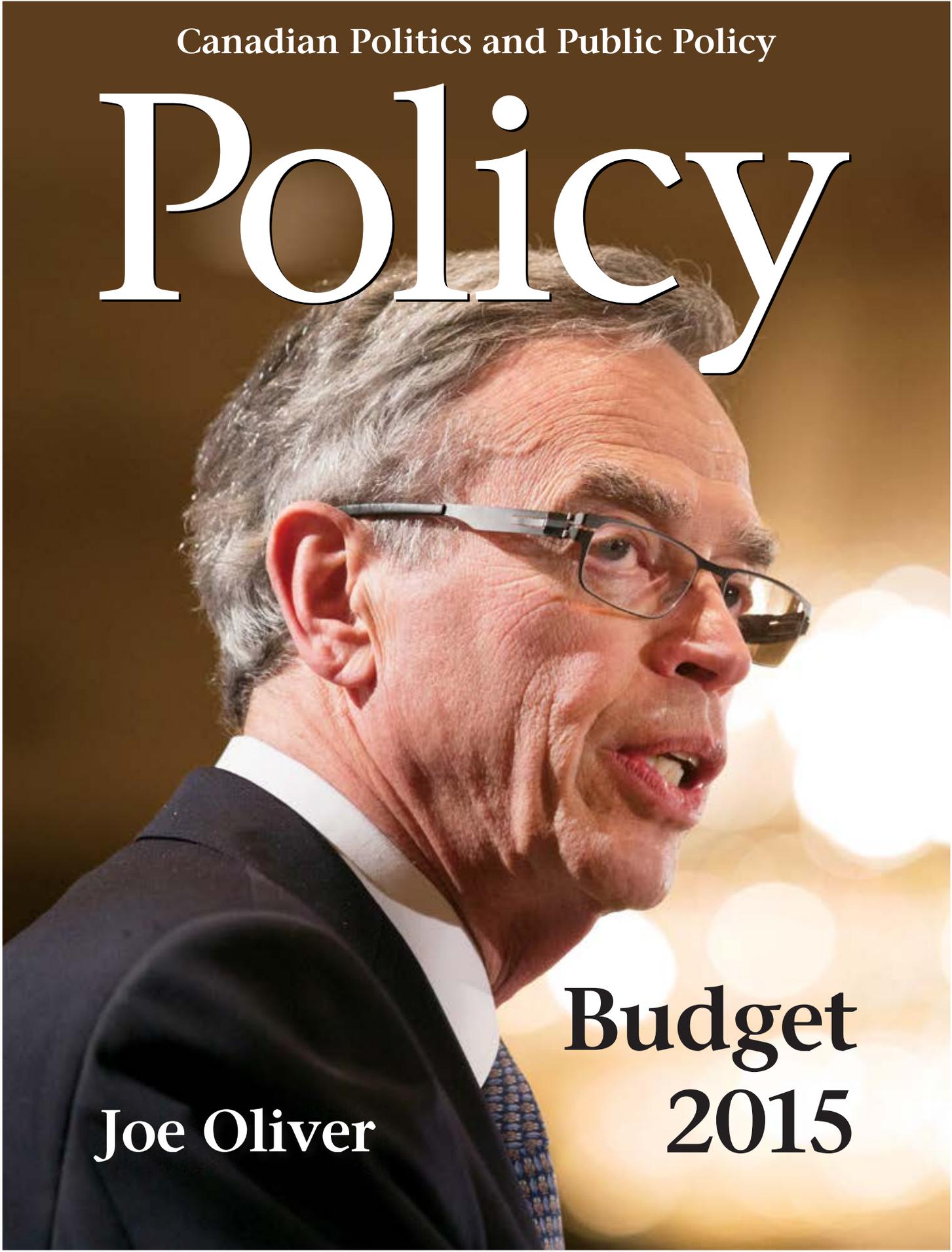


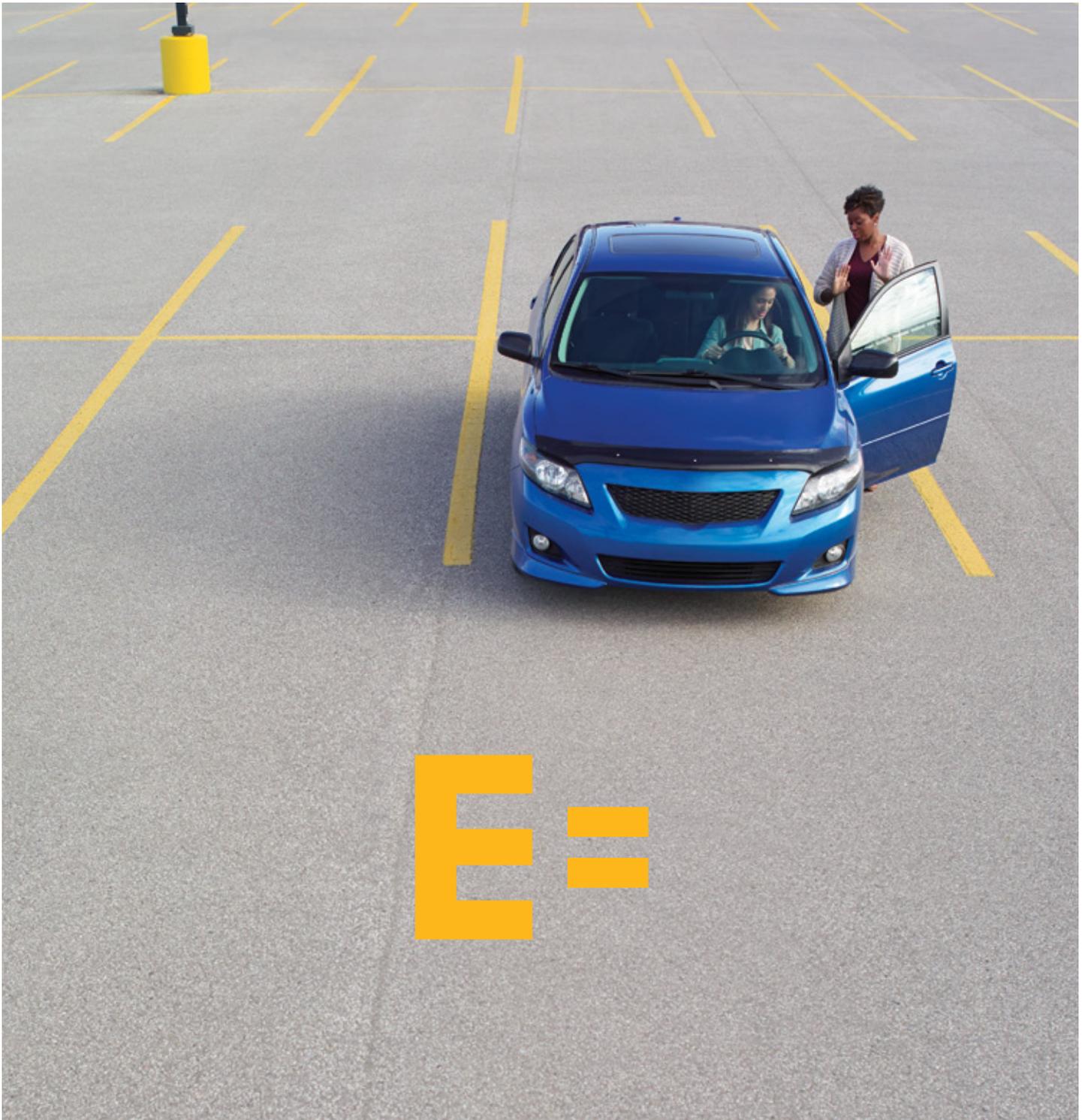
Canadian Politics and Public Policy

Policy



Joe Oliver

**Budget
2015**



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Canadian Politics and Public Policy

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Prime Minister Harper shakes hands with Finance Minister Joe Oliver, after Budget 2015 is tabled in the House of Commons. PMO photo, Jason Ransom

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From the Editor / L. Ian MacDonald

Budget 2015

Welcome to our annual issue on the federal budget, featuring our post-budget Q&A with Finance Minister Joe Oliver. The other parties in the House—the NDP, the Liberals and the Greens—respond with their critiques of Budget 2015, the first in nearly a decade not to be delivered by Jim Flaherty.

Flaherty, who resigned after his February 2014 budget only to pass away suddenly just three weeks later, left big shoes to be filled.

His last budget was in a time of plenty, with a forecast surplus of \$6.4 billion in the current fiscal year, and nearly \$32 billion over five years. Of course, that was when oil was \$100 per barrel, twice what it is today. Every \$5 drop in the price of oil costs the federal treasury \$1 billion, so Oliver was looking at a \$8 billion shortfall, as well as promising a balanced budget. Not to mention the pre-announced family tax cut and child care package costing \$5 billion a year.

Going into the budget, the question was how Oliver would cover the spread and balance the books, while delivering on income splitting, child care, and a doubling of the limit on Tax Free Savings Accounts — as promised in the 2011 election campaign.

It was pretty obvious that Oliver would use the contingency reserve, and then in April he announced that the government had sold its shares from the 2009 bailout of General Motors for \$3.2 billion. The question that remained was whether the government would use the GM proceeds to pay down debt, invest in the Canada Pension Plan, or put it in operational spending to help balance the books. On April 21, we had our answer.

When we met the next morning in the minister's office in the James M. Flaherty building, Oliver was in an expansive mood.

We also have welcome budget critiques—especially with a federal election looming — from Nathan Cullen of the NDP, Scott Brison for the Liberals and Green Party Leader Elizabeth May.

Leading off our *Canada and the World* section, Robin Sears considers the controversies over the niqab, the divisive wedge politics around it, and the decline of public discourse. As Sears notes: “The poison that wedge politics injects into any democracy is always the responsibility of the leaders who indulge in it.”

Then, BMO Vice-Chair and former Privy Council clerk Kevin Lynch looks at Canada's strengths and weaknesses in innovation, where the country ranks near the bottom of OECD ratings on business R&D spending and productivity. It's a thoughtful and important piece from one of Canada's leading public policy figures.

From Jerusalem, McGill University historian and author Gil Troy dissects the recent Israeli election, in which Bibi Netanyahu won his third consecutive mandate as prime minister, and fourth term overall. In doing so, he confounded pollsters and pundits, who had widely predicted his defeat. His late surge came after an Election Day video in which he warned that Arab Israelis were voting “in droves,” a statement for which he was widely and justifiably criticized.

Our lead foreign affairs writer Jeremy Kinsman looks at the US-Iran framework agreement on Iranian nuclear technology. While the deal is far from done, and the two sides have disagreed on what some of it means, there's no doubt that it's an important milestone, not only in reducing the risk of Iran becoming a nuclear power, but also bringing the promise of some stability to the volatile and violent Middle

East. Iran is also aligned with the US and the West against the Islamic State. So, the enemy of my enemy is my friend.

Raynell Andreychuk, Chair of the Senate Foreign Affairs Committee, weighs in with a scathing piece on the Kremlin propaganda machine, particularly as it's been deployed by Vladimir Putin's minions on Ukraine, to say nothing of his control over information inside Russia.

Michael Bourque, President of the Railway Association of Canada, looks at the important public safety issue of level railway crossings. There were 180 crossing accidents in 2014 and 21 deaths as a result. Since 2010, there have been 130 deaths due to accidents at level crossings. Bourque points to “dichotomy of authority” between Transport Canada and the Canadian Transportation Agency that has “jeopardized safety”.

Former Atomic Energy of Canada CEO Hugh MacDiarmid and Terrestrial Energy CEO Simon Irish make a case for the next, even safer generation of nuclear reactor. “The new generation of reactors,” they write, “is changing minds and gaining converts.”

Finally, we propose a spring list of political books for the season. Anthony Wilson-Smith weighs in with a rave review of David Halton's biography of his father, Matthew, Canada's radio voice of the Second World War, in effect our Ed Murrow. *Dispatches from the Front*, writes Wilson-Smith, is simply “superb.”

Our own Associate Editor, Lisa Van Dusen, looks at David Axelrod's *Believer: My Forty Years in Politics*, and concludes that Barack Obama's campaign director in 2008 wasn't in it for the game, but to make a difference. And McGill's Antonia Maioni looks at the autobiography of Victor Goldbloom, another story about doing the right thing in politics. **P**

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Policy Editor L. Ian MacDonald in conversation with Finance Minister Joe Oliver in his boardroom at the James M. Flaherty Building on April 22.
Policy photo, Melissa Lantsman

Q&A: A Conversation With Joe Oliver

Joe Oliver woke up on the morning of April 21st with the toughest job of any federal finance minister in decades ahead of him. It was six months before a federal election, five months after OPEC precipitated an oil price crash that drastically reduced Oliver's margin of maneuver, and he was filling the very large budget day shoes of the late Jim Flaherty. The morning after he tabled Budget 2015 and proclaimed a \$1.4 billion surplus, Oliver talked to Policy Editor L. Ian MacDonald about economics, politics and making history.

Policy: Mr. Oliver, here we are the morning after the budget. How do you feel?

Finance Minister Joe Oliver: I feel pretty good. It's been a good couple of days. This is a good budget for Canadians right across the country from all walks of life so I'm very pleased we were able to present it in spite of the challenges of the dramatic decline in the oil price.

Policy: That was my next question. A year ago when you took office on the 19th of March, oil was \$100 a barrel. When you did the fall update it was \$81. You were forecasting \$81 a barrel and here we are at \$50 a barrel.

Joe Oliver: It's \$56 right now, well stabilized from the bottom, \$44.

Policy: Are we looking at structural as well as cyclical issues here with the

price of oil in terms of balancing the books and forecast revenues?

Joe Oliver: We take our forecast from 15 private sector economists. If there are outliers we'll take them out. There weren't this time. We take the average so we've depoliticized the forecasting of economic growth and therefore we're pretty comfortable that we've got a sound basis for the forecast.

The fact that oil has fallen as much as it has to some degree reduces the risk of commodity price change. In one sense, of course, you can say it fell so much who knows what will happen. One never knows what's going to happen to commodity prices.

I'm not in the business of making forecasts myself, but you have to have a forecast in there for a budget. The number we've arrived at for this year is \$54. It's a bit lower than today's price but that's the average for the full year.

It certainly reduced our flexibility in a significant way and that's really what makes the balance remarkable because in addition to that matter, which is over \$8 billion right out of the bottom line, we've still been able to bring taxes down to the lowest level they've been in 50 years. We've got a major family benefits program. We're reducing taxes. We have reduced taxes for businesses to the point they're lower than they are in the G7 according to KPMG, 46 per cent lower than the United States.

We've got the biggest and longest infrastructure program in the history of Canada. We're increasing investment in the military and we haven't done this on the backs of transfers to the provinces. To the contrary, they're up 63 per cent. You'd think from the complaints from Ontario that we've somehow done them ill.

The fact is the transfers since we came to office in 2006 are up 88 per cent for Ontario. I don't know where their problems are other than the fact they want to divert attention from their own financial issues.

Policy: How the world can change in a year. In Mr. Flaherty's last budget, the forecast surplus was \$6.4 billion and here we are at \$1.4 bil-

“ It certainly reduced our flexibility in a significant way and that's really what makes the balance remarkable because in addition to that matter, which is over \$8 billion right out of the bottom line, we've still been able to bring taxes down to the lowest level they've been in 50 years. ”

lion—and \$32 billion over five years of surpluses and here we are at \$13 billion. That's quite an impact, and all driven by oil, right?

Joe Oliver: It is a huge impact. Some people have said, well, are we spending too much attention to the resource sector? I don't know if they're suggesting we shouldn't have sold oil at higher prices. The fact is these are private sector decisions. We have a highly diversified economy in Canada but resources have been a strength.

They'll continue to be. We're blessed with tremendous resources and, historically, they've contributed something in the order of \$30 billion to all levels of government. That's really significant. I should say, hearkening back to my old portfolio, that if we could get our resources to tidewater one of the things we'd do is eliminate the huge differential between the international price and the price we're getting because of constraints on bottlenecks in the United States.

In addition to that, we're confronting a real challenge because our only customer for energy exports is the United States and they've found vast amounts of their own resources so we're going to need to access new markets. Happily, the markets are there. Unhappily, we haven't got a way to deliver them. This issue is not going to go away. The decline in the price of oil has actually exacerbated the problem.

Policy: The *Globe and Mail* headline on the budget was “Balancing Act.” It's interesting how you got there by dipping into the contingency reserve for \$2 billion and using the proceeds of the GM stock sale for another \$2.2 billion. Any thoughts on that? Is that unusual?

Joe Oliver: What's a bit different is we're in a surplus. When you're in a deficit, you need a bigger contingency because you don't have a surplus to provide a bigger cushion. When you're in a surplus as we are now, we have \$1.4 billion plus a billion so the cushion is really \$2.4 billion.

In addition, the fact the price of oil has fallen by 50 per cent has reduced one of the risks. It's not as if there's a contingency fund that lasts forever without dipping into anything. We've got to decide what the contingency should be. This was the decision that we made.

“ We're confronting a real challenge because our only customer for energy exports is the United States and they've found vast amounts of their own resources so we're going to need to access new markets. Happily, the markets are there. Unhappily, we haven't got a way to deliver them. ”

Policy: The imperative of balancing the books.

Joe Oliver: Well, look, you could create a bigger contingency but if it's not drawn on it goes to reduce the debt as does the surplus, if it's not drawn on.

Policy: The other main headline of the day—and I'm sure your comms people are happy with it—in the *National Post* it's “Year of the Family”.



Joe Oliver points out that seniors are among the main beneficiaries of Budget 2015. *Policy* photo

Let's talk about the family package and what this budget means for people in the 905's of Canada, in the suburbs.

This is clearly a pre-election budget. There's no doubt about that, but one of my friends was saying yesterday there's nothing here for singles with no children except for the TFSA contribution ceiling increase being doubled to \$10,000 per year.

Joe Oliver: The TFSA is very important but we're doing other things. Single seniors are also going to benefit from the greater flexibility in respect to RRIF's. That's very important. We're providing a small business tax reduction. Not everyone who owns a small business has a family.

Some are starting out. That's very significant because 50 per cent of the working population in the private sector works for small businesses. The initiative for our transit fund is going

to benefit people in the 905. (Toronto Mayor) John Tory has made it known to everybody that he'd like to see Smart Track go ahead. We're not going to make decisions based on the mayor but Smart Track is the type of project that would be actively considered.

Policy: Let's just go through them one by one. Income splitting—the critique is that it's a tax break for the "rich" that will benefit only 15 per cent of Canadians but that's still 2.2 million families, is it not?

