



Practical and Authoritative Analysis of Key National Issues

SPECIAL BUDGET REPORT

THE FIRST MARTIN BUDGET

by Fred Lazar

BUDGET GOALS

On February 22, Paul Martin tabled his first budget. The budget speech sounded more like a throne speech since it outlined many important areas (social, economic, environmental) that were being studied, and for which major reforms, with significant budgetary implications, would be introduced during the next 18 to

24 months. Although the overview in the budget plan stated that "[t]his budget represents the first phase of a two-stage process which will culminate in the 1995 budget," this budget more likely represents the easy first stage of at least a three-year process. The budget, however, did appear to

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SOCIAL PROGRAMS

by Janine Brodie

Paul Martin may have worn workboots instead of Bay Street brogues to deliver his first budget but his footwear did not change the message that has become all too familiar to Canadians. The new Liberal government, like its Conservative predecessor, announced that it was going to put even more stress on Canada's fraying social safety net. In fact, Martin told Parliament that, "for years, governments have been promising more than they can deliver, and delivering more than they can afford. That has to end. We are ending it."

With that, Martin embraced what critics are now calling "the politics

of stealth." This politics, which was perfected by the Mulroney Conservatives, enables governments to enact major changes in social policy incrementally and silently through complex changes to regulations and a succession of budget cuts. Both unemployment insurance and federal transfers to the provinces fell under Martin's knife. At the same time, he gave Canadians notice that "the days of government simply nibbling at the edges" of the social security system are over. Within two years, the federal government intends to completely overhaul Cana-

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set out the financial constraints for the various reforms. But an expenditure projection for fiscal years beyond 1994-95 is not a fixed commitment, and history suggests that revisions are more than likely.

This budget had three objectives: enhance growth and job creation, improve the efficiency of government services, and secure the interim target of a 3 percent deficit-to-GDP ratio by 1996-97. Although it is difficult to assess whether the measures announced in this budget would, indeed, improve the performance of government, it is not difficult to determine that this budget will accomplish little on the job creation front or in significant deficit reduction. But these last two goals are incompatible with one another in the short run.

Strong attacks on the deficit would destroy jobs. Sharply accelerating the rate of job creation would push the deficit to record highs. Nevertheless, in the light of the Liberal's commitment to lowering the deficit-to-GDP ratio to 3 percent within three years, the finance minister should be commended for selecting the deficit reduction path of gradualism this year. This will provide the government with some breathing space to reconsider its deficit target and for the public, in particular the financial markets, to re-evaluate for a steep deficit reduction path.

JOB CREATION

The following measures were introduced in the budget to sustain economic growth and create jobs: funding for the initiatives in *Creating Opportunity*, funding for innovative approaches for social security and adjustment assistance programs, funding for the space sector, and freezing UI premiums at 1993

levels. As noted in the budget, "\$1.7 billion is being provided in 1994-95 and \$7.5 billion over three years."

Even assuming that each dollar devoted to these initiatives does lead directly to job creation, and taking into account that for every dollar the federal government will spend in infrastructure the province and municipalities will spend an additional two, in a \$700 billion economy, the amounts are trivial. Moreover, deficit reduction measures adopted by the provinces will overwhelm any possible job creation impacts of these federal measures. But the federal government could have made matters worse by not even pursuing these programs.

A more careful look at the initiatives suggest that the dollar amounts that will have a direct effect on jobs are much smaller than the figures cited in the budget. For example, the budget just reverses the December 1993 decision to increase UI premiums. The net effect will be to keep premiums at their levels when the Liberals came to power and so, at best, the impact on jobs is neutral. The *Creating Opportunity* initiatives contain several measures that have great social value but little, if any, job creation potential. At this time, it is unclear what exactly the new approaches to social security and adjustment will look like, whether they will be in place before the end of the fiscal year, and whether they will have any job creation effect. As for the funding on the space plan, only \$14 million will be spent during the 1994-95 fiscal year.

GRADUALISM IN DEFICIT REDUCTION

The budget describes why the deficit projections made in the April 1993 budget will prove to be dramatically off the mark. The principal factor appears to be the gross overestimation of revenues. The revised deficit forecasts for 1994-95

and 1995-96 have been increased from \$29 and \$21 billion to \$41.2 and \$40.6 billion, respectively. But the new forecast for 1995-96 seems to contain a "fudge" factor of \$2.8 billion for failure to pass legislation to cap growth in the Canada Assistance Plan transfers to non-equalization-receiving provinces. If one removes this particular adjustment, the revised deficit forecast for 1995-96 stands at \$37.8 billion.

The various measures announced in the budget for 1994-95, and promised for 1995-96, are expected to generate budget deficits of \$39.7 and \$32.7 billion respectively. When these figures are compared with projected deficits without any of the proposed expenditures and revenue changes, we notice very little improvement. This budget reduces the deficit for this fiscal year by \$1.5 billion and is expected to reduce the deficit for the next fiscal year by \$5.1 billion. There is no assurance at this time that the 1995-96 target will be achieved. But as suggested above, the finance minister should be lauded for choosing not to be more aggressive in slashing the deficit.

EXPENDITURES STRATEGY

The budget essentially proposed to freeze total program spending in 1994-95 and 1995-96 at last year's level (approximately \$122.5 billion in 1992-93). These expenditure limits would represent real declines in spending and even larger declines in real spending per capita, so the government has opted for serious spending restraint.

There are three major areas for which expenditures are projected to actually decline in nominal value: UI benefits (from \$19.1 billion in 1992-93 to \$17.3 billion in 1995-96), defence (\$11.2 billion in 1992-93 to \$10.5 billion in 1995-96), and government operations (\$20.1 billion in 1992-93 to \$19.6 billion in 1995-96). The largest expected

spending cuts are to occur in UI payments. Although the reforms proposed in the budget for the UI program are reasonable (reductions in maximum duration of benefits, increases in minimum entrance requirements, restructuring of benefit rates), we must question the wisdom of the magnitudes of the cuts, given the present and projected high unemployment rates, and why these changes have been announced while the government has initiated a review of the overall UI program.

The aggregate budgetary expenditure figures mask a potentially serious problem for the federal and provincial governments. The budget projects a modest increase in federal transfers to the provinces for EPF post-secondary education and the Canada Assistance Plan in 1994-95 and 1995-96. However, table 9 of the budget shows that the total expenditure for these two transfer programs is expected to be scaled back by about \$500 million to the 1993-94 level of spending in 1996-97. The federal government appears to be telling the provinces that the negotiations on transfers are subject to definite spending constraints and that cost savings must eventually be found. This sounds very much like the Ontario government's social contract approach to negotiations. Everything is negotiable as long as total spending is lowered.

REVENUE STRATEGY

The finance minister announced a number of tax reforms that will broaden the tax base and supposedly will make the tax system fairer. In 1994-95, these changes are expected to increase revenues by \$575 million. But even if the projected increases in revenues, resulting from these tax changes, are removed from the revenue estimates for this and the following fiscal years, the government appears to be relying on a substantial increase in revenues, increases exceeding the growth of nominal GDP.

