Q. determined where one placed on the economic ladder. That book was very controversial, but the field it created – genoeconomics – has of late become respectable because I.Q. no longer seems to make a great difference. Instead, other qualities, such as industry, optimism, and a willingness to defer gratification seem to explain the difference between wealth and poverty. And that's going to matter in the inequality debate. If Lady Gaga was born that way, why not the rich?

The point is that it's not enough to point to income inequality. How we got there also matters. That's something that Jean-Jacques Rousseau recognized. He was the first modern to put inequality on the map, and he distinguished between two kinds of inequality. Natural inequality arises from the physical and behavioural differences amongst people. It's the inequality of tall versus short basketball players, and of industrious versus shirking workers. We can't do all that much about this, but then there's the bad kind of inequality, political inequality, that arises from unjust privileges. What Rousseau had in mind was the special privileges of 18th century French aristocrats, but the same kind of thing can be seen in the forms of crony capitalism and barriers to advancement one observes in the United States.

There's always room for fine-tuning, especially with respect to Native Canadians, but such inequality as there is in Canada comes down essentially to Rousseau's natural inequalities. These are things we can't or won't change. And we all know this. So worrying about them is sheer waste, and even something worse than waste – the preening sentimentality that has no answers but wants you to know just how sensitive it is, how deeply it feels your pain.

There's one more reason why we shouldn't worry about inequality and that's because the real problem is immobility, not inequality. We don't mind inequality when we think we all have an equal shot at climbing the ladder. In the United States, income mobility is called the American Dream, though it's more properly called the Canadian Dream, since, unlike America, Canada is a country of economic mobility. We're one of the most mobile countries in the First World. And that's not just me saying it. That's the conclusion the Pew Charitable Trust reached when it looked at the correlation between the earnings of parents and children. The difference between America and Canada is especially marked in the bottom and top economic rungs. In America, poor parents raise poor children, while rich parents raise rich children. That just doesn't happen in Canada, and it should be a matter of great pride for us. The Americans have created a class society, and we've avoided this.

There are always people who will tell you how awful we are, but this is one of the fairest societies in the world. That's what the world thinks of us. So if we're in bad shape, then the rest of the world must indeed be a hellhole.

F.H. Buckley *teaches at George Mason University Law School. He argued for the motion "Canadians should stop worrying about income inequality" at a debate hosted by the Macdonald-Laurier Institute on March 31. This article first appeared in the* National Post.

Do something about income inequality? We already are

MLI Managing Director Brian Lee Crowley says Canada's tax and transfer system is highly progressive and getting more progressive over time, something many commentators fail to understand.

Brian Lee Crowley

Most of us learned from our parents that it is better to give than to receive. Apparently, though, a lot of people were playing hooky when this childhood lesson was taught. Their iron rule is that no matter how much is given, it is never enough, and those who receive are always shortchanged – at least where taxes are concerned.

The echoes of this were loud around the federal budget tabled April 21st. One typical trade union commentator had this to say: "This budget does far more harm than good in addressing the gap between workers and the richest Canadians. With this budget, that gap will only continue to grow."

On this account, Canada has been letting down the least well off by reducing taxes, thereby leaving less to spend on much-needed redistribution. That would be a stinging indictment if true. Is it?

There are two questions here. The first is whether the Canadian state has become less generous to the least favoured. The second is whether more spending is the best way to help them.

On the first Philip Cross, former chief economic analyst at StatsCan, recently wrote a paper for the Macdonald-Laurier Institute in which he examined just how "progressive" Canada is, progressivity meaning the degree to which the rich pay for and the poor benefit from government programmes. Contrary to those sounding the "progressive" alarm, Cross found that far from being less generous, Canada has become more so in recent decades.

How can that be when so many commentators compete to denounce the growing unfairness of Canada's tax system? The answer is that critics have mistaken the cause of growing inequality, which is rising market incomes for people at the top, driven by globalisation and technological change, and not tax cuts or falling progressivity in Canada's fiscal arrangements.

Not convinced? To see how the less well-off fare in Canada, it is not enough to look at where the tax load falls. You also have to look at the distribution of benefits too. You only see how progressive Canada is after you've counted not only all the taxes paid, but all the pensions and EI and other transfers received.

When you look at this complete measure, Canada is highly progressive and has become more so over the decades. For example, the bottom 60 percent of Canadians receive more in benefits than they pay in taxes, so they are net beneficiaries and the benefits get larger the farther down the income scale you go. As Cross notes, transfers from government make up over half of all incomes in the bottom fifth of households and nearly one-quarter of income for the second lowest fifth.

Moreover, transfers contribute much more to the progressivity of Canada's system than taxes do. A person in the top fifth of earners earns $14 in the marketplace for every $1 earned by a person in the bottom fifth. But after transfers, the ratio falls to just under $7 to $1. Taxes then reduce the ratio to about $5.40 to $1.

And as you'd expect in a progressive system, the better off pick up the tab. The top two fifths of income earners are the only ones making a net contribution (they pay more in taxes than they get in benefits), and the top fifth is responsible for 80 percent of that net contribution. That's progressive.

As for the second question, about whether more transfers would help even more, Munir Sheikh, the former head of StatsCan, has dug into this question as well for my institute. His answer? Despite lots of talk of welfare reform in recent decades, our tax-and-transfer system still traps too many people in low income.

My conclusion? Given our already high degree of progressivity, helping the least well-off Canadians now is done most effectively by equipping them with skills and improving job opportunities and incentives to work. Even higher taxes and increased transfers? Not so much.

Brian Lee Crowley *is the Managing Director of the Macdonald-Laurier Institute.* *This article first appeared in the* Ottawa Citizen.

How helping income inequality can hurt social mobility

Former Statistics Canada Chief Statistician Munir Sheikh argues that the welfare trap is still with us. Governments should focus less on simply redistributing income and more on helping low-income people become upwardly mobile.

Munir Sheikh

There has been considerable public discussion recently about income inequality and social mobility. Witness the widespread appeal of Thomas Piketty's *Capital in the Twenty-First Century*, the "1 percent" movement, and politicians' often-stated concerns about wealth disparity. "Tax the rich" is often ventured as a solution to both wealth disparity and a lack of social mobility.

Social mobility refers to low-income earners becoming high-income earners at some point in time or children of low-income parents rising up the income scales when they grow up. Income inequality refers to the gap between those at the top of the income scale and other income groups.

These issues raise two important questions: 1) does income inequality reduce social mobility; and 2), is the use of the tax-transfer system appropriate to reduce inequality and contribute to social mobility? Some would say yes and yes. This can be referred to as the Great Gatsby (GG) model, after the social conditions of the era described in the F. Scott Fitzgerald novel.

However, other research that examines the operation of the tax-transfer system in achieving the objectives of reducing inequality, and thus trying to improve social mobility, suggests that care must be taken in answering the two questions. The answers, based on the way a number of policies have actually worked, may in fact be no and no.

On the first question, of an association between income inequality and social mobility, evidence for Canada shows that reducing income inequality, for example by helping the middle class through taxing the rich, does not necessarily help those with low incomes or who are in poverty. It is these groups whose economic situation could be the more important determinant of social mobility.

On the second question, in Canada, many inappropriate tax-transfer policies have helped to condemn people to being trapped behind low-income and poverty walls and, rather than improving social mobility, may have worsened it: we refer to it as the Zero Dollar Linda model following the work of social policy expert John Stapleton, who examined the incentives that caused a Toronto woman, Linda Chamberlain, to return to social assistance after a successful attempt to rejoin the workforce.

Examples of programs that may reduce inequality but that under the Zero Dollar Linda model also reduce social mobility include: specialized benefits available to those receiving social assistance but not to those who are working at low incomes; disability benefits which make public support a perversely positive function of income to a certain level; and overlapping federal and provincial programs clawed back at different thresholds and different rates.

In light of this analysis, two policy conclusions need emphasizing. First, despite decades of lip service to the idea of eliminating the welfare and low-income traps, they are still very much with us. Our social policies must, therefore, be reformed with an eye to eliminating this self-imposed but unconscionable and unnecessary barrier to social mobility.

Second, beyond simple income redistribution, done appropriately, policy should be directed at improving the ability of low-income people to acquire useful skills and to be available for work. That points to a greater focus, for this group, on skills development, availability of extended health care benefits, disability benefits, children's benefits, affordable child care, effective employment services, and comprehensive unemployment insurance. Funding some of these needs, where policy effectiveness can be demonstrated, through a more progressive tax system, which would include not imposing unacceptably high marginal effective tax rates on the poorest people as the current system does, would not only improve social mobility but also reduce income inequality.

We can only hope that any new social policies along these lines would be better managed than the existing ones.