Joe Oliver: Well, yes, but they're not all wealthy at all. If you compare a couple where one person is making \$120,000 to another couple where they're both making \$60,000 each, these aren't wealthy people but because of the different tax brackets one is paying considerably more. The first is paying considerably more than the second.

We listened to what Jim Flaherty said. We put a \$2,000 cap on it and we think it's very fair. But it's part of an overall family package. When you look at the totality of it, two thirds of the benefits go to lower—and middle-income families and 25 per cent to families earning less than \$30,000 a year.

“ We listened to what Jim Flaherty said. We put a \$2,000 cap on it and we think it's very fair. But it's part of an overall family package. When you look at the totality of it, two thirds of the benefits go to lower—and middle-income families and 25 per cent to families earning less than \$30,000 a year. ”

Just let me make another point in this regard. Most policies are designed to achieve a tax benefit for certain groups of people. You have seniors' income splitting. It doesn't affect people who aren't seniors. That doesn't mean it's a bad policy.

We have disability incentives. Most people aren't disabled. That doesn't mean it's a bad policy, to the contrary. We're adhering to the Marrakesh Treaty. We're going to provide people who are visually impaired with more access to printed materials. Well, most people aren't going to directly benefit. It's still a good policy.

With income splitting, we're dealing with the issue of horizontal equity. You have to look at the totality of our policies and say is it balanced—not fiscally balanced but is it balanced in terms of providing benefits to the people who need it overall? I feel very strongly that we've got it right. When you look at the total picture, we've got it right.

Policy: Then there's the universal childcare benefit, the extra \$420 that's coming in July in a one-time payment.

Joe Oliver: I know there are cynics but we couldn't get it done earlier. People will be made aware.

Policy: The other family-driven items, the child care cost deductions, the child fitness credits, the Conservative backbenchers that I talk to all say this stuff plays extremely well as a retail game at the door and the driveway. It's quite 905-driven, this stuff.

Joe Oliver: Obviously we're doing things for Canadians. When you do things for people they appreciate it. That's why I was kind of shocked that Justin Trudeau wants to roll back the increases in the TFSA's. This is a middle class benefit. Why he wants to do that, he'll have to explain that.

Policy: And it's the one thing in the budget for singles, that's for sure.

Joe Oliver: His spinners are out there but I haven't heard. The other thing he wants to roll back apparently is the decrease in small business taxes. What's that about?

“ The compassionate leave, extending the EI compassionate care benefit, I view as consistent with what Jim Flaherty was doing to help disabled people. This is for the gravely ill. You want people to focus on what really matters. By extending that from six weeks to 26 weeks I think we're doing the right thing. I know we are. ”

Policy: Let me ask you about two things for seniors, who are people who vote—the compassionate leave for people with dementia and the home care accessibility tax credit.

Joe Oliver: The home accessibility tax credit is really very important because seniors and disabled people ...

Policy: In effect you can put a mobile staircase in your house.

Joe Oliver: Exactly. This isn't...we're not talking about getting new cars

here. We're talking about things that are really important—guard rails when you're in a shower, getting out of the bath. These are practical issues that are going to make life better and allow people to stay in their homes longer. That's a really good thing.

The compassionate leave, extending the EI compassionate care benefit, I view as consistent with what Jim Flaherty was doing to help disabled people. This is for the gravely ill. You want people to focus on what really matters. By extending that from six weeks to 26 weeks I think we're doing the right thing. I know we are.

Policy: In terms of your outlook for the economy, the Governor of the Bank in an interview in London said that growth in the first quarter was going to be “atrocious”, a choice of words he might have regretted a little bit later because it certainly made headlines. What's your sense of the first half of the year?

Joe Oliver: He's basically saying no growth in the first quarter and then it's going to pick up. I'm not going to predict the quarter after that but our forecast is for 2 per cent for the entire year. Obviously, there's pickup. What he was saying is the impact of the oil price wasn't going to be greater but it was going to be quicker. That's what he said.

Policy: Speaking of Mr. Flaherty, we're sitting in the James M. Flaherty Building and as you know persons with disabilities was the great cause of his life, including autism. Full disclosure, my five-year old daughter has Asperger's syndrome. There's \$2 million in there the autistic community was asking for networking. It doesn't sound like a lot of money but they're very happy.

Joe Oliver: They're very happy. That's what they wanted. It's always a challenge to make decisions of this kind because there are so many worthwhile causes but this one we really wanted to provide some help. I have relatives whose son has autism. It really takes a toll on families. We're trying to help and we're trying to find out more about how to cope with it. That's what this is about. It's important.

Policy: Finally, on a personal note, you said in the budget speech that you'd be forever grateful to your grandparents “for their fateful decision to immigrate to Canada more than a hundred years ago. Like so many others, they chose liberation over oppression, opportunity over stagnation and a bright future over a gathering storm.” What does it mean to you personally to be Canada's first Jewish Finance Minister?

Joe Oliver: I don't focus on that very much. Some people in the community think it's a wonderful thing.

Policy: It wouldn't have happened 50 years ago.

Joe Oliver: Probably not. And a number of things that happened in my career might not have happened a few decades before. I think the fact that it's not really commented on very much is very positive because what you want is things to be ... some of the past practices or discrimination, just to be gone.

Policy: The fact that it's not news.

Joe Oliver: I think it's simply a good thing. We're still making progress. We now have the first Toronto police chief who's black. People are commenting a lot about that. At a certain point it won't be a big deal. That will be a good thing. This country has been a tremendous opportunity for people from all over the world.

When my grandparents came, there was no social safety net or anything. They didn't expect necessarily to be treated without discrimination but they certainly knew they weren't going to be persecuted. That's an important distinction because that's what they confronted and not knowing how bad it would ultimately have been had they stayed. I guess one reflects back on decisions that weren't made—I had nothing to do with it. It wasn't easy and they're not the only ones. It wasn't easy for people to come here and how wonderful it is that they did for those of us who are here and how much they've contributed to Canada. It's a great story. I felt I wanted to make note of that without dwelling on it too much. **P**

A Different Vision for Canada: What the NDP Would Do

Nathan Cullen

Budgets are always political documents, and a budget tabled six months before an election even more so. Before the week was out after Budget 2015 was tabled, Joe Oliver's comment that the fiscal consequences of the government's tax breaks would be a matter for Stephen Harper's granddaughter to deal with galvanized the pre-election debate around pocketbook issues. Here, NDP finance critic Nathan Cullen presents his party's case.

Middle class families are looking for help to get ahead, but Budget 2015 makes it regrettably clear that the Conservatives are more interested in helping the wealthiest and well-connected few. Instead of a long-term economic vision for Canada, this budget is focused on short-term political gain and leaves future generations with a mess to clean up. What stands out most, in fact, is the desperate lack of ambition and a coherent vision for Canada's economy. The finance minister actually admitted that the real costs of Conservative election pandering will be borne by our children and grandchildren.

After nearly a decade of Conservative government, working and middle class families are working harder than ever, but falling further and further behind—even the Governor of the Bank of Canada recently quipped that the economy was looking “atrocious” in the first quarter of 2015. There are more than 1.3 million Canadians out of work, employment growth is stagnant at a meagre 0.8 per cent, and over 400,000 manufacturing jobs have disappeared on the Conservative government's watch. Storm clouds aren't just on the horizon, they're here, and Conservative failures to get the economy moving are being felt across Canada.

Canadians have been waiting for a plan from Ottawa that focuses on their priorities and they had hoped Budget 2015 would be that plan. They

wanted a budget that would help give their kids the best start in life, with immediate action to create the good jobs that hard-working Canadians rely on to support their families. Middle class families needed Budget 2015 to improve the quality of their lives and it simply didn't deliver.

The Conservatives have ignored pleas for action and introduced a budget that stubbornly moves ahead with their narrow political priorities. Their ongoing handouts to the wealthiest

“ There are more than 1.3 million Canadians out of work, employment growth is stagnant at a meagre 0.8 per cent, and over 400,000 manufacturing jobs have disappeared on the Conservative government's watch. ”

Canadians and large corporations—and their pledge to keep doing so—are leaving too many people behind and puts vital public services at risk.

Budget 2015 moves ahead with Stephen Harper's reckless income splitting scheme, which will give billions of dollars in benefits to folks that don't need them and absolutely nothing to more than 85 per cent of Canadians. This is unfair and has been criticized

by just about everyone who's taken a close look at it: from the Canadian Centre for Policy Alternatives to the C.D. Howe Institute and labour unions, to the Canadian Taxpayers Federation. With such broad agreement from left to right across the political spectrum that income splitting is bad policy and a long-term negative for Canada's economy, it takes a special kind of stubbornness to force it through.

But the Conservatives weren't content to stop there—they doubled down with even more handouts to the wealthy by hiking the TFSA contribution limit. Like income splitting, the TFSA increase overwhelmingly benefits the wealthiest Canadians. Less than 16 per cent of Canadians had contributed their maximum in 2012 and only a few of the wealthy have an extra \$10,000 burning a hole in their pockets at the end of each year. This reckless scheme will let the rich shelter their assets—tax free—and set a ticking time bomb that will eventually result in tens of billions of dollars in lost government revenue. The Conservatives know this plan is flawed, but the Finance minister says he is content to leave the consequences to our grandchildren to fix. That is the very opposite of responsible leadership.

The Conservative government is also maintaining billions of dollars in handouts to the most profitable corporations, with hundreds of millions

in tax loopholes for CEOs.

But while the budget is full of handouts for those at the top, it is just as notable for its lack of action on priorities to help the rest of Canadians. There is no meaningful effort to create affordable, quality childcare spaces for Canadian families that are facing soaring costs. There was no boost to CPP benefits to ensure that seniors can retire in dignity, and nothing to help low-income earners make ends meet.

The budget continues the Conservative pattern of inaction on climate change and leaves Canada with no plan to reduce emissions as the rest of the world prepares for important international negotiations in Paris later this year. There is no investment in renewable energy, clean technology or energy efficiency to grow the economy while protecting the environment. And for the services Canadians rely on, this budget continues with \$14 billion in cuts across the board to everything from food safety to Statistics Canada.

This being an election budget, there are a handful of good measures and, for the most part, these are ideas taken from Tom Mulcair's plan. I'm certainly happy to see that NDP pressure has resulted in some tax relief for small businesses across the country. I'm also pleased to see that the Conservatives have followed our lead on lowering the minimum withdrawal threshold for RRIFs, extending the capital cost allowance for manufacturers, and extending compassionate care benefits under EI.

However, as a whole, we need to recognize that the measures in this budget are overwhelmingly designed to help those who need them the least. That's not the kind of budget that Canadians want or that New Democrats can support.

My New Democratic colleagues and I have proposed a series of practical measures that will help fix the damage done by Stephen Harper and improve quality of life for Canadian families. Our proposals will help make life more affordable for all Ca-



NDP finance critic Nathan Cullen on the economy: "Storm clouds aren't just on the horizon, they're here." House of Commons photo

nadians and help businesses create good quality and stable jobs.

At the heart of the NDP's plan is Tom Mulcair's commitment to implement a universal, \$15 a day child care program across Canada. This is exactly the kind of policy that so many Canadian families say they are looking for. It gives young families—facing skyrocketing child care costs that can top \$2,000 a month—the support they need. Not only would this policy help these families and lower their costs by hundreds of dollars a month, it would provide a major boost to our economy to the tune of \$20 billion annually. This kind of policy has already been successfully test-driven in Quebec, where a similar program allowed more than 70,000 Quebec women to return to work and provided a major boost to the province's economy and the government's revenues.

Our commitment to Canadians is responsible. We will make smart investments in our roads, bridges, and public transit, which are desperately needed to help families and workers avoid gridlock, while helping Canadian businesses get their products to market. We will lower taxes for Canada's real job creators—small businesses. While both the red and blue teams have given out tax handouts to Canada's largest corporations, only the

NDP has been consistently calling for real action to help these job creators.

Unlike the other parties, the New Democrats would not leave the most vulnerable Canadians behind. Tom Mulcair and New Democrats have been at the forefront of the campaign to reinstate the federal minimum wage and raise it to \$15 an hour. New Democrats believe that no one who works full-time should be forced to live in poverty. That's why we've also proposed using revenues from closing a tax loophole for CEOs to fund increases in the Working Income Tax Benefit and the National Child Benefit Supplement that go to support the most vulnerable in our society.

Our commitment also extends into retirement: New Democrats will restore the age of retirement from 67 to 65 to ensure that Canadians living on the edge won't have to live in poverty while waiting to get access to OAS-GIS. We will also work with the provinces to expand the Canada and Quebec Pension Plans so that, in an era of declining workplace pensions, Canadians can still save adequately for retirement.

After a decade of Conservative mismanagement, marked by seven years of deficits and over 400,000 lost manufacturing jobs, Canadians are ready for change. They want their priorities to be heard; they do not want to see their hard-earned tax dollars doled out to the richest members of our society and to the most profitable multinational corporations. They want to know that their children will be able to make a decent living. Canadians want to know that they will be able to retire in dignity and that their government is helping the most vulnerable, while also living up to our broader responsibilities of protecting our environment and creating a new green economy.

In a few short months, Canadians will have the opportunity to elect Canada's first NDP government. We will put them first and make Canada's economy work for them. **P**

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Budget 2015: Helping Those Who Need it the Least

Scott Brison

As the main political parties fill the post-budget, pre-election landscape with their economic arguments, the plight of middle-class Canadians is already emerging as a major theme in the coming campaign narrative. Liberal finance critic Scott Brison says the Harper government has sold out the middle class for a suite of boutique tax cuts that cater to the Conservative base.

Too many middle class Canadians are struggling to make ends meet. They're losing hope. But instead of focusing on the middle class and those working hard to join it, the latest federal budget helps those who need it least.

Canadians know that the status quo isn't working. The economy was stagnating even before the drop in oil prices. The government's own fiscal update last November showed the economy slowing down every year across its planning horizon. Since then, the outlook has deteriorated further. The Governor of the Bank of Canada has called lower oil prices "unambiguously negative" for the Canadian economy. He even warned that growth in the first quarter of 2015 would look "atrocious."

The drop in oil prices was enough to prompt the Bank of Canada to act and cut interest rates. Finance Minister Joe Oliver reacted by delaying the budget and avoiding question period. He left Canadians waiting for a real plan to strengthen the economy. Even now, after the budget, they are still waiting.

Despite the weakened state of the economy, the Conservatives' priority is still two expensive tax breaks: income splitting and a significantly higher limit for Tax Free Savings Accounts (TFSA).

The question that ought to have guided their budget preparations is, "Will these measures generate signifi-

cant growth that will benefit the middle class?" On both income splitting and the new TFSA annual limit, the answer is a resounding "no." Neither one is a job creation measure. Both of them disproportionately benefit the rich instead of focusing that help on the middle class.

“ At \$2 billion per year, income splitting will leave a significant hole in the federal treasury. But the vast majority of Canadian households—85 per cent—won't get a dime. It won't help single parents, the lowest-income families, or families with two parents in the same tax bracket. ”

At \$2 billion per year, income splitting will leave a significant hole in the federal treasury. But the vast majority of Canadian households—85 per cent—won't get a dime. It won't help single parents, the lowest-income families, or families with two parents in the same tax bracket. They will, however, bear the cost of it. Furthermore, the Parliamentary Budget Officer has shown that income splitting will weaken economic growth rather than strengthen it. He estimates that it will lead to the equivalent of 7,000 fewer full-time jobs due to lower marginal effective wages caused by

income-splitting.

Increasing the TFSA contribution limit to \$10,000 per year is also expensive and unfair. The previous limit was helping the middle class save for retirement. However, most Canadians won't benefit from the new higher limit. Canadian families are struggling under record levels of personal debt. The average household in Canada now owes \$1.65 for every dollar of disposable income. Most Canadians don't have an extra \$10,000 (or \$20,000 for couples) to sock away each year. But wealthy Canadians do. Over time, benefits from the new TFSA limit will increasingly skew to the rich as the vast majority of Canadians are left unable to make use of their growing contribution room.

Another point to remember is that TFSAs don't count toward income-tested benefits. Therefore, increasing the TFSA limit to \$10,000 per year will result in more Old Age Security (OAS) and Guaranteed Income Supplement (GIS) payments for relatively wealthier seniors. Yet it was only three years ago—just after the last election—that the Conservatives broke their promise and falsely claimed that they had to raise the qualifying age of OAS in order to keep the program financially sustainable. Raising the eligibility age of OAS from 65 to 67 will take \$32,000 in OAS and GIS payments away from each of Canada's poorest and most vulnerable seniors. The federal government will start taking that money away at precisely the same time as the

extra OAS payments for wealthier seniors start to really kick-in.

Taking money from poor seniors in order to give it to the rich is unfair and un-Canadian.

Almost doubling the TFSA limit will also cost the government billions of dollars each year down the road. A third of that cost will be borne by the provinces. This means that middle class Canadians will face cuts to the services they depend on, while shouldering a higher share of the tax burden.

The cost of the new TFSA limit is not the only sign of structural weakness in Canada's fiscal house. The budget's very foundation—the claim of a fiscal surplus—is already crumbling.

The Conservatives have fabricated an illusory \$1.4 billion surplus on the eve of an election by slashing the contingency reserve. Had they kept the reserve intact, the budget would have continued to show the government in deficit until at least 2017. Last year, then-Finance Minister Jim Flaherty said that he could have used the contingency reserve to forecast a small surplus for 2014-15. He also said that it would have been “imprudent” to do so. He was right. We now know that with the drop in oil prices, that surplus would never have materialized.

Finance Minister Joe Oliver's decision to raid the rainy day fund in 2015-16 has left the government with no room for similar, unforeseen events. Minister Oliver's reckless streak doesn't end there. While the government was advised to increase its prudential measures in the face of volatile oil prices, the Finance Minister went in the other direction entirely. Instead of increasing the contingency reserve to create a buffer against volatile oil prices, his budget assumes that oil prices will increase by 50 percent. The Bank of Canada knows better than to build their forecasts around the hope that oil prices will rise quickly. The Conservative government should be similarly cautious.

The cut to the contingency reserve isn't the only line item in the budget



Liberal finance critic Scott Brison writes that the budget benefits affluent Canadians on the backs of the struggling middle class. House of Commons photo

that is larger than the illusory surplus. The budget also relies on one-time asset sales. At \$2.2 billion, the impact of selling the GM shares in 2015-16 dwarfs the illusory surplus. It also confirms the real reason why Minister Oliver sat on his hands and delayed the budget until April (i.e., the start of the fiscal year). He needed the revenue from the sale to count toward 2015-16 instead of 2014-15.

Recognizing the Conservatives' many sleights of hand, it appears that after seven consecutive deficits, they still have yet to balance the budget. They spent the surplus before it even arrived, largely on expensive measures that will do little to create jobs and growth. Their actions make it clear that they care more about their own short-term political interests than the larger challenges facing the economy.

