

# SAYOUT

Canada and the world

Summer 2016

*Ideas, Facts, and Opinions for Today*

## But don't we depend on trade?

Canada depends on trade, does she not? Well, not exactly. It's true that trade is important for us because it gives us foreign earnings and makes it easier for us to purchase foreign goods. But we would not starve or collapse as a nation if we didn't have a lot of trade with foreign powers.

Canada has always been a trading nation. Aboriginal nations traded with each other long before Europeans arrived in large numbers. For a long time, after European settlement occurred, Canada traded with Europe by selling massive quantities of furs, fish, minerals, and timber.

When people talk about trade, including so-called 'free trade', they talk about the entire nation being involved and benefiting. But, in practice it's not the entire country, it's mainly large corporations.

Raymond W. Baker, author of *Capitalism's Achilles Heel* (2005), tells us: "Intracompany trade across borders represents about 50 to 60 percent of all cross-border trade." In other words, international trade is mainly about corporate convenience and profit. Not incidentally, it's also about creating jobs where they can most cheaply be created from the point-of-view of top executives.

Some estimates say that about 40% of our economy depends on trade. This is arguable because about half of that percentage involves intracorporate trade, with different corporations moving things around and happening

to cross the border (predominantly with the United States) in the process. Perhaps 20% of our economy now really depends on trade, and this percentage is inflated because of the ideological insistence on expanding trade, almost at all costs.



In May of this year, the Council of Canadians on its website stated: "Trade is important to the Canadian economy to the extent that it enriches communities, respects democracy, and preserves our shared natural environment. But free trade agreements signed by Canada and other countries in the past 30 years have had the opposite effect."

Clearly, the Council makes a serious indictment against our 'free trade' mania of recent years. But they are not alone in their views. At the very least they raise a question that should give our politicians pause and, one hopes, provide some room for serious reflection about the real meaning of trade for Canada.

Could we do without trade? Theoretically, we could. Turning ourselves into a self-sufficient economy would mean major changes and serious disruptions. But nothing compels us to go to extremes, either of no trade or as much trade as possible.

It is possible for Canadians to make things and sell things to other Canadians. We've done this successfully in the past and can do so today.

International trade that truly benefits Canada? – yes. Massive trade for the sake of having massive trade? – no.

## Sorry, but we don't want you here

We know that prejudice exists in the workplace. It can take many forms and potential employers can be prejudiced against certain people or groups of people for a variety of reasons.

We try to make employment possibilities fair in different ways, including suggested quotas for certain groups or laws designed to eliminate discrimination of all kinds. Sadly, some such attempts may actually backfire.

If people lack employment because of prejudice, should we look down on them for being unemployed or not having enough money? Let's think.



Robyn Peterson

**Is summer there for you?**

## Who do we lock away?

*"When petty nonviolent criminals and minor drug offenders receive long prison sentences and crimes of much greater consequence committed by political and corporate power holders go unpunished, it is evident that the domestic security agenda is more about securing privilege than securing the rule of law."*

David C. Korten  
*The Great Turning, 2006*

## Valuable medicine?

For quite a few years now, we've heard the repeated mantra from our governing classes: "We need to cut our expenses; we need to cut, cut, cut!" The continued cutting is supposed to deliver an economy that thrives in every aspect. Spend less and have more. What's a bit of suffering if it delivers good things in the end?

For centuries bloodletting was a key feature of medical treatment. Someone's been hit by a horse and carriage and is bleeding all over? Bring him in and we'll bleed him some more. That should help!

About two hundred years ago, scientists and others began to question the merits of bloodletting in medical practice. They began to look at the evidence and search out the proofs. Still, the bloodletting continued and made it into the twentieth century as a valid form of treatment. Even today some researchers note that bloodletting may be beneficial in certain cases. But they don't recommend reviving it as a major and widespread form of medical practice. If it's used at all, it must be used under well-considered and rare circumstances.

Significantly, George Washington died in 1799 after treatment with massive bloodletting for the pneumonia he had contracted.

In the field of economics we have a form of bloodletting that has become quite popular in the past decade or so. It's called "austerity". It features cuts in government spending, especially in the area of social welfare (but not usually for the police or the military). In effect, politicians and economists say that if you bleed money from the economy, that economy will become healthy again.

Organizations such as the IMF and World Bank have long favoured this approach, especially when applied to very sick economies. So Greece, already in deep economic trouble, was forced to cut government spending



be healthy!

It seems that a few countries have benefited from this economic bloodletting, or so we're told. Ireland is frequently held up as an example of a country that has benefited from this treatment. Here is something Dr Rory Hearne said in the *Irish Examiner* on July 4 of last year:

*GREECE is being told to follow Ireland's crisis solution of harsh austerity and acceptance of bank-and-bailout debt. This narrative conveniently ignores that the Irish 'recovery' has been built on major human rights violations and the undermining of long-term social and economic development.*

This hardly seems like a ringing endorsement from the land of the Irish. Perhaps the "austerity solution" is not as wonderful as we've been urged to believe.

