



INSIDE POLICY

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

SEPTEMBER, 2013

China's “Long Con” in the Arctic

Is Beijing outmaneuvering complacent Arctic Council members for control of strategic resources in the north? Roger Robinson Jr. on China's Arctic gambit



Also in this issue: • Michael Watts offers a legal analysis of the CHA and finds room for innovation and experimentation • Stanley Hartt on how to strengthen the public service • a plan to attract more clinical trials • is inequality ok? • the Quebec charter – a good idea, poorly executed • Senate reform • the middle class and the value of post-secondary education.



INSIDE POLICY

THE MAGAZINE OF THE MACDONALD-LAURIER INSTITUTE

Published by the Macdonald-Laurier Institute

Brian Lee Crowley, Managing Director, mgdir@mli.ca

James Anderson, Managing Editor, Inside Policy

Contributing Writers:

Thomas S. Axworthy	Celine Cooper	Paul Kennedy	Peggy Nash
Donald Barry	Philip Cross	Tasha Kheiriddin	Linda Nazareth
Carolyn Bennett	Brian Lee Crowley	Jeremy Kinsman	Geoff Norquay
Ken Boessenkool	Carlo Dade	Steven Langdon	Colin Robertson
Brian Bohunicky	Laura Dawson	Brad Lavigne	Roger Robinson
Scott Brison	Don Drummond	Ian Lee	Robin V. Sears
Derek H. Burney	John Duffy	Kevin Lynch	Gil Troy
Catherine Cano	Patrice Dutil	Janice MacKinnon	Peter DeVries
Dan Ciuriak	Joseph Fantino	Velma McColl	Michael Watts
Scott Clark	Daniel Gagnier	Ted Menzies	
Ken Coates	Stanley H. Hartt	Robert P. Murphy	

Inside Policy is published six times a year by the Macdonald-Laurier Institute. The contents of the magazine are copyrighted, but may be re-produced with permission in print, and downloaded free of charge from the MLI website: www.macdonaldlaurier.ca

Subscriptions: \$39.95 per year, single issue, \$6.95.

The contributors to this publication have worked independently and are solely responsible for the views presented here. The opinions are not necessarily those of the Macdonald-Laurier Institute, its Directors or Supporters.

ISSN 1929-9095 (Print) | ISSN 1929-9109 (Online)

Inside Policy: 8 York Street, Suite 200, Ottawa ON, Canada K1N 5S6, PH; 613-482-8327

Editor's message



Welcome back. Sort of. We expected by now that we'd be enjoying the fruits of the fall parliamentary session. But, with the PM's move to prorogue parliament, parliament is at a standstill and wordsmiths — and hopefully policy-makers — are crafting a Speech from the Throne that will almost certainly take us through to the next general election.

In this issue of *Inside Policy*, international risk management consultant Roger Robinson sounds the alarm over the complacency of Arctic Council members as China steps up its efforts to assert control over strategic areas in the north. Calling it a “long con,” Robinson suggests Beijing's Arctic strategy is underpinned by the initial use of soft power to attain its regional objectives.

Stanley Hartt has some advice for the prime minister on how to improve the public service. He recommends that Stephen Harper take a page from Brian Mulroney's playbook and recruit from the worlds of business, law and academia in order to enhance and complement the senior ranks of the public service. Hartt was enjoying a successful career at Stikeman Elliott in the 1980s when he and several others were persuaded by Brian Mulroney to bring their wisdom, skills and experience to the public service.

In “Medicare's Midlife Crisis,” the Macdonald-Laurier Institute's ambitious series of commentaries and research papers, the Institute is examining the challenges facing Canada's health care system — including the enormous and ever-growing financial strain on provincial treasuries — and asking Canadians to open their minds to considering major reforms to how the system works. Noting that the 2005 Supreme Court decision on *Chaoulli* meant that the status quo is no longer a legal option (because lengthy delays for care is tantamount to failure to provide essential health care), health sector lawyer Michael Watts explores the limits of the *Canada Health Act*. Watts finds that the Act does not pose the barrier to reform that we have been led to believe it does and issues a call to politicians and vested interests to engage in an honest and responsible debate rather than hiding behind the CHA when faced with calls for change.

We also have an insightful piece by medical research experts David Hill, Vassilios Papadopoulos and Tina Saryeddine who outline a plan to bring more clinical trials to Canada. The authors note that while Canada has great science, other countries have been more nimble at initiating trials and reaping benefits which include patient access to leading-edge drugs and devices, economic benefits and keeping researchers at the forefront of clinical innovation.

As you'll see from the list to the right, there are plenty of other interesting and relevant topics explored in this issue. I will continue to welcome readers' suggestions for topics to explore in future issues.

James Anderson

Contents

- 4** **China's “Long Con” in the Arctic**
Roger W. Robinson, Jr.
- 8** **Is inequality a problem worth fixing?**
Philip Cross and Ian Lee
- 10** **PM should draw from worlds of business, law and academia to enrich Canada's public service**
Stanley H. Hartt
- 13** **Evaluating the worth of a university degree**
Brian Lee Crowley
- 14** **Why Canada's financial news is often a thinly disguised weather report**
Philip Cross
- 18** **Debunking the Myths: A Broader Perspective of the Canada Health Act**
Michael Watts
- 22** **Quebec charter wrong in execution, not principle**
Brian Lee Crowley
- 24** **Reclaiming Canada's capacity to attract the human, social and economic benefits of clinical trials**
David Hill, Vassilios Papadopoulos and Tina Saryeddine
- 28** **How are your wages growing?**
Linda Nazareth
- 30** **We need a better Senate**
Brian Lee Crowley
- 32** **The plight of the middle class is not as bad as painted**
Brian Lee Crowley
- 34** **MLI Leading Economic Indicator**
Philip Cross



Photo: Shutterstock

China's "Long Con" in the Arctic

International risk management consultant Roger Robinson sounds the alarm over the complacency of Arctic Council members as China steps up its efforts to assert control over strategic areas in the north. Robinson suggests Beijing's Arctic strategy is underpinned by the initial use of soft power to attain its regional objectives and writes that it is no coincidence that China has directed its attention to the "low-hanging fruit," which, in this context, means Greenland (and Denmark), Iceland, and other Nordic member states of the Arctic Council.

Roger W. Robinson, Jr.

When the *Yong Shen* recently concluded its voyage along the North Sea Route (NSR) to Rotterdam, it made history as the first Chinese cargo ship to travel from Pacific to Atlantic in this manner, saving thousands of kilometres in travel distance compared to traditional routes.

Russia's president, Vladimir Putin, has proclaimed that the NSR will emerge as a direct rival to the Suez and Panama canals in the near future. China appears to agree; it stands to save \$60 billion to \$120 billion US a year in trade-related costs by crossing through the Arctic.

The passage of the *Yong Shen* provides us with an overdue opportunity to scrutinize China's long-term ambitions for the Arctic, and to consider what game it is we're playing with the Asian giant.

Estimated to possess some 30 per cent of the world's untapped natural gas, 13 per cent of its undiscovered oil, 40 per cent of its natural minerals and sea-based resources, and one of the world's most promising fishing grounds, the Arctic region has become a strategic prize in China's global quest for resources and Asia-Pacific hegemony.

Indeed, Beijing is willing to "buy" territories or governments with an Arctic presence to advance its standing in this rising theatre of operations.



Part of China's strategy is based on a term of art used in the confidence racket — the “long con.” This term is used when a “con man” (or entity) makes a sizeable investment of capital, executive time, and energy over an extended time period to engage his victim's (the “mark's”) trust in order to achieve a far more valuable “score” at the end of the scheme.

In China's case, being granted observer status at the May 2013 Arctic Council meeting in Kiruna, Sweden — after having been “deferred” twice — represented an important milestone in slipping into the tent of the leading governing body of one of the largest strategic resource and transportation “finds” of our time. Beijing's state-owned enterprises (SOEs) are more than willing to play along with the Council's focus on the environment and sustainable economic development — for now.

Security-minded analysts should be concerned that China's true intention is to position itself to influence heavily, if not outright control, the awarding of select Arctic energy- and fishing-related concessions as well as the rules and political arrangements governing the use of strategic waterways now gradually opening due to melting ice. In order to preclude this possibility, member states engaged in discussions regarding Arctic development ought to conduct discreet counter diplomacy, ensure competitive bidding and good governance, insist on commercial fairness, demand “know your customer” diligence, and conduct appropriate military planning.

Beijing's Arctic strategy is underpinned by the initial use of soft power to attain its regional objectives. Science and resource diplomacy and active engagement in multilateral institutions are already playing a large role in this “long con” in the so-called High North. The Chinese navy (PLA Navy or PLAN) is at the helm of several of the country's seemingly benign Arctic initiatives. It is hastily constructing the ca-

pability to operate in the harsh polar environment. This includes a fleet of “dual-use” icebreakers (with both civilian and military applications), aircraft equipped to fly in inhospitable weather, and reinforced bulk carriers and tankers that can navigate dangerous Arctic waters.

It is almost certain that China will eventually deploy submarine patrols and surface warships in Arctic waterways for surveillance and peaceful “exercises” such as search and rescue. Using its icebreakers as a soft power calling card, Beijing will be actively looking for one or more friendly ports on the Arctic perimeter. China's unsuccessful gambit to purchase some 300 square kilometers of Iceland's northern coast, — ostensibly for a golf resort — may have represented such a foray. An Arctic naval presence would protect Beijing's “regional interests” and multiply its options should it need to confront Canada or the US in the region.

Fortunately for Beijing, China has “friends,” first among them Russia. The Russians have sovereignty over the bulk of Arctic resources. The North Sea Route runs predominately adjacent to Russia's coast. Beijing's billions of dollars in cash infusions will likely overwhelm any naysayers in the Kremlin or military who suspect that China will ultimately turn on Russia in its Far East and perhaps elsewhere. Accordingly, Russia could well serve as the principal gateway to the Arctic that Beijing has been searching for.

China's long con involves lulling the Nordic and other Arctic states into a sense of security, commercial benefit, and complacency. It does this by moving in its large SOEs with offers to underwrite ambitious projects with long-term, low-cost financing, often on an up-front basis. China then asserts its intention to be a responsible steward of the environment and sensitive to the Arctic's delicate ecosystems; it conducts an elaborate diplomatic and lobbying campaign that involves buying “friends” (i.e., corporate heads, land owners, politicians, reg-



ulators, key bureaucrats, and so forth) and influencing government policy makers; it consolidates its strategic positioning in the country quickly, in large part through being perceived as a job-creating, generous, responsible, and enthusiastic friend and partner to industry, society, and the host government; it imports “boots on the ground” (e.g., bringing in thousands of Chinese workers to Greenland to create a mini colony at the worksite); and it employs its leverage at key junctures (after a certain “grace” period of having asked for little) to secure its strategic, military, commercial, and diplomatic objectives.

This discernible pattern of behaviour has even greater prospects for success when romancing smaller countries or territories that have very limited financial and other resources. It is, therefore, no coincidence that China has directed its attention to the “low-hanging fruit,” which, in this context, means Greenland (and Denmark), Iceland, and other Nordic member states of the Arctic Council.

China has found a friend in the Self-Rule Authority of Greenland (granted by Denmark in 2009), where it is hoping to invest \$2.3 billion USD in a large, British-led iron-ore mine close to the ice sheet. Until 2009, Denmark provided some 50 per cent of its territory’s annual budget (\$1.2 to \$1.3 billion USD). The end of this subsidy made Greenland desperate to attract foreign investment and an easy “mark” for China’s long con strategy.

Greenland is estimated to harbour 10 per cent of the world’s unproven oil reserves and 30 per cent of its unproven gas reserves under its rapidly shrinking ice sheet, as reported by *Ice News* on November 14, 2011. Greenlanders claim that their Kvanefjeld mineral deposits could provide some 20 per cent of the global rare earth elements (REEs) and large amounts of uranium when production comes on line in 2016. China’s existing 95 per cent monopoly on the sale of REEs makes snapping up this would-be competitor something to salivate over. When this possibility alarmed the European Union, it

pleaded with Greenland’s leadership not to sell. Greenland’s reported response: “Greenland is open to investments from the whole world.”

