

The Next Economy

Findings from the cross-Canada public sessions of Cut Me A Slice: A People's Response to the Economic Crisis



Acknowledgments

Thank you to everyone who sacrificed their personal time to attend our town hall meetings or send a submission through our website. We hope you see your suggestions and sentiments reflected in this report.

We'd also like to express our deep gratitude to Michael Fraser and Duncan Cameron for all of their help. Michael served as the National Moderator of our town hall meetings. And we relied on Duncan for his economic expertise in writing this final report. Thank you, Michael and Duncan.

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Introduction

TRUE BRIGHT IDEAS are hard to come by these days. Think about it. It was “bright ideas” from the masters of high finance (the “experts”) that brought our economy crashing down on top of us. Now we get more “bright ideas” about how to fix things from the same “experts”: the same corporate executives, bankers and brokers who got us into this mess to begin with.

These “experts” said our economy would stay strong forever if we just applied their free market formula of smaller governments, cuts to social programs, fewer regulations on corporations, tax cuts for the wealthy and free trade deals.

For the last 20 years governments in Canada and around the world embraced these economic fundamentals and rushed to apply this formula. They put all their economic eggs in this wide-open free market basket.

It turns out these “experts” were wrong. Now we’re facing the worst economic crisis since the Great Depression. The evidence isn’t hard to find.

Unemployment is soaring. The manufacturing, auto and forestry sectors are in big trouble. Local businesses are going bankrupt. Public services are being cut back. Pensions and retirement savings are getting hammered. The labour rights of working people are being attacked. The gap between rich and poor is at the highest level ever.

The so-called “experts” had their chance. We tried it their way. It didn’t work. Now it’s our turn. It’s our turn to remake Canada’s economy so it is stronger, sustainable and more equitable. It’s our turn to come up with some true bright ideas. We began by going to some true experts — everyday people.

Our Bread and Butter Tour

We decided the best way to find bright ideas, ones that made sense in the real world we all live and work in, would be to ask regular, everyday people what they think. A few months ago we started out on our Bread and Butter Tour: it was a journey to hear from people, in their own local communities. We asked them to tell us what they believe is the best way out of the mess we’ve been handed.

NUPGE and its Component unions held town hall forums in 26 communities across the country during the months of May, June and July 2009. The full list of cities is at the back of this report. We also set up an interactive website (www.peoplesresponse.ca) that allowed people to send us their thoughts in writing, audio or video messages.

We invited everyone to attend the forums and participate online – anyone who could give us the big picture in their community, anyone with an idea on what needs to happen to remake our economy.

The hundreds of people we spoke with and heard from – some representing themselves alone, many representing hundreds, sometimes thousands, of







others in their communities, unions, businesses or other organizations – were eloquent, intelligent, astute, thoughtful, sage and enthusiastic.

They also possessed a resilient optimism that Canada is up to resolving the current crisis and developing a new economic approach – one that avoids the failed policies of the past. They understand that this crisis is also an opportunity to finally get the kind of fair and sustainable economy we've always wanted.

They provided us with a wide range of ideas. In terms of policy directions, six clear themes and priorities emerged:

1. People want to work and the top priority must be job creation. The goal must be full employment based on good jobs that provide decent wages, security and working conditions. This requires short-term measures like investing in infrastructure projects. It also requires long-term measures such as investing in people through training and apprenticeship programs and encouraging research and development.
2. Laid-off workers, struggling to pay their bills and keep their heads above water, need and deserve our support. The Employment Insurance (EI) program must be reformed so it is more accessible, provides better benefits for a longer duration, and is responsive to regions that rely on seasonal employment.
3. We must do more to ensure people can retire with security and dignity. The Guaranteed Income Supplement (GIS) benefits must be increased to support the most vulnerable seniors. Workplace pension plans must be protected through a national insurance system. Canada Pension Plan (CPP) benefits should be doubled to ensure all workers have adequate retirement security.
4. Public services provide families with social and income security and during tough times they rely on these services more than ever. Investing in public services also creates jobs and is a good way to provide a boost to the economy. We need to protect, strengthen and expand public services such as

health care, education, child care, elder care, affordable housing and community-based social services.

5. We don't have to choose between a strong economy and a clean environment. That is a false choice. We can have both. In fact the solutions to the climate crisis are the same measures needed to renew our economy. We need an industrial strategy to unleash Canadian ingenuity and develop the cutting-edge green technologies that will create jobs, renew our economy and help us confront the climate crisis.

6. Canada's big banks must do their share to help families, businesses and communities get through this difficult time. We need action to ensure banks pass on central interest rate cuts to families and businesses. We need action to reduce sky-high credit card interest rates and ATM fees.

The six policy directions outlined above are essential. But something else, something perhaps more important, emerged from all of the discussions and presentations. A narrative emerged that ties all of these crucial public policies areas together – a narrative that people kept coming back to again and again.

It is this: building a strong, sustainable and equitable economy can only happen if we believe in using our governments as a constructive and compassionate force for the common good. Our federal government must take the lead and define a vision of where we want to go with our economy and how we're going to get there. That vision must be based on Canada's finest and most enduring values such as: justice; democracy; opportunity; responsibility; fairness; compassion; cooperation; diversity; and tolerance.

This is an important insight because people are telling us that we need to fight for something bigger than just specific policy issues. We need to be united behind an over-arching progressive vision of Canada – the profound belief that the pursuit of the common good, through our governments, enables us to achieve a good greater than any we can ever achieve alone.

This report combines the sentiments, ideas and insights we heard from people across the country and articulates a course which we believe our governments should follow. We'll be presenting this report to elected officials and others who are in a position to change our economic fundamentals.

Of course this town hall tour represents just one small step on the road to a resolution of our economic problems. There are many miles to go before we achieve our vision. But we are committed to ensuring that the dialogue and progress achieved to date will not be allowed to lose momentum.

So stay tuned. This report is only Part One in what will be a three-part series. Part Two will expose some of the myths that are being spread about the current crisis. And Part Three will lay out a more detailed alternative economic strategy to create jobs and ensure the indicators of progress and prosperity actually align with the values Canadians hold dear in their hearts.

We are determined not to stop until our vision of using our common wealth for the common good stirs Canada's collective conscience and becomes the centre of political discourse and policy in this country.

The task has never been more formidable. The need has never been greater. It will take the effort of all of us. But I know we're up to it. All together now!

A handwritten signature in black ink, appearing to read 'James Clancy', with a horizontal line extending to the right.

James Clancy
National President



UnCanadian undemocratic uninspired

WE GOT THE MESSAGE.

It wasn't hard. It came through loud and clear, in session after session.

Canadians told us that what had happened to our economy was **unCanadian** and **undemocratic**—and, worse than that, all the solutions offered were remarkably **uninspired**.

What follows is a summary of what people told us to make that plain.

Bethany Thorne-Dykstra
Moncton, NB

How did we get so far away from the notion that we should all take care of each other? It seems like corporations are controlling our governments and there's no focus on the people. I'd love to see Canada's social conscious return because it's embarrassing to stay in the current selfish mindset.