The anticipated increases in UI contributions and the GST for both these years, and for personal income tax revenues in 1995-96, are problematic. They are out of line with the growth of the economy, and in the case of the UI premiums appear to be inconsistent with the measures to freeze premium rates. It will be interesting to compare the actual figures in 1995-96 with these projections to see whether the Finance Department has once again been too optimistic in projecting revenues.

Furthermore, the UI figures for both contributions and payments seem odd. In theory, the UI system is supposed to be fully self-financing. However, contributions are estimated to exceed payments by \$1

billion in 1994-95 and \$3 billion the following year. Nowhere in the budget is there any explanation of why the UI program will be allowed to generate surpluses and why premium rates will not be lowered to keep contributions in line with the lower payments.

WRAPPING UP

As in all budgets, there are elements of wishful thinking and creative accounting (especially with regard to the potential savings in future years), loose ends, and the roots for future problems. It is difficult to judge at this time whether this budget is better or worse than its predecessors in these areas. But this budget should be viewed as an interim financial document and outline of government programs and strategies. The real challenges lie ahead and next year Paul Martin may have a more difficult time in walking the fine line between job creation and deficit reduction. Perhaps, the best is yet to come for the finance minister, or maybe, next year's budget will be his last.

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*“Social Programs,” continued
from page 85.*

da’s social welfare system. The 1994 federal budget, in Martin’s terms, “sets in motion the most comprehensive reform in government policy in decades.”

Over the past decade, Canada’s social programs have taken a sustained beating through the budgeting process. The Conservatives effectively put an end to the principle of universality by “clawing back” old age security and family allowance benefits. They also wrote new limitations and exclusions into the unemployment insurance legislation. Most significantly, however, they rewrote the terms of the federal government’s contributions to CAP and the EPF — effectively off-loading the crisis in funding social welfare, health care and post-secondary education onto the provinces. They, in turn, have been forced to use the budgetary process to further reduce the social welfare net.

It is still not clear what the federal government intends to do with the social welfare regime that was built up piecemeal in the postwar years, but some of the contours of the new order are already visible. The first foundational shift is from a so-called passive to active welfare model. It is difficult to ignore the obvious valorization of the emerging new order encoded in these terms. Nonetheless, they signal a shift in the philosophy of welfare provision away from the protection of people who are either temporarily displaced or unable to participate in the wage economy to a new regime where participation in the job market or retraining is a condition for assistance. The idea here is that all able-bodied people are effectively “undeserving” of assistance if they don’t try to retrain to better compete in the job market or take some form of work to “top up” their social assistance incomes. This new


preoccupation with “employables,” and youth in particular, reflects their growing numbers on the welfare roles. Faced with the spectre of another “lost” generation of unemployed young people, the Martin budget also announced its intention to launch the Youth Service Corps “in the near future.”

The budget speech was silent about how the federal government intends to reform the social security system even though it has been under the bureaucrat’s microscope for some time. Moreover, Human Resources Minister Axworthy has already expressed his approval for some new provincial programs—New Brunswick’s in particular—because it acts as a “launching pad into the job market.” In keeping with the idea that the provinces will invent the new welfare regime, the budget made some \$800 million available to them to experiment with “innovative approaches” that “will work more effectively in the future.”

There is a new consensus building about Canada’s social welfare system both in Ottawa and the cash-strapped provinces. Although the “newspeak” is couched in the most positive terms, the system is being redesigned to make it more restrictive, especially for those deemed employable. The intent is to force them back into the job market, even if the only jobs available are “non-standard” — that is, part-time, insecure, and poorly paid. It is no coincidence that these are precisely the kinds of jobs that are now being created by Canada’s restructured economy. These “active” social welfare programs serve to make the poor dependent on some form of employment to top up their social assistance and promote an image of the “undeserving” poor as those who do not participate in some form or another in the job market. This image is perhaps especially threaten-

ing to single mothers, the majority of whom live in poverty.

Whether Canada eventually ends up with a new social welfare system modelled after the American “workfare” or a more progressive retraining scheme, one thing is certain. Over the course of the next year, federal and provincial politicians are going to bombard Canadians with the message that our once cherished “social safety net” is contributing to the poverty cycle and welfare dependency. Canadians will be told that we need an innovative system — one that is affordable and serves as a springboard to a job, any job. In the process, we will be encouraged to think about the jobless either as undeserving of assistance or as people whose skills don’t match the market. Left unquestioned will be our “restructured” political economy that is unable to provide employment for an unacceptable and ever-growing number of Canadians.

Janine Brodie is Robarts Chair of Canadian Studies 1993-94 and Professor, Department of Political Science at York University. This text draws upon the Eighth Annual Robarts Lecture in Canadian Studies. 

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THE DEFENCE CUTS

by Keith Krause

"Seven billion dollar cut in defence spending" over five years, read the headlines the day after the federal budget was presented. There was, however, both less and more to this statement than met the eye.

From the more jaundiced perspective, the cuts were not as severe as the \$7 billion figure suggested. Fully one-half of this reduction from *planned* spending (\$3.6 billion) was accounted for by the cancellation of the EH-101 helicopter contract. Of the remainder, \$1.8 billion was to be recovered by reductions in operations, training, R & D, and construction, \$850 million from base closures, and \$620 million from savings in capital and equipment acquisitions, spares, and repairs. Moreover, overall defence spending will fall from \$11.3 billion in 1993-94 to \$10.8 billion in 1994-95 and to \$10.5 billion in 1995-96.

From a less cynical point of view, the cuts to defence spending did represent a first attempt to make serious changes to some of the operations and programs of the Department of National Defence. Over the next four years, more than 16,000 jobs will be eliminated, on both the civilian and military side. These job cuts are real: the uniformed side of DND will have dropped from 89,000 in 1989 to 67,000 in 1998, a reduction of almost one-quarter. The story on the civilian side is equally dramatic, with cuts of 8,400 jobs or 25 percent of the workforce. Further elimination of up to 3,000 jobs could also be in the pipeline.

It is not clear, however, that these cuts are part of a coherent and well-planned attempt to reshape Canadian defence and security policy. Of

course, budgets are not policy, and the long-awaited defence review will only begin later this year, but the initial portents do not augur well. The most immediate focus of attention was on base closures; the more problematic future planning and policy-making issues appear to have been deferred.

The closure of 4 bases, 4 military colleges and staff schools, and 13 other installations (with reductions or cancellations of 12 other facilities) was long overdue. For some time now, the department has wanted to close redundant facilities, many of which date from a time when the overall size of the armed forces was much greater, and which today serve as purely "regional economic subsidies." What was previously lacking, however, was the political will to carry out the closures. So far, the backlash against closures has been muted, except in the case of the Collège Militaire Royal St. Jean, the only fully bilingual military college in Canada. Overall, the closures suggest that defence policy may be slowly uncoupling itself from regional economic policies, but the closing of colleges and staff schools will undoubtedly affect future training and education levels within the forces.