Early in 2013 (Feb 20) Forbes stated that Iceland was a "surprising success story". It noted that after the financial meltdown of 2008 Iceland had introduced currency controls, let its banks fail, supported the poor, and refused to introduce austerity measures. In other words, Iceland had avoided the economic bloodletting "cure" and had become economically healthier as a result.

No doubt many people with good intentions believe that austerity is good medicine for an ailing economy. At the very least, though, we can say that the evidence from reality is not at all convincing on this point. It seems that medicine may be forced on people that does more harm than good. Might the popularity of austerity in the ruling circles be something that is actually dangerous to the well-being of everyone? We're well advised to think and act with care. Bloodletting had its day; perhaps austerity should as well.



Robyn Peterson

**I'm here to keep an eye on things.**

## Where's the FIRE?

Some economists are now using the term 'FIRE' to describe the central area of growth in our economy, especially in 'hot' markets.

This acronym is shorthand for "financial and real estate". These two sectors are the main actors in creating 'wealth' these days.

One can wonder about the reality of the wealth these sectors are creating. What, exactly, is FIRE contributing to future productivity?

### *Deal with the real world*

*Academics and economists need to deal with the world as it is, not the world that is easily modelled.*

Buttonwood,  
*The Economist*, May 1, 2015

## Sayout

**Sayout gives voice to those concerned about where we are in today's world and where we're headed. Here we can talk about issues affecting us right now—in Canada and around the world.**

**Agree or disagree, but think. What is really happening, and what do we need to do? Ask questions of those in power, demand action where it's needed, and don't be misled by saccharine promises or golden phrases meant to soothe but nothing more.**

**This newsletter is free in its e-version form.**

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## Taking It to the Bank

At the end of June, 2015, Kathleen Wynne, premier of Ontario, declared that her top economic adviser was Ed Clark, former CEO of TD Canada Trust. This meant that a top banker's views on economics and economic policy would figure prominently in the government's economic actions in the future. In effect, it demonstrated that Premier Wynne was fundamentally a neoliberal.

Clark had already had an impact with his push to privatize a majority chunk of Hydro One. That sale meant large fees for the power brokers of Bay Street. It also meant depriving Ontario of a significant revenue stream for many years into the future. Perhaps to popularize the financial manoeuvring, Clark has also promoted the idea of selling beer in designated supermarkets.

In his public utterances, Clark has supported the idea of de-regulation for business. No doubt he supports the idea of "labour flexibility" as well. Perhaps he will push for lowering taxes on corporations and cutting social welfare. So a touch of austerity could well form part of his advice and influence.

The record of other countries and their experiences with privatization, limited taxation, and austerity do not build confidence in the idea that bankers' concepts are good for society as a whole. It remains to be seen how well Ontario fares as lean/mean measures continue to be promoted and legislated into life.

### Most of that trading

*"Ninety-nine percent of all trading on the stock market involves speculators selling pre-existing shares to other speculators."*

Steve Keen,  
Debbunking Economics, 2011

## A decent living income

A decent guaranteed income plan would provide people with a living income in their old age. In effect, it would revolutionize the whole issue of pensions and retirement planning. It would certainly lessen the worries of many.

## CPP enhancement?

A federal/provincial ministers conference took place in Vancouver in June. The topic was the Canada Pension Plan and how it might be improved.

The plan was brought in during the Pearson era late in the late 1960s. It was intended as an additional pension plan for people to add to the private pension plans then common in the private sector.

Since the 1960s, many things have changed. Unemployment has increased (although the increase is not always officially acknowledged), underemployment is rife, income inequality is severe, and precarious employment seems to be the new norm. Also, of course, benefits such as company pension plans have been disappearing rapidly.

The results of the Vancouver meeting seem more like a squib than a full-bodied firecracker. But the ministers congratulated themselves on reaching any kind of agreement. We're left to wonder if their 'solution' is real—or is it much ado about too little?

## Bank Fraud Activities

If banks or their employees decide to engage in fraudulent activities, they might engage in these activities:

- ◆ money laundering for criminals
- ◆ promoting the use of tax havens for tax evasion purposes
- ◆ violations of sanctions against certain countries
- ◆ approval of fraudulent financial transactions
- ◆ levying of questionable fees for vague activities
- ◆ misrepresentation of investment possibilities
- ◆ unverified filing of affidavits for credit card debt collection
- ◆ manipulation of certain markets
- ◆ bribing of some officials
- ◆ obstruction of justice

Too many bankers in recent years have earned the title of "bankster". People outside the banking and finance communities need to remain alert. Of course we know that most bankers aren't really banksters — don't we?



