

Contents

January, 1993

- 4** Editor's notes
- 5** Behind the North American Free Trade Agreement
- 13** A bold leap into the known
- 15** Institute staff
- 16** January questions and answers
- 18** Malcolm X
- 20** Scrooge rehabilitated
- 22** Visitors to the Institute
- 23** Private infrastructure
- 26** Low interest rates not necessarily bad for savers
- 29** Take my suggestions . . . please
- 32** January's solution to the health care cost explosion
- 35** January graph
- 36** What about the "voice appropriation" of environmental professionals?
- 38** Shaman Clinton
- 40** Arguments for and against Accord balanced on TV
- 42** Forthcoming events

Editor's notes

SELLING SOMETHING THAT will be good for us "in the end" is always tough. The majority of Canadians don't have RRSPs and, despite all the financial advice saying we should do so, aren't planning to contribute in the near future. We believe we can deal with retirement later. Similarly, most of us don't take vitamins or exercise much. After all, we feel fine now.

Conversely, we are relatively quick to praise the obvious (although often incorrect) source of some perk or benefit. A raise in pay, for instance, is as likely to be attributed to a new boss as it is to the company's increased efficiency, resulting in increased sales, and thus in a reward to the employees.

The upshot of this is that it is pretty difficult to get people to care about anything that will provide long-term benefits. Take North American Free Trade. Freer trade is the direction in which the whole world is headed. We either join in, or we lose out. But so many Canadians won't look at the future gains. Instead, they focus on current tough

economic times, and lash out at the obvious (albeit erroneous) target—free trade.

In this issue's feature article, Michael Walker examines this phenomenon in some depth. In another article he also predicts a case of "praising the wrong source": that Bill Clinton will reap the applause for the improving U.S. economy—even though he had nothing to do with it.

The rest of the issue contains a variety of articles, including a list of Fraser Institute Competition for Economy in Government finalists, along with a brief description of their suggestions. There are also submissions by our regular writers, along with a few by guest contributors for you to enjoy.

Have a happy New Year. Oh, and don't forget to tackle those resolutions, even if the results may take a few years to materialize.

Kristin

Behind the North American Free Trade Agreement

Michael A. Walker¹

I WILL USE THE FIFTEEN minutes I have before you to make a brief statement designed to place the discussion about the North American Free Trade Agreement in an historical context which, I think, will be helpful to the committee.

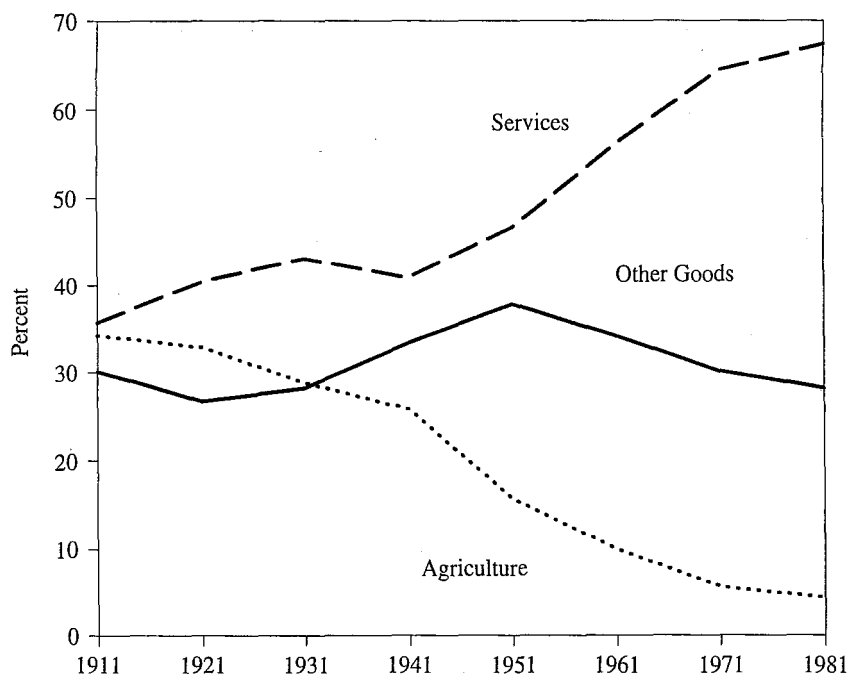
It has been alleged by many of the opponents and, to an increasing extent, by the proponents of the 1988 Free Trade Agreement between Canada and the United States, that free trade with the United States is resulting in the de-industrialization of Canada. Evidence in support of this thesis is apparently not difficult to find. Manufacturing jobs seem to be disappearing at a rapid pace—exactly what the opponents of the deal predicted. This development is causing some of the proponents to change their minds about the desirability of the deal.

While it is easy to see why such conclusions are tempting, they are not warranted. However, since it is likely that you will receive many assertions that this is the conclusion warranted by the facts and this may colour your assessment of the NAFTA, I would like to spend my time in providing an historical background to these assertions. What that consideration reveals is that recent developments with regard to the transformation of manufacturing jobs are merely a few frames from a much longer movie, which can be better seen in the historical graph, Figure 1.

In some sense, Figure 1 is the economic history of Canada in one page. What it describes is the evolution of Canada from primarily a goods-producing economy dominated by agriculture, at the turn of the century, toward a predomi-

¹ This is the text of a submission Michael Walker made to the Parliamentary Sub-Committee on NAFTA in Vancouver in November, 1992. In addition, the Institute submitted two books and some 25 research papers on the topic to the committee.

Figure 1: Historic Employment Shares
(Census Years)



nantly service-producing economy. The "Other Goods" line in this chart includes employment in all industries that produce goods other than food and, of course, includes manufacturing. While the full ramifications of this chart are extensive and have been the subject of a 26-volume study by The Fraser Institute (the summary volume of which, *Service Industry Growth*, I am pleased to present to the Committee), the essential features of it can be readily ascertained.

Consider that at the turn of the century, nearly half of Canada's labour force was employed in agriculture. Today, less than 4 percent of the labour force is so employed. It can be asserted, without question, that the very high standard of living that we enjoy in 1992 is a direct consequence of the fact that 35 percent to 40 percent of the Canadian labour force was displaced from agriculture into other more productive activities. The achievement of present economic affluence is a direct consequence of what, in other

terms, might be described as the decimation of employment in Canadian agriculture. As you are all aware, this evolution in Canadian agriculture continues today and we are likely, over the next few years, to see further structural changes in agriculture, leading to even less primary employment in this industry.

Presumably, nobody would deny that this evolution out of agriculture and into other occupations has been an enormously beneficial development from every point of view. That is true even though, at the time it was occurring, it resulted in displacement and distress and even suffering for those who lost their jobs with the relentless onslaught of technology and trade. What is perhaps less obvious from the chart is that in the process of eliminating jobs on the farm we have, at the same time, transformed the product "food" from a basic, locally grown, locally consumed commodity into a highly service-intensive item which may be drawn from anywhere in the globe.

Today, even the price of the lowly potato is more reflective of the services that went into its production, ranging from those of the agronomist and the high technologist who produced the cultivar and its chemical fertilizer food, through the telecommunications services used to

co-ordinate the producer and the final seller as well as the transportation services and the retailing know-how that resulted in a tasty looking potato being available on the shelf. Nor are these costs, by the way, simply parasitic and, in some sense, supported by the underlying agricultural activity. As we have discovered from observing the disastrous outcome in Eastern Europe, it is not growing food that is the difficult part, nor the "value-adding" part; it is getting that food to the final consumer in an edible state.

Very much the same kind of transformation that we have seen in agriculture since the turn of the century began in manufacturing and other goods production sometime in the early 1950s. Obviously we still have all of the manufactured goods that we had in the 1950s—indeed, we have several hundred percent more in terms of variety and complexity. But, just as the addition of service inputs has transformed the potato and made growing it a less and less significant activity, the growth of the service component of manufactured goods is doing the same to those goods. And so, since the middle of the 1950s, we have seen a decline in the number of people who are employed in goods production as such, as the service sector has

grown apace. This is not a malevolent development; it is a natural consequence of the advancement of our economy.

In the same way that the decline of the agricultural sector was the harbinger of great things to come in the structure of the economy, the ongoing decline of manufacturing jobs is going to free up the Canadian labour force to provide even greater advances as we move toward the end of this decade.