It requires only a small leap to imagine China “calling in the chits” with the Self-Rule Authority to demand the ability to install a signals-intelligence facility or construct a deep-water port that could accommodate PLAN naval “visits.” These are the kinds of longer-term pay-offs that China has in mind with its Arctic long con.

When reviewing China’s influence attempts in Iceland, starting with the polar golf resort caper is irresistible. In 2011, Chinese billionaire, Huang Nubo, requested permission from the Icelandic government to purchase some 300 square kilometres of property on Iceland’s wind-swept north coast, ostensibly to build an ecotourism golf resort. There was also a rumoured association between Mr. Huang and the People’s Liberation Army (PLA) at the time. To date, this initiative has not moved forward. This setback did not slow China’s enthusiasm for a significant stake in the financially beleaguered country’s economic future. That same year, it concluded its first-ever Free Trade Agreement with a Western country there. It also built an outsized embassy in Reykjavik that can reportedly house more embassy staff than the entire employment roster of Iceland’s Foreign Ministry.

On the business front, China National Offshore Oil Corporation (CNOOC) has already announced a partnering agreement with Iceland’s Eykon Energy Company to explore for oil off that country’s Southeast coast and to cooperate in developing geothermal resources.

As Chair of the Arctic Council from 2013 until 2015, Canada should take careful note of China’s methods and tactics in securing attractive projects and stakes around the Arctic perimeter, as it can expect similar approaches to its government and private sector firms. This strategy was on vivid display in Ottawa during the course of the \$15.1 billion (CDN) acquisition of Nexen by CNOOC in December 2012.

Clearly, Canada, the US, and hopefully other Arctic member and observer states (such as Japan) will resist being bulldozed into unwise concessions that advance Chinese strategic goals in the Arctic. As China surges ahead with its Arctic ambitions and the larger pay-offs associated with its long con diplomacy, it is reasonable to expect that it will begin to show its true hand as early as 2014-15. In the meantime, Beijing will likely move briskly to acquire or otherwise secure key pieces of its desired Arctic architecture

How can we avoid being conned? Canada and the US should step up their *démarches* to the Nordic member states and Greenland on the China gambit as early in this process as possible. The aim is to improve awareness concerning the political, environmental, commercial, and broader strategic risks attendant to repeatedly acceding to Chinese demands and/or supporting China's initiatives and positions in the economies of the northern states and other fora.

It was heartening to learn that in 2012 European Commission Vice President Antonio Tajani, flew to Greenland with reportedly hundreds of millions of dollars in development aid to exchange for a pledge not to grant China exclusive access to the territory's REEs.

Such proactive, pre-emptive diplomacy and resource/waterway understanding can spare countries and the region a great deal of wear and tear over time, particularly after the con has been exposed, and competition in the Arctic becomes more bare-knuckle political combat. Canada also tasted what is likely to come when it noted China's reluctance to recognize Canada's sovereignty over the Northwest Passage.

The Arctic states should continue signing declarations and other understandings in much the way the 2008 Ilulissat Declaration dealing with peaceful dispute resolution was released. Such joint actions symbolically and substantively serve as an important reminder that the core states can and will take what appropriate and necessary steps may be necessary to protect, manage, and preserve Arctic resources, waterways, and ecosystems.

There should also be a concerted effort by "core" Arctic players to institute or, at minimum, encourage competitive bidding for major Arctic-related contracts to avoid the kind of sole-source bids Beijing has in mind. To the extent that China's government-subsidized fi-

ancing terms are so generous as to be predatory, it could be taken before the World Trade Organization or other venues for adjudication and public scrutiny.

As discussed above, there is likely to be a prominent "hard" dimension to China's Arctic strategy that demands increasing attention and concern among the military and security establishments of the circumpolar states and observer states, such as India and Japan. China's polar-equipped military build-up directed toward the Arctic sea-lanes and territories cannot be ignored. Table-top exercises among key allies like Canada, the US and Japan are simply a must; designed to game-out the planned architecture of Beijing's Arctic influence attempts (both hard and soft) and PLAN's likely deployments, should tensions rise.

China brings all its instruments of national power to bear on its targets — even the most frail and small — for "negotiations". There need to be countervailing pressures available among Arctic allies (whether or not Russia cooperates), especially with respect to Greenland and Iceland.

Currently, China could inflict real hardship on this sensitive region, should it overestimate its military prowess and make a reckless, PLAN-driven move that disrupts the regional status quo (for instance, a naval show of force).

The recommendations outlined above are not designed to suggest that business can't be sensibly or safely done with Chinese entities in, or near, the Arctic. They are rather intended to point out the special risks that accompany doing business with SOEs that are often serving as forward-deployed assets of the PLA and the security services.

The complacency and compliance of several Arctic Council member and observer states that are the objective of China's long con need to be replaced with healthy doses of vigilance, security-minded due diligence, and hard-headed realism concerning the Chinese purveyors of seemingly richly rewarding resource development and transportation opportunities.

We need to let them know that we're on to them. ❄️

Roger W. Robinson Jr. is President and CEO of RWR Advisory Group LLC, an international risk-management consulting firm in Washington, D.C.



MACDONALD-LAURIER INSTITUTE

A SERIES OF FOUR PROVOCATIVE DEBATES EXPLORING SOME OF THE MOST COMPELLING ISSUES TO CANADIANS.

Join us on October 24 for a debate on ethical oil.

For more information or to purchase tickets visit: www.macdonaldlaurier.ca/events



Is inequality a problem worth fixing?

MLI senior fellow Philip Cross and Ian Lee, assistant professor, Sprott School of Business, Carleton University, examine the issue of income inequality and find that conventional measures are inadequate. They argue that society recognizes some inequality is not just acceptable, but is fundamental to economic growth and suggest that the onus is on advocates of more government intervention to demonstrate that the benefits of greater equality would outweigh the costs.

Philip Cross and Ian Lee

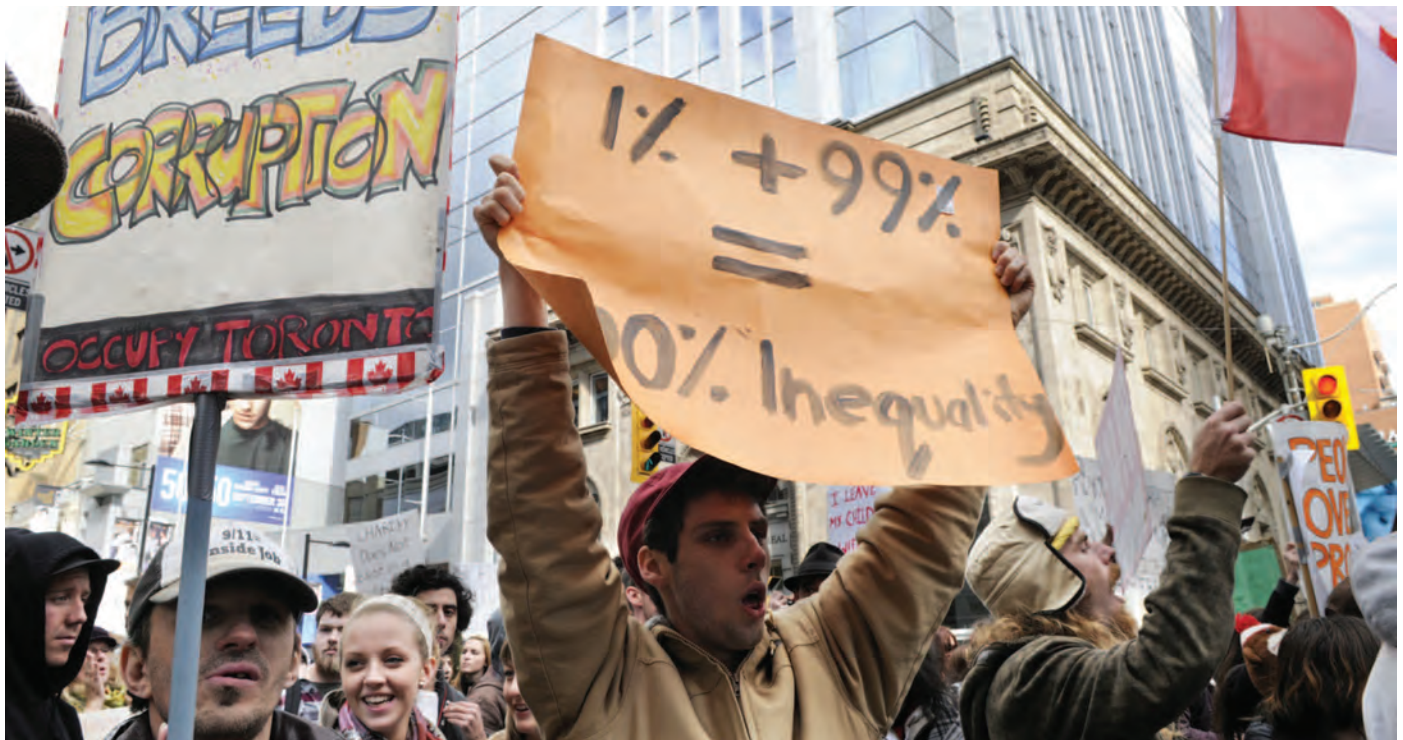
The University of Ottawa's Miles Corak recently studied the possibility that increasing income inequality could be transmitted across generations. The analysis is questionable on a number of grounds. We will start with some data issues, and then proceed to more philosophical issues surrounding equality.

As discussed in our previous *Globe* article, conventional income measures don't account for changes in the stock of wealth; Richard Burkhauser has shown that doing so erases most of the recent rise in U.S. inequality. Nor does more inequality mean some groups are worse off in absolute terms. It could be that lower and middle incomes increased less than for upper incomes, exactly what happened in Canada after 1998 (most of the data analyzed by Corak ends in 2000,

missing how the next decade favoured blue collar workers in construction and resources).

The data come from surveys of individual disposable incomes. Emmanuel Saez, a leading expert on U.S. income trends, is emphatic that "Survey data cannot get at top incomes well because the surveys have too small samples of top earners to be reliable." Yet the skewness at the top of U.S. incomes drives the narrative. Mr. Burkhauser also has shown that conclusions about income distribution are quite different for the family unit than the data for individuals that most researchers employ. This is important, since it is families that will determine how status is transferred across generations.

Even if income inequality for individuals had risen, there has not been enough time to assess the impact on the next generation. Extrapolating



olating the mobility of previous generations is problematic, especially since today's wealthy have demonstrated quite different attitudes to bequeathing. William Buffett is only the best-known person to pledge their wealth to philanthropy.

More mobility among classes is assumed to be desirable. In practice, what would this imply? No one in the upper class wants their children to slide into a lower class. So advocating more mobility really means wanting a future where everyone rises to the upper class, the ultimate Lake Wobegone world where all the above-average children become above-average adults.

In Chrystia Freeland's book *Plutocrats*, the portrayal of the rich shows they don't come from privileged backgrounds, but earn their income from technical expertise. The wealthy depicted in *Plutocrats* work so hard, they rarely see their children, which helps explain why they spend to make up for their absence. Prof. Corak finds the top income quintile spend more to "enrich" their children (time will tell if this is a good substitute for parenting), but only counts private spending by parents, ignoring U.S. government programs like Head Start, universal preschool for kids from low and moderate income families, home visitation under the *Affordable Care Act*, and numerous other government and charitable programs.

Indeed, the portrayal of rising inequality and falling mobility in the U.S. can be interpreted as a damning criticism of the efficacy of these policies to help people escape low incomes. Given their demonstrated ineffectiveness, why would we want more public intervention? Do these policies create opportunity or dependence? The latter clearly undermines mobility, as shown by the failed 1960s experiment with welfare.

The analysis assumes intelligence best predicts education outcomes. Instead, research has shown that a child's 'self-regulation,' or ability

to control their behaviour, trumps everything in terms of school and lifetime outcomes. How will the state control this without dictating how to raise families and instill values in children?

