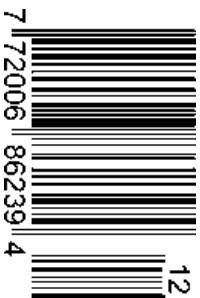


# MONITOR



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# Making Finance Work for People

## /12

In Part 2 of our feature on the state of the economy 10 years after the crisis, the *Monitor* heads to the bank. With radical ideas for reforming finance's retail, mortgage and investing functions from John Anderson, Michal Rozworski, Kevin Young and Alper Yagci, Roxanne Dubois and Brett Scott.

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STUART TREW

# The house that debt built

**IN A SPEECH** in May, Bank of Canada Governor Stephen Poloz told a scary story about household debt. No matter how you measure it—as a share of disposable income (170%, a Canadian record), as a share of Canada's GDP (100%, one of the highest factors in the world)—things look pretty bad. The culprit? Mainly housing. But debt-fuelled spending on other things also contributed to higher-than-expected growth this year in the Canadian economy, a surprise that is “borrowed from the future,” according to one RBC analyst quoted by the *Financial Post* in September.

Three-quarters of household debt is in mortgages owned by Canadian banks, who are loving the fact that housing is now 1) out-of-control expensive, leading to longer amortization (payback) periods, which makes them lots of money, 2) still attractive to buyers due to low interest rates, and 3) considered an investment in its own right, drawing increasing amounts of speculative buying (and startling levels of financial-sector speculation in mortgage-backed securities—see page 20) that reinforces 1 and 2. As Poloz has warned, all of this heightens the risk that mortgage defaults—during another economic downturn, or as interest rates rise—could have systemic repercussions.

This situation becomes scarier when we take into account that interest rates *must* rise, and fairly quickly, if central banks are going to have any chance of counteracting another major recession. Higher interest on mortgages for ludicrously expensive homes (or speculative second and third condos) could happen gradually enough to avoid mass defaults while potentially cooling prices. But with about 8% of indebted households owing 350% or more

of their gross income (representing just over 20% of total household debt), and inflation on the rise led by surging gas prices, the chances of a more painful breakdown are not insignificant.

Housing booms and busts are not inevitable. In fact, they are a fairly recent thing, sparked by financial deregulation since the 1990s. Many readers will remember those days when owning a home was a ticket to personal or family security, not a retirement nest egg or stepping stone to greater riches. But with real wages averaging annual gains of only 0.3% over the past three years, and just 1% over the previous decade, a debt-financed gamble on an ever-climbing housing market can appear too good to pass up. Until disaster strikes, that is, as it did in the U.S. housing market 10 years ago, with global ramifications that continue to shape national and world events.

We took a very partial snapshot of that world in our last issue. Several features looked at governments' continued embrace of austerity and privatization—public sector sell-offs and Bay Street-led infrastructure financing—despite evidence that these policies only increase inequality, turning larger and larger numbers of people off our democratic system. In this issue we explore a few ways that people are reimagining finance to change our banking system, even debt, so that it better serves the needs of people before profit.

John Anderson leads us off with a strong case for postal banking (page 12). Canada's network of post offices is as vast as the country itself. Where bank and credit union branches are pulling out of smaller communities, and even many downtown cores, most of us can still find a post office nearby, often on foot. Imagine being able to do

your banking there, too, like people do in many other countries. What about low-interest loans (to undercut usurious payday lenders) and mortgages? Can you believe the legislation to make this real is already on the books?

Michal Rozworski looks in more detail at Canada's slow-motion housing crisis and its intersections with the “spectacular imbalances of economic power” that shape public policy (page 17). Cheap credit can be a great leveller, and yet in Canada it is making home ownership almost impossible for many people by driving both home prices and rents higher.

The federal government is starting to describe housing as a human right and is putting more money into new builds, as past issues of the *Monitor* have discussed. But if this is to be more than rhetoric, Rozworski argues, the government will need to substantially increase the stock of affordable housing, more strictly control rent price increases and use taxes to discourage real estate speculation. On this last point, the Trudeau government could seek inspiration from U.K. Labour's proposed £4,000 levy on second homes.

Other contributors to this issue look at how activist hedge funds are gaming the stock market to fund radical change (page 24), how art can constructively undermine our faith in the current banking and money system (page 29), and whether the public is more or less supportive of financial reform today than before the 2008 crisis (page 16).

The links between real estate speculation, household spending and economic growth must be weakened, and Canada's inequitable addiction to rising house prices broken. It would be far better if that happened with the help of smart policy than through another devastating collapse. **M**



## Reforming how we govern

Over time, our leaders have grown increasingly powerful and now exert great influence over the governance of nations, provinces and towns. Citizens do not vote directly on policy; instead, we elect representatives to assemblies and are then subject to their decisions. Whether the electoral system is first-past-the-post or proportional representation, there are problems of secrecy, self-interest, favouritism, nepotism, patronage and theft. The only recourse for dissatisfied citizens is to “kick the bums out” in the next election. It is time we all admit that the current system does not give us the responsive government we seek.

People are fed up. Often, they do not even bother to vote or belong to political parties. I believe the thinking that got us into this mess won't get us out of it. What we need is a fundamental alternative solution: a modification of the jury system. People could be appointed to assemblies at random from a pool of citizens, one that must not be subject to manipulation or exclude people because of age, gender, ethnicity,

sexual orientation or ability. Each candidate should be required to show sufficient education, availability and willingness to serve; demonstrate competence and responsibility (by never having been in a bankruptcy or convicted of a felony); be of legal age; and be a resident citizen.

This new system could be phased in over several years, with a slate of current elected representatives chosen at random each year for replacement. Eventually, all elected representatives would be gone and fresh blood would be constantly injected into the assembly. Each year, the representatives would have the option to put themselves forward for parliamentary and cabinet positions. They would vote amongst themselves for a speaker to oversee proceedings, a prime minister, and cabinet members. All votes and deliberations would be open—no parties or whips or secret lobbying.

In this system, the undue influence of the rich would be eliminated and members would be less vulnerable to manipulation. No member would require funds for any election campaign and each would be under constant scrutiny. This would mean those with economic power would be much less able to dictate policy and law.

To any who might say it is better to deal with the devil we know, I say cut the devil out of the picture entirely. We, as citizens, should press for current political parties to introduce the proposal for this new system into their platforms. Perhaps it will take us forming a new political movement to run

candidates that will, upon election in the current system, introduce the change.

**David Dougherty,**  
Calgary, Alta.

## Venezuela through rose-tinted glasses

Much as I would like to believe that everything is hunky-dory in Venezuela, as described by Asad Ismi in the July/August issue and applauded in the September/October issue's letters section, I am confronted by the fact that more than two million Venezuelans have recently fled across the borders of adjacent countries, especially Colombia. The

Monitor owes its readers a more balanced (more honest?) report on what's happening in Venezuela.

**Norman Epstein,**  
Vancouver, B.C.

Send thoughts, feedback, corrections, poems, praise or complaints to [monitor@policyalternatives.ca](mailto:monitor@policyalternatives.ca).

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# Up Front

KATHERINE SCOTT | NATIONAL

## Gender equality: We're going to need more than a week

Canada marked Gender Equality Week for the first time in late September—another sign that closing the gender gap is on the federal agenda. And yet while we have been making measured progress, years of effort to remove entrenched economic, cultural and social barriers to women's progress are not landing the results we all expected by now.

In fact, the evidence shows that Canada has made only modest progress closing its gender gap over the past decade, and is stalled on key economic indicators and legislative representation.

### How does Canada measure up?

The World Economic Forum reports annually on the progress of countries in closing the gap between men and women in four areas: education, health, the economy and politics. Their Global Gender Gap Index focuses on the gap *between* men and women, rather than overall levels of well-being. It does so in order to measure the difference between the access women and men have to available public goods, and not the overall wealth of their respective countries. Countries with the smallest gaps—where outcomes for women are

closer to those for men—are ranked more highly than those with larger gaps.

Looking back to 2006, Canada has placed among the top 25% of countries each year, consistently scoring around 0.73 out of 1.00 (with 1.00 representing no gap between men and women), with an average ranking of 22 out of the roughly 130+ countries captured in the Index.

It is Canada's rate of change over the past decade that demands attention. Canada eked out only meagre increases in its gender gap score between 2006 and 2016, averaging 0.15 percentage points a year. By 2015, our ranking had fallen from 19<sup>th</sup> to 30<sup>th</sup> place and then, in 2016, to 35<sup>th</sup> place.

As shown in the graph on the opposite page, 2017 marked a turnaround. Canada's score jumped by 0.038 (from 0.731 to 0.769), and it moved up the index to 16<sup>th</sup> out of 144 countries, the direct result of a boost in women's representation in the federal cabinet after the 2015 election. The increase in the proportion of women in ministerial positions was the highlight of the decade.

A closer examination reveals uneven levels of progress across the different areas. The good news: Canada has had a nearly perfect score in the areas of health and survival and educational attainment

over the past 12 years. The health score is based on healthy life expectancy and sex ratios at birth. The education score is based on literacy and school enrolment at the primary, secondary and tertiary levels. In these two categories Canada has averaged 0.98 and 1.00, respectively, between 2006 and 2017.

Canada's comparatively low ranking on health and survival (105 of 144 countries) is related to healthy life expectancy. Canadian women have longer healthy life expectancies than men (73.3 vs. 71.3 years), but in some countries such as Japan, the gap in women's favour is larger.

### Wide gaps in wages and political representation

Gender parity in health and education, however, has not translated into notable progress on economic and political empowerment. Between 2006 and 2017, Canada's gender gap in this area inched forward an average of 0.1% per year. That is one-tenth of one percentage point. At this rate, *it will take 196 years to close the economic gender gap in Canada.*

Economic participation and opportunity is calculated based on labour force participation, earned income, wage equality, and the ratio of women to men in professional, technical and management positions. Canada's economic ranking in 2017 was 29<sup>th</sup> place, down from its 10<sup>th</sup> place position in 2006.

The gap between men's and women's earnings is a significant factor in Canada's mediocre showing in this area. Although employment incomes for men and women overall have grown since 2006, the gap between men's and women's share of income has been nearly

stagnant—rising from 0.64 in 2006 to 0.67 in 2017—even as education levels among women have surpassed those of men.