Robyn Peterson

**Sometimes people are outraged enough to object in public**

## Real Bolshevism

In the months before the violent uprisings that toppled the Russian Tsar (Nicholas II) and took over the Russian Parliament in 1917, the communists hit upon a brilliant idea. Even though they had minority support among the people, they called themselves "Bolsheviks". In other words, they declared themselves to be the greater or majority group, even though they were not. This automatically made their opponents the "Mensheviks" or minority group, even though they were actually in the majority.

(When McDonald's opened its first store in Moscow in the 1980s, it featured a "Bolshoi" burger in place of the "Big Mac".)

The Bolsheviks of 1917 proceeded to act like a majority movement and subsequently overthrew the Russian parliament (the Duma).

Under the leadership of Vladimir Lenin the communists had used impression management brilliantly and successfully.

In the Western "democracies" today, political parties will routinely declare themselves to be the majority groups after they win elections with pluralities, even though they have the support of a minority of the electorate. Unknowingly, perhaps, they echo the long-ago actions of the Bolsheviks.

Too often they are actually minorities dressed up in majority clothing and will then proceed as though they have the support of the whole of their people.



## Free trade is good – isn't it?

In May the G7 leaders met in Japan to discuss the world's economy and the best means of providing prosperity for all. The phrase "free trade" had prominence in the official pronouncements. This phrase sounds good to many. But does it really represent something good for everyone?

In an article published in March of this year (Alternet), Robert Reich, former Secretary of Labor in the Clinton administration, said the big winners of recent trade deals were large corporations and Wall Street. Slim pickings were available for the rest of us. "Almost all the growth goes to the richest 1 percent."

In the Globe and Mail in May of 2012, economist Jim Stanford said, "Free-trade deals already cover 70 per cent of Canada's trade – yet the more pacts we've inked, the worse our performance has become."

Trade is meant to benefit everyone, not just a few people at the top.

Lee Iacocca, the saviour of Chrysler back in the 1980s said a few years ago: "We worship at the altar of free trade, and it's killing us." (Where Have All the Leaders Gone? 2007). If free trade is killing us, why are our leaders so enthusiastic about it?

One feature of the free trade deals now being negotiated in secret is the *Investor State Dispute Settlement* clause. In its October 21, 2012 issue, the Economist noted, "The highest award so far is some \$2.3-billion to Occidental, an oil company, against the government of Ecuador, over its (apparently lawful) termination of an oil-concession contract."

Canada has already paid out hundreds of millions of dollars to settle investor disputes under NAFTA. By signing on to more trade deals how much more money are we planning to spend to settle such disputes in the future?

If government does something or plans to do something that a private

corporation somewhere in the world believes might deny it the opportunity to make money, the dispute settlement mechanism could come into play. As things stand, our healthcare system is not immune to major disputes. In fact, large insurance companies would love to get in on the healthcare action. They know the profits could be immense.

Because the major trade deals across the Atlantic and across the Pacific are being negotiated secretly, we don't yet know what specific measures are included. But the information that has leaked out so far

is not reassuring. We do know that much resistance has arisen in Germany because of the dispute

settlement clause. Will similar resistance arise in Canada?

The noted economist, Joseph E. Stiglitz said, "Politicians and economists who promise that trade liberalization will make everyone better off are being disingenuous." (Making Globalization Work, 2006).

Given the questionable results of past free trade deals, why do politicians and economists keep pushing them? What could it be? Might they actually be prisoners of traditional and flawed economic belief? Do they hope past failures will bring future success?

In his book, "Zombie Economics" (2010), John Quiggin tells us, "A zombie idea is one that keeps on coming back, despite being killed." When world leaders chant on about free trade, are they really engaging in some sort of zombie dance?

If we want to achieve real and lasting prosperity in this country, perhaps we should be careful about thinking that more free trade deals will provide the promised benefits. They may just give us the spectacle of zombies dancing while corporations and the financial centres of New York, Toronto and London make out like bandits.

**If free trade is killing us, why are our leaders so enthusiastic about it?**

## Use our articles?

Sometimes people want to know about using articles from Sayout in other publications.

The quick answer is: please feel free to do so.

The only thing we ask is that you attach an attribution. If the articles are unsigned, they're written by Robyn Peterson.

Thanks for your interest.



Robyn Peterson

**Don't you want my opinion?**

## Enjoying the heat?

A year ago the Centre for Disease Control (CDC) in Atlanta reported that 7,415 people died of heat-related deaths in the United States between the years 1999 and 2010. This averaged out to about 618 deaths a year.

The David Suzuki Foundation reports that the WHO says that by 2020, Montreal will experience 480 deaths a year from heat and Toronto will experience 270 such deaths. These will be sharp increases from the present.

Enjoy the heat? – maybe.

## Free trade not required

"As South Korea shows, active participation in international trade does not require free trade. Indeed, had South Korea pursued free trade and not promoted infant industries, it would not have become a major trading nation."

Ha-Joon Chang  
Bad Samaritans, 2007