Our society recognizes some inequality is not just acceptable, but is fundamental to economic growth. No one knows the ideal distribution of income or the proper amount of intergenerational social mobility. Nevertheless, redistributionists advocate government should correct the 'problem,' but don't specify how much redistribution they want, nor admit there are limits to what government can achieve.

For example, a child born into poverty hears 30 million fewer words by the age of three, which impacts intelligence. Government programs can narrow this gap, but cannot eliminate it without sitting next to each child and counting the words, the ultimate "Nanny state." Everyone wants the best for children, but what is best is unknown, and our best guess changes over time. Scientists once insisted that formula milk was superior for infants. Today, it is 30 million words and early education. Tomorrow, who knows?

Saying you object to the current income distribution means rejecting the expressed outcome of countless individual preferences — if people buy the products developed by Apple, what right does the state have to interfere?

More income redistribution inevitably dampens economic growth in a society like Canada's. Advocates of more government intervention must spell out all these costs, and demonstrate they are exceeded by the benefits from more equality. ❁

Philip Cross is research co-ordinator at the Macdonald-Laurier Institute and the former chief economic analyst at Statistics Canada. Ian Lee is assistant professor, Sproule School of Business, Carleton University. This commentary was published by The Globe and Mail on August 6, 2013. To read the entire paper visit the Macdonald-Laurier Institute website.



PM should draw from worlds of business, law and academia to enrich Canada's public service

Stanley H. Hartt

One of the first things a new member of the Canadian professional and “permanent” public service learns, whether recruited directly out of university or parachuted into the highest echelons of the nation’s management, is the extraordinary competence, dedication and motivation of the bureaucracy in which we repose the continuity of the business of the State.

The common caricature of overstuffed and meddling officialdom is quickly dispelled by displays of hard work, good will and commitment to the general welfare.

Even newly-appointed Ministers, suspicious of the loyalty of their departmental staffs, particularly after a long stint in office by the “other” party, come to know that they need to rely on their Deputy Min-

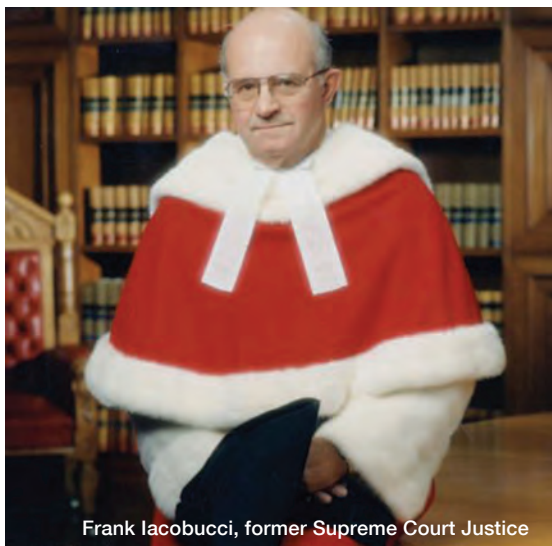
isters and other senior officials who know where the bodies are buried and whose briefing books are the starting point for every Ministerial strategy.

In our system, the permanent departmental executives become skilled at serving whichever political masters the electorate has seen fit to entrust with the responsibility to govern and at adapting the policy initiatives being developed in the bowels of the ministry to the political prerogatives, public declarations and party platform of the Prime Minister and Cabinet.

But, despite an exceptional grasp of the way the private sector works, obtained through multiple contact points with the “clients” of a department, the public service will always unavoidably be missing some insight into private sector decision-making, and its views of, and interaction with, the machinery of government.

Brian Mulroney understood these phenomena very well. So he reached into the worlds of business, law and academia when making appointments to the deputy-ministerial ranks within his government. Frank Iacobucci, a former Dean of Law at the University of Toronto and later Vice-President and Provost of the same institution was made Deputy Minister of Justice. Bruce Howe, a former President and CEO of forestry giant MacMillan Bloedel and later President of the British Columbia Resources Investment Corporation served as Deputy Minister of Western Economic Diversification as well as of Energy Mines and Resources. The author of this essay was similarly drawn from the private sector (Stikeman Elliott) and named Deputy Minister of Finance.

What all of us found was that we were able to bring a perspective to policy-making that rounded out the inputs available from the career public servants. Far from setting ourselves up in opposition to our new colleagues, we knew things that they couldn't possibly have known and they knew things without which we could not have functioned. All in all, the results were pretty good.



Frank Iacobucci, former Supreme Court Justice

This was not the first time, of course, that government had enlisted people with these backgrounds into the public service nor, indeed, into the world of electoral politics. But the practice does not seem to be continuing, and Canada is likely losing the benefit of good people with relevant and important experience who are willing to participate for a time in the management of our government while not necessarily committing to an entire career in the service of our country.

The United States of America has an entirely different system of governance from ours. It would be hard to defend any serious effort to trade our Westminster heritage for the inevitable instability built into their system, very purposefully, by the framers of their Constitution.

Their goal was to ensure that any momentous decision would have to be supported by a large consensus of the population and their representatives in the legislative and executive branches. But while we have adopted fixed election dates from the US model, and are working to find ways to evolve our Senate into an elected and effective chamber, we have not yet mimicked their custom of appointing senior public officials from the ranks of the private sector for a term of office usually limited to the mandate of an elected President.

To be sure, the American tradition of staffing all offices from deputy head of a department down four levels with party loyalists is not one we should adopt. We should never politicize the public administration so profoundly. But the ability of a President to appoint known and competent forces in whom he has the most complete confidence would not, as long as it was limited in scope and extent, weaken the

government of a Prime Minister who availed himself or herself of this option.

Let us look at the example of the diplomatic service: there is always a healthy tension between career diplomats, with expertise hard-earned in the far-flung outposts of the foreign service, or riding a desk at Fort Pearson, and the inevitable handful of very senior diplomatic appointments which every Prime Minister makes to ensure that he has, and the host country knows he has, an envoy in whom he has the highest personal trust and who has direct access to him. It would be hard

to argue that Yves Fortier, Stephen Lewis, Donald Macdonald, Frank McKenna, Michael Wilson, Gary Doer, Fred Eaton, Gordon Campbell, Allan Rock and others were not splendid representatives of their country even though none were career diplomats.

A modus vivendi between the aspirations of full-time career envoys and the occasional designation of a non-careerist personal representative of the Prime Minister has been clearly established. A few at a time, this practice has come to be seen even by Foreign Affairs lifers as additive.

Now, everyone acknowledges that senior deputy ministers run huge organizations with vast budgets exceedingly well. The skills necessary for the management of an important ministry are not so different from those required to run a large and diverse corporation. This is why so many former civil servants have become successful managers in the private sector after their public service careers. Think of Paul Tellier (CN and Bombardier), Derek Burney (CAE), Bob Brown (Bombardier and CAE), Ed Clark (TD Bank Group), Lynton "Red" Wilson (BCE) and so on.

The United States of America has an entirely different system of governance from ours. It would be hard to defend any serious effort to trade our Westminster heritage for the inevitable instability built into their system, very purposefully, by the framers of their Constitution. Their goal was to ensure that any momentous decision would have to be supported by a large consensus of the population and their representatives in the legislative and executive branches.

It should not be too much of a stretch to envisage the mutually-beneficial exchange of talent operating in both directions.

Everyone knows that the current Prime Minister has made at least two attempts to bring leaders from the business world into his inner circle. In 2006, Gwynn Morgan, a business executive with the most impeccable credentials, was named to head a commission which would review public appointments proposed by the government in order to



ensure that competence was the primary basis for the nomination. This appointment ran into strenuous political opposition (at a time when the Conservatives were governing with a minority) and was withdrawn.

The second try at introducing private sector talent to the decision-making process of government is still unfolding. Nigel Wright is one of the brightest and most experienced business minds in this country and his nomination as Chief of Staff to the Prime Minister augured nothing but good for the availability to the government of his discernment gained over a stellar career in management. At the time of this writing, the full explanation of what, if anything, went awry is not available, but the principle of injecting a mighty dose of practical business experience into the halls of power remains sound.

After naming several outsiders to Deputy Ministerial posts and following the departure of two senior civil servants, Brian Mulroney convened a meeting of all deputy-level members of the public service in the old Cabinet room on the fourth floor of the Langevin Building. He made the point that they were appointees of the Governor-in-Council and not of the minister they served, that they had a direct obligation to the Prime Minister to ensure that he and his advisers in the Privy Council Office were up-to-date at all times with all material developments within their departments, and that he and his Ministers relied on them totally, had confidence in them and could not possibly function without them.

He finished with a story of a Minister who did not fully appreciate the interaction of Cabinet-level officials with their public service advisers. The Minister made life difficult for officials, not giving them face-time to discuss the issues the department was grappling with, and making decisions without consulting or informing them.

One day, the Minister was due to give an address on the occasion of an announcement having to do with his portfolio. He was duly handed

What all of us found was that we were able to bring a perspective to policy-making that rounded out the inputs available from the career public servants. Far from setting ourselves up in opposition to our new colleagues, we knew things that they couldn't possibly have known and they knew things without which we could not have functioned. All in all, the results were pretty good.

his text and, after reading the homilies about how glad he was to be wherever he was, and how important his announcement would be, he turned the page to find a blank page reading “You’re on your own now, hotshot.”

The point was that Ministers and officials work together in a seamless symbiotic relationship in which each needs the other and if either side is not pursuing the same goals, the system fails. The point is equally valid whether the Deputy Minister happens to be one who emerged from the ranks of thousands of talented administrators within the government or, coming from the experienced and proficient cadres of the business world, has put his hand up to be of service to his country for the time being. ❁

Stanley Herbert Hartt, OC, QC is a lawyer, lecturer, businessman, and civil servant. He currently serves as counsel at Norton Rose Canada. Previously Mr. Hartt was chairman of Macquarie Capital Markets Canada Ltd. Before this he practised law as a partner for 20 years at a leading Canadian business law firm and was chairman of Citigroup Global Markets Canada and its predecessor Salomon Smith Barney Canada. Mr. Hartt also served as chairman, president and CEO of Campeau Corporation, deputy minister at the Department of Finance and, in the late 1980s, as chief of staff in the Office of the Prime Minister.

Evaluating the worth of a university degree

Brian Lee Crowley

Student debt and education savings plan. These two issues are on the minds of many Canadians as universities roll into another academic year. Many students are contemplating the debt load they will take on to earn their degree, while parents weigh the forgone income that goes into savings plans for postsecondary schooling.

This is a good time, then, to examine whether the investment pays the return that universities say it does. Borrowing money to eventually earn more makes sense, but as the last recession drove home, returns may disappear while debt remains.

There isn't enough room here to look at the full range of costs and benefits of a university education, but there is time to look at two. Let's start with the argument that universities are uniquely capable of equipping people to succeed economically, to become desirable professionals and employees who earn a good, secure income.

Graduates, as university presidents argue, earn at least \$1-million more over the course of their working lives than non-graduates. This, however, is only an average, misleadingly masquerading as a general rule. Far too many grads don't even come close.

The idea that university best equips a person to be a successful worker is a "testable proposition" — a discoverable fact. Oddly, however, universities often fail to inquire about the job market success of their graduates. This is doubly odd considering how devotedly schools track their former students as potential donors.

Could it be that universities benefit from making unsubstantiated claims about their economic impact on students?

The information that does exist often looks only at the performance of a school's graduates and does not count what happens to its dropouts. That's like trying to assess a doctor's competence while ignoring the patients who didn't survive his care. Given the billions of dollars handed over to universities every year by students, parents, donors and governments, schools should be held accountable for this basic piece of information.

U.S. President Barack Obama made many suggestions recently about postsecondary education, such as punishing schools for low graduation rates. Some of his ideas may be questionable, but he is on to something when he says schools should be obliged to furnish data about the job readiness of their graduates. Unlike graduation rates, which can be manipulated by lowering academic standards, a student's job performance depends on decisions by employers, who are independent of universities and are damaged by hiring poorly trained grads.