The economic impact of base closures will also be high in places such as Cornwallis, Chatham, or St. Jean-sur-Richelieu. Information supplied by National Defence appears, however, to have minimized the predicted impact by maximizing the "region" against which the economic impact is measured. For example, the closure of the Downsview base will only reduce employment and output in the metropolitan Toronto area by one-tenth of 1 percent. But in North York, the impact of the reduction in spending of between \$60 and \$70 million will be much greater. Which standard is appropriate?

The budget ultimately raised many questions about the future of defence policy, especially the missions and capabilities of the Canadian forces. The most seriously squeezed part of the budget in the short term appears to be equipment procurement, especially if the cancellation of the EH-101 helicopters means that any future replacement must come out of existing procurement budgets and compete against other planned projects. Procurement will hover at around 20 to 25 percent of total spending (precise figures are not available), which is a lower percentage than in many western states. The long-term consequences of this policy are evident: aging helicopters, tanks, and aircraft. At some point, decisions will have to be made either to replace these systems or to abandon the missions that rely on them.

This issue is closely aligned with the upcoming defence review. Although Defence Minister Collette carefully pointed out that the budget decisions "neither pre-empt nor prejudice the outcome of the defence policy review," the parameters of Canadian defence and security policy will continue to be set by fiscal considerations. Here the department appears to be indulging in some wishful thinking. The impression it clearly wants to leave is that it has already made the requisite sacrifices, and ought not to be the target of future cuts in government spending. This is highly unlikely—a recent CROP poll in Quebec, for example, found that 82 percent of respondents felt defence was an appropriate place to make future cuts in government spending (placing it far ahead of arts and culture or business grants, welfare, or regional development).

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"The Defence Cuts,"
continued from page 89.

The amount that Canadians are willing to pay for "defence and security" will almost certainly continue to shrink and the missions and capabilities of the Canadian Forces thus be thought through from the "bottom up" with a keen eye to what Canadians are willing to pay for. But a large, entrenched bureaucracy, at least judging from its past record, is unlikely to generate the fresh new ideas that will be needed to provide Canadians with armed forces that are effective, affordable, and publicly supported.

Professor Keith Krause is Acting Director, York Centre for International and Strategic Studies at York University.



MARTIN BUDGET PUTS OFF TOUGH CHOICES TO NEXT YEAR

by Patrick J. Monahan

Elected on a platform that talked vaguely of "restoring hope," Finance Minister Paul Martin moved into his new office only to discover that the federal deficit had ballooned to well over \$40 billion. The problem for Martin was that there wasn't the constituency, either in the country at large or in the Liberal caucus itself, for serious action on the deficit. Sooner or later, Martin was going to have to be the bearer of some very bad news for Canadian taxpayers, but just four months into the mandate seemed a little too early to begin doling out harsh budget medicine.

SAME TIME NEXT YEAR

Martin's February 22 budget was largely a stand-pat effort establishing \$40 billion as the new benchmark for "acceptable" federal deficits. Just a year ago, Finance Minister Don Mazankowski had predicted that the federal deficit for 1994-95 would be \$20 billion, while net public debt would stand at \$520 billion. Martin's budget plan called for a deficit that was \$10 billion higher than Maz had forecast, while net public debt is expected to reach \$550 billion by year's end. Total federal debt will hit 75 percent of gross domestic product (GDP) this year, on a seemingly inexorable rise toward a "perfect" 100 percent.

The federal government's finances appear to be in a bit of a shambles. Yet, the financial markets reacted with a remarkable, almost eerie calm to Martin's budget numbers.

Analysts apparently took comfort from Martin's prediction that the deficit would decline to a mere

\$32 billion next year on a downward path toward the Liberal target of 3 percent of GDP by the end of the mandate. But Martin's predecessors at Finance made similar rosy predictions in the past, only to find themselves proven wrong every time. Why should anyone have faith in the new minister's assurances that the deficit might be too high today, but it would certainly be brought back into line by this time next year?

The answer, according to Martin, lies in the utter reasonableness of his economic assumptions. Martin went out of his way to emphasize how prudent he had been in his estimates of economic growth and tax revenues for the next two years. He explained that the forecasting gaffes of Wilson and Maz had been a product of overly optimistic economic assumptions, while he had deliberately chosen planning assumptions that lay at the "low end" of the range of views from private sector economists.

LOOKING AHEAD IN THE REAR-VIEW MIRROR

Martin's economic assumptions do appear to be more reasonable than those of his recent predecessors. But his forecast for the deficit a year or two years from now will almost certainly turn out to be wrong again.

The reason is simple: no one has yet discovered a way to accurately predict the future. The size of the deficit 12 months from now will be affected by a whole host of economic and political events that we have no way of even imagining today. This makes the task of forecasting the deficit two or three years down the road little more than educated guesswork.

What makes Martin's forecasts particularly vulnerable to being sideswiped by future events is the huge stock of federal debt that has been built up over the past two decades. Ottawa expects to pay over \$41 billion in interest this year alone

on the money it has borrowed in the past. But even a modest 1 percent rise in interest rates would send those costs much higher, as is indicated in the table below.

Impact on Federal Deficit of 100-Basis Point Change in Interest Rates

Estimated Changes to Fiscal Position
(billions of dollars)

Year 1	Year 2	Year 3	Year 4
1.7	2.5	3.0	3.5

Source: Canada, Department of Finance, *The Budget Plan*, 65.

As the table indicates, a 1 percent rise in interest rates adds \$3.5 billion to the deficit by year 4. Finance Minister Martin forecast short-term interest rates in the range of 4.5 percent for the coming year, an estimate that may well have been reasonable in late January. But the bank rate rose by 26 basis points between February 4 and March 8 alone, in response to rising rates in the United States.

Moreover, the run-up in interest rates in February and early March does not take into account a possible further bump-up in interest rates due to uncertainty over the outcome of the Quebec provincial election. Premier Daniel Johnson, who must go to the polls by November 28, has been buoyed in recent weeks by an unexpected by-election win in Shefford and by polls showing his governing Liberals neck-and-neck with the PQ.

But those poll results are deceptive. With Liberal support heavily concentrated in anglophone ridings in the Montreal area, the Liberals need to be 6 to 10 points ahead of the PQ in order to have any chance of capturing a majority. The smart money would still seem to favour a PQ win when Quebec goes to the polls in a few months time.

The PQ has promised to hold a referendum on sovereignty within a year of forming a government. That means a PQ election win would translate into political uncertainty, which in turn would trigger higher

interest rates with the devastating consequences for the federal deficit outlined above.

But higher than expected interest rates are just one of the factors that threaten to derail Martin's deficit projections. Another unknown is the extent to which the growth in the underground economy will depress Ottawa's tax revenues below their expected levels, even as the overall economy moves into an expansionary phase.

FIGHTING THE WALL

There has been increasing discussion in the past 12 months of the possibility that Canada will run into a "debt wall" at some point in the not too distant future. This is the point where foreign lenders become unwilling to finance further public borrowing, triggering a forced downsizing of government and punishing tax increases that would make the "slash and burn" tactics of the past nine years of Tory rule look like child's play.