Lorraine Ellis
Edmonton, AB

It's important that Canadians have a sense of hope and

optimism about the future. We all need to work together with a single voice to ensure Canada has policies that provide every Canadian with the basics in life such as food, clothing, shelter and a safe workplace.

Lesley Clarke
Nanaimo, BC

When our governments talk about getting the economy back on track they need to look at ways to ensure that all Canadians have an opportunity to participate in the economy. We're all

in this together and we all need to move forward together.

Elmer Williams
Miscouche, PEI

There are many problems in this country. I don't know all the answers. But I do know that dialogue between people and their governments is the best way to find the answers.

Simon Schachner
Nanaimo, BC

Most of our governments don't seem to be on our side. They expect us to sit around and wait for their "great" ideas to

trickle down to us. The process should work the other way around. We should build greater solidarity at a local level and really put the pressure on our governments to respond to what we want and need.

**Paul McGillvray
Sydney, NS**

I believe our governments need to be more involved in supporting grassroots initiatives that provide the help that people need in our local communities because it's in our own communities where

basic and fundamental change is going to take place.

**Bonnie Matheson
Stellarton, NS**

The problem with the response of our governments to the current crisis is that the process is backwards. They expect the support and dollars to just trickle down to people in local communities. The process needs to work the other way. The support and money needs to be provided directly at the ground level in local communities.

**Kim Fallis
Brandon, MN**

When I got my job at Brandon University, I didn't mind paying my share of EI premiums because I was hopeful the money would help other single parents get ahead in life like it did for me. Unfortunately, the EI system today isn't nearly what it used to be and lots of single parents are missing out on opportunities. Something has to be done to reform EI and make re-training more accessible.





The Next Economy

PART I: REPORTING BACK

*Field notes from our encounters
with everyday people*

1

WHAT CANADIANS SAY

AS ECONOMIC conditions worsened across Canada in 2008, the National Union was anxious to get out and meet with citizens across the country. We wanted to know more about what Canadians thought went wrong, and what as a country we should do next. Public meetings were organized with our provincial Component unions. NUPGE wanted to broaden the dialogue about what to do next to improve our economy. A wide range of Canadians were asked to address the problems they saw around them. We were looking for answers to questions being asked everywhere by those affected. What led to the economic crisis? How can we do better?

Going into the public consultations, we expected to hear a wide range of perspectives and views, and we did. However, as readers of this report will see, there is a surprising degree of agreement on what Canadians see as important in their lives, and what they expect to



see from government. While the economy is complex and diverse, and a variety of policies are needed to address its fundamental weaknesses, some common sense ideas prevail when deciding what to do now.

Our consultations re-affirmed the importance of democratic practices in addressing economic and social issues. People elected to serve Canadians have responsibilities to the community they represent. Citizens expect the people they elect to come up with policies to protect Canadians hurt by the economic meltdown. Canadians want and expect the economy to improve. People know that it will not happen without action from governments.

In the public conversations, much of the dialogue was about the shortcomings of our democratic process in addressing some fundamental questions. The economy is about people working together to meet each other's needs. How can it be that with so much work still to be done in improving our Canadian quality of life, that over 500,000 people have lost full-time jobs? Why is it that banks can call upon government for loans to shore themselves, get the money, and then — cut off credit to households and businesses in need?

In the process of questioning how we can do better, citizens returned again and again to discussion of justice and values. Most people have ideas about what is right and wrong (justice), and what makes life good and bad (values). If our consultation revealed a consensus it was this: Canadians want to see their values better reflected in economic decisions. Citizens believe that the economy should not be removed from the realm of justice. Very human concerns animate our communities: caring for children, enjoying friendships, sharing nature, and participating in sports and cultural activities. The values reflected in these everyday pre-occupations must be included in assessing what needs to be done about the economy. People expect governments to invest in the future. They see us using our collective wealth and power to serve the community, not the other way around.

Reaching agreement about what is right and wrong, and understanding what makes things worse and what improves our quality of life are important aspects of government and politics in

Canada. Improving democracy means giving discussion of justice and values — the moral dimension of public policy — more prominence. People see the Canadian economy in transition. Older industries are in decline. New ones are being born. In the process suffering should be minimized through effective public policy to help people who lose their jobs move on to the next stage.

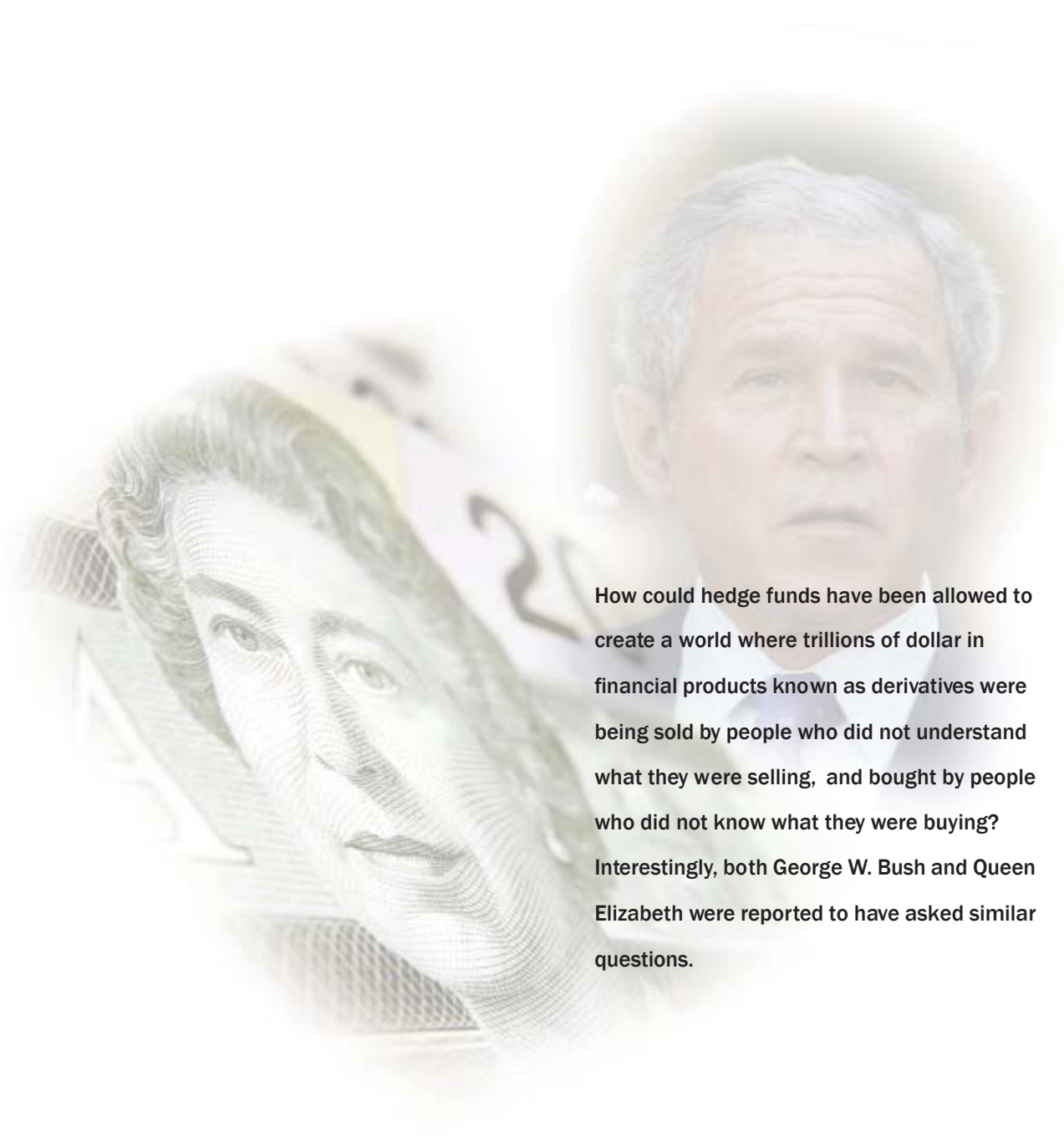
Our consultations revealed clearly Canadians consider economic life to be about more than material issues. In making decisions about the next economy, we need to look beyond the calculation of prices and quantities of goods and services available for sale. Our future requires we establish a public conversation about how well human needs are being met, and what is being left out. People think that rewards should be in line with efforts, and responsibilities, not with privileges and power.