The time has come to demand this information from Canadian universities. Such information would likely show (as a recent British study did) that the school you attend is only marginally important, but your program of study matters a lot. On the whole, accountants and engineers get jobs; those with degrees in sociology or film studies have a tougher time.

Supply and demand matters as well. The demand for graduates is not infinite, so the huge expansion of university education in recent decades has diluted the earning power of graduates. Surely this is information every student and parent should have in order to be informed consumers of higher education.

Not so fast, say supporters of the status quo, when asked to prove the claim that a university degree confers economic success; they say that to have such crass job market expectations of universities is to misunderstand their noble and non-economic mission to develop young minds.

This, too, is a testable proposition. It is possible to test students' abilities ("cognitive skills") and measure whether four years in the hands of university teachers demonstrably improves the average student's ability to think (full disclosure: I am a recovering academic).

Judging by a study undertaken over several years in the United States, the discoverable fact is, distressingly, that there is little or no such measurable improvement (you can read all about it in a 2011 book, *Academically Adrift*, by sociologists Richard Arum and Josipa Roska). The experience of Canadian students may be different, of course, but it seems exceedingly unlikely and the damning fact is that we don't know.

Academics often fancy themselves as selfless truth seekers in a self-interested world. They would be more credible if they clamoured to shine the spotlight of truth on themselves as well. ✪

Brian Lee Crowley is the managing director of the Macdonald-Laurier Institute. This column originally appeared in The Globe and Mail on September 5, 2013.



Photo: Shutterstock

Why Canada's financial news is often a thinly disguised weather report

In a Financial Post op-ed, MLI senior fellow Philip Cross recently noted that in a typical September GDP in Canada is 10% above the seasonal low in January. Noting that there is no country where seasonality has a bigger affect than in Canada, Cross explains why there is no country where removing it is as important.

Philip Cross

September is always Canada's busiest month. Economic activity reaches its peak every year in September, as measured by the total value of all we produce. As a result, GDP in a typical September is 10% above its seasonal low in January.

This is startling volatility compared with what Statistics Canada reports in its seasonally adjusted data after removing the recurring seasonal peaks and valleys from the data. In those numbers a 1% monthly change would leave any economist's mouth agape.

There are very good reasons why the country's statistical over-

lords — of which I was one for many years — attempt to sterilize the affects of seasonality. If change was always explained away by the affects of the weather, then decision makers of all types, from investors to business leaders to statistical agencies, would never have even a modicum of certainty about the economy.

And since there is no country where seasonality has a bigger affect than in Canada, there is no country where removing it is as important.

These efforts create two, almost contradictory, issues. There is the fairly cosmetic problem that most Canadians only get a statistical view of their economy, and it's one that is far different from reality.

The more troubling issue is that seasonal effects are so vast, and the removal so imperfect, that even the adjusted figures can often give us a distorted view of longer-term economic health.

The seasonal reality

First off, here is a snapshot of what your economy really looks like.

In reality, Canadians produce more in September for several easily understood reasons. Summer vacations are over for most people, marking a return to work for those who take a holiday break in July and August (the full-time equivalent of nearly four million Canadians are on vacation in these two months). The school year throttles up for everything from kindergarten through university, involving millions of students, teachers and administrators. On the farm, harvesting is at its peak and processing those goods into the food chain is underway. And wherever work is done outdoors — a growing segment of our economy due to the boom in the resource and construction industries over the past decade — there is a rush to complete projects before the inevitable slowdown due to colder weather.

Economic activity begins to decelerate as the days get shorter and colder. This seasonal slowdown is gradual until the new year, with November and December receiving a big boost from consumer spending and travel related to Christmas. Once the new year begins, however, much of the economy goes into hibernation, with a typical drop of 5% in economic activity, led by a 20% freefall in retail sales.

The economy quickly expands with the arrival of spring as outdoor projects gear up, transportation links thaw out, auto and housing sales hit their seasonal peak in May, and farmers plant another crop. The summer doldrums soon arrive, and economic activity in July is even lower than in February as a result of vacations and the end of the K-12 school year. The seasonal cycle then repeats itself in September.

In practice, seasonal effects are hard to measure. There is no uniform seasonality in all industries, with their patterns varying widely from one to another. Retailing and construction see a seasonal low in January, but the cold weather that freezes spending in these industries is a boon to demand for electrical utilities. Auto sales peak in May, ahead of the summer driving season, but plunge in December when other retailers see peak sales.

Moreover, seasonal effects are not just weather-related, important as climate is for a country like Canada. Seasonality also includes what are called institutional effects, like Christmas or summer holidays. Even the varying number of days from month to month affects sales in most businesses.

Further complicating matters, seasonal patterns change over time. Christmas has become slightly less important to Canadian shoppers, partly because gift cards shifted spending from December into January and February. The recent adoption of Family Day in several provinces resulted in the loss of a full day's business in

"In practice, seasonal effects are hard to measure. There is no uniform seasonality in all industries, with their patterns varying widely from one to another. Retailing and construction see a seasonal low in January, but the cold weather that freezes spending in these industries is a boon to demand for electrical utilities. Auto sales peak in May, ahead of the summer driving season, but plunge in December when other retailers see peak sales."

February. New materials allow more construction work to continue in winter.

Only the major economic indicators like unemployment, retail sales and GDP are seasonally adjusted. Social and demographic data such as crime or births have seasonal patterns, but they are not seasonally adjusted. This is because it is more pressing for analysts to identify short-term shifts in the economy than it is to pinpoint social or demographic changes, which are driven mostly by long-term trends.

Dealing with seasonality

Because seasonal influences are ubiquitous in our economy, people have developed various methods to account for seasonality.

Businesses for centuries have created ways to deal with predictable, recurring seasonal fluctuations. For centuries, futures markets have allowed farmers to lock in their harvest price before they planted in the spring, while buyers in flour mills could plan on their purchase price. Prices in futures markets would then fluctuate over the summer as it became clear how good the crop would be.

The business community knows that comparing first-quarter sales at a retailer with the fourth quarter always results in a sharp drop in sales, due to Christmas. This gives a misleading reading of the underlying trend of business. To remove seasonal effects, almost all firms report their business performance by comparing with the same quarter a year earlier. However, this too has pitfalls. Were last year's results distorted by delayed shipments by a supplier, or by Easter falling in March instead of April?

Statistical agencies like Statistics Canada also try to remove the impact of seasonal patterns. This involves complex estimates of recent seasonal patterns and adjusts for things like the number of days in a month. Saying housing starts rose 2% in January means the unadjusted data fell 18% instead of the usual 20%, something that the slightest change in weather can easily produce.

These complex estimates cannot remove all seasonal patterns from the data, as they are bedevilled by the same problems firms face in making their year-over-year comparisons. Seasonal adjustment only removes average weather, and as most people know from their everyday experience, weather in Canada rarely equals its long-



Photo: Shutterstock

term average. Partly, that is because North America, unlike Europe, has few geographic barriers to block air masses from moving rapidly north or south.

More importantly, seasonal patterns change over time. In the uproar over the July drop in employment in Canada this year, it went largely unnoticed that this was the fifth time in the last seven years that education jobs have disappeared in July, partly due to changing human resource strategies at school boards. It takes years for a new seasonal pattern to be incorporated into the calculation of seasonal factors, but only moments for the news media to become hysterical over the latest data point.

By itself, seasonally adjusted data from statistical agencies rarely reveals the underlying trend of the economy. This is partly because there is always some residual seasonality in the data. Since seasonal swings of 10% or more are routine, a small error in estimating seasonality can easily produce results in which residual seasonality swamps all other signals from the data.

More importantly, seasonal patterns change over time. In the uproar over the July drop in employment in Canada this year, it went largely unnoticed that this was the fifth time in the last seven years that education jobs have disappeared in July partly due to changing human resource strategies at school boards.

The first task of analysts evaluating the latest data point is to try and remove the residual seasonal influences that remain in the data. The game then becomes sorting out the mix of other irregular factors unrelated to seasonality that buffet the economy, to boost the ‘signal’ of

what the true underlying trend is relative to the ‘noise’ of events that aggravate the volatility of the economy.

By itself, seasonally adjusted data from statistical agencies rarely reveals the underlying trend of the economy. This is partly because there is always some residual seasonality in the data. Since seasonal swings of 10% or more are routine, a small error in estimating seasonality can easily produce results in which residual seasonality swamps all other signals from the data.

A wide range of these irregular factors knock the economy around from month to month, reflecting everything from the timing of the latest blockbuster film/videogame/cellphone release to labour disputes. Another example of volatility is how the arrival of one ultra large oil tanker on the first day of a month instead of the last day of the previous month can shift \$500-million of imports from one month to the other.

The essential point is that readers should be suspicious of any report claiming that the economy has changed drastically based on one report or datapoint. Most likely, you are really reading a weather report, thinly-disguised as financial news. Given the outsized importance of seasonality in the Canadian economy, people should be aware of this when listening to stories that breathlessly claim the latest numbers reveal a new emerging trend. ❁

Philip Cross is research co-ordinator at the Macdonald-Laurier Institute and the former chief economic analyst at Statistics Canada. This commentary is a slightly updated version of his Financial Post op-ed published on August 30.

CREATING BETTER WAYS TO MOVE THE WORLD



Cities are the world's future. By 2050, more than 70 per cent of the global population will live in an urban area. But the success of these expanding social and economic hubs rests on re-defining the way people move within cities and between them: We need smart transportation networks that offer inter-connected mobility - fast, efficient and seamless connections.

Let's get moving.

BOMBARDIER
the evolution of mobility



Debunking the myths: A broader perspective of the Canada Health Act

In “Medicare’s Midlife Crisis,” the Macdonald-Laurier Institute’s ambitious series of commentaries and research papers, the Institute is asking Canadians to open themselves to considering major reforms to how our health care system works. Though it has become increasingly clear that Canadians are getting sub-optimal results from a system that is placing an enormous and ever-growing financial strain on provincial treasuries, timid politicians and vested interests are all too often content to hide behind the Canada Health Act (CHA) when faced with calls for change.

In order to properly contemplate real innovations, we must shed our illusions about what is and what is not possible. Michael Watts suggests that the Chaoulli decision (Supreme Court of Canada, 2005) meant that the status quo is no longer a legal option — in other words, lengthy delays for care is tantamount to failure to provide essential health care. If the government does not insure a medically necessary service, then it should not prohibit the person from paying for the service. In Watts’ view, Chaoulli was confirmation that the Charter provides protection against government inaction. Against this backdrop, Watts explores the limits of the CHA and finds that the Act does not pose the barrier to reform that we have been led to believe it does. Presented below are the Introduction and Conclusion sections of Michael Watts’ paper.

Michael Watts

As a brief piece of legislation, with narrowly-tailored applicability and limited enforcement powers, the *Canada Health Act* (CHA or the Act) has taken on enormous proportions in the minds of Canadian citizens and their political representatives. Indeed, it has become a symbol that defines what it means to be Canadian and this symbolic status tends to obscure — or at least distract from — the reality of the Act's provisions.

Over the years, the Canadian public has been subjected to far too much disingenuous commentary from political actors regarding the CHA. Politicians who have challenged the status quo have frequently found themselves vigorously attacked by the self-proclaimed defenders of Canada's public health care system. Those bold politicians who have ventured to suggest that innovations or fresh approaches need to be considered have been accused of selling the universal health care system down the river, without due regard to the substance of their suggestions or proposals.

Politicians who suggest innovation in health care are not given a fair hearing.

On January 21, 2002, when the Liberal Party was in power, *The Globe and Mail* reported that then-Deputy Prime Minister Anne McLellan said she had no problem with the introduction of private hospitals in the country, so long as provinces continue to respect the principles of the CHA.

In a CTV News interview on April 27, 2003, then-Prime Minister Paul Martin expressed the view that provincial experimentation was acceptable:

"In terms of private delivery, I think it has got to be judged on a case-by-case basis which is permitted under the Canada Health Act. The fact is a substantial portion of our system is already privately delivered...I certainly would not allow anything that would damage the essential foundations of our healthcare system. But I think that obviously provincial experimentation, best practices, that's the kind of thing that I'm sure the Health Minister will look at."