When Minister Oliver flippantly remarked on Budget Day that the new TFSA limit was a problem for “Stephen Harper's granddaughter to solve,” it reflected a broader disinterest in addressing Canada's longer term challenges. Instead of building for the future, the Conservatives have

engineered a reverse home-mortgage on Canada's fiscal house. They are burdening the next generation with irresponsible tax breaks for the rich on the eve of an election.

One of the biggest challenges facing Canada—and hurting our productivity—is the infrastructure deficit. Congested roads and bridges mean that people and goods cannot always get to where they are needed on time. Meanwhile, current economic conditions are creating an historic opportunity for us to increase infrastructure investments. With a slow-growth economy, soft labour market, low bond yields and even negative real interest rates, this is the right time for government to ramp up its investments. Building infrastructure creates jobs today and improves competitiveness, which helps create more jobs and growth in the future. Yet the budget delays new infrastructure investments until after 2017.

The budget also fails to address challenges in the labour market for young Canadians. The employment rate for young Canadians aged 15 to 24 is still significantly below pre-recession levels (56.2 percent in March 2015 compared to 60.2 percent in September 2008). The cost of prolonged youth unemployment and underemployment is real. Not only does it hurt young people today, they also face lower wages for at least a decade, as they try to catch up on missed work experience. It also hurts middle class parents who end up taking on more debt to help their adult children make ends meet.

Today in Canada, we have the first generation of parents of whom a majority believes that their children will be worse off. Canadians are losing hope. They want a government that will focus on building the economy and strengthening the middle class, not more tax breaks for the rich.

This budget only provides more evidence that the Conservatives have lost touch with the priorities of the middle class. **P**

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Show Me the Money: Stephen Harper's Budget Sleight of Hand

Elizabeth May

In the years since Elizabeth May's first budget lock-up, federal budgets have gone from being economic blueprints for the betterment of Canadian life, she writes, to being amalgamations of election promises and pseudo-promises. As leader of the federal Green Party, May exercises her imperative to underscore the lack of a single mention of climate change in Joe Oliver's budget. As a Canadian, she has other complaints, too.

I have been going into lock-ups and reading budgets for years—and years.

I remember the biggest, greenest budget—it was the Mulroney government's Green Plan in Michael Wilson's 1990 budget; a five-year, \$3 billion commitment.

A very close second was Ralph Goodale's 2005 budget—another multi-billion commitment for climate action—including the first gas tax commitment to municipalities, seed money for a major climate fund, infrastructure and eco-energy/energy efficiency.

Remembering only made it worse when Environment Minister Leona Aglukkaq said, the day after Joe Oliver's first budget, that it was the most environmental in Canada's history.

To call that a “lie” would be to dignify it with gravitas. But we are so used to budgets that are no longer real, we hardly notice anymore.

When I was executive director of the Sierra Club of Canada, budgets were organized along the lines of government departments. There were tables and charts showing what those departments received over the previous few years and projections for the next few years. I went into lock-ups looking to see how we were faring with our 1992 Rio commitments – were we getting close to raising development assistance to 0.7 per cent of GDP? Was there new spending to promote

renewable energy, increase efficiency and invest in our communities?

These days, the budget is a nearly incomprehensible amalgamation of promises and pseudo-promises—a hodgepodge of election inducements rather than a coherent, prudent plan for Canada's future economic and social health.

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Not even a whiff of a
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reductions pledged by
Stephen Harper in
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But this budget represents a new low. The existence of an overseas development program is never mentioned. This even though we were told just weeks ago in the House, during the debate on the extended mission in Iraq and Syria, that the mission included a generous contribution to address the humanitarian crisis. With \$360 million in 2015-16 for

the bombing campaign, not a penny is mentioned for aid. No mention is made of development assistance anywhere in the world. In the two previous years' budgets, foreign aid was cut by \$670 million. And, of course, in the omnibus budget bill, the Canadian International Development Agency was eliminated and merged into the Department of Foreign Affairs. Now, we realize how truly erased CIDA has been. Overseas development assistance is now 0.23 per cent of GDP; less than half what it was when Brian Mulroney recommitted Canada at the Rio Summit to the target of 0.7 per cent of GDP.

There is equally—notoriously—no mention of climate change. Not even a whiff of a suggestion that Canada's government has noticed increasingly severe weather events, nor our abysmal failure to move toward greenhouse gas (GHG) reductions pledged by Stephen Harper in Copenhagen six years ago. Instead, the budget brings fresh proof of the meaning of Harper's promises. In 2009, at the Pittsburgh G20 Summit, Stephen Harper pledged to stop subsidizing fossil fuels. Not only are subsidies still flowing to the oil sands, Budget 2015 opens up a whole new tax benefit for the fracking and LNG industry.

Seven months from now in Paris, Canada will join the global negotiations for a meaningful, comprehensive treaty to move the world away from fossil fuel depen-



Green Party Leader Elizabeth May notes there isn't a single mention of climate change in Budget 2015, an indictment of the Harper government's failure on the environment. House of Commons photo

dence. COP21 (the 21st Conference of the Parties of the UN Framework Convention on Climate Change) will take place in the last week of November and first week of December in Paris. This is a deadline with no chance of “do-overs.” The atmosphere is already so overloaded with GHG that we have one last chance to reduce emissions sufficiently to avoid increasingly catastrophic impacts.

Canada will be expected to step up. We are already overdue in tabling our planned commitment with the UN climate office. The “intended nationally determined contributions” were due in the first quarter of 2015. Missing that deadline and ignoring climate in the budget have made it clear where Stephen Harper thinks climate change belongs: somewhere well below his commitment to oil sands expansion.

Having put all its eggs in the bitumen basket for so long, the Harper government reacted to low oil prices like a bunny in the headlights—delaying the budget by months while ignoring economic opportunities. In the Green Party's pre-budget submission, we had urged the finance minister to move quickly to provide needed boosts for those sectors of our economy that benefit from the low dollar—specifically tourism, film and television production, and manufacturing. While the budget acknowledges that tourism is a significant sector of our economy, no funding is committed. It was this prime minister who cancelled all advertising in the US market to promote Canada as a tourism destination, yet we have missed the chance to boost our visibility as a destination in advance of the 2015 summer season, and at a time when the devalued loonie is a strong selling

point to American tourists.

One great tourist draw, our national parks system, has suffered deep cuts. This budget includes a two-page spread extolling the benefits of the national parks but includes no new funding for Parks Canada.

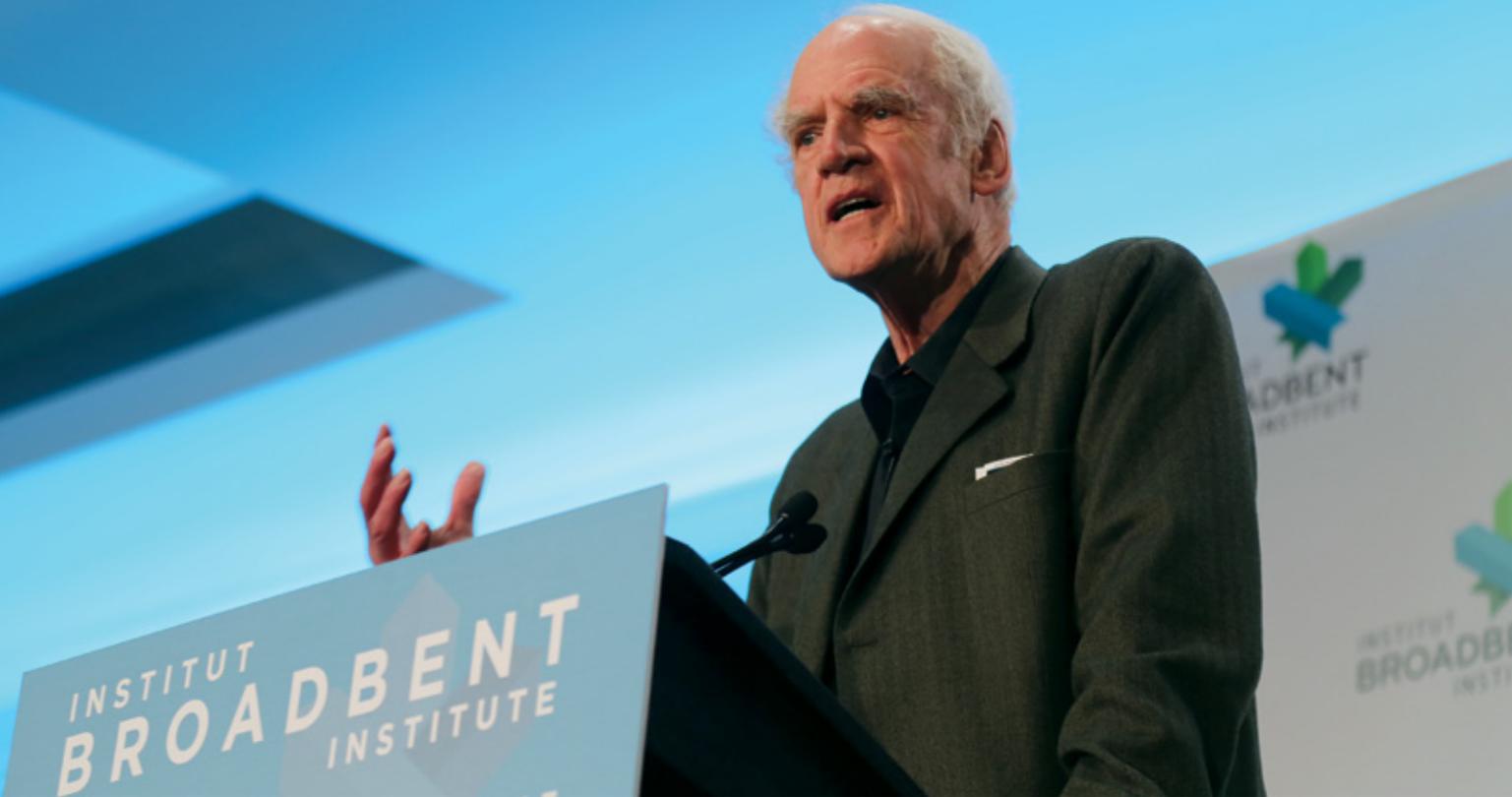
“ Having put all its eggs in the bitumen basket for so long, the Harper government reacted to low oil prices like a bunny in the headlights—delaying the budget by months while ignoring economic opportunities. ”

The same is true for digital infrastructure, mental health, the Consumer Protection Framework, and credit unions. Lovely write-ups and discussion of the exciting future plans; but no funding. This is new, even in the Harper era.

Above all, the fundamental principle that Parliament controls the public purse is utterly forgotten. The omnibus bill that allowed the PMO to control even that, through the “deeming” of the fact of Parliamentary review of billions of dollars of spending, must be repealed. Members of Parliament must be able to read a budget and know what it says. For now, I cannot call this volume a “budget.” It is no longer even called a budget by the government, but the “Economic Action Plan 2015” subtitled “STRONG LEADERSHIP: a balanced budget, low-tax plan for Jobs, Growth and Security.”

It is Harper's annual big, thick brochure. After the election, let us hope we can renew the notion of fiscal planning for the wellbeing of Canada—for this generation and the next—as a shared goal of serious people. **P**

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Philosopher Charles Taylor delivering a keynote at the Broadbent Institute's Progress Summit in Ottawa. Successful democracies, he said, require shared values and solidarity. Photo by Tristan Brand, Media Style

Diversity and Democracy: The Niqab Debate

Robin V. Sears

As the federal parties fine-tune their messages for a fall election, Canadians are already getting a rancid taste of the divide-and-conquer tactics of wedge politics. As longtime NDP strategist and veteran political observer Robin Sears writes, the fear-driven dark art has its modern roots in the Southern Strategy of Richard Nixon and the smear campaigns of Republican operative Lee Atwater. But Canadians have the power to choose a different path.

Charles Taylor wowed the Broadbent Institute's recent Progress Summit with a *tour de force* on the essentials of democracy. At 83, Taylor is the only Canadian who sits at the very peak of contemporary philosophers internationally. He is without parallel as a sage on what makes democracy work, and what kills it.

As he demonstrated at the Broadbent Institute's second convening of progressive thinkers, he can take complex, controversial policy debates and resolve them with crystal clarity and conviction. His deconstruction of the poisonous games some politicians play with wedges on race, religion, and ethnicity was powerful and riveting.

Successful democracies, he began, require shared values and solidarity. Solidarity requires a sense of community and shared identity. But that identity can also bleed into exclusion, the deliberate division of society internally and externally into hostile camps along politically-charged ethnic, racial and religious lines.

He made the irrefutable observation that no one of us is immune to the temptation to travel the path of exclusion, racism and hatred; and then paints our other half. We all have an openness to building an inclusive tolerant, diverse democracy, as well.

How else to explain those countries that have swerved from exclusion to integration and back again, he asked, citing the sad case of France. The temptation to divide for political advantage never fades, and is never more dangerous than in times of rapid change, economic pain, or perceived threats to national security.

The poison that wedge politics injects into any democracy is always the responsibility of the political leaders who indulge in it. An experienced logger pounds his steel wedge at the weakest, most vulnerable point in a log. A wedge after all has only one purpose, to split apart, with the use of force. A political wedge is employed no differently. It is inserted at the spot where a community's bonds are weakest and easiest to pry apart.

Responsible political leadership—leaders who avoid the temptation to divide for partisan gain—is one of the necessary pillars of any successful democracy, Taylor warns. This almost simplistic parable—everyone can be tempted down the path of hate, and democratic leadership requires the effective delivery of a less destructive vision—is nonetheless powerful.

Those who defend “sharp contrast” politics—often conservative strategists and their clients—might claim that Taylor's definition of the essentials of democracy is merely a defense of mushy, liberal centrist politics. Sharpening the differences, and the

“ The poison that wedge politics injects into any democracy is always the responsibility of the political leaders who indulge in it. An experienced logger pounds his steel wedge at the weakest, most vulnerable point in a log. A wedge after all has only one purpose, to split apart, with the use of force. ”

importance of choosing between them, they argue, is also essential for democracy. This is disingenuous, to put it mildly.

When you attack niqab-wearing women—as a dog-whistle about Islamic terror—it is deeply insulting to the values of thousands of already vulnerable fellow citizens. It also lights two fuses: one ends in mosque and synagogue attacks and proto-fascist political parties we have seen across the Western world, the other in the death of bewildered Canadian children tempted into making jihad in Syria.

As Taylor points out, democratic politicians' angry, exclusionary rhetoric is a powerful recruiting tool for those who would prey on the isolation and anger of those ethnically and religiously targeted.

The politics of division through fear have been around since Spartan leaders hardened their grip on power, feeding their citizens' angst with the demonization of the helots. The hope that the horrors of the first half of the 20th century would restrain the use of racist and religious rhetoric died in Bosnia and Rwanda.

Today's wedge political messaging grew out of the frustration of 1960s American Republicans at their inability to break the hold of liberal economic orthodoxy on politics. First Barry Goldwater and then Richard Nixon flirted with racist messages to peel white Southerners away from the Democratic Party.

Under the influence of Roger Ailes, later the genius behind Fox News, Ronald Reagan raised the ante. He launched his los-

ing campaign for the Republican nomination in 1976 in Neshoba, Mississippi—the county where three civil rights workers had been murdered only a decade before—with a ringing endorsement of “states rights,” the code then and now for the right of American states to maintain racist legislation.

It was Lee Atwater and Karl Rove in the 1980s and 1990s who took wedge politics to the highest peak of political success—and its lowest ethical depths. They were the mentors for Canadian conservatives' fascination with these tools. Atwater took the Southern Strategy used by Nixon and Reagan and implanted it in northern industrial states. He used the same fear of black violence even more egregiously, as epitomized by the Willy Horton TV ads in 1988. Horton was a repulsive convicted murderer and rapist, to whom the Massachusetts government under Governor Michael Dukakis had foolishly granted parole. He committed another rape before his re-arrest.

The ads took this sad failure of the parole system and turned it into a series of messages that all but declared that a Dukakis presidency would sharply increase the risk that your wife or daughter would be raped by future Willy Hortons. It worked on several levels as a partisan weapon: it nailed Dukakis as a liberal wimp, granted candidate George Bush—not seen as a “tough cop” candidate—crime-fighter credentials, and send white working-class Democrats a piercing dog-whistle. It helped seal the defeat of the hapless Dukakis campaign.

Under Rove for George W. Bush, this dark art later moved to an even deeper level, first in the 2000 Republican



Muslim women wearing niqabs and hijabs has become a divisive wedge issue.
Wikimedia photo

primary campaign smear of John McCain as an adulterer with an illegitimate non-white daughter, and then a drive-by shooting of John Kerry in 2004 as a liar about his war record. The McCain attack was delivered first in one of the most racially polarized states in the union, South Carolina. The Swift Boat attack on Kerry was first aimed at Democratic vets, then rolled out nationally.

Atwater and Rove denied any involvement in any of these “independent” ad campaigns. None of their opponents nor most American political observers believed them. Each attack was powerfully effective—and both were bald-faced lies.

It was the political genius of GOP campaigns wedge messaging that seized the attention of Canadian conservative strategists, first in Ontario with the Common Sense Revolution of Mike Harris in 1995 and then nationally. The fear of your job being threatened by a non-white immigrant and the vast amounts of “your tax dollars” being wasted on drug-addled welfare mothers were among a variety of toxic messages employed

on TV, in speeches and on doorsteps in Ontario.

Since the Conservatives took power federally in 2006, we have seen child pornography, drug policy, terrorism, refugees, and gun ownership used as wedge issues. This year, the wedges took a decidedly darker turn.

A variety of Conservative politicians, from the prime minister down to a few knuckle dragging MPs, have attacked niqab-wearing women, “brown-skinned” foreign workers, radical imams, mosques as seats of terror, and the old chestnut, “soft on terrorism” this time scurrilously aligned with tolerance for “anti-women” Islam. If it had not offended and frightened so many thousands of Muslim Canadian citizens, the crude redneck quality to these attacks would be laughable.

“ *Canadians may succumb to the temptation of wedge politics, but most of us don't like the division, angry collisions between protesters and police, and air of hostility they generate in the community.* **”**

But they have caused deep fear, division and offense.

Liberals and New Democrats are not innocent in this cheapening of political discourse. In a Toronto speech on tolerance and diversity, Justin Trudeau foolishly invoked the “none is too many” era of the Second World War, when the Liberal government of Mackenzie King turned away thousands of Jewish refugees from Europe, sending them to certain death. Jewish groups found the comparison inaccurate and inappropriate. The Paul Martin team were, after all, responsible for the Monty Python-esque “soldiers with guns in our cities” ads in the 2005-06 campaign. New Democrats ran

some ethically dubious ads against the Conservatives, especially some nasty animated ads in Quebec. However, progressives are squeamish about this type of messaging, partly because many in their own base find it so offensive. So they lack the Conservative war machines’ zeal and effectiveness, necessary to attack and then double down with even harsher attacks.

