



From the Editor / L. Ian MacDonald

Balancing Act

Welcome to our cover thematic on the 2014 budget, a balanced one in all but name. If the \$3 billion contingency reserve were set aside, the Conservative government would be in a \$100 million surplus at the end of this fiscal year, and is forecasting a \$6.4 billion surplus, including the reserve, in 2015. Which happens to be an election year.

"I think there will be some difficult decisions next year because different people have different ideas about what should be done with the excess money," Finance Minister Jim Flaherty told *Policy* in an extensive Q&A at his Parliament Hill office. Also asked about his health, an issue over the last year, Flaherty said he was feeling "much better".

Kevin Lynch and Karen Miske of BMO Financial Group examine the budget "through a telescope, not a microscope". In other words, they took a longer view; that budgets matter, even boring budgets, in how they address macro-economic and global financial issues. Douglas Porter, chief economist of BMO Capital Markets, provides a fiscal framework readout on the budget, and a look ahead to budgetary balance and surplus next year.

Critiques are important in any discussion of budgets, and we are delighted to offer two opposition takes from NDP Finance Critic Peggy Nash and Chrystia Freeland, the new Liberal MP from Toronto Centre and one of Justin Trudeau's senior economic advisers.

Nash writes that the Harper govern-

ment is balancing the books on the backs of Canadians. "Jobs, prosperity and long-term growth were all put on hold," she writes "for the sake of one artificial goal—budgetary balance."

Freeland writes: "There's one important takeaway from the 2014 budget—the Conservative government has no big ideas for the Canadian economy, and doesn't believe we need them."

Looking at the Canada Job Grant, the centrepiece of the Harper government's labour market strategy, Jack Hughes sees it as an object lesson in the PM's belief about the division of powers between Ottawa and the provinces. He sees the Job Grant as "the Harper Rosetta Stone".

Robin Sears looks at the breakthrough between Stephen Harper and Assembly of First Nations Chief Shawn Atleo resulting in the First Nations education agreement, funded at \$1.9 billion in the budget just days after it was announced on February 7. It came together under other First Nations chiefs in Ottawa while Atleo was out of town—attending Nelson Mandela's state funeral in Africa as a member of the Canadian delegation that also included four former prime ministers.

Margaret Clarke and her University of Calgary colleagues (Herb Emery, David Nicholas and Carolyn Dudley) consider the budget initiative for vocational training for youth on the Austistic Spectrum Disorder (ASD) That's one Canadian in 88, and their families. While it's not a lot of money, it's an important recognition that there's a place for ASD

youth as productive members of our society and economy.

In a *Policy Dossier* we look at the hot-button issue of Senate reform. Geoff Norquay looks at Justin Trudeau's gambit of expelling Liberal senators from caucus, even though the Liberal Party's constitution explicitly states that senators are automatically members of caucus and ex-officio delegates to conventions like the one in Montreal in February. Norquay finds Trudeau's move bold but high-handed.

And the University of Ottawa's Adam Dodek, a leading constitutional lawyer, examines Stephen Harper's reference of the Senate reform issue to the Supreme Court of Canada. "It is about how, and perhaps if, we can amend our Constitution."

In our *Features* section we offer two articles. In the first one, Tom Axworthy offers a touching and true tribute to Jim Coutts, his close colleague and predecessor as principal secretary to Prime Minister Pierre Trudeau from 1975-81. On any list of outstanding heads of PMO, Coutts is very near the top. A True Grit, in every sense of the term.

And Mike Coates looks at the issue of foreign investment in Canada, and notes it was down significantly in 2013. He attributes the investor chill to the government's wariness of state owned enterprises (SOEs), especially Chinese, investing in the Canadian energy sector, particularly the oil sands. He also cites national security as a politically useful if nebulous filter for unwanted foreign acquisitions. **P**