On April 27, 2004, then-Federal Health Minister Pierre Pettigrew, appointed to the post by Paul Martin, offered the following comments to the Standing Committee on Health:

"in recent years, differences of opinion as to how to interpret the [CHA's] provisions, and inconsistent enforcement of its requirements, has resulted in growing confusion and uncertainty as to what the Act does and does not allow...I do believe we have a responsibility to clarify its practical meaning in today's terms."

With growing interest among the provinces to experiment with new forms of health care delivery, we need to ensure that the ground rules for doing so are clearly defined, and that these experiments are closely monitored through a public interest lens.

We know the public administration principle of the CHA already provides flexibility on private delivery, but we may need more work to ensure our respective approaches continue to honour

the purpose of the Act." (Parliament of Canada, Standing Committee on Health, minutes of proceedings)

If some provinces want to experiment with private delivery options, my view is that as long as [provinces] respect the single, public payer, we should be examining these efforts and then compare notes between the provinces." (Report by Mary Gordon, Toronto Star, April 28, 2004)

It's up to the provinces to explore...ways of delivering [health care] but...the public administration [principle] does not say everything has to be state-owned." (Report by Mary Gordon, Toronto Star, April 28, 2004)

Pettigrew's point — that there was room to manoeuvre and experiment with innovation even while respecting the CHA — was factually correct and should have been well-understood and appreciated. Despite that, opposition politicians were quick to jump on the comments and the media did nothing to help clarify matters during the ensuing political firestorm. One news report went so far as to suggest that Pettigrew's statement signalled a move in the direction of two-tier medicine, and the newspaper used a front page headline which boldly proclaimed that the Liberals were stealing a page from the Conservative handbook.

With an election in the offing, the Liberal PMO of the day found itself on the defensive. A carefully worded clarification was offered in which the Minister did not revise his interpretation but stressed that the Liberal Party was solidly behind the CHA and not in favour of private delivery of health care services. The media and the opposition saw the stage-managing as evidence of confusion, panic, and backtracking. With that, the attempt to have an honest debate about the CHA was shelved once again.

Since then, no federal politician has dared to go as far as Pettigrew did in 2004.

It is not as if none of today's politicians have a view: back in 2001, when they were members of Michael Harris's Conservative government in Ontario, Tony Clement and Jim Flaherty had each mused about being open to the notion of health care user fees. Former Alberta premier Ralph Klein and his health minister Gary Mar invested considerable time in developing a new model for health care (the 2001 Mazankowski report, entitled "A Framework for Reform"), but when their resulting "Third Way" proposals began to cause problems for their federal Conservative cousins during the lead-up to the June 2004 general election, Premier Klein deep-sixed any detail regarding the province's plans until after the election.

The result was that critics accused both the provincial and federal Conservatives of having a hidden agenda to encourage the growth of a private health care system.

Stockwell Day, as leader of the newly created Canadian Alliance, was effectively villainized — entirely disingenuously — by his political opponents over his alleged support for two-tier medicine. After witnessing the political demolition of Day and the reaction to Pettigrew's honest and apparently too frank assessment of the CHA



it is not surprising that Clement, Flaherty, and other members of Stephen Harper's cabinet who may have expressed such views on our health care system in the past have lost their voice.

Once they are retired, however, politicians are less constrained and more candid. In 2011, Stockwell Day authored an insightful commentary on the topic. Day found it ironic that just as caution on the subject was reaching new heights, never had the need for discussion been more evident.

Every elected person understands full well that she risks banishment or ostracization by her party, her constituents, and maybe even family members should she dare touch the Holy Grail of Canada's supposedly "free" health care model. Questioning this apparently infallible doctrine that weakly supports our fiscally failing health care system is a career-ending decision in the minds of even the bravest elected members.

There is plenty of evidence to support Day's analysis. The unfortunate result of the disingenuous, poisonous, and hyper-partisan commentary around Canada's health care system is that innovative thinking has been stifled and the voices of well-intentioned and thoughtful politicians and experts have been silenced. In the process, many myths have taken deep root.

Politicians must engage in sincere debate to introduce crucial health care reforms.

If legislators falsely believe that their actions are significantly restricted by the CHA, they will fail to consider and implement essential changes and the consequences will be significant for Canadians.

If Canada is to introduce reforms which are necessary to improve and perhaps even save its cherished health care system, it will be cru-

Every elected person understands full well that she risks banishment or ostracization by her party, her constituents, and maybe even family members should she dare touch the Holy Grail of Canada's supposedly "free" health care model. Questioning this apparently infallible doctrine that weakly supports our fiscally failing health care system is a career-ending decision in the minds of even the bravest elected members.

cial for politicians to stop trying to score political points and engage in a sincere, well-intentioned, and informed political debate. It is some provincial laws which impose the penalties on paying or insuring for insured services, not the CHA. The political imperative not to remove such impediments arises not from the "devil made me do it" threat of sanctions under the CHA, but from assertions that a parallel private system would draw resources away from the public one and lengthen waiting times.

This view is contrary to the majority decision in *Chaoulli v. Quebec (Attorney General)* which accepted evidence that the availability of private health care is more likely to enhance the public health care system than weaken it (*Chaoulli*, 147-149).¹

Politics and public resistance are more of a problem than the myths of the CHA.

A clear, legal reading of the CHA — as well as a factual analysis of its actual impact on provinces since its enactment in 1984 — shows that the Act is far less restrictive with respect to the ability of the private sector to provide medically necessary health care services (whether

publicly or privately paid for) than the Act's reputation would lead people to believe.

It is vital that provincial legislators take a fresh, unobstructed look at what the CHA does and does not allow. The cost of Canadian health care has reached unsustainable levels and the gap between what is medically necessary and publicly insured is widening at an ever-increasing rate. Chaoulli lays a foundation for change within the CHA which, in the author's opinion, has yet to be fully explored.¹ The CHA currently does not address chronic illnesses and aging populations, which are key to the sustainability of Canada's health care system.²

The purpose of this paper is to illustrate that the CHA does not pose the barrier to allowing for a greater role in payments by the private sector and citizens that one has been led to believe. One can foresee that, unless the provincial governments implement a legislative, regulatory, and cultural environment which allows Canadians to purchase medically necessary services that the provinces respectively choose not to insure (such as enhanced medical devices, drugs, and/or procedures), the economic pressures being brought to bear on our primarily provincially-funded public health care system will lead to a serious degradation of the quality of care being offered.

This, in turn, ultimately will offend a basic principal tenet of medicine: informed consent. Various reasons could be identified for this but, in the author's opinion, one important factor is that society's perspective of the CHA has been cultivated by public sector entities, which have a stake in preserving the status quo: a public health care system that is hospital-centric.³

Conclusion

This paper is not intended to provide a blueprint on how to repair provincial health care systems. However, it is imperative that provincial legislators have a clear understanding about what services are required (and, just as importantly, not required) by the CHA. If legislators recognize the flexibility afforded by the CHA and can contemplate reforms with a certainty that provincial actions will not be impeded by arbitrary federal interventions, they will find that there is enormous room for innovative changes that could address not only the provinces' financial difficulties in insuring health care but also the significant quality concerns related to the health care system in this country.

In 2004, an opportunity for an intelligent, thoughtful, responsible, and substantive discussion of an issue that is consistently rated as one of the top priorities of Canadians slipped away when political actors on all sides opted to score points (or play defence) rather than behave like true policy-makers and thought leaders.

If there is to be any hope for responsible action to deal with the health care challenge, we know that real change must and can come from the provinces. Provinces should investigate and address the costly and inefficient incentives that have been created by their own provincial health insurance plans.

It is not in the federal government's jurisdiction (or on its agenda) to engage in or foster (or hinder) any reformation plans. This paper

[note: the complete version is on the MLI website] has outlined a number of areas for potential action, each of which is ripe with possibilities for experimentation of the sort that are not governed at all by the CHA. Most of the obstacles to reform which people perceive to exist in relation to the CHA are not real. Rather, a close look at both the language of the CHA and its historical application shows that the Act allows for a great amount of freedom to experiment and improve the provincial health care systems.

Given the "hands-off" approach suggested by the current federal government, one could argue that it might be reasonable to expect benign federal approval of such innovations. More importantly, given the current financial realities, changes must be made in order for provinces to sustain the provision of publicly administered, comprehensive, universal, portable, and accessible health care to their residents. ❁

Michael Watts is a partner at Osler, Hoskin & Harcourt LLP and Chair of the firm's National Health Industry Group. His practice focuses on providing legal, regulatory and governance advice to the firm's public and private health care sector clients. He provides regulatory opinions and advice to clients in order to ensure that their healthcare initiatives comply with federal and provincial legislation and has been recognized by Lexpert and recently identified by Best Lawyers as Toronto's Health Care 2014 Lawyer of the Year.

Endnotes

1. See the *Health Care Protection Act* (Alberta), Regulation 208/2000 under the *Health Care Protection Act* (Alberta), and Regulation 244/90 under the *Hospitals Act* (Alberta), which allow individuals to be charged for the provision of enhanced health services. Another example of change in the system includes *Best Doctors Canada* (<http://www.bestdoctorscanada.com>), which states that it currently is available to more than five million Canadians (through private insurance policies) and which works with patient's physicians "to provide access to the best medical information available — from additional resources to uniquely educative interactions with top specialists that may not otherwise be available" and helps insured patients to understand and deal with conflicting medical advice. Its "Elite Diagnostic Imaging Service" (<http://www.bestdoctorsdiagnostic.com/index.html>), provides for access to diagnostic imaging tests within 72 hours, with results within 48 hours thereafter, as well as referrals to specialists and access to discounts for out-of-country doctors and hospitals, if necessary.
2. In fact, Canada does not have a single health care "system." Each of the 10 provinces and three territories has its own legislation and regulations governing publicly-insured health care services in their jurisdictions. Additionally, a vast number of health care services are not publicly-insured and, therefore, must be paid for by patients or their third-party insurers. However, for the sake of brevity, the author shall use the word "system" throughout this paper to refer to the general quality of, provision of, and payment for health care in this country.
3. Public-sector unions "enjoy advantages that their private-sector rivals only dream of. As providers of vital monopoly services, they can close down entire cities. And as powerful political machines, they can help to pick the people who sit on the other side of their bargaining table" (*The Economist* January 6, 2011).

Quebec charter wrong in execution, not principle

*In the Ottawa Citizen and Postmedia *pa pers*, MLI managing director Brian Lee Crowley recently wrote that there is a reasonable debate to be had about the limits of personal religious expression by public servants. Unfortunately, Quebec Premier Pauline Marois is not interested in a reasonable debate.*

Brian Lee Crowley

The verdict is in: the English-Canadian commentariat is unanimous that Quebec's proposed Charter of Values is both a stupid and a bad idea, incompatible with a multicultural society.

They are half right. It is a bad idea (and incredibly ineptly handled). It is not, however, a stupid one.

In their justified rush to condemn the PQ's fear-mongering over the survival of the Québécois *pur laine*, these commentators have ignored that there is a legitimate debate to be had about how the private beliefs of state employees can and should intrude on their work.

Danielle Smith's Wildrose Party harmed its chances in the last Alberta election by championing the idea that justices of the peace who were conscientiously opposed to performing gay marriages should be exempted from doing so. What was the objection to such an exemption? Presumably that people who work for the state must be prepared to act on and enforce the state's policies, and be neutral and even-handed in their treatment of all citizens. If the state decides that gays should be allowed to marry, those who work for the state must be prepared to set their private feelings aside and faithfully execute their public duty.

So how far is the state entitled to go in enforcing this neutrality? This is not a stupid question. On the contrary, its importance is magnified in a multicultural society composed of many groups and individuals of widely differing backgrounds and moral assumptions. In those circumstances, the state must be even more scrupulous; it must be neutral and be seen to be neutral. Otherwise government can easily lose its ability to be a trusted arbiter in social conflict and reliable enforcer of the rules.