Munir A. Sheikh *is an executive fellow at the School of Public Policy, University of Calgary, and a former chief statistician of Canada. This article, based on an MLI paper, first appeared in the* Ottawa Citizen.

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The equality debate should be more about sex

Cambridge University economic historian Victoria Bateman writes that what is missing from the discussion about disparities in the global economy is the growing equality gap between rich and poor women. This article first appeared on CapX.co.

Victoria Bateman

Since the launch of Thomas Piketty's *Capital in the Twenty-First Century*, we have become obsessed with inequality. "There's been class warfare going on for the last 20 years and my class has won", declared Warren Buffet in 2011. According to Joseph Stiglitz's latest book, the US is no longer home to the American Dream but, instead, to "the Great Divide". Increasingly, this rising inequality is being linked with slower and less stable economic growth – including by the IMF. Given concerns about "secular stagnation" in Europe and beyond, the disquiet about inequality is not likely to disperse any time soon.

However, there is one rather significant missing element in much of the mainstream debate – but one that, if grasped and acted upon, has the potential to resolve many of the problems we currently face. It is the elephant in the room – the one that the admittedly male dominated economics profession can all too easily overlook: women. In other words, if we want to understand the big disparities in our economy, we need to talk about sex.

Let's start with the richer economies. Not only have many of the major economies witnessed a growing gap between the richest and poorest in their societies, they have also experienced

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> *Whilst some women have successfully broken through glass ceilings, women at the bottom seem to have experienced far fewer benefits.*

increased inequality of another kind: increasing inequality between women. The gap between those high-achieving women at the top and those scratching out a living at the bottom of society is far greater than it was in previous decades, something to which the sociologist Leslie McCall has drawn attention. "Feminism, like wealth, does not trickle down", writes Laurie Penny, author of *Unspeakable Things: Sex, Lies and Revolution*. Female liberation has, without a doubt, allowed a good number of women to forge ahead. I for one would not be where I am today without it. After all, most Cambridge colleges, including my own, only began to admit women in the 1970s. However, whilst some women have successfully broken through glass ceilings, women at the bottom seem to have experienced far fewer benefits. Many are implicitly if not explicitly exploited through segregated labour markets that offer lower pay for female dominated occupations. Many have literally been left "holding the baby", with sole responsibility for bringing up children, the male parent having abdicated responsibility – financial and otherwise.

Where the problems faced by women at the bottom have gone unaddressed, poverty has become increasingly "feminised". The term "feminisation of poverty" was first coined by Diana Pearce in the late 1970s after investigating trends in the United States. More recently, Gertrude Schaffner Goldberg's book *Poor Women in Rich Countries* investigated the issue for eight major developed economies. The results are concerning. In large parts of Europe and the US, the reality is that poverty is a problem that can affect a woman's life much more so than it does that of a man. Those women most obviously at risk fall into two main groups: lone mothers and elderly women living alone. In other words, women at both the start and end of their adult life. However, even between these two times, and as Goldberg points out, the societal expectations and pressures faced by women – such as caring for children and elderly parents – can quickly corrode a woman's chance of success in the labour market, placing her at greater risk of poverty in the event of divorce and in later life (as a widow), and affecting her "bargaining power" within the household.

It is difficult to get to grips with inequality and poverty without recognising the role of gender. This becomes even clearer if we turn to poorer countries, where economists are somewhat much more inclined to discuss gender. To put it in blunt terms, and those used by 36 influential women in a letter to the German Chancellor, Angela Merkel, and the chair of the African Union, Nkosazana Dlamini-Zuma, "poverty is sexist". For the poorer countries these women have in mind, the facts are, of course, abundantly clear: girls have far fewer educational opportunities than do boys; women have less access to credit compared with their male counterparts; women (unlike men) are vulnerable to death in childbirth and are exposed to violence and rape to which they frequently have little legal recourse; and women often have limited rights of ownership or of inheritance compared with their brothers and husbands. Needless to mention the phenomenon of up to 100 million "missing women", or the lack of female political representation across the world. Development experts certainly recognise but nevertheless still struggle to battle against these and other gaping gender disparities.

The significant lack of gender equality in poorer countries together with the "feminisation of poverty" in many richer economies could not be more worrying. It is worrying not only for women, but also for men. The pursuit of gender equality does not come at the cost of the opposite sex. Gender equality is not a zero-sum game. As the United Nations and World Bank have

both accepted in the context of economic development, and as Amartya Sen has long argued, it is something that can benefit everyone. The way it does so is through economic growth. Here, history adds much support to the case that gender equality is good for growth.

Whilst economists are used to claiming that free markets and democracy are at the root of Western riches, economic historians have recently identified a new player: female empowerment. Whilst we think of "feminism" as being a modern-day concept, associated with the likes of Pankhurst, Friedan, and Greer, female empowerment in fact has long historical roots in the West, beginning well in advance of the region's global economic supremacy. Seeds were being sown as far back as the 14th century – the century marked by the Black Death.

The Black Death brought significant labour shortages, which, as textbooks would predict, pushed up the market wage. Where labour markets were sufficiently well developed, as was the case in England and the Netherlands, this had a major impact on women. The shortages combined with the higher wage drew a greater number of women into the workforce. The result was economic independence – perhaps for the first time in history, young women could support themselves independently of their fathers. Teenage girls went to work rather than being "married off", enabling them to take control of their lives and to decide for themselves whether, when, and who to marry. The result was that women married later in life and entered that marriage on a (relatively) equal basis. By the 16th century, the average age of first marriage for British women had reached the remarkably modern age of 25 years old – and there it stayed for centuries.

It was the economic freedom that women began to achieve early on in Britain that paved the way for the nation's economic rise. As highlighted by Jan Luiten van Zanden and Tine de Moor, working and marrying later in life meant that women had smaller families and so parents could better afford both to educate their children and to save, helping to provide the economy with the resources it needed to grow. The resultant lower population pressure also prevented downward pressure on wages, which not only helped to limit poverty but also gave businesses an incentive to mechanise. According to the economic historian Bob Allen, it was the combination of these high wages with cheap coal (which made capital cheap to run) that brought about the Industrial Revolution – that made industrialisation profitable. In the simplest possible terms, the decisions made by the average woman – decisions about work, marriage, and family – had the power to transform the economy. In fact, as much power as the male inventors with whom we are already very familiar.

"It is more important than ever that we avail ourselves of the significant growth opportunities which could be opened up by continuing to pursue equality for men and women.

What history shows is that greater freedoms for women underpinned the very beginnings of modern economic growth. If we want to understand why the West became rich and why so many other parts of the world are still poor, gender (in)equality is precisely the place to look.

This year will see the drafting and adoption of a new set of United Nations Sustainable Development Goals – goals which will replace the Millennium Development Goals and which will influence development policy in poorer countries for years to come. History adds significant weight to the notion that women and girls need to be placed at the very top of the agenda.

Back here in the rich West, and where concerns about the "feminisation of poverty" deserve greater attention, we cannot afford to be resting on our laurels: whilst women have come a long way, much can still be achieved. At a time when the United States and Europe are worrying about "secular stagnation", it is more important than ever that we avail ourselves of the significant growth opportunities which could be opened up by continuing to pursue equality for men and women – and, in particular, by focussing on those women at the bottom. Of course, for a profession as fiercely male dominated as economics, that opportunity is all too easy to miss. Hence, next time you are involved in a discussion about inequality, poverty, or secular stagnation, don't forget to mention that short three letter word beginning with "s" that is sure to attract attention.

Victoria Bateman *is an Economic Historian and Fellow in Economics, Gonville & Caius College, Cambridge, and Fellow of the Legatum Institute, London. This article first appeared on CapX, a new media service making the case for popular capitalism at www.capx.co.*

Government needs to get life in prison bill right

Macdonald-Laurier Institute Senior Fellow Benjamin Perrin says the most heinous murderers deserve real life sentences – which is why the government needs to amend the legislation it has drafted to tackle the problem.

Benjamin Perrin

Life imprisonment doesn't necessarily mean life in Canada – but for the most heinous killers, it should.

Our most severe penalty gives the most atrocious murderers parole eligibility after 25 years of their "life" sentence – and many are paroled. The federal government's Bill C-53 (*Life Means Life Act*) would change this by making life imprisonment without parole a mandatory sentence for heinous murders (such as planned and deliberate murders of police officers or planned and deliberate murders while the accused is committing sexual assault, hostage-taking, or terrorism). These lifers could apply after 35 years to the federal Cabinet for "executive release."

Heinous murderers should face stiffer sentences for several reasons. First, the Criminal Code treats all first-degree murders the same, while some are more deplorable than others. The murder of a police officer is already deemed to be a first-degree murder punishable with life without parole eligibility for 25 years. If such a murder involves planning and deliberation, the same sentence applies.

