NOW IT'S OUR TURN

A common sense plan for a strong economy and fair society

national union

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ADAM SMITH, the father of modern economics, is often cited as arguing for absolute reliance on an **"invisible hand"** to guide completely free markets to almost magically deliver the greatest good to the greatest number.

...the reason that the invisible hand often seems invisible is that it is often not there.

Joseph E. Stiglitz
Nobel Prize in Economics
2001

Hands free

The famous invisible hand of the marketplace had let go. It had somehow let our economy just slip through its fingers. Now we were all in freefall. Plummeting towards the greatest financial calamity in over three quarters of a century.

SEPTEMBER 14, 2008, was the worst day on Wall Street since the Crash of 1929 that triggered the Great Depression—the worst financial crisis the world had ever seen.

This was never supposed to happen—not again. The first time, 1929, was supposed to be the last time. Everyone said so. Just about all the big name economists, all the bankers and brokers, all the presidents and prime ministers and just about anybody who knew anything about economics. They all agreed it wasn't possible: capitalism couldn't fail—if you left it alone. That was the key.

Capitalism had a built in fail-safe device, they said. This fail-safe was made up of two parts: the invisible hand and the free market. Their theory was that if we left business to its own devices, left the sellers and buyers of all goods and all services free to find each other, the economy would stay strong and always deliver the greatest good to the greatest number.

There would be no distortions, they said. No gross inequalities of wealth or living standards. The invisible hand of the marketplace would always operate to even things out and not let the balance tip too much one way or the other. They were all wrong.

The final proof came on September 14: the very bankers and brokers who had said the system couldn't fail admitted it had failed. They had taken advantage of their freedom to march themselves to the brink of total financial collapse. Some of them did collapse. But that wasn't the worst of it, they said. The worst was we could all go down with them. We could all be plunged into another Great Depression because of what they had done.

The only way to avoid it, they said, was for us to bail them out; was for our governments to use our tax money to cover their colossal financial blunders.

It turned out absolute free markets were not magic. It turned out absolute free markets were at the root of our economic problems. It turned out the invisible hand was no fail-safe magic mechanism—if it existed at all.

It turned out uninhibited, unrestrained, every-man-for-himself, bare-knuckled capitalism could fail us all—had failed us all. It wasn't as if we weren't warned.

You can't make it work

JOHN KENNETH GALBRAITH had warned us time and time again: It can't work. You can't make it work. Failure wasn't impossible. It was inevitable. And he wasn't alone.

He was just one of many leading economists who saw the worm in the apple of the absolute free market theory. He and the rest warned us it was just so much wishful thinking—like believing in Santa Claus or the tooth fairy. There was no invisible force at work in the world that would

The enemy of the conventional wisdom is not ideas but the march of events.

• John Kenneth Galbraith •

always and forever even things out and, in some mysterious way, see to it that we always had an economy that would deliver the greatest good to the greatest number.

Galbraith and the rest were far from silent. They wrote newspaper and magazine articles warning us. They wrote whole books warning us. They went on TV talk shows, lectured at universities, spoke at international conferences—but they were all swimming upstream.

The great onrushing torrent of public opinion had been massaged and managed into believing in the invisible hand and its power to keep capitalism humming to the greater good of all.

And that's the way it was, all through the 80s and most of the 90s—right up until the bottom fell out in September. Kind of.

The truth of things was not nearly so rosy. The fact that it wasn't was there for those who wanted to see. The truth was that the whole free market theory never really did work that well. Consider the scorecard over the 20 years before our current disaster:

- a stock market crash in 1987;
- the savings-and-loan crisis 1989-90;
- the "emerging markets" crisis of 1997-98—which brought down, among others, Long-Term Capital Management, the super-hedge fund led by two Nobel laureates specializing in finance; and
- the bursting of the dot-com market bubble in 2001.

But none of this was allowed to shake our confidence. The men at the top and their great media machine worked overtime to assure us that "the fundamentals were sound." And no one, but no one, would be allowed to challenge that orthodoxy. When some tried they were stopped dead in their tracks.

Just you try and stop us

THE PERILS OF THE SUBPRIME lending gambit were obvious by 2006-7 and ominous for anyone paying attention—so ominous that every single attorney general, in every single one of the 50 American states, both Democrats and Republicans, launched lawsuits against the worst predatory subprime lenders. New York, and a number of other states, went so far as to pass laws to rein in such practices.

The response was shocking and almost surreal: the Bush administration moved to block the states from doing their duty and taking action to protect their citizens.