Canadians felt let down by people in charge. There is real anger about how the economic situation spun out of control. People want to know why our regulatory regimes failed us. Did we not have enough technical understanding to control speculative finance? Or was the problem based in a faulty incentive system, where boosting shareholder profits took precedence over prudential lending? Does it make sense for corporate executives to take huge risks with other people's money in order to secure huge bonuses for themselves? Since the public underwrites the risk through deposit insurance and lender-of-last-resort intervention by the Bank of Canada, should government not set the rules for prudential finance?

How could hedge funds have been allowed to create a world where trillions of dollars in financial products known as derivatives were being sold by people who did not understand what they were selling, and bought by people who did not know what they were buying? Interestingly, both George W. Bush and Queen Elizabeth were reported to have asked similar questions.

Those who came to our meetings left comments on our website. Their participation was appreciated and valued. People were glad to be given a voice. All agreed things have worked out badly for many of us. The sentiment that we can do better prevailed. Canadians say

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priorities need to be re-thought, but we need to build on the positive aspects of our economy. Though a main news focus had been on high finance, the direction of the stock market, commodity prices and the price of oil or gold, people know the economy is about much more.

Canadians appearing at our meetings saw some down to earth problems they want fixed. The ideas they put forward are noteworthy because they are doable. Nothing that needs to happen is beyond Canadian capacities or abilities. The great depression of the 1930s taught Canadians how bad things can get. More importantly, it also showed the country can move ahead to a better place by discarding bad ideas, and adopting new ways of thinking. People consulted expressed optimism: there is no inherent reason Canada cannot develop a better economy, one that would make more people proud, and Canada a better place.

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2

THE CRISIS

THE CURRENT CRISIS can be described as a near depression. Production and employment slumped, but the economy did not collapse. The bad economic news persists. While our performance will pick up, we do not know when. Despite some predictions to the contrary, because of the damage already done, economic trouble will persist beyond the next months. How long bad times will last depends on what steps governments take to ensure a return to prosperity.

There is no point in talking about recovery so long as unemployment is high, people have trouble finding good jobs, and businesses have excess capacity. The worst scenario is one where governments prematurely decide the recession is over and cut back on spending. This could produce depression like circumstances.

As it is, it took an extraordinary U.S. government intervention, mounted by a Republican Administration opposed in principle to



intervention, to stave off a major collapse of world finance. Congress and the American president agreed to bail out household names on Wall Street that had gone broke. It was hard to believe that titans of world banking and finance needed help, but the evidence was overwhelming. Lehman Brothers collapsed. Citibank merged with Morgan Stanley. In a major takeover, the U.S. government became the owner of Freddie Mac and Fannie Mae, the two main mortgage lenders (holding one-half of the \$12 trillion outstanding) after the bubble in U.S. house prices burst.

The collapse of mortgage lending, and the freezing-up of credit shocked the American Republican Administration of George W. Bush, and left world leaders severely worried. Governments took action because there was reason to believe that the everyday economy was about to experience a 1930s style decline with falling prices leading to business and farm failures, throwing people out of work across the world. While there are many critics who believe the American government did not get much in return for its investment in saving major banking and financial institutions, few doubt the need for radical intervention. In the first seven months of 2009, 81 American banks went out of business. In August 2009, the U.S. Federal Deposit Insurance Corporation (FDIC) reported that 416 U.S. banks (with assets totaling nearly \$300 billion) were in trouble.

Troubles at financial institutions too big to fail induced government to throw money that was not supposed to be available into rescue operations. In the U.S., Bloomberg News estimated at \$12.8 trillion the amount of support given by the U.S. government and central bank (the Federal Reserve Board, or Fed) to American banks and financial institutions.

In Canada, the federal government for years allotted significant sums of money to paying down the debt. This was considered a priority while needed investments in health, education, transport, environmental protection, recreation, and culture were postponed or ignored. With the crisis at the door, financial executives all of a sudden found that adding to the debt was a good idea. In Budget 2009 the Harper Conservatives announced they would borrow \$200 billion to help out

financial institutions, including \$125 billion to buy mortgages from the chartered banks.

This money directed to Bay Street did not stop the Prime Minister from bragging about the stability of the Canadian banking system. In fact, the Canadian banks had been vocal proponents of deregulation of banking practices, wanting government to allow mergers, and foreign takeovers of Canadian chartered banks. Fortunately for them, and us, this did not happen.

The explosion of financial transactions across national boundaries, and the unregulated activities of financial corporations have created an unprecedented expansion of financial assets over recent decades. From 1980 until 2007, the amount of financial assets increased nine times, from \$27 trillion to \$247 trillion (after inflation measured in 2007 U.S. dollars). These financial assets include private equity or stocks, corporate bonds or short-term borrowing known as corporate paper, public or government debt, and bank assets. Much of this private borrowing activity bore little or no relation to meeting economic needs. Under the name of financial innovation, money was being created and lent by banks to expand speculative activities. This was done by a financial system operating in the shadows, outside national or international control. But this out-of-control system was suddenly, extremely dangerous for everybody. In the Fall of 2008 credit markets froze over, and no bank wanted to lend to anyone, except governments.

Putting the financial system right has to happen, but it is not enough. In fact, many worry this crisis will be followed by yet another similar one, unless fundamental changes take place. After all, the dollar-based global financial order has been prone to major breakdowns. Crisis has followed crisis. The 1987 Wall Street crash, the Mexican peso crisis, the East Asian financial meltdown, the collapse of the Argentinian peso, the Long Term Capital bankruptcy, the dot.com stock market bust, all major upsets, took place with as a backdrop, the continuing Third World debt crisis. Without root and branch reforms, is there any reason to expect that debt and lending problems such as those that preceded the current mess will not happen again?