Likewise, a murder while committing sexual assault, hostage-taking, or terrorist activity is already deemed to be a first-degree murder punishable with life without parole eligibility for 25 years. Again, the same sentence applies if such a murder involves planning and deliberation. Bill C-53 singles out these heinous murders for harsher punishment.

Second, Bill C-53 communicates society's condemnation of heinous murders and punishes these worst of crimes with the most severe penalty that is available, short of the death penalty. It recognizes that if such killers were actually granted parole after 25 years when they currently become eligible to apply for it, that would be an injustice.

Third, victims have applauded the proposed law. Presently, once a murderer becomes eligible to apply for parole, hearings are automatically held every two years until the offender is released or dies in prison, regardless of whether they have made any progress towards rehabilitation or continue to pose a serious risk. Family members of murder victims represented 45 percent of all victim presentations at parole hearings in 2010/11. The trauma and suffering they endure cannot be ignored.

Fourth, life without parole protects the public by permanently separating heinous killers from law-abiding Canadians. According to the Parole Board of Canada, long-term follow-up of 1886 convicted murderers who were granted parole during a 14-year period (1994 to 2008) found that 13 percent breached their parole conditions, 6 percent committed non-violent offences, and 3 percent committed violent offences.

On the other hand, critics of Bill C-53 say that it is unnecessary and vulnerable to a *Charter* challenge. However, given that 22 percent of paroled murderers had their parole revoked over a 14-year period, it is not at all clear that the system is working well.

Take the recent police announcement of a Canada-wide arrest warrant for Francis Patrick Clancy, who was picked up by Victoria police after several days. He was granted parole while serving a life sentence for murdering an innocent young man by smashing his face repeatedly with an axe. Shockingly, he was assessed as a "moderate high risk for general and violent offending" just prior to being day-paroled. Police had warned the public that Clancy was violent and not to approach him.

These are killers who breached the trust given to them for a second chance (actually, often a third, fourth, or many more chances) to rehabilitate – after already taking the life of another. Parole conditions are set to ensure risk factors for violently reoffend-

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Protectionist Germany won't bring us a European Google

Economist Philippe Legrain argues that under the leadership of digital laggard Germany, the European Union is unlikely to raise its game to compete with American online giants. This article originally appeared on CapX.co.

Philippe Legrain

What's not to like about a digital single market in Europe? British shoppers would benefit from a wider choice of better-value products from online retailers across the European Union's 28 member states. Start-ups in Tech City would immediately have access to a bigger market of 500 million Europeans. Fiercer competition would spur Internet companies across Europe to up their game. Thanks to those economies of scale and increased innovation, Europe might even finally develop a technology hub as successful as Silicon Valley and an Internet giant as all-conquering as Google or Facebook.

Unfortunately, the Digital Single Market (DSM) strategy announced by the European Commission on 6 May will scarcely achieve any of that. Much of it is a mishmash of minor proposals that may do some good, such as reducing the administrative burden on businesses from complying with different national Value Added Tax (VAT) rules. But alongside those small liberalising steps is a big protectionist stick.

The Commission is launching a "comprehensive investigation" into the role of Internet platforms, such as search engines, online marketplaces, social networks, app stores, and services in the sharing economy. Almost all of these happen to be American: think Google, Amazon, Facebook, Apple, and Uber. And while an open-minded inquiry might highlight legitimate concerns that ought to be addressed in a fair and impartial way, that does not seem to be the Commission's intent. As the EU's digital commissioner, Günther Oettinger, put it at the launch of the DSM strategy, the EU needs to regain its "digital independence". Really?

Whereas his predecessor, Neelie Kroes, was a Dutch liberal who championed the potential of disruptive new technologies to shake up cosy cartels, benefit consumers, and boost economic growth, Oettinger is a German corporatist who unabashedly advances German business interests. Worse, he does not fight for the German digital start-ups stunted by domestic red tape, underinvestment, and a risk-averse culture, but rather for the dinosaurs from the analogue age who feel threatened by US competition and are looking to Brussels for protection.

Traditional media companies, such as the Axel Springer group, resent their reliance on Google to drive traffic to their sites and its ability to sell advertising based on snippets of their content. Part-state-owned Deutsche Telekom hates that its customers use its network to make calls on Skype, send messages on WhatsApp, and watch videos on Netflix and YouTube, without it earning additional revenues from those services. TUI, the world's largest travel agency and tour operator, feels threatened by TripAdvisor. Retailers fear Amazon's ever-expanding empire. Germany was the first EU country to introduce a national ban on Uber, the ride-hailing app, at the behest of local taxi firms. Last but not least, Germany's mighty industrial lobby frets that US tech companies could eat their manufacturing lunch. As Oettinger himself put it: "If we do not pay enough attention, we [sic] might invest in producing wonderful cars but those selling the new services for the car would be making the money."

It is widely believed in Britain that the German government is a natural ally in pursuing a single market in services. But that isn't true. Germany's mercantilist establishment is all in favour of free trade in manufactures, where it has a comparative advantage, but not in services, where it is often a laggard.

Germany is an Internet also-ran. There is no German equivalent of Google or Facebook. The most successful German entrepreneurs are in Silicon Valley. Outside Berlin, broadband Internet speeds are often slow. And instead of upping its game to try to compete, Germany wants to hobble its US rivals.

Since Germany's clout in Brussels has never been greater, the Commission's agenda for the "digital single market" reflects

that protectionist agenda. It is no accident that Oettinger got the digital portfolio.

The eurozone's debt crisis has thrust Berlin, the creditor-in-chief, into the driving seat, at a time when Paris is distracted by domestic issues and London has one foot out of the door. The new European Commission that took office last November reflects that. Commission President Jean-Claude Juncker, a former prime minister of Luxembourg, owes his position to the European People's Party (EPP), the centre-right political grouping dominated by German Chancellor Angela Merkel's Christian Democratic Union (CDU), which in turns holds sway over the European Parliament. Juncker is also indebted to the Axel Springer group, the publisher of Bild, Germany's best-selling tabloid newspaper, which strongly backed him last summer when Merkel was wavering. Juncker's German chief of staff, Martin Selmayr, ensures his country's concerns are heeded across the Commission.

Thus the comprehensive investigation of the role of online platforms that Brussels is due to launch before the end of the year is hardly an impartial inquiry. It comes at the behest of Germany's economics minister (and Merkel's Social Democratic deputy), Sigmar Gabriel, who believes that the EU needs to regain its "digital sovereignty". As he argued in a letter to the Commission last November: "The European Union has an attractive single market and significant political means to structure it; the EU must bring these factors into play in order to assert itself against other parties involved at the global level." Oettinger echoes those sentiments. He recently spoke of the need to "replace today's web search engines, operating systems and social networks". Pre-empting the results of the Commission's investigation, a leaked position paper for Oettinger proposes a powerful new EU regulator to clamp down on these online platforms.

For sure, platforms often benefit from powerful network effects: the more people use Facebook, and the more it knows about them, the more others want to be on it, and the more it can charge for advertising. But the digital world is evolving so fast, with upstarts continually challenging previously dominant firms – Myspace once seemed invincible until Facebook displaced it – that what the EU really ought to be promoting is competition, enterprise, investment, and impartial regulation that does not stifle innovation. The EU needs a genuine digital single market that benefits consumers and enables start-ups to flourish, not a backdoor industrial policy to favour Germany's digital flops.

Philippe Legrain, *who was economic adviser to the President of the European Commission from 2011 to 2014, is a visiting senior fellow at the London School of Economics' European Institute and the author of* European Spring: Why Our Economies and Politics Are in a Mess – and How to Put Them Right.

Prison Bill (Perrin)

Continued from page 22

ing are not triggered, so their breach is especially concerning.

Case law suggests life without parole is constitutionally defensible. Recently, in *United States of America v. 'Isa*, the Alberta Court of Appeal allowed extradition to proceed for an accused facing life without parole in the US. The Supreme Court of Canada denied leave to appeal last year.