The White House employed a little-used 1863 law to annul all state antipredatory-lending laws! And, if that wasn't enough, to block states from enforcing their own consumer protection laws in suits they had against national banks. Thus, when the state of New York tried to open an investigation into discriminatory mortgage lending in their state the Bush administration actually filed a federal lawsuit to block it.

These interventions were so extreme and so unprecedented that the attorneys general and the banking superintendents of all 50 states came together to oppose the rulings unanimously. But to no avail. The Bush administration got its way. No one would be allowed to even suggest that there was anything to worry about. There would be no need for laws to protect consumers from any dangers in the operation of the free market because no dangers could exist.

But, try as they might, the masters of high finance and the holders of high office couldn't hide the truth from us forever. In September 2008, the truth, the whole truth and nothing but the truth came crashing down all around us. The march of events had destroyed conventional wisdom.

We had no choice but to face the truth that the supposedly flourishing free market economy was in fact a delicate hothouse flower; and, while it could be forced into bloom—like growing orchids under glass in Aklavik—it took a lot of special care, feeding and pampering to keep it alive.

Yet, governments all around the world had clamoured to give it a shot. Reagan, Mulroney and Thatcher led the way; all the developed countries followed quickly and willingly. The International Monetary Fund and World Bank ganged up on undeveloped countries to ring them in. And so it was done: the whole world put its eggs in the wide-open free market basket.

But the fatal flaw in this free market free-for-all soon broke through: there was no way to limit risk or greed. The wide-open opportunity to make more and more money would lead the biggest bankers and brokers into deviousness and outright deceit as they scrambled to create riskier and riskier money-making devices to make themselves richer and richer. And they did.

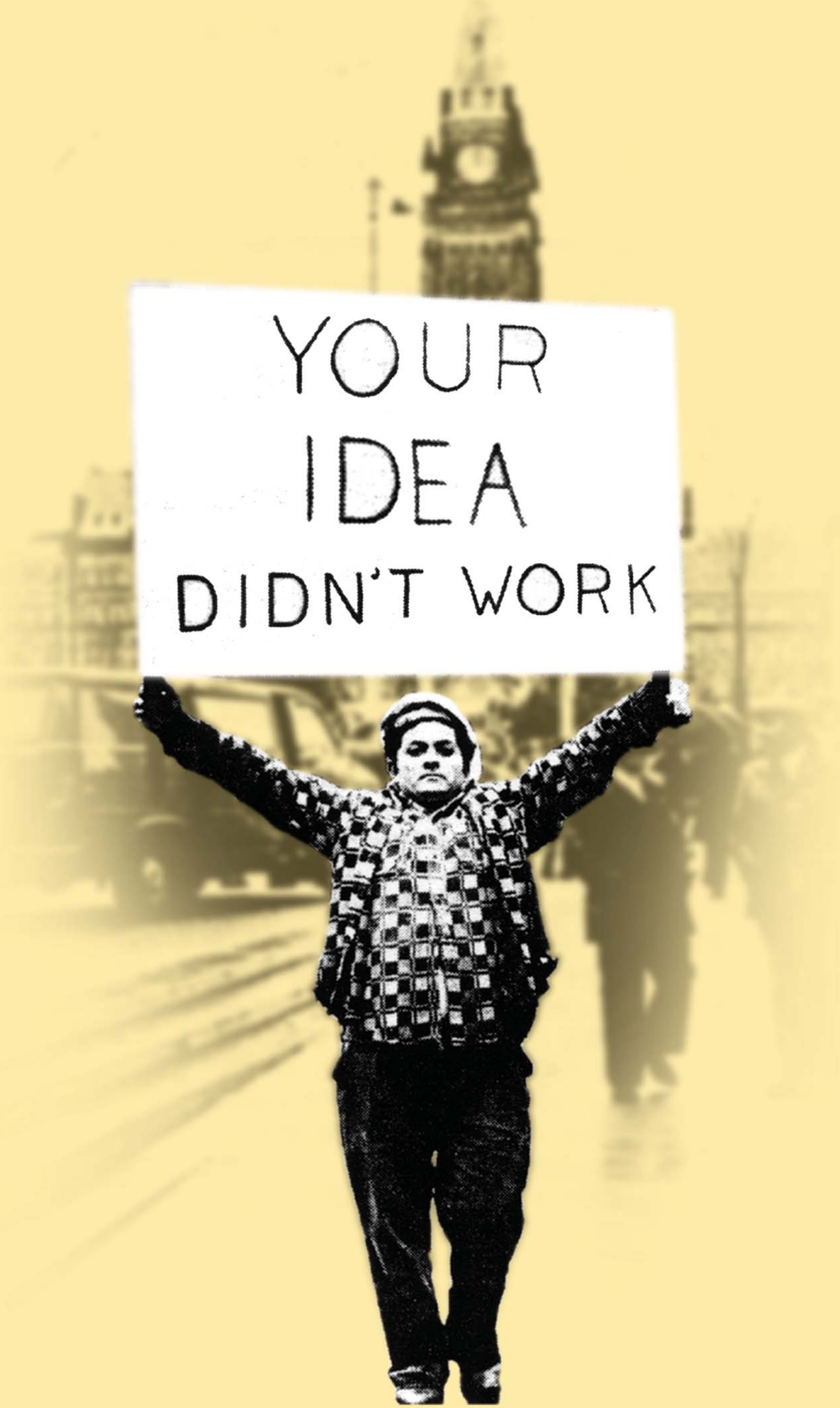
They got richer and richer. The gulf between the rich and the rest of us grew to Grand Canyon proportions. That is the second great truth now in plain view: the rich got richer and the rest of us got to pay for it.

