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Why we can't afford poverty

The case for spending now so we don't pay more later



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Ottawa's Rising Firewall

Public service veterans sound the alarm on federal opacity.

DAVID CRANE

New Directions for Intelligent Government in Canada: Papers in Honour of Ian Stewart

Fred Gorbet and Andrew Sharpe, editors

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ALL GOVERNMENTS SEEK TO CONTROL INFORMATION. Yet secrecy, message control and disregard for Parliament have probably never been higher than with the current federal government under Stephen Harper. Such secrecy threatens the functioning of an open society, undermines the role of our elected representatives and the democratic process, weakens our institutions, discourages innovation and the giving of sound advice within government, and can lead to poor and costly policy decisions. This is the sorry state of affairs in Canada today with a prime minister who often acts more like an autocrat than a democrat and who seems to see politics as a permanent war rather than as a public purpose for the common good.

These are not conclusions to reach lightly. Yet some of the best evidence comes from a recent book, *New Directions for Intelligent Government in Canada: Papers in Honour of Ian Stewart*, published to celebrate the 80th birthday of a remarkable Canadian public servant whose public career included positions as deputy minister of energy and then finance. In fact, Stewart was one of a number of talented individuals who joined the public service in the mid to late 1960s or early '70s. They included David Dodge (who went on to become deputy minister of finance and governor of the Bank of Canada), Fred Gorbet and C. Scott Clark (both deputy ministers of finance) and Don Drummond (who served as associate deputy minister of finance). All are in this book.

Don Drummond spent 23 years in the Department of Finance, where he had wide-ranging responsibility for fiscal and tax policy, federal-provincial relations and coordination of policy for federal budgets until he resigned in 2000 to become chief economist for the Toronto-Dominion Bank and, more recently, headed the budget-cutting task force for the Ontario government. As a veteran public official, he is clearly dismayed both by the decline in the state of policy analysis within the Harper government and by its mania for secrecy. "There is precious little evidence of public policy analysis from the federal government in the public

domain," he writes, and even what may exist is kept out of the public eye.

He contrasts this with the Mulroney and Chrétien governments. The Mulroney government put out extensive analysis on the proposed Canada-U.S. free trade agreement and the proposed goods and services tax. "They did not shy back at all," Drummond writes, explaining that as a finance official he was "constantly on the road speaking to groups about our analysis. If someone wanted to know our assumptions or our model properties, everything was put out for inspection." Likewise, when the Chrétien government came into office in the early 1990s it published the so-called Purple

Drummond is clearly dismayed both by the decline in the state of policy analysis within the Harper government and by its mania for secrecy.

and Grey books where it set out its economic and fiscal analysis and goals. As Drummond points out, "in the mid-1990s, we had a fairly fulsome debate that the government fully participated in when Lloyd Axworthy was interested in changing a number of aspects of the social security system. All this was backed by an official government paper. The *Purple Book*, the *Grey Book* and Axworthy's paper were very explicitly designed for the public domain." This was the case as well when, in 2003, the Chrétien government published documents on its innovation and learning agendas, which in turn led to conferences and workshops across the country.

"Thus, historically it was clear that there was a critical mass of analytical thinking going on in the government because we would see the evidence of it, we could feel it, we could touch it, we could participate in it and, perhaps most importantly, we could question it. I think that this has not been the case in recent years," Drummond says. This might have reflected the fact that Harper had led a minority government, although there has been no evidence of change since Harper gained his majority. If anything, the Prime Minister's Office has become even more rigid in its efforts to control information and messaging (including muzzling government scientists and other officials), has moved to clamp down on debate in Parliament and has resorted to much greater secrecy in committee hearings. It has also turned to negative messaging of critics—opponents of its copyright bill are supporters of child pornography and critics of the Gateway pipeline are radicals, perhaps even terrorists and traitors.