The inevitable question that arises in the context of this evolution is, of course, "What will our children do if they don't have the jobs done by their fathers?" How will the people be employed? Where will the jobs come from? The only honest answer to this question is that we don't know. The only thing we do know is that, with very rare exceptions, the jobs done in Canada today did not exist in 1900. A large percentage of them did not exist in 1950 and yet, we can look back from the vantage point of 1992 and say that, at each of those junctures—when tremendous change was occurring in the Canadian economy—optimism was the appropriate attitude.

More to the point, whatever had been the result of the trade negotiations and the election of 1988, there

would have tended to be a decline in the relative number of manufacturing jobs in Canada. It is the ultimate destiny of all modern economies, including Canada's, to evolve toward a state in which virtually all economic activity occurs in what we now call the service sector. That is the pressing lesson of history.

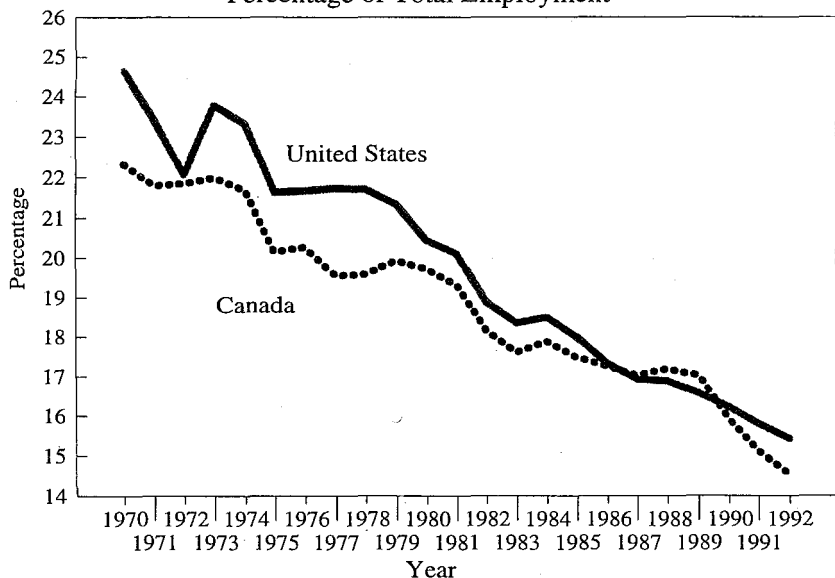
I want to turn, now, to the more recent evolution and to the consideration of an alternative explanation for the current decline in manufacturing jobs, which is often provided by the opponents of free trade. I refer to the notion that Canadian manufacturing jobs are being lost as a result of the growth of manufacturing jobs in the United States. The included table and its associated graphs depict total employment in Canada and the United States, as well as manufacturing employment in each of the countries. A number of things can be ascertained from these data.

First of all, it is clear that the decline in manufacturing employment that has occurred in Canada is also occurring in the United States. Since 1970, manufacturing employment as a percentage of total employment has declined, from 22.3 percent down to 14.5 percent in Canada and from 24.6 percent down to 15.4 percent in the United

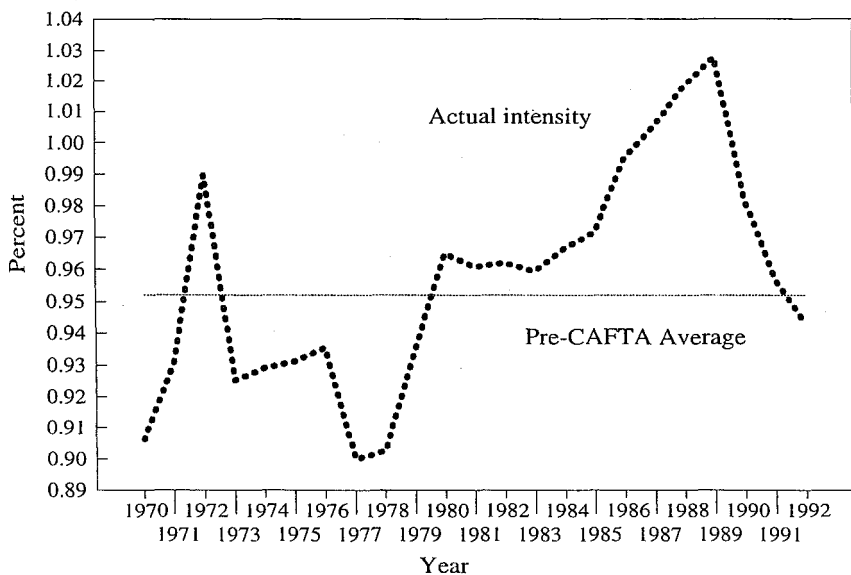
Employment in the Manufacturing Sector in the United States and Canada

Year	Canada			United States			Canadian Manufacturing Intensity as a Percentage of that in the U.S.
	Total employed (thousands)	Employed in manufacturing (thousands)	Employed in manufacturing (percent)	Total Employed (thousands)	Employed in manufacturing (thousands)	Employed in manufacturing (percent)	
1970	7,919	1,768	22.32605	78,627	19,369	24.63403	0.906309
1971	8,104	1,766	21.79171	79,120	18,529	23.41886	0.930520
1972	8,344	1,823	21.84803	81,702	18,033	22.07168	0.989868
1973	8,761	1,927	21.99521	84,409	20,068	23.77472	0.925151
1974	9,125	1,978	21.67671	85,936	20,046	23.32666	0.929268
1975	9,284	1,871	20.15295	84,783	18,347	21.63995	0.931284
1976	9,477	1,921	20.27013	87,485	18,956	21.66771	0.935499
1977	9,651	1,888	19.56274	90,546	19,682	21.73702	0.899973
1978	9,987	1,956	19.58546	94,373	20,476	21.69688	0.902685
1979	10,395	2,071	19.92304	98,824	21,062	21.31264	0.934799
1980	10,708	2,111	19.71423	99,303	20,285	20.42738	0.965089
1981	11,001	2,124	19.30734	100,397	20,173	20.09323	0.960888
1982	10,618	1,928	18.15785	99,526	18,781	18.87045	0.962237
1983	10,675	1,879	17.60187	100,834	18,497	18.34401	0.959543
1984	10,932	1,954	17.87413	105,005	19,412	18.48674	0.966862
1985	11,221	1,960	17.46725	107,150	19,260	17.97480	0.971763
1986	11,531	1,989	17.24915	109,597	18,994	17.33077	0.995291
1987	11,861	2,018	17.01374	112,440	19,024	16.91925	1.005585
1988	12,245	2,104	17.18252	114,968	19,403	16.87687	1.018111
1989	12,486	2,126	17.02707	117,342	19,442	16.56866	1.027667
1990	12,572	2,001	15.91632	117,914	19,111	16.20758	0.982030
1991	12,340	1,865	15.11345	116,877	18,455	15.79010	0.957147
1992	12,219	1,776	14.53474	117,737	18,150	15.41571	0.942852

Manufacturing Employment as a
Percentage of Total Employment



Manufacturing Intensity in Canada
as a percent of that in the U.S.



States. There is, as a matter of fact, very little difference between these two evolutionary paths. In particular, there seems very little difference between the general path of evolution before the Free Trade Agreement, i.e. up to 1988, and the evolution following the Free Trade Agreement—from 1989 to 1991. Over the whole period, the gap between manufacturing employment in Canada and the U.S. narrowed, even though Canada currently has a lower percentage of the labour force employed in the manufacturing sector. The gap was more than two percentage points in 1970 and has fallen to less than one percent today.

Within the overall decline in the percentage of the total labour force employed in manufacturing which, as we have seen, is the consequence of a more pervasive and long-standing historical development, there are some interesting fluctuations. This can be most clearly seen by comparing the intensity of manufacturing employment in Canada with that of the United States, by expressing the percentage of manufacturing employment in Canada as a ratio of manufacturing employment in the United States. This calculation reveals that since 1970 there have been episodes where Canada enjoyed relatively more manufacturing employment, as a

percentage of the total, than did the United States, as well as periods during which Canada enjoyed less. As can be seen, the evolution of manufacturing employment from 1989 to 1992 also has included periods where Canada had relatively more manufacturing jobs than the United States as well as periods during which we had less. The important, indeed crucial point, is that none of this experience is outside of the historical range experienced since 1970.