The task before us now is to make damn sure they don't make us pay for it again.

Canadians will have to work 9-to-5 for every day, of every week, of the whole year in 2008 to earn an average annual wage of $38,998. Top CEOs will get paid the same amount before lunch on day two.

In fact by 10:33 a.m. on January 2, the 100 best-paid CEOs of public companies in Canada will have already pocketed that average Canadian wage.

They will continue to earn the average Canadian wage every nine hours and 33 minutes for the whole rest of the year.


YOUR
IDEA
DIDN'T WORK

Now, it's our turn

They had their chance.

They got it wrong.

Now it's our turn to put it right.

IT'S NOT EASY to know what to do these days. Not since the whole financial world turned upside down in September. And, much of the advice we have been getting since hasn't helped much. It can easily leave you feeling dazed and confused about how exactly to find the way back home. It needn't.

Not when you remember how good we are about facing up to crisis. After all, that's how we created a country out of a chaos of wilderness, forest, lakes, rock and trackless prairie. That's how we survived flood, drought, the Great Depression and two world wars. We trusted in ourselves and our instincts. We didn't wobble. We endured.

The crisis we have to face up to now is not exactly like any of those. But what it will take to survive it is exactly the same. It will take conviction and determination.

It will take the conviction that we are smart enough to know what is best for us; and that we are ready, willing and able to do whatever we've got to do to finally get it for ourselves.

It will take the determination to hold out for that vision: to make sure this time it really is our turn to choose our future—no matter what.

All together now

A common sense plan for a strong economy and fair society

THERE ARE TWO basic beliefs that must guide us in creating a new-style economy that is strong and fair:

• the first is that we are all in this together;

• the second is that economic, social and environment goals are inseparable.

Our individual and collective security is best realized when we all work together. It's a common sense approach that leads us to pool our risks and share our common wealth for the common good of all. It's what we have always used government for. We must not be afraid to do it again.

Trusting in the free-market didn't work. Telling people "ready or not, you're on your own" didn't work. We know it is an approach that

is simply too destabilizing, divisive, unfair and insecure. We must prepare for and adapt to economic change together. Our new economic reality demands it. Our darkening environmental reality demands it.

It will do us no good to fix the economy and forget about social programs. It will be impossible to fix the economy and forget about the environment. What has happened to our economy, what is happening to our environment forces us to face the folly of believing these concerns are in any way separate and individually "fixable."

We are, in every way, all in this together. We always have been. We can no longer dare to deny it.

In that spirit we offer a 5-point plan that will strengthen Canada's economic foundations and help families and businesses prepare for and adapt to these turbulent economic times. We believe the plan contains the right balance of bold, yet practical solutions that will jumpstart our economy and create new jobs, safeguard our social programs, protect the incomes and savings of Canadians, and help us tackle the climate change crisis.

We've overcome great challenges before. We can do it again. All together now!

5 point plan

1. A framework for financial stability
2. Strengthen public services and invest in infrastructure
3. A modern industrial strategy and a new green economy
4. Security for working families
5. Pension expansion and protection

1 A framework for financial stability

The conservative economic ideology is bankrupt. Their program of tax cuts for the wealthy, a weaker role for government in our economy, and the habit of ignoring economic problems until they have spiralled into a crisis has delivered nothing but economic instablility and worry.

We need an activist government that has a sensible plan to secure the stability of the financial system.

It's unlikely Canada will suffer the same subprime-mortgage-fueled financial market meltdown that's wreaked havoc in the United States and elsewhere. In large part that is because Canadian banks are more tightly regulated by our government than in these other countries. Still there is no doubt that Canadian financial institutions are not immune from the effects of deteriorating global credit markets.