Canada's gender pay gap is one of the highest in the OECD, ranking 30<sup>th</sup> out of 36 countries, behind all European countries and the United States. Average earnings among Canadian women are certainly higher than in many OECD countries, but full-time female employees still only earn 81 cents for every dollar that full-time male employees earn.

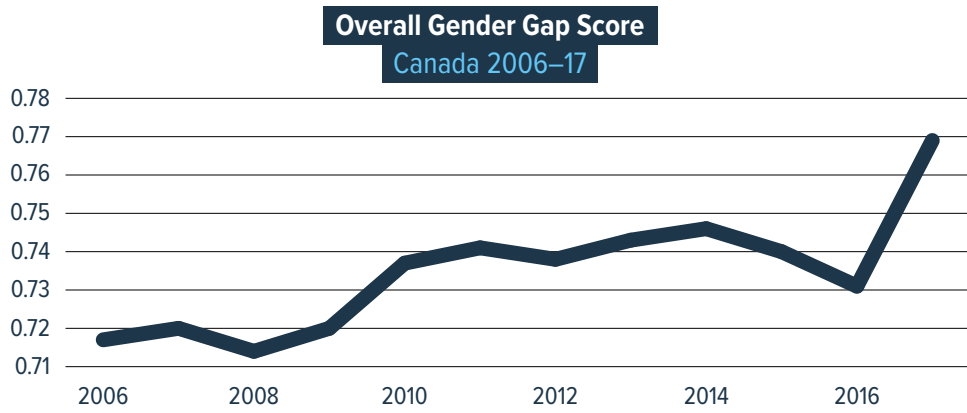
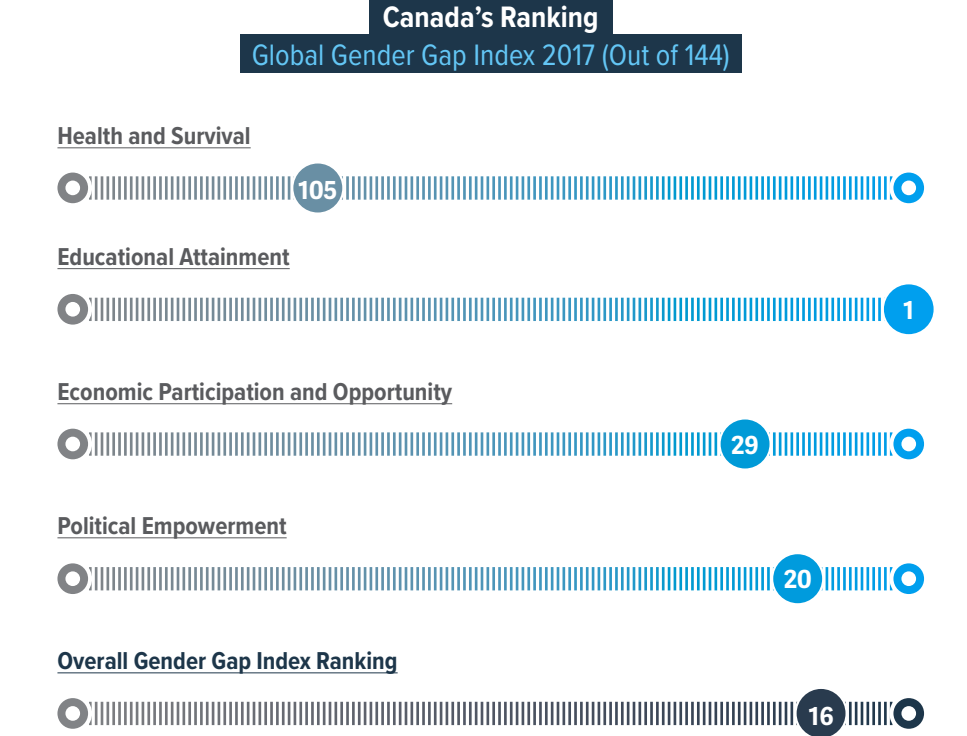
Overall, women's estimated earned income in Canada is roughly two-thirds that of men (0.67), well behind leaders such as Norway (0.79) and Sweden (0.78). The Federal Pay Equity Network estimates that over a 45-year career, the average woman will effectively work 14 years without pay as a result of the gender pay gap.

However, the biggest drag on Canada's Gender Gap score in this area is its poor performance with respect to the share of women who make up our country's legislators, senior officials and managers. The ratio of women to men in these roles has remained nearly unchanged since 2006 at 0.56, while our ranking has fallen from 18<sup>th</sup> to 44<sup>th</sup> place as other countries have improved their standing. In 2017, men outnumbered women in these professions by two to one.

What emerges from these indicators is this: the closer women get to the top, the greater the barriers to achieving equality. This trend is startlingly clear in the measures of political participation. Canada's gender gap score in political empowerment was a very low 0.159 in 2006. With an average annual rate of progress of 0.6%, Canada had edged up to 0.222 by 2016, ranking 49<sup>th</sup> out of 144 countries.

In 2017, Canada's score jumped from 0.222 to 0.361, an increase of almost 40%. As mentioned above, this increase was almost entirely due to the appointment of an equal number of male and female federal cabinet ministers in 2015. On this indicator, Canada now ranks first in the world.

The number of women serving in Parliament, however, has certainly not improved at the same rate; in 2017, just one-quarter (26%) of all MPs were women. Political participation is the one area measured by the global gender gap



in which rapid change is possible (all it takes is an election). Yet there is a considerable distance to go to closing the gap.

### No time for complacency

These numbers should be a reality check. Women in Canada still make roughly two-thirds of what men make and continue to shoulder a disproportionate share of work in the home—to say nothing of the much higher barriers

that groups such as racialized women and women with disabilities face.

But we can't be complacent. Around the world, conservative forces are rolling back women's rights and silencing women's voices. This distain is all too familiar to women's organizations and allies fighting for better child care, stronger labour standards for precarious workers, and reproductive rights.

Progress is never inevitable, nor will one week a year bring the profile

**At this rate, it will take 196 years to close the economic gender gap in Canada.**

needed to close Canada's gender gaps. That will take more concerted efforts of the kind put forward in the Alternative Federal Budget. For example, the 2019 AFB makes the following recommendations for putting gender equality at the heart of economic policy:

- Investing in the sectors where women work today and ensuring that job stimulus and infrastructure spending is directed at Canada's entire labour force.
- Providing tailored supports and training for women who face employment barriers or involuntarily work part time, and recognizing the qualifications of women who have been out of the workforce caring for children and family members.
- Investing in universal child care and introducing a paid paternity leave, building on the success of the Quebec model.
- Investing in a fully resourced action plan to address violence against women, based on the Blueprint for a National Action Plan, and bringing federal per capita spending on the issue in line with provincial spending.

Stay tuned for the next edition of *The Best and Worst Places to be a Woman in Canada* in 2019. This report looks that the gender gap across large cities and highlights the work being done at the community level to advance equality. **M**



**ANNE LINDSEY | MANITOBA**

## Activist's legacy at risk if pesticide ban reversed

I went to visit a friend and colleague recently—someone I hadn't seen for a while. Sandra Madray (pictured) was in the final stages of cancer. She was dying. I was shocked and deeply saddened to see the physical changes the disease had wrought on my beautiful friend. She was so thin, and in so much pain.

Cancer is horrific in every circumstance, but the cruel irony in Sandra's situation is that she worked much of her adult life in a volunteer capacity to prevent cancer and other illnesses. In particular, those caused by and associated with environmental and industrial chemicals.

As a cofounder (with Margaret Friesen) of the local group Chemical Sensitivities Manitoba, and an advisor to the national organization Prevent Cancer Now, Sandra participated as a citizen/environmental representative in countless government consultations on laws and regulations regarding chemicals. She sat on the National Stakeholder Advisory Council for the Chemicals Management Plan and on the Canada–United States Regulatory Co-operation Council. She served on the board of the Manitoba Eco-Network for several years, and was active in the Children's Health and Environment Partnership.

Sandra educated herself (and others) on the science and public policy of

chemical exposure and what it means for human health. Studying reams of documents, she did the arduous and often thankless work that many of us have neither the patience nor the appetite for, as we trust hopefully that our governments will make the right decisions in the public interest.

Because she did that work, she knew that our hope is misplaced and that most regulatory decisions about chemicals are not taken with the utmost care to protect health or the environment, but rather lean heavily toward maximizing commercial profits and expedience. She knew that as a result, we inhabit a chemical soup of hazardous exposures to pesticides, cosmetics, plastics, vehicle and power plant emissions and other byproducts of the hydrocarbon society.

Sandra's cancer may or may not have been attributable to environmental or workplace exposures, but many cancers are, and in all those cases the pain and suffering, the unmitigated sadness and loss for family and friends is probably preventable.

Always kind, generous and with good humour and deep conviction, Sandra used her knowledge to advocate tirelessly for better solutions to society's problems. She campaigned especially for the most vulnerable—for children,



the elderly, the chemically sensitive (of which she was one) and the immune-compromised. A quiet warrior, she never sought special recognition for her work.

Some of the efforts she engaged in were successful, one recent example being the Manitoba law to prohibit many chemical pesticides in lawn care. With her own urban yard—an oasis of gorgeous native plants, buzzing and bright with butterflies and pollinators—as an example of better, healthful solutions for green space management, she worked with a coalition of groups to end unnecessary exposures to so-called cosmetic pesticides, some of which are linked in epidemiological studies to a variety of diseases, including cancer, respiratory and neurological/developmental problems. When Manitoba joined other provinces in legislating against lawn chemicals, it was a small but significant step forward in preventive medicine.

It is beyond sad that in Manitoba the ban now seems destined to be reversed. Even though recent polling

shows that most Manitobans consider pesticide-free to be the best approach, powerful forces support chemical solutions for weed control, and they appear to have the ear of the current government behind the scenes.

Possibly acting on inside knowledge, one lawn company owner was quoted in *Home Décor and Renovations* magazine as saying the (regulation) would be amended for 2019, and that he was optimistic it would allow “licensed lawn care professionals to resume the use of more effective weed control products.” We can only surmise that he was referring to substances like 2,4-D, dicamba and mecoprop.

As citizens, not only must we make every effort to avoid unnecessary products like cosmetic pesticides and scents, we must also continue to encourage our government not to take this terribly backward step.