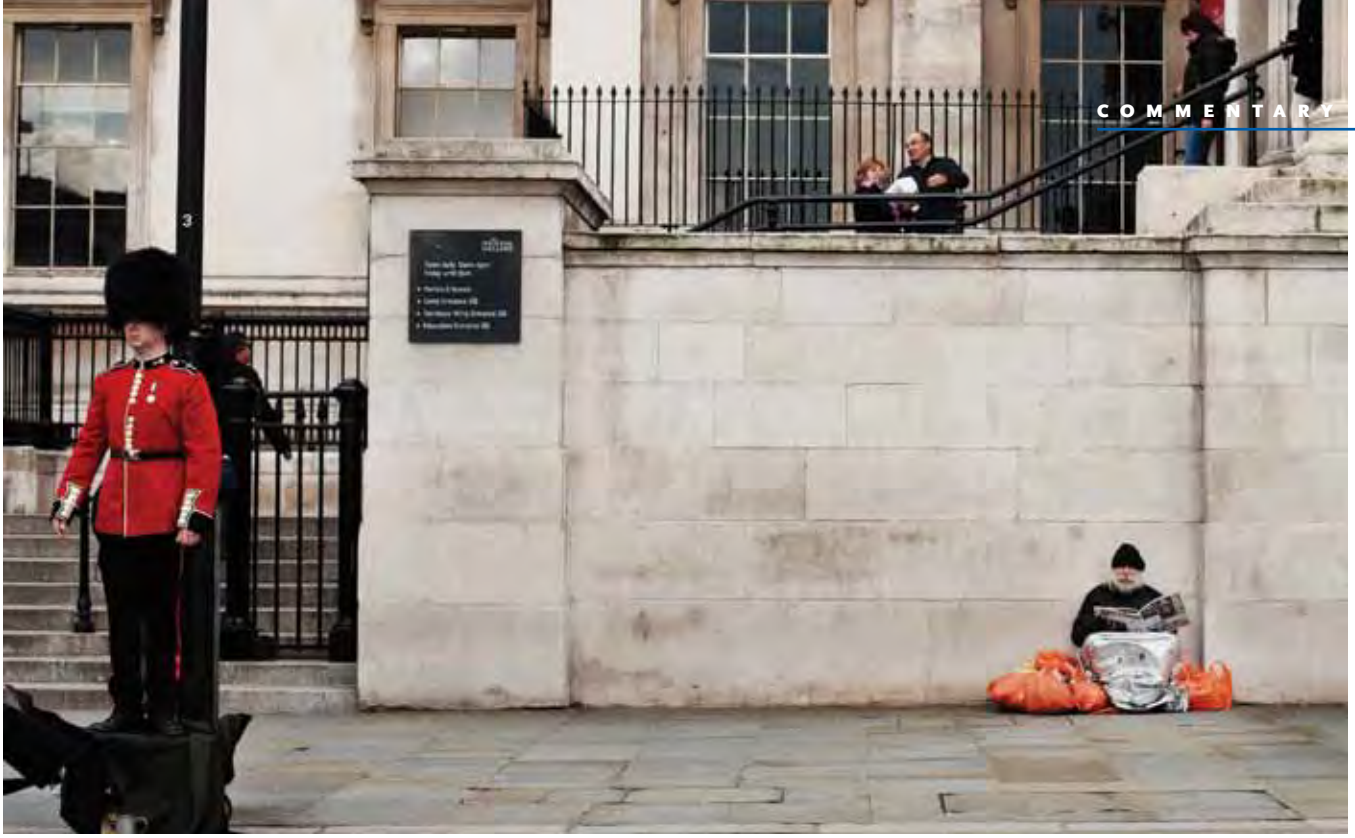
While a sentence of life imprisonment without parole with a meaningful review process for extraordinary release is likely constitutionally acceptable, Bill C-53 is vulnerable to being struck down by the Supreme Court of Canada for imposing it on a mandatory basis and for certain aspects of the executive release regime.

Bill C-53 now seems unlikely to pass before this fall's election and will likely be an election issue. If it is reintroduced in the next Parliament, Bill C-53 should be amended so that life without parole would be a discretionary – not a mandatory – sentencing option for heinous murders. Judges should also have the option of ordering a fixed-term parole ineligibility period of between 25 and 75 years for heinous murders.

All offenders serving life sentences with parole ineligibility periods greater than 35 years should be eligible to apply for executive release up until the time that they become eligible for parole. And the Parole Board of Canada should independently assess all applicants for executive release to enhance transparency and accountability of executive release decisions, something Bill C-53 doesn't currently provide for.

Heinous murderers are not sentenced as severely as they should be in Canada and there is constitutional room to enhance their penalties. However, Bill C-53 overreaches in this effort and thus risks failing to achieve needed reform.

Benjamin Perrin *is a law professor at UBC, an MLI Senior Fellow, and author of the recent MLI paper, "Punishing the Most Heinous Crimes". This column is an updated version of one that first appeared in the* Globe and Mail.



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Poverty and dependency are not just issues for the Left

In a speech given at the Manning Networking Conference in March 2015 in Ottawa, Iain Duncan Smith, United Kingdom Secretary of State for Work and Pensions, explains how British Conservatives have shown that theirs is the party of compassion and effectiveness in helping the poor.

Iain Duncan Smith

In 2004 I set up an organization that I named the Centre for Social Justice. At that time, the Conservatives were going through a difficult time in the UK, for Tony Blair as the leader of the Labour Party was riding high, having won two elections, sweeping all before him. Conservatism was in despair and the angry debate about whose fault it was raged within its ranks, to such an extent that it was difficult to get the Party to focus on regaining government.

Argument raged between the self-styled 'Mods and Rockers', or the modernisers and the traditionalists. Hardly a day went by but that a new theory was announced by one or more Conservatives.

Some said we should accept that too few wanted Conservatives any more – that we should burn the party and re-form a new modern party from the ashes of the last. On the other side, the solution was to return to the halcyon days of Thatcher, and sharpen and increase our critique of the 'arch-charlatan', Blair.

Unchanging values

Yet conservatism on both sides of the Atlantic has survived because it is based not on ideology, but on unchanging values.

This has always allowed Conservatives to accept change where necessary, shaped, however, by the unchanging values which underpin our politics: strong families creating strong communities – grounded by personal freedom – whose boundaries are governed by democratic consent and arbitrated by the rule of law.

It is through these perennial values that we weigh and assess the need to preserve that which is good, with that which must change. As one of the founding fathers of modern Conservatism, Edmond Burke, wrote: "We must all obey the great law of change. It is the most powerful law of nature."

The question, therefore, is not just what or whether, but when and how.

Challenges of the time

In Britain, for too long, Conservatives had allowed themselves to be defined by a narrow number of policy areas: taxation, immigration, and law and order.

More than that, Conservative speeches too often were inclined to lecture people, whilst looking back at past triumphs which gave previous leaders mythical status. Margaret Thatcher's reforms of the trade unions, the liberalizing of the economy, and tax reduction became for many the definition of what it meant to be a Conservative.

So instead of applying our values to new challenges, we were to be defined by challenges of the past. I think that may sound familiar to Conservatives the world over.

On the other side, some would propose complete change. They too are wrong, for you don't meet the challenge of being too narrow by trying to become something you are not.

No, you meet it by showing that your values cover a wider, broader agenda – applying enduring principles to contemporary challenges.

Social breakdown

All this brings me back to the Centre for Social Justice and why I set it up.

I had believed for some time that we could not achieve a modern flexible economy, holding its own in the global market place, unless all in our society who were able, played a productive part. Yet under the last Left-wing Labour government, a quarter of the working age population was left economically inactive and millions languished on out-of-work benefits.

Such dependency would, I believed, not only go on to cost taxpayers huge sums of money – but worse, leave these people and their families trapped – too often by the very system that should have been helping them to get back on their feet.

In visit after visit to some of our more deprived areas of Britain, I came to see how they had become places without hope or opportunity. In neighbourhoods blighted by worklessness, where gangs were prevalent, debt and drug the norm, families broken down, those living there had one thing in common: they were for the most part dependent on the state for their daily needs.

With income inequality the worst for a generation, whilst the middle class majority were aware of the problems in poor communities, they remained largely unaware of the true nature of life on some of our estates. For too long we let these problems be ghettoised as though they were a different country.

Conservative vision

At the root of this problem was that Conservatives had abandoned the subject of poverty to the poverty lobby and the liberal Left. Perhaps our main contribution to the subject was that whenever Conservative politicians did speak about poverty, they did so with fingers wagging and harsh punitive language.

My party, the party of Wilberforce and Shaftesbury, seemed to have forgotten that we had always had a historic mission to help people improve the quality of their lives – not just taking the easy option of sustaining people in dependency whilst looking the other way.

At the Centre for Social Justice, we were to reveal the true state of the nation in terms of social deprivation, uncovering a Britain blighted by multiple and overlapping social problems, often perpetuated over generations. But our purpose was also to do something else: it was to show that Conservatives cared about people trapped in dependency. That far from wanting to punish people, our vision was to transform people's lives – putting hope back where it had gone and allying aspiration with hard work, spurred on by strong moral values of fairness, opportunity, and compassion.

Welfare trap

By contrast, the Left would have it that a sympathetic approach is to sustain the most disadvantaged on slightly better incomes. But the reality is that there is nothing laudable about handing out money, if in doing so it labels individuals 'incapable' or stops them moving into work; if it means parents are better off living apart than together; if it places families in housing that they could never afford if they took a job.