Nor is it stupid to think that how the servants of the state dress might matter enormously. Drunken brawlers on St. Patrick's Day might be particularly resistant to being arrested by a policeman wearing his Orange Order sash. A feminist might reasonably have reservations about handing her child over to a Muslim woman teacher wearing a veil, fearing that this person would be unable to separate her private beliefs about the role of women from the official equality of the sexes professed by the state. A Tutsi, whose tribe suffered horrific massacres at the hands of the Hutus in Rwanda, might wonder what kind of care he would get from a surgeon who insisted on wearing traditional Hutu symbols.

So a policy that required government workers not to make ostentatious shows of their private beliefs in the course of performing their

public duties could be justified. Nor would this, as many seem to believe, constitute "discrimination." No one is forced to work for the government, and the devout of every religion have activities they are forbidden to engage in.

A pious Catholic wouldn't work in an abortion clinic, a devout Jew could not accept a job that required her to work on Saturdays and an observant Muslim could not work as a bacon taster for a meat packer.

Does that mean these jobs "discriminate" against such people? Not at all. It means that the devout have freely made certain choices that preclude some others. A person unwilling to subordinate their private beliefs to their public duties has made such a choice, understanding that there are both costs and benefits to their beliefs.

But requiring government employees to set aside the symbols of their private selves while on public duty is not the only possible policy consistent with state neutrality.

The Canadian alternative is based on trust, the presumption of innocence and a "least harm" principle. We trust that people who agree to work for the state do so in good faith and with the intention of honouring their duties, and we presume they are doing so until we have evidence to the contrary.

They may then be legitimately disciplined. We regard what they wear as largely immaterial until the individual's behaviour gives us specific reasons to believe otherwise. We try to protect the neutrality of the state in ways that cause the least possible harm to people, including those who work for government. Requiring people to give up symbols of their beliefs does cause them harm, and we seek out alternatives that minimize that harm before hauling out the heavy cannon.

Finally, in this debate motivation matters. Where the Quebec government has gone so badly wrong is in putting forward a policy that could be reasonably justified, but doing so in a way that makes it clear that reasoned pursuit of the public good is not its goal.

Instead the PQ is clearly seeking partisan political advantage by demonizing minorities and lending the prestige of the state to vastly overblown fears of cultural dilution among old-stock Quebecers. That we must never accept. ❄️

Brian Lee Crowley is the Managing Director of the Macdonald-Laurier Institute.

CANADA'S PIPELINES

MOVING ENERGY FROM HERE TO THERE. SO CANADIANS CAN GET FROM A TO B.



IF YOU RODE IN A BUS, TRAIN,
PLANE, TRUCK OR CAR TODAY,
CHANCES ARE IT WAS POWERED
BY A PETROLEUM PRODUCT
WE DELIVERED.

More than 98 per cent of Canada's transportation needs are met this way. To get Canada's oil and gas products from where they are found to where they are used takes world-class engineering, careful construction and professional operation of a network of more than 100,000 kilometres of transmission pipelines.

Building safe pipelines is something that Canada has done well for many decades, and is a practice our industry will carry forward into the future.

We invite you to learn more about Canada's pipelines.

**DELIVERING YOUR
ENERGY EVERY DAY**



canadian
energy
pipeline
association | association
canadienne
de pipelines
d'énergie

To find out more go to:
aboutpipelines.com



Photo: Shutterstock

Reclaiming Canada's capacity to attract the human, social and economic benefits of clinical trials

Canada has embarked on a mass collaboration to help us regain the human, social, and economic benefits of clinical trials. Why? Canada is losing clinical trial opportunities that allow patients access to leading-edge drugs and devices, keep researchers at the forefront of clinical innovation, and generate economic benefits. While we have great science, comparator countries who are more nimble at initiating trials are becoming preferred partners for industry investments. To rebuild Canada's advantage, industry, academic healthcare, government and others have agreed on an action plan; secured resources and political will; and begun initial work. To expedite progress, a Canadian Clinical Trials Coordinating Centre (CCTCC) is being funded by Canada's Research Based Pharmaceutical Companies (R&D), the Canadian Institutes of Health Research (CIHR), and the Association of Canadian Academic Healthcare Organizations (ACAHO). In this commentary, the authors offer a perspective on what is planned and what they feel is necessary to ensure success.

David Hill, Vassilios Papadopoulos & Tina Saryeddine

An action plan to help attract more clinical trials to Canada

Countries that attract clinical trials can offer leading-edge treatments to patients, attract world-class clinicians and scientists, and generate

jobs and economic benefits. However, Canada is losing clinical trial opportunities to comparator countries. While our science is excellent, our clinical trial landscape is difficult to navigate. Multiple provincial and organizational requirements can be cumbersome for industry and it may be difficult to find interested and eligible patients. Countries that can get trials off the ground quickly without compromising cost

or quality are industry’s preferred partners. To help address these issues, representatives from industry, academia, government, national and provincial clinical trial bodies, and others met to discuss a single question: “What can we do to improve the cost, quality, speed and relationships involved in clinical trial start up times”? The resulting Action Plan “To Your Health & Prosperity, an Action Plan to Help Attract More Clinical Trials to Canada” includes nine consensus-based recommendations from a slate of over 40 potential actions. The nine recommendations include: setting up a coordinating body to oversee and resource implementation of the action plan; establishing national metrics to monitor progress; addressing broader issues related to the research ecosystem; streamlining processes for contract evaluation; facilitating patient recruitment; improving ethics approval processes; implementing clear standard operating procedures; creating an asset map; and improving Canada’s tax and intellectual property policies.

Confidence in these recommendations grew as the Senate Standing Committee on Social Affairs, Science & Technology independently converged on many of the same issues in their October 2012 report on clinical trials infrastructure. Perhaps as a consequence, the Government of Canada’s recent response to the Senate Report listed the Action Plan as the first of its commitments, to be led on its behalf by CIHR — the Canadian Institutes of Health Research. Indeed, CIHR has successfully integrated the clinical trials action plan into the rubric of its overall *Strategy for Patient Oriented Research*, which, using the levers of health research, is providing a crucial infrastructure for changing the healthcare system.

What does success look like?

Ultimately, success is the human, social and economic benefits of more clinical trials. As a starting point to help achieve this, the action plan begins with a vision for Canada to become a premier country for conducting industry-led clinical trials (CTs). The Action Plan goals are to: (1) help reverse or halt a downward CT investment trend; (2) improve business operations; and (3) create a positive forward-looking opportunity. The table below was used in the Action Plan to describe what success would look like if we could transform today’s vignette of clinical trial business using the recommendations in the Action Plan.

Next steps on the road to success

The convergence of interests across government, industry and academia; the *Strategy for Patient Oriented Research*; and the availability of political will and initial funding, presents a rare opportunity to help Canada reclaim its leadership in clinical trials. This fall, ACAHO, CIHR and Rx&D will look to expedite completion of the Action Plan through the establishment of a Canadian Clinical Trial Coordinating Centre (CCTCC). The CCTCC will be evaluated at the end of year one and is expected to complete the proposed recommendations within a three- to five-year time frame. As it gets off the ground, we offer our perspectives on what may become critical success factors going forward:

A national advisory panel

Under the auspices of the Canadian Clinical Trials Coordinating Centre, CIHR, Rx&D and ACAHO are expected to strike a national advisory panel. We believe this is a critical success factor for this initia-

tive. The Canadian clinical trials community is highly networked and interconnected. If a national advisory panel is formed to take advantage of the structure and flow of information within and across these networks, each effort undertaken for the Action Plan could have a magnified impact.

From... Today’s Vignette of CT Business Landscape	To... Tomorrow’s Vision for CT Business
Multiple disjointed initiatives with side-of desk coordination	National coordinating capacity & resource
Anecdotal performance reports & repetitive datasets on CTs	Consolidated & communicated metrics on CTs
Unpredictable policy & funding landscape affecting CTs	A bold vision for research and patient care
Multiple ethics review application, consent, standard projects	Increased standardization and harmonization
Complex and disjointed patient recruitment approaches	National recruitment strategy and databases
High search costs for training and operating standards	Common Standard Operating Procedures, training and certification
Delayed SR&ED tax credits & Suboptimal IP policy	Improved tax and IP landscape for CTs
No storefront for sponsors re CT assets & feasibility studies	Completion of national CT asset map

Source: *To Your Health & Prosperity: An Action Plan to Help Attract More Clinical Trials to Canada* p.8

The convergence of interests across government, industry and academia; the Strategy for Patient Oriented Research; and the availability of political will and initial funding, presents a rare opportunity to help Canada reclaim its leadership in clinical trials.

Consider for example, that a single healthcare organization may work simultaneously with multiple pharmaceutical, vaccine or device companies, disease networks, provincial bodies, or domain-specific initiatives destined to improve clinical trial operations. When we multiply this by the number of organizations and stakeholders involved, mass confusion could result without strategic alignment. A robust national advisory panel would allow for a meaningful conversation on how we coordinate clinical trial operations at the national level. This should be a carefully planned and inclusive process that builds on existing successes. If struck strategically, it could also help signal to interested parties worldwide that Canada is serious about this endeavour.

Trust building for efficiency

Building trust is another critical success factor for efficient improvements in clinical trial operations, especially when interests involving diverse stakeholders are involved. What might this mean in the context of the action plan?



Shared goals: The action plan was designed to reflect the shared goals of industry, academic healthcare, provincial and domain leaders, and others. Its recommendations were only selected if there was a clear need, capacity, opportunity and interest to achieve them. Controversial action items were simply omitted. This may be the ironic luxury of missing infrastructure, but it is used to its best purpose here. As the CCTCC is organized, we will need to move beyond establishing shared goals to executing the recommendations in a shared fashion.

Goodwill: Through this action plan, many organizations, which are themselves world-leaders in their areas, will be asked to coordinate across domains, organizations and regions. To make this palatable, the benefits of a pan-Canadian advantage must be greater than the existing corporate convenience; they must support robust performance at the provincial, population and domain level; and they must engage patients, investigators, and industry in a meaningful way.

Capacity: No amount of goal sharing and goodwill in clinical trial operations will suffice unless there is expertise and capacity to achieve the goals. Fortunately, our country has willing experts. Organizations like the Network of Networks, Clinical Trials Ontario, British Columbia Clinical Research Infrastructure Network, Alberta Innovates Health Solutions, Saskatoon Centre for Patient Oriented Research, the Fondation Recherche Québec-Santé, and the Canadian Association of Research Ethics Boards, among others, are close to the front-line. In a few cases they are accountable to existing resources that may exceed those currently dedicated to the entire action plan. Given the opportunity, they can supply accepted and tested solutions that can be shared or adapted. This gives mileage to each dollar and prevents duplication.

Leverage the spillover effects of success

While the action plan is intended as a starting point focused on in-

dustry-led trials, addressing issues such as ethics reviews, contracts, patient recruitment, and standard operating procedures should also have a positive impact on trials that are initiated by investigators. Such trials are usually supported by the federal and provincial governments, foundations and/or the institutions themselves. For some areas of research, such as cancer, academic trials have become the focus of multi-million dollar initiatives. By considering both investigator-initiated trials and industry-led trials in tandem, we have the opportunity to leverage multiple means towards the same end. This requires appropriate consideration on how to engage clinical investigators and connect the diverse ongoing initiatives.

Conclusion

The success factors described above are germane to how we set up the initial infrastructure for the Action Plan. Many other successes will be required and time will tell how quickly the recommendations in the outlined Action Plan can help reverse the reported downward trend. However, we have nothing to gain by standing still.

A positive forward-looking and nationally coordinated landscape for clinical trial operations is bound to pay off whether by keeping existing investments or stimulating new ones. Canada's collective effort will outweigh inaction as we encourage global companies to bring the human, social and economic benefits of clinical trials to our country. ✿

Dr. David Hill is the Integrated Vice-President Research at the London Health Science Centre and St. Joseph's Healthcare, London, the Scientific Director of the Lawson Health Research Institute in London, and an ACAHO Research Co-Chair. Dr. Vassilios Papadopoulos is Executive Director and Chief Scientific Officer of the Research Institute of the McGill University Health Centre and an ACAHO Research Co-Chair. Dr. Tina Saryeddine is Assistant Vice-President Research & Policy Analysis at ACAHO and Adjunct Professor at the Telfer School of Management, University of Ottawa.