In fact, it would be more appropriate to strengthen the law by adding glyphosate-based compounds such as Roundup, a weed control product with

links to cancer, to the list of prohibited substances. Roundup’s sordid history of cover-ups by its manufacturer, including the fact that its carcinogenic properties were long known about and hidden, is steadily being revealed in court challenges brought by cancer victims.

Sandra will not be with us to see a possible reversal of the policy that she contributed to, or have to again endure the impacts of lawn pesticides on her chemically sensitive body. But if this change of policy comes to pass, so many will be impacted, including the children and all the other vulnerable people that she worked so hard to protect.

How many of them will have to sicken and perhaps die before a clean, common sense and precautionary approach to green spaces is adopted once and for all in Manitoba? For Sandra Madray’s sake, let this number be zero.

Sandra passed away at the age of 68 on August 17, with her beloved husband Winston and family members at her side. **M**

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SETH KLEIN AND VYAS SARAN | BRITISH COLUMBIA

## Electoral reform is simple, actually

In the lead-up to the referendum on electoral reform this fall, a favourite argument of the “No” side is that the whole affair is frightfully confusing—that the options before us are just “too complicated” for British Columbians to navigate.

Yet most of us understand why we’re being asked to consider a change: because our antiquated first-past-the-post (FPTP) system, while simple on the surface, consistently produces results in which the makeup of our legislature does not reflect the will of the people, and governments that rule by partisan decree without majority support.

### The ballot questions are in fact fairly straightforward

In truth, this referendum is pretty simple. The mail-in ballot will have two questions

(see next page). The first will ask whether or not voters want to change from our current FPTP system to a form of proportional representation (or “pro rep”). We have confidence that our fellow citizens will be able to manage this task.

The second question will ask voters to rank three alternative pro rep options (which people can do even if they don’t want change, or which they can opt not to do). Again, ranking three alternative options is a task we think most people can manage just fine. And importantly, if the public votes to change the system (via question one), this means the choice of a new system is in the hands of voters rather than politicians.

### Three models are on offer

The three pro rep systems that we will be asked to rank (via the second question

on the ballot) are dual member, mixed member and rural-urban proportional.

**Dual Member:** This would see most ridings elect two MLAs. Most of the province’s existing single-member ridings would be combined with a neighbouring riding to create larger two-member ridings (other than a few rural ridings that are already very large). Parties will nominate two candidates for each riding. The first seat will go to the first candidate of the party with the most votes. The second seat will be allocated based on provinciewide voting results as well as local riding results to ensure that the overall share of seats each party gets in the legislature corresponds to their share of the popular vote.

**Mixed Member:** This would see voters elect roughly 60% of MLAs in single-member ridings as we do now. The other 40% of seats would be drawn from regional party lists such that the overall share of seats each party gets in the legislature corresponds to their share of the popular vote.

**Rural-Urban:** This is a mixed system that elects MLAs in two ways: in rural areas, MLAs would be elected using the Mixed Member model above; in urban

# Energy transition and the Canadian suburb

areas, ridings would be combined into larger multi-member ridings with five to seven MLAs elected using the Single Transferable Vote (where people rank candidates in order of preference).

All three proposed systems are, to some degree, new innovations. But that just means they're unfamiliar to British Columbians, not "too complicated." The systems on offer should be those that can accommodate the diverse nuances of B.C. and that reflect how we want to balance local representation with proportional outcomes, and urban and rural interests.

The large majority of democracies on our planet use some form of pro rep, many of which, like the options before us, combine local representation with proportionality in innovative ways. Surely British Columbians are as clever as all these other good folks. To imply otherwise is, frankly, insulting.

### The current system stinks

In contrast to the three proportional models proposed, our current FPTP system distorts and wastes votes cast by

people who happen to live in the wrong place, particularly in "safe ridings."

The FPTP system far too frequently grants winning parties false majorities; parties with about 40% of the popular vote get 100% of the power, and rule with virtual impunity for four years. A system that does that is a bad system, full stop.

If we do vote to change our system this fall (the referendum closes November 30), the benefits coming our way are great, regardless of which of the alternative models we choose. Pro rep will mean having a legislature that much better reflects the real preferences and backgrounds of the voters. It will also lead to far fewer safe ridings, and thus more meaningful competition and fewer wasted votes. And people will be liberated to "vote their values," which research shows plays a major role in the increased voter turnout that proportionality produces.

British Columbians deserve a democracy that ensures that you will have, in relatively close proximity, a local representative who shares your political values—and which gives you the voice you want in the halls of power. **M**

The tragic events of the past summer have finally brought home the reality that we have significantly altered the climate. We witnessed wildfires around the globe, including blazes in British Columbia that left Alberta cities more polluted than Beijing and produced hazy skies as far east as Nova Scotia.

Record temperatures across the whole of the Northern Hemisphere led to deaths from heat in Montreal and elsewhere. And in Arctic regions from Canada to Russia there were unprecedented levels of glacial melt, sea ice break-up and thawing permafrost.

While many governments continue to act as if everything is okay, the summer of 2018 is likely to go down as the moment when climate change switched from being a point of partisan debate to a real problem that we have to solve—immediately.

The causes of climate change are many, but the most significant is the burning of large amounts of fossil fuel, which generates CO<sub>2</sub> that builds up in the atmosphere where it remains for millennia. In many respects, the climate catastrophes that we are dealing with today are the consequence of CO<sub>2</sub> burned decades if not centuries ago.

A number of governments, NGOs and industry groups have identified dates, usually decades from now (2040 or 2050), as the point past which they will cease using fossil fuels. The G7, which includes Canada, has gestured to the end of the century for meeting that objective.

These targets suggest an end point to climate change—a cut-off date past which the issue of a heating planet will be fixed and the problem will go away. In fact, we're stuck with the CO<sub>2</sub> we've already created; stuck, too, with the

**1. Which system should British Columbia use for provincial elections?**

*(Vote for only one)*

The current First Past the Post voting system

A proportional representation voting system

**2. If British Columbia adopts a proportional representation voting system, which of the following voting systems do you prefer?**

*(Rank in order of preference. You may choose to support one, two or all three of the systems.)*

	1 <sup>st</sup> choice	2 <sup>nd</sup> choice	3 <sup>rd</sup> choice
Dual Member Proportional (DMP)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mixed Member Proportional (MMP)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rural-Urban Proportional (RUP)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

huge amount of additional carbon we add to the atmosphere every single day.

Though the use of fossil fuel energy isn't the sole cause of global warming, removing it from our energy mix is essential to slowing the growth of carbon emissions. At present, Canada has no policy on energy transition. Indeed, we may be moving in the opposite direction.

Through its support of the expansion of tar sands pipelines, the federal government has affirmed the maintenance of the status quo in relation to fossil fuel extraction. Saskatchewan and Ontario are in the midst of challenging the federal government's meek carbon tax scheme. And in the place of a jointly developed, forward-looking climate policy, the NDP governments of Alberta and B.C. remain locked in struggle over Trans Mountain.

To the degree that they have imagined energy transition at all, Canadian governments have placed their faith in market mechanisms, with a heavy reliance on tax schemes. If this doesn't work, many of us—including governments—believe that new technologies will save us from ourselves. Instead of having to alter or amend our high-energy lifestyles and their environmental or social consequences, we fantasize that solar power will allow us to leave things just the way they are, and so avoid making hard decisions about our environmental futures.

Real energy transition requires more than carbon taxation or cap-and-trade schemes. It requires social transition, too. To begin to address climate change, we will need to start making some big decisions about how we live day to day—not just what we do with our days, but the hopes, desires and anxieties that shape our lives.

These decisions will need to include where we live. A recent study led by Queen's University professor David Gordon highlighted how between 2006 and 2016, suburban population growth in Canadian cities was on average double that in their urban cores. "Auto suburbs," places that require cars for commuting, accounted for 75% of all urban growth during this period. This was as true of Toronto (83% suburban growth), where new condos have dramatically reshaped the skyline, as it is of Calgary (91%).

The continued, rapid growth of Canadian suburbs is unlikely to change



anytime soon. In May 2018, Diana Petramala of Ryerson University's Centre for Urban Research and Land Development, released a report suggesting that over the next decade, 700,000 millennials in Hamilton and the Greater Toronto Area would be looking for their own houses. The vast majority hope to find "ground-related housing"—houses with safe backyards for their kids and space in which to host weekend BBQ parties for friends and family.

**Between 2006 and 2016, suburban population growth in Canadian cities was on average double that in urban cores.**

Yesterday's emissions, today's extreme weather (author's photo).

We are a suburban nation. And in an era of climate change, these suburbs are expanding rather than shrinking.

There are all kinds of reasons why people move to suburbs. It's expensive to live downtown these days. We have also learned to connect suburban space with family, community and safety. But that choice inevitably means the heavy use of automobiles and the need for expensive auto infrastructure, as well as the building of new schools and hospitals. These costs are externalized: they do not figure into mortgage payments or even property taxes.

It might be asking a lot of a country that has barely begun to make good on its commitments to the Paris Accord to take on the environmental impact of housing. And yet, if we are going to stop our forests from burning and our glaciers from melting, these are the kinds of difficult discussions Canadians will need to initiate—preferably sooner than the year 2100. **M**



## Work Life

LYNNE FERNANDEZ

# The liberal elite and worker solidarity

**I**N THE MAY issue of the *Monitor*, the CCPA's Trish Hennessy warned us of the arrival of U.S.-style politics in the Ontario election. She concluded that democracies "can't be left on autopilot; they require engaged citizenry to hold governments accountable and to ensure they put the public interest first."

Her words ring truer than ever with the election of the populist, Trumpesque Premier Doug Ford. The burning question now is, *how do we grow the engaged, well-informed public we need to challenge right-wing populism in power?*

In an August 2016 column, the *New York Times*' Neil Gross argued that if the union movement were not so disempowered in the U.S., the many white, working class men who voted for Trump would have been less attracted to his regressive, populist messaging. He cites research by sociologist Jake Rosenfeld that found unions were very effective at getting their members out to vote, and historian Timothy Minchin, who concluded that the AFL-CIO played an important role in the election of Barack Obama in 2008.