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In fact, there are grounds to expect that worse is in store. The numbers of dollars created for speculative purposes defies common sense understanding. Financial derivatives, what investment guru Warren Buffet called in 2002, “financial weapons of mass destruction”, totaled over \$500 trillion by 2007. This represented an increase of \$400 trillion in the first five years after he issued his warning. Financial regulators and world central banks continued to look the other way.

The Bank for International Settlements has been tracking derivatives trades. As hard as it may be to believe, these are nothing more than bets, gambles made on whether currencies will rise or fall, loans will be re-paid, or commodity and stock prices will rise or fall. The amount of derivatives outstanding is estimated to be four times the value of the underlying assets.

3

WHAT WENT WRONG

THE BUILD UP to the current crisis has been going on since the rise of the Eurodollar market in the 1960s, and the abandonment of efforts to maintain fixed exchange rates between major currencies in the 1970s. But the near depression collapse can be traced more recently to the period at the beginning of the new century.

From 2001-2007, the U.S. went on a huge spending and borrowing spree. In technical terms the U.S. had a current account deficit on its balance of payments with the rest of the world of between \$500 billion and \$1 trillion per year. In other words it was spending money it did not have, and borrowing from the rest of the world to do it. American consumers were using rising home prices to borrow by re-mortgaging and spending. Family savings rates were negative. The American government was borrowing, and spending on the war in Iraq.

As a result of over-spending, prices for basic commodities, and for American non-traded goods started rising. Most spectacularly, the

housing market went on a tear, and unregulated mortgage lending rose spectacularly.

The crisis occurred when people who had bought mortgage backed securities discovered nobody wanted to buy them. All of a sudden other complex financial products created by Wall Street came under close scrutiny. In Canada the market for Asset Backed Commercial paper (interest bearing promises to pay) froze up, necessitating a bail-out of investors who had purchased what they were told by Canadian banks were AAA quality financial assets. The market for all types of Collateralized Debt Obligations or CDOs sunk, with no one willing to buy.

The fail safe mechanism, insurance products known as credit default swaps, taken out on outstanding bonds, commercial paper, and CDOs turned out to be a cruel joke. Most of the insurance policies had been written by one lender AIG. It had to be bailed out, with all the money going to the Wall Street firms that had taken out the insurance. Companies wrote bad loans, insured themselves against potential losses, and when the insurance company failed, collected from the U.S. government.

When it was discovered that the bail-out money went to pay huge bonuses to executives of the companies that had bankrupted themselves, the U.S. public got angry.

The current crisis is yet another in a series of financial meltdowns. This time it was set off by excessive U.S. spending financed by debt and borrowing, but the whole world financial system is endangered by each crisis. The U.S. government issues the world currency, but was elected by the American people to serve U.S. interests. As then U.S. Secretary to the Treasury John Connally said over 30 years ago: the U.S. dollar is our currency, and the world's problem.

More and more governments want to look at other ways to facilitate trade and cross-border finance than using U.S. dollars. The United Nations has a study group examining world finance, and it is exploring alternatives to the U.S. dollar. The Chinese have proposed the world adopt a truly international financial asset. Getting to a fair international monetary system will be long and slow, with plenty of obstacles ahead.

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The main barriers to putting the economic crisis behind us are political. When large corporations, many of them foreign owned, have too much power within Canada, everybody else has not enough power. What is supposed to be a democratic order where citizens are in charge, has been subverted. Public life becomes “corporatized.” Wants and needs are manipulated through advertising. Employees are considered disposable. All are subject to decisions as to how to maximize shareholder profits.

Many would like to see Canada take a lead in providing some ideas for replacing the U.S. dollar with a world currency.

What comes next implies a choice. We can have more of the same. Indeed, many people in positions of authority in Canadian corporations and governments see no need for something new. Senior executives say continuing to build a continental corporate economy (with government subservient to business) is the way to go. Pushed by big business, Canada and Mexico signed a Security and Prosperity Partnership (SPP) agreement with the U.S. in 2005 without public discussion and debate. This has not stopped the U.S. Congress from adopting “Buy America” legislation, or restricting cross border access to those with passports. Though protectionist measures are ready to be used against U.S. trading partners, this has not caused a change in policy. Business groups still look at the U.S. as a model for the Canadian economy, and the source of future growth.

The people who came to our public meetings think the old ways are at the root of what when wrong. Canadians want good relations with our neighbours, but do not want to emulate the U.S. Instead of accepting the status quo, we have other options. Making real choices means taking serious account of the vision that failed. Putting the mistakes of the past behind us helps in moving on to something better.

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4

DECIDING WHAT COMES NEXT

MONEY FREE to roam the globe looks inviting to governments. In order to attract funds, governments in Canada have accepted new rules, hands-off treatment, promoted by foreign investors. Under so-called free trade rules, foreign companies are given investment rights. In return for protecting foreign investors, and insuring them against public takeovers of ownership by government (by undertaking to compensate them for loss of potential profits, as well as loss of



invested capital) Canadians are supposed to benefit from new capital spending, transfer of technology and foreign management.

It turns out, increasing freedoms granted foreign investors to buy manufacturing facilities, giving them more freedom to close plants, killing jobs. Indeed, one of the main objectives of companies doing such takeovers was getting rid of competitors by buying them out. U.S. Steel bought, and then closed down Stelco, a century old steel maker in Hamilton, despite solemn undertakings to maintain jobs. Profitable companies take more money out of the country in interest, dividends, and profits than they invest here in Canada. Indeed most of the many foreign takeovers (Molson's, Labatts, Falconbridge, Inco, Alcan, Nortel and others) were financed by money borrowed from Canadian Banks. In other words the savings of Canadians are used to put Canadians out of work.

The new rules of the game did not originate in Canadian legislatures. Most of what became the ideals Canadians were forced to accept came to this country through trade agreements negotiated abroad, principally the North American Trade Agreement, and agreements accepted under the World Trade Organization. The same foreign corporations pushing for global freedoms for themselves were the promoters of NAFTA and the WTO. Domestic priorities were set outside Canada, and then imposed on Canadians by complicit governments, Conservative and Liberal. Legislators, not members of the federal cabinet, like citizens, were left to figure out what had been lost. It turned out it was the democratic process itself that went missing.

In the Canadian parliamentary tradition international legal agreements override domestic law. Restricting the sovereign authority of legislatures makes sense when domestic objectives can best be realized in the company of other nations. For instance Canada supported the United Nations charter in 1945 in order to promote peace and security in the world. We have signed international UN conventions to promote human rights, including economic, social, and cultural rights.

International agreements imply domestic obligations. Preparing our armed forces to participate in peace-keeping forces for the UN, and instituting a Canadian Charter of Human Rights are examples

of undertakings Canadians support widely. Blue helmets and human rights laws correspond to ideals Canada first championed in the international arena, before mobilizing resources and acting at home.

The Canadian commitment to a just world order was always made with Canadian priorities and values in mind. Often protecting Canadian interests was part of the attraction of international agreements. For instance, in the postwar era, Canadians negotiated access to the U.S. market in eight successive rounds of trade negotiations conducted under the GATT (General Agreement on Tariffs and Trade). By aligning ourselves with others, in negotiations that included the U.S., according to the most favoured nation principal, Canada received from the U.S. all the concessions obtained by others.