Drummond, to be fair, does not put all of the blame on the Conservatives, although things have

clearly worsened since Harper came to power. For example, neither the Liberals nor the Conservatives have been upfront with Canadians on climate change policies. "There is not a single public document, from the Liberals or the Conservatives, with a complete government perspective on what it will take policy wise to hit various emission reduction targets," he says. "In fact, the only documents with any shred of analysis show that the policies that have been implemented to date, and those that are being contemplated, will not come remotely close to any of the government's targets." He adds, "I think that is scandalous and I don't know how it can be viewed in any way as acceptable." The public needs to be presented with cost-benefit options, and in their absence policy mistakes follow. Drummond gives, as one example, the transit pass tax credit introduced by Finance Minister Jim Flaherty as a climate change policy. The credit reduces greenhouse gas emissions at a cost of roughly \$1,000 a tonne but was financed by ending more efficient programs that reduced emissions at about \$60 a tonne.

Drummond also cites his own experience with government secrecy. In 2008, when he was chairing an advisory panel for the federal and provincial governments on labour market information, the Harper government "completely reversed the immigration selection process from an emphasis on education to identifying 38 occupations allegedly in short supply. If potential immigrants wanted to be on the fast track, they had to have worked in one of these occupations." But why did it make the change and how did it choose those occupations? Moreover, how would we know those occupations would be in short supply in the future? Drummond says he tried to get the analysis behind the decision but he failed and, as it turned out, so did the auditor general. Perhaps there was no analysis, Drummond says.

Scott Clark, who served as deputy minister of finance from 1997 to 2000, is also critical of the secrecy of Harper's government. It is not that Flaherty has an outstanding performance record as finance minister. In November 2008, as the global economy was heading into the worst economic crisis since the Great Depression, Flaherty's Economic and Fiscal Update forecast budget surpluses far into the future. "When it comes to adopting an 'unrealistic' view of economic and fiscal prospects, this has to be one of the worst forecasts ever made by a Canadian government," Clark says. It was not just that the government did not have a handle on the economy. As Clark argues, "it was unclear from the very beginning as to whether the government really understood what was required to maintain a sustainable fiscal structure." The cuts in the GST from 7 percent to 5 percent, immediately eliminated the \$13 billion surplus the government

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had inherited and led to a growing revenue loss in future years. Yet there was no corresponding cut in spending.

While the Mulroney and Chrétien governments accepted the importance of transparency in the fiscal planning process, this has not been the case with the Harper government. Clark argues that “Liberal and Conservative governments in the 1980s and 1990s wanted their public servants to provide their best advice, regardless of whether that disagreed with the government; they wanted to know the costs of all the policy options; and, they were prepared to defend their decisions in public and before Parliamentary committees.” As finance minister, Paul Martin introduced the mechanism of the Fall Economic and Fiscal Update, appearing each year before the Commons Finance Committee to outline the government’s view of the economic and fiscal outlook that formed the basis for pre-budget consultations.

The Harper government did implement its promise to create the Parliamentary Budget Office, which, it said, would bring greater “transparency and accountability” by the government to budget planning. “This has not been the case,” Clark explains. “Since its creation, PBO has been in a constant battle with the government over its independ-

ence, inadequate budget, and lack of staff. In addition the government has denied the PBO access to data that it needs to do its work.” What is needed is to strengthen the PBO and give it more independence. At present, the prime minister appoints the parliamentary budget officer. The term of the current holder, Kevin Page, expires next year, with the risk that Harper may make a partisan appointment who will toe the government’s line. Certainly there is no love lost with Page. He has challenged

The public needs to be presented with cost-benefit options and in their absence policy mistakes follow.

the government on the costs of the Afghanistan war, questioned the government’s economic and fiscal forecasts, probed into many areas where the government itself has failed to provide information and, most recently, argued that federal finances are fiscally sustainable without having to increase the age of eligibility for the Old Age Security from 65 to 67. Flaherty’s response has simply been to dismiss the work of Page as “unbelievable, unreliable, incredible.” Yet Flaherty has failed to deliver on a promise made in 2007 to present Parliament with his own long-term projections on federal spending and revenue trends, along with the economic assumptions underlying those forecasts.