The compelling lesson here is that unions can be an important countervailing force against populist and/or neoliberal messaging. But in the U.S., an enfeebled labour movement was not able to muster the necessary energy to overcome Trump's appeal with some of the rank and file. (Or breathe life into Hillary Clinton's failed campaign, but that's another albeit related story.)

And no wonder; with stagnant wages, the rise of precarious work and a growing rust belt, workers really are hurting. The left's increasingly difficult challenge is to explain in plain language what is causing the hurt, and how to relieve it. Unions do both these things, but in the U.S. they've lost a large portion of their audience.

Recent attacks against unions by the U.S. Supreme Court—a decision in June against "fair share" fees for collective bargaining will make it harder for public sector unions to collect dues—further frustrate labour's ability to reach members. This is a worrisome trend, given the growing number of studies connecting the decline in democracy in the U.S. to the weakening of the union movement.

Does this analysis apply to Ontario? To a certain degree, yes. In a June 18 *Globe and Mail* opinion piece, labour economist Andrew Jackson teased out who voted for Ford. Ekos polling found that Conservative support was highest among voters with the least education (high school only), but that the NDP

fared better in working-class, unionized parts of urban and Northern Ontario. Jackson surmises that Ford's base largely consists of "disaffected and insecure working-class voters" who identified with his simplistic, quick-fix remedies: lower taxes, smaller government and lower hydro rates. The populist flavour to his message, like Trump's, is that he speaks for the *common* person and against the liberal elite.

But the plot thickens. Jackson speculated that a lot of private sector union members voted for Ford, and why not? Many have relatively secure employment, benefits and decent pay. Lowering taxes and hydro bills will be immediately beneficial to them. If this hypothesis is correct, what seems to be missing here is that all-important countervailing messaging appealing to the broader public good. It makes sense that driving this point home was easier within unions whose members work in the public sector, and who were less inclined to vote for Ford.

Jackson presumed that Ford's lower-income voter base should be attracted to a \$15 minimum wage. Whether that was enough to push some away from the Progressive Conservative party is unknown. Importantly, unlike Trump and hard-right politicians in Europe, Ford does not overtly stoke racial tensions. Though his "tough on crime" stance and opposition to antiracism measures are inherently racially

**"[E]mployees covered by collective bargaining agreements felt less threatened by the social changes that agitate far-right ideologues."**

stigmatizing, the premier received support from many racialized voters. These developments need to be carefully considered so unions know how to respond appropriately.

Gross's 2016 column also considered the European situation, where many working class men are answering the call of an ascendant far-right movement. Gross refers to a study by political scientists Christoph Arndt and Line Rennwald, who found that while the far-right has been gaining ground even in highly-unionized social-democratic havens like Sweden (the reformed neo-Nazi party Sweden Democrats took 62 seats in elections this September), "in general employees covered by collective bargaining agreements felt less threatened by the social changes that agitate far-right ideologues."

While it is true that unionization is stronger in parts of Europe, in Canada it has not fallen nearly as low as it has in the U.S. It is now incumbent on private sector unions in particular to figure out how to foster a greater sense of electoral democracy and public interest with their members.

And it is incumbent on those of us who are rightly or wrongly identified as the liberal elite to develop a respectful, truly democratic relationship with those workers whose lives are much more difficult than we care to acknowledge. **M**



## New from the CCPA

### Giving alternatives an edge

On October 1, the CCPA, Canadian Women's Foundation and Greenpeace Canada co-hosted a meeting called **Alternative Futures: Strategizing Across Canadian Movements for Jobs, Justice, Equality and the Climate**. The aim of the gathering was to open a cross-movement conversation among progressive national organizations in the lead up to the 2019 federal election.

Women's rights organizations, unions, environmentalists, anti-poverty groups, Indigenous communities, progressive researchers and others have all worked hard to define priorities, campaigns and alternative agendas, but the context for engaging Canadians to rally behind these ideas is fraught. From the growth of a dangerous kind of populism, to the rise of alt-right media, xenophobia and racism, organizers are seeing some hard-won gains rolled back, even as many Canadians are hungry for a more inclusive, equitable and sustainable future.

Over 40 organizations participated in an open, challenging and often

inspiring conversation about where we are seeing gains, where we continue to face obstacles and how, and on what issues, we might work differently together to leverage our power for change in the years ahead. Stay tuned to see how the CCPA and others continue to engage on this agenda.

### We don't need another tax cut

After consulting **Alternative Federal Budget** partners, the CCPA decided to launch the 2019 AFB in mid-September and plans on releasing all future editions in the fall, six months earlier than we used to. A fall AFB offers more opportunities to influence the fiscal policies of the government and opposition parties alike.

This year, the early release date also gives AFB partners and allies more time to counter the predictable demands of big business for tax breaks that can only undermine public services and the Canadian economy. *Monitor* editor Stuart Trew summarizes the 2019 AFB recommendations on page 30 of this issue.

### Kate McInturff honoured with CCIC award

The Canadian Council for International Co-operation (CCIC) has posthumously awarded its 2019 Karen Takacs Award for Women's Leadership in International Development to the CCPA's **Kate McInturff**, who passed away this summer.

"A committed feminist, Kate was whip smart,

witty, resilient, determined, collaborative and inclusive," said Kate Higgins, Oxfam Canada's director of policy and campaigns, who presented the award to Kate's surviving son, Rowan (pictured). **Beth Woroniak**, policy lead at the MATCH International Women's Fund, shared the Takacs award for her leadership on women, peace and security.

The CCPA has established the **Kate McInturff Fellowship in Gender Justice** to honour Kate's work. Gifts to the fund will support the salary of a Canadian graduate student selected to work with the CCPA on current research projects focused on gender equality. You can make a donation to the fund directly on our website ([www.policyalternatives.ca/give](http://www.policyalternatives.ca/give)) or call us toll-free at 1-844-563-1341.

### Desmond Cole to speak at CCPA-BC gala

Toronto-based journalist, writer and activist **Desmond Cole** will be the keynote speaker at the CCPA-BC's 2018 Annual

Fundraising Gala on November 15 at Fraserview Hall in Vancouver. Cole is an award-winning writer whose work focuses on systemic racial injustice in Canada. His forthcoming (September 2019) book, *The Skin We're In*, exposes policing practices that disproportionately target people of colour in Canada and explores the experiences of Black Canadians. Tickets to the gala are \$100 and include an Indian buffet dinner. Visit [www.policyalternatives.ca/bc gala2018](http://www.policyalternatives.ca/bc gala2018) for more info and to purchase tickets.

### Is NAFTA Chapter 19 worth it?

In a report out in mid-October, CCPA researcher Scott Sinclair looks at all complaints under NAFTA's Chapter 19, which enables binational panels to review whether a country is applying its own trade remedy laws properly. He finds that Canadian exporters have seen only modest benefits, securing trade relief in about a dozen cases over the last 25 years.





JOHN ANDERSON

## Why we need a postal bank

**P**ICTURE THIS. You find your latest bank statement in the mail or search for it online and curse audibly when seeing retail account fees have gone up a few dollars a month—again.

Or maybe you walk into your local branch hoping to secure a loan only to be told you don't qualify, forcing you to consider the nearby payday lender whose interest rates are over 390% on an annualized basis.

If you live in a rural community, you might not even have a local branch

to begin with, as the major banks and even many credit unions have been closing them to meet corporate targets. If you do end up face-to-face with a teller, you may be sick of them trying to sell you expensive new credit cards and other services you don't need.

In each scenario, your frustration is compounded by an evening news broadcast declaring that Canada's "Big 6" banks will be raising dividends for their investors—to almost a dollar a share in the case of the Royal Bank

of Canada—after posting record earnings in the third quarter of 2018.

With all of these situations daily occurrences in Canada, is it any wonder that public postal banking is back on the agenda?

**O**n October 22, about a week after the *Monitor* went to print, NDP MP Irene Mathyssen was set to table a private member's bill, M-166, proposing that a House of Commons committee be struck to study the establishment of a postal banking system under the

Canada Post Corporation. The bill, should it pass, would give the committee a year to hear from witnesses and report back to Parliament on how it could be done.

This debate is important because it offers hope that we might one day see an affordable alternative financial system to the one set up by and for Canada's banking oligopolies. Five of the so-called Big Six Canadian banks—RBC, BMO, CIBC, Scotiabank and TD—are in the top 60 in the 2018 S&P Global list of world's largest banks by assets (National Bank of Canada being the outlier).

Canadian banks also play an outsized role within the domestic economy. Regularly, five of the Big Six are among the top 10 Canadian companies by market capitalization (with National Bank again the exception). In 2017, Big Six profits totalled \$42 billion, which was a 13% increase over 2016 and twice the total for 2010. And yet a *Toronto Star* study last December found the banks paid the lowest tax rates in the G7—10.5% in 2015, about a third the rate for all non-financial firms in the country.

With these kinds of profits, banking customers are right to wonder why they are paying higher service fees (or any fees at all, when you think about it). Those who have seen their branches vanish in the past five years have even more reason to gripe.

In September, the Canadian Bankers Association published its latest statistics on the number of bank branches in Canada. The count was 5,907 in 2017, over 2,000 fewer than there were in 1990. Over 400 branches were shuttered in the last three years alone (see chart).

For the Big Six, this is progress. RBC has promised to cut 20% of branch space in the next five years, while CIBC has estimated that 96% of all its banking transactions will be done online by the same deadline. Credit unions are not picking up the slack. According to their own industry association, there were 2,723 credit union branches in 2018 compared to 3,603 in 2002—a decline of some 880 branches in 16 years. Closures are still going on today.

As a result of these closures, banking “deserts” are increasingly common in much of rural Canada and can occur even in some inner-city neighbourhoods. Ottawa's downtown Bank Street now has more payday loan outlets than banks.

In a 2014 report for the Canadian Postmasters and Assistants Association that assessed the potential for postal banking in Canada, I found that 45% of small towns and rural communities that had post offices did not have any bank branches to speak of (see Table 2). This was worse in B.C. and Nova Scotia where the rate was above 60%, and in Newfoundland and Labrador where more than 80% of post office towns had no banks.

For those lucky enough to be able to do most of their banking online, some may see closure targets as reasonable, or even a good thing. But the reality is that the majority of people still use branches, and many of them on a regular basis. For arranging a mortgage, and for many small business services, face-to-face service is still essential. According to a 2015 study from the Credit Union Association, only 10% of people report never using a branch other than to access an ATM, and that's a relatively stable number.

