



Clarion Call



“Government For the People”

Mad River Institute for Political Studies

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ARE WE LOSING CANADA?

Many ordinary people believe we are losing our democracy. Governments ignore popular opinion. They seldom ask citizens what they want. When they do, they usually ignore them. It leaves people seeing politicians who say whatever they think people want to hear to get elected, then do whatever they want once they get elected. Politicians manipulate situations, and voters, to win and stay in power. They don't seem to care they are supposed to represent those who elect them.

Are we losing our democracy? If so, this is how it may be manifesting:

In 1993, the Liberals under Jean Chrétien were elected primarily on the commitment to get rid of the hated Goods and Services Tax (GST). Then they delayed, denied, and eventually renounced the promise. It is the most blatant modern example of deception to get elected. Have things improved? In the run-up to the 2008 election, when it was suggested the economy might be declining and the government might run a deficit, Stephen Harper denied the idea. His Finance minister, Jim Flaherty, brought out a budget predicting a healthy surplus, if somewhat smaller than in recent years. However, at that time, the government had numbers coming in showing Canada had already entered a serious recession. In fact, the Conservatives based many of their electoral promises on a financial base they must have known was false.



For years, the Liberal parties of both British Columbia and Ontario had policies against adopting a Harmonized Sales Tax (HST), a combination of the GST and provincial taxes. This was their position well before they took over as governments. Even once they were in power, they denied they would ever

have an HST. Then, in early 2009, without any attempt to sell the idea, or ask people if they would accept it, both simply announced they would implement it. In Ontario, the two Opposition parties criticized the move as unfair taxation yet, in a move that is nothing short of hypocrisy, their leaders both have suggested they would not cancel it if they were elected. (It is said Tim Hudak, PC leader, has actually stated, in private, he likes the HST.)

Stephen Harper gets to be Prime Minister in 2006 and has his Conservative caucus support legislation to set the date for the next election as October 2009. Then, when polls suggest his party's level of support is high and his opponents' is low, he ignores the law and calls an election ... a year early. Then, thinking he could weaken his opponents, he had Flaherty propose cutting off public funding for all parties, knowing the others were more dependent on it. That threw the country into its first constitutional crisis in almost 20 years. Harper's government appeared on the verge of collapse, a situation stopped only by the prorogation of Parliament and the denial of the Canadian peoples' representation for several months.

But these are 'big' examples. There are much smaller ones. Neither major political party permits anyone to challenge sitting members for their riding nominations, and both party leaders have final say over whether someone can run at all. It is clear a majority of Canadians want our soldiers out of Afghanistan, but each of the political parties presents their own arguments extending our country's presence, in one role or another. Civil servants are often tasked to make decisions, and defend them publically, while their political masters hide from the blame of any incompetence or malfeasance. An example is over the cancellation of the mandatory long-form census. Tony Clement, the minister responsible, said his decision was cleared by Statistics Canada. That was untrue and the agency's head resigned in protest. And while the vast majority of Canadians support, and expect, a public, universal-access, healthcare system, governments continue to chisel away, arguing too much is being spent, and then they allow private clinics and management to creep in, going against the law.

There are those who believe the very idea we are losing our democracy is dumb. Democracies are not collapsing. In fact, millions want the concept to spread, and grow,

in their countries. It's just partisan whiners who want to criticize their opponents for what they see as unaccountable, misleading decisions. Maybe, in some cases.

But if politicians trick people to get elected, as the Chretien Liberals apparently did in 1993, how can people think our democracy is healthy ... or even fair?

How can we expect people to participate in the political process, much less vote, if they perceive the system is illegitimate because of things like proroguing Parliament for no other reason than to stay in office, as the Harper Conservatives did?

If politicians don't care about real world circumstances when they manufacture crises, such as the Harperites did during the economic near-collapse of 2008, how can those supposedly elected to do their best for the people ever be trusted?

And if politicians will not listen to those who elect them, apparently determined they know better, such as with Afghanistan or the HST, how can citizens believe that their opinions matter and that involvement means anything?

One thing is evidently clear ... if we are not losing our democracy, then we're giving it away to apathy.

PART-TIME MPs?