No one knows if or when Canada might "hit the wall." But what seems beyond dispute is that the country's finances are extremely precarious and are prone to be thrown off-balance by the slightest gust of wind from an unexpected direction.

Sure, we might get lucky. Quebecers might decisively reject sovereignty, the economic expansion might pick up steam, interest rates could stay low, the underground economy could peter out, and federal revenues could bounce back strongly. But if some or all of these happy events fail to materialize, Canadians may find out sooner than they might have expected that there are limits to the appetite of foreigner bond holders for Canadian debt.

Patrick Monahan is an Associate Professor at Osgoode Hall Law School, York University.

No Room To MANOEUVRE

by *Kenneth McRoberts*

Throughout Canada, governments are finding themselves with less and less room to manoeuvre. Strategies that worked well in the past are no longer available. Policies and systems that have been in place for decades are headed for radical change.

BACKING OFF ELECTORAL COMMITMENTS

Already, the Chrétien government is finding itself forced to back off commitments that it made during the election campaign just a few months ago. In devising his recent budget, Finance Minister Paul Martin tried to pursue a "balanced" course. Although he successfully resisted pressures for a substantial hike in taxes, there is every expectation that next time around he will have to give in. Martin was forced to declare the closure of armed forces bases that the Liberals had promised would stay open. And he announced a reduction in unemployment insurance benefits—a measure that apparently caused dissension in the Liberals' own ranks. Coupled with this, as Fred Lazar notes in his article, is the announcement of projected cuts in federal transfers to the provinces for higher education and social assistance. In this, the Chrétien government is following in the footsteps of its Tory predecessors.

At the same time, the Chrétien government has felt compelled to initiate a comprehensive review of social policy. During the election campaign it had attacked the PCs for having a secret agenda to scale down the social security system and had derided Campbell's claim that an

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from page 91.**

election campaign was not the time to debate such changes. Now, as Janine Brodie notes in her article, the Liberals have embarked on a complete overhaul of the social welfare system.

Of course, the situation in which the Chrétien Liberals find themselves is not as bleak as that of the Ontario government of Bob Rae. A party with a long and distinguished history of advancing social democracy, in government as well as in the opposition benches, has had to abandon much of its reform agenda. Instead, it has become obsessed with building bridges to the business community and restoring investment confidence, especially through a massive effort to cut spending and prune the public sector.

**THE END OF "RENEWED
FEDERALISM"**

On the "national unity" front, governments have also lost room to manoeuvre. As it prepares for its electoral showdown with the Parti québécois, the Liberal government of Daniel Johnson cannot deploy the double-barrelled strategy federalists used in the past: simultaneously decrying the economic dangers of separation and offering the promise of a "renewed federalism" in which all of Quebec's historical aspirations would be met. Now, only the first card is available. After the twin debacles of Meech Lake and Charlottetown, "renewed federalism" is no longer a credible proposition; federalists have no choice but to defend the status quo. No longer can they evoke such formulas for federalist reform as "cultural sovereignty," one of Bourassa's favourite themes. Premier Johnson has even gone so far as to declare that Quebec does not need any additional powers. For many, this hardening of the federalist option may seem refreshing, offering the promise of settling

the question once and for all. But, for a party seeking re-election, it does narrow the available strategies.

The Johnson government has tried to offset this with a new flexibility on the fiscal front, declaring that the deficit might be maintained if this is necessary to address the government's first priority: creating jobs. Yet, in making this change of face, the Johnson government is running up against its leader's history, especially as Treasury Board president, of treating deficit reduction as the government's first priority, and in trying to impose the cuts needed to bring it about. For that matter, continuation of Johnson's historical focus on cost-cutting is precisely what will be demanded by the Quebec business community with which his party has such close links.

In the effort to improve its electoral prospects, the Johnson government clearly is looking to the Chrétien government for support. To be sure, common party allegiance does not necessarily lead governments to help each other. Bourassa certainly could not count upon sympathetic support from his fellow Liberal in Ottawa, Pierre Trudeau. But Daniel Johnson's more orthodox federalism should win him some points with his Ottawa cousins. And the prospect of a PQ victory and return of the dreaded constitutional question must surely cause the occasional Liberal nightmare in Ottawa.

LITTLE HELP FROM OTTAWA

Yet, the financial pressures playing upon the Chrétien government are having their effects here too. Under pressure to cut spending, the government selected defence as a primary target and ended up closing the Collège Militaire Royal de St.-Jean, the only fully bilingual military school in the country. The rapid emergence in Quebec of a broad-based movement to protest Ottawa's decision evokes the Gens de l'air, a group of Francophone pilots

who in 1976 protested Ottawa's failure to grant them the right to use French in Quebec air space—in the process, contributing to the PQ's victory a few months later. Daniel Johnson could do without that! To be sure, the Chrétien government could make amends by reversing its decision, and give Daniel Johnson's representations credit for the reversal. But what about the other military college that was closed: Royal Roads of Victoria, B.C.? To restore the St.-Jean college but not Royal Roads would lead to a storm of protest in the West—shades of the CF-18 fighter contract episode. Yet, to restore both would be to undermine the credibility of the government's whole commitment to cost-cutting.

**ATTACKING THE STATE IN
ALBERTA**

One government does seem to have a free rein to pursue its agenda as it sees fit. The government of Ralph Klein apparently is encountering no real obstacles in its campaign to radically downscale the state in Alberta. Yet it has this room precisely because it is undertaking a systematic attack on the state and public services.

Back in the 1960s the distinguished sociologist John Porter lamented the absence in Canada of a "creative politics." In contemporary Canada, where politicians are finding themselves forced to roll back the state and dismantle much of Canada's welfare system, and have exhausted all their options on the constitutional front, the notion that politics, and politicians, might be "creative" seems quaint indeed.

Kenneth McRoberts is Director of the Robarts Centre for Canadian Studies and Professor of Political Science at York University.



WESTERN REPORT

THE THREAT OF RECALL

by Roger Gibbins

In late February, the Canada West Foundation and the University of Lethbridge sponsored a conference on "Re-Inventing Parliament." As might be expected from a conference held in Lethbridge and co-sponsored by the foundation, support for the Triple E Senate was clearly evident. Indeed, the presence of Bert Brown, Chairman of the Canadian Committee for a Triple E Senate, ensured that participants followed the party line on Senate reform.

To me, however, the most interesting feature of the conference was the emotional intensity that surrounded the discussion of recall, which was the issue of the day. Recall not only attracted far more emphatic support than did any other reform measure on the table, but was seen as the key to a much broader populist agenda. It was seen, for example, as a way to weaken both party discipline and leadership control.

RECALL AND THE REFORM PARTY

Recall may well be the issue that marks the nationalization of the Reform party or, perhaps more accurately, the nationalization of Reform's populist agenda. When Reform first emerged in 1987, its primary objective was to improve the quality of regional representation within national parliamentary institutions. Its slogan: "The West wants in!" captured that objective perfectly. Now, Reform is in hot pursuit of a

populist agenda with a much broader national appeal.