**Table 1** Number of bank branches across nine major Canadian banks (end of October in each year)

	2012	2013	2014	2015	2016	2017
Newfoundland	108	110	110	110	107	104
Nova Scotia	191	196	199	194	192	191
PEI	27	28	28	28	27	27
New Brunswick	154	159	159	158	152	148
Quebec	1,095	1,112	1,115	1,119	1,110	1,058
Ontario	2,699	2,720	2,722	2,697	2,636	2,529
Manitoba	203	210	211	207	200	184
Saskatchewan	239	248	250	246	229	213
Alberta	671	698	703	698	698	656
BC	796	817	828	823	816	774
NWT/Nunavut	16	16	16	16	16	16
Yukon	6	7	7	7	7	7
Canada	6,205	6,321	6,348	6,303	6,190	5,907

Source Canadian Bankers Association. Banks include BMO, CIBC, Canadian Western Bank, HSBC, Laurentian Bank, National Bank, RBC, Scotiabank and TD.

**Table 2** Rural post offices surveyed on financial services, 2014

	Total	No bank or credit union in community	% Communities with no bank or credit union
British Columbia	176	107	61%
Alberta	211	60	28%
Saskatchewan	322	144	45%
Manitoba	177	85	48%
New Brunswick	111	55	50%
Nova Scotia	157	102	65%
Newfoundland and Labrador	255	215	84%
Prince Edward Island	27	16	59%
Ontario	457	202	44%
Quebec	718	189	26%
Nunavut	3	1	33%
Yukon	6	2	33%
<b>Canada</b>	<b>2,620</b>	<b>1,178</b>	<b>45%</b>

Source John Anderson, “Why Post Offices need to offer banking services,” Canadian Postmasters and Assistants Association, 2014.

As we have unfortunately come to expect, the situation is even more dire among First Nations, Inuit and Métis communities. According to my calculations, in over 700 Indigenous communities there are only about 66 bank or credit union branches—a coverage rate of less than 10%.

In contrast, there are now more postal outlets in Canada (6,200) than the total number of bank branches. If the Crown corporation were to start offering banking and other financial services, as postal services do in many parts of the world, it would from Day 1 have a large and accessible retail chain ready to serve urban and rural Canada, and develop partnerships with First Nations, Metis and Inuit peoples to offer these services..

Postal banking has been a success around the world. And setting up a postal bank in Canada would be nothing new. One of the first acts of the new Dominion of Canada was the creation of postal banking in 1868. Based on a similar model in the United Kingdom, the Canadian postal savings system offered working and lower-middle-class people the chance to save money in bank accounts that were often denied to them by the large chartered banks. Not surprisingly, perhaps, the latter went to work to undermine the project.

“The decline of the Postal Savings Bank system dates from the decision of the Minister of Finance, in 1898, to lower the interest rate on deposits,” said a Canadian Museum of History

**Canada Post has about 100 years of banking experience. The legislation that enabled postal banking is still on the books, and the Crown corporation already delivers some financial services.**

exhibit on the chronology of postal history. “The decision came in response to considerable lobbying by the chartered banks, which, during the 1890s, became much more aggressive in their pursuit of small-time bank depositors.”

Despite this early victory, it would be another 70 years before the Liberal government of the day would close down postal banking for good, in 1968, the same year the United States shuttered its own public postal bank. Fifty years on, a growing number of Canadians are coming to understand what a bad decision that was.

Today postal banking is supported by over 600 municipalities, the Canadian Union of Postal Workers and the Canadian Postmasters and Assistants Association, as well as the National Pensioners Federation. The NDP passed a motion in favour of postal banking at its last congress in February 2018, thus Mathysen’s private member’s bill to the House of Commons.

So how would it work? Postal banking can be run in many different ways. The simplest would be as a subsidiary of Canada Post, with banking services set up in one major region of the country at a time. The easiest way to set this new entity up would be as a Crown corporation in the same manner as the other federally-owned banks (see Table 3).

At first, basic banking services such as savings and chequing accounts and bill payment could be offered at much lower costs than you’d find at Big Six banks. From there, a postal bank could expand into offering other financial services such as mortgages, business and personal loans, foreign exchange, investments, insurance and alternatives to payday loans.

Canada Post has about 100 years of banking experience. The legislation that enabled postal banking is still on the books, and the Crown corporation already delivers some financial services. It sells money orders, credit cards and has an online bill delivery service, epost, which could easily be modified to allow bill payment as well. Canada

**Table 3** Federally owned banks in Canada in 2016

Name	Assets	Number of Customers	Profits	Number of Offices	Head-quarters	Employees	Services
Farm Credit Canada	\$33 billion	100,000	\$613 million	100	Regina	1,800	Loans, mortgages
Business Development Bank of Canada	\$25.3 billion	49,000	\$464 million	118	Montreal	2,200	Loans
Export Development Bank	\$63 billion	7,150	\$1,072 million	18 Canada 19 International	Ottawa	1,400	Loans
Bank of Canada	\$106.1 billion		\$1,057.6 million	242 Canada 20 International	Ottawa	1,700	Treasury Bills
<b>Total</b>	<b>\$227.4 billion</b>	<b>156,150</b>	<b>\$3,207 million</b>			<b>7,100</b>	

Source 2016 annual reports.



# GOOD REASONS TO BANK WITH CANADA POST

## High fees.

Bank fees today are out of control. In a recent survey by RateHub, millennials and boomers reported paying around \$8 per month in fees, which works out to just under \$100 per year. Gen-Xers said they were paying \$13 on average, or nearly \$160 a year. For example, an unlimited chequing account will cost you around \$14.95/month or \$179.40 a year. Then there are the costs for taking out cash from another bank's ATM, which can hit \$3.00 per transaction, and NSF fees (on bounced cheques) are now \$48 at major banks. In the U.K. most ATM transactions at another bank are free.

## We need an alternative to payday loans.

Payday loan rates, which are set by each province, are usurious. At their lowest (currently in Ontario, Alberta, New Brunswick and B.C.), a \$100 loan at \$15 interest over two weeks still amounts to an annual interest rate of 391%! Quebec and Newfoundland and Labrador outlawed payday loans, but they are now widely available online and, as in bricks-and-mortar locations, only accorded to people who have a reliable income source. A new postal bank could offer alternative products to payday loans at much lower rates, perhaps similar to credit cards, which at their most expensive are under 30% annually. For example, a 29% interest rate on a \$100 loan would cost about \$1.11 over two weeks instead of \$15.

## Banking services could help support mail service, home delivery, and local post offices.

In other countries, postal banking helps support other post office services. Mail and package delivery is itself an important service in a large country like Canada, where the cost of mailing a letter 9,300 kilometers (the width of the country) is the same as reaching someone in your home town. In fact, home delivery needs to be expanded again after it was cut back by the Harper government. A postal bank could provide some of the resources to do that.

Post frontline staff are well-trained and used to dealing with customers of the friendly and frustrated variety. It's a perfect match, when you really think about it.

Likewise, the federal government already administers four very successful banks, all of which made a profit totaling \$3.2 billion in 2016. These banks could provide support for the new postal bank as they already have 242 offices across the country, provide loans to farm families and businesses, and offer savings products such as treasury bills and, until recently, Canada Savings Bonds. Staff expertise from over 7,000 public servants could be seconded to the new postal bank.

While a new postal bank would require initial investment from the federal government, the profitability of postal banks worldwide shows that public money put into equipment and training would be quickly repaid.

Importantly, Canadians are willing to pay for postal banking services. In a poll carried out for the government's Postal Service Review Task Force in 2016, 11% of people said they would definitely use some financial services at Canada Post.

There are 29.65 million Canadians over 18, meaning that 3.26 million Canadians would immediately be interested in

the new banking services. Since 47% of all respondents in that poll (and 27% of Indigenous respondents) said new banking products were a good or excellent fit for Canada Post, the future for increasing these numbers looks excellent. At least 11% of businesses consulted in that study said they would use postal banking, which provides another excellent customer base on which to grow a retail service for big and small business.

Here we have a chance to offer a publicly owned banking alternative that millions of Canadians want and that has been successful in countries around the world. Today some 183 of 201 postal services offer financial services and 87 offer chequing and savings accounts to some one billion customers, including in the U.K., France, Italy and Switzerland. What are we waiting for? **M**

THIS ARTICLE DRAWS FROM THE AUTHOR'S JUNE 2018 STUDY, *IT'S TIME FOR A POSTAL BANK FOR EVERYONE*, FOR THE CANADIAN UNION OF POSTAL WORKERS AND AN EARLIER REPORT ON THE TOPIC, *WHY CANADA NEEDS POSTAL BANKING*, FOR THE CCPA.

# What do people actually want?

New U.S. research on public attitudes toward financial regulation

**FINANCIAL REGULATION USED** to be an issue that only industry folks and finance nerds cared about. The North Atlantic financial crisis changed that, and politicized finance by wreaking havoc on many people's lives. The explicit politicization of finance is mostly a positive development.

Like all industries, finance will actively fight for its own interests to be represented in various government regulations at the provincial, national, regional and global levels. But what kind of financial regulation do average citizens actually want?

If the public at large wants stronger financial regulation, then financial industry pushback against tougher regulations is indeed pernicious and undermines the democratic will. However, if the public at large actually believes that financial regulation should be less stringent (think of the "strangling in red tape" narrative here), then the financial industry's pervasive lobbying against more stringent regulations, and its active push for fewer regulatory hurdles, might be close to what "the people" actually want.

So what *does* the public want in terms of financial regulation? In a recent study published in the peer-reviewed journal *New Political Economy*, we examined a wide range of survey evidence in the United States to answer this question.

Large polls conducted between September 2008 and July 2010 suggest a majority—sometimes a large majority, sometimes a small one—supports stronger financial regulation. While U.S. Congress was studying the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank for short) during this time, 66% of respondents supported

the bill, with 32% opposing it. This support was stronger, we show, than support at the time for Obamacare and the economic stimulus bills, which were also highly politicized.

Even support for more arguably "radical" social movements such as Occupy Wall Street was stronger than support for the Tea Party when comparative surveys were conducted. These simple results lay to rest what we call the "status quo public" narrative, which suggests that since the financial crisis the U.S. public had an overall conservative stance when it came to financial regulatory reform.