As Clark argues, the PBO should be appointed, like the auditor general, by Parliament and subject to dismissal only by Parliament. A more independent PBO, with adequate budget, “would promote greater understanding of complex budget issues; it would force the government to defend its economic and budget forecasts; it would promote a straightforward and more understandable and open budget process; it would promote accountability by commenting on the government’s projections and analysis; and, finally, by being nonpartisan, it would provide research to all political parties.” Clark also argues that senior officials from finance, like those from the Bank of Canada, should be required to appear on a more regular basis before parliamentary committees to explain economic and fiscal forecasts. Instead, “transparency in budget planning has been diminished to the point where claims of cabinet confidence are used to deny economic and financial data to Parliamentary Committees, the PBO, and the general public.”

One of the most important public goods that government is uniquely positioned to produce consists of reliable statistics. Yet Harper’s government has interfered politically in the operations of Statistics Canada as well, as an essay by Munir Sheikh shows. While most Canadians had probably seen Statistics Canada as an independent, arm’s-length agency from government, this image came to a shattering end in 2010 when the government announced that the mandatory long-form questionnaire would be dropped from the 2011 census and replaced with a much less reliable voluntary household survey, over the objections of the chief statistician.

High-quality data, Sheikh argues, “allow a society to achieve a number of fundamental objectives crucial to its civilized functioning, including: democratic accountability, monitoring the performance of society and, in turn, that of government; evidence-based decision-making.” In other words, the information provides the foundation for knowing what is happening and where efforts are needed to

achieve social, economic or environmental results. “In this sense,” says Sheikh, “the importance of data in enhancing human well-being cannot be underestimated.” The census is an extraordinarily valuable exercise. It is used for the allocation of seats in the House of Commons and provincial legislatures. It is the basis for federal transfers to the provinces. It generates labour and market information that tracks changes in occupations and skills; it gives vital labour market information on immigrants, visible minorities and aboriginal peoples; it provides data for city planners on commuting time and modes of transportation to and from work; it gives information on the education and skills of Canadians, data on housing, on citizenship and immigration, on disabilities in the Canadian population and much more.

The voluntary household survey was an inferior and unreliable substitute for the long-form census questionnaire since it is voluntary and many Canadians, especially those with a poor command of English or French, may ignore it and thus be underrepresented in the census results. Yet, as Sheikh argues, there was no evidence Harper’s government analyzed the consequences of the loss in data quality and how this would affect the needs of users, or the negative consequences for future public policy development or business decisions. Nor was there any evidence the Harper government consulted with data users.

The problem is that the *Statistics Act* does not give final authority to the chief statistician to make methodological decisions or to provide independence from ministerial and political control. Although the legislative basis for an independent Statistics Canada did not exist, it had achieved neutrality and independence “because of long-standing conventions on the part of governments not to interfere in its functions.” Industry Minister Tony Clement made it clear he had little use for the independence of Statistics Canada when he declared, “they all work for me,” a technically correct statement in the sense that he was the minister responsible but arrogant in its implication that he could personally make the agency do whatever he wanted. When Clement falsely claimed that the data from the voluntary survey would be as reliable as the results of the long-form questionnaire and that Statistics Canada and the chief statistician were firmly behind the decision, Sheikh had no option but to resign. A revision of the *Statistics Act* is needed to give the chief statistician authority on all matters of a methodological or technical nature, strengthening the agency’s independence in law. Like the Bank of Canada, Statistics Canada should be seen as an institution whose independence and professionalism are protected by law in the interests of all Canadians.

There are other essays in this book by leading economists who have long been associated with public policy, on subjects such as the need for a fairer tax system, improving health data to control healthcare costs, putting unemployment higher on the policy agenda, safeguarding our financial institutions for the public good, reducing income inequality and the role of a carbon tax. They are all important issues, to be sure. But without the embrace of open government and debate as central to policy decisions in a modern democracy, the chances of sound and innovative initiatives and outcomes in any other areas are much reduced. Secrecy and closed government can only make us poorer. LRC

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