It is likely that we will see the relative extent of Canadian manufacturing employment fall somewhat more during this cycle before coming back to its more usual relationship with that of the United States. In this regard, it is interesting to note that the average percentage of manufacturing employment in the period following the Free Trade Agreement is greater than the average before the agreement by about two percent of the labour force and is only slightly less than the highest average four years in the history of the relationship.

In summary, it is nothing short of absurd to suppose that the current evolution of manufacturing employment in Canada is primarily caused by the Free Trade Agreement between Canada and the United States. Both countries are

experiencing the same set of inexorable forces causing a decline in manufacturing employment and this will continue. During the past half decade Canada has fared particularly well by comparison with the United States and has been able to retain more of its manufacturing employment than would have been expected on the basis of the historical trends. So, if anything, the Free Trade Agreement has had a net positive effect on the extent of manufacturing employment in Canada.

This analysis is entirely consistent with the work of Professor Peter

Pauly of the University of Toronto who, in a simulation study of the Free Trade Agreement, concluded that in comparison with what otherwise would have ensued, unemployment has been lower, growth in the economy has been greater, and the rate of inflation less because of the Free Trade Agreement.² We at The Fraser Institute have expended considerable effort to study the effects of freer trade, have concluded that it is beneficial to Canada, and are wholehearted supporters of the extension of the Free Trade Agreement to include Mexico.

² For a copy of Peter Pauly's paper, please contact The Fraser Institute at (604) 688-0221.

A bold leap into the known

John S. P. Robson

DON MAZANKOWSKI HAS now produced his major statement on the economy, a bold leap into the known which somehow avoided any real admission of failure, let alone a change of course. This is strange, since the current government has been in power for eight years and has made fighting the deficit a major priority. But in that time the federal debt has increased from around 243 billion dollars to more than 465 billion, while the deficit this year will be almost as high as in any year since 1984. If this isn't failure, I don't understand the term (but perhaps it refers to projections for the deficit that are wrong by \$7 billion, around 25 percent).

Not only that, but the economy is sluggish. Certain eccentrics have argued that this is because government at all levels is about to spend over half our GDP, for the first time in our history including wartime. Clearly Mr. Mazankowski does not share this view, since his speech was all about new government interventions in the economy, not

about reducing its role. He began by promising to "create jobs... by continuing to invest in growth on behalf of the Canadian people." This, folks, is a smoking gun. This is why our governments, whether headed by a socialist like Bob Rae or an alleged free marketeer like Brian Mulroney, don't cut spending or reduce deficits.

For Mr. Mazankowski and Mr. Mulroney, like Mr. Rae and almost everyone else in Canadian politics, believe at heart in big government. And so they respond to every problem with a new government program (this, incidentally, is why socialists in power so quickly start sounding and acting like the current federal government; they don't sell out, they buy in). The same is true of our media: if you look, for instance, at the *Globe* headline the next day—and the story—you get the feeling that huge cuts were made, that Milton Friedman wrote Mazankowski's statement. This speaks volumes, but about the press, not about the finance minister.

For despite the headlines, Don Mazankowski is no more able than Bob Rae to imagine that, when the economy is stumbling and tax revenues are down, he should not "give it a boost," by which both men mean taking still more of your money to spend differently than you would have done. When they talk about infrastructure investment, they mean taking money you would have spent on piano lessons for your kids, or a new coat, or a chocolate bar, or a car, and buying a stretch of highway with it instead. Not as well as, instead. Their response to every problem is to take away your wealth and use it in other, allegedly better ways than you would have. This isn't a boost, it's a kick, to the economy and to you.

For what is the vaunted program of subsidies to small business but a legislative device to take money from those companies that prosper by selling you things you want, and giving it to those that do not? The Minister's speech was full of tax breaks for small, high-tech, high-value-added, world-class, export-oriented, high-cliché-content businesses: Don Mazankowski as much as said that prosperity depends on what government does, not what it does not do, and that government, not consumers, should judge which companies are producing worthwhile products.

To be fair, the Minister did praise NAFTA and tariff-cutting, the one real get-out-of-your-way part of the entire presentation. And he did talk about cutting UI to those who got deservedly fired, and tried to freeze payouts at the current level by nipping at new payments. But what chance was there that he would say that, Canadians being charitable people, charity can and should be left to us? What chance was there that he would say that a dollar of private charity would bring more relief of misery than the same dollar collected in taxes and spent by Ottawa (or Victoria)? None at all. He promised not to cut social programs, and highlighted the slashing of operating budgets. But these account for a total of about \$18 billion, out of federal spending of \$150 billion; please tell me how much you have to cut from \$18 billion to eliminate a deficit they are now boasting will be brought *down* [sic] to \$34 billion this year. Right. 189%. Folks, this is not rocket science.

And you also don't need a physics degree to see that, despite increasingly aggressive revenue measures ("tax increases" in plain English) by every government agency at every level, each day brings news of another government-funded program collapsing in ruins, from our medical system through our roads to the welfare system, women's

"equality" programs, government employees' wages and the University of Toronto football team. It isn't working, and so Mazankowski should have signalled a drastic change of course.

But for that, he would have had to believe that individual Canadians are better judges of their own inter-

est, including their interest in being charitable, than distant bureaucrats. That, unfortunately, is a concept he doesn't seem to understand at all. Don Mazankowski actually calls it a "sacrifice" for Canadians when the government takes *less* of their money! I think he will find our capacity for that sort of sacrifice to be pretty well unlimited.

Institute staff

Institute staff were recently involved with the following events:

- Participant in the University of Manitoba symposium, "Business Ethics and the Environment: Shifting Perspectives"
- Speech to University of Manitoba Management/Economics Students
- Speech to Financial Executives Institute at their 61st Annual Conference in Los Angeles
- Attended dinners (hosted by National Citizens Coalition in Toronto and Vancouver) held in Dr. Walker's honour (to receive the 1992 Colin M. Brown Freedom Medal and Award)
- Speeches in Vancouver to the Arbutus Rotary Club, the Pacific Club, the Mortgage Brokers Association of B.C., to Scotia McLeod Inc., to Tax Executives Institute, Inc., to Investment Group at Lang Mitchener Law Firm, and to B.C. Gas Business Partners/MIS Group Meeting
- 1992 Gerald Ford Economic Conference in Palm Springs, CA.
- Speech to the Nova Scotia Milk Producers in Dartmouth, N.S.
- Speech to the International Student Association at U.B.C.
- Presentation to the Parliamentary Sub-Committee on the North American Free Trade Agreement in Vancouver
- Participant in B.C. Roundtable on the Environment, Vancouver
- Participant in North American Free Trade Agreement Forum held at Killarney Secondary School

January questions and answers

Isabella Horry

Q: *What portion of Unemployment Insurance claimants are repeat users?*

A: A study by Statistics Canada shows that in 1989 79.9 percent of Unemployment Insurance claimants were repeat (since 1971). Overall, 17.8 percent of male claimants and 22.5 percent of female claimants were first time users, while 47.5 percent and 30.3 percent were in their fifth or higher claim respectively, (as seen in table 1). This pattern differs across Can-

ada. In Newfoundland and Prince Edward Island, for example, over 90 percent of claimants were repeaters. In Newfoundland 65 percent of all claims were by people who had already claimed unemployment insurance at least four times. The case is similar in Prince Edward Island and New Brunswick, and somewhat lower in Nova Scotia. In Ontario and western Canada 20 to 25 percent were first time claimants and 28 to 38 percent had five or more claims.

**Table 1: Incidence of Repeat
Unemployment Insurance Claims in 1989**

Number of claims	Males	Females
First claim	17.8%	22.5%
Second claim	14.1	20.1
Third claim	11.3	9.3
Fourth claim	9.3	30.3
Fifth or more	47.5	30.3
Total number of claims	940,460	887,530

Source: *Repeat Users of the Unemployment Insurance Program*, Miles Corak, Paper #43, Analytical Studies Branch, Statistics Canada, 1992.

Q: *What is the minimum number of weeks of insurable employment required in order to apply for unemployment insurance?*

A: This depends on the regional rate of unemployment. Where the regional rate of unemployment is over 15 percent ten weeks are required whereas if it is 6 percent or less 20 weeks are required to qualify. The announced changes to U.I. in the December 1992 mini-budget do not affect the minimum number of weeks of insurable employment required.