**People can plan.
Think ahead.**

**When we have banks
we can depend on.**

Canada's banks have been rated soundest
in the world, 6 years in a row.*

Why does this matter to Canadians?

Millions of Canadians count on retirement savings
products offered by Canada's banks.



*The World Economic Forum has ranked Canada's
banks as the most sound in the world,
six years in a row.

www.cba.ca

ASSOCIATION
DES BANQUIERS
CANADIENS **b** CANADIAN
BANKERS
ASSOCIATION

How are your wages growing?

Are you getting ahead? MLI senior fellow Linda Nazareth takes a look at which professions are seeing real wage increases, and which aren't. She writes: "The biggest picture, to me, is that Canadians do continue to earn more, year after year, even after inflation," but she notes, "In an ideal world, we would be seeing bigger gains for non-unionized workers, and across a wide swath of occupations."

Linda Nazareth

As usual, the Labour Day weekend marked a bittersweet end to summer.

But as much as Labour Day signaled the need to think about back-to-school and the new projects at work, it also marks a good time to take stock of how we all are doing in terms of what we actually get paid for our work.

There are lots of ways to count earnings, but one of my favourite measures is employment by occupation. If you are a chef, your own industry benchmark is other chefs; comparing your earnings in the hospitality sector to the earnings of those in health care, for example, is not necessarily a fair comparison.

To see how everyone stacks up, I downloaded data from Statistics Canada's Labour Force Survey, and measured how pretax hourly earnings have changed over the past year (July, 2012, to July, 2013), five years and 10 years. (Though some of the surveyed employees are paid by the week, not the hour, Statistics Canada converts everyone to hourly wages.) The original data are not adjusted for inflation, so I've done that, using Statistics Canada's consumer price index. Self-employed workers are not included in the data.

On an hourly basis, Canadians aged over 15 were making 0.5-per cent more than they were a year ago in inflation-adjusted terms. Over the past five years, real wages were up by 6.4 per cent, or 1.3 per cent annually. For the past 10 years, the gains were 11.5 per cent (1.2 per cent annually).

Unionized workers (up 1.7 per cent) did a lot better than non-unionized ones (up 0.1 per cent) over the past year, although the trend is different over the past decade (10.5 per cent vs. 12.5 per cent).

So who were the big winners and losers by occupation? The top of the pile has got to be professionals in the health care field — doctors, nurses and the like. This group is up by 36.1 per cent over the past 10 years and by 4.9 per cent over the past year alone. Teachers and professors are doing okay as well: up 35.7 per cent over the past decade, and 4.1 per cent over the past year.

If you look at just the past year alone, senior managers have had a nice run, up 4.6 per cent. That is a recent phenomenon. Over the past 10 years, their hourly earnings are only up by 7 per cent (less than 1 per cent a year), and over the past five years their earnings are *down* by 1.7 per cent. You can see the same thing if you look at professional

occupations in the finance industry. They are up 2.4 per cent over the past year, but a more modest 11.7 per cent (about 1.2 per cent a year) over the past decade.

The unambiguous losers — in wage terms — are those employed as labourers in manufacturing and utilities. Their wages are down 1.6 per cent in the past year, and fell 5.3 per cent over the past five years. Over the 10-year span, they are essentially flat, at 0.3 per cent.

Chefs — mentioned above — have lost 0.3 per cent over the past year, although they are up by 10.5 per cent over the decade.

One thing that surprised me, given the robustness of the sector, is the earnings of construction tradespeople. They are only up by 9.1 per cent in real terms over the past decade, and 6.8 per cent over the past five years.

Over the past year, these wages have dropped 2.1 per cent. It could be that the real wage gains are in overtime, or perhaps are hidden in the black-market economy; either would tend to understate the official numbers.

In contrast, "labourers" and helpers in construction continue to see big gains. Their hourly earnings were up by 5.5 per cent over the past year, and by 33.6 per cent over the past decade.

What comes out over all is that the biggest gains these days are to employees with some kind of public-sector or para-public-sector connection. You could debate whether that is appropriate at a time when private-sector workers are not doing nearly as well. There also seems to be more payback to those workers who tend to have the highest level of education. There's nothing new there; survey after survey says the same thing.

The biggest picture, to me, is that Canadians do continue to earn more, year after year, even after inflation. Some years are better than others, and some decades are, too. In an ideal world, we would be seeing bigger gains for non-unionized workers, and across a wide swath of occupations. That might happen, but it is going to take a bunch of other stuff to happen first — things like a global economic boom. A boost to Canadian productivity would be nice as well. 🍀

Linda Nazareth is the principal of Relentless Economics Inc. and a senior fellow at the Macdonald-Laurier Institute. This is a slightly updated version of Nazareth's commentary published in The Globe and Mail on August 30, 2013.

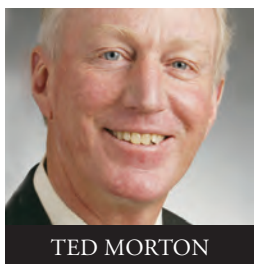


MACDONALD-LAURIER INSTITUTE

A SERIES OF FOUR PROVOCATIVE DEBATES EXPLORING SOME OF THE MOST COMPELLING ISSUES TO CANADIANS.

YEA

NAY



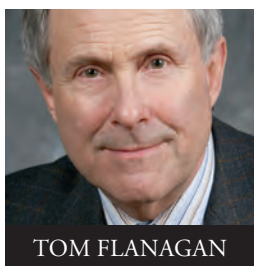
TED MORTON

OCTOBER 24, 2013 AT 7:00 PM

RESOLVED: PRESIDENT OBAMA SHOULD WELCOME CANADA'S ETHICAL OIL



ANDREW NIKIFORUK



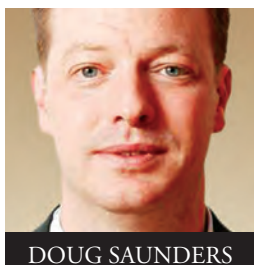
TOM FLANAGAN

NOVEMBER 26, 2013 AT 7:00 PM

RESOLVED: THE RIGHT TO STRIKE HAS NO PLACE IN THE PUBLIC SECTOR



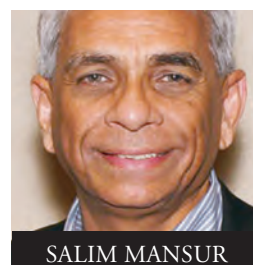
JIM STANFORD



DOUG SAUNDERS

FEBRUARY 27, 2014 AT 7:00 PM

RESOLVED: MUSLIM IMMIGRATION IS NO THREAT TO CANADA OR THE WEST



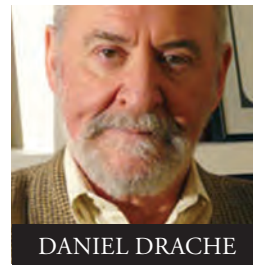
SALIM MANSUR



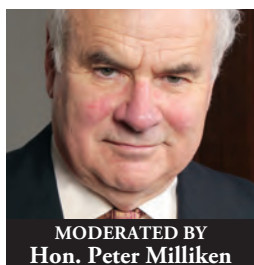
BARBARA KAY

MARCH 27, 2014 AT 7:00 PM

RESOLVED: FREE SPEECH IN CANADIAN UNIVERSITIES IS AN ENDANGERED SPECIES



DANIEL DRACHE



MODERATED BY
Hon. Peter Milliken

\$20 per ticket / Student and Seniors \$15 / Museum Members \$15

PRESENTED IN ENGLISH WITH SIMULTANEOUS TRANSLATION

PRESENTED AT

Canadian War Museum
Barney Danson Theatre, 1 Vimy Place, Ottawa

CANADIAN
WAR MUSEUM



MUSÉE CANADIEN
DE LA GUERRE

For more information or to purchase tickets visit: www.macdonaldlaurier.ca/events

We need a better Senate

In a column which appeared in Postmedia papers, Brian Lee Crowley writes that “every serious federation in the world has an upper chamber, but I have not seen anyone in the current debate explain why that is and why it matters.” Crowley says recent scandals are unacceptable and the Senate does its job of regional representation poorly, but this makes the case for reform, not abolishing the institution.

Brian Lee Crowley

If abolishing the Senate is the answer, we are asking the wrong question.

Yes, the current shenanigans of a few senators are unacceptable and worthy of censure. Yes, the way people get to be senators is outdated, unacceptable and prevents the upper house from playing its proper constitutional role. But abolition would also prevent that crucial role from being played and its disappearance would be a grievous blow to our constitutional order.

Every serious federation in the world has an upper chamber, but I have not seen anyone in the current debate explain why that is and why it matters.

Democratic federations seek to balance two kinds of representation: individuals and communities. The lower house (in our case, the Commons) represents individuals and hence is universally based on representation by population. Legislation cannot pass parliament unless it has the consent of MPs representing a majority of Canadians.

But Canada, like all federations, is also composed of constitutionally-recognized communities, in our case, the provinces. For national decision-making to be legitimate in a federation, the virtually universal rule is that you need something more than the assent of the majority of individuals; you also need the assent of some important share of the communities that make up the country. The interests of the people who inhabit the provinces or states cannot be fully represented by rep by pop alone.

Why? Just think about Canada: for a long time Ontario and Quebec have had enough inhabitants that they could impose their will on the rest of the country if they so wished. Ditto in the U.S. for a handful of big states. That is the vital role played by upper chambers: they confer greater democratic legitimacy on national decisions by ensuring that a double majority is needed, one majority of individuals in the lower house, a majority of communities in the upper house.

Because rep by pop is the bedrock principle of democracy, the lower house is always the more powerful of the two. But in a federation it is also important that regionally concentrated majorities cannot run roughshod over the interests of smaller communities. Upper houses play that role. Coalitions of small communities cannot rule over the majority of the population, because law-making also requires the agreement of the lower house. But in federations, agreement of the majority is not enough to achieve democratic legitimacy.

Perfect equality of provincial representation is not required, but the unavoidable goal is to give smaller communities some counterweight to a population’s political power, ensuring that their interests are also taken into account. Thus Quebec and Ontario, despite having two thirds of the population, have fewer than half the seats in our Senate.

One of Canada’s great political and constitutional weaknesses has been the inability of the Canadian Senate to play this vital role of providing a credible community counterweight to the rep by pop-based power of the Commons. Appointed senators simply can never have the democratic horsepower to be a real counterweight to the Commons. The federal government’s legislation therefore lacks the legitimacy of the double-majority system that other federations have found so indispensable, and this is at the root of many of the problems of regional alienation and suspicion of the national government that has plagued this country since 1867.

Saskatchewan’s Brad Wall, arguably the best premier in the country, thinks that the way around this is to abolish the Senate and rely on the premiers to represent community interests in national decisions. No federation in the world has found this a satisfactory solution, for a variety of reasons. The most important is that premiers are elected to run their provinces. That is not the same thing as being chosen to be a national legislator, someone whose constitutional job it is to represent a provincial constituency while thinking about what is good for Canada.

There is a reason why governors are minor political players in Washington, while senators are second only to presidents. American states are well-represented within federal decision-making by senators who, while always attentive to the views of their constituents, understand they are there to be national policy-makers. We have only to look at the laughable efforts of our premiers to act as national decision-makers (think about removing internal barriers to trade, or cross-province collaboration on energy) to see that they are slaves to their parochial interests.

That is not a criticism; it’s their job. But it is also why their job cannot be to confer that vital missing element of regionally-representative legitimacy the federal government lacks and needs. Abolishing the Senate would get rid of the institution that should be playing that role, no matter how badly its current version falls short. It would diminish the federal government and empower provincial parochialism. Reform may be hard, but it is the only way. Canada deserves the effort. ✿

Brian Lee Crowley is the Managing Director of the Macdonald-Laurier Institute. This column was originally published in the Ottawa Citizen, Calgary Herald and other Postmedia papers on August 2, 2013.