Canada abandoned the traditional multilateral approach, and allied itself closely with the United States, through accepting first a bilateral trade deal (the Canada-U.S. Free Trade Agreement) in 1988, then joining the Mexico-U.S. talks that led to the trilateral NAFTA in 1994. By entering commercial partnership with the U.S., Canada reversed a long standing policy of using international law to curb U.S. power. In agreeing to free trade Canada accepted to support American objectives in the negotiations creating the WTO.

Canada is traditionally an importer of capital and technology, with the highest amount of foreign ownership among industrial countries. Instead of fighting for rules to protect technology transfer, and regulate foreign owners, Canada lined up with the U.S. government and its corporations. By promoting investor rights, instead of insisting on the ability of governments to regulate investment, Canada neglected to defend its interests. Worse, Canadian negotiators opposed policies that would have helped countries in a position similar to our own.

The vast majority of countries are like Canada, dependent on foreign capital and in need of international rules to regulate capital. Instead of joining the rest of the world, Canada chose to put itself offside. The free movement of capital and money was pushed successfully, and this laid the groundwork for the current economic crisis.

Canada adopted positions internationally which have created havoc worldwide. The only rationale was that Canadian governments

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believed that the U.S. model of what Pierre Trudeau once called savage capitalism was the vision Canada and the world should adopt. The commitments to protect each other through under-writing social risks could be set aside. Private health care could be added without damaging the level of care for all. Public corporations could be sold for a one time gain, without worrying what happened when the new owners of a monopoly decided to raise prices. Instead of taxing income fairly, the wealthy could pay less, and students could go into debt to pay higher tuition fees, and welfare recipients could make do with less. Public pensions could be reduced as families could plan for their retirement by putting money into the stock market.

No church group, international development NGO (non-governmental organization), trade union, or civil society body, called for Canada to give up its traditional position of looking to build a world where the great powers would be tied to rules that benefit the majority. There was never any call by people's organizations to curtail policies operated in the general welfare: proper regulation of business, income security, and measures to re-distribute income to those in need. The only pressure on Canada, and it was substantial, came from big business, and Canada succumbed.

In the early 1970s, Canada's largest businesses came together to form the Business Council on National Issues (BCNI). W.O. Twaits, then head of U.S. owned Imperial Oil, provided the leadership. A minority Liberal government, supported by the NDP, had introduced legislation to review new foreign investment, and measure its net benefit to Canada. The creation of a nationally owned energy corporation by that minority parliament, Petro-Canada, also had caught the attention of foreign owned companies such as Imperial Oil.

The BCNI was re-branded for the new millenium as the Council of Canadian Chief Executives (CCCE). It continues to regroup the Chief Executives of the 150 largest corporations in Canada. Their influence on every dimension of Canadian economic and social policy far outstrips the clout of any other organizations in Canada. In fact, the CCCE President has been called the "de facto prime minister". Conservative and Liberal governments alike have adopted policies

favoured by the CCCE. These policies have been revealed to be flawed, the product of a failed vision. But there is no reason to believe that business leaders have changed their minds about what works best for business, or will give up any of the power and influence they have gained over public life in Canada.

The main barriers to putting the economic crisis behind us are political. When large corporations, many of them foreign-owned, have too much power within Canada, everybody else has not enough power. What is supposed to be a democratic order where citizens are in charge, has been subverted. Public life becomes “corporatized”. Wants and needs are manipulated through advertising. Employees are considered disposable. All are subject to decisions as to how to maximize share holder profits.

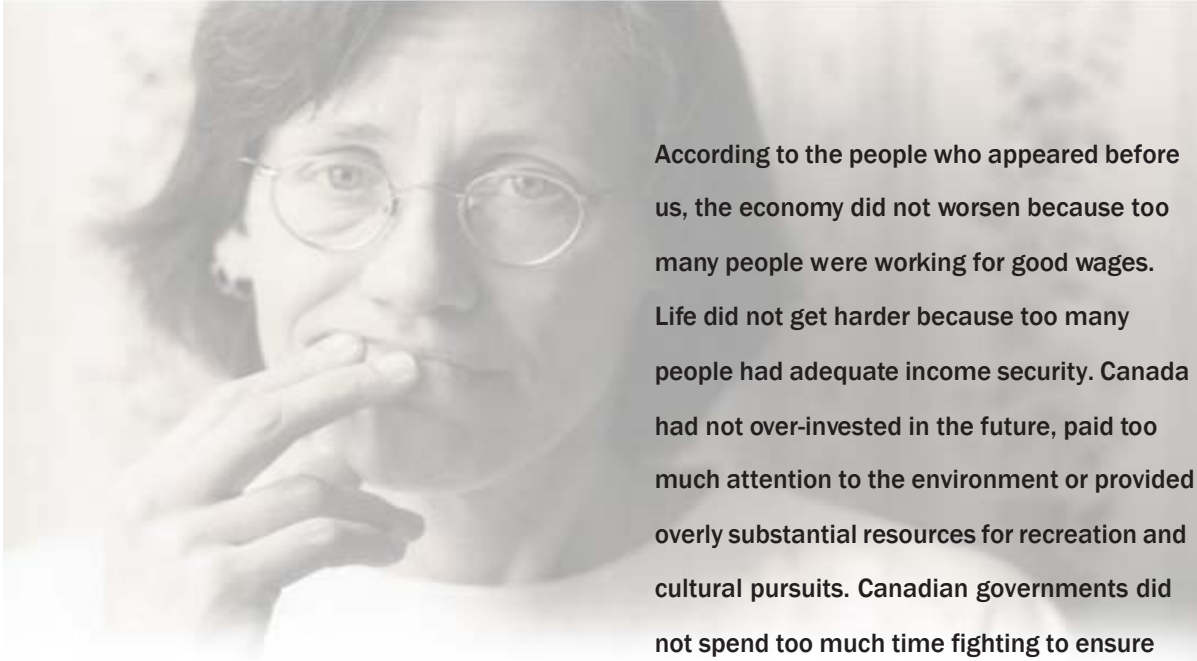
In a corporatized world, many citizens feel powerless, without the means to control their lives. An important minority is permanently outside the system, living on the streets. A large number feel they are not being listened to. Alienation from politics is common. The hard won right to vote goes unused by four in ten.

Subject to whims of corporate decision-making, families suffer. Separation from employment means loss of status and identity, as well as income, pensions, and other benefits. Unlike in European countries, notably, France, Germany, Holland and Scandanavia, where workers are protected from the downturn by social policy, in Canada, like the U.S., even unemployment insurance is inadequate. There are virtually no public programmes to help out people losing full-time jobs, pensions and their livelihoods.

Some people connect the dots. If having a good quality of life depends on having access to generous government programmes, it matters greatly who forms the government. We know governments are formed by political parties, who first have to contest elections. So the democratic political process is the avenue to improving government programs, and the quality of life.

Not participating in the political process means leaving it to others. Corporations, for example, make great efforts to control the outcome of politics, the making of public policy. If corporate business spends

The only rationale was that Canadian governments believed that the U.S. model of what Pierre Trudeau once called savage capitalism was the vision Canada and the world should adopt.