I once lived in a riding where the Member of Parliament split his time between representing the people of his constituency and running a local, non-profit corporation. While it's true he ran the operation before election, it still bothered me that, when he returned from Ottawa, he was clearly more focused on this organization than his constituents. I think most people had just assumed he would quit it if he was elected, yet, when he did win, few seemed to hold his continued volunteerism against him.

Recently, Canada's Parliamentary ethics' commissioner reported 151 of 308 MPs had non-elected jobs or outside income. There is little reason to think the numbers are much different for provincial politicians. Of course, most municipal



councillors work, as they are considered 'part-timers'. But it does beg a couple of questions. First, what do we expect when we elect someone, in

terms of their professional lives and the amount of work we think they'll do? Second, where do we draw the line on conflicts between private and public interest? And third, for those who contend that higher pay brings in a better quality of politician, how much is enough, if \$157,731 (the present pay of an ordinary MP) isn't enough?

The basic question is ... should MPs be allowed to make any money beyond their public pay? That's a hard question. Most are coming from paying jobs. Many have businesses or partnerships or investments that they expect to come back to after politics. Most understand these things have to be put on hold while they are in public office. And as long as they understand conflict of interest, one would think that shouldn't be a problem.

Conflicts

For someone who owns their own business and goes into politics, it probably isn't realistic, or fair, to ask them to shut it down or sell it regardless of market conditions. It's quite likely they would want to keep a successful business going for the day when they retire from politics. Yet it must depend, must it not, on the type of business? If one is a farmer, you should be able to come back to your farm when public service ends. After all, it is your home. On the other hand, as a politician, you shouldn't be involved in decisions regarding agriculture. That would be a conflict. Yet we know, for example, that Paul Martin's business interests were not hidden in a



true "blind trust" as Canadians were often told. He was regularly updated on business matters and made decisions regarding the direction of those businesses. Though this

was all approved by the government ethics' officer, I personally wondered how some decisions of government could not be coloured by his own personal circumstances. Even if he had no say at all, general decisions could still make a great difference to his companies.

But there are others who enter politics knowing that, even indirectly, their business interests will

create conflicts. Ethically, it would be nearly impossible for a property developer or consultant to be a municipal councillor. Provincially, it would be hard to be a doctor, nurse, or teacher. Nationally, people involved in immigration would be in a tenuous position. And the thing is ... it's not reasonable to bend the system for them. They know what they're getting into when they enter the political arena.

Perhaps what is needed is a strengthened notion of 'conflict of interest'. We got a stricter version under Stephen Harper, but even that only applies to ministers. (It has recently been announced no MP will be permitted to lobby the federal government for five years.) All MPs – government, Cabinet, opposition, backbencher – should have to adhere to a strong code that limits any sort of private business interest from intruding on the public interest. For example, if an MP is a doctor and the government wants to legislate on healthcare, the MP should step away from the issue. Why? Well, even some grand subject like the level of health transfers to the provinces makes a difference to what doctors will be paid. More money will inevitably lead to higher pay. Just the same, a lawyer who votes to make criminal penalties stricter or more lenient may impact their own work after their political life has ended.

What we need is a conflict code based on ethical considerations above legal ones. In this way, we, the public, could be more trusting in the behaviour of our government representatives.

Public vs. Private Work

How much does operating their private businesses take away from their public service? If you own a small business where someone else is handling the day-to-day matters, it is quite likely that such concerns would take little time. However, for those doing more complex work, what amount of time is fair? Does it matter?

We, at the Institute, are well-known for saying politics is an avocation, not a vocation. Yet, being a Member of Parliament pays like a very, very good profession. Is it unreasonable to think an MP would spend almost all work-time doing the work of an MP? Presumably, the more time they spend at

private work, the less time they have for public service. So what motivation could push the parliamentarian in the direction of private work? Wealth, presumably. If an MP sees they will never make Cabinet, never have any great level of influence, they might well try to maximize their earnings, public and private, while they carry the fairly honorable appellation of Member of Parliament.

But what if one accepts the argument that Parliamentarians should be focused on Parliament and their constituents. How would we push MPs in that direction?