There is no kindness in a system that traps people – leaving them in a twilight world where life is dependent on what is given to you, rather than what you are able to create. Where for most people, their life's direction of travel is dictated by the informed decisions they make: can they afford a large family? Should they move in order to take up a better-paid job? Can they risk a mortgage to get a bigger home?

Yet for too many of those locked in Britain's welfare system, that process of making responsible and positive choices had become skewed. Those who cleverly played the system were most likely to be rewarded; whilst those who tried to do the right thing found endless stumbling blocks in their way.

Meanwhile, those who did nothing at all – sitting on welfare, unwilling or unable to move into work – had money paid out to pacify them regardless, with no incentive to aspire for a better life.

Social justice

As Conservatives, our mission must be to challenge the accepted wisdom of the Left: that poverty is only about money and that more state money alone can cure it. For whilst a welfare cheque might protect against hardship, it can never substitute for a loving parent, an inspirational teacher, or a hard-earned pay cheque.

Whether it is debt, family breakdown, addiction, educational failure, or worklessness, our aim must be to tackle the pathways that lead people into disadvantage in the first place – supporting people to regain control over their own lives, springing themselves from the poverty trap.

In government since 2010, our single-minded aim has been to act on this vision for change. It is a proud legacy that a Conservative-led government was the first in the UK to make social justice a lasting ambition. Not a political whim or quick win, but rather putting in place the structures necessary to deliver real change for years to come.

It is to this end that we have undertaken the most significant set of reforms in modern times – reforming Britain's welfare system, education system, justice system, and more – so that these systems work together, turning round people's lives now and transforming the chances of future generations.

Families

First and foremost, this life change starts with the family – promoting strong family relationships, at the heart of which lies marriage, forming the bedrock of strong communities.

This isn't about government interfering in family life. Rather it's about recognizing that stable families matter – for our society, in the fight against poverty, and in setting children on the path to success. It's about parents taking responsibility for their children.

And it's about government realizing that we have to create a level playing field for the decisions that people make about family. In doing so, we should trust people – optimistic about the choices that they make for the common good.

"Whether it is debt, family breakdown, addiction, educational failure, or worklessness, our aim must be to tackle the pathways that lead people into disadvantage in the first place, supporting people to regain control over their own lives, springing themselves from the poverty trap.

That is why on coming into office, we set about redressing imbalances that had skewed people's choices for too long, through a system tilted against poor families wanting to stay together, and at its heart tilted against marriage.

Now in the UK, we are reducing the couple penalty in the welfare system, as well as reversing the bias in the tax system by introducing a marriage tax break that will benefit up to four million couples. In Canada, here too we see Conservatives cutting taxes for families through income-splitting – no longer penalising households where one parent works, but supporting hard-working families to make the choices that are right for them.

In the UK, now we are at last beginning to see improving family stability, with more children living with both their parents in recent years. Across both sides of the Atlantic, we know that we can only afford these policies now because of the difficult decisions we took during the tough times – cutting our country's deficit so that we can cut taxes too – that discipline and determination, now paying off.

Education

With the family first, then comes children's education.

Here our reforms are about ensuring that schools – within the framework of clear discipline – offer structure, routine, and a fairer chance at success, no matter what a child's background.

Through what we call the Pupil Premium – worth almost $2500 per child this year – we are providing additional help to disadvantaged children, ensuring a positive platform for all

children to fulfil their potential.

This investment in the early years stands to pay dividends further down the line, equipping individuals with the knowledge, aspiration and social capital they need to prosper. Thus we are ensuring that once again education is seen by struggling families as the pathway to a better life for their children.

> *This investment in the early years stands to pay dividends further down the line, equipping individuals with the knowledge, aspiration and social capital they need to prosper.*

Work

Where people's lives do go off course, the welfare system must be there to offer a second chance – a system that allows everyone to take their life into their own hands, given an opportunity to achieve and take pride in that achievement. No one – whatever the difficulties they face – should be left behind in their ambition to shape and control their future.

Of course, in the most severe cases of sickness and disability, welfare must support individuals, but even then, it must be about more than sustainment alone.

That is why we are transforming disability benefits – not aimed at saving money, but saving lives – rightly helping disabled people to meet the extra living costs they face, but making sure they won't lose that money if they do take up a job, leaving open the door to work.

Where people can, we know that work is the best way for individuals to secure that future. For work is what develops us, lifts us, and offers us self-worth and security. The money we earn is always more powerful than the money we are given. That is why, through our welfare reforms, it has been so vital to bring an end to the something-for-nothing culture that too often meant moving into work left people worse off.

A fair contract

This we are achieving through Universal Credit – the greatest change to our welfare system for a generation – rolling out a new benefits system gradually across the country, which simplifies back-to-work benefits and makes work pay.

In doing so, now everyone is required to sign up to what we call a 'claimant commitment' as a condition of receiving benefits – making clear claimants' responsibilities to the taxpayer in return for support.

Such is the system that we have created in Universal Credit, that if you do the right thing – working as much as is expected of you – then you will move out of poverty. This, I believe, is the clearest commitment we can make to helping people get on in life – through a new welfare contract with the people of Britain.

On government's part: we will invest in targeting our support at those who need it most, and in restoring work incentives for the rest.

For taxpayers, we will restore fairness – not least through capping benefits at average earnings, so that families on benefits face the same choices about where they live and what they can afford as everyone else.

But so too for those once trapped in a system which meant it was more worthwhile getting benefits than going to work. For even as we have capped how much people can receive in out-of-work benefits in the UK, we have exempted those receiving in-work credits – once again, leaving open the door to work.

For those receiving state support, this is our commitment: where once welfare was a way of life, now you can be sure that work will pay – meaning the right choice is also the logical one.

The opportunity, now, is yours to make that choice, a fair contract, which lifts people out of poverty.

Life change

This change will not be achieved overnight. Surely not, for these are not simple fixes for short-term gain.

Yet in the UK, even already we are seeing signs of a meaningful cultural change, restoring our society one life at a time. For the young person: once with bleak prospects, but now one of a growing proportion in employment or education, who has their foot on the first rung of the ladder, able to move onwards and upwards.

For the long-term unemployed: for whom worklessness had

become entrenched – too often written off in the past, but now receiving meaningful help to overcome the problems that hold them back – through what we call the Work Programme, the largest payment by results programme ever of its kind, helping people back to work on an unparalleled scale.

For the older worker: previously forced out of their job and onto the scrapheap when they reached pension age – but now able to choose when they retire, continuing to bring their wisdom to the workplace if they wish, filling the demand for jobs and keeping our economy growing.

Pensions

When it does come to our pensions system, we have introduced radical reforms as well:

- improving worker participation through automatically enrolling people into workplace pensions;
- lifting the default retirement age; and
- creating a new, simpler state pension that reduces the means test and makes all savings pay.

This is the welfare legacy on which we as Conservatives will stand: it pays to work and it pays to save. In other words, reform that is not just about the benefits system, but about social renewal, part of that Conservative vision I described right at the start, of strong families and strong communities, upholding both personal freedom and personal responsibility.

Social investment

Yet there is one last and equally radical reform that is necessary to complete this process – and that is to shift the way governments, both local and national, fund social improvement projects – opening this up to investors beyond the state.

By putting a monetary value on a given positive social outcome and underwriting the return, government can allow these investors to buy into what we call a social impact bond. If the programme delivers the outcomes, investors see a return, whilst government pays not for the process of tackling the problem, but for success at the other end.

Already, the UK is a world leader in putting this principle into practice – with 24 social impact bonds up and running, 10 of them financed by my Department's Innovation Fund, which I set up four years ago.

This has proved the concept with cutting-edge programmes, seeing a return on investment through positive educational and employment outcomes for some of our hardest-to-reach young people.

So too in establishing social impact bonds more widely, where the UK government has done a lot to put the infrastructure in place. Here we have created Big Society Capital, collecting up the money from dormant bank accounts and introduced a social investment tax relief, which could generate up to nearly £500 million or around $1 billion Canadian over five years.

Transforming government's role

Without doubt, there is still much more to do if we are to realize the full benefit of this nascent market.

Yet I believe the potential is enormous – with social investment standing to make the single, most significant difference to how governments fund and deliver social services in years to come.

Not just through a more efficient use of taxpayer pounds or dollars. But in growing the money available for social programmes beyond government or philanthropy alone, harnessing investment from businesses, trust funds, entrepreneurs, and more – groups that might never before have seen themselves as part of positive social action.

With it, that money brings the rigour and discipline of the private sector, and the innovation of our most savvy entrepreneurs, as well as what I call the 'fidelity guarantee': an assurance – to use a British phrase – that what you pay for 'does exactly what it says on the tin'.