Canadians being Canadian, our version of wedge politics would elicit sardonic chuckles from Australian and American wedge campaigners. The levels of mendacity, viciousness and vulgarity that some of their campaigns descend to would make hardcore Canadian Conservatives gasp.

It may be beginning to dawn on more thoughtful conservatives in both Canada and the United States that this “politics of the angry” brings victory at a very heavy price. The Ontario Conservatives have now been out of power for a dozen years, partly due to the success the Liberals have had recalling the harsh tactics and angrily divided communities of the Harris years.

If the Harper administration is shown the door by Canadian voters this fall, it seems likely that Liberals and New Democrats will demonize the “lost decade” and the “un-Canadian politics” of the Harper years for several election rounds into the future. Canadians may succumb to the temptation of wedge politics, but most of us don't like the division, angry collisions between protesters and police, and air of hostility they generate in the community.

Is there any effective remedy to slow down or even reverse this downward spiral in our political discourse, that doesn't require unilateral disarmament by one side, or limitations on the vigorous free speech essential to democratic political debate?

These three initiatives might tempt political players to slow down the angry wedge politics arms race:

- First, party elders who collectively sit on the sidelines tut-tutting could

speak up with one voice. If former party leaders and prime ministers from across the spectrum were to make a public appeal to their successors to “aim higher,” it might trigger a discussion among activists, and maybe even a shaming process for the worst transgressors.

- Second, broadcasters who used to impose far higher standards on political and any public policy advertising, could re-examine their laissez-faire attitude toward wedge messages. Telling lies, inciting racism even by dog-whistle, attacking religion, race or ethnicity would not have made it on the air in the 1980s. Broadcasters and social media platforms could agree on a set of standards again, and establish cross-party advisory panels of retired political elders, academics and journalists to make final judgments about what’s acceptable—and not.
- Finally, voters could be encouraged by third party organizations to push back on the most destructive messaging. A Twitter campaign—

perhaps #Stuffyourwedge!—to report offensive messages, sent by phone, tweet or television. A daily fact-check made available to the media and the public on the most ridiculous claims or attacks, and perhaps even an award where social media campaigns could offer prizes for the worst political messaging on a weekly basis during an election period.

“Perhaps most importantly in the longer term, the rusty civics curriculums of Canadian elementary schools need to be updated to use social media and digital tools to offer lessons on why democracy cannot survive racial and ethnic division.”

Perhaps most importantly in the longer term, the rusty civics curriculums

of Canadian elementary schools need to be updated to use social media and digital tools to offer lessons on why democracy cannot survive racial and ethnic division. A video of Charles Taylor’s powerful analysis of what builds and what undermines democratic life could play a role.

Our children need the confidence to denounce hateful bullying language about their friends in turbans or head-scarves, whether it comes from the schoolyard or a political leader

Only then can we be confident that our improbable success at integrating millions of new Canadians of every race, religion and ethnicity will survive into a new generation—and not be destroyed by the politics of the poisonous wedge. **P**

Contributing Writer Robin V. Sears, a principal of the Earnscliffe Strategy Group in Ottawa, is a former national director of the NDP during the Broadbent years, and later served as chief of staff to Ontario Premier Bob Rae. robin@earnsccliffe.ca

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Averting the New Mediocrity: How to Boost Canada's Innovation Ranking

Kevin Lynch

Despite having a number of strong innovation precursors—a highly educated general population, generous research and development tax incentives, competitive corporate taxes and relatively low capital gains taxes, Canada is an OECD innovation laggard. How can we build on those fundamentals and stake a claim on the expanding global innovation map? The battle begins with knowledge.

The IMF warns of a “new mediocre” in many OECD countries, including Canada, with significant slowing in our long-term growth potential. The culprits: the double whammy of demographics (an aging population) and productivity (declining growth rates), exacerbated by shifting global markets, rising fiscal burdens and environmental challenges. While mediocre growth in the future is not preordained, it will be our destiny unless we tackle the structural problems that underlie it rather than waiting for a cyclical rebound. And innovation is an underappreciated part of both the problem and the solution.

It is time to re-assess what we know, what we don't know and what we need to know about the drivers of innovation. With technology poised for a new inflection point, and innovation increasingly cited as central to fuelling productivity growth, particularly in high-income countries, the OECD has launched a top-to-bottom re-appraisal and renewal of its 2010 Innovation Strategy. This is very timely, with an impending burst of “disruptive technological change”, and very opportune for Canada, an innovation laggard, to learn from such cross-country research and suc-

cessful innovation experiences in other economies.

The OECD innovation strategy renewal provides an excellent occasion for stock-taking of what we believe and what we actually know about the links between innovation and growth, and how to influence and improve innovation performance. All this reflects the strength of the OECD, which is its duality: on the one hand, a strong multi-disciplinary, multi-jurisdictional, statistical and research institution, and on the other, a unique convening capacity to “test” policy analyses and share policy experiences across the 34 countries that make up the organization. The multi-country nature of the analyses and the reality checks make the OECD a great source of applied policy “do's and don'ts” for both governments and private sectors. The increasing focus on innovation at the OECD today, given the “growth imperatives” we all face in our respective countries, is simply good news for policy makers, policy analysts, and private sector leaders.

A “back to the future” starting point is to return to the five core elements for sustained innovation performance that

were identified in the seminal 2010 OECD Innovation Strategy:

- The role of people in driving innovation
- The role of framework conditions in supporting innovation
- The role of knowledge creation and dissemination policies in nurturing innovation
- The role of measurement, and governance, in managing and sustaining innovation
- The role of innovation in tackling health, education and social challenges

“As Apple's Steve Jobs said in 2011: *“Technology alone is not enough—it's technology married with liberal arts, married with the humanities, that yields us the result that makes our heart sing.” This suggests that innovation is a bit more complex than simply tax incentives and venture capital.*”

The revised OECD analytical framework for economic growth (Figure 1.1) sets out four proximate sources of growth: labour; tangible capital; knowledge based capital; and, multi-factor productivity. It assigns a more pivotal and explicit role to innovation, both through “multi-factor” productivity and “knowledge-based” capital, which is now treated separately from tangible capital.

A number of questions leap to mind in examining the core innovation elements and this revised growth framework. Most fundamentally, is this framework still robust given recent experiences and new research in innovation, including cross-country and cross-sectoral differences? More specifically, do we ascribe too much to policy drivers and too little to contextual factors in a world where entrepreneurs drive disruptive innovation through start-ups and where innovation successes seem more regionally than nationally based? And, in a related vein, do we have the “right mix” of macro conditions and micro enablers?

Timing also matters as innovation itself appears poised for a new cycle of disruption. The consulting firm McKinsey & Company has compiled

“ Is the US an innovation powerhouse, or is it specific regions such as Silicon Valley, Seattle, Boston and New York City? And if it is the latter, as it appears to be in the US and elsewhere, then there must be a set of factors beyond national policies that are also relevant to the success of innovation ecosystems. ”

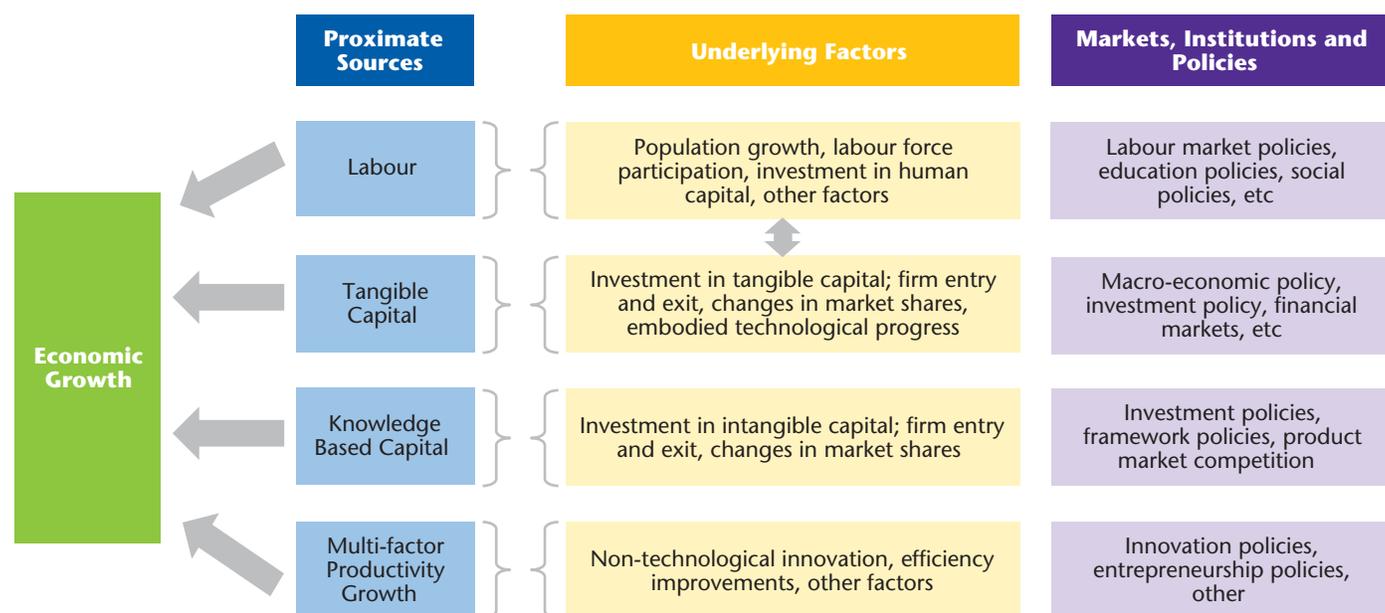
a list of the “top 10 disruptors” (Figure 1.2), which range from advanced robotics to cloud computing to next-generation genomics. The OECD uses the “Internet of Things” as an example of incipient disruptive innovations as technology moves to a new inflection point (Figure 1.3). It underscores the convergence across scientific fields that is inherent to many of the forthcoming disruptive technologies and the complexity of the connectivities. And a recent innovation study by CITI highlights the unprecedented pace of dissemination of new innovations (Figure 1.4).

Drawing on his research for his bestselling book *The Innovators*, Walter Isaacson stresses that most innovation is a collaborative process, coming “from teams more often than from the light bulb moments of lone geniuses,” and

employing diverse skills as “the most productive teams were those that brought together people with a wide array of specialities.” As Apple’s Steve Jobs said in 2011: “Technology alone is not enough—it’s technology married with liberal arts, married with the humanities, that yields us the result that makes our heart sing.” This suggests that innovation is a bit more complex than simply tax incentives and venture capital.

The Isaacson narrative also stresses the role of “communities” in fostering and driving innovation, and cautions about national “averages”. In other words, is the US an innovation powerhouse, or is it specific regions such as Silicon Valley, Seattle, Boston and New York City? And if it is the latter, as it appears to be in the US and elsewhere, then there must be a set of factors beyond national policies that are also relevant to the success of

Figure 1.1: A Simplified Framework to Analyse Economic Growth



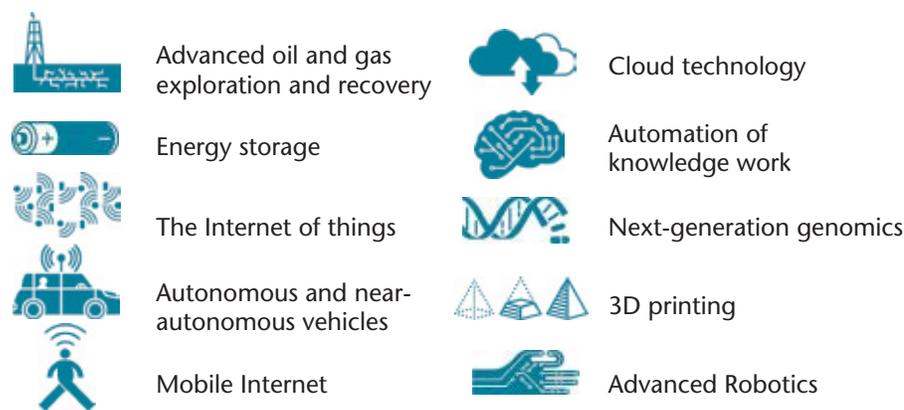
innovation ecosystems. Interesting research is underway by the OECD in this regard, examining what they call “place-based innovation dynamics.”

Another issue is “short-termism” and its impact, either intended or unintended, on both the quantity and type of corporate investments in research

and development and innovation. Research and innovation investments, by their very nature, tend to be longer term and uncertain while markets are focusing more and more intensively on short-term results and certainty. How is this dichotomy affecting corporate behaviour with respect to research and innovation? Does it lead to less investment spend-

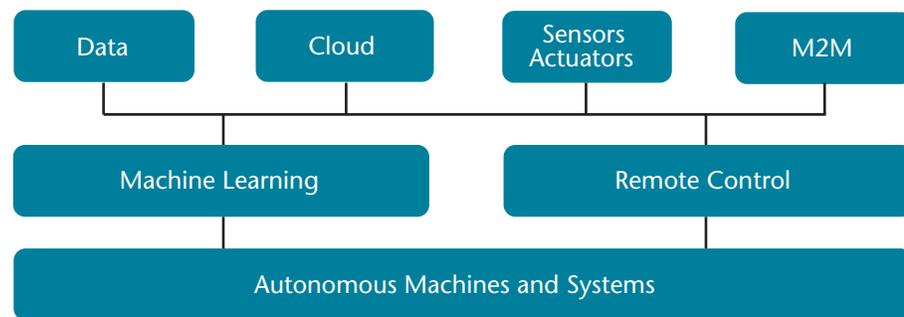
ing on research and innovation, shift the nature of such spending toward more incremental research and innovation, or outsource research and innovation to third parties directly (i.e. fund defined research in universities) and indirectly (i.e. purchasing research and innovation through acquisitions of companies), or some combination of these elements? And, is the shift to “mission-driven research” by many governments driven by effectiveness or short termism?

Figure 1.2: McKinsey’s Top 10 “Disruptors”



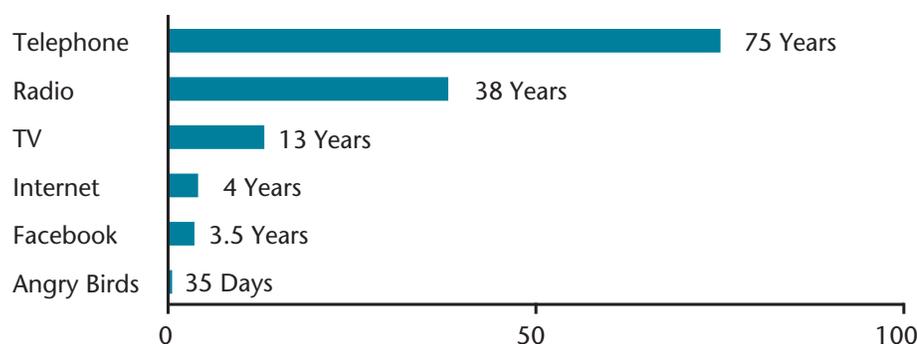
Source: McKinsey

Figure 1.3: Main Elements of the Internet



Source: OECD

Figure 1.4: Time to Reach 50 Million Users of Things



Source: CITI Digital Strategy Team

“Despite having a number of strong innovation precursors—a highly educated general population, very generous research and development tax incentives, competitive corporate taxes (well below the US) and relatively low capital gains taxes (slightly above the US), Canada is an OECD innovation laggard.”

What about Canadian performance on innovation? Quite frankly, the results are disappointing. Despite having a number of strong innovation precursors—a highly educated general population, very generous research and development tax incentives, competitive corporate taxes (well below the US) and relatively low capital gains taxes (slightly above the US), Canada is an OECD innovation laggard.

While Canada’s public investment in R&D in higher education (HERD) is still in the top 10 of OECD countries, although it has fallen over the last decade, we are anything but a global powerhouse in private sector research and innovation performance. The numbers tell the story: we are ranked 26th in the world on innovation capacity by the World Economic

Forum (Figure 2a). We are ranked 22nd for private sector spending on R&D by the OECD (Figure 2b), spending less than half that of US firms on a comparable basis. We are ranked 17th in the world for private sector productivity by the OECD (Figure 2c), with Canada's business productivity 30 per cent below that of the US (Figure 2c). The WEF now ranks Canada 15th for global competitiveness and cites poor innovation and research performance as major factors. Canada also shows lagging results in terms of knowledge transfer from universities measured by indicators such as licensing agreements and spin offs. And Canada's performance in employing STEM (Science, Technology, Engineering and Math) graduates in the labour force, particularly in manufacturing, is low. Not a pretty picture.