Admittedly, recall is still linked to the issue of regional representation, for it is seen to provide a means through which MPs can be forced to give more emphasis to constituency concerns, and by implication regional concerns, than to the dictates of party. However, it is passing strange that the first test case should be an Ontario MP, and a Liberal at that. The change from "The West wants in!" to "Bag the Jag!" marks a significant transformation for Reform.

THE POLITICS OF THREAT

What intrigues me about enthusiasm for recall is what it says about the public mood. It was clear at the Lethbridge conference that the supporters of recall did not expect that recall would be employed very often or with great success. However, there was a strong belief that the *threat* of recall would be sufficient to make MPs more responsive and responsible.

It is interesting to pause for a moment and consider the implications of the recall "threat." One of the assumptions of representative democracy is that the threat of electoral defeat will ensure that politicians will be responsive. However, the supporters of recall assume that the threat of defeat in the next general election is not sufficient or immediate enough and, therefore, that the stakes must be raised. But are we better served by a more threatening and perhaps less rational policy environment?

There is a curious irony at work here. For the threat of recall, or for that matter the threat of electoral defeat, to be effective, politicians must want to remain in office. If holding office entails too much financial sacrifice or too much public intrusion into the member's private life, then the threat of recall or de-

feat is no threat at all. Yet, we find that the supporters of recall are often those who also attack the salaries, perks, and pensions of elected officials. If we are to practise the politics of threat, then we might be well advised to *enhance* the attractiveness of public office. Threats will work best on those who want to cling to office; they will not work for those who feel overworked and underpaid.

THE RECALL OF GOVERNMENTS RATHER THAN MEMBERS

There is another irony at work, and that is the high level of support that recall appears to enjoy within Alberta. If provincial recall measures were in place, there is no question that they would be mobilized in an effort to defeat the Klein government and its draconian budget measures. Given that the Progressive Conservatives won the last election with well under 50 percent of the popular vote, and given the organizational muscle of those opposed to the severity of the budget cuts, the recall could provide a means of toppling the government. Conservative MLAs with relatively small pluralities would face recall campaigns orchestrated by a powerful coalition of Liberals, New Democrats, public sector unions, the Catholic Church, and a variety of groups particularly hurt by the budget.

This brings us to an aspect of recall that has seldom been discussed. Recall is usually promoted as a means of removing individual MPs and MLAs from office, with Jag Bhaduria providing the now classic example. However, the recall could also be a means of defeating governments without waiting for a general election. In cases where a

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on page 94.*

*"The Threat," continued
from page 93.*

government's legislative majority was slim, and where a significant number of government members had slim pluralities, the recall could be a potent weapon in the hands of opponents.

Governments could not count on a four- or five-year term of office, but only on the length of time that it took for the recall mechanism to kick in. Governments would be as vulnerable as their weakest members. Here it should also be noted that the members most likely to be targeted by orchestrated recall campaigns would not be those who were least responsive to their constituents, but simply those with the smallest pluralities.

The existence of recall would have made it impossible for the Klein government to have embarked on its three-year plan of deficit reduction, for it would not have had three years to put its program into place. Whether or not one agrees with what the Alberta government is doing, I would argue that we would be poorly served if the planning and policy implementation horizons of governments were sharply reduced. But this is precisely what the introduction of recall would do for it, would put governments on a permanent electoral footing. The result may be more responsive government, but it would not be better government.

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QUEBEC REPORT

SPRING ELECTION?

by Alain Noël

Elections, declared Daniel Johnson on March 8, the day the National Assembly resumed sitting, are coming "very soon." Quebec's premier was thus giving credence to the growing impression that he will call an election this spring, probably for the middle of June. The Liberals would thus avoid a series of by-elections that would be required should they wait until the end of the summer, and would not have to go through the barbecue politics that did so little for Kim Campbell.

Various signs could encourage Quebec Liberals to risk an early election. First, they won a by-election in Shefford, a PQ stronghold, just a week after a discouraging defeat in another by-election, this time in Bonaventure, a traditionally Liberal riding. Second, Daniel Johnson has reduced the high level of dissatisfaction toward the government that he inherited from Robert Bourassa. Third, and most important, polls show improvements for the PLQ, and place the two main parties on a roughly equal footing in terms of voting intentions, with a large block of undecided voters (about 20 percent). The Liberals need more than this equality to win, since much of their support is concentrated in anglophone areas, but at least these three numbers indicate the party can win, if it convinces part of the uncommitted electorate.

The high number of voters who remain undecided or discrete may seem odd given the sharp differences between the PQ and PLQ. Never, a *Globe and Mail* journalist recently wrote, have the lines been

drawn so clearly in Quebec politics. Daniel Johnson has adopted an unambiguously federalist stance; Jacques Parizeau insists on his sovereigntist orientation, and even speaks of separation.

Why do so many voters hesitate when faced with such clear and contrasted options? In part, because a good number of Quebecers still have not made up their minds on Quebec sovereignty. Public opinion studies indicate that in recent years a significant proportion of the electorate has changed opinion, one way or another, according to circumstances. Even more important, in my opinion, is the fact that the constitutional question is not the primary preoccupation of voters at this time. The economy, and unemployment in particular, was the central issue of the last federal election. It remains at the top of the public agenda and will most likely be central in the coming Quebec elections. Voters know Jacques Parizeau and the Parti québécois cannot pursue sovereignty before a referendum. They are thus fairly free to assess the two Quebec parties for their programs and competence on other issues, on economic matters in particular.

SEPARATISM — THE "S" WORD

This brings us to the "S" word — separation. The PQ can draw an important lesson from the 1989 Quebec election and the 1993 federal campaign. Before the 1989 election, observers wondered how the party would fare given Jacques Parizeau's clear affirmation of the PQ's sovereigntist stance, at a time when this option appeared hopelessly unpopular. The campaign turned out to raise a number of issues, but not sovereignty, and the party lost honourably. Since the PQ would not move rapidly toward sovereignty and, in fact, appeared unlikely to win, sovereignty posed no problem for voters. The same was true, of course, of Lucien Bouchard and the Bloc

québécois last fall. Recall how clearly Bouchard stated his sovereigntist commitment in the French and English debates. These statements did not prevent him from winning with the support of many federalist voters. These two campaigns, and perhaps the 1992 referendum campaign as well, suggest that sovereigntists can announce, and even promote, their option at little cost, at least until the final decision comes in sight. The next Quebec election should provide a further instance of the same pattern: a battle between sovereigntists and federalists over plain economic and good government issues.