According to the people who appeared before us, the economy did not worsen because too many people were working for good wages. Life did not get harder because too many people had adequate income security. Canada had not over-invested in the future, paid too much attention to the environment or provided overly substantial resources for recreation and cultural pursuits. Canadian governments did not spend too much time fighting to ensure Canadian control over natural resources, planning for industrial development, and committing additional resources to increase research and development. Our technical schools and universities were not over-funded; there were not too many idle hands in our medical system. Hospital capacity was not underutilized. There was not too much public transit.

time and money to influence politics and the policy process, it is because they know it is in their interest to do so. Regular Canadian citizens are often worse off as a result of corporate influence on decisions.

The democratic alternative is to make governments act in the public interest. Probably the best way to do that is to make sure political parties know, and understand who elects them, and what makes them lose. In order to make change happen it is imperative to understand how politics influences the way the economy and government work, or do not work, for us.

About one hundred years ago newspapers were famously enjoined by a journalist “to comfort the afflicted and afflict the comfortable”. Instead, today, the mainstream media defends the powerful, and presents corporate propaganda as if it were newsworthy truth. Is it any surprise more and more Canadians are tuning out?

Looking for balanced coverage on issues that matter, many Canadians turn to each other. Talking with a neighbour, a friend or someone at work about how the economic mess is affecting daily life helps spread understanding. How good is our pension system? Is Employment Insurance there when we need it? Are new green jobs being created? How can we conserve energy and slow green house gas emissions? What does it mean to have Medicare? When you lay out what matters, what we value becomes more and more clear. A lot of people think we are on the wrong track, are worshipping false gods, and need to change the way we live and work. The next step is to get to work and do something about it.

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5

BRINGING FORWARD A NEW VISION

IN A TIME OF CRISIS, watching public policy move quickly to help out the rich and powerful, while leaving the rest of us largely to fend for ourselves, has made it clear that the dominant vision of the way



our world is supposed to work has failed. As a result, our duties and obligations to ourselves and others need to be re-thought.

What we see when we look towards the future, helps us decide what to do today. An overall vision matters because it shapes our ideas of what should happen, who should be rewarded, and who should be penalized. Bringing forward a new vision means deciding about what justice entails, and which values we embrace.

As we do look ahead, it is important to think about what did not go wrong.

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As it turns out, of course, in all cases, the reverse was true. Job insecurity is high. Part-time employment is more common. Median wages are stagnant. Inequalities are growing, with recent economic growth benefiting only very upper income earners. There is little point in waiting for consumer spending to restart the economy. Families are carrying important debts, and are worried about the future. The rest of the world has been hit by the recession generated by the crisis in American banking and finance. Waiting for the rest of the world to recover is not much of an economic strategy. Investing in public services, preparing for the future, is the sure way forward.

What happens in the material world of economy has causes that often lie outside the material world. Emotions, feelings, attachments, ambitions are all part of what drives economic life. Ideas matter. "Who gets what?" is a big question. Economists ask it, so do political

philosophers. Answering a question that is central to how a society functions means appealing to many sources for wisdom, including history, practices elsewhere, religion, and reason itself. When answers to big important questions are unsatisfactory, there are many other options, and avenues we need to consider.

Speakers at our town hall meetings expressed a lot of dissatisfaction with the ideals being held out for us to follow. It seemed obvious to many that when the dominant vision offers nothing more than a return to ideas that have been tried in the past, and found wanting, then it is not good enough. We tried “hands off” the economy, and it brought us the 1930s Great Depression. Governments tried to balance budgets in hard times and it prolonged the slump until the end of the decade.

To win the war that followed the Great Depression, we planned the economy, brought women into the labour force, and created full employment, with low prices. To fight the war we went into debt. The Canadian government issued bonds; the Bank of Canada bought them. In essence we borrowed the money from ourselves and used the national credit to build “democracy’s arsenal”. The growth we created by investing in education, science, and technology in wartime, and after, allowed us to expand government spending, and pay off the war debts.

Our public consultations were guided by the idea that building a better life for all requires discussing and debating what kind of future we want as a country. We take back from what we heard that a better future means looking closely at what underpins our economic activities, so we can decide what to reject, and what to accept.

There are ways to establish a clear idea of what makes the economy work for people. These include being able to identify measures of good economic performance. Good new work is being done in measuring the quality of life. The United Nations has created the Human Development Index. Instead of just totaling up all the goods and services produced in the private sector (Gross Domestic Product or GDP) and saying more is good, we need to know how many people went from not being able to read and write, to mastering the language. How well do we look after our fellow citizens seriously ill, and protect

Emotions, feelings,
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Ideas matter.



ourselves from premature death? These are questions not covered by the national accounts. Increasingly people want to know what happens to the natural environment before letting corporations act freely to mine potash, cut forests, pump oil and gas, and build extractive facilities.

If we add up self-interest, we do not get the common good. The idea that if each person works to maximize their personal gains from society, all will be better off as a result, has not worked out. Some people have done very well, for sure, but overall Canadians have been looking at growing inequalities, not just of income, but of opportunity, security, and happiness. Working Canadians have not made any progress in their material well-being in 40 years. Measures of inequality show a growing gap between upper income earners, and everybody else.

Though it is usual to look at the profit driven sector, and suggest that profit-making creates wealth, in fact profit is simply one incentive among others for getting things done. The economic crisis of today shows the shortcomings of thinking that profit-making is sufficient for prosperity. What we have seen is profits from speculation being rewarded beyond anything imaginable even a decade ago, while human needs go unmet, even in a country with the means of Canada. Indeed Canadians have paid as a society to underwrite and insure the risks taken by financial executives in the pursuit of personal accumulation of wealth. When they fail — we pick up the tab.

We seem to be doing things backwards. Instead of underwriting and insuring social risks faced by families and individuals, we have been protecting big market players from risk. We should be covering the cost of preventing illness and disease through health care; insuring ourselves against poverty when we lose a job by providing an accessible and adequate EI program; stamping out ignorance through providing good education; ensuring dignity in advanced age; and investing in the best possible life for all in early childhood. These areas have been neglected. Yet diminishing the very real social risks of bad health, inadequate education and child care, and poverty at all ages, benefits every member of our society.

Bailing out wealthy individuals and companies — while at the same time reducing their taxes — looks like the worst kind of public policy. The people who are supposed to be the risk takers get public money; the people who are facing hardship, and even life threatening risks, get less public support. This does not make sense. In Canada, a “free and democratic” society, according to the Charter of Rights and Freedoms, which (in Article 7) guarantees to provide for the “security of the person”, it is probably illegal as well.

Recently Pope Benedict released a document looking at the economic crisis. Well known as a conservative Roman Catholic, he noted that the tradition of Catholic social thought rejects the idea of individual salvation on this earth. Rather, it embraces values of co-operation, assistance to those in need, work being valued for its own sake (not just for what it pays), and community service. Protestant gospel affirms similar social values and beliefs. Indeed every religious faith includes some version of the golden rule: do unto others as you would have them do unto you. None of them stipulate we need to waive the golden rule in order for the economy to work better.