Regional rate of unemployment (%)	Minimum weeks of insurable employment required
Over 15%	10
14-15	11
13-14	12
12-13	13
11-12	14
10-11	15
9-10	16
8-9	17
7-8	18
6-7	19
6 or less	20

Source: *The National Finances*, 1992, Canadian Tax Foundation.



ANNOUNCING . . . The University in Jeopardy Conference

Friday, March 12, 1993, Toronto

Co-sponsored by The Society for Academic Freedom and Scholarship and The Fraser Institute, this one-day conference will focus on the potential effect of policies about race relations, sexual harassment and employment equity on the quality of university education.

Issues being explored at the conference include:

- Constraints on academic freedom from non-academic policies
- The erosion of standards by employment equity policies
- The impact of race relations and sexual harassment policies on teaching and research

Advance registration: \$45; Onsite registration: \$55. Brochures and further information available from The Fraser Institute, Tel. (604) 688-0221 or (416) 363-6575; Fax (604) 688-8539 or (416) 601-7322.

Malcolm X

Walter Block

College of the Holy Cross

Worcester, MA

BECAUSE OF SPIKE LEE'S new movie "Malcolm X," this black leader is once again in the news. In the eyes of some—young black males who live in the deteriorating districts of many U.S. inner cities—Malcolm's message is one of violence against the "blue-eyed white devils." And for them this is a heady brew indeed, able to drown out the voice even of the revered Martin Luther King, who urged peace and reconciliation.

In the view of others—well-intentioned white liberals, for the most part—the meaning of this man's life was, on the contrary, not too different from that of Dr. King's.

Who is right? Each has a bit of the truth, for at different points in his life Malcolm espoused very different philosophies, stretching from war-fare to co-existence. It is sometimes said that this man was like a mirror: we could see in him what we wanted to see, so great were his interests, so variable his viewpoints over his life.

There are some things, however, for which Malcolm must ever be known. He was one of the most rivetting, charismatic speakers imaginable. Whether or not you agreed with him, when you heard him speak, you knew you were in the presence of a very remarkable person.

He stood for one thing his entire (mature adult) life: black is beautiful. He was notable for instilling pride into the lives of African-Americans. He urged that they throw away their hair straighteners and dyes, which they had used in an attempt to "look white." He encouraged black people to lift themselves up by their own bootstraps: dress neatly, live cleanly, eschew drugs, alcohol and promiscuity. The Black Muslim organization he headed had a greater success rate in dealing with drug addiction in the local community than any other. He was vociferously in favour of economic development for blacks, and many of the Shabazz stores he

built and inspired are still in business, decades after his initial attempts in this direction.

Above all, Malcolm remonstrated against the welfare system. It was demeaning. It was infuriating. It bred dependency on the white man. It stifled creativity. It was a trap. Far better in the case of immediate dire need was charitable giving, limited to the local community. And for the long run, stores, factories and businesses were the answer, not the dole.

In a sense, the life of this Black Muslim leader was an example of his own philosophy. Born in 1925 in the midwest, Malcolm travelled east and ended up in New York City. For a while he was "Detroit Red," a hoodlum named for his special hairdos. He was a pimp, a rapist, a thief and a jailbird. And yet, somehow, he pulled himself up by his own bootstraps. Thanks in large part to his religion, he studied hard. He became a spell binding orator. He went through an anti-white racist phase, but in his later years, he began to renounce this philosophy as the dead end it is.

In the coming months, there are many who will try to seize on the vision of Malcolm X. They will claim some part of him for their

own. Paradoxically, and rather unexpectedly, conservative-libertarians can also make a just claim. What else can you call a person who eschews welfare, drugs, spirits, and promiscuity, and champions clean living, hard work and business enterprise?

Even his call for the Republic of New Africa, a new country for American blacks, to be fashioned out of large swatches of Alabama, Mississippi, Georgia, the Carolinas and other parts of the Confederacy, can be reconciled with this vision. Not for him a Marxist oriented defense of land reform based on taking from the rich and giving to the poor. Instead, Malcolm saw this as part and parcel of reparations—based on private property rights.

The plantation owners had stolen the life-long labour of his grandparents. In 1865, the slaves should have been compensated for this outrage by at least being given the land they had been forced to homestead. Instead, this was passed through inheritance into the hands of the grandchildren of the enslavers. Malcolm's idea was to turn this property over to its rightful owners—the African-Americans who would have received it as a bequest had justice been attained at the end of the civil war.

Scrooge rehabilitated

Michael A. Walker

CHRISTMAS IS THE SEASON of Dickens. Scrooge, the deceased Jacob Marley, Bob Cratchit and Tiny Tim, and their antics in *A Christmas Carol* are virtually synonymous with the Christmas season. What would the Yuletide be without the inevitable replays on television of movies based on Dickens' novels describing the condition of the rich, the middle class, and especially the poor, in nineteenth century England?

Because of Dickens, Christmas for many contains a residue of notions about the nineteenth century in Britain and the onset of the industrial revolution, namely, that the effect of industrialization was mainly to reduce the already low standard of living of working people who were dragooned by heartless capitalists into working in dank and dingy conditions in the new blight on the urban landscape, the industrial factory.

While the plight of the average Briton at the hands of this industrial

revolution is prevalent in many of Dickens' novels, nowhere is it more sharply conveyed than in his 1854 novel *Hard Times*. *Hard Times* should be of particular contemporary interest since it excoriates economists, "... those who see figures and averages and nothing else—the representatives of the wickedest and most enormous vice of this time—the men who through long years to come will do more to damage the real useful trues of political economy than I could do in my whole life." Or, later, remarks about Mr. Gradgrind, whose sons are named Adam Smith and Malthus, "In the room with the deadly statistical clock, proving something no doubt—probably, in the name that the Good Samaritan was a bad economist."

Nel and her grandfather in *The Old Curiosity Shop* "yearned for the fresh solitudes of wood, hillside and field when the noise and dirt and vapour of the great manufacturing town, reeking with lean misery and hungry wretchedness, hemmed them in on every side and

seemed to shut out hope, and render escape impossible."

Or what about the plight of the chimney sweep in *Oliver Twist* as reflected in the attitudes of Mr. Gamfield who, faced with an apprentice unwilling or unable to climb back down the chimney, said, "there's no'ting like a good hot blaze to make them come down with a run. It's humane too gentlemen, a'cause even if they've stuck in the chimbley roasting their feet makes them struggle to hextricate themselves."

What all of these stories have in common is the projection by Dickens of a picture of the very harsh life that was the lot of the common people of nineteenth century England. Unfortunately, the horror of the work houses or the unimaginable lot of the young apprentice working for a pittance are regarded by many as an accurate historical account of conditions in those earlier times. For example, not infrequently when people speak of the effects of laissez faire capitalism, their image is of these Dickensian characters so wonderfully described by this greatest of British novelists.

The corollary of these stories, of course, is the supposed fact that what ended them was the arrival on

the scene of enlightened laws like the child labour laws and the limitation on the work week. There is no doubt that the England of the 1820s and 1830s when Dickens was growing up as a young clerk apprentice often presented harsh conditions for many of the population. However, it was not the discovery and passage of laws which changed the circumstances. Indeed, more gruesome conditions are still the lot of hundreds of millions of people in many countries at this moment, many with very "enlightened" laws.

Rather, it was the great success of the British and other economies in increasing the productivity of work effort that lead to the gradual improvement in working conditions. It was machinery and technology that eradicated the grimy work of chimney sweeps. As the distinguished economist and Nobel prize winner Sir John Hicks has written, "There is no doubt at all that industrialism in the end has been highly favourable to the real wage of labour. Real wages have risen enormously in all industrialized countries over the last century and it is surely evident that without the increase in productive power that is due to industrialization, the rise in real wages could not possibly have occurred." The indispensable precondition for industrialization was saving and capital investment.

In real life, as in *A Christmas Carol*, it was the saving and investment in capital equipment by the likes of Mr. Scrooge and Jacob Marley that ultimately raised the income of the Bob Cratchits and made for a happy Christmas and, as Tiny Tim put it, "the blessings on everyone." So the ultimate profile of Mr. Scrooge as the beneficent provider for the Cratchits is closer to reality than the miserable image which first confronts the ghost of Christmas Past.