IF A TREE FALLS IN THE FOREST, WE MAKE SURE IT'S HEARD.

**WE'VE CERTIFIED 100% OF THE WOODLANDS
WE MANAGE TO INTERNATIONALLY-RECOGNIZED
SUSTAINABLE FOREST MANAGEMENT STANDARDS.**

We make sure we're accountable for everything we do. And we wouldn't have it any other way. We have certified 100% of the forests we manage and are committed to achieving Forest Stewardship Council® (FSC) certification on 80% of these woodlands by 2015.

We protect and preserve the natural resources in our care and fully support our other valuable resources - our employees and the communities where we live and work.

To learn more, visit resolutefp.com/sustainability

Richard Garneau

Richard Garneau, President and Chief Executive Officer



resolute
Forest Products



Photo: Shutterstock

The plight of the middle class is not as bad as painted

In a column for The Globe and Mail, MLI's Brian Lee Crowley explains why, contrary to a recent report, Canada's middle class has actually done pretty well in recent years. The report in question was a briefing document on how the middle class fared in income growth between 1976 and 2010. Contrary to the rather sensationalist spin the media put on the report, alleging that Canada's middle class has stagnated over recent decades, Crowley outlines a number of ways in which the facts show the exact opposite and assesses the report and what it means for the Canadian middle class.

Brian Lee Crowley

Comparisons almost always cause resentment.

The French political philosopher Jean-Jacques Rousseau argued that when humans lived alone in the state of nature, they were happy with their lot and needed only their own self-approval. But the move to soci-

ety, living cheek by jowl with others, invited precisely those comparisons with others that creates ill-will, envy and jealousy.

The combustible and often misleading nature of comparisons was brought forcefully to mind for me by the recent release of an analysis by Ottawa's Department of Finance about how the middle class has fared in recent decades. Prepared for Finance Minister Jim Flaherty, it looked

in particular at how incomes had changed for each fifth (or “income quintile”) of the population between 1976 and 2010.

According to media reports (the document itself is not yet publicly available), the briefing note revealed that the top 40 per cent and the bottom 40 per cent of income earners had seen their situation improve noticeably. No prizes for guessing, therefore, what the story is in the media; not that 80 per cent of Canadians had done well, but that those smack in the middle had stalled. The only trouble with this story is that it’s not true.

All it took was one half-understood document to banish from public consciousness the equally misleading debate we were having just a few short months ago about how those at the bottom were being left behind and why we should raise taxes on corporations and the rich to close the gap.

These lightning strikes of public attention are in fact rather like real lightning: noteworthy more for their destructive power than their ability to light our path. Such statistical portraits inevitably reduce a complex and rapidly shifting society into a few stationary snapshots ripped from their surrounding context.

And because comparisons, especially unfavourable ones, excite fear and envy, it is precisely those comparisons that make the news.

Here are just some of the ways, however, in which the Minister’s briefing can mislead the lay reader, including journalists, leading them to conclusions not at all supported by the data they cite.

For example, while it may be true that over the whole 35-year period covered, the middle class’s income performance stagnated, that was owing to an exceptional period in the 1980s and 90s. Since 1998, income growth for the middle and lower classes nearly matched the increase for top earners. The return to income growth for all classes accompanied a resurgence in the resource and construction sectors and a squeezing of regional differences in unemployment.

Thus, the picture painted by looking at the entire 35-year period is heavily skewed by the fact that there were two unrepresentative decades in the middle. Far from portraying a middle-class plight that requires

vigorous government policy response, understanding the whole picture reveals that a temporary problem has quite nicely righted itself as the country’s economic performance has picked up in recent years following the recession.

Even if you look at the whole period, however, commentary on the report has glossed over the fact that if you adjust for middle class families now having fewer adults in them than they used to, real middle class income rose by 30 per cent, hard on the heels of the 38 per cent rise at the upper end of the scale. Maybe it is not quite as fast as income growth at the top, but it hardly qualifies as the “stagnation” so breathlessly invoked.

As for the concern about rising middle class indebtedness, this, too, is almost always presented without its absolutely indispensable counterpart: assets. If, as is the case, rising middle class indebtedness is more than matched by assets whose value is rising (such as homes, RRSPs, pension funds, and so on), then the debt is not an issue.

On the contrary: such debt is the means by which people use their income to acquire assets they value and that improve their standard of living. The net worth of the middle class is rising, a far more important fact than their rising indebtedness.

Moral panics about contentious interpretations of half-digested data are no basis on which to make economic policy. To the extent that the middle class had an income growth problem, it has largely faded in recent years. And it faded because we’re enjoying reasonably balanced economic and job growth that is the outcome of pursuing thoughtful policies compared with many of our competitor countries.

Jim Flaherty needs to keep his eye on the ball of steady growth through trade liberalization, investment, fiscal discipline, natural resource development and infrastructure improvement.

So far, such policies have worked well — including for the middle class. ❁

Brian Lee Crowley is the managing director of the Macdonald-Laurier Institute. This commentary was originally published in The Globe and Mail on July 10th, 2013.



MACDONALD-LAURIER INSTITUTE

A SERIES OF FOUR PROVOCATIVE DEBATES EXPLORING SOME OF THE MOST COMPELLING ISSUES TO CANADIANS.

Join us on October 24 for a debate on ethical oil.

For more information or to purchase tickets visit: www.macdonaldlaurier.ca/events

The MLI Leading Indicator

"Look a little ahead, my friends."
SIR JOHN A. MACDONALD

AUGUST 2013

A MACDONALD-LAURIER INSTITUTE PUBLICATION

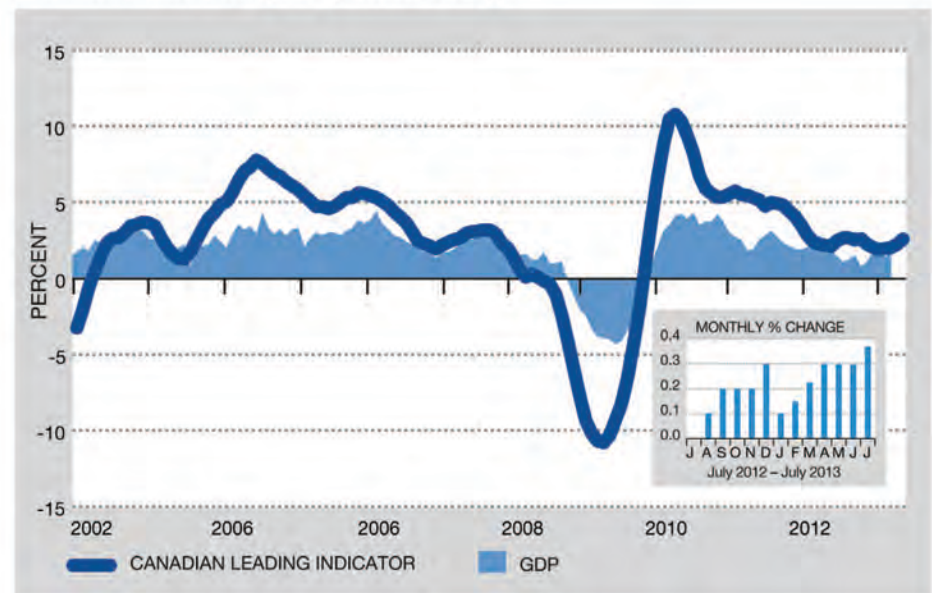
VOLUME 2 ~ ISSUE 8

La version française suit la version anglaise

The Macdonald-Laurier composite leading index increased by 0.4% in July after a 0.3% gain in June. The steady acceleration in the index, from a low of 0.1% growth early in the year, signals a strengthening of the Canadian economy will occur in the second half of the year. Growth in June was temporarily dampened by flooding in Alberta and the construction strike in Quebec, but a pick-up in oil and gas output will offset some of these losses.

Leading Indicator July 2013

FIGURE 1 Year over year percent change



The housing index drove much of the upturn in the composite index, rising 2.1% in July after declines as recently as in April. Both existing home sales and housing starts contributed to the gain. Still, the housing index remains about 10% below its peak in 2012.

Financial market conditions overall remained supportive for more economic growth. The money supply expanded steadily, while the risk premium on private sector lending continued to fall, indicating higher

investor confidence in lending.

The stock market posted a second consecutive decline in July.

The outlook for exports remained more favourable for natural resources than for manufactured goods.

Commodity prices rose another 0.7%, and resource sector output will begin to receive a substantial boost from the Kearl oil sands plant coming on line as summer begins. The US leading indicator rose 0.2%. Autos and housing remain the major sources

driving growth in our major trading partner. New orders for manufactured goods fell 0.7%, but the average workweek edged up for the second straight month.

Labour market conditions improved substantially, as new claims for EI fell 1.1%, their largest decline in over a year.

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

Leading Indicators

	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Canadian leading indicator (January 2002=100)	133.9	134.2	134.6	135.0	135.4	135.9
% change	0.1	0.2	0.3	0.3	0.3	0.4
Housing index (January 2002=100)	92.3	91.0	90.6	92.0	94.4	96.4
% change	-2.4	-1.4	-0.4	1.5	2.6	2.1
US Conference Board leading indicator (2004=100)	96.5	96.7	97.0	97.4	97.7	97.9
% change	0.3	0.2	0.3	0.4	0.3	0.2
FINANCIAL						
Money supply, M1 (millions, 2002) ¹	565,199	571,570	576,496	579,821	582,908	585,395
% change	0.8	1.1	0.9	0.6	0.5	0.4
S&P/TSX stock price index (1975=1000)	12,521	12,586	12,630	12,673	12,562	12,495
% change	0.8	0.5	0.3	0.3	-0.9	-0.5
Interest rate gap	-2.03	-2.04	-2.04	-2.03	-2.02	-2.00
change ²	-0.01	-0.01	0.00	0.01	0.01	0.02
MANUFACTURING						
Average workweek (hours)	37.2	37.0	37.0	37.0	37.1	37.2
% change	-0.3	-0.5	0.0	0.0	0.3	0.3
New orders, durables (millions, 2002)	26,521	26,440	25,884	25,695	25,525	na
% change	-1.0	-0.3	-2.1	-0.7	-0.7	na
Commodity price index, all (US dollar terms)	625.1	626.6	633.8	639.5	644.0	648.4
% change	-0.5	0.2	1.1	0.9	0.7	0.7
Employment insurance claims received	230,364	230,632	230,190	229,492	227,078	na
% change	-0.8	0.1	-0.2	-0.3	-1.1	na
Unsmoothed version	134.5	134.7	135.6	136.2	136.2	136.9
% change	0.3	0.1	0.7	0.4	0.0	0.5

¹ Deflated by the Consumer Price Index for all items.

² First difference.

The Macdonald-Laurier Institute's monthly Leading Economic Indicator series provides unique and valuable insights into the future course of the Canadian economy – giving advance warning of recessions and upturns. The next release date is September 30, 2013.

TRAFFIC KEEPS MOVING ABOVE BECAUSE OF WHAT WE'RE SAFELY MOVING BELOW



For nearly forty years, our Line 9 pipeline has delivered reliable energy between Quebec and Ontario. We monitor it every second of every day to protect the environment and the communities nearby. We check the entire route twice monthly by air, inspect the interior of the pipe using sophisticated in-line inspection tools, and regularly conduct digs that visually inspect its structural integrity. As the operator of the largest liquids pipeline system in the world, we know that constant care and diligent monitoring are the best ways to ensure a safe network.

Re-establishing the original easterly flow of the Line 9 pipeline will provide a secure source of more affordable domestic energy to Canadian refineries, reducing the dependency on foreign oil. It's a positive change in direction that will be good for the Canadian economy.

[FIND OUT MORE](#)

Enbridge.com/Line9

 **ENBRIDGE**
Where energy meets people™