Putting others first is common practice within families. People may need to work to earn a living but sources of inspiration for everyday lives do not just come from the workplace. People value their communities and depend on their neighbours for support. Nobody ever did a job entirely by themselves. Our tools are made by others, we walk on streets and enter buildings built by other human hands. All aspects of the economy are the result of human relationships, most of which are co-operative.

Environmentalist David Suzuki finds economics based on selfishness to be so short-sighted as to require a new economic paradigm. How can we ignore the natural world when we measure prosperity, he asks. We need to put the biosphere, not the human animal, at the centre of our preoccupations, he has argued. Many of the people who came to talk to us about the economy wanted to talk about the environment. Climate change is on everyone’s minds. What can be done to control green house gas emissions was a common discussion point. Most people want to see the climate

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issue addressed so that all are treated fairly. Not just climate change, but climate justice matters.

And so it is with the other elements of our economic life. Fairness and justice are not served by excluding some and rewarding others excessively. Poverty troubles many people unaffected by it personally. Seeing our fellow citizens begging on the streets to survive, with no place of their own to go to is a disgraceful state of affairs, agreed by virtually everyone.

Inequalities abound in Canada, and the world. An all out effort to vanquish this old foe, and build a more equal Canada now more than ever appears necessary. Recent research on social determinants of health shows that inequality causes poor health for all members of a society, upper income as well as low income. Not only does poverty kill people directly, it kills others indirectly. Examples exist of societies that have reduced inequalities substantially through intelligent public policy. We need to study them and figure out how to apply similar solutions in Canada.



The Next Economy

PART II: PUTTING FINANCE TO WORK

Charting our course to a future that works

6

BUILDING THE NEXT ECONOMY

Private
practices /
public concerns

IN PUTTING together the elements needed to assure a new economic departure, some points emerged quite clearly from our public hearings. The economic crisis centred on private money and banking practices, and they need to be scrutinized much more carefully. Indeed, banks and financial institutions need to be regulated closely in Canada, and around the world. Other issues to be addressed with some urgency are closely intertwined with banking and finance: industrial policy, government tax and fiscal policy, and public services.

A main criticism of the Canadian banking system is that it does not do its part for community development. Banks are chartered as monopolies by the Canadian government. They are awash in money, and can borrow more from the Bank of Canada at any time. In the summer of 2009 Canadian banks paid very little for that privilege —

the Bank of Canada interest rate was only one quarter of one per cent. Yet, in bad times banks refuse to make loans to people and small businesses citing risky economic conditions. In the meantime they abuse their privileged status by charging sky high interest rates on credit cards. While Canadians pay more and more service charges, they get less and less service, and do more and more banking themselves.

Require banks
to invest in
communities

In effect, the banks have given themselves the equivalent of the power to tax, through imposing service charges to bump up paper profits. It would make more sense for government to tax financial transactions, and legislate banks into investing money in communities. We have banks that make super profits, and then spend the money on losing ventures abroad, simply because they can do it. Their favoured clients are foreign-owned corporations. They fund franchises easily — genuine new enterprises, seldom if at all.

Control salaries
and bonuses

Paying large bonuses and salaries based on profitability to financial executives only encouraged large scale risk-taking. The lesson of this financial crisis is that excessive remuneration created an incentive to take excessive risks, especially when firms enjoyed deposit insurance and other protection. As the public had to bail out the loser firms, whose executives astonishingly enough got to keep the money, that should provide a good reason to control salaries and bonuses internationally, through public legislation.

Government-
owned
investment
banks

What is missing from the mix of financial activities? An effective source of public funding for the many possible ventures that could be undertaken in the wake of plant closures, and resource sites being abandoned. Government owned investment banks at the provincial and federal levels would fill an important gap. We have the workers, the knowhow, and supportive municipal and regional authorities, but not the institutions we need to finance joint ventures between unions, governments and private sector actors.

Business invests when it can make a profit, not because it gets tax concessions. When industrial policy amounts to giving companies like Nortel research and development tax credits to develop patents, and then allowing foreign buyers to walk away with the value created by

Income taxes
need to be more
progressive

public policy, something is badly wrong. It should be clear by now that policies that focus on assisting big corporations (especially those foreign-owned) do not work. Giving tax breaks to corporations is a waste of public money. Governments are better off spending it wisely themselves.

Spending and taxation policies that work for people mean making fairness the criteria. Taxes need to take account of ability to pay. People who make more money should pay more tax. For this to happen income taxes need to be more progressive. Currently we have only four federal income tax brackets, with the top rate of 29 percent applying to income over \$126,264. We used to have ten brackets, and could have ten today. How about adding a new bracket to tax income above \$200,000, another above \$300,000, and so on, up to amounts in excess of \$700,000?

Our current tax system also relies too much on regressive provincial sales taxes and our regressive GST. Refundable tax credits compensate low income people inadequately for the PST and GST they have to pay. The HST system makes even more items subject to tax.

Even payroll deductions such as EI and CPP can be improved so they are more progressive. Public policy needs to attack the growing gap between the very well to do, and the rest of us. A more progressive system of taxation and tax fairness is the key to a fair economy, in which the cost of maintaining the common good is shared on the basis of one's ability to pay.

Identify the
common good

Overall, while economic talk is often top down, people see the economy from the ground up. When thinking about what to do next, making neighbourhoods and communities the focus of attention matters to a lot of people. Listening to people, and focusing on their common needs, helps to identify the common good. Investing in public services and income support programs is the sure way forward.

Our EI program must be reformed so it is more accessible, provides better benefits for a longer duration, and is responsive to regions that rely on seasonal employment. CPP and GIS benefits must be increased to ensure all Canadians have more pension security and can retire to live in dignity. And Canada needs an insurance system to protect workplace pension plans. We also need to protect,

Lessons from
the Great
Depression of
1929

strengthen and expand public service such as health care, education, child care, elder care, affordable housing and community-based social services.

Canada has experienced a major recession, the worst since the 1930s. We can beat this one without going to war, but the lessons of the Great Depression have to be respected. Economies slump because spending falls. The only sources of new spending are families and individuals, businesses, governments or buyers from abroad. When consumers, business and the rest of the world are cutting back, governments must not follow suit. That is how to turn a recession into a depression.

Meeting in London in the Fall of 2008, the Group of 20 leading economies accounting for 80 percent of world economic activity agreed to a package of stimulative spending. When in its December 2008 budget update, the Harper government reneged on its promise, and ignored the downturn, a crisis ensued with the Liberal and NDP opposition parties proposing to form a coalition government. In response, the Conservatives suspended parliament, turning an economic crisis into a democratic crisis. Upon its return parliament was presented with a stimulative budget that included \$200 billion in new borrowings to provide support for financial institutions. Much of the money committed to infrastructure investment required matching contributions from municipalities. A significant number do not have access to the necessary funds, so have been excluded from receiving support. It remains to be seen whether the stimulus was big enough to sustain a recovery.