This value of this guarantee cannot be underestimated. For it stops what has so often been the downfall of social programmes in the past, that in implementing a programme that is proven to work, it ends up being modified – tinkered with, to the extent that the programme you started with, isn't actually delivered.

With social impact bond, on the other hand, if the project ends up being changed, no results means no pay-out – saving money by ensuring that successful programmes are delivered properly.

But what's more, social investment shores up government finances because the whole premise is of a return, linked to a meaningful outcome – be it getting someone into work, into rehab, off the streets, or more.

Over time, it is my hope that this will turn the tide in the whole culture of government spending – no longer pouring money in and hoping for the best, but commissioning outcomes and paying for what works. Every pound or dollar for life change. That must be the opportunity of a lifetime.

Reuniting society

If we can get this right, I believe the effect that social investment could have on society is dramatic.

For too long, a disparity between the top and bottom of our society has prevailed. We have a group of wealth creators at the top who have little or no connection to those at the bottom.

Yet in so many cases what divides the two is little more than a different start in life. I believe social investment gives us an opportunity to lock not just wealth back into our most disadvantaged areas – but something else as well. Just imagine a social enterprise working in a particular deprived neighbourhood – be it in London or Toronto, Glasgow or Montreal.

Investors buy into it and as with any investment, will want to see it flourish. Because they are risking their money – money that could otherwise be reaping a return elsewhere – those investors will want to see that social programme succeed, taking an interest in that community where they would otherwise be totally detached, brought back into contact with our most disadvantaged individuals and families, for mutual benefit.

For too often what is lacking in these areas is not just money, but hope and aspiration – the belief that the cycle of poverty can be broken.

Thus these wealth creators could have a powerful influence on the communities themselves – a human interface between two polarised worlds, bringing success to the doorstep of failure, and two ends of our society closer together.

Reuniting the city and the inner city. Reuniting Bay Street with Main Street.

Human capital

This rather rapid explanation of our reforms I hope helps explain why I think Conservatives can, and should, regain the moral high ground on social change. The simple truth is that we cannot be prepared to see a growing number of our fellow citizens fall into an underclass of hopelessness and despair. For without them we will be unable to create a modern competitive economy.

Compassion

Compassion, some say, is soft. I have heard it argued that it is the preserve of the Left. I disagree.

There is nothing compassionate about increasing dependency by spending more of taxpayers' money to sustain someone in a lifetime on benefits. No, Conservative compassion is about getting someone back to work, taking the tough choices to move someone clear of the benefits system.

It is about checking if someone on sickness benefits is fit for work, even though it seems harsh to some, or sanctioning someone who fails to do their utmost to find work.

> *"There is nothing laudable about handing out money, if in doing so it labels individuals 'incapable' or stops them moving into work.*

This compassion has at its heart the certain knowledge that if a family has work then their lives will be improved.

Conclusion

In that, government has a vital role to play, but it cannot be simply to dispense public money, stopping people from controlling their own lives.

Too often in the past, the Left interfered where it was unwanted, and was absent where it was needed. It subsidized people who made the wrong choice, and penalized those who tried to do the right thing.

No, government's role must align to the task of helping people to succeed in a modern world. A government bringing cohesion to society, one that is on people's sides, but not on their backs.

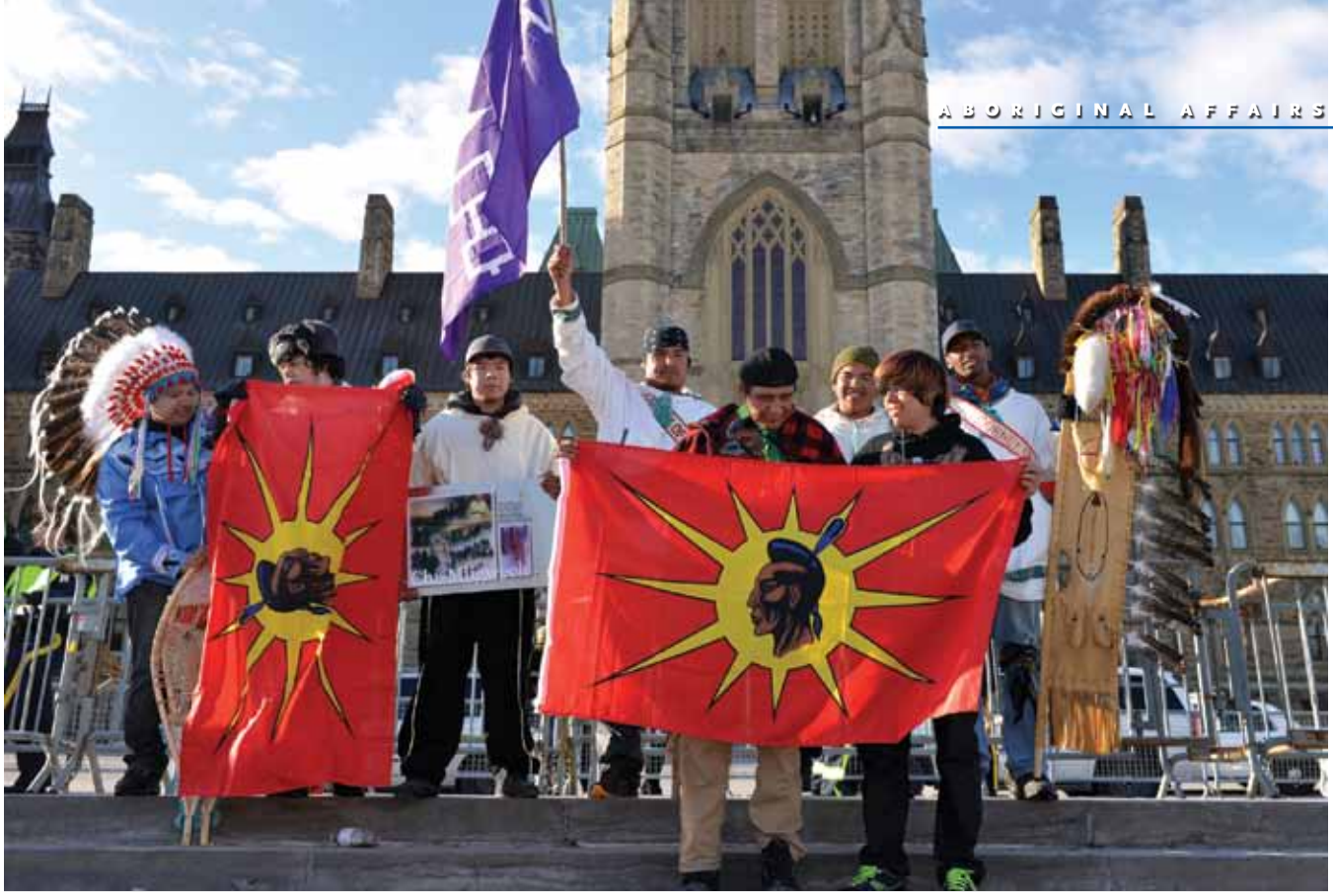
Above all, no one wants to know that they gained at the expense of those worse off than them.

That is why it is a historic Conservative mission to help improve the lot of the working poor. To give them the right to hope and the chance to aspire. That is the human dimension of all that we do.

It is that which will allow the voting public to look at us and say: "You know they're OK. You know they deliver. And, they do the right thing for the right reasons – bringing security and hope to me and my family."

Most of all, I want people to say that Conservatives are "good for me, and good for my neighbour".

Rt. Hon. Iain Duncan Smith MP *was recently reappointed as U.K. Secretary of State for Work and Pensions following the May 2015 British election. This is an edited version of his speaking notes.*



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A group of Cree youth walked 1600 kilometres from their home in Whapmagoostui, Que., to bring attention to Aboriginal issues as part of Idle No More protests.

From tortured past to a movement of hope for Aboriginal people

In 2012, the Idle No More movement brought Aboriginal people together in a way that has transformed Canada. In an excerpt from his powerful new book #IdleNoMore and the Remaking of Canada, *MLI Senior Fellow Ken Coates examines how a history of discrimination and abuse gave way to an optimistic, powerful, and forward-looking new beginning.*

Ken S. Coates

However important to understand, the social geography of the Aboriginal, non-Aboriginal relationship in Canada does not alone explain the roots of Idle No More. Wrestling with the challenge of connecting historical processes to a widespread contemporary event leads to the temptation to offer a history lesson, following the now well-known stepping stones of the transition of Aboriginal people from valued military and diplomatic allies to wards of the state, through the creation of reserves that kept First Nations apart, and residential schools that tried to assimilate them into the Canadian mainstream.