In our study we assessed two other competing narratives. One claims that while the initial shock of the financial crisis may have promoted pro-regulatory public attitudes, this sentiment waned after policies like Dodd-Frank were constructed and the memory of the crisis faded. This "placated public" narrative does not stand up to scrutiny either.

We utilized a unique survey that was conducted both in 2010 and 2014 for a statistically identical representative sample of the U.S. population. This survey, called the Co-operative Congressional Election Survey (CCES, within which many dozens of researchers participate every election cycle), happened to include a question in 2010 asking respondents whether they supported the Dodd-Frank bill as it was then being constructed.

The survey asked the same question again in 2014, but worded it not in terms of any specific financial reform bill but in terms of "more strictly regulating financial institutions." In 2010, 68% expressed support; by 2014, this figure shot up to 77%. In other words, long after Dodd-Frank was done and dusted, the public preferred regulation to

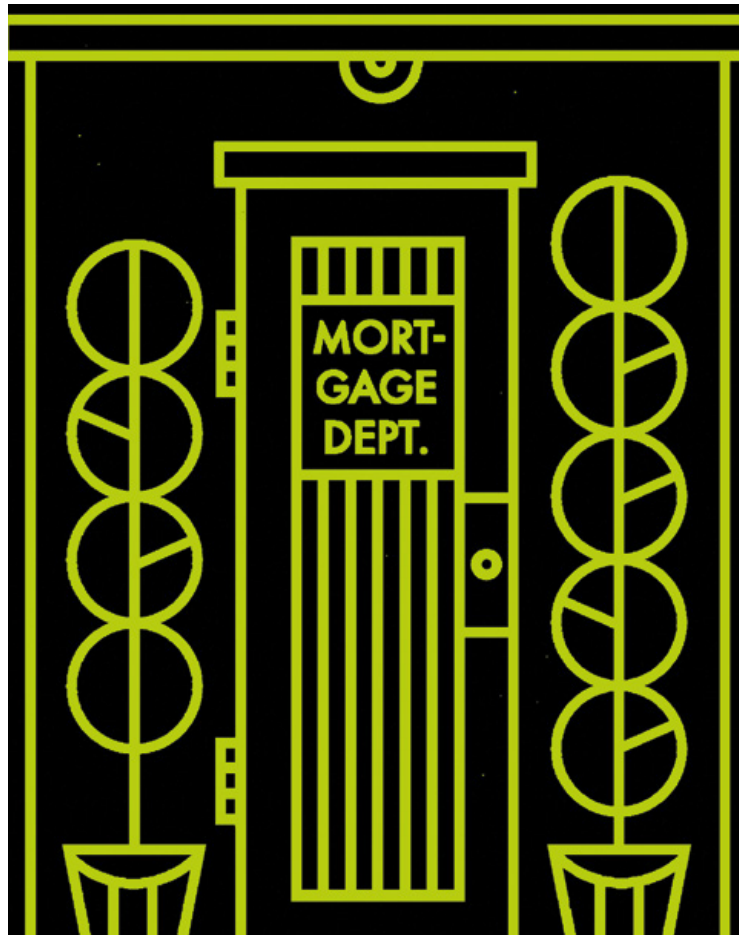
be stronger still. The public was clearly not placated.

What specific factors explain support for stronger financial regulation? Our data indicates that one's political sense of self—in the U.S. context, whether you identify as Democrat or Republican, or where you locate yourself on a "liberal or conservative" multi-point scale—strongly determines opinions about financial regulation. We call this the "partisan public" explanation. Essentially, partisan ideology wins the day. This finding persists when controlling for other factors such as age, gender, educational attainment, race/ethnic identification and employment status.

Wealth has an important effect, but it is highly conditional on ideology. Specifically, while wealthier people have more investments in the financial industry, richer Democrats don't budge in terms of their support for stronger financial regulation, whether in 2010 or in 2014 (after Dodd-Frank was passed). For Republicans the story is different. While their overall levels of support for stronger financial reform are lower, rich Republicans do support regulation less as they get wealthier.

Our analysis challenges claims that U.S. public attitudes are either conservative in orientation or placated through modest reform. Current efforts by the Trump administration to roll back post-crisis financial regulation are thus likely contrary to public opinion.

Yet the highly partisan nature of policy-making in the U.S. also suggests that these current reforms, like in the past, will have support from certain segments of the American populace, and that this support will buffet stronger regulation—and ultimately protect the industry from the majority of the public. **M**



MICHAL ROZWORSKI

## Are we addicted to debt?

Bubble or no bubble, the housing affordability crisis creates systemic risk for the Canadian economy

**W**E'RE NOW 10 YEARS on from the biggest financial crisis since the Great Depression. Or, as our national mythology puts it, 10 years since Canada breathed a deep sigh of relief as the crisis mostly grazed our economy and financial system.

Since 2008, we've had 10 years of congratulatory back-patting over our system of financial regulation, 10 years of low inflation and low interest rates, 10 years of periodically oil-driven economic growth—and 10 years of exploding housing prices, of renovations and demovictions, of working people pushed out of some cities and a real estate investment bonanza for the homegrown and foreign rich.

Ten years after *the* crisis, many Canadian cities are *still in* crisis. What follows is a look at the contours and roots of our urban housing crisis, and some avenues for exiting it in a way that would benefit the majority of people.

### Housing boil and housing bubble

Average housing prices have grown by 80% Canada-wide since their lows in the winter of 2009, and more than doubled in Vancouver and Toronto (as measured by the widely used composite index maintained by the Canadian Real Estate Association, which incorporates everything from condos to single-family homes). Among Northern countries, only Hong Kong, Iceland and New Zealand saw bigger housing spikes over the same post-crisis period, according to the Bank of International Settlements.

In Canada, housing prices have been driven higher largely by land appreciation; it is not uncommon in major cities for the structures built on land to comprise just a small sliver of the value of a property. For example, between 2007 and 2018, real estate in British Columbia doubled in value, appreciating by nearly \$1 trillion in inflation-adjusted terms, the vast majority of that a result of higher land values.

Meanwhile, as real estate prices have exploded, wage growth has been tepid at best. Between 2008 and 2017, the nominal median wage has gone up 22% Canada-wide and 20% in both

## As real estate prices have exploded, wage growth has been tepid at best.

Ontario and B.C. Adjusted for inflation this is considerably less than one percentage point per year in real growth.

As housing prices have grown, the rate of home ownership, or the share of households that own the home in which they live (67.8% in 2016), remains near where it was before the crisis (68.4% in 2006). However, this drop is more pronounced when we consider that the home ownership rate had been climbing steadily from around 60% in 1971 to 69% in 2011.

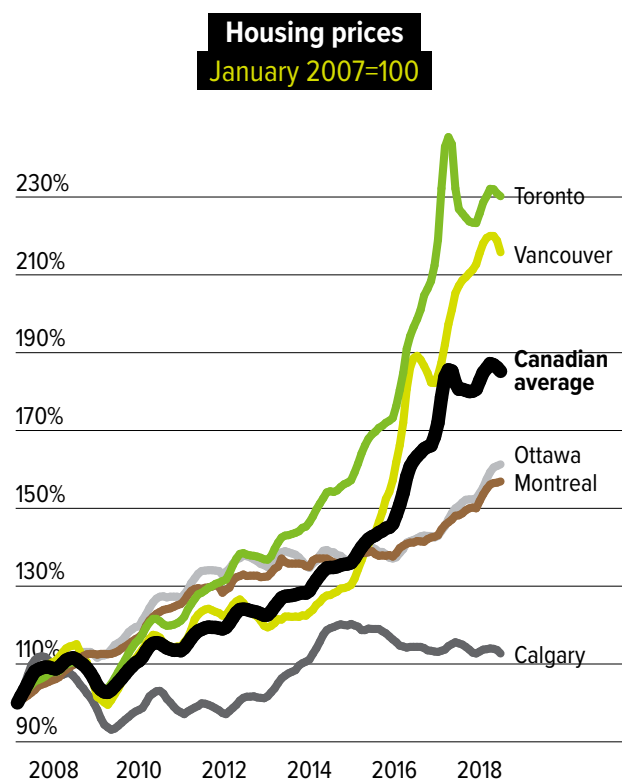
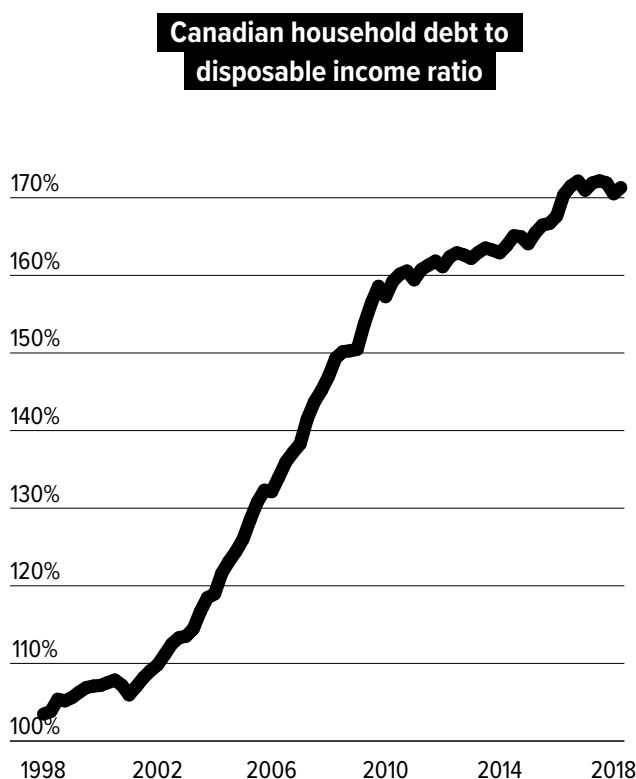
These small changes in the overall rate also hide significantly greater inequality in home ownership. Whereas in 1971, those in the top 20% by income had a home ownership rate approximately 10% higher than those in the bottom fifth, this difference has grown

severalfold in the ensuing decades. Millennials are entering home ownership in small numbers and later than their forebearers: 50% of millennials own a home today compared with 55% of people their age in 1981.

