

*"Big Brother," continued
from page 109.*

of focusing on visiting agents, they gave rise to discourses similar to that promoted by the Quebec government in recent years, and indicated how disoriented New Democrats have become. Citizens in these two provinces should be attentive. If the parallel is genuine, these governments' new emphasis on controls will not be confined to people receiving social assistance.

*Alain Noël is Assistant Professor,
Département de science politique,
Université de Montréal. Quebec
Report is a regular feature of
Canada Watch.*

WESTERN REPORT

ONCE MORE FOR GOD AND COUNTRY

by Roger Gibbins

Much as Canadians might wish to ignore the fact, the national unity debate is again coming to a simmer as the Quebec provincial election approaches. Should the pollsters be right and the PQ win, the debate will quickly come to a boil. Given this unwelcome but probable scenario, what is the western Canadian reaction likely to be?

While this question is still hypothetical, it is important nonetheless. In a recent article on the future of Quebec (*Calgary Herald*, April 7, 1994), Edmonton journalist Allan Chambers argued convincingly that in a sovereignty referendum, Quebecers will vote to stay in Canada "if the national context is somewhat welcoming." Stated more emphatically, the outcome of the referendum could hinge as much upon opinion outside Quebec as inside.

If this line of argument is correct, and I suspect it is, the west could play a critically important role given the fact that unsympathetic noises toward Quebec are most likely to come from the west, and from the region's Reform MPs in the House of Commons. If history and recent voting patterns provide a reliable guide, the part of the country most likely to bid Quebec "adieu" will be the west.

THE KNEE-JERK REACTION

What, then, should we expect of the immediate regional reaction to a renewed national unity debate? Certainly, there will be unease with the

inevitable attempts by the federal government to provide financial incentives for a no vote in the Quebec sovereignty referendum, and, indeed, for a Liberal vote in the provincial election. Those incentives, generously financed from a shrinking public purse, will come as surely as night follows day. There will also be unease with the second inevitable response by the federal government, which will be to provide informal ways to meet Quebec's constitutional agenda.

It is unlikely, however, that this immediate response will be crippling to the federalist cause in Quebec. It will be written off as little more than conventional regional carping, the presumed inability of westerners to appreciate the larger interests of national unity. Nor is it certain that the Reform party will be a major source of negative cues for the Quebec electorate. This will depend on whether Preston Manning remains in firm control of his party. If he does, then it is likely that Reform will adopt a conciliatory posture. Manning, after all, has already committed the party to expansion in Quebec.

If anything, it is likely to be the Reform party itself, rather than the federalist cause in Quebec, that could be most damaged in the forthcoming national unity scramble. In an environment where the "maturity" of national parties will be measured by their willingness to pay tribute to the nationalist impulse in Quebec, Reform runs a risk of being a casualty in the national unity debate. It will be the target of unrelenting attacks by the federal Liberals as the latter mobilize the traditional forces of Canadian nationalism in the defence of God, country, and the Liberal party.

DEEPER SOURCES OF UNEASE

The most problematic western Canadian response to a renewed national unity debate is likely to be indifference. Both the free trade

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Canada Watch
Osgoode Hall Law School
Room 454
4700 Keele Street
North York, Ontario
M3J 1P3

Tel: (416) 736-5515
Fax: (416) 736-5546

agreement and NAFTA, which enjoyed strong although not universal support in the west, implicitly urged Canadians to refocus their attention and energies away from the national community to the continental and international economies. Western Canadians have accepted this message with enthusiasm and, as a result, are simply less interested in the evolution of the Canadian federal state.

The survival of Canada, and Quebec's strategic threat to that survival, will not generate the same intense, visceral reaction this time around in the national unity debate. This does not mean that western Canadians do not care, but it also does not mean that they are unlikely to go out of their way to provide a positive or comforting message to Quebec. The danger is that regional indifference may be interpreted as hostility by Quebecers.

Thus, the challenge for the supporters of the federalist option in Quebec will not be to ward off regional hostility from the west, but to penetrate a growing regional indifference. More specifically, the task will be to bring western Canadians into the debate, and to do so in a positive manner. Neither task will be easy in a region whose mind and heart is increasingly to be found elsewhere.

Roger Gibbins is Professor and Head of the Department of Political Science, University of Calgary. Western Report is a regular feature of Canada Watch.

ECONOMIC REPORT

THE ATTACK OF THE BOND RATING SERVICES

by Fred Lazar

DOWNGRADING OF GOVERNMENT DEBT ACROSS CANADA

Part of the federal government's foreign debt was recently downgraded. Last fall, Ontario's debt rating was downgraded. Indeed, most governments across Canada have been subjected to the same experience during the past few years. Unfortunately, it appears that the federal and provincial governments have become totally intimidated by bond rating services, and, as a result, they seem to be willing to consider whatever measures they believe are necessary to control their deficits and maintain their credit ratings.

To preserve credit ratings, and governments are not always successful, during the past year, provincial governments' cumulative deficit reduction strategies have removed about 2 percent from the spending stream in Canada and have contributed significantly to slowing the rate of economic recovery. Slower growth exacerbates the deficit problem by reducing revenue growth and increasing the number of UI and other social assistance recipients.

The "financial" community now seems to dictate the policy course for governments in Canada. Panic overwhelms policy makers when the financial community warns of credit downgrading. Rapid declines in the value of the dollar create equally

outrageous panic since such moves are interpreted by the same financial community as confirmation of their dire concerns with government deficits and debt.

Governments no longer appear to respond to the electorate, but rather to the dictates of the bond rating services and "faceless" international investors—a complete reversal of democracy. Standard & Poor's is not even a Canadian company, yet it wields more influence than millions of Canadians. The Bank of Canada, by acquiescing to higher interest rates in order to support the dollar and drawing arbitrary lines in the sand around the dollar, encourages speculation, adds unwarranted credibility to the Cassandras of government fiscal irresponsibility, and makes deficit reduction more difficult.

DEBUNKING THE CREDIT RATING AGENCIES

But perhaps it is time for governments in this country to challenge the credit rating agencies and their followers in the financial community. Saskatchewan and Newfoundland have the lowest credit ratings among the provinces and, as a result, are extorted into paying a substantial interest rate premium in order to borrow. The downgrading of Ontario's credit rating is expected to cost Ontario taxpayers up to \$25 million more a year in interest payments. The unnecessary upward spike in Canadian interest rates, as a result of the latest and assuredly not the last "currency crisis," may cost Canadian governments collectively \$5 to \$15 billion, depending on how long rates remain at the "post-crisis" levels.

Are these risk premiums stemming from downgrading of debt warranted or are they just a form of blackmail? Does anyone really ex-

Continued, see "Bond Rating Services" on page 112.