But where do such strategies leave sovereigntists in the event of a referendum? At this time, in Quebec, separation is obviously harder to sell than sovereignty, a more positive concept that also suggests that ties with Canada would be maintained. Two interpretations of the new sovereigntist discourse seem possible. Either both Lucien Bouchard and Jacques Parizeau were careless and made a mistake, or they took a risk and acted strategically. Given the consistency with which Quebec sovereigntists have avoided, and even denounced, the separatist term in the past, the second interpretation appears more convincing. Bouchard and Parizeau may have had something like the following reasoning: first, in the short run, there are low electoral costs associated with the promotion of sovereignty, even in separatist terms; second, in a referendum on sovereignty, separatism will come out in any case, as a denunciation; third, in the meantime, it may be best to seize the bull by the horns and de-dramatize the idea of separation. This gamble carries some risks, but may well be rewarded. Because sovereignty and separation describe essentially the same thing, differences in perception could disappear once sovereigntists start using the terms indifferently.

As debates surrounding political correctness suggest, naming and re-naming is central to contemporary politics. In Quebec, support for sovereignty is broadly diffused, and associated mostly with perceptions of identity. With such symbolic foundations, sovereigntists may be wise to try to take the lead and define the linguistic battleground while doing so entails little costs.

THE ECONOMICS OF ELECTIONS

Meanwhile, Daniel Johnson and the Quebec Liberals are working hard on their conversion from fiscal conservatives to a version of Jean Chrétien's Liberals, for whom jobs have become a priority. Last week, Quebec's new finance minister, André Bourbeau, explained that the budget deficit, which a year ago Daniel Johnson himself deemed intolerable, could now be tolerated. "Savage deficit reductions," explained the minister, would "handicap the economic recovery."

While economic studies give no support for the idea of stimulating the economy *after* a recovery has started, electoral studies indicate that good economic conditions and, in particular, improvements in the unemployment rate help a government get re-elected. The author of the pioneering work on the question, however, added a cautionary advice. In his book *The Political Control of the Economy*, Edward Tufte concluded, with Nixon in mind, I believe, that "sleazier efforts at manipulating economic policy for short run advantage cannot survive public scrutiny." Five days after his "savage deficit reductions" declaration, and in the wake of outraged editorials that only stopped short of calling for his resignation, Bourbeau explained that he did not mean to say, after all, that the deficit was tolerable.

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LEGAL REPORT

JUSTICE, DEMOCRACY, AND THE PRESS

by Jamie Cameron

CENSORS AND SENSIBILITIES

Last summer a court order issued in Ontario barred publication of virtually all details surrounding the sex murders of two Ontario women. The ban was imposed during proceedings to consider the plea and sentence of Karla Homolka, one of two individuals charged with the offences. Following a joint submission by prosecution and defence lawyers, she was convicted of manslaughter and received a 12-year sentence.

She is expected to testify against the other accused, Paul Bernardo/Teale, her estranged husband. At her hearing, his lawyer opposed the ban, claiming that it would prejudice Teale's right to a fair trial.

For months, an order that was unenforceable in the United States was observed. However, once "A Current Affair" broke the silence, the print and broadcast media climbed on the bandwagon. Cars and trucks carrying "illegal" newspapers were stopped at the Canada-U.S. border. So that freedom could "ring out for all our brothers and sisters to the north," a Buffalo disc jockey used a loudspeaker to blast details of the slayings across the Peace Bridge at Niagara Falls.

A new trade war had erupted between Canada and the United

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*"Justice," continued
from page 95.*

States. This time the issue was "free trade in ideas," not softwood lumber.

The war quickly transcended "A Current Affair" to reach the upper echelons of the American press. Commenting on this "bizarre episode," the *New York Times* pontificated that "[t]wo centuries of strife over freedom of the press have taught that gags ... are instruments of tyranny." Meanwhile, the *Washington Post* denounced the border incidents as "international censorship."

Canadians who were divided on the ban remained recalcitrant in the face of such lectures on the virtues of a free press. The self-righteous tone of American editorials and media "feeding frenzy" offended Canadian sensibilities. Many asked, what self-respecting news organization would violate a court order? The answer was obvious: all those whose object was to "sell more newspapers [or] glue more ghouls to their television sets." Profit, not principle, was truly at stake.

Though the furor has subsided, it remains puzzling how an incident that was widely regarded as a crass exploitation of the public's lurid interest in sex and crime could be defended as a matter of high principle.

WATCHDOGS OF DEMOCRACY

News organizations profited from the decision to violate the court order. At the same time, however, the ban offended a fundamental principle of democratic accountability. As the *Washington Post* explained, "Courts are public institutions, and their work is the public[s] business." One day that business might be a horrible murder, but the next, it could be "public corruption, corporate shenanigans, tax scandals, the sins of a rogue government agency,

or the personal depravity of a government leader." On that view, it is a "bad idea" to give judges anywhere the power to decide which cases and proceedings can be publicly discussed.

In the United States the press are regarded as the "watchdogs" of democracy. That is, in part, because, under the American Constitution, "[t]he people, not the government, possess the absolute sovereignty": the people are the governors and not the governed. Restrictions on the press interfere with the people's access to information and debate that is needed to inform the vital exercise of self-government. A free press ensures that "the censorial power is in the people over the Government, and not in the Government over the people."

The people's sovereignty is also protected by the constitutionalization of limited government, a separation of powers, and checks and balances. Thus it follows from "we the people" that the institutions of government are artifices exercising delegated authority, which, accordingly, is circumscribed by the Constitution. Prospective abuses of authority that might tyrannize the people are further minimized, if not pre-empted, by a separation of powers and elaborate system of checks and balances.

Precisely because it stands between government and the people, the press forms part of this theory of democracy. As an agency that is external to and independent from the state, the press is in a unique position to check the actions of government and provoke the robust and uninhibited debate that is the lifeblood of a democracy. For the people to exercise their prerogative as the governors, the press must be free. And it is powerful because the First Amendment has protected its status as watchdog of democracy.

From "A Current Affair" to the *Washington Post*, the decision to break the Homolka publication ban was not just about profit but also, about a fundamental principle of democratic accountability.

Since the Charter's adoption in 1982, the Canadian press has aspired to a similar role. In court it has been met instead by an epidemic of publication bans and other restrictions.

"NOT A POLITICAL DECISION"

As cars, trucks and computer networks carried contraband reports of the Homolka proceedings into Canada, the premier of Ontario implored: "[The ban] is not a political decision. This is not a decision of government, but of an Ontario judge."

Such a claim might not have been challenged before the Charter, when Canada's judges were viewed as "neutral arbiters." Since 1982, the Charter has unquestionably "politicized" the judiciary and justice system. It has opened judicial decisions to public scrutiny and debate through adjudication on controversial issues like abortion and hate propaganda. It has spurred demands that judicial appointments, which are mainly a matter of executive prerogative, be pried open and democratized. It has brought the press into court to protect its rights of access and publication.

In some cases it has been acknowledged that the justice system is "the public[s] business." Recently, disciplinary proceedings against a provincial court judge, which resulted in a recommendation of removal from office, were televised. On at least two occasions, the Supreme Court of Canada has permitted its proceedings to be broadcast. Yet as the Homolka and a variety of other cases demonstrate, publication bans are issued in Canada with remarkable ease.