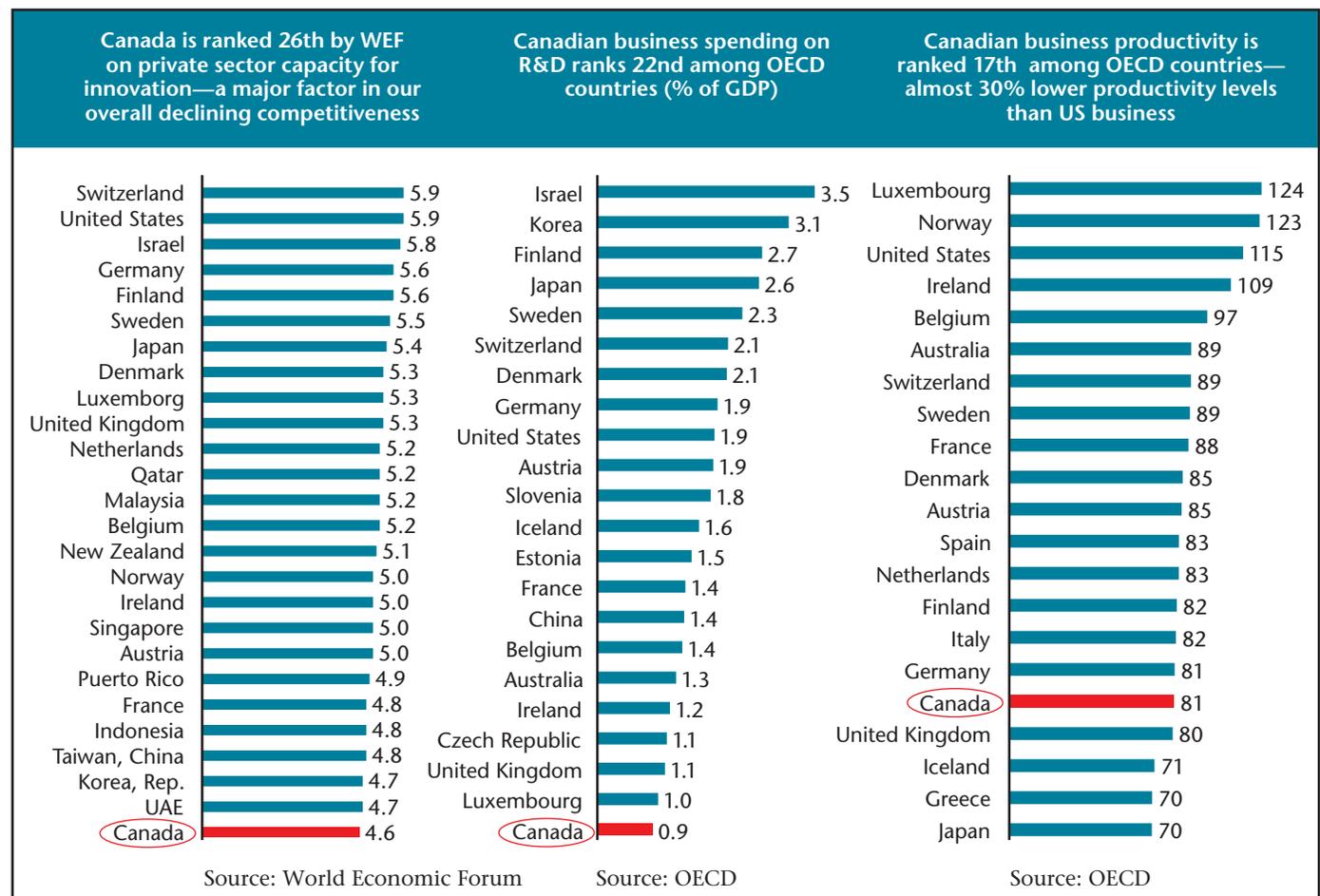
So, in creating effective innovation ecosystems; while Canada does “the macro” rather well, it comes up short on “the micro.” According to the OECD, getting the “macro conditions” right is now viewed as a necessary, but not a sufficient condition, for sustained innovation success.

In the Canadian context: there is little in the way of a national innovation strategy; there is inadequate competition in many sectors; there is a lack of a global orientation in several innovation-intensive sectors; there is little focus on entrepreneurship in our higher education institutions; and while we spawn exceptional innovators, there is an innovation gap in most sectors between the best-in-class and the class average that is large and static.

With respect to public support for

research and innovation, there is a marked distinction between “hands-off supports”—indirect and passive, and “hands-on supports”—direct and competitive (either to sectoral collaborations or individual firms). Canada has, more than most countries, opted for indirect and passive research and development support, largely delivered through tax support, on the belief that Canadian governments have not been particularly good at picking winners. But this analysis and perspective are related more to firms and products rather than sectors and technologies—and DARPA (Defence Advanced Research Projects Agency) examples in the US point, anecdotally at least, to a more nuanced approach of both indirect-passive and direct-competitive systems of support. Strategic procurement by government that targets, on a competitive basis, new products and services

Figures 2a, 2b and 2c: Canada's Private Sector Innovation Capacity Ranking, Canada's Business Spending on R&D (BERD) Ranking and Canada's Innovation Ranking



by “young firms”, has been shown to be effective in Scandinavia, Israel and parts of the US.

OECD analysis across sectors, countries and technologies on the “right” balance of support types suggests that too great a reliance on tax support (i.e. indirect and passive) is less efficient and effective, particularly for start-ups and “growth gazelles.”

On the crucial role of talent in driving research and innovation, which everyone accepts, how should we better integrate entrepreneurship and creativity into our models of higher education, encourage cross-discipline team building, and replace the explicit and implicit stigma of failure with more learning support for risk management (not aversion) and resiliency.

Drawing on Harvard Business School research, Professor Bill Sahlman stresses the crucial role of entrepreneurship in the innovation process. He believes entrepreneurship is not innate, but can be taught and untaught. The importance of failure in achieving success is critical, and it is the team, and not a single idea, that is key to enduring success. More than one hundred US universities, according to the National Science Foundation, have now introduced broad based entrepreneurship courses into their curriculum. We can clearly do much better in Canada, and the University of Waterloo provides an excellent example.

We also need a better understanding of innovation and productivity behaviour at the level of the firm. Here, cross-country comparisons can be very useful. OECD research shows a considerable gap between average firm innovation performance and best firm performance across sectors in the United States, and anecdotal evidence would suggest the gaps are larger and more durable in Canada. This lack of convergence suggests aggregate innovation and productivity outcomes can be improved by encouraging both new innovations and

convergence to best-in-class existing innovations. Emerging research, particularly in the United States, suggests different organizational behaviour with respect to innovation in start-up (young) firms versus established (older) firms, and changing innovation behaviour within older firms.

Going forward, what areas of analysis by the OECD and others on innovation performance would particularly help Canadian governments, universities and the private sector to improve innovation performance?

- **The measurement of innovation.** OECD has been a real leader in consistent cross country measurement of research and development, disaggregated by private sector, higher education and government, and this has permitted valuable benchmarking across categories and countries, improving policy analysis and corporate understanding. We need a similar effort on the innovation side, which may be even more complex to do quantitatively, but equally necessary. It is a lot easier to manage things that you can measure and compare.
- **Understanding disruption, building adaptation and resiliency.** Disruptive innovation, by definition, impacts firms, workers and consumers, and generates churn and change. It also, by definition, creates micro winners and losers at the same time as it creates macro gains. Maximizing the upside of disruptive innovations and minimizing the downside requires building flexibility into labour and product markets, and enhancing adaptability amongst workers and business leaders.
- **The challenge of short-termism.** Basic to economics is that incentives matter, and a strong weighting to short-term results will have long term consequences that may not all be intended. It would be timely to have cross country comparative research and analysis on whether and how the “tyranny

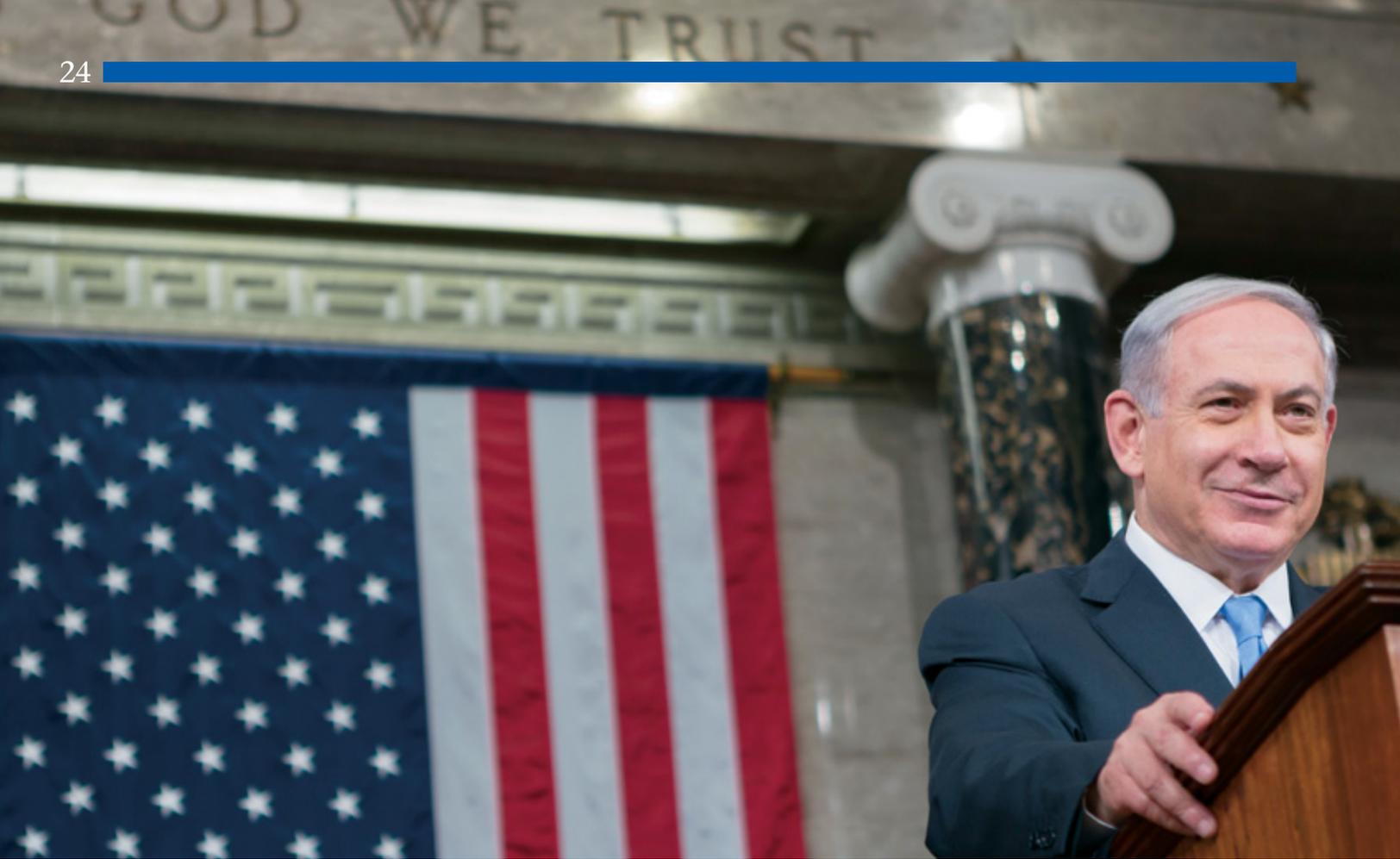
of short termism” in business decision-making, as eloquently coined by McKinsey’s Global Head Dominic Barton (a Canadian), impacts business research and innovation investment decisions, and whether these impacts are benign or otherwise.

- **Innovation in the public sector.** While one tends to focus on wonderful private sector examples of innovation, there are lots of untapped old problems and new opportunities in the application of innovation to government operations, to the provision of health care and to the process of education. It would be immensely helpful to analyze the state of innovation in these three sectors across OECD countries, share cross country innovation successes, and provide some analytic guidance.

All this has to be anchored in the reality of a world facing disruptive change across countries, sectors and professions. Is our economy sufficiently adaptable to handle this pace and scale of change without significant adjustment challenges? Can we manage issues of public trust and social license in the face of such change? Will disruptive innovation exacerbate income inequality in the absence of foresight planning on needed skills and required retraining? What is the appropriate role of government in supporting the research capacity to be a disruptor and the adjustment capacity to be an early adapter in the face of disruptions?

How well we answer these questions will shape our economies and societies well into the future. **P**

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Israeli Prime Minister Benjamin Netanyahu in his Joint Address to the US Congress on March 3. The timing of the speech, just two weeks before the Israeli elections, and at the invitation of Republican Congressional leaders rather than President Obama, was another sore point between Netanyahu and Obama. Photo by Caleb Smith

In Defense of Netanyahu: Appalling, Yes. Racist, No

Gil Troy

On March 17th, Israelis elected Prime Minister Benjamin Netanyahu to a third consecutive term, his fourth term in the office. The results came after a stunning pre-vote video intervention by Netanyahu to mobilize right-wing voters, one that drew criticism internationally and aggravated tensions in the Israel-US relationship. Historian and political observer Gil Troy defends Netanyahu, arguing that while his Election Day comment was appalling, it was not racist.

Finally, after decades in political exile, Israel's Labor Party is back. Isaac Herzog's shrewd alliance with Tzipi Livni helped him boost his party's popularity and its number of Knesset seats, catapulting it over its closest rival.

These two sentences, which most journalists covering Israel expected to write after the mid-March elections, are still true. When the campaign started, the Labor Party was Israel's number three party. In its election-time-incarnation as the Zionist Union, it enjoyed a surge

of popularity on Election Day, bypassing Yair Lapid's second-place Yesh Atid Party. But, of course, Israeli Prime Minister Benjamin "Bibi" Netanyahu enjoyed a bigger surge, defying the pollsters and pundits, winning re-election.

Just as the pre-election story prematurely predicting Bibi's imminent demise was incorrect, the post-election story of a "racist" Israel marching in lockstep to Netanyahu's demagogic appeals to give him a landslide is also flawed. Yes, in the last few days before the election on March 17, with his poll numbers tanking, Netanyahu veered right rhetorically. And on Election Day, he posted a video on Facebook saying: "Arab voters are heading to the polling stations in droves. Left-wing NGOs are bringing them in buses." Lo and behold, right-wing voters "head[ed] to the polling stations in droves," with a late-night boost for Bibi that even confounded exit pollsters because their first calculation was true as of two-hours before the polls closed and the election shifted in those final minutes.

“ First, Israel did not shift rightward, Israel's Right reshuffled. Netanyahu won merely 25 percent of the electorate. And he eked out his small showing only by cannibalizing the far-right parties, all of whom shrank, while the yahoo Yahad Party disappeared. ”

Still, the three conventional take-aways about "a Bibi landslide," a "racist Israel," and a failed Zionist Union campaign are all wrong.

First, Israel did not shift rightward, Israel's Right reshuffled. Netanyahu won merely 25 percent of the electorate. And he eked out his small showing only by can-

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nibalizing the far-right parties, all of whom shrank, while the yahoo Yahad Party disappeared. Overall, the right-wing parties lost one Knesset seat. Netanyahu's natural allies in the greatly diminished National Religious Bayit Hayehudi and the Russian-immigrant Yisrael Beiteinu, are furious at him for hijacking their voters. The Zionist Union, Yesh Atid and Kulanu, all to Netanyahu's left, together won 45 seats to Likud's 30, representing the powerful Israeli center.

Second, and perhaps most explosive, Netanyahu's comment was appalling—and I have repeatedly criticized it—but it was not racist. Netanyahu's statement began by saying "the right-wing government is in danger." And this most effective, harmful, and now famous 29-second video did not end with the line about the buses. Netanyahu added, "Friends, we don't have a V15." This overlooked line puts Netanyahu's comments in the context of a hard-fought campaign he was desperate to win—and his opponents were desperate to win, too. V15 was a grassroots, anti-Bibi initiative that gained much traction during the campaign—and, as a nonpartisan project could accept funding from foreign donors. This fed into Likud fears about foreign-funded "Left-wing NGOs" trying to manipulate the election. In Israel, the foreign-funding charge is a red herring. Both the Left and the Right raise money from abroad while bashing their respective rivals for accepting money from abroad. Still, mentioning V15 in particular politicized Netanyahu's remarks. He was saying, "our political enemies are massing against us, we must mobilize."

Let's admit. It's messy. To Israelis, "Arabs" means fellow citizens who deserve respect as well as the enemy who triggers fears. Arabs have murdered thousands of Jews over decades. Not every Arab is a terrorist, but almost every anti-Israel terrorist is an Arab—that complicates matters, without justifying hatred. Every day, anti-Semitic calls for Israel's destruction emanate from the Arab press and especially from Palestinian society, sometimes illustrated with crude anti-Semitic caricatures. Some radical Arabs in the Knesset regularly (and freely) denounce the country that pays their salaries. And in a society where leftists frequently condemn "the ultra-Orthodox" for acting democratically, including "voting in droves," Netanyahu's cry about Arabs was unworthy, ugly, and tribal but not racist and accurate in that they truly were voting against him, and focused on politics.

This row about "racism" upstaged what should have been one of the headlines of election day, the very day Netanyahu behaved so poorly: Israel remains a remarkably inclusive and pluralistic place, not a racist nation. An Israeli Arab, the Supreme Court Justice Salim Joubran, supervised the elections. Joubran went on radio, with reverence in his voice, to declare Election Day, "an Israeli democratic Holy Day." After the election, Israel's President Reuben Rivlin—a right-winger who regularly reaches out to his fellow citizens be they Arab or Jewish—to request Justice Joubran's permission to initiate coalition discussions early. Such everyday occurrences, where Arabs wield power or achieve high status, didn't make headlines in Israel because they are so commonplace.

Ultimately, while it is very difficult to predict Israel's future, this election may have heralded the start of the post-Netanyahu Era. Bibi fatigue was genuine and widespread, while Bibi genuinely seemed fatigued. And, although it did not win, the Zionist Union emerged as an effective opposition led by a true leader and committed democrat, Isaac Herzog. If Herzog remains strong in opposition, he may prove to be the anti-Bibi, keeping Bibi in check as long as this government lasts, and ready to take over, next time Bibi falters big time.

Meantime, all Israelis, left and right need to unite, as Iran rushes to go nuclear, Hamas and Hezbollah accumulate rockets faster than big gamblers accumulate debt, Mahmoud Abbas and the Palestinian leadership continue to bash Israel while demanding Israel collect tax revenue, the gap between rich and poor grows, prominent pols face corruption charges, Barack Obama continues to distance himself from Bibi—never have an American president and an Israeli prime minister been so far apart. Their differences have already been exacerbated by Netanyahu's obvious opposition

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to Obama's tentative agreement with Iran over nuclear technology.

And social tensions grow, heightened by Bibi's very election, as well as the usual, instinctive, yet still reprehensible anti-Israel backlash.