But so it is with modern day Scrooges, and not just because of the productivity-boosting capital investments they make possible. Most families purchase their Christmas gifts on their credit cards or by running an over-draft on their

bank account. Much of the year is then spent repaying the associated loans. What probably never occurs to these families is that they are able to buy on credit because somebody else in their community is spending less than they earn. The so-called "tight-fisted miser" who never seems to be parted from his or her money is the modern version of Scrooge. But these "misers" make it possible for the rest of us to spend more than we earn; they save and invest their money so that we can then borrow it.

So treasure your scrooges and give them due acknowledgement for the contribution they have made and will make to Christmases past, present, and future.

Visitors to the Institute

The following visitors were welcomed to the Institute's head office in Vancouver:

- From the Japan Center for International Finance, Tokyo: Mr. Hiroshi Tsukada, Chief Economist, Director, Latin America & Canada Department, and Mr. Masashi Otsuka, Economist, Latin America & Canada Department
- Mr. Alan Gardner, Planning Facilitator from IBM
- Mr. Bruce Chapman, President, Discovery Institute of Seattle
- Mr. Michel Planque, Financial Attaché to the French Embassy in Washington, D.C.
- From the State Council Economic and Trade Office of the People's Republic of China, a delegation headed by its vice-premier and chairperson, Zhu Rongji

Private infrastructure

Filip Palda

IF CANADA NEEDS MORE infrastructure the private market should provide it. This of course is not what politicians have in mind when explaining how they will fix the economy. They think that we should let government, the least competitive and efficient enterprise in Canada, plan what roads and airports get built. Unfortunately, government is not suited to such a plan and will destroy wealth if it tries to play the savvy investor.

Ironically, the fall of communism may be to blame for the infrastructure movement. As the iron curtain went down, lovers of big government were forced to admit that central planning was a flop. State owned industries lost money, ignored consumer demands, and harmed nature. In Canada and the U.S., many policy analysts took heed and shifted neatly into a different mental gear: government might not be able to operate a business, but it could help business by providing a sort of national startup capital. We are now being asked to believe that more public money is

needed for roads, ports, sewage, optic fibre "information highways," and worker training—so called human capital. Without government to guide and finance these investments, the argument goes, we will no longer be competitive.

The federal finance minister took this line recently in announcing a \$500 million program of infrastructures. He hoped that the project would more than pay for itself. By lowering the cost of doing business it is supposed to generate \$1.5 billion in private investment and fifteen thousand jobs. It was not made clear why public funds are necessary for something that is so good for business. There are countless examples of things that look like infrastructures that workers and businesses provide on their own. The company town, toll roads, computer booking systems for airlines, the pay beach, and shuttle buses are all provided by the market but resemble the type of infrastructure we are told government must provide. The main difference between the two providers is that

governments have only a dim notion of which infrastructures people need, and tend to be swayed by political demands.

Infrastructure projects end up being pork barrel projects, built with little regard for costs and needs. Those who travel by air to certain major cities are used to the absence of efficient public transport to and from the airport. They have the devoted efforts of the taxicab and shuttle lobbies to thank for this irritant.

Sometimes the failures of government investments are spectacular. Mirabel is an airport only land speculators and construction companies could love. It has cost taxpayers hundreds of millions of dollars to build and operate, but has returned aggravation for those who must now travel to the hinterlands of Quebec to catch an international flight. The large demand for the airport that the federal government predicted never appeared. Edmonton paid \$248 million between 1979 and 1983 to extend its LRT urban train. Government planners made no formal cost-benefit analysis because none seemed necessary. It was taken for granted that

Edmonton's population would grow rapidly until the year 2000 as the never-ending oil boom drew workers to Alberta. The oil boom, of course, ended with the collapse of OPEC in 1981. As Kim and West [1987] suggest, a cost-benefit analysis would have pointed to an express bus system as the cheapest answer to the city's needs.

These examples suggest that government should not choose infrastructures which draw on its economic expertise. It should, however, build infrastructures which the market may not be able to provide. An efficient, honest legal system, monitoring the weather, and preparing for natural disasters and epidemics, are a few examples of sound government investments. Fantasies about reviving the economy with steamroller and asphalt projects should be left to swirl in the after-dinner cocktails of our politicians.

References and further reading:

Kim, John and Douglas S. West [1991], "The Edmonton LRT: An Appropriate Choice?" *Canadian Public Policy*, 17:2, pp. 173-182.



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Low interest rates not necessarily bad for savers

Ken Gregory³

THE INTEREST RATES THAT savers earn on their investments have dropped dramatically during the last year, along with the sharp drop in the inflation rate. The interest rate on 90 day Treasury Bills was 12.8 percent on average during 1990, but is only 6.7 percent today. However, contrary to popular belief, people dependent on their savings income are substantially better off now than they were when inflation, and therefore interest rates, were high. Savers who believe that they are worse off with low inflation and low interest rates are failing to account for the benefits of lower inflation and lower taxes.

Canada's inflation rate was about 5 percent in 1990. The annual inflation rate in September 1992 was 1.3 percent. The interest rates that savers demand and borrowers are able to pay include an inflation component and a real component. As in-

flation expectations decrease, the inflation component of the interest rate falls.

Savers earn a short term windfall benefit during the transition to a lower inflation environment, and benefit from lower taxes and a healthier economy in the long term.

Transitional benefits

Interest rates increased from about 9.4 percent on 90 day T-bills in 1988 to over 13 percent in 1989 and 1990, resulting in extraordinarily high real (after inflation) interest rates of about 9 percent, as the monetary authorities restricted the money supply in an effort to lower inflation. These high real interest rates could not be sustained for long but provided a short term gain to savers.

Savers have made a windfall profit by locking in investments at high interest rates. As the inflation rate

³ Ken Gregory is a petroleum engineer with Amoco Petroleum Company in Calgary.

falls below expectations, the real interest rate on the investments goes up. An investor who purchases a \$10,000 term deposit at 9 percent interest rate will earn \$900 annually. Meanwhile, a 5 percent inflation rate will erode the purchasing power of the investment by \$500 annually, resulting in a real income of \$400. If the inflation rate then drops to 0 percent the investor earns a real income of \$900 per year, or \$500 more than she and the lender expected when the term deposit was purchased.

Lower taxes on investment income

Lower inflation results in higher after-tax income for all savers. A saver with \$10,000 invested at 9 percent and inflation at 5 percent would expect to earn \$900 annually. If his marginal tax rate was 40 percent, he would pay \$360 in tax, leaving the saver with an after-tax income of \$540. Inflation reduces the value of his savings by \$500 annually, resulting in a real income of \$400 per year, and a real after-tax earning of \$40. Compare this situation to the case when inflation is 0 percent and the interest rate is 4 percent. The saver would earn \$400 in real income, the same as the high inflation case. However, he pays only \$160 in taxes, resulting in a real after-tax earning of \$240. The saver

is \$200 wealthier in the zero inflation case due to lower taxes. The lower inflation has caused an automatic 56 percent tax cut on investors' real earnings!

Governments benefit from higher inflation because investors must pay tax on the inflation component of investment income, which is meant to replace the erosion of capital. Voters do not give government credit for tax cuts induced by lower inflation, making fighting inflation politically difficult.

Retired people depending on their investment incomes might complain that their income has fallen despite the lower taxes. They should realize that if they spend all of their investment income each year, both the value of the investment and the income purchasing power will fall each year by the rate of inflation. In the high inflation case, the 5 percent inflation component of their income is paid to compensate the investors for the loss of the investment value. By spending it they are, in effect, spending 5 percent of their real capital each year so that the purchasing value of their wealth will fall 5 percent per year. This might be a reasonable strategy for an elderly investor as his purchasing requirements may fall as he ages. He might plan to travel less at age 80 than at age 65. However, he

is better off if he depletes his capital knowingly. His purchasing power remains constant if inflation is zero.

If there is no inflation, a saver may still decide to spend 5 percent of her savings each year to maintain a high level of spending. But she has to make a conscious decision to do it, rather than letting inflation silently erode her earning power. With \$10,000 invested at a 4 percent interest rate, she earns \$400 in income, pays \$160 in taxes and withdraws \$500 of her savings. Her after-tax spending is \$740, which is \$200 higher than the high inflation case. Furthermore, if she continues to withdraw 5 percent of her savings every year, her spending will be higher in every year compared to the high inflation case!