What if private earnings beyond a certain amount were simply subtracted from an MP's pay? Thus, every dollar earned at the former should be subtracted from the latter. Let's say the MP could earn 10% in private funds without any clawback. That would mean a combined income of \$173,504. More than quadruple the average Canadian's annual wage, it seems more than fair. Beyond the 10%, and the MP's salary would be reduced. For example, if an MP privately earned \$50,000, creating a total of \$207,731, that \$50,000 would just be cut, leaving a public salary of \$123,504. Of course, regardless of private earnings, the total could never go beyond \$173,504. In this way, the MP could keep an existing business going, but would not have significant incentive to spend long hours at it.



But what of the politicians who go into business while they are politicians? Some might consider this, especially if they see the end of their political career coming and they want to hang out a shingle for their post-Parliamentary life. In fact, even the possibility of reduced

pay might be meaningless given the desire for an even transition into private life. If one is giving up \$157,000 in leaving Parliament Hill, they'd probably like to walk into \$157,000 in their new work. Why not hit the pavement running?

From a citizen's perspective, the answer is easy enough ... because you – the MP – are supposed to be working for the people of Canada and your riding. I don't want you spending my time enhancing your bank account, even if you're about to leave my employ. As such, we would suggest also deducting any private money earned from the MP's pension. In this way, if an MP had private earnings above the maximum of \$20,000, \$40,000, and \$90,000, respectively, in three of six parliamentary years, their public salary would be reduced in those three years. However, their pension earnings would also be cut by those amounts. If they had a pension built up of, say \$25,000 per year, then they would lose six years of pension. In effect, they wouldn't be eligible to collect until age 61, instead of 55. If that same MP had private earnings totaling \$500,000 over the six years, they would lose out on twenty years' eligibility, or a loss of \$1 million in salary and pension.

A critic will obviously question this on the basis that the penalty for private earnings is doubled. Not only is the money being clawed back for the annual indemnity but for the pension, as well. How is that fair? As well, if so much is cut, good people will not seek public office because compensation is unfair. One would do better to stay in the private sector. On the first point, politics is not a vocation and you are not supposed to become wealthy on the taxpayers' time. Second, so-called "good" people will always seek public office because they want to help create a better society. The point here is to weed out those who try to get elected so they can line their pockets.



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OUR VIEW

So, the big question after the G8 and G20 summits, held in Huntsville and Toronto respectively, is ... are they worth it? Most on the government side say 'yes, of course, so much good work was done that could only be done face-to-face'. Critics say 'no, 99% of the work was done by advance teams long before any foreign leader landed in Canada', and the day of such bloated international gatherings is done. Both are wrong. These swollen excuses for photo ops will continue because world leaders like them. Nevertheless, they should not continue because modern international communications make them unnecessary and security measures make them far too expensive.

In what did the G8 meeting result? A deal on maternal health that didn't go very far toward the desired result. The United Nations has reported \$30 billion was needed to aid women during pregnancy, childbirth, and the postpartum period over five years. However, the combination of wealthy nations managed a paltry \$5 billion for the initiative ... and Canada had to put up 22% of that – \$1.1 billion – to avoid humiliation for the Prime Minister who had spearheaded the initiative. Yes, it's true that a few other countries and a couple of major foundations kicked in another \$2.3 billion, but this was still less than a quarter of the needed

funds.

In what did the G20 meeting result? A deal on deficit cutting that may well be too much, too soon. With the deadline for stimulus funding running out, most Western economies are slowing rapidly. And while many want to implement austerity measures, it's not certain this will not bring us back into recession. In other words, this deal may be a pig in a poke.

What did the G8 and G20 meetings cost? The straightforward expense was \$1.1 billion, with \$933 million of that for security alone. However, then there was the loss to the economy of essentially shutting down the business section of Toronto for several days, then the damage done by the anarchist rubes, and the various inquiries into dubious policing practices to come.

Undoubtedly, G-anysings are a colossal waste of time and money. If Prime Minister Harper had simply used the money for this in his maternal health proposition, he could have doubled the number of lives this country would save ... and wouldn't that have been a better use of the money than seeing to it Nicolas Sarkozy had fresh flowers in his rooms?