Although professors have long joked that academic politics are so intense because the stakes are so low, in Israel the politics are so intense because the

stakes are so high. As an adolescent democracy, founded in 1948, populated by refugees from Eastern Europe, North Africa, and the Middle East with no real democratic tradition, Israeli democracy is still evolving—and sometimes learning the worst habits from older democratic siblings like the United States which freely exports its political consultants and attack ads, among other delights. Still, Israel, for all its flaws, shares with Canada, the United States, and the other Western democracies, these remarkable, near-magical mechanisms for self-correction of free institutions, including free elections. In building his coalition, seeking at least 61 votes he needed for a parliamentary majority, Netanyahu once again did what he and Israel do so frequently—demonstrating democracy's and his society's many strengths and weaknesses, while never, ever being boring. **P**

Contributing Writer Gil Troy is a Professor of History at McGill University. His 10th book, Moynihan's Moment: America's Fight Against Zionism as Racism, recently won the J.I. Segal Award for Best Jewish Non-Fiction Book for 2014. gil.troy@mcgill.ca

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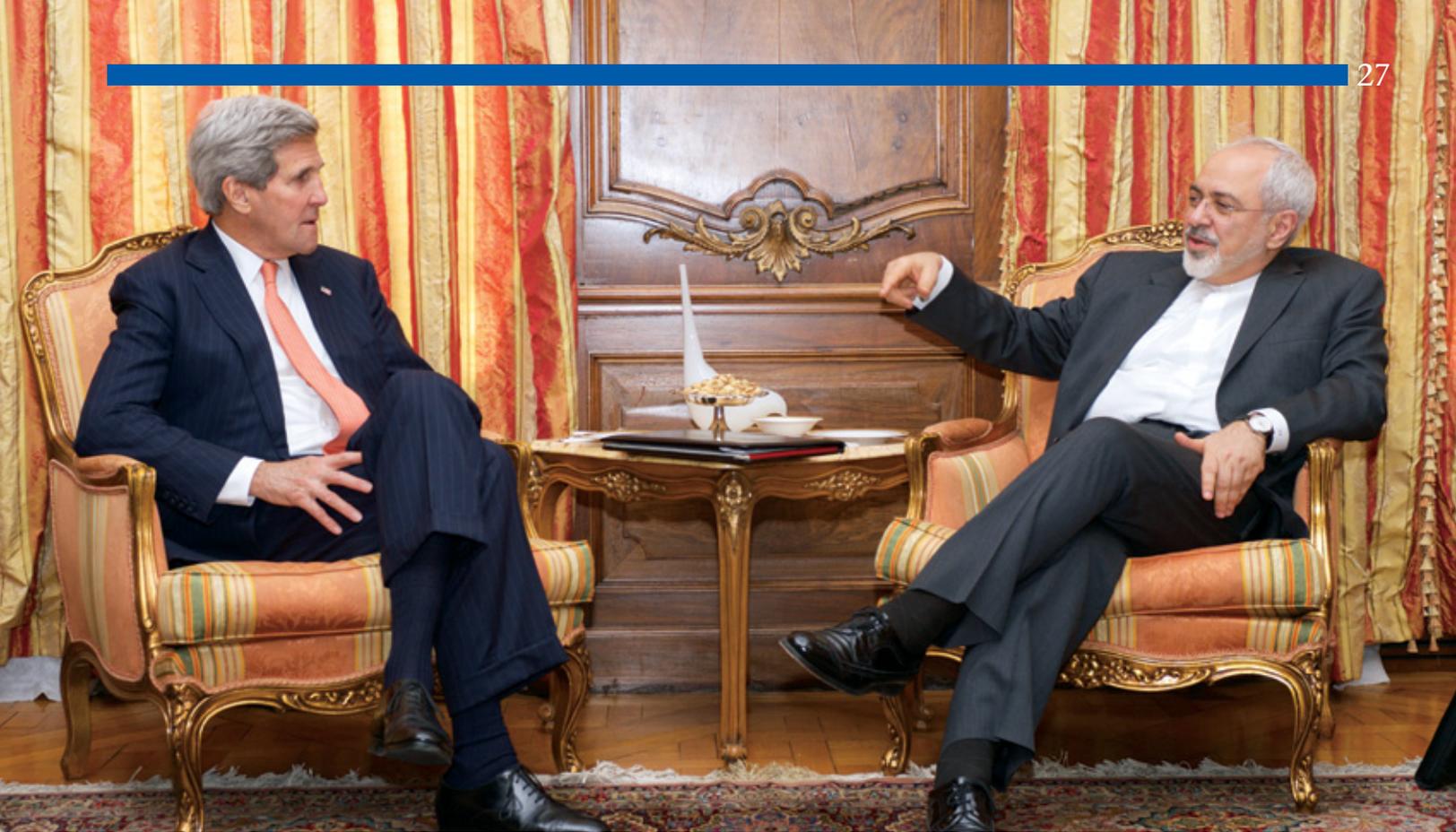
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US Secretary of State John Kerry sits with Iranian Foreign Minister Javad Zarif as they meeting in New York, New York, on April 27, 2015, for a talk about Iran's nuclear program on the sidelines of their attendance at the 2015 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons. Photo, US State Department

America, Iran and the Fruits of Diplomacy

Jeremy Kinsman

As Winston Churchill famously grumbled, “Jaw-jaw is better than war-war.” US and Iranian negotiators have been jaw-jawing about containing Iran’s nuclear program for nearly a decade; an investment of time and energy that attests to the exceptional sensitivity of the file, and which, in a war-war scenario, would have cost considerably more in blood and treasure. While the deal is not yet done, the fact that we’ve come this far, writes former diplomat Jeremy Kinsman, is a triumph of statecraft.

For the first time in years, something other than terrorism, conflict, and disaster has been dominating headlines from the Middle East. The initial outcome of lengthy negotiations between Iran and the five permanent members of the UN Security Council plus Germany to curtail for at least 15 years Iran’s capacity to develop nuclear weapons has generated reporting whose technical detail is a news story rarity. Much of the commentary, though, retains the usual flavor of a scoreboard report on winners and losers. For opponents, historical background seldom delves deeper than the cliché of Neville Chamberlain’s worn-out appeasement umbrella.

However, history counts; especially the history of conflict surrounding the negotiations. The deal has been 10 years in the making. Throughout, negotiators had to be aware of the effects of decades of conflict and of its reasons, which have not totally disappeared. While parties attempted to get past bad history to make the compromises necessary, reality obliged them to recognize long-standing distrust and insist on unprecedented ironclad verification.

There is a clear winner in this narrative, provided, of course, that the detailed negotiations still to come by the end of June succeed - as President Barack Obama commented, "We're not done yet".

Conflict negotiation has been vindicated as the highest and most essential form of diplomacy, one that circumvents the alternatives of war and drift toward deeper violence and disarray.

The preliminary framework accord concluded April 2 was enabled by secret US-Iran talks over the last few years. Both sides made significant compromises, though everything depends on the final package.

The nuclear issues were treated by expert negotiators as scientific problems to be solved, so that the time necessary for an Iranian nuclear weapons break-out would be stretched to a year, ample warning for preventive action if necessary.

Under this surprisingly detailed agreement, Iran will retain a nuclear infrastructure though considerably reduced. Uranium enrichment levels will be maintained at under four per cent, well below the 20 per cent threshold for highly enriched uranium of weapons grade. The 19,000 Iranian centrifuges will be cut back to about 1/3, all with less advanced technology unsuitable for fast enrichment. No new enrichment facilities will be built for 15 years. But in recognition of the Supreme Leader's promise to Iranians, no nuclear facility will be closed.

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Iran will be subject to the most comprehensive and intrusive international inspections regime in history.

The quid pro quo of the sanctions/embargo regime's removal is less straightforward. The P5 plus 1 argue for a step-by-step removal according to demonstrable compliance, while Iran wants relief as early as possible.

President Obama had broad strategic objectives, apart from a long personal history of interest in reducing the global risk of nuclear war. He needs Iran's constructive engagement for the acutely dangerous and violent Middle East to become a safer place. The long wars in Iraq and Afghanistan clearly established the limitations of military force. Obama knew that only concerted diplomatic negotiation, using leverage, and deploying trade-offs, would work, even—or especially—with an adversary.

Few relationships are as adversarial as that of the US and Iran, with Iran characterized for public consumption as the Evil Empire and the US the Great Satan. There has been plenty of duplicity and destructiveness on both sides since the Iranian Revolution rose against the Shah in 1979 and took US diplomats hostage. The resulting militant theocracy has been hostile to the US and Israel, and a sponsor of terrorism and Shia militias that have fired and fanned the flames of war in the predominantly Sunni Middle-East region ever since. And each time the US or Iran has tried to connect with the other, deepened mutual distrust has run the effort into the ground.

Today, the region is a flaming-mess of failed states and ruinous civil wars caused to some

extent by the destructive dislocation of the 2003 US-led invasion of Iraq. Military intervention options are unattractive but something has to be done to stabilize conditions. A curious development is that long-time antagonists Iran and the US now find they share this purpose as well as a common enemy. Both Iran's former enemy Iraq, fractured but partially under more friendly-to-Iran Shia majority rule, and Iranian ally Syria, which is in ruin, are under attack by a fanatically destructive fundamentalist and jihadist Sunni force, ISIL, driving to carve out a manic proto-state committed to war with its enemies, near and far. The interests of ISIL's main "near" enemy, Iran, now overlap with those of the designated top "far" enemy, the US. Willy-nilly, after believing it had finally exited its draining long wars in Iraq and Afghanistan, the US is back in conflict with Muslims, but this time working tacitly with its principal Muslim antagonist, Iran.

This worries Israel. Successive Arab-Israeli wars had made militant antagonism to both Israel and the US a fact of regional life, aggravated by chronic terrorism. The Iranian regime is rabidly anti-Zionist, out of solidarity of an Islamist Revolution with fellow Muslims and as a means of burnishing Iran's non-Arab credentials in the region.

The populist firebrand president of Iran (2005-2013) Mahmoud Ahmadinejad denied the Holocaust and Israel's right to exist and expressed support for Iran's right to have nuclear weapons, all assertions that are cited by Israelis as threatening Israel's very existence. That the current president of Iran and Ahma-

dinejad's successor, Hassan Rouhani, has called these extreme statements "hate rhetoric" counts for little with risk-averse Israelis.

Another visceral antagonist of Iran in the region is Saudi Arabia. This rivalry is often described in the West as a duel between the champions of Sunni and Shia sects of Islam. Saudi Arabia's Wahhabi theology is no more tolerant than Iran's mullahs and every bit as committed to its heavily financed export to other countries. But Iranian-Canadian scholar Ramin Jahanbegloo sees it more as a geopolitical rivalry. There is no question that if Iran developed nuclear weapons, Saudi Arabia would follow.

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The idea that Iran was on the track to develop nuclear weapons was a nightmarish aggravation to a regional situation that was always conflictual but which, in the past five years, has spiraled out of any control. Authoritarian kingly or sectarian regimes that had kept the region stable but backward were rocked by the nonviolent aspirations of the Arab Spring that became hijacked by competitive armed insurgencies and new openings for jihadist militants. The added threat of a nuclear arms race deepened the dangers from all angles of the regional lens.

Iran's sense of national exceptional-

ism has fuelled its presumption of entitlement to a national nuclear program since the Shah's day, partly as a hedge against over-reliance on carbon energy and partly as a component of national scientific development and status. The program is a source of widespread national pride.

Other states in the region were assumed to be developing their own capacities to weaponize respective nascent nuclear infrastructure programs—Israel is a non-acknowledged nuclear weapons state, and Syria, Iraq, and even Libya were believed to be trying; efforts that earned the Iraqi and Syrian facilities pre-emptive whacks from the Israeli Defence Force. The Iraqi boasts under Saddam were especially unsettling to Iran, given his volatility and record of aggression against Iran.

Iran's nuclear development program was therefore hedged. It complied with International Atomic Energy Agency conditions—Iran was a Non Proliferation Treaty signatory—but positioned the country to break-out to weaponization in steadily decreasing time frames as the ability to produce weapons-grade fuel proceeded from 2000 on. Testy relations with the IAEA inspections regime revealed a chronic lack of transparency. Though Iran's Supreme Leader, Ayatollah Ali Khamenei, pronounced that a nuclear weapons program would be a sin, weaponization as an option was judged by many to be Iran's underlying aim. Its believability was reinforced by Ahmadinejad's threats and hyperbole, and by new underground facilities protected from all but the most massively destructive American weapons. Israel undertook a covert action program to degrade key Iranian nuclear capabilities, including cyber-war and targeted assassination of Iranian nuclear scientists.

More recently, the Netanyahu government weighed the option of airstrikes against the Iranian nuclear infrastructure, ideally together with the US. Pro-Israel US hawks chimed in support and

criticized President Barack Obama for being "weak." However, the Obama administration's aversion to airstrikes was firm. A) An attack might retard the Iranian program but only briefly. B) It would definitely commit Iran to go for nuclear weapons. C) An attack would not receive wide international support. D) It would bury any chance for US-Iran conciliation and darken the already grim regional landscape in dangerous ways.

The US/EU alternative to a military strike on Iran was a dire program of sanctions on Iran to force the abandonment of the nuclear weapons option. Skeptics about economic sanctions have to acknowledge that for once they worked. Over the course of a decade, the sanctioning countries held together. Jahanbegloo writes that "Under the EU embargo and US sanctions, Iran's (oil) exports had fallen to 700,000 barrels per day by May 2013, in contrast to 2.2 million in 2011. The impact of sanctions was also devastating for the Iranian currency, which plummeted by at least 40 per cent, and the soaring price of food. The health of millions of Iranians was compromised because of the shortage of western medical supplies...Given the economic strain, Iran was absolutely desperate for a deal, though Supreme Leader Ayatollah Ali Khamenei had repeated on several occasions that any agreement must preserve Iran's 'dignity and integrity,' giving it the freedom to pursue a civilian nuclear program." There is no question that Iran is undergoing internal change. Well-educated, urbanized youth especially chafe under petty religious strictures and Iran's international isolation. Rouhani is cautiously exploring the openings for more normal cooperation with the West. The Supreme Leader is clearly not there yet, though he seems to acknowledge the need for a lighter hand if the theocracy is to survive intact. Whether or not to support the deal with Iran depends to some extent on evidence that the regime's export of antagonism is abating.

Not everyone is thrilled with the outcome thus far. For Israel's Prime Minister Netanyahu, it is a "bad deal" that "threatens the very survival" of Israel, a hyperbolic reaction that has already been moderated by Israeli proposals to strengthen the accord. The US will be extremely reluctant to re-litigate settled issues but some Israeli suggestions from the Minister of Intelligence and Strategic Affairs, Yuval Steinitz, might be worked in. They won't include Netanyahu's additional "non-negotiable" condition that Iran recognize Israel's right to exist, though hopefully Iran will come around unilaterally to formalize the acknowledgement of Israel's reality hinted at recently by President Rouhani.

“ Not everyone is thrilled with the outcome thus far. For Israel's Prime Minister Netanyahu, it is a "bad deal" that "threatens the very survival" of Israel, a hyperbolic reaction that has already been moderated by Israeli proposals to strengthen the accord. ”

Saudi reaction corresponds to Israel's. The US is reassuring their joint fear that greater comity with Iran means the US will rely less on them in the Middle East. President Obama could not be more clear that the US has Israel's back, will defend Israel, understands its concerns, and will monitor implementation of the agreement like a hawk, reminding all "that we are powerful enough to be able to test these propositions without putting ourselves at risk."

Nonetheless, the writing on the wall shows a US whose core interests are less focused on oil and more on making the region work. By re-establishing diplomatic contact and even limited cooperation with a regional power that increasingly wants stability, that is hostile to ISIL, the deal can help the US face a fragmenting Middle Eastern order with greater certainty.

President Obama has long wanted to put an end to stale, frozen conflicts with the likes of Cuba and Iran, provided there is demonstrable willingness on both sides to moderate hostile behavior.

There is a lesson here for current Canadian practice of not talking with adversaries for reasons that are sometimes "moral," and sometimes

related to domestic politics. As former ambassador to the UN Paul Heinbecker put it, by childishly closing our embassy in Tehran because we disapproved of the regime there, Canada is "deaf, dumb, and blind" in Iran. Obama summed up the obvious point of any negotiation. "Demanding that a country meet all your conditions before you meet with them, that's not a strategy. It's just naïve, wishful thinking."

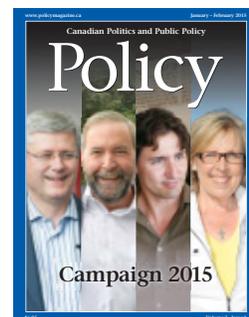
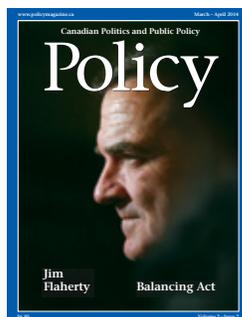
As Roger Cohen put it in the *New York Times*, "Diplomacy deals with the real world. The toughest, most important, diplomacy is conducted with enemies."

This isn't "moral equivalency." Nor is it "appeasement." Negotiating an alternative to war to resolve a fundamental and dangerous international conflict is the noblest calling of statecraft. **P**

Jeremy Kinsman was a long-time Canadian ambassador under Liberal and Progressive Conservative Governments and now holds positions at the University of California, Berkeley, and Ryerson University. He participates in a non-partisan group that periodically meets to discuss global issues with Justin Trudeau. kinsmanj@shaw.ca

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Chief of Defence Staff General Tom Lawson and Prime Minister Stephen Harper as the government announces additional military resources to help and train Ukrainian defence forces. In April, the government announced it would be sending up to 200 Canadian soldiers in a training and non-combat role. PMO photo, Jason Ransom

Fighting the Kremlin Myth Machine

Raynell Andreychuk

The annexation of Crimea and Russia's subsequent shadow war in Ukraine mark not just an unprecedented phase of expansionism from President Vladimir Putin, the events of the past year have been accompanied by an explosion in a new form of warfare. The new Russian propaganda isn't just a biased rendition of history in the making. It is a mass-scale burlesque of journalism that trades in false narratives and degrades the value of truth.

The conflict in eastern Ukraine has entered a new phase.

International support and encouragement is helping Ukraine's government to press forward with vital reforms while managing the ongoing insurgency on its eastern border with Russia. The NATO alliance continues to reaffirm its opposition to the illegal annexation of Crimea, and any further attempts to redraw Europe's borders. The European Union, Canada and the United States are providing assistance to help Ukraine and other Eastern Partnership countries pursue much-needed democratic and economic reforms. Meanwhile, the Minsk Accords remain the basis of an increasingly fragile and temporary lull in

the violence in Luhansk and Donetsk, with signs that spring might bring new escalations.

Canada is also deploying 200 troops to Ukraine this summer, where they will join US and UK military advisers in a training mission for Ukrainian forces in the western part of the country, well removed from the conflict in the East. The Canadians advisers will be unarmed.

Commentators have been all too eager to draw parallels between present conditions and Cold War realities; for those who lived through the 1950s and 60s, Russia's ongoing efforts to entrench its influence in Eurasia, and to exploit European and North American countries' internal

economic and ideological divisions, can seem all too familiar.

Away from the contact lines, however, the war of politics and ideas has been anything but static. Whatever the ultimate objectives of this new, communications-driven front of Russian provocations may be, European and North American leaders are wizing to a new set of tactics that suggest the Kremlin is neither constrained by Cold War modalities, nor ready to put its broader ambitions on ice.

More than a year since Crimea was invaded by so-called “little green men”, the Kremlin’s use of unorthodox means to achieve its foreign policy objectives comes as little surprise.

The expression “hybrid warfare” gained new currency as NATO sought to describe the unique confluence of tactics employed in eastern Ukraine. Characterized by the use of unidentified or proxy forces to carry out low-intensity armed offensives, and complemented by non-military subversive activity, the particular breed of hybrid warfare being waged today by the Kremlin is underpinned by the persistent and unrelenting denial of state involvement and the construction of alternative narratives.