The global credit squeeze has meant more difficult and costly access to capital for Canadian financial institutions.

Credit terms have been tightening for many businesses in Canada, especially in the manufacturing sector, and they desperately need to raise additional credit to maintain operations and avoid widespread layoffs and closures. The credit crunch has also contributed to slower consumer spending and investment in Canada.

Our governments must work together to:

- Provide enough liquidity to the financial sector so institutions can extend new credit.
- Provide temporary guarantees for loans and lines of credit for creditworthy companies which cannot obtain credit from banks.
- Insist on ownership shares and place limits on CEO compensation in return for any bailouts.
- Reduce interest rates to help ease the credit crunch for consumers and stimulate borrowing. Ensure banks pass reductions onto customers.
- Strengthen regulation and governance of the financial system in Canada and internationally.

2 Strengthen public services and invest in infrastructure

Turbulent economic times are exactly when we need greater public investment in public services and infrastructure projects—both for the vital services and infrastructure people need to rely on in tough times and for the economic vitality it adds to our communities.

The global financial and economic turmoil, especially the serious slowdown unfolding in the US, our biggest trading partner, means the overall economic picture for Canada has seriously darkened. Business and consumer confidence has been shaken. The negative consequences on investment and jobs and people's lives are very real.

In these turbulent times public investments can make a huge difference. Public services make life more affordable for families, who in tough times will need to count on these vital services even more.

The public sector is also a direct source of good-paying jobs that support families and keep our communities strong. The money public employees earn has positive spin-offs for the overall economy because it gets spent at local businesses in local communities.

Major public investments in new infrastructure projects are needed to repair Canada's crumbling infrastructure and help build a clean energy economy. These infrastructure investments also create far more new jobs than tax cuts would create.

Cuts to public spending at the same time as the overall economy is shrinking would make the slowdown worse. It would lower the quality of life for many families. It would be a failure of leadership at precisely the moment people are turning to their governments for help.

Our governments must work together to:

- Discard outdated dogma about balancing budgets at any cost. These tough times require balanced judgment over balanced budgets.
- Launch significant improvements to public services which people and communities rely on, and which will also create new jobs. For example, we need major investments in health care, education, community social services, early learning and child care and our justice system.
- The federal government must not cut transfer payments to provinces for health care, education and social services. We've seen the folly of federal budgets being balanced on the backs of provincial transfer payments in the 1990s. The result was needless hardship, lost jobs, health care wait lists, higher tuition fees and increased poverty.
- Allow Canadians to buy secure tax-free Infrastructure Bonds, similar to Canada Savings Bonds, and use the money to build public assets such as affordable housing, roads and bridges, hospitals, schools, mass transit, sewage treatment and clean water and renewable energy.

3

A modern industrial strategy and a new green economy

We need to keep good jobs in Canada, reinvigorate our manufacturing base and invest in innovation in order to build a new green economy that will restore Canada's economic strength and power our nation forward in the 21st Century.

We have a serious crisis in the manufacturing, auto and forestry sectors. Many plants have been forced to reduce output, lay off workers, ship jobs overseas or close altogether. These industries are an important part of Canada's economy. They provide decent wages and benefits, create positive spin-off effects in other areas, and increase the tax base for communities which in turn help improve schools and community services. We need a national plan to enhance the competitiveness of manufacturing industries and adjust to changing economic circumstances.

But more importantly, dynamic economies constantly reinvent themselves and grow through innovation. We need a national plan to ensure we are at the forefront of the biggest emerging economic opportunity of our lifetime. That, of course, is the opportunity to galvanize Canadian ingenuity and innovation to build a clean energy economy that will create millions of new green jobs and help solve the climate crisis. Canada urgently needs to create a national green economic development and innovation strategy. Other nations around the globe have already taken action and are gaining a competitive edge:

- In Germany, the legislation that puts a priority on the feed-in of renewable energy sources to the electricity grid has made German manufacturers of wind turbines and components world leaders, holding 37 percent of the world market share, making healthy profits and employing more than 100,000 people. And Germany has managed to save their steel industry in the process. Their wind turbine production now uses more steel than their automobile industry. In 2020, there will be more workers in environmental technologies in Germany than in the auto sector.

- The US government recently extended tax incentives for wind and solar producers for another eight years, encouraging innovation and creating thousands of jobs. Sharp Electronics, located in the State of Memphis, used to make televisions, but it faced tough competition from low–wage countries such as Mexico. In 2003 the company converted its plant to solar panel production. Today, Sharp Electronics is the second largest manufacturer of solar cells in the world. Global sales of solar equipment are expected to near $20 billion in 2008, and are increasing 25 percent annually.