Summits have become pure propaganda. Bureaucrats and diplomats work out the details ahead of time, leaving little more than the fleeting thoughts of a few leaders to be tacked on at the end. At one time, they may have been useful exercises of international contact. Technology, however, has made the entire structure a farce. And with world leaders now cowering behind walls of tall-broad-shouldered men with weapons, the expense is out-of-line with what citizens are willing to pay to see their leaders get multiple face shots in global newspaper pages.

Our Philosophy

As its basic principles, the Mad River Institute for Political Studies, its directors, officers, and members pledge that it, and they, will work to:

1. promote the "public good" through the strengthening of the public nature of government
2. have public servants recognize their inherent responsibilities to citizens
3. create more equity in politics through the expansion of democratic measures
4. have government recognize its inherent responsibility to act directly to help those citizens who need assistance
5. have public servants adopt higher standards of conduct for themselves and all society
6. have public servants recognize their inherent responsibilities in the expenditure of tax dollars while still delivering needed public services
7. have public servants consider more innovative and original ideas to deal with problems
8. assist the public in better understanding the political process and their place in it, as well as the consequences of their political decisions.

It is our belief that people must begin to take greater charge of their own political affairs, and demand more responsibility and accountability from politicians and government for their actions. That is our *raison d'être*. We want to act as an observer, critic, and teacher of government and politics, and try to promote political activity amongst the public by improving the efficacy, accountability, and responsibility of government.



For us, we are in our early days. It is most important we gain members, both for the legitimacy of our cause and for our finances. If you're not already a member and you think the Institute is on the right track, then please consider joining us. Our basic membership is just \$20.

If you're already a member, please consider a small donation to help offset the costs of ongoing operations, such as advocating our goals, our educational programmes like **PEAR**, and our everyday expenses, which we keep as low as we can.

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UNIVERSALITY

Decades ago, Canadian politicians decided to adopt the principle of universality. That is, everyone, regardless of individual financial means, would have equal access to social programmes. For a time, the application of this idea expanded over most major programmes, such as health care, social assistance, and the Canada Pension Plan. Today, however, we see this pillar of Canadian governance slipping away in the face of 'management by economist'.

The Great Depression, the Second World War, victory, and phenomenal growth changed Canadian society. For one thing, the majority of people adopted more democratic beliefs, such as one that all citizens were fundamentally equal and, as a result, we should all benefit from being citizens equally. Too often in past history, families had been financially devastated by serious illness, job loss, or old age. A choice was made to help the poorest at the expense of the well-off. The consensus was that government should establish programmes available to everyone.

The only question was to have a system that applied to all, or to have one that set an arbitrary cut-off line for assistance. Universal coverage was seen as best. All people would have the same access to services, regardless of their financial means. Then, the income tax would make up the difference. A progressive levy would set out higher rates for the wealthiest, with gradually diminishing rates as income declined. In this way, everyone would receive the same quality of service and we would each pay an amount we could afford. However, even as income taxes were increased to pay for the enhancement of services over time, they could not cover the demand for expansion. Additional revenue came primarily through an expansion of corporate taxes.

Over the last couple of decades, however, the principle of universality has been eroded. Somewhere along the way, politicians began to bend away from the views of people toward the popular opinions of economists. The problem, now, is that most modern-day economists believe that income taxes are bad and consumption taxes are the way to go. And this has nothing to do with saving the planet by having people pay more based on being the

greatest consumers of scarce resources. It has to do with what's good for business.

Economists make great claims about why consumption taxes are better than income taxes, claims that seem to attract politicians. But seldom are these views challenged.