There are many events, processes, rules, and regulations that could be canvassed in detail as a way of laying an explanatory framework for the passionate outbursts of 2012, including: the *Indian Act* that controlled and limited the freedoms of First Nations people; notions of cultural and religious superiority that convinced governments to regulate such crucial Aboriginal traditions as the potlatch; Indian Agents, who selectively doled out passes that controlled who could leave the reserves; regulations that prohibited First Nations from hiring lawyers to press their claims and, for a time, refused to allow First Nations to meet for

the purposes of lobbying or protesting government policy; treaties that were signed with ceremony and seeming commitment by all but that lay unfulfilled and poorly implemented. And so it goes, step by difficult and discriminatory step: not having the right to vote in elections until well after the Second World War; women losing their Indian status if they married a non-Aboriginal (and non-Aboriginal women gaining status if they married an Indian man); requirements that First Nations surrender their Indian status through enfranchisement if they entered a profession or wanted to start a business or own land. The list of injustices is long.

> *To be Aboriginal in Canada was to live in a racist system that implied and threatened total control. It meant to be defined, regulated, restricted, limited.*

The unfair treatment poured forth with numbing familiarity. Forty years ago, one might complain that few Canadians knew of the pattern of mistreatment. That ignorance no longer holds, thanks in part to the presentation of new perspectives and interpretations of Aboriginal history in the schools and broad coverage in the media and popular culture of the impact of government actions on Indigenous peoples. Despite its shortcomings, the federal government's apology for the residential schools was a potent symbol to Canadians that the Government of Canada had acted in a profoundly destructive way in imposing its will and its culture on Indigenous peoples. Several generations of Aboriginal leaders have articulated the grievances and frustrations of their people to the point that only the deliberately uninformed do not know about the pattern of discrimination and dominance that governed Aboriginal affairs in this country from the mid-nineteenth century on. Indeed, a history lesson is not needed here (although, one is always useful) to make the obvious point that Indigenous people in Canada have good reasons to be angry and are justified in their unleashing of 40 years of political protests and legal challenges against the status quo.

These same culturally destructive processes, exacerbated by the consistent gap between the quality of life of Aboriginal and non-Aboriginal Canadians, also point to one of the most demoralizing realities of Canadian life – namely, that Indigenous peoples have internalized much of the despair and anger by engaging in self-destructive and community-damaging behaviour. Rampant drug and alcohol abuse, domestic violence, Fetal Alcohol Spectrum Disorder, and other such prominent social pathologies are an outgrowth of historical processes, not Indigenous cultural norms. Whatever pain and inconvenience non-Aboriginal Canadians have felt through Indigenous protests, including Idle No More, pales in comparison to the costs of historic injustices to Indigenous communities.

Non-Aboriginal Canadians are slowly and uneasily coming to terms with the historical injustices, closing the last residential schools in 1996 and many years, lawsuits, and settlement agreements later, apologizing for them. Indeed, the last four decades have seen the Government of Canada and, latterly, provincial and territorial governments spend billions of dollars to address historical grievances, support Indigenous efforts to overcome historical legacies, and, in the process, perhaps expiate non-Aboriginal guilt about the past. The effort has, in my view, been administratively extensive but collectively more than a little insincere. A growing number of Canadians are angry about rising government expenditures related to Aboriginal communities (most of which go to providing Aboriginal people with services that only occasionally match the standard and quality of those available to other Canadians) and Indigenous legal victories. Canadians, it seems, were more comfortable with Aboriginal rights in the abstract when they were being claimed and contested in the courts, rather than in reality, as they are implemented by governments and enforced by the courts. Put more bluntly, the growing Canadian interest in Aboriginal culture and art does not appear to be matched by widespread support for Indigenous rights, self-government, and autonomy.

Somewhere in the convoluted and too-often destructive history of government intrusions in Aboriginal communities, in the post-1970s efforts to rebalance unfair relationships and persistent discrimination against Indigenous peoples, lies the roots of Idle No More. It is the total impact of government actions – not the specific government programs – that are of greatest importance when considering the roots of the movement. Consider it this way. Not all students at residential schools suffered mistreat-

ment and abuse. Not all Indian Agents used the pass system to control movements of Aboriginal peoples on and off reserve. Not all Aboriginal peoples went without jobs or incomes. Not all non-Indigenous peoples approached Aboriginals with hatred or discriminatory thoughts. Not all Christian missionaries set out to destroy Indigenous cultures. There was no symmetry across Canada, no simple, comprehensive, and uniform approach to Aboriginal rights, policy, and programming.

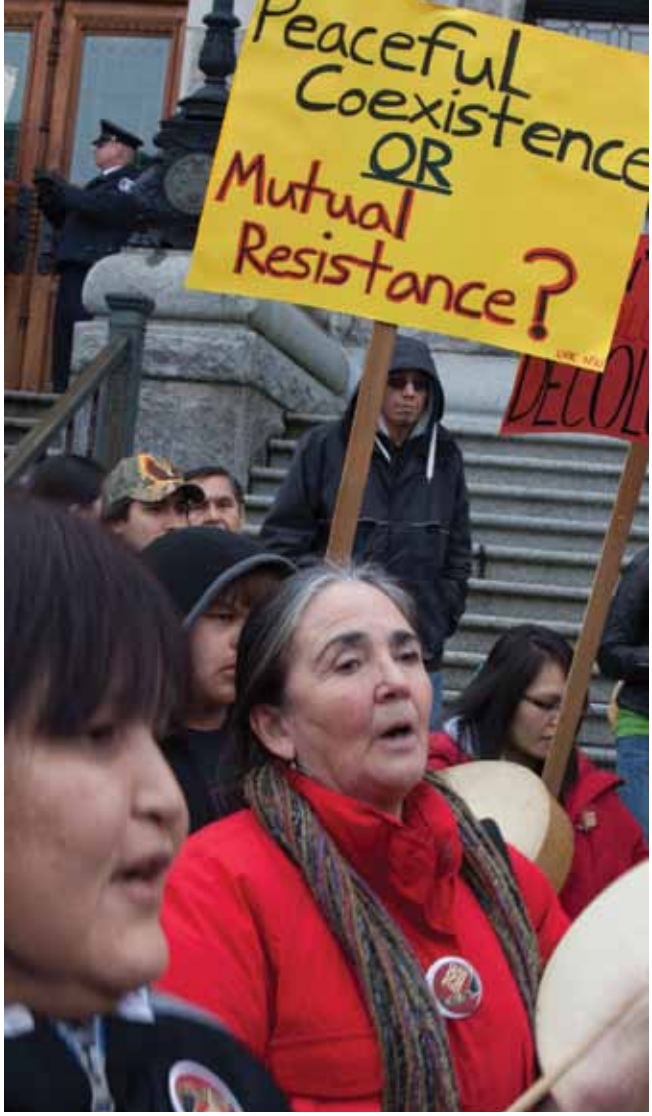
Instead, what matters most is the cumulative and systematic effect of government policy and racist attitudes on the Indigenous peoples of Canada. The specific policies and government initiatives, or efforts to control an individual First Nation, however damaging these actions may be, cannot explain the full impact of all of the policies, the historical experiences, the daily effects of being marginalized. To be Aboriginal in Canada was to live in a racist system that implied and threatened total control. It meant to be defined, regulated, restricted, limited, and otherwise under the influence of policy documents (the *Indian Act*), government officials (Indian Agents), efforts to eradicate Indigenous cultures (residential schools), intrusive attempts to change spiritual beliefs (Christian missionaries and residential schools), major limits to freedom of movement (reserves), and routine illustrations of legal and civic inferiority (controls over Indian lands, trust funds, professional participation). However powerful and destructive each initiative might have been or currently is, it is the total impact of all of these forces, actions, and policies that weighs on Indigenous peoples.

Non-Aboriginal people in Canada, working primarily through their federal government, gave themselves the resources, tools, power, and ability to control all aspects of Indigenous life, if and when they wanted. Some Aboriginal peoples, like those in the mid- and far North until after the Second World War, were largely left alone. For many other Aboriginal peoples, particularly those living in settlement areas, more controls were applied earlier in the nation's history. But all First Nations came to realize the power of government and the even more ominous authority of the citizenry at large that stood behind the policies and the bureaucracy.

Non-Aboriginal people have trouble comprehending – because so few have experienced anything remotely like this – what Aboriginal people have lived with for generations and experience in a slightly lesser form through to the present. Discrimination is not unheard of for other Canadians, particularly those new to the country and who have non-European backgrounds, but rarely do they experience the discrimination with the intensity and persistence of that focused on Aboriginal people. Few know the pervasive effect of knowing that others tend to see you through a lens distorted by stereotypes. Few have lived with parents and grandparents whose lives were defined by government intrusions and official oversight, many of whom were robbed of parenting skills by residential schooling. Few have had many basic freedoms – such as the ability to own a home in one's community – denied to them by government legislation. Few have had to work their way through life knowing that a legal document – the *Indian Act* – defines them almost as much as their personality and family history. Living with hatred, racism, and condescension is demoralizing and oppressive, and tragically it is this reality that has had both immediate and long-term effects on Aboriginal people.