Once again, a comparison may be instructive. Under the U.S. Con-

stitution, the judiciary is one of the co-equal branches of government. It is explicitly part of the system of democratic government and, as such, is subject to public scrutiny in a variety of ways: through confirmation hearings, camera access to courtrooms, and the presumption against publication bans, to name just a few.

In Canada, meanwhile, the press has run up against a judiciary that is reluctant to relinquish its protected status as neutral arbiter to the demands of public accountability.

JUSTICE, DEMOCRACY, AND THE PRESS

Though the court order in Karla Homolka's case is pending in the Ontario Court of Appeal, it is doubtful that the appeal will succeed. It is far from self-evident that the Canadian press should enjoy the same status as its watchdog counterparts in the United States. At the same time, it is worrying that the justice system is so unwilling to see its processes as part of democratic governance in Canada.

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PORN AGAIN: OBSCENITY LEGISLATION AND FREEDOM OF EXPRESSION AFTER BUTLER

by Bruce Ryder

The definition of obscenity has long bedevilled Canadian courts. Only recently has the shifting and uncertain line between legal and illegal sexual expression been determined under the guarantee of freedom of expression in section 2(b) of the Charter of Rights. The 1992 Supreme Court of Canada decision has attempted to clarify matters in *R. v. Butler*, yet a number of problem areas continue to exist in the heated battles over freedom of sexual expression. One is the censorship powers of Canada Customs, and another is the recently enacted federal child and youth pornography law.

THE BUTLER DECISION

The Charter was largely responsible for the reformulation of the definition of obscenity in *Butler*: there, the Supreme Court involved a feminist morality that it saw as more consonant with Charter values than the previously dominant conservative morality. The purpose of obscenity laws, the court said, is to prevent harm to women and children. On this view, sexually explicit materials coupled with violence or cruelty, or that use children in their production, are presumed to be harmful and thus obscene. In addition, depictions of sex that are degrading or dehumanizing will be found to be obscene if they pose a substantial risk of harm to society. Limited in this way, the court found the obscenity provision of the *Criminal*

Code to be a justifiable limitation on freedom of expression.

The *Butler* decision has thus transformed the legal language of the debate regarding freedom of sexual expression in Canada. No longer is the suppression of "dirt for dirt's sake" constitutionally permissible. The question in most contested cases, rather, will be whether the materials are "degrading or dehumanizing" in a manner that poses a substantial risk of harm to society. Some judges have deprived *Butler* of any transformative impact by holding that "dirt for dirt's sake" is per se degrading, dehumanizing and harmful. This view has been expressed, for example, in several cases involving materials depicting gay and lesbian sexuality. However, the dominant view sees *Butler* as a major shift: depictions of consensual adult sexuality are not criminal in the absence of degradation and proof of harm.

In the long run, the *Butler* ruling is likely to alter the Canadian landscape in much the same manner as the First Amendment jurisprudence has since the U.S. Supreme Court's decision in *Roth* (1957). Books, magazines, films, and videos devoted exclusively to the explicit depiction of non-violent, consensual adult sexuality are likely to become far more prevalent. If the Supreme Court's 1964 decision in *Brodie* ("Lady Chatterley's Lover") signalled the triumph of freedom of literary sexual expression in Canadian obscenity law, the *Butler* decision will likely be seen as ushering in an era of free expression for non-violent adult sexual materials that are devoid of artistic pretences. However, imported materials subject to Canada Customs do not enjoy this freedom.

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on page 98.*

**"Porn Again," continued
from page 97.**

STANDING ON GUARD: CANADA CUSTOMS AND IMPORTED OBSCENITY

As is the case with the United States Customs Service, Canada Customs has the legislative authority to detain and destroy imported materials deemed to be obscene. Shipments of material arriving at the border or via international mail are routinely screened by Customs officials who have a multitude of responsibilities and little training or expertise regarding obscenity law.

Customs officials are guided in the exercise of their powers by an internal memorandum that is seriously at odds with the current Canadian law of obscenity that it purports to describe. Memorandum D9-1-1 makes no mention of a defence of serious artistic, literary, or educational merit. The memorandum also declares, contrary to *Butler*, that depictions of anal penetration are per se obscene.

Placing censorship powers in the hands of inexpert, poorly trained, and misadvised Customs officials across the country is obviously a recipe for national embarrassment. Indeed, Customs has made some ludicrous decisions over the years, including recent detentions of books on subjects such as child sexual abuse and feminist vegetarianism, works by scholars such as bell hooks and Andrea Dworkin and by acclaimed writers of fiction such as Marguerite Duras and David Leavitt. Nor has the exercise of Customs' powers been randomly despotic — bookstores specializing in feminist, lesbian, or gay materials have suffered a pattern of detentions that has threatened their financial viability.

If material is detained as obscene by Customs, an importer can appeal to a "Tariff and Values Administra-

tor" and, if unsuccessful, can appeal further to the deputy minister. The importer must convince Customs' authorities in written submissions that the material is not obscene. In most cases, the deputy minister's decision will not be released until roughly six months has passed from the time of the initial detention. Only then may an importer seek a judicial determination of the obscenity issue.

Canada Customs' process of prior restraint of obscene materials would not pass constitutional muster in the United States. In *37 Photographs* (1971), the U.S. Supreme Court upheld the power of Customs officials to detain obscene material pursuant to section 1305 of the *Tariff Act*, so long as court proceedings were commenced within 14 days of the seizure and a judicial decision released within 60 days. The procedures in the Canadian *Customs Act* fall far short of this standard. The two levels of internal review that must be pursued before having access to the courts means that wrongfully detained material may not be released for anywhere from six months to several years.

Customs' practices and procedures are in dire need of reform. Officials could be better trained; Memorandum D9-1-1 needs to be redrafted; detentions could be made only after review by experts on art, literature, and obscenity; and judicial review could be made available more promptly. Until changes are made, Customs' powers appear vulnerable to a constitutional challenge. Such a challenge will be made in the long-delayed case initiated by a Vancouver bookstore, Little Sisters, now set to be heard this fall.

CHILD AND YOUTH PORNOGRAPHY

Last summer, in the final days of the Mulroney government, Parliament hastily passed Bill C-128, add-

ing to the Criminal Code a prohibition on the creation, sale, or possession of child or youth pornography. This law goes well beyond the already existing prohibition on sexually explicit material that uses children in its production. It captures any sexualized depiction of the genital area of a person under the age of 18, and any depiction of a person who is or appears to be under the age of 18 engaged in explicit sexual activity. These prohibitions apply to all visual material whether or not children are employed in their production. The law is thus not limited to the more conventional concern with protecting children and youth from exploitation in the production of images; it seems to reflect the sweeping view that all depictions of child or youth sexuality are harmful to society.

A number of charges have already been laid under the new law. The most controversial has been the extraordinary prosecution of Toronto artist Eli Langer. Langer and the director of the Mercer Union gallery were charged last December after police viewed an exhibit of Langer's paintings. In February, after an outcry from the artistic community, the Crown decided to prosecute the art in a forfeiture proceeding and drop the personal charges against the artist and the gallery owner.