A healthier economy

In addition to the transitional and tax benefits described above, in-

vestors also benefit from increased economic productivity due to lower inflation. As inflation rates fall to low levels, less effort is expended and needs to be expended in activities designed to avoid the risks associated with inflation variation. The actual elimination of inflation would of course remove inflation considerations from all decision making—with obvious benefits. It seems that a lower inflation rate tends to be more stable than a higher inflation rate, which lowers the risk to investors. Consequently, investors tend to demand lower real earnings during periods of low inflation. There is ample evidence that in the long run, countries with lower inflation enjoy lower real interest rates due to reduced risk of varying inflation rates.



John Robson's Quote of the Month

"The less government you have involved with your life, the better off you are."

Nellie Cournoyea,
Leader of the Northwest Territories
from "Guarding her territory," *Maclean's*, August 10, 1992.

Take my suggestions . . . please

John S. P. Robson

WE ARE DELIGHTED TO announce the selection of 53 finalists in this year's Fraser Institute Economy in Government Competition. Our panels of judges this year were chaired by the Office Managing Partners of Price Waterhouse in Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montreal and Halifax. And we had an extraordinary response again this year, as we received no fewer than 706 entries—259 from BC, 178 from Ontario, 171 from Quebec, 33 from Alberta and from Manitoba, 8 from Saskatchewan, 5 from Nova Scotia, from New Brunswick and from the Yukon, 2 from the North West Territories, and 1 from Newfoundland. (We also received one from Germany, one from Florida, and four that had no return address at all). We are confident that our finalists' ideas, once fully developed, will offer large savings to all our provincial and territorial governments as well as to Ottawa.

Getting government to listen continues to be a challenge, but on De-

cember 6th W5 aired a story on last year's winner, Mr. Bruce Anderson, and on the Mint's stonewalling on his idea. We hope that increased media attention to the results will produce a better response from Ottawa and the provinces this year.

But the fundamental starting point is having good ideas to offer governments. And we do. For just as happened last year, Canadians have lived up to our expectations in terms of the quality, and exceeded them in the number and variety, of suggestions they have made. This article can only hint at our finalists' ideas (presented below in no particular order). But when the final results are available in the spring they will represent a major contribution to controlling government spending and government waste.

The **B.C. finalists** were Mr. Robert W. Durie of Victoria, who wrote on the administration of offshore oil and gas drilling, Mr. Philip Wright of Clayburn, with an idea for managing citizens' suggestions to government, Mr. Paul Geddes of

Burnaby on restructuring of post-secondary education, W.E. Franse of Vancouver with a proposal on mail delivery, Mr. Thomas Benjamin of Nanaimo with a suggestion for government mail, Mr. D.L. Tindall of Kelowna on doing income tax on-line, Mr. Robert J. McConnachie of Vancouver on the Negative Income Tax, Mr. P. A. Tony Hume of Ganges on Community Home Support Service Agencies, Mr. James Currie of Victoria on Building Codes and their administration, T.G. Sparling of Delta on a "deductible" in the Medical Services Plan, Mr. Derek DeBiasio and Mr. Steve Nicol of Vancouver, with joint submissions on contracting out services and on prisons, Mr. R.W. McLaren of Victoria with a proposal on the audit procedures of Supply and Services Canada, Mr. Robert Johnson of Coquitlam with an idea for dealing with the national debt, Dr. Rusang Tan of Vancouver with a proposal on health care, and Mr. Byron Price of Victoria with a paper on education.

The **Alberta finalists** were Mr. Garry Mudryk of Grande Prairie, with a proposal to shift taxation substantially from income to consumption, Mr. David Elderfield of Calgary with an idea on the insurance of government assets, Dr. Ted Horbulyk of the University of Calgary with a suggestion on agricul-

tural stabilization programs, Dr. Joe Hudson of the University of Calgary, Mr. Bob Rennebohm of Edmonton, Dr. Burt Galaway of the University of Manitoba and Dr. Truman Severson of the University of Calgary with an idea for treatment of the elderly mentally ill, Mr. Graham Boone of Calgary with an idea for dealing with the national debt, and Dr. W.M. Skrobot of St. Albert with a proposal for reforming the budgetary process.

The **Saskatchewan finalists** were Mr. Michael Kent of Regina with a proposal to devolve the Federal Development Bank, Mr. Dennis R. Young of Saskatoon with a proposal to restructure Unemployment Insurance, and Mr. Peter Holle with a suggestion to restructure the Saskatchewan Transportation Company.

The **Manitoba/Territorial finalists** were Sandy Holmes of DragonFly Consulting in Yellowknife, with a proposal on the enumeration process, Glen Chambers of Winnipeg with a suggestion on water main maintenance, Mr. Thomas Hallader of Winnipeg with an idea on cutting the high cost of judicial proceedings in sparsely populated areas, Ms. April Kassum of Winnipeg with a way of cutting the cost of lab tests in the health care system, and Ms. Hope Kidekel's class

at General Wolfe School in Winnipeg, with another proposal regarding enumerations.

The **Ontario finalists** were Ms. Deanna Wiley of Oshawa with a proposal for harmonizing GST and PST, Mr. John Caldwell of Almonte with an idea for health care user fees, Mr. Sean Douglas of Guelph with a proposal for local administration of social services, Mr. Robert M. Yaciuk of the Toronto Think Tank in North York, with a proposal for reforming the competitive bidding process, Mr. Alan R. Pittis of Toronto with a suggestion to restructure the Ontario Drug Benefit Plan, Mr. Robert Crichton of Toronto with a paper on communications within government, Mr. J. Paul Lamarche of Niagara-on-the-Lake with a proposal to restructure public works, Mr. Deane A. Lynch with a recommendation on "March panic spending," Mr. Peter Myers of Ottawa with a proposal for reforming the budgetary process, Mr. Wayne Barclay of Ottawa with a suggestion for simplifying the tax form, Dr. J.E. Kersell and Dr. Peter Heimler of the University of Waterloo with an idea for restructuring the public service, and Mr. William R. Ranger of Kanata (who was also a finalist last year) with a suggestion for wide application of user fees throughout government.

The **Quebec finalists** were Mr. Philip Aspler of Montreal, with a proposal concerning payment of the OAS to non-residents of Canada, M. Gerard Sabourin of Brossard with a proposal to save travel costs by video-conferencing, M. Serge Boucher of Montreal with an idea to simplify the tax laws, M. Marc Cardinal of Brossard with a proposal regarding welfare, France Grou of Quebec City with a paper on export financing, Mme. Lucette Garneau of Boischatel with a proposal on hospital software, M. Pierre Allard of Montreal with a suggestion to decentralize public administration, Mme. Lise Lamarre of Quebec City with a proposal on training of government employees, M. Mario Monette of St.-Hubert with a suggestion on merging government ministries to eliminate duplication, and Mr. Tassos Trihas of St.-Laurent with a suggestion regarding the tax system and families.

The **Maritime finalists** were Ms. E. Jane Danielson of Dartmouth, NS, with a proposal for voter registration rather than enumeration, and Mr. Don Powell of Stephenville, Nfld., with an idea to stop government officials from "double dipping," particularly from unfunded pension funds.

We hope you will all enjoy reading their completed work later this year.

January's solution to the health care cost explosion

Michael Walker

ELIZABETH CULL, THE Minister of Health for British Columbia, has a nightmare. She finds herself in the middle of a computer game in which the omnivorous Pac-Man character is eating everything up. She is being blamed because it is alleged that the Pac-Man belongs to her and why doesn't she do something about it? Of course, the real Pac-Man is the health care budget over which Ms. Cull exercises decision-making power on behalf of the people of British Columbia. As such, she has control over the largest single budget in the government, amounting to 32 cents out of every dollar spent by the province during the last fiscal year and scheduled to be more than 33 cents during the coming year.

Forecast to grow at 7.4 percent during 1992/93, Ms. Cull's expenditures are actually growing much faster, at 9.2 percent, and are anticipated to vastly exceed that figure unless she exercises financial restraint. In the nightmare, the Pac-

Man can be stopped by simply switching off the computer; in the real world, solutions are more difficult to come by.