1. *Consumption taxes are voluntary.* If you don't want to pay them, don't buy the products to which they apply. Income taxes are not voluntary. They are forced on you and, thus, a poor choice. The difficulty here is that consumption taxes generally apply to most all products (and services). You have little choice regarding buying them. And, as the odd disagreeable economist has said, you don't have to pay income taxes if you don't earn any income.
2. *Consumption taxes don't tax production.* That is, the tax is only applied to the final product, not the components going into it, avoiding what is called cascading or the tax being applied over and over again. In this way, it doesn't apply to goods being sold overseas, making the product cheaper and, thus, as a trading country, we become more attractive. The truth, and contradiction of this claim, comes from politicians themselves. One of their selling points is that the change to a Harmonized Sales' Tax (HST) in Ontario and British Columbia will permit businesses to pass tax savings along to customers. Really? If businesses could raise their prices, not lose sales, and increase their profits, they would already have raised their prices. Similarly, if they could cut tax costs, why would they not hold their prices and increase profits? Plus, if a consumption tax is being newly applied, people will have the expectation that prices will rise. They won't be expecting a price drop. Why would a business not take advantage of this? Consumption taxes do tax production ... and every other part of a business. And finally, since businesses that purchase goods and services can claim input tax credits as a deduction of the amount of GST they paid during a given period, cascading is already avoided. As such, this argument only applies to the PST portion of an HST.

3. *Consumption taxes are easier to collect.* Income taxes require a great bureaucracy to go through tax returns, then see the money owing is paid. Businesses apply a simple tax to a sale, then remit it to the government. Perhaps a consumption tax is easier to collect ... when it is low. However, many economists would replace the income tax entirely, so consumption taxes would have to be so high you could probably expect a popular insurrection. And even if it is collected at a much lower rate, the creation of the Goods and Services Tax in 1990 proved that administrative costs of its collection were actually quite high.
4. *Consumption taxes don't tax savings.* And governments want everyone to save for retirement. Money sitting in investments or a savings account are taxed for income. Even most critics accept this ... but it misses the point. Savings will eventually be spent or you will be dead. In the former case, you will pay consumption taxes on these former savings. In the latter, it won't matter.

In the last quarter-century or so, economists have become almost the only source of business information and opinion to which politicians will listen. This is probably because of the professionalization of government, where civil servants have multiplied like rabbits and the voices of popular will are quieted. As a result, the arguments for a progressive income tax and universality have been muted.

Another change is in politicians themselves. During the 1990s, it came into fashion to cut taxes as a way of getting and staying elected. And because economists have the ear of politicians, it's generally not consumption taxes that are being lowered. The economist mentality is to recommend cuts to corporate and income taxes. As a result, the wealthiest companies and individuals have seen their tax burden reduced sharply, while the middle-class have had to make up the difference. Thus, we see a further decline in the effect of the principle of universality.

And though it's certain most politicians would argue this point, it appears fewer people are getting into public service 'to do good' and more are there to, if not enrich themselves, make their lives much more financially successful than they would ever have been with private sector jobs. As a result, staying in office

as long as possible is a serious goal of election, one that did not exist when salaries and pensions were small.

What politicians have lost, too, is the realization that consumption taxes are highly regressive. Poorer taxpayers are much more hard hit than the wealthy. The establishing of an HST will exact significantly higher costs on things most people would consider essential, such as gasoline, home heating oil, and plumbing and electrical repairs. And even though what some term as a bribe is being handed out in Ontario in the form of transition cheques to address this concern, the truth is they only last one year and are hardly focused on the poor, given the same amount is being sent out to those making \$10,000 as \$160,000.

We accept that consumption taxes have their place. For people who want to spend large sums on wasteful or self-indulgent products or services, penalizing this depletion of resources is quite reasonable. But we should not pretend this has anything to do with people paying more based on them being the greatest consumers of scarce resources. It has to do with economists convincing politicians that business is better off with taxes on consumption and ordinary people are better off if business is better off, even if it is left to them to pay the final cost of goods and services.

We do not accept the undermining of the principle of universality, and we see the move to consumption-tax-financed government services as the eventual death of it. Programmes cannot be financed on consumption alone. First, it is not a predictable source of income. When the economy declines, consumption declines, and so will tax revenue ... to a greater degree than income. Second, we believe we need the connection between income and social programmes. If wealthier people can avoid contributions based on their wealth, then there will be no sense of social responsibility. If poorer people gradually lose services as they are means-tested away, they will lose any interest in how society is governed. And if the middle-class becomes almost the sole contributor to finances, it will be so over-taxed that social programmes will inevitably decline.

Unavoidably, as universality wanes, Canadians will no longer be equal as citizens. Then, it is not just the principle that is lost, but it is a cornerstone of the idea of Canada that will be lost.