Lend money to
the provinces

In our federal political system, the power to oversee money and banking lies with the federal parliament. In the 1930s with provincial governments verging on bankruptcy, the Bank of Canada was brought into existence by an act of parliament. One of its purposes was to lend money to the provinces. This power has not been used for years. Now would be an appropriate time for it to be invoked again.

The great risk we face as Canadians is that spending deficits will send the wrong signals. Instead of looking for the results of public efforts in economic recovery, municipal administrations, provincial

Prevent a
double-dip
recession

governments, and public sector bodies everywhere could decide simultaneously to restrict spending. Should this happen, the result will be disappearing jobs, layoffs, contracts not renewed, procurement of goods and services from the community curtailed, and a decline in national spending, pushing us deeper into recession.

The Bank of Canada has the resources to prevent a double-dip recession. Providing loans to provincial governments at extremely low rates of interest should be done willingly. In consultation with provincial and federal officials, such loans would be conditional on these governments participating in expansionary spending. Bank of Canada lending would provide an incentive for provincial governments not to create more economic problems through imposing dangerous spending restraints. False prudence could well plunge our regional economies deeper into decline.

Respect
economic,
social and
cultural rights

The future of the Canadian economy requires a more democratic approach to the issues that face us. Government by prime ministerial decree fails the democratic test and the economic test. A secretive political leadership bent on controlling public opinion, relying on back channel communication with business groups for economic direction, does not inspire trust in the population. On the contrary, anger with government is a more common response. Canadians want to enjoy the economic, social and cultural rights laid out in the Universal Declaration of Human Rights, penned by a Canadian originally from New Brunswick, John Humphrey, and adopted by the United Nations. Economic and social citizenship means being part of the process of deciding what matters.

Made in Canada

Our consultations with Canadians showed that people expect to do their part to help make a better future, and they want to be included in planning the next economy. The blueprint for the future is more democracy, not less. Major investment decisions have to be made in Canada in the Canadian public interest. Investment tables including different levels of government, and the public, as well as private interests need to be established for all key sectors of the economy: manufacturing, energy, transportation, mining, agriculture, heavy



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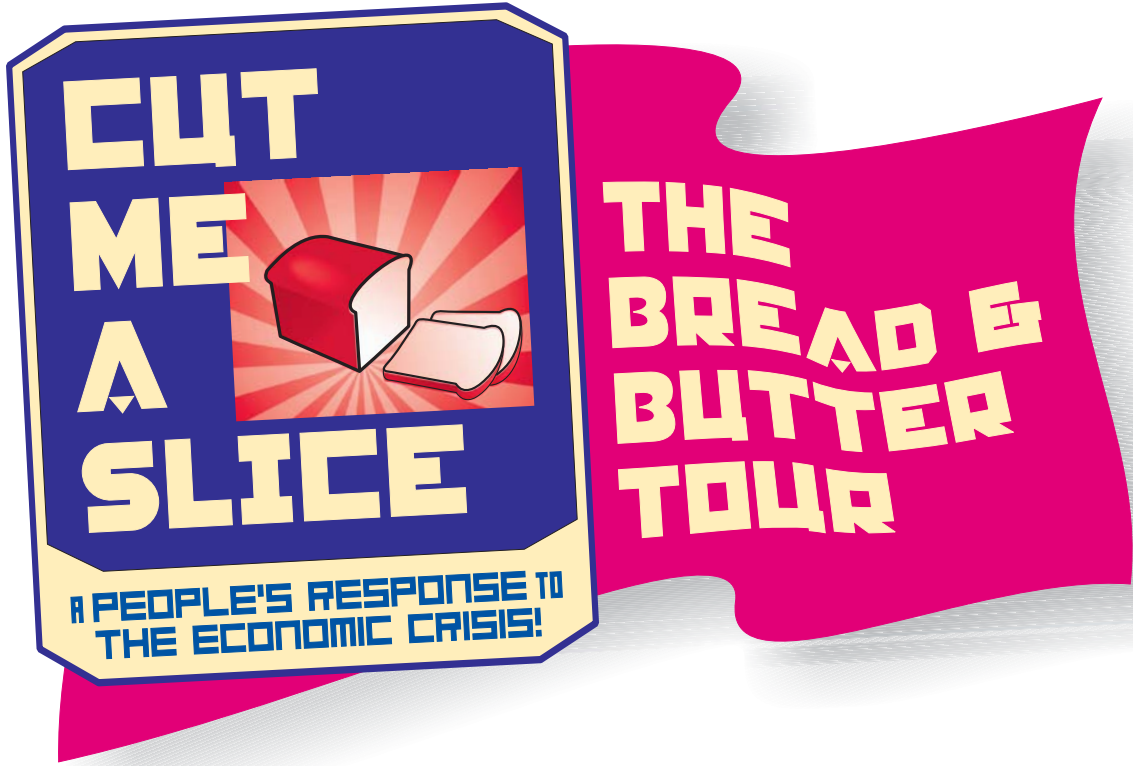
Build a public
knowledge base

construction, communication, and others. Plans for new venture have to be publicly debated, not presented after the fact.

Canadians look forward to what science and technology can bring to their lives and communities. Building a knowledge base means accepting more openness and public access, not the promotion of monopolies based on patents and intellectual copyright. Big decisions lie ahead. Will Canada adopt the innovative monorail transport technology developed, but not exploited by Quebec Hydro? How can our role as energy producer in the Alberta Tar Sands be balanced by our need to protect the environment? What do we do about nuclear technology? Are we ready to abandon our role in supplying medical isotopes?

Participatory
economy

Democratic decision-making needs to prevail. Shareholder interests do not trump citizenship rights. Canadian citizens will bear the consequences of what is decided and the public interest requires public participation in economic decisions. People look forward to being part of the next economy, finding a place to contribute, and participating in the process of building Canada. The new economy is about bringing people together to work in common cause to improve the lives of all. Our consultations persuaded us it will happen, because that is what the citizens of Canada want to happen.



Stops on our Bread and Butter Tour

Brandon, Manitoba

Brantford, Ontario

Calgary, Alberta

Edmonton, Alberta

Georgetown, Prince Edward Island

Halifax, Nova Scotia

Kenora, Ontario

Kingston, Ontario

Miscouche, Prince Edward Island

Moncton, New Brunswick

Nanaimo, British Columbia

North Bay, Ontario

Orillia, Ontario

Ottawa, Ontario

Peterborough, Ontario

Regina, Saskatchewan

Sarnia / Lambton, Ontario

St. John's, Newfoundland & Labrador

St. Thomas, Ontario

Stellarton, Nova Scotia

Sudbury, Ontario

Sydney, Nova Scotia

Thorold, Ontario

Thunder Bay, Ontario

Windsor, Ontario

Winnipeg, Manitoba



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- Health Sciences Association of British Columbia
- Health Sciences Association of Alberta
- Saskatchewan Government and General Employees' Union
- Manitoba Government and General Employees' Union
- Ontario Public Service Employees Union
- Canadian Union of Brewery and General Workers
- New Brunswick Union of Public and Private Employees
- Nova Scotia Government and General Employees Union
- PEI Union of Public Sector Employees
- Newfoundland & Labrador Association of Public and Private Employees

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