They are, however, not impossible. And Ms. Cull should turn her attention to some of them. One of them emerges from the recent experience of a large Vancouver retailer, the Canadian Tire Corporation, which was faced with a doubling of the monthly premium that it pays for its employee dental plan. Dental plans, just like the province's health care plan, are not so much insurance as they are a pooling of the payments that have to be made for dental and/or health care services. In Canadian Tire's case, the dental insurance premiums were about to double because the employees were using twice as many dental services as had been anticipated when the premium of \$40.00 per month was first struck. From the point of view of Don Graham, President of Canadian Tire, this represented a real dilemma. He wanted to provide a dental program for his

employees but simply couldn't afford the kind of cost escalation brought on by the intensive utilization of the program. After much deliberation, he determined that the only way to both keep the plan and control the costs, was to somehow involve the employees in paying directly for some of the dental services that they utilized. He therefore inaugurated a 20 percent user fee or co-insurance premium, i.e. for every dollar they spent on dental services, the employees themselves would have to pay 20 cents.

The results were nothing short of staggering. Whereas average dental expenditure per employee had been running at \$80 per month (nearly double the initial dental premium), in the first month following the introduction of the 20 percent user fee, dental expenditures fell below the \$40 per month range, the cost of the initial premiums. Subsequent examination determined that employees had taken into account that they now had to pay something to receive dental services, primarily by reducing the number of cleanings and routine x-rays.

What should Ms. Cull learn from this experience? Obviously that one of the ways to stop the health care Pac-Man from eating up the pro-

vincial budget is to involve British Columbians more directly in the process by which they pay for the health care services they demand. That having been said, one has to acknowledge that Ms. Cull has another nightmare where she, personally, is eaten by her party for suggesting that user fees be implemented in British Columbia. User fees are frequently referred to by adherents of leftish ideologies as "sickness taxes" and other gruesome titles. But there is a way out - and, in the same way that he solved his own problem, Don Graham has provided a Canadian variant of a plan which has been suggested for some years by Pat Rooney, the President of the Golden Rule Insurance Company in the United States, namely, that we actually send the cheque to those who *don't* use the health care system.

The procedure in British Columbia would be quite straightforward. At the moment, a single individual pays \$35 per month for the medical service plan, a couple pays \$62 per month, and a family pays \$70 per month. Welfare recipients, in effect, have their premiums paid by the provincial government. These fees collectively contribute about 13 percent of total health care costs in British Columbia. Accordingly, British Columbians are currently paying a 13 percent user fee. While

87 percent of their health care costs are paid by general tax revenues, they actually contribute 13 percent of the bill.

Now, using Don Graham's idea, what Ms. Cull would do to curb the Pac-Man is simply make these co-insurance payments refundable to the people who have paid them, or on whose behalf they have been paid by employers. They would be refunded, to the extent that the actual health care expenditures of the individual, the couple, or the family, during the year, was less than the total amount of their current payments under the Medical Services Plan. So, for example, for a family, the current premium is \$840 per year and if, using the information they already have available from the Care Card system currently in use in the Province, the government determined that the family used medical services of only \$300, the family would be sent a cheque at the end of the year for \$580. To reinforce the effect, the

government could send quarterly statements to the family, indicating the amount of the cheque they would receive at the end of the year, based on the medical services that they have already utilized.

Nobody could complain that this is a tax on the sick, since no tax is involved—simply a refund, based on a family's restraint in using the health care system only when it is absolutely required. The expectation, on the basis of private experience and extensive research done by the Rand corporation in the United States, is that the use and, hence, overall cost of the health care system, would decline by a multiple of the refunds actually paid out.

If it seems that this proposal is outlandish or unworkable, just wait until you see the changes Ms. Cull and her provincial colleagues will be bringing in over the next six months, in an attempt to get health care expenditures under control.



The big tax bite

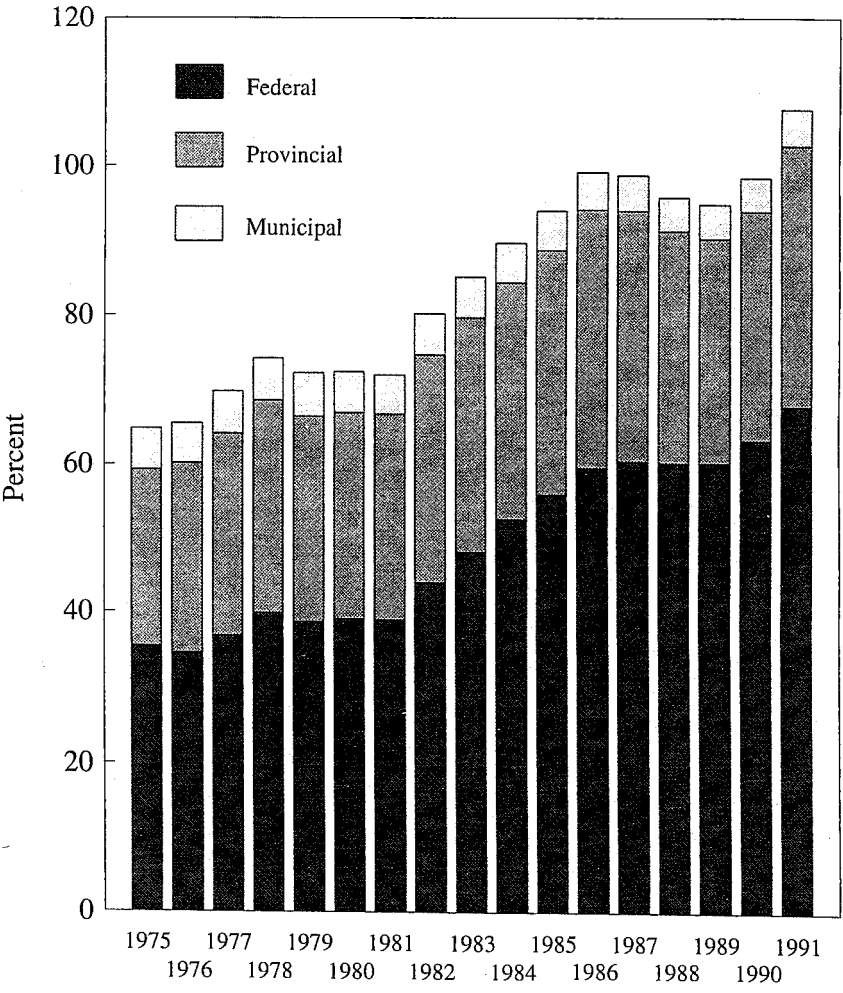
"The Fraser Institute is a firm believer in reducing government spending as an alternative to taxation, and Walker believes any increase in taxes [in Saskatchewan] will only make Alberta and B.C. more attractive."

Mark Wyatt, *The Leader Post*, Regina, May 4, 1992

January graph

Isabella Horry

Government Debt as a Percentage of GDP
as of December 31



What about the "voice appropriation" of environmental professionals?

Tom Davey, Publisher
Environmental Science & Engineering

THE WORLD OF ARTS AND letters has entered a new area of controversy—voice appropriation, the very latest in political correctness. Apparently women should not "appropriate" the voices of men when they create fiction, black men should not capture the voices of white males and, presumably, tall people should not write about short people.

If a picture can be worth a thousand words, then a rejected painting vividly illustrates the voice appropriation phenomenon. Artist Lyn Robichaud was told that as a white woman "she ought not to be painting coloured women at all." Writers also receive similar strictures.

The Canada Council, the closest thing to cultural nationalization that we have, has examined the "voice appropriation" issue. One report stated that, while formal guidelines were not the answer, "there should be a recognition that

cultural appropriation is a serious issue and requires ongoing debate by staff, juries and advisory committees, as well as the artistic community at large."

As these Canada Council juries judge grant applications, the directive is a compelling warning to those writers and artists who are not yet fully weaned from their state stepmother. But the cultural community is not without its own powerful voices of reason. The voice appropriation issue received a brilliant rejoinder from the pen of Alberto Manguel, 1992 winner of the Canadian Author's Association Award for his novel *News from a Foreign Country*. "Cutting one person's tongue would not give another a voice, but turns the silencer into a dictator," he wrote in a *Globe and Mail* column prior to his award.

But has anyone ever written on the voice appropriation of environmental engineers and chemists?

For over two decades we have been subjected to a deluge of drivel about environmental matters. The spectre of PCBs, for example, has been used to terrify society with little regard to epidemiology or toxicology.

Benzene, too, a known carcinogen found in gasoline, has been cited as a danger in potable water. And certainly it has been found in drinking water in minute quantities. Indeed it is only through the skill of the analytical chemist that we can detect benzene at all, at the levels found in drinking water. It is possible, likely even, to ingest a thousand times more benzene in a single day from breathing downtown urban air than one might get from drinking municipal water supplies during the same period of time. Yet I have never, ever, heard any media activist put these health risks in perspective.