Living with hatred, racism, and condescension is demoralizing and oppressive, and tragically it is this reality that has had both immediate and long-term effects on Aboriginal people.

It would seem to make sense to see Idle No More emerging out of poverty and despair, but some of the movement's strength came from the reality that conditions are improving for some Aboriginal people and some Indigenous communities. The power to stand up and defend one's interest, it seems, comes in part from the empowerment of individuals and the people at large. The situation in Canada facing Indigenous people is not entirely grim, as analyses of educational outcomes, post-secondary participation rates, employment, income, health outcomes, and the like suggest. There are more than enough serious socio-economic and cultural problems to go around, but aspects of Aboriginal life are improving. First Nations are doing better, and significant changes appear to keep coming. Having lived through generations of marginalization and subjugation, Aboriginal peoples are experiencing significant gains: major Supreme Court victories from the Calder decision in 1973 to the William (Tsilhqot'in) judgment of 2014, the entrench-



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A participant beats a drum during an Idle No More rally at the British Columbia Legislative Building, Victoria, B.C. in 2013.

ment of Aboriginal and treaty rights in the Constitution in 1982, the creation of development corporations (many of which have tens if not hundreds of millions of dollars in investable assets), cultural revitalization, numerous self-governing communities, modern treaties across the territorial North and in the northern provinces, and many other achievements and gains. Complex forces, it seems, have fueled Aboriginal protest across the country.

Emotions have flared, typically at a local or regional level, through blockades and stand-offs, intensifying dramatically throughout the 1980s and onward: there have been incidents at Burnt Church, New Brunswick; Caledonia, Ontario; Gustafsen Lake, British Columbia; the Oldman River, Alberta; Oka, Quebec; Ipperwash Provincial Park, Ontario; and Rexton, New Brunswick. Each of these conflicts has slipped into the national lexicon as a symbol of the realities of Indigenous-newcomer relations. The media and non-Aboriginal people in general fixate on these confrontations, seeing them as the inevitable outcome of the history and politics of First Nations' living conditions in Canada. However important these conflicts may be – each arising out of intense local debates and unresolved legal and historical conflicts – what is, in fact, remarkable is that there are so few of them.

For the past 200 years, Aboriginal peoples have been marginalized, mistreated, controlled, manipulated, and impoverished. They lost control of their traditional territories, suffered grievous population losses, and watched the non-Aboriginal population use their lands and resources to produce one of the wealthiest nations. The surprise is not that there are occasional protests and conflicts – and there are many small confrontations, typically over land and resource matters. It is, instead, remarkable that there are so few. Indigenous peoples have often internalized their anger, taking it out on themselves, their families, and their communities. This misdirection of Aboriginal protest is one of the most confounding elements in the history of Indigenous-newcomer relations in Canada.

First Nations in Canada rarely take to the barricades; they eschew the surprisingly easy tactic of closing down highways and rail traffic and almost never engage in acts of violence or civil disobedience. There have been protests on Parliament Hill, marches in front of courthouses and legislatures, and various street gatherings. Political leaders speak loudly, often with real anger, about the injustices of Aboriginal life and the inaction of governments. Aboriginal people in Canada have a finely honed critique of Canadian history and policy, and there are few political groups that do a better job of combining passion, legal and historical understanding, and deep frustration with Canadian realities. But Aboriginal recourse has been to public assemblies, political rhetoric, and the courts. There have been threats of much worse. Former Chief Terry Nelson of Manitoba (as of 2014, the new grand chief of the Southern Chiefs Organization) has repeatedly threatened to shut down the country, but he has not done it. Shawn Brant, a Mohawk activist, has blockaded roads and railways in Ontario several times, but he rarely brings a large number of other Aboriginal people along with him.

Despite the lack of demonstrations and violent outbursts, Aboriginal frustrations are real and deeply entrenched. The pain is substantial, pervasive, and has been directed towards themselves and their communities, rather than to the country at large. The harm of history has rested overwhelmingly on the psyche of Indigenous peoples across the country. There has been an absence of outlets, processes, mechanisms, and leaders that speak to the essence of Indigenous values, aspirations, angers, and needs – that provide a means of drawing Aboriginal peoples together to express

their beliefs and dreams, to present a strong and constructive alternative vision for Indigenous futures.

A convergence of social and cultural forces continues to recast the realities of Aboriginal life in Canada. Contrary to what doomsayers have been asserting for years, Aboriginal identity remains strong. While statistical evidence of the decline of Aboriginal language use is compelling – and frightening for the communities involved – the values, traditions, reliance on Elders, and other cultural characteristics remain much stronger than outsiders assume. Forecasts of the demise of Indigenous cultures continue to be overstated. Resilience is grossly underestimated. Take, for example, the movement of Aboriginal people off their reserves, into towns and cities. Geographically, it appears that Indigenous communities are coming unglued. In reality, family and community networks remain strong, with routine sharing of resources, cultural events, and family responsibilities between on- and off-reserve people.

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There are other reasons for optimism on the Aboriginal front. Indigenous women have emerged again as a formidable political force, both locally (where they play crucial roles in health, education, and on community boards) and, increasingly, in electoral politics at the regional and national levels. Given that such a large number of Aboriginal people at post-secondary institutions are female, it is likely that the prominent role of women will continue. Several decades of government programming in Aboriginal life and services, from health care to cultural revitalization and local economic development, have generated significant achievements. Add to this the re-empowerment of Aboriginal communities and governments through modern treaties, self-government agreements, special claims settlements, and duty to consult and accommodate requirements, and one sees clearly that Indigenous communities today have greater authority, more autonomy, some freedom from the Department of Aboriginal Affairs, significant financial and political resources, and levels of confidence in the collective ability of Aboriginal people to use Canadian legal and political processes to their benefit.

The combination of deeply entrenched grievances, sustained prejudice, and serious community difficulties, with the recent significant achievements and important victories of real re-empowerment has proven to be an extremely powerful mix. Aboriginal peoples in Canada, in these early years of the twenty-first century, can glimpse a very different future for themselves, their children, and their grandchildren. Dreams of Indigenous renewal in the post-Second World War decades have, bit-by-bit, transformed into incremental accomplishments. Improvements in Aboriginal conditions have added to the overall collective Aboriginal confidence in the country, as well as to the growing impatience. Goals that seemed unattainable are now within grasp. It is a potent mixture: anger about the past; profound alienation from the Canadian mainstream; a growing foundation of educational and professional achievements; legal power; and frustration with both Aboriginal leadership and persistent government influence over Indigenous affairs. Then add in: the legal and political victories, mostly over the Government of Canada; growing economic independence; cultural achievements; and the international recognition of Aboriginal peoples in Canada. Out of this emerges Idle No More, a movement born out of this matrix of crisis and empowerment, despair and accomplishment, historical legacies and contemporary achievements.

The desire, quite simply, was to shift the pain and the focus from self-abuse and community frustration to a proper and sustained demonstration of Aboriginal culture, identity, and determination. The collective desire for a different path was overwhelming. Aboriginal people in Canada did not need a reason to be angry; what they needed was an outlet.

They found it in November 2012.

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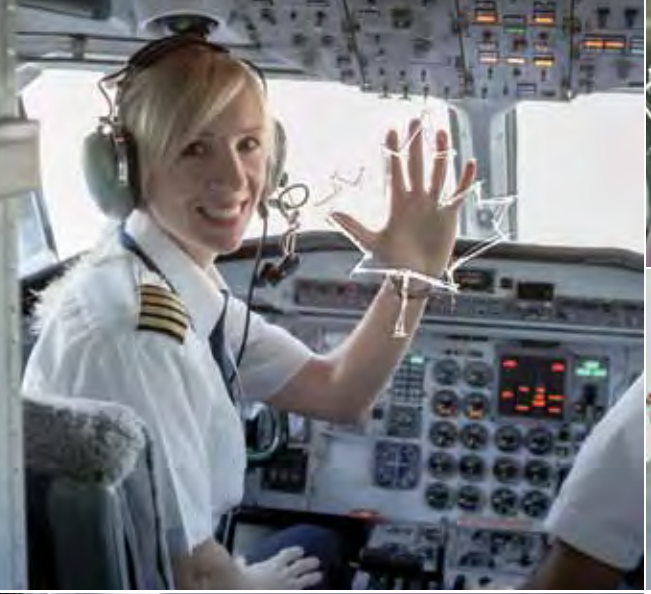

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