

Canada is doing well ... but we could do so much better

by Conrad Black



The recent Finance Canada report projecting Canadian federal budgetary deficits into the 2050s must stand as one of the most inane Canadian public documents of recent memory. The deficit could be eliminated any year on a few months' notice, so the document is just an alarmist warning from somewhere in the bowels of the finance ministry of what will happen if nothing is done to change course and economic circumstances don't vary. Never in the 150 year history of Canada as an autonomous country have 30 years passed without any flexibility of circumstances. This is in the category of policy options where past finance ministers were offered the following sort of range of choice by their deputy ministers: 1. The impending bankruptcy of the country and the beginning of discussions on the consequences of default on public debt and auctions of government assets; 2. The cessation of all non-contractual expenses, disbandment of the armed forces and all Crown corporations while taxes are raised in all

categories, and special arrangements are made to accommodate the immense surplus that would accrue amidst the grinding stagnation of the economy; and 3. The alternative preferred by the author of the memo.

The last federal election was in part a head-butting contest between two sacred cows – the bipartisan commitment (in which the NDP also joined) of no federal deficit; and the Harper commitment not to raise HST, which it had reduced. These are both commendable impulses but they assumed an ironclad quality that became an inconvenience to fiscal planning. Canada was scandalously plagued by deficits through most of the Trudeau and Mulroney years, and at one point in the mid-Eighties the Canadian dollar sank to 65 U.S. cents. Brian Mulroney provided the answer to the problem with the Goods and Services Tax (GST). It avoided the irritating misnomer of VAT, the Europeans' preferred Value Added Tax, which is routinely assessed on services where not even a delusionist could imagine there is any value added, such as a legal bill. Legal bills are incurred and must be paid, and are taxed in the hands of the recipients as income, but what excuse is there to tax also the person who pays the bill, on the spurious inference that he has a hidden gain in additional value due to having paid his lawyer?

So far, as with many Euro-absurdities, such nonsense has been repelled at the water's edge with the continental spirit of President Roosevelt's assurance at Kingston in 1938 that he would not "stand idly by" if Canada were attacked from another continent. (The phrase caught on, as even Mackenzie King shortly announced that Canada would not "stand idly by" if Hitler attacked Czechoslovakia. Dozens of countries would decline to "stand idly by" as years passed, especially after Mao Tse-tung appended the elaboration that China would "not stand idly by with folded arms" as various bad things occurred. In most cases, of course, there was a lot of idle standing, with a wide range of accompanying manual activity.)

The Finance department's internal document is an exhortation to the next two generations of federal Canadian leaders not to be inactive while deficits endlessly accumulate. It raises a host of related issues about spending priorities, cost and revenue sharing between the federal and provincial governments, and what direction we want Canada to take. Canadians are justly proud of having a relatively peaceable and livable society. But most foreigners would conclude that given that we are not severely harassed by our one adjacent neighbor and have a vast country with immense resources in almost all forms of base and precious metals, forest products, energy and agriculture except tropical fruit, a relatively comfortable and serene country is not such an astounding triumph as it would be in less well-favoured places.

While it is apparently a terrible source of comparison, prisoners at Auschwitz referred to the storage area for the food and comforts of the guards as "Canada" as indicative of something comfortable, peaceful, clean and abundant, and as such almost beyond the imagination of the desperate inmates. Canada is one of the 10 most prosperous countries that have integrated economies (i.e. excluding small tax havens like Liechtenstein, Luxembourg, and Monaco, and petro-states like Kuwait and Qatar). But what excuse is there for us not having as high a standard of living as Germany, the Netherlands, Denmark, or Australia? The excuses, such as they are, include uncompetitive confusion of government structure and unimaginative public policy. Netherlands and Denmark are not rich countries and the Netherlands has challenges assimilating a large number of Muslim immigrants, a climate not greatly gentler than ours, and few resources, but they have a commercial and exploratory tradition of 500 years. Germany is, of course, Europe's most powerful country and has suffered terribly, and caused its neighbours to suffer, from its terminal attacks of political immaturity and occasional disposition to satanic collective wickedness. But it had to rebuild entirely after 1945, has admitted several million

awkward “guests,” mainly from Turkey, and recently a million improvident Middle Eastern refugees, and is still trying to assimilate the backwardness of tyrannized Communist East Germany, just 25 years reunified with the West. Australia has a smaller population than Canada, a more challenging geography, immense distances from the main countries with shared traditions, though perhaps, on balance, a kinder climate than Canada, but it consistently has a somewhat higher standard of living than Canada.

