

riod, the provincial one as the second, and the referendum on sovereignty as the third.

With a strong Bloc contingent in the House of Commons, sovereigntists will have a good lead going into the second period. Ahead in the polls, the PQ is also likely to take power in 1994. The best chance of the Quebec Liberal party is to choose a leader who can convince voters a genuine renewal is possible. Now that Industry, Commerce and Technology Minister Gérald Tremblay has withdrawn from the race, leaving Treasury Board Chair Daniel Johnson as the sole contender, the chances of doing so seem almost nil.

Of course, nothing prevents sovereigntists from losing in the third period. Uncertain and fragile, the support for sovereignty remains under the 50 percent threshold. Still, as any coach would concur, Parizeau's odds are better with a strong lead after two periods.

If the first period teaches us something, it is that one should not too readily discount the importance of sovereigntist sentiment in Quebec. Never has a Quebec political leader run so openly on a sovereigntist platform. Yet, even the *Conseil du Patronat du Québec* has good things to say about Lucien Bouchard and the Bloc québécois.

Because they underestimated the current strength and legitimacy of the idea of Quebec sovereignty, and because they chose to attack Bouchard's aims and intentions rather than the relevance of his presence in Ottawa, Kim Campbell and the Conservatives wasted the few opportunities they had to recover some of Quebec's nationalist vote.

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ECONOMIC REPORT

GOVERNMENT AND THE ELECTION

by Fred Lazar

THE ROLE OF THE GOVERNMENT

James Laxer, writing in the Sunday, October 3 *Toronto Star*, properly identified the fundamental issue in the federal election — namely, “the role of government in Canadian society.” He emphasized that “[e]veryone recognizes that finding our way in the new global economy requires immense adjustment. Whether we are talking about job creation, the deficit or social programs, what Canadians are pondering is the role government should play in helping us make the adjustment.”

In this debate, the NDP, the National party and the Bloc québécois stand on one side believing that government must play an active and expanded role. Although the NDP and the National party stress this role for the federal government, the Bloc's position is that effective intervention can take place only at a regional or provincial level. On the other side of the debate are the Conservatives and the Reform party.

The deficit stands out as the focal point for the debate. Thus far, the debate has only touched on the question of how quickly the deficit should be reduced. The Conservatives and the Reform party have argued that it is imperative that the federal government eliminate its annual budgetary deficit quickly. The Conservatives are willing to take five years, Reform only three. The NDP and the

Liberals have not set a zero-deficit target. Both parties agree, however, that the deficit should be reduced, but at a gradual rate determined by the strength of the economy.

The Conservatives and Reform believe that sustained economic recovery requires balanced budgets. The NDP and the Liberals believe that the weak economic recovery needs the fiscal and monetary stimulus that only government can provide at this time. Who is right?

This question is reminiscent of one that has plagued economic theory for over 50 years — do deficits matter?

DO DEFICITS MATTER?

Several arguments have been posited by neo-conservative economists suggesting that deficits cannot produce higher growth rates. Among the more prominent arguments have been the following:

- the financing of investments by the private sector is squeezed out by the need to finance government deficits;
- the government will not fool individuals and companies into spending more by running a deficit because they recognize that deficits and the accumulated debt eventually must result in higher tax burdens;
- using the central bank to finance all or part of a deficit will lead to higher rates of inflation and economic stagnation;
- there is no concrete evidence, other than during wartime, that deficits have ever produced higher growth; and
- persistent deficits result in higher interest costs for government and the interest burden requires an increasing proportion of government revenues, which leaves less for other forms of government expenditures.

At this time, all these arguments can be refuted in Canada. Economic uncertainty and a fragile recovery are holding back investment spending by the private sector. Deficits and debt do not have to lead to higher

Continued, see “Government and Election” on page 44.

**"Government and Election,"
continued from page 43.**

taxes. And even if taxpayers believe that their future tax burden would increase, there is no solid evidence that this would result in their curtailing their spending today. Weak consumer spending can be attributed to the same uncertainties that inhibit corporate spending on investment.

The central bank has sufficient autonomy in Canada to make it unlikely that the current or future governor of the bank would abandon entirely the fight against inflation to help the government finance its deficit. The sharp increase in interest costs for the federal government during the past five years was, in

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large part, the result of the Bank of Canada's fixation on eradicating inflation and the steep increase in real interest generated by the bank's anti-inflation policy.

There is some evidence, admittedly not very convincing, that deficits have stimulated growth. The larger deficits deliberately orchestrated by the 1983 and pre-election 1988 budgets in Canada played a role in generating economic growth. The economic boom in the United States during the mid-1980s was driven by defence spending, lower taxes, and a stage set for the future government bail-out of the savings and loan industry.

However, weak economic growth during the 1990s in Canada, the United States, and Europe, although initially caused by anti-inflation monetary policy, has been prolonged by repeated attempts to reduce government deficits. The California economy

is still in a recession because of federal and state spending cuts. Indeed, at the last formal G-7 meeting, reducing deficits was the top priority. And this was the most pressing matter for the IMF and the World Bank until they recently came to see continuing high rates of unemployment and weak economic growth as more perilous than deficits.

So, do deficits matter? Not really, as long as they are not allowed to get entirely out of control.

THE SIZE OF GOVERNMENT

If the federal deficit is not at a critical level today, why the concern?

The attack on government deficits by neo-conservatives was motivated primarily by the desire to scale back the size and scope of government intervention. For, once the budget is balanced, the battle cry will be for surpluses so that tax rates can be cut. A balanced budget is seen only as one point, albeit quite an important one, along the path to a zero debt and small government. Prime Minister Campbell has raised the prospect of and desire for eliminating the federal government's debt.