- In the United Kingdom the government's Department of Business, Enterprise & Regulatory Reform is a strategic partner with a green technology company called Marine Current Turbines (MCT) which is currently the world leader in marine current and tidal stream energy. In 2003, the company created SeaGen—the world's first and largest commercial scale tidal stream energy generator—and in July 2008 they began producing electricity in Strangford Lough, Northern Ireland. They estimate that tidal power has the potential to supply up to 10 percent of the UK's energy within a decade. The power of aggressive tidal currents could be replicated across not only Britain but in other parts of the world, including Canada.

- In Bangladesh, microloans have helped to install more than 100,000 solar home systems in rural communities, with a goal of one million by 2015. Youth and women are being trained as certified solar technicians and as repair and maintenance specialists, with a goal of creating 100,000 jobs.

- India is aiming to create 900,000 jobs by 2025 in biomass gasification of which 300,000 would be in the manufacturing of stoves and 600,000 in areas such as processing into briquettes and pellets.

- The Federation of Master Builders in Britain estimates that the UK government's tax incentives for 26 million home retrofits will create a £6.5 billion industry of 'green' building technology, manufacturers and suppliers, and they are now in the process of exporting this technology to the world.

- US President-elect Barack Obama has promised to invest $150 billion over 10 years to create five million new green jobs by advancing the next generation of biofuels and fuel infrastructure, accelerating the commercialization of plug-in hybrids, promoting development of commercial scale renewable energy, creating a program to retrofit one million homes per year, and beginning the transition to a new digital electricity grid.

- Denmark is using government subsidies and tax breaks for a new project that involves the mass production of electric vehicles and the rollout of an extensive infrastructure of charging and battery swap stations across the country. The charging stations will be powered by wind turbines allowing electric vehicles to be quickly and easily recharged. In addition to providing power to electric vehicles the stations will also act as storage capacity for the country's wind power generation capability. The government views the project as a critical investment in modernizing the country's economy and transportation network and reducing pollution that contributes to climate change.

Our governments must work together to:

- Develop a national industrial strategy to reinvigorate Canada's industrial base, especially the hard-hit manufacturing and forestry sectors.
- Fight for fair trade deals that protect good Canadian jobs and provide strong labour and environmental standards.
- Ensure Canada has a competitive edge in a new modern green economy by investing more in clean energy research and development.
- Establish a National Clean Energy Innovation Fund to invest in the most promising new clean energy technologies.
- Create a Green-Collar Jobs Strategy to ensure we attract the green technology jobs that will be in high demand as more countries transition to a clean energy economy.
- Create a Green-Collar Just Transition Fund to train new workers and retrain displaced workers.

4

A security package for all working families

Families who work hard, play by the rules and demand little more than a fair shot at a decent living desperately need and deserve better income support.

Real wages for the vast majority of Canadian workers have been stagnant for years. Workers making minimum wage can barely raise their families and pay for basic needs. More and more family income is being eaten away in higher prices for rent, groceries and energy.

Also, their basic labour rights to fight collectively for good working conditions and job security are being taken away by unfair, employer-friendly labour laws. Added to all that is the worry that if they lose their job they won't qualify for Employment Insurance.

Our governments must work together to:

- Protect and strengthen the right of all working women and men to organize unions and bargain collectively.
- Increase the minimum wage and index it to inflation to ensure it rises every year.

- Improve Employment Insurance by loosening the needlessly tight limits on eligibility, increasing benefits, and offering more labour adjustment and training programs.

5

A plan to protect and expand pensions

Governments must guarantee that retirees and people approaching retirement will not pay the price for the financial meltdown.

Too many Canadians don't have pension coverage and the CPP needs to be strengthened for Canadians without workplace pensions.

Governments need to encourage employers to set up and keep superior Defined Benefit pensions, and the tax system should be used as an incentive.

Some employers say they are facing possible financial devastation if they are required to immediately make enormous contributions to their pension plans to fund shortfalls.

Our retirement savings are the result of a lifetime of effort. They are the promise that we can retire with security and dignity. We expect our governments to act and ensure that we have some security in retirement.

Our governments must work together to:

- Increase Canada Pension Plan and Old Age Security benefits.
- Use tax incentives to encourage Defined Benefit plans.
- Under certain conditions, and on a case-by-case basis, temporarily extend the regulated time limit employers face for funding pension shortfalls.
- Create a national pension benefits guarantee fund to ensure workers receive pension benefits if their employer goes bankrupt.
- In the short term, guarantee that pension plans will not fail in the current economic crisis.

For more resources visit

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