There is little doubt that Langer's paintings fall within the broad net cast by Bill C-128; they depict children engaged in explicit sexual activity with other children and with adults. But Langer did not use models, so the question of exploitation does not arise. And it would be difficult to conclude that serious artistic exploration of themes of childhood sexuality, including child sexual abuse, causes harm. For these reasons, Bill C-128 may be found to be fatally overbroad

when challenged on constitutional grounds. Even if it is constitutionally valid, the police had no business in the Mercer Union. When the Cincinnati Contemporary Arts Centre was charged in the Mapplethorpe obscenity case, jurors found that the prosecution had failed to establish the third element of the test for obscenity set down by the U.S. Supreme Court in *Miller* (1973) — namely, the absence of serious artistic merit. Similarly, material with artistic merit is expressly exempted from the terms of Bill C-128. Like Mapplethorpe's photographs, Langer's paintings should never have been charged. It will be up to the trial court to defend artistic freedom from the zeal of local prosecutors.

Bruce Ryder is an Associate Professor at Osgoode Hall Law School, York University. Legal Report is a regular feature of Canada Watch.

CW UPDATE

THE MONTH IN REVIEW

by Michael Rutherford

HOUSE RESUMES SITTING

The House of Commons resumed sitting on January 17 and MPs elected **Gilbert Parent**, a little-known Liberal MP from Ontario, as the new speaker of the house.

AIR CANADA, PWA END DISPUTE

Air Canada announced on January 26 that it was abandoning attempts to block a proposed deal between **PWA Corp.** and **AMR Corp.** of Fort Worth, Tex. AMR has agreed to buy one-third of PWA's subsidiary, **Canadian Airlines International Ltd.**

BHADURIA QUILTS LIBERAL CAUCUS

Member of Parliament **Jag Bhaduria** resigned from the Liberal caucus on January 27. Bhaduria's decision came after questions were raised regarding the law degree claimed on his resumé. Bhaduria had already apologized in the House of Commons for writing a threatening letter to Toronto school board officials.

LIBERALS APPROVE CRUISE TESTS

Defence Minister **David Collenette** announced that the federal government would allow a new set of tests of U.S. Air Force cruise missiles in the Canadian north. The decision on February 3 divided the Liberal cabinet and reversed the anti-testing position held by the Liberals in opposition.

ALBERTA NDP CHOOSES NEW LEADER

Delegates to a provincial NDP convention in Calgary chose **Ross Harvey** as their new leader on February 6. Harvey takes over a party that lost all 16 of its seats in the Alberta election last June.

OTTAWA CUTS TOBACCO TAXES

In a bid to stem the contraband tobacco trade, the federal government announced tax cuts and stepped-up enforcement measures on February 8. The Quebec government immediately followed suit with tax cuts of its own. The Ontario government reluctantly reversed its opposition to tax cuts on February 21, lowering retail prices to Quebec levels.

B.C. REPORT URGES LOGGING CUTS

The Commission on Resources and Development released a three-volume report on February 9 that recommends a 6 percent cut in logging on Vancouver Island. The report, requested by the British Columbia NDP government, aims to achieve a balance between logging interests and environmental concerns.

DEATH OF RODRIGUEZ SPARKS DEBATE

Sue Rodriguez, the woman who fought unsuccessfully for the right of the terminally ill to end their lives, died as the result of a doctor-assisted suicide. With New Democrat MP **Svend Robinson** at her side, Rodriguez died at her home in Victoria on February 12. Prime Minister **Jean Chrétien** promised a free vote in the House of Commons on the possible legalization of doctor-assisted suicides.

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*"The Month in Review,"
continued from page 99.*

HEARINGS INTO BLOOD SYSTEM

The Commission of Inquiry on the Blood System in Canada began public hearings on February 14 in Toronto. Mr. Justice **Horace Krever** leads the investigation into how more than 1,000 hemophiliacs and transfusion patients contracted the AIDS virus in the early 1980s.

McCARTHY LOSES B.C. BY-ELECTION

British Columbia Social Credit Leader **Grace McCarthy** was narrowly defeated by Liberal **Mike de Jong** in a February 17 provincial by-election in the riding of Matsqui. Meanwhile, B.C. Liberal Leader **Gordon Campbell** won a resounding by-election victory in Vancouver-Quilchena.

PQ, LIBERALS SWAP BY-ELECTION VICTORIES

Parti québécois candidate **Marcel Landry** won a February 21 Quebec by-election in Bonaventura, a riding the governing Liberals had held for 37 years. One week later, Liberal candidate **Bernard Brodeur** won an upset victory in the riding of Shefford, considered a PQ stronghold.

BOURGON TO HEAD PRIVY COUNCIL


Prime Minister **Jean Chrétien** announced on February 24 that **Jocelyne Bourgon**, a career civil servant, would replace **Glen Shortliffe** as Clerk of the Privy Council. Bourgon becomes the first woman appointed to the top bureaucratic job in Canada.

ROGERS SWALLOWS MACLEAN HUNTER

After a month of wrangling, **Rogers Communication Inc.** amended its \$3 billion takeover bid for **Maclean Hunter Ltd.** and won the support of Maclean Hunter's board of directors on March 8. Rogers, already Canada's largest cable operator, sweetened its three-week-old offer by 50 cents a share, to \$17.50.

PEACEKEEPERS TO STAY ON

Foreign Affairs Minister **André Ouellet** told the House of Commons on March 10 that Canadian peacekeepers will stay in the former Yugoslavia for six more months. Canada turned down a United Nations request for additional troops.

Michael Rutherford is an MA student in Political Science at York University. CW Update is a regular feature of Canada Watch. 

PARLIAMENTARY UPDATE

Bill C-10: West Coast Ports Operations Act

This Act required striking West Coast longshoremen to go back to work on February 9 following a 12-day strike. The contract dispute between the International Longshoremen's and Warehousemen's Union and the B.C. Maritime Employers Association was referred to an arbitrator.

House of Commons:	1st reading:	February 8/94
	2nd reading:	February 8/94
	3rd reading:	February 8/94
Senate:	1st reading:	February 8/94
	2nd reading:	February 8/94
	3rd reading:	February 8/94
Royal assent:		February 8/94

SUPREME COURT WATCH

A digest of recent significant decisions of the Supreme Court of Canada

Grand Council of the Crees v. A.-G. Canada **February 24, 1994**

The Supreme Court of Canada unanimously overturned a 1992 Federal Court of Appeal ruling allowing Hydro Quebec to proceed with its export projects without an environmental review. The Supreme Court upheld the review conditions that the National Energy Board placed on the utility when granting it licences to export power to the United States in 1990.

R.J.R. Macdonald Inc. v. A.-G. Canada **March 3, 1994**

The Supreme Court of Canada dismissed an application by tobacco companies, who have been granted leave to appeal a decision by the Quebec Court of Appeal upholding a ban on tobacco advertising, for a release from compliance with mandatory packaging requirements.