Leveraging traditional media and more modern technologies alike, the Kremlin’s well-resourced communications front has its sights set on the established norms and principles of international law and engagement, which it portrays as innately frail and opposed to Russia’s national interests. Building on the state’s control of the media in Russia, and the influence of that media in Eurasia, the Caucasus and elsewhere, the Kremlin today is aggressively expanding this information offensive to reach new audiences, countries and language groups.

Last November, Russia announced the launch of a new international media organization. ‘Sputnik,’ as the agency is known, will offer 800 hours daily of news media programming in 30 languages, produced by hundreds of foreign correspondents in over 130 cities and 34 countries.

“*The war of politics and ideas has been anything but static. Whatever the ultimate objectives of this new, communications-driven front of Russian provocations may be, European and North American leaders are wizing to a new set of tactics that suggest the Kremlin is neither constrained by Cold War modalities, nor ready to put its broader ambitions on ice.*”

It has the stated objective of offering an alternative to so-called ‘Western interpretations of world events.’ Put differently, it is part of a new Russian information offensive that draws little distinction between news reporting and fictitious media production.

The Internet is awash with commentary debunking some of the most egregious examples.

Perhaps the most often-cited involved a television report by Russia’s Chanel One last July, in which a female interviewee claimed that Ukrainian forces had crucified the wife and three-year old son of a separatist insurgent. No other evidence was produced, and the interviewee was later revealed to be a regular “witness” to uncorroborated events portrayed in Russian news reporting. Another story by the same agency used badly doctored satellite images to “prove” that Malaysia Airlines Flight 17 had been shot down by a Ukrainian fighter jet.

In early April, Russian television stations reported claims that a 10 year-old girl had been killed amid shelling by Ukrainian forces in the Petrovsky region of Donetsk. When a BBC journalist travelled to the village where the incident was alleged to have happened, however, local residents said they knew nothing of the death and denied that there had been any shelling during the days in question.

Another report by the leading Russian tabloid Komsomolskaya Pravda claimed that American intelligence services orchestrated the attack on the satirical magazine *Charlie Hebdo*. A “political scientist” quoted in the piece explained that the attack was launched to punish French President

Francois Hollande for suggesting that sanctions against Russia should be reconsidered.

For every such outrageous example of the Russian media’s mockery of journalistic ethics, the Kremlin has sponsored many more nuanced and sophisticated alternative narratives of world events. Supporting these efforts from so-called “troll factories” in and around Moscow, hundreds of young Russians are accused of posting comments on news sites, delegitimizing stories that run counter to the Kremlin’s messages.

According to a seminal report by The Interpreter and the Institute of Modern Russia, *The Menace of Unreality: How the Kremlin Weaponizes Information, Culture and Money*, “Since at least 2008, Kremlin military and intelligence thinkers have been talking about information not in the familiar terms of ‘persuasion,’ ‘public diplomacy’ or even ‘propaganda,’ but in weaponized terms, as a tool to confuse, blackmail, demoralize, subvert and paralyze.”

Or, as Canada’s former minister of Foreign Affairs, John Baird, put it in a speech to the NATO Council of Canada last November, “The old Soviet concept of Active Measures is starting to be talked about again, measures aimed at polluting the opinion-making process in the West.... The biggest challenge to truth in this generation is the active manipulation of information.”

As Sputnik begins appearing amongst the top hits for news searches in a new range of languages, and as Kremlin-sponsored reinterpretations of current and historical events continue to gain traction among extremist parties in Europe and elsewhere,



Senator Raynell Andreychuk, head of the Canadian Election Observation Mission in Ukraine at a briefing before the presidential elections there in 2014. CANEOM photo

the Kremlin's global war of disinformation demands a concerted international response.

"Hybrid warfare is a probe, a test of our resolve to resist and to defend ourselves," NATO Secretary General Jens Stoltenberg told a seminar on NATO Transformation on March 25. "And it can be a prelude to a more serious attack; because behind every hybrid strategy, there are conventional forces, increasing the pressure and ready to exploit any opening. We need to demonstrate that we can and will act promptly whenever and wherever necessary."

Our ability to resist the Kremlin's information war rests on the ongoing resolve of member states of the NATO Alliance, and of others who value basic human rights and freedoms.

Canada has and continues to support a host of initiatives designed to strengthen Ukraine's resilience as a rights-respecting democracy, and to counter the destabilizing effects of Russian propaganda. In addition to targeted sanctions, travel bans, participation in NATO reassurance measures, military training, support for key economic sectors and programs aimed at fostering religious tolerance and reconciliation in Ukrainian civil society, for example, Canada has also been an early supporter of NATO's Strategic Communications Centre of Excellence.

Established in Latvia in January 2014, StratCom COE is a central response

to NATO countries' growing awareness of the need to uphold a principle contained in the Preamble to the Constitution of the United Nations Educational, Scientific and Cultural Organization (UNESCO), which in 1946 reminded us that, "Since wars begin in the minds of men, it is in the minds of men that the defences of peace must be constructed."

The United States and the European Union are also responding to the Kremlin's information war.

In a 411 to 10 vote on December 4, 2014, the US House of Representatives adopted a resolution that calls on the president and the State Department to "evaluate the political, economic, and cultural influence of Russia and Russian state-sponsored media" and to "develop a strategy for multilateral coordination to produce or otherwise procure and distribute news and information in the Russian language to countries with significant Russian-speaking populations."

On January 15, 2015, the European Parliament adopted a resolution strongly condemning Russia's "undeclared hybrid war against Ukraine, including information war, blending elements of cyber warfare, use of regular and irregular forces, propaganda, economic pressure, energy blackmail, diplomacy and political destabilization." The resolution further calls on the Commission and the Commissioner for European Neighbourhood Policy and Enlargement Negotiations to prepare "a communication strategy to counter the Russian propaganda campaign directed towards the EU, its eastern neighbours and Russia itself, and to develop instruments that would allow the EU and its Member States to address the propaganda campaign at European and national level."

Although the EU's communication strategy had not yet been made public at the time of this writing, a number of Ukrainians and others are already actively engaged in debunking and countering Kremlin disinformation.

Stopfake.org, for example, is a website in English, Russian and Ukrainian whose mission is to "refute distorted information and propaganda about

events in Ukraine." Ukraine Today, by contrast, was launched in August 2014 as a high-quality "English-language news channel focusing on Ukraine, Eastern Europe and the former Soviet Union." The Internet television station Espresso TV, for its part, gained international recognition for its live-streaming of the Euromaidan protests. Today it has a reputation for "accurate and objective reporting of political, social, and cultural life in Ukraine" with the aim of uniting "those who care about democratization of Ukraine."

As the international community works with Ukraine to develop an effective response to Kremlin disinformation, means should continue to be sought to promote the diversity of perspective and freedom of speech represented by 'netizens' and media-philes in Ukraine and elsewhere, and to help amplify their voices to compete effectively with Kremlin-backed media.

Amid these efforts, Russians themselves must not be forgotten.

After all, besides the Tatars and others struggling for safety and survival in Crimea and the Donbass, it is Russians who are suffering the greatest effects of a crippled economy and reduced freedoms, including freedom of information. For all the shortcomings in Russian democracy, the energy with which the Kremlin has sought to control information and opposition within Russia reveals a deep preoccupation with how Russians' view its policies.

Indeed, as the Kremlin continues in its bid to maintain Russia's social cohesion through repression and disinformation, there is no shortage of evidence that President Putin's control over information inside Russia and an ability to project disinformation abroad have become the centrepiece of his new international power politics. **P**

Raynell Andreychuk, a Conservative Senator from Saskatchewan, serves as Chair of the Standing Senate Committee on Foreign Affairs and International Trade. She has led Canadian delegations observing the last presidential and parliamentary elections in Ukraine. raynell.andreychuk@sen.parl.gc.ca



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At a Crossroads

WHY REDUCING THE NUMBER OF RAILWAY CROSSINGS IS CRITICAL TO PUBLIC SAFETY AND THE ECONOMY

Michael Bourque

Railway crossings are a part of Canadian life that generally don't garner much attention until things go wrong. But Canada's railways have been pushing for ways in which safety can be upgraded to protect both the lives of Canadians and the smooth operation of our economic supply chains. Michael Bourque explains where the issue stands as our railways work with Ottawa for change.

When the *Canada Transportation Act* became law in 1996, it gave the Canadian Transportation Agency the authority to order a railway to build a suitable private crossing if the Agency “considers it necessary for the owner’s enjoyment of the land.”

At the time, no one foresaw a significant increase in new crossings, nor did they consider the severe impact of these crossings on public safety. But communities have since grown around railway operations, traffic has increased, and additional crossings have been built to relieve road congestion in many munic-

ipalities. There are tens of thousands of federally regulated grade crossings in Canada, and crossing accidents account for nearly 20 per cent of all rail incidents in our country. Sadly, a third of those incidents result in death or serious injury.

This raises a serious public policy issue relating to the approval of new railway-roadway crossings. Under the existing regime, Transport Canada has the authority to close a grade crossing after completing a risk analysis. However, the Canadian Transportation Agency has the authority to open new crossings without having to assess public safety. This dichotomy of authority has jeopardized safety, and has led to some counterproductive outcomes. In one case, for example, the agency ordered a railway to open a crossing after Transport Canada had ordered it permanently closed for safety reasons.

The Railway Association of Canada believes that Transport Canada should maintain its authority to close all unsafe crossings. The department regulates the overall safety of crossings in Canada, understands their associated dangers, and has developed regulations and grade crossing closure and upgrade programs to deal with this issue. However, Transport Canada should also have the sole authority for opening new public crossings, so that safety is always considered in the crossing approval-process. New crossings should only be approved as a last resort, if no other alternatives exist. In the event of a new crossing

“ There are tens of thousands of federally regulated grade crossings in Canada, and crossing accidents account for nearly 20 per cent of all rail incidents in our country. ”

opening, an existing one should be closed so that there is no net increase in the number of crossings.

Despite some progress over the past decade, we have stopped seeing year-over-year improvements in the number of crossing accidents. In 2014, there were 180 of these accidents in Canada, a total similar to the previous year, and to the five-year average (see Table 1). This total is not surprising, given the current levels of road and rail traffic. But the trend is concerning, and will not improve unless action is taken. Recent government efforts to improve safety at grade crossings will help, but the best way to reduce accidents is to decrease the overall number of crossings in Canada.

Communities, railways and city planners need to develop alternatives to creating new grade crossings. The Railway Association of Canada and its members have made some progress in getting this message across, through our joint Proximity initiative with the Federation of Canadian Municipalities. We recently saw Montreal adopt our *Guidelines for New Developments in Proximity to Railway Operations* as part its long-

term development plan. Montreal was the first major urban centre to adopt the guidelines, and we're hopeful that other cities will follow suit. But other barriers are preventing us from making more progress on this critical issue.

Currently, railways are required by law to notify municipalities of any proposed work on their lines or property. But municipalities and developers have no such requirement where railways are concerned. Canada's railways would like to see the Railway Safety Act amended to require developers and municipalities to consult with railway companies prior to making decisions about land use that could affect railway safety. This was one of the recommendations made by the Railway Safety Act Review Panel in its 2007 report *Stronger Ties: A Shared Commitment to Railway Safety*.

There is also the issue of private crossings. Canada's railways sometimes encounter instances where private roads that cross over rail lines are used by landowners, but there is no crossing agreement in place between the railway and the landowner. In these situations, railways advise land-

Table 1: Railway Crossing Accidents in Canada

Accidents	2010	2011	2012	2013	2014	Average
Rail Volumes	77.6	78.4	80.1	78.1	81.2	79.1
Crossing Accidents	180	171	190	188	180	181.8
Per MMTM*	2.32	2.18	2.37	2.41	2.22	2.30
Crossing Injuries	28	22	32	27	25	26.8
% of total	15.6%	12.9%	16.8%	14.4%	13.9%	14.7%
Crossing Fatalities	24	25	30	31	21	26.2
% of total	13.3%	14.6%	15.8%	16.5%	11.7%	14.4%

* Million Main-Track Train-Miles

Source: Transportation Safety Board of Canada

owners of the need for an agreement on crossing construction and maintenance. But in many cases, users are unwilling to enter into these agreements, especially when crossing upgrades are necessary.

Section 103 of the *Canada Transportation Act* deals with the situation where a railway company and a landowner disagree on the suitability or maintenance of a private crossing. However, the Act only permits the landowner to apply to the agency for dispute resolution. There is no comparable right given to a railway company. The Railway Association of Canada believes that, in the interest of safety, railways should have an equal right to apply to the agency under Section 103 of the Act.

More funding is also needed to make crossing upgrades in communities across Canada. Transport Canada's *Grade Crossings Regulations* came into effect last December, which outline a series of improvements to be made to all public and private grade crossings. These upgrades are projected to cost railways and communities tens of thousands of dollars per crossing; shortline railways alone expect to invest close to \$85 million to meet the regulatory requirements.

At the same time, the federal government made changes to its Grade Crossing Im-

provement Program (GCIP), and has considerably reduced the amount that it will contribute towards grade-crossing upgrades. Transport Canada used to cover 80 per cent of the costs, and now it will only cover 50 per cent. Funds are also not available to provincially regulated railways, which must nevertheless comply with the regulations.

“ Our economy depends on railways to move 75 million people and more than \$280 billion worth of goods in Canada each year. Railways need to maintain fluidity on their mainline tracks in order to deliver high levels of service to their customers. ”

The Railway Association of Canada would like to see more funding allocated for grade crossing improvements, and a better funding formula applied. This is particularly urgent for shortline railways, which typically run their operations on thin margins, and lack the ability to generate or access the capital needed to make such expensive upgrades.

While public safety should be the main motivation for closing crossings, there is also an economic argument to be made. Crossing accidents hurt citizens, railway employees, communities, and the environment, but they also have a negative impact on businesses.

Our economy depends on railways to move 75 million people and more than \$280 billion worth of goods in Canada each year. Railways need to maintain fluidity on their mainline tracks in order to deliver high levels of service to their customers. Their stretches of track are like highways; when an accident occurs, there are reverberations across the entire network, resulting in negative economic outcomes for both customers and the public.

Former Industry Minister David Emerson and his team of advisers should consider how to reduce the number of railway crossings in Canada, and how to improve the safety of those that remain, as part of their ongoing review of the *Canada Transportation Act*. We need railways to move the Canadian economy in a safe and efficient way; reducing the number of crossings will improve public safety, and the competitiveness of Canadian businesses in this global economy. **P**

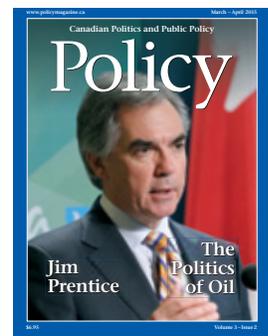
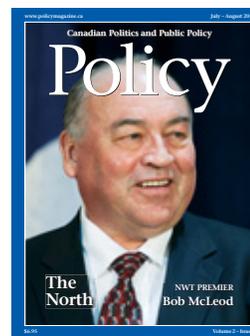
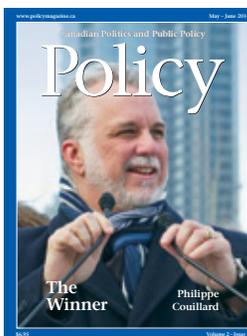
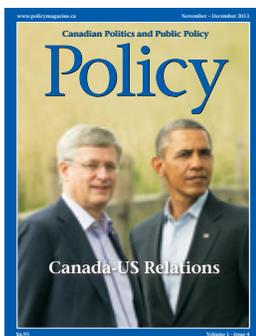
Michael Bourque is President and CEO of the Railway Association of Canada.



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The Next, Safer Generation of Nuclear Reactor

Hugh MacDiarmid and Simon Irish

The 2011 Fukushima nuclear disaster had an understandable chilling effect on public policy discussion around nuclear energy. But in the industry itself, progress has continued toward making nuclear energy the cleanest, safest option for this and future generations. That progress includes a new focus on a different—much cheaper and safer—class of nuclear reactor known as the molten-salt reactor, or MSR. The global race to commercialize MSRs is on, and Canada is competing.

Canadian scientists have been at the leading edge of nuclear technology since the dawn of the Atomic Age, and Canadian nuclear technology has been shipped around the world. Canada can remain at the forefront of the civilian use of nuclear energy, but we must act quickly.

Perhaps, as Canadians, we have been lulled into complacency by the abundance of oil and gas that lies beneath our land. The recent dramatic reduction in oil prices, and continued low natural gas prices, make it easy to continue following the path of least resistance.

Some are pinning their hopes on solar and wind power—even though renewables have made barely a dent in the global energy supply.

But now, there are developments in nuclear technology that promise to provide a safe, reliable and cost-effective alternative to our reliance on fossil fuels.

Only the most ardent climate-change denier would argue there is no role for nuclear in achieving a cleaner energy future. Among the virtues of nuclear energy is its near absence of carbon emissions.

Where opposition persists, it is focused on the perceived risks of nuclear reactors and on the tremendous

up-front costs we require to mitigate those risks.

Ensuring the safety of a good solid-fuel reactor like the CANDU comes at a high price. Containment structures, multiple fail-safes and other highly engineered safety solutions have driven the capital costs of modern solid-fuel reactors so high that their cost-competitiveness against other energy sources is severely eroded—despite their acknowledged advantage on the carbon emissions front and low operating costs.

“ Just the word ‘nuclear’ prompts a knee-jerk reaction from certain eco-activists, but this, too, is changing. The new generation of reactors is changing minds and gaining converts. ”

Just the word “nuclear” prompts a knee-jerk reaction from certain eco-activists, but this, too, is changing. The new generation of reactors is changing minds and gaining converts.

These next generation reactors are smaller, more efficient, less expensive and lower risk, and they address the safety and environmental issues that have slowed the

pace of development of the current generation of nuclear technology.

Ottawa has acted to restructure Atomic Energy of Canada Limited, initially selling the commercial reactor division to SNC-Lavalin and now implementing a “Government-Owned, Contractor-Operated” (GO-CO) model for Chalk River Laboratories. This introduction of private sector management expertise and incentives is designed to boost the competitiveness of our nation’s nuclear heartland.

Ontario is continuing the refurbishment of its reactor fleet in a program that will take a decade and cost billions of dollars, and will extend by 30 years the operating lives of the reactors that are the backbone of Ontario’s nuclear electricity generation. But what lies beyond the existing infrastructure and capacity?

Our reactor fleet today is operated to the highest standards among global nuclear utilities. Canada has an impressive cadre of nuclear scientists and a wealth of nuclear expertise. There is an impressive supply chain in this country that can compete with the best in the world. How do we leverage these substantial strengths to create a bright future as a self-sufficient energy-centric economy?