In spite of reading hectares of print and watching hours of environmental TV coverage, I have seldom seen an engineer—other than a token academic—among the legions of talking heads, many of whom spout absolute nonsense. And despite the millions of words written about dangerous chemicals, I have never heard a single analytical chemist quoted, or inter-

viewed, in newspaper articles or on TV.

What we have seen *ad nauseam* on TV are the viewpoints of certain media environmentalists, most of whom would be forbidden, by law, to operate, let alone design, pollution abatement facilities.

Environmental professionals have rightly concluded that their technical knowledge is best leavened by exposure to other, less focused views. They have acknowledged that their critics, including the arts fraternity, might well endow their scientific training with a broader, more ecosystemic vision.

For example, Dr. David Suzuki was a keynote speaker at a recent Western Canada Water & Wastewater Association Conference in Edmonton, and Colin Issacs, formerly Executive Director of Pollution Probe, was keynote speaker at a recent drinking water conference in Niagara Falls, where he did not spare his hosts from criticism.

Environmental professionals frequently invite reporters and TV producers to speak at their conferences. This shows a wisdom and generosity of spirit which our cultural mandarins might well emulate.

Shaman Clinton

Michael Walker

SOME WILL THINK THAT President Clinton drew his example for the recent economic summit from Prime Minister Brian Mulroney's summit organized soon after the 1984 election. That televised policy fest gathered together a grab bag of special interests and vocal luminaries for a smorgasbord of sound bites orchestrated by maestro Stanley Hart. The purpose of the Canadian Summit was to show that the government was interested in all points of view and would take them into account as it planned its recovery and restructuring package. However, much as the Little Rock Round Table might have resembled the Mulroney exercise, it drew its inspiration from a much earlier set of practises. I refer to the rituals conducted historically by high priests, witch doctors, and shamans.

These wise men were often distinguished by the fact that they had been able to contrive some method of celestial prediction using tools like Stonehenge, or the magic circles of North American Indians, or

the complicated celestial calculations of the Mayans or the ancient Egyptians. The observations enabled the magic men to predict phenomena like eclipses of the moon, the timing of the winter solstice (and hence the beginning of the return of the sun from its southward movement), and the infrequent eclipses of the sun. This knowledge gave the priests great power because the average person had no understanding of the celestial process. Therefore, the priests could claim that it was necessary to make sacrifices, to give offerings of food and other things to the "temple," and in general to do what the priests said so that the gods would bring the sun back from its southerly position.

This power was also used to determine the planting times for corn and other grains and therefore performed a benign function. The essential model that these people applied, however, relied on a difference in knowledge between the general people and the priests.

Now consider the Clinton Summit. Here was a great collection of gurus, all of whom are very skilled in the interpretation of economic data and the assessment of how far the economy is from the turning point. All know that the data indicate that the U.S. economy is showing very strong signs of recovery. The recession is, for all intents and purposes, over. Why, then, have an economic summit to discover the policies that are required to "kick start" the economy? The answer is to be found in the practises of antiquity, and in the knowledge gap that gave the priests their power.

Clinton's public relations managers know that the general public doesn't have the in-depth knowledge of economic affairs that those attending the summit have. Therefore, the public won't know that the

summit and the "recovery program" it will produce are targeted on an event that has already occurred, or is predetermined by things that have already occurred. Accordingly, making a great fuss about a recovery program in his inauguration speech in January following this great economic summit will impress the average American that Clinton is really doing something about economic problems. More importantly, it will enable the new president, in due course, to claim that he has been responsible for the recovery that is already under way, and which will be obvious to all by the end of 1993. Of course, the only people who might be persuaded by such a pitch are those who are economically uninformed. Regrettably, they are still the vast majority.



The big chill

"... most of us think that income taxes account for most of the taxes we pay. Wrong.

"For an average Canadian earning \$53,535, \$23,537 will go to indirect or hidden taxes. That includes taxes on booze, cigarettes and our cars, property taxes, GST, the sneaky higher probate fees the NDP just levied, market value assessment, educational lot levies, tire taxes, air taxes—and on and on."

Linda Leatherdale,
The Toronto Sun, Nov. 18, 1992

Arguments for and against Accord balanced on TV

Lydia A. Miljan, Director
National Media Archive

THE NATIONAL MEDIA Archive recently completed a study of the first four weeks of the referendum campaign. The study determined that during those first four weeks, for the most part, the networks presented the substantive arguments for and against the Charlottetown Accord in equal proportion. However, CBC presented more arguments from the 'No' than from the 'Yes' side. On CBC, arguments from the 'No' side on the October 26 referendum were reported in 11 percent of total coverage, compared to 9 percent of arguments supporting 'Yes.' For CTV, 'Yes' arguments only slightly outnumbered 'No' arguments.

Over half of national television coverage of the referendum campaign dealt with the strategies and controversies of the campaign. The campaign focused on the personalities and strategies of the various 'Yes' and 'No' committees. Almost one-third of network attention examined the strategies and actions of

the committees and their spokespersons.

Criticisms of 'Yes' strategies dominate TV coverage

Of this coverage, over half of both networks' attention focused on the 'Yes' committee (56 percent). Forty-nine percent of CBC and 43 percent of CTV attention to the 'Yes' committee strategies and actions were neutral. Of the remainder, twice as many negative as positive evaluations were made.

In contrast, coverage of the 'No' campaign comprised more neutral statements (56 percent on CBC and 52 percent on CTV). Of those assessments expressing a view, there were slightly more unfavourable than favourable comments made about the 'No' strategies and actions.

An examination of assessments of individuals reveals that on CBC, of the 15 leaders and representatives

discussed, only Clyde Wells received more positive than negative assessments. For all the other leaders and spokespeople, negative assessments and comments outnumbered positive statements. On CTV, Clyde Wells was referred to only once, but Alberta premier Don Getty and health minister Benoit Bouchard received slightly more favourable than unfavourable assessments.

Almost one-quarter of CBC and one-quarter of CTV attention focused on various debates and controversies. This category included discussion of the political ramifications of the Accord, the use of scare tactics, and partisan politics.

Accord details comprise less than 10 percent of CBC attention

Details of the Charlottetown Agreement (i.e., the various clauses) comprised only 8 percent of CBC and 3 percent of CTV total attention to the referendum. It should be noted, however, that since this study examined only the first four weeks of the campaign, the "Journal" special "A Voter's Guide," which outlined the clauses

in the Accord, was not included in this sample.

The construction of the Accord comprised only one percent of CBC and less than one percent of CTV total attention. This sample, however, was taken prior to the "Journal" special: "Anatomy of a Deal," which specifically examined the way in which the deal was brought about.

More attention was paid to the various provincial and federal referendum and campaign laws and procedures than to the details of the Accord. Fully 11 percent of both networks' attention examined issues such as the time frame, cost, debate in the House and legal text.

Results are based on 85 "National," 17 "Journal," and 18 "Sunday Report," as well as 94 "CTV News" stories from September 3 to October 3, 1992. All stories appearing during that time were coded, representing a total population rather than a random sample of stories. Three researchers were employed in coding the news stories. They were selected on the basis of their differing political views. Full results of the study will be released in an upcoming issue of On Balance.

Forthcoming events

Saturday, January 30, 1993

Edmonton—Edmonton Convention Centre

Student Seminar on Public Policy Issues

Saturday, February 13, 1993

Montreal—Hotel du Parc

Student Seminar on Public Policy Issues

Friday, March 12, 1993

Toronto—Downtown location to be announced

"The University in Jeopardy" conference, co-sponsored by the Society for Academic Freedom and Scholarship, and The Fraser Institute.

Saturday, March 13, 1993

Halifax—World Trade & Convention Centre

Student Seminar on Public Policy Issues

March 26-28, 1993

Tucson, Arizona—Westward Look Resort

"Liberty, Free Markets, and the Role of Government" colloquium.

June 4-6, 1993

Sidney, B.C.—Dunsmuir Lodge

"Liberty, Free Markets, and the Role of Government" colloquium.

For information on these events contact Lorena Baran, Director, Events & Conferences, The Fraser Institute (604) 688-0221.

**EVENTS
LISTED ARE
SUBJECT TO
CHANGE**