The point is that we are doing well, but not as well as we should. Some of this is due to the challenge of Quebec independence, which caused large transfers of resources to be made in annual commitments to make clear the benefits of federalism to French Canadians, who do possess the critical mass of population, cultural distinctiveness, territory and resources to set up a country if they chose. I never criticized that investment in concept, but we have won that battle and it is time to enlist Quebec and all Canadians in the uplifting project of making this country as prosperous, exceptional and progressive (which is not here used as a euphemism as it usually is, for socialistic) as it can be.

Brian Mulroney’s GST gave Canada the means to eliminate its deficit, when coupled with the Martin-Chrétien policy of laying off spending in shared areas of federal-provincial responsibility, on provinces without corresponding concessions of tax-collecting ability; and the provinces passing on most of the additional burden to municipalities, whose revenue sources are very narrowly limited. And of course, only the federal government can seriously influence the money supply (which in a simpler time was called “printing money” – if provinces or municipalities do that, they are mere counterfeiters). Stephen Harper had a Friedrich Hayek-like distaste for public-sector spending and believed that if the HST (as GST became) could be reduced, it would create a permanent restraint on government spending as a share of GDP.

Both prime ministers were inspired by commendable motives.

When the Great Recession came, for reasons of which Canada was guiltless (the housing bubble and imprudent debt-binge of the financial systems of almost all Western countries), the bounce-back required some deficit spending and this prompted the incoming Justin Trudeau government to promise a brief exploration of traditional pump-priming, which Finance officials now warn will keep us in a spending strait-jacket and a deficitary poorhouse for 35 years. Of course we must do better than this, which is presumably why the authors of the Finance department's gloomy piece took such a lugubrious view.

I suggest (once again) a flexible HST – raise it on elective spending (luxury goods, complex financial transactions and the mere velocity of money in financial markets) to eliminate the deficit, and reduce taxes on small personal and corporate incomes to ease the conditions of the most vulnerable and provide affordable stimulus. We are not going to rake in any bonanza piling on energy costs, as the climate change-alarm well has run dry, so rely on marijuana sales as the next formerly immoral source of necessary funds, following in the well-trodden tracks of casinos and alcoholic beverages. Reduce corporate tax to compete with Trump's America in attracting investment and secondary sector jobs, and shift stimulus from the sterility of traditional welfare, other than where there is no practical alternative because of the acute needs of the seriously disadvantaged, to meet our two per cent commitment of GDP for national defence. Let us finally, for the first time in peace, give Canada a military commensurate with our status as a G7 country that will back up a sensible voice in world affairs. All the personnel expenses in defence outlays go to adult education and training-up citizens, and all the hard spending is in high-tech and key industrial areas such as aerospace and ship-building. With imaginative tax policies, we could move the annual growth rate to three to four per cent (as the United States is likely to do), from an elective HST,

and the minister can use this absurd departmental report as fuel for his stove at his ski lodge.

The insane prison-building program of the Harper government should be repurposed to assisted housing or convalescent homes and all non-violent criminals should pay community service penalties in spartan but not confined circumstances. We have to stop rationing medical care, as we are, by over-restricting access to many forms of treatment. We have to permit and encourage private medicine, and focus the entire public-sector contribution on those who cannot afford their own health care. Those who can afford to pay their medical bills and insurance can get a tax credit for necessary health expenses. This sacred cow should be quietly allowed to metamorphose into better health care for those who can afford it and for those who cannot, by allowing wealthier groups to use their wealth to assume more of the health-care cost voluntarily and unclog the public health system for everyone. For decades, we have been pushing the Sisyphian burden of obsolete truisms about universality while the federal government has been imposing its shrinking contribution to public health costs to force all provinces into a one size-fits all model of declining efficiency.

By all means let us have public broadcasting, but put the money into creative people and not just the incompetent management feathering their nests while the personalities the public wants to see or hear are persecuted. Bring back the acquitted Jian Ghomeshi and the unoffending Evan Solomon and Amanda Lang and get rid of the idiots who persecuted them. Moving Chrystia Freeland to Foreign Affairs may finally enable us to help reform all the crumbling international institutions, including the UN, NATO, Commonwealth and the IMF, which have been allowed to decay for decades. She and Boris Johnson could be the first wave of some originality in what were once called the chancelleries of the world. A little creative thinking would achieve miracles. Canada could be an

exciting country in public policy terms; only our own inertia is stopping us.

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