The indebtedness of Canadian households has risen steadily since the crisis: from 150% of disposable income in 2008 to 170% today (though this pales in comparison with the twofold larger relative increase from 105% in 1998 to 150% a decade later). This 10-year increase diverges sharply from the situation in the United States, where households noticeably deleveraged after the crisis.

On the flipside, housing wealth is now staggeringly above 430% of disposable income (in January 2018) reflecting consistent increases since the 1990s. This is the paradox of the housing crisis: it has literally created wealth under the feet of one set of Canadians and foreign property owners—many of them already wealthy—while making simple existence for another set, in particular the urban poor, increasingly difficult.

Housing appreciation has turned some working people into millionaires,



even if for now only on paper, and some regular people into rentiers. Real estate boosters love these examples of “rags to riches” and argue that there are other countries, notably Australia and several in Scandinavia, where household debt comprises an even higher percentage of household income than it does in Canada. The point, however, is not to argue about abstract statistics, but to see how runaway housing markets affect people.

Housing wealth is very unequally distributed. According to 2016 data from Statistics Canada, the top 20% of Canadian households own 63% of Canadian total net worth (assets minus mortgage debt) in real estate, while the bottom 40% own just 2% of the same. Properties that are not principal residences are more unequally distributed: the top quintile owns 81% of the net worth here.

In addition, while property prices and debt have accelerated, so have increases in rent for tenants in many cities, especially burdening those in the working class who did not buy into the property lottery at the “right” time.

### **It was not an accident**

Far more interesting than how far Canadian housing is into bubble territory is the question of what impact the current run-up in values is having on Canadians, particularly the working class of the country. Here we need to go back further than just the past 10 years.

The start of the current expansion in Canadian mortgage debt and house prices coincided with the beginning of the era of stable low inflation and relatively low interest rates in the late 1990s, far preceding the 2008 financial crisis. This story about cheap credit and high expectations is one Stephen Poloz, the current governor of the Bank of Canada, likes to tell and there is some truth to it: financing real estate was relatively cheap already in the late 1990s.

But this early acceleration in Canada’s housing market coincided with another major shift, one that went far beyond a change in the price of loans.

In 1993, the last federal budget tabled by Brian Mulroney’s Progressive Conservative government ended all new federal funding for social housing construction outside of First Nations reserves. The feds were out of the business of creating new social housing, as they put it. This was a marked change from previous decades when the federal government helped finance about 20,000 units of social housing per year—from direct public housing in the 1960s and into the ‘70s to non-profit and co-op housing in the 1980s. In most provinces outside B.C. and Quebec, provincial governments did not pick up the slack following the 1993 announcement.

With the sudden imposition of social housing austerity, the Canada Mortgage and Housing Corporation (CMHC) shifted from homebuilder to mortgage insurer. The move away from direct and indirect public provision only further solidified long-standing economic and cultural pressures toward home ownership. And with this move the federal government only accelerated the transformation of housing from human necessity into investment good, to be supplied almost exclusively by the private sector.

Although Canada was ruled by market-friendly conservatives under Brian Mulroney in the 1980s, it was the Liberals, elected in 1993 under Chrétien, who made the greatest strides in transforming the Canadian state—shifting it towards neoliberalism and near-permanent austerity. Fiscal policy was defanged, now used to drastically reduce the debt-to-GDP ratio, while monetary policy assumed the role of stimulating the economy, albeit within a strict inflation-targeting mandate.

With interest rates down from their 1980s highs, the state out of the housing game, and new policies from the CMHC, including increased mortgage protection and significantly lower down-payment requirements (from 20% down to 5%), the stage was set for the start of a long housing boom.

The early boom years were characterized by relative affordability. This was the time when the financialization of housing—its transformation into a major investment asset—was just taking off. Interest rates fell and house prices began to slowly recover from their 1990s recession lows. The bias toward home ownership, driven by fiscal contraction and monetary expansion, went hand-in-glove with long-standing policies at the provincial and city level such as exclusionary zoning and weak rent controls, as well as cultural beliefs about the primacy of the car or the importance of owning a single-family home.

The product of all these developments was a complex set of economic, legal and social factors that ultimately set the stage for the current affordability and liveability emergency in our cities. It is within these structures that power imbalances have evolved over the past decade.

In the immediate aftermath of the 2008 global financial crisis, triggered that September by the Lehman Brothers bankruptcy, the Bank of Canada participated in the co-ordinated effort by many central banks to stabilize the global financial system. And while Stephen Harper ironically led one of the developed world’s more aggressive bouts of fiscal stimulus (which included substantial social housing investment) the trend toward slow-motion, structural austerity returned by the start of the 2010s.

The Bank of Canada, on the other hand, continued to maintain very low interest rates, propping up the Canadian economy and doing its part to fight off a deeper global depression. With fiscal policy levers largely atrophied, monetary policy has taken up the long-term task of stimulating and stabilizing the economy—in Canada and much of the rest of the world.

**Retirement saving for the future and significant employment income are now reliant on the real estate train not hitting the brakes.**

# INSURING AND PROFITING FROM HOME DEBT

Canadian banks are repeatedly commended for their avoidance of a financial crisis on the scale of what we saw in the U.S. and Europe post 2008. In 2012, however, the CCPA released a report, *Big Banks Big Secret*, that burst their bubble, so to speak, by discussing just how much “liquidity support” the banks actually received here, too.

After the crash, the Bank of Canada and the U.S. Federal Reserve provided banks with short-term collateralized loans while the Canada Mortgage and Housing Corporation (CMHC) bought mortgages directly from the banks in the form of mortgage-backed securities (MBS). All of these came together to provide liquid cash to Canadian banks, with MBS as the currency, which sounds a lot like a bailout.

MBSs are created when banks providing mortgages bundle them together and sell them off to investors, such as hedge and pension funds. This allows mortgages to be easily traded, giving illiquid assets liquidity, and creating a secondary mortgage market. Interest payments paid by the mortgage holder go to the buyer of the security, providing a relatively safe investment, as the mortgages are insured by CMHC.

CMHC securitizations are meant to reduce risks for sellers of mortgages, but in fact they pass risk on to the public. CMHC mortgages are insured through the federal government, which means that if the person who purchased the

mortgage defaults, the feds pay. There are requirements that people wishing to purchase a mortgage must meet, but as we saw in the U.S., there are incentives for banks to sell subprime mortgages. Canada’s vetting process was more rigorous than the U.S.’s prior to the 2008 financial crash. This may have played a role in reducing the impact of the crash.

Another effect of insured mortgages and securitization is how it allows homebuyers to access more capital. Because these investments are easily tradable and attractive to lenders, there are more funds available for mortgage borrowers. If the mortgages are insured, banks will be more willing to lend larger amounts of money. As people are able to borrow more, home prices trend upwards and debt ratios among Canadians increase.

It is now 10 years after the financial crisis and we still don’t know how many of these mortgage-backed securities created by the banks to get access to bailout cash remain. From the graph, it is evident that the percentage of mortgages that are securitized has been climbing steadily since the early 2000s. The drop around 2010-11 is from the five-year MBS bonds CMHC purchased coming up for renewal, when private banks appear to have simply taken many of the securities back on-book.

Interestingly, the MBS trend picked up steam after that, and the percentage of securitized mortgages is now higher than before the crisis.

Unfortunately, post-crisis monetary policy also stoked the flames of the already ongoing real estate boom. Lower short-term interest rates in a world of increasing inequality in income and wealth created fertile conditions for asset price inflation—a frenzied “search for yield” with everything from equities to collector art to real estate seeing enormous price gains globally.

Capital, in significant part domestic but also international, alighted on Canadian real estate as a safe, relatively high-return asset. Developers were only too happy to keep building safety deposit boxes in the sky, helping domestic and foreign capital, rather than people, find a home.

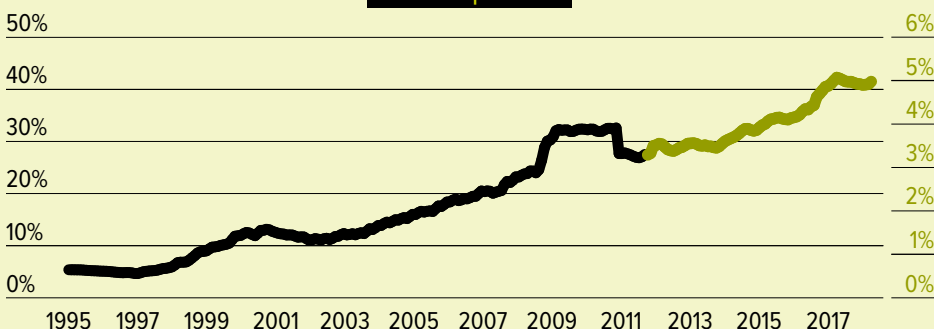
There is a tension here, however. Cheap credit is generally to be welcomed: it shifts the balance of power in credit markets toward debtors and away from creditors, mapping relatively cleanly as a shift toward the poor from the wealthy. It is therefore cheap credit in the context of spectacular imbalances of economic power (that shape policy at every level) that has helped accelerate housing price inflation and encumbered access to shelter—something that by all reasonable accounts should be a human right—for many working and low-income people.

The housing crisis is just as much or more so about weak rent control, exclusionary zoning in low-density cities, preferential tax treatment of capital gains (especially capital gains from the sale of principal residences) and low property taxes as it is about loose monetary policy. It is no surprise that Vancouver, with some of the lowest carrying costs of real estate (primarily low property taxes) of any major Canadian city, has experienced the deepest crisis.

While Vancouver and Toronto, as global cities, were the first to catch the bug of extreme housing speculation, the malady is now spreading to smaller cities and towns. In British Columbia alone it is not only Victoria and Kelowna feeling the heat, but even places like

Percentage of total mortgages securitized

1995 to present



Nelson or the Gulf Islands. The notable exception among Canada's major cities is Montreal, which has a more robust provincial welfare state, much stronger tenant protections and, partly as a result, lower rates of home ownership.

Today, one oil boom-and-bust cycle and a couple years of steady growth later, Canadian monetary policy is tightening again, partly driven by housing market conditions. Despite still moderate wage growth and inflation largely within the Bank of Canada's target band, Governor Poloz has justified recent interest rate increases in part as a means to cool the housing market. At the same time, Prime Minister Trudeau has made much fanfare of getting Ottawa back into housing, which the government now claims to be a human right. (The UN special rapporteur on the right to housing has questioned whether this implies something legally enforceable or is simply window-dressing.)