A zero-debt strategy obviously would entail a smaller role for government and necessitate a fundamental restructuring of spending priorities and Canada's social programs. The Reform party has been quite explicit about this. The Conservatives have not. Their program to reduce the deficit to zero within five years skirted this issue by using Don Mazankowski's April pre-election budget and forecasts as the basis for its projections.

Unfortunately, the April budget forecasts have no credibility. The Finance Department has been wildly wrong for the past 15 years in forecasting future budget balances. During the Mulroney years, each budget had only a five-year horizon. Re-

ductions rarely materialized. There is no reason to believe that the most recent forecasts will be any more realistic.

On the basis of Finance's track record, it is quite likely that the recently announced modest spending cuts by the Conservatives will do little to lower the deficit below the \$25 to \$30 billion range. Hence, drastic spending cuts will be necessary if a Conservative government is elected and it intends to keep its

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election promise of a zero deficit within five years. The NDP is right in warning that a Conservative government committed to a zero deficit will bludgeon the existing social welfare system.

DO DEFICITS HELP?

Nevertheless, although deficits do not really matter at this time in Canada, despite what the financial community might have the rest of Canada believe (by the way, the financial community has profited quite handsomely from the financing of the deficit), neither the NDP nor the Liberals have called for a significant increase in the size of the deficit to stimulate the economy. In theory, a large deficit would increase demand and strengthen the underpinnings of the recovery. But at this time in Canada, a larger federal deficit would have little positive impact on growth and employment.

Every provincial budget tabled this year has incorporated spending cuts or higher taxes or a combination of the two. The collective impact thus far of provincial deficit

reduction actions has been to subtract between \$15 and \$20 billion from the economy and to weaken growth by close to 3 percent.

More important, in a small economy, such as Canada's, there is little scope for the central government to use budgetary or monetary policies to stimulate the economy. Our trading partners would be the main beneficiaries of increasing government deficits. Even the United States acting on its own would have difficulty stimulating its economy and becoming the engine of growth for the world economy.

Clinton's original stimulation package, totalling about \$60 billion in new spending and tax incentives, was ridiculed for being insignificant in a \$7 trillion economy. The scaled-back version would have even been less effective and, not surprisingly, was easily sacrificed to the deficit-reducing fanatical hordes in Congress.

As long as the other members of the G-7 remain committed to reducing their respective deficits, the world economy and the Canadian economy will continue to struggle along. Only a concerted effort by the G-7 to provide stimulus will propel the world economy onto a higher growth path that may begin to make some inroads into the tragically high unemployment levels. Getting the G-7 to act on the fiscal side will prove to be much more important for the health of the world economy and for tackling the unemployment crisis in Canada than completing the current round of GATT negotiations. In other words, if the G-7 have to concentrate their efforts in one area, it should not be the GATT.

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LEGAL REPORT

DYING LEGALLY

by Joan M. Gilmour

In December 1992, Sue Rodriguez, a 42-year-old woman suffering from amyotrophic lateral sclerosis (ALS), sought a court order declaring that the section of the *Criminal Code* that makes it a criminal offence to assist in suicide was invalid because it infringed her rights under the *Charter of Rights and Freedoms*, and sought a further order allowing a physician to provide the means whereby she might end her own life. Ten months later, on September 30, 1993, the Supreme Court of Canada in a 5-4 decision affirmed the lower courts' rulings that the prohibition in the Code did not contravene the provisions of the Charter.

ALS is an inevitably fatal disease, characterized by generalized and increasing loss of voluntary and involuntary muscle function. It does not, however, affect mental capacity. Although Sue Rodriguez had no wish to die while she could still enjoy life, she anticipated that by the time she ceased to do so, she would be physically unable to end her own life without assistance. Attempting suicide has not been a criminal offence in Canada since 1972; Rodriguez asserted that continued criminalization of assisting in suicide infringed her rights under sections 7, 12 and 15 of the Charter, which guarantee the rights to life, liberty and security of the person, to freedom from cruel and unusual treatment or punishment, and to equality.

RODRIGUEZ V. BRITISH COLUMBIA (A.-G.)

With the exception of Lamer C.J., who rested his dissenting opinion on the ground that the prohibition on

assisted suicide breached Rodriguez's equality rights, all of the remaining judges agreed that it infringed on the security of the person guaranteed her under section 7 of the Charter. The question that divided the court was whether that infringement was nonetheless in accordance with the principles of fundamental justice and, hence, permissible under section 7, and whether it could be upheld under section 1 of the Charter.

Writing for the majority, Sopinka J. built on the court's earlier decision in *R. v. Morgentaler* to conclude that "security of the person" includes a right to personal autonomy — to make choices about one's own body, control over one's physical and psychological integrity, and basic human dignity — "at least to the extent of freedom from criminal prohibitions which interfere with these." The court affirmed that competent patients can refuse even life-preserving medical treatment, thus effectively approving of lower court decisions in *Malette v. Shulman* and *Nancy B. v. Hôtel Dieu de Québec*.

ACTIVE AND PASSIVE INTERVENTION

The court also accepted that physicians can provide palliative care to terminally ill patients even if the effect of such treatment will be to hasten death. Although these are important pronouncements for patients and health care providers with respect to the legal status of their actions, they still do not satisfactorily resolve the conundrum presented by the legal distinction drawn between what Sopinka J. termed "active and passive forms of intervention in the dying process." The distinction has been the subject of cogent criticism both in academic writing and in recent judicial decisions, such as that of the House of Lords in *Airedale NHS Trust v. Bland*. It reflects an uneasy

Continued, see "Dying Legally" on page 46.