The option we should be considering is a completely different class of nu-



The Bruce Power site is the world's largest operating nuclear facility, with eight CANDU reactors supplying over 6,300 megawatts to the Ontario electricity grid. Photo, Bruce Power

clear reactor known as a “molten-salt reactor,” or MSR. In these machines, the nuclear fuel and reactor core is in a liquid form, a fundamental departure from all previously commercialized reactors, including the CANDU, which use solid fuel.

The use of a liquid fuel is the root of the MSR's economic and social virtue. It makes the MSR passively safe and stable, addressing the key concerns associated with solid-fuel reactors—as well as much of the expense required to address those concerns.

Specifically, MSRs operate at atmospheric pressure; as such, the reactor vessel contents are not under pressure, they cannot create explosive hydrogen, and the fuel cannot “melt down,” as it is already a liquid. Passive stability thus makes many of the most costly fail-safes in solid-fuel reactors irrelevant and redundant—making the MSR less costly to build.

MSRs can use conventional uranium fuel—or they can use alternative fuels, including the waste fuel piles and waste plutonium of earlier-generation reactors.

Current solid fuel reactors require six times the fuel to produce the same output as an MSR and leave six times

the waste—waste which, in an MSR, can be recycled and mostly used up. As an energy source, the MSR is compact, scalable and available wherever it is needed, and, therefore, free from the constraints of a large-scale transmission infrastructure.

In short, this next generation of reactors is poised to become that revolutionary civilian energy source we were promised 60 years ago when US President Dwight Eisenhower talked about Atoms for Peace.

Ironically, when Eisenhower spoke those words, the concept of an MSR was already known—and functioning MSRs were actually developed and heavily researched over the next two decades. But funding for liquid-fuel MSRs was withdrawn in favour of solid-fuel pressurized water reactors. (People familiar with the Avro Arrow or the battle between VHS and Betamax will understand that this was not the only time we failed to choose the better technology).

Thankfully, today's imperatives are different. Today, scientists, engineers and the private sector are re-visiting those decisions of the past and looking at them through the lens of today's urgent needs—cost, safety, risk and waste footprint.

Revising this 50-year-old MSR research has not yet attracted much attention in Canada, but the idea already has important backers around the world—including the Chinese government, which has earmarked \$350 million to build an MSR. The Indian government is also exploring the technology. As the world's two most populous nations, China and India recognize that developing a secure and inexpensive alternative to fossil fuels would provide a boost to their economic development plans that few other actions could match.

The global race to commercialize the MSR has begun. The question is whether, in this new century, Canada will be a key player in the biggest industrial market of all—the market for secure, safe, clean and cost-competitive energy.

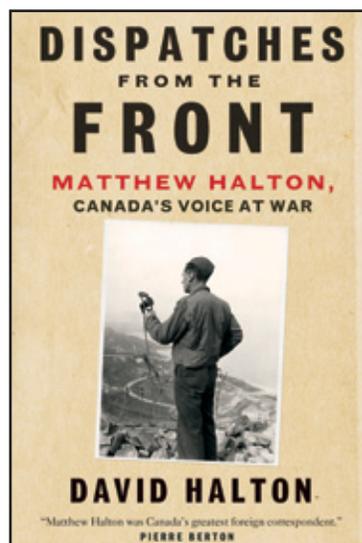
Canada should be there. We have strong international credentials in nuclear technology. We are particularly well-placed to develop this new technology. Our regulatory process lends itself to timely review of new technologies. And we have a near-endless supply of the nuclear fuel it requires, plus a long history of producing and handling the material safely and securely. Canada's Athabasca basin alone currently supplies 20 per cent of the world's uranium, and could supply all of Canada's electricity needs for many lifetimes.

Canada can build on its widely respected history of nuclear research and its great pool of nuclear talent to realize the enormous promise of a prosperous nuclear future. **P**

Hugh MacDiarmid is the former President and CEO of Atomic Energy of Canada Limited (2008-2011) and serves currently as Chairman of the Board of Terrestrial Energy Inc., a Mississauga-based company that is developing its proprietary Integral Molten Salt Reactor for commercial deployment by early next decade.

Simon Irish has more than 20 years investment banking and asset management experience in London and New York, and is CEO of Terrestrial Energy Inc.

Spring Reading



Like Father Like Son: Voices of Canada

David Halton

Dispatches from the Front: Matthew Halton, Canada's Voice at War. Toronto: McClelland & Stewart, 2015

Review by Anthony Wilson-Smith

Two points are noteworthy about David Halton in connection with *Dispatches from the Front*, his biography of his father, the great journalist Matthew Halton. First, David was only 16 when his father died. Second, David's own career track—first as print journalist and then as distinguished CBC correspondent—closely mirrored that of his father. Add those together, and it would be reasonable to fear a result of either adoring hagiography, or—just as tiresome—a cri de coeur ultimately more about the writer than his subject.

But just as Matthew Halton was a remarkable journalist, so was—and is—David. The result is an extraordinary book that compellingly limns Matt's extravagant, adventurous, achievement-filled, and far-from-perfect life.

While doing so, David also creates a vivid portrait of one of the most dramatic periods of the last century—the run-up to the Second World War and the conflict itself.

“But just as Matthew Halton was a remarkable journalist, so was—and is—David. The result is an extraordinary book that compellingly limns Matt's extravagant, adventurous, achievement-filled, and far-from-perfect life.”

Born in Pincher Creek, Alberta—a community for which he maintained lifelong affection—Matthew Halton possessed a rare combination of journalistic skills: a gifted writer who was also a diligent reporter. At a time when daily newspapers were the sole credible source of news, he became the *Toronto Star's* London-based correspondent while still in his 20s. From there, he wrote stories syndicated across Great Britain and the United States as well as Canada, while his reputation grew accordingly. He interviewed everyone from King George VI to Franklin Roosevelt, Hermann Goering, Mahatma Gandhi and the indomitable Marlene Dietrich. Most impressively, in 1933, he wrote a 10-part series from Germany in which he forecast the coming dangers posed by Adolf Hitler's rise. Germany, he wrote, “has heard the call of the wild. Pan-Germanism, six centuries old, is on the march again, but in new and demonic form.” In seeing that, he was years ahead of contemporaries—including many Western political leaders initially in thrall to Hitler.

Matthew wielded influence of almost unimaginable proportions, and was not shy to push his views. A keen anglophile, he was a socialist who railed against Britain's stifling class structure—but enjoyed friendships with members of the aristocracy. When war arrived in 1939, he resolved to get up to the front lines whenever possible, and repeatedly put

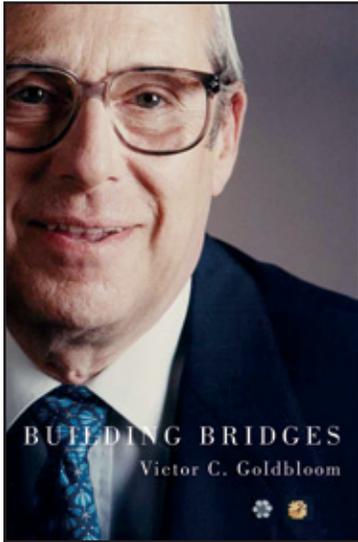
his life at risk. Partway through the war, he was lured from the *Star* by the CBC. His on-air reports, often mingled with live background sounds of gun and mortar-fire, conveyed the terrifying yet exhilarating feel of life on the battlefield in a manner that resonated hugely with listeners. As he recounted in one broadcast: “Here was the spot where we saw the gunners die on their guns...here was the advanced dressing station where we were machine-gunned. Here's where our new boys were caught in the minefield.” He was a Canadian Ed Murrow.

All this is recounted by David—born in 1940—in artful but matter-of-fact prose backed by exhaustive research. He brings his clear-eyed approach to other parts of his father that would have been painful for a son to research. Those include Matt's heavy drinking and philandering and frequent absences from the family despite his genuinely close, affectionate marriage to Jean, Matt's wife—and David's mother. There are frequent references to Matt's excessive drinking, and others chiding him about it. Matt seems to have regarded his lengthy wartime separations from Jean as license to sleep with other women. He implicitly acknowledged that in letters to her. Jean, in turn, was sanguine. “More than three decades later,” David writes, “my mother told me that she accepted that her husband had ‘the occasional one night stand’ during the war.”

By war's end, in 1945, Matt had reached the height of his fame. As David writes: “For Matt, the post-war years marked a slow descent from the summit of his career.” He settled into life in London with his family. Despite his professed love for Canada, he had spent little time there since leaving in 1932. Eventually, his drinking and chain-smoking took a toll. On a tour of Canada in 1956, his mother and Jean became concerned about his gaunt frame, lack of energy and unusual forgetfulness. Back in England, a check-up revealed a tumour. Shortly after an operation he hoped would restore him to health, he had a stroke and died five days later, only 52. A doctor who examined him believed he had ‘early onset dementia’ and that had he lived, “he would never be the great and famous person that he was.” Death, then, came early but as a blessing.

Over the years, his notoriety faded—until this reminder of greatness from his son. Like his father, David couples deft writing with a willingness to do his homework, even when it involves painful revelations about the brilliant but flawed father he so clearly loved. Matthew, based on his own often searingly honest work, would have likely approved. Like father, then, like son. In the best of ways, they deserve each other. There can be no better tribute to Matthew Halton than this superb book. **P**

Contributing Writer Anthony Wilson-Smith, former editor of Maclean's, is President and CEO of Historica Canada.



A Gentleman in Politics

Victor Goldbloom

Building Bridges. Montreal and Kingston: McGill-Queen's University Press, 2015.

Review by Antonia Maioni

History often tends to overlook the quiet builders, those whose contributions solved many pressing problems in crucial transition periods, and whose life-long commitment to public service made a difference to future generations. In Québec, Victor Goldbloom was one of those quiet builders, and a real gentleman in politics. His aptly titled book, *Building Bridges*, reminds us of the significant and lasting impact he and those like him can have in our societies

The Goldblooms are, in fact, a well-known Montreal family: you can find the name of pediatrician Alton Goldbloom (father of Victor) inscribed in the medical faculty's Strathcona Hall at McGill University; and for many years the name of publisher Michael Goldbloom (son of Victor) displayed under the masthead of the *Montreal Gazette* and the *Toronto Star*. But within this illustrious family, it is Victor Goldbloom himself who has had the most remarkable impact on political life in Québec—and Canada.

In this memoir, written as both a chronological narrative and a series of vignettes and speeches, Dr. Goldbloom reminds us of why this is so. A man whose career spanned the last half of the 20th century, he was destined to follow in his father's footsteps as a pediatrician. His stories of his training and practice are an absolute delight—not only for the informative forays into medical history, but even more because they illustrate the often forgotten art of empathy in the medical profession. Dr. Goldbloom's bedside manner shines through as he *cares* for children and identifies what researchers today would call the “social determinants of health” in simply observing and understanding the family situation of his young and vulnerable patients.

For Dr. Goldbloom, however, fate intervened to provide an alternative career path. As the Quiet Revolution transformed Québec society, health care became a key element of its policy agenda. As part of the profession's leadership (a role that already involved a considerable amount of bridge-building between linguistic groups and medical specialties), he became engaged in the political process and was persuaded to run for office. Today's Trudeau-watchers may be interested to know that he was first tapped to run in the riding of Mount Royal (traditionally considered a seat for a member of the Jewish community) for the Liberal Party of Canada, but lost that nomination battle to Pierre Trudeau in 1965. Goldbloom's honest account is not at all bitter; nevertheless, it does not paint a particularly pretty picture of partisan politics nor the machinations for which the federal Liberals are well known.

Instead, “Docteur” Goldbloom became a member of the Québec Liberal team, winning the riding of D'Arcy McGee as an opposition backbencher in 1966 and eventually as a member of Robert Bourassa's provincial government in 1970. Here again, Goldbloom provides an unvarnished account of his years in office, including the dramatic events of

the October Crisis, the controversy surrounding language laws, and insights into many Québec political figures. Goldbloom also unpacks some of the decisions that were strategically risky for his political prospects, but dictated by his ingrained sense to “do the right thing”, a concept that seems to elude many modern-day successors.

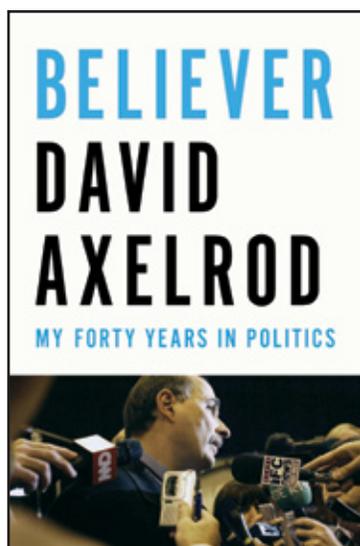
“Goldbloom provides an unvarnished account of his years in office, including the dramatic events of the October Crisis, the controversy surrounding language laws, and insights into many Québec political figures.”

While in office, Dr. Goldbloom did a great deal of bridge-building in the metaphorical sense—as a representative of the English-speaking language minority, as the first Québec cabinet member of the Jewish faith—but he was also a builder in a very practical sense, too. He carried the first portfolio related to the environment in 1970, at a time when much too little attention was paid to these issues, thus carving the path for future interventions. And, as minister of municipal affairs, Goldbloom literally took in hand one of the most challenging projects in Québec's history—the 1976 Montreal Summer Olympic Games—whose preparations were on the cusp of disaster.

After his tenure in political office, Dr. Goldbloom was persuaded to move on to the national scene, turning bridge building into an art form through his leadership of the Canadian Council of Christians and Jews, and then as the Commissioner of Official Languages. Goldbloom makes no bones about the realities of anti-Semitism and linguistic silos in the Montreal of his youth, yet he offers a balanced approach in tracing societal changes as he led these organizations. We sense the dedication and gravitas with which Dr. Goldbloom approached these responsibilities, but also the liveliness that really makes Canada come alive in his accounts. Overall, we see evidence of steady, honest, respectful but firm guidance, and the way in which Dr. Goldbloom transferred his professional capacities (the physician's power of careful observation and prescription) and personal qualities (the moral compass and sense of humanity) into addressing the challenges of religious and linguistic relations.

These challenges are still with us. And they will require new bridge-builders, hopefully inspired by the words and deeds of Victor Goldbloom, to tackle them. **P**

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Being in the Game for the Right Reasons

David Axelrod

Believer: My Forty Years in Politics.
New York: Penguin Press, 2015.

Review by Lisa Van Dusen

Until 2012, when he shaved it off for charity, David Axelrod was known to the general public as “The David with the moustache” from the supporting cast of Barack Obama’s epic presidential narrative; the rumpiled mensch message guru Oscar to David Plouffe’s clean-shaven, intense, organizational-wizard Felix.

In *Believer: My Forty Years in Politics*, Axelrod relives a passion that began when he was five—perched on a mailbox on Manhattan’s Lower East Side, listening to John F. Kennedy stump for the 1960 election—and peaked with his role in the historic 2008 campaign that made Obama, against formidable odds, the

first black president of the United States.

There are campaigns and then there are campaigns. The 2008 US presidential campaign was exceptional because of Obama’s race and the myriad ways in which it defined the story—from the time-has-come appeal of his biography to the crucial way in which his opponents underestimated him as a force to be reckoned with until he won the Iowa caucuses to the Rev. Jeremiah Wright eruption and the landmark Philadelphia speech that cut through the code and addressed the issue head-on.

It was also a great story because of how, as became increasingly obvious as Obama prevailed over the Clinton machine, race became less and less of an issue. As Axelrod’s book reveals and as Obama proved in the 2008 general election against John McCain and in 2012 against Mitt Romney, Obama was the better candidate.

“The campaign Obama, Plouffe and Axelrod ran was a multi-million dollar, breathtakingly viral, ultimately effective experiment in long-game, high-road, strategic vs. tactical politics.”

But for those of us who covered it—I went from volunteering for the Obama campaign in Columbia during the South Carolina primary to covering the campaign and the first 18 months of the administration in Washington for Sun Media—the 2008 campaign was exceptional for another reason, which is central to Axelrod’s book.

The campaign Obama, Plouffe and Axelrod ran was a multi-million dollar, breathtakingly viral, ultimately effective experiment in long-game, high-road, strategic vs. tactical politics.

If I hadn’t seen it for myself in decision after decision on the ground in South Carolina, where deputy national campaign director Steve Hildebrand presided, I probably would have rolled my eyes at this passage in “Believer”:

“Let’s never forget that it’s not just about winning, it’s about why,” I would tell my team. “That’s our edge. We lose that we can’t win.”

While acknowledging that there have been times, including in the toughest days in 2008, when he deviated from that ideal, Axelrod is that rarest of political animals who doesn’t operate on the

default mode of jungle protocol.

There have been other political organizations that have tried to replicate the messaging and mood of the 2008 Obama campaign without adhering to the principles; selling change and social media mastery while making judgment call after judgment call that betray classic political cynicism. The long game isn’t easy in the age of Twitter.

“Believer” isn’t hagiography; it’s the tale of a fateful partnership between a gifted political romantic and the once-in-a-lifetime candidate who combined all the intellectual, personal and retail qualities for a national run, plus a gut reflex to do the right thing.

In an exchange that pollsters, politicians and operatives will laugh out loud at, Axelrod walks in on the eve of the 2008 Indiana primary with new numbers showing them 12 points down, to which Obama responds, “Get the fuck out of here,” adding, “You’re a big downer.” In another exchange, Obama calls Axelrod a mother#%&*er during the dispiriting debate prep ahead of the first, rattling 2012 showdown with Mitt Romney.

So, he’s not invariably Spock-ish, and he’s not always a handler’s dream: His aversion to the performance art of debates is dwarfed only by his allergy to sound bites. But on issue after issue, in crisis after crisis, as Axelrod recounts, Obama chooses principle over political expediency, which, in our current political universe, can seem downright eccentric. It will quite likely be the presidential attribute people miss most about him when he leaves the White House.

In his epilogue, Axelrod laments the fact that Washington now seems a more polarized place than it was when Obama was elected on a mandate to change it. It’s an admission that reminds me of standing on the National Mall on inauguration day, 2009, amid a swarm of two million faces and realizing that, aside from being witnesses to history, they represented an infarction-inducing challenge to the status quo.

Still; saving the economy, reviving the auto industry, enacting health reform, repealing “Don’t ask Don’t Tell”, normalizing relations with Cuba and negotiating a tentative nuclear deal with Iran are no small achievements. Governing is always less fun than campaigning, and governing in a backlash is much more complicated. **P**

Policy Associate Editor Lisa Van Dusen is also Deputy Editor of iPolitics. She was a volunteer in the 2008 Obama campaign, and later Washington bureau chief for Sun Media. livdca@policymagazine.ca

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Ottawa ↔ Québec	1	482 km	5 h 25 min	4 h 39 min	488 \$	55 \$ ¹	433 \$
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