The Liberals' National Housing Strategy, unveiled in 2017, promises a \$40 billion boost to various housing programs over 10 years, focusing primarily on the most vulnerable. This is a welcome change in tone from government. Unfortunately, the vast majority of these funds are back-loaded until after the next federal election in 2019, and only \$15 billion worth is new money.

In addition, the focus on only housing the vulnerable assumes the market works fine for everyone else. Indeed, much of the new housing money takes the form of various rent and private development subsidies that will not shift the fundamentals of private sector-led, investment-gearred housing provision. Without a more concerted effort that looks at all the factors behind our long housing boom and affordability crisis, current plans leave much to be desired.

### Housing policy alternatives

The neoliberal state we've inherited prides itself on not interfering with or, god forbid, regulating markets and financial flows except when inaction might be systemically destabilizing. Unfortunately for the government, our housing sector needs patching up—even if it means breaking out the red tape.

The crisis in our cities is so deep and increasingly widespread that far-reaching and systemic change is needed. And really, whether we like it or not, the housing market is already highly regulated: zoning and land use regulations, mortgage rules for buyers, property taxation and pension design all impact what gets supplied and what is demanded. The question is not whether to “interfere” in the fundamental workings of the housing market, but how and in whose interest.

Both Ontario and British Columbia have instituted foreign buyers taxes. B.C. has also implemented a mildly progressive property tax on homes valued over \$3 million and increased property transfer tax rates. Vancouver has an empty homes tax starting this year. These measures, which are welcome and contributing to cooling the two most haywire housing markets (Vancouver and Toronto) in terms of both sales and price growth, are nonetheless insufficient to the scale of Canada's post-crisis housing affordability crisis.

## The question is not whether to “interfere” in the fundamental workings of the housing market, but how and in whose interest.

Luckily, the alternative policy toolbox is full for those willing to make use of it. Here are some of the sharper implements:

- **The direct provision of non-market housing.** The public sector should be an aggressive “builder of first resort” that embarks on a massive build-out of high-quality, democratic, non-market housing that the poor, working and middle classes can afford. Direct publicly-provided housing, private non-profit housing, co-ops and community land trusts are all good options. Not only would a rapid build-out eliminate some of the current stigma around social housing, it would directly challenge both the primacy of the market and the prices it currently sets. And it would pay for itself in the long run courtesy of the joint magic of state-backed credit, existing public urban land, and cross-subsidization.

- **Stronger tenant protections and rent controls.** These measures help people stay in their homes, reduce potential future income streams from land and bring tenancy closer to ownership in terms of stability, security and control.

- **An end to exclusive zoning in cities.** We can carefully dismantle the system of exclusion that maintains a false scarcity of land and keeps significant portions of our cities off limits to renters and workers. At the same time, we should introduce measures to capture any increases in land values to incumbent owners and redirect that money to the public good.

- **Reform of the tax system.** Several tax changes would make housing less attractive as an investment relative to other assets and generally increase carrying costs. These include progressive and overall higher property taxes geared toward the taxation of land value at the local level, taxes on capital gains from short-term speculation at the provincial level, and an end to preferential treatment of capital gains at the federal level.

- **More generous public pensions.** Less pressure on housing as a retirement asset would bring the value of homes and land more in line with their role as places to live.

With rising public anger about housing and rent costs, there might still be a window to use some combination of these tools to end our affordability crisis. As a bonus, meaningful housing reform would ensure that our next economic crisis doesn't start among the cranes dotting the Vancouver and Toronto skylines. **M**

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## SHARE OR STOCK OPTION GIVING CAN MAKE A BIG DIFFERENCE

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**“It makes you shake your head in wonder when, out of the blue, a donor makes an incredibly generous gift without even telling you it’s coming,” says Peter Bleyer, executive director of the Canadian Centre for Policy Alternatives.**

This is exactly what happened when Marilyn Silverman told her financial adviser that she wanted to make a special donation to the CCPA on behalf of herself and her late husband, Philip Hugh Gulliver. “We are so grateful for Marilyn and Philip’s commitment to the CCPA,” says Peter. “It is nothing short of humbling when long-time supporters

decide to make a once-in-a-lifetime donation to celebrate their belief in our work and their desire to have an impact.”

Marilyn’s advisor then discussed with her the additional tax benefits of gifting capital-appreciated shares from her investment portfolio as compared to simply making a cash donation or bequeathing the gift through her will.

“I was originally considering making this gift through my will, but there is an urgent need for the CCPA to continue on with its work. So, I thought, why wait? My financial advisor then assisted me in completing the share donation process with the help of the CCPA. For me, it was all very easy and simple.”

Marilyn and Philip join a growing group of donors who are open to the idea of donating gifts of shares or stocks directly to organizations they believe in, in part because of the tax benefits. Everyone gains.

### **ABOUT MARILYN AND PHILIP**

Marilyn and Philip began supporting the CCPA in 2005 and became monthly donors in 2011. Both Philip and Marilyn believed that the Monitor is one of





the major voices of progressive, Canadian reasoning. Its research, news collection, critiques and, importantly, its dissemination of policy alternatives, impressed them both. “We became donors because we believed, and hoped, that the CCPA could make a difference. I still believe that to this day.”

Marilyn and Philip both had long and productive careers as professors at York University. Philip received his PhD from the London School of Economics (LSE) in 1952. He emigrated to Canada in 1971, having been a professor of African studies at SOAS, University of London. On arriving at York a year later, he became a foundational figure in the creation of the university’s Department of Anthropology. He held the position of Distinguished Research Professor at the time of his retirement in 1992.

Philip’s research, writing and teaching interests were in the area of law and dispute management (negotiations, mediation and arbitration) in multiple East African milieux and in North America. It was at York that Philip met Marilyn, a colleague who held the office down the hall, and whose research interests incorporated his own.

Originally from Montreal, Marilyn received her PhD in social anthropology

**“More and more donors are open to the idea of donating gifts of stock directly to organizations they believe in because of the tax benefits. It’s a win-win.”**

**Peter Bleyer,**  
Executive Director, CCPA

from McGill University in 1973, based on field research in South America. Two years before, she had joined York. Her concerns then, and her subsequent publications over the years, deal with inequality—how it is produced and reproduced, both materially and ideologically, in local agrarian societies. Marilyn also was heavily involved in union activities over the years, retiring as a full professor in 2006.

For the past several decades, Marilyn and Philip have been involved in a long-term research project in the Irish Republic. The foci still have remained the same: inequality and conflict.

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**Give more,  
save more**  
*What a great way to wrap up 2018*



STORY BY BRETT SCOTT /  
PHOTOGRAPHS BY HARRI HOMI

## The activist hedge fund

You can do a lot of (wonderful) damage with a little bit of money

**H**EDGE FUND TRADERS are financial mercenaries. Like all mercenaries, they are hired by rich and powerful people. Unlike some mercenaries, however, their lives are never in danger. Rather, they settle in upmarket offices with wood-paneled boardrooms and sparkling water, getting extraordinarily wealthy by betting on anything from Apple shares to oil futures to distant coal mines operated out of Indonesia.

The Robin Hood Co-op, though, is no normal hedge fund. And this is no ordinary office. It has no wood paneling and no sparkling water. There is barely any running water at all, being a graffiti-strewn ex-slaughterhouse in Milan, squatted by a radical arts group called Macao.

In the hall is a naked woman painted blue, wearing a gas mask, dancing

to the sonic violence of industrial deathmetal music. Next door is a punk street-theatre collective manufacturing artificial vomit in buckets to throw at a protest. There are empty cartridges of police teargas on our table, now used to hold marker pens.

Strictly speaking, Robin Hood is a Finnish co-operative—the term “hedge fund” is used loosely—and you do not need to be rich to join it. You become a member of the co-op by buying a share for 30 euros (about \$45). They take that money and use it to bet on the U.S. stock markets.

To do so, they employ an algorithm called “The Parasite,” which sucks in lots of stock market data and uses it to make trading decisions. Any profits

they make from this trading are then steered back to their members, but also to a communal fund that supports rebellious projects that mess with the mainstream. “Welcome to the wild side of finance,” says Robin Hood co-founder Akseli Virtanen, as he prepares to sell Milanese activists on the plan.

**R**obin Hood came to life in 2012 when Virtanen and a team of artists and critical academics joined forces at the University of Aalto outside Helsinki in Finland. The fund was envisaged as a piece of “economic performance art” and the team went out to raise money from scraggly freelance workers and other lowly chancers.

They somehow managed to collect over €500,000 (just over \$760,000). By financial sector standards that’s a pretty tiny amount of money—many

Board meeting.

funds have billions under management—but it was enough to make the university management very nervous. You guys are artists, not financial traders, they said. The project was asked to shut down.

Rather than conforming, Virtanen got rebellious. He stepped down from the university and Robin Hood went independent. Since then they have focused on building up a global support network of countercultural weirdos extending from Helsinki to California. This network grows through the tradition of Robin Hood's "offices," where the team meets at different locations around the world to hold workshops in conjunction with a local host group.

The first of these offices I attended was in late 2014 in Dublin. It took place in an old abandoned bank, hosted by an assortment of Irish open-source culture devotees. Unlike the closed, secretive and exclusive character of normal hedge funds, Robin Hood's offices are explicitly open and collaborative. It is not like a private company with confidentiality agreements, and guests do not have to be signed in by security personnel. The collective is trying to meld together the tools of high finance with the underdog culture of the radical activist underground, and that unusual combination has piqued the interest of many.

In the background of the Milan squat, propped against the frame of a cracked window, is the legendary Italian "autonomist" Franco "Bifo" Berardi. He's been a prominent figure in anarchist worker politics from the 1960s, rallying people together to create co-operative enterprises and pirate radio stations outside the market economy. Scattered around the room are philosophers of algorithms, hacker culture and digital technology. They mix with coders, designers and creative types like the exuberant Portuguese artist Ana Fradique, who co-manages the fund.

Fradique describes Robin Hood as "artivism"—a mix of arts and activism. Indeed, this meetup feels like a synthesis between an intellectual salon, a practical hackathon and a political campaign meeting. On the whiteboard is a scrawled web of lines drawn in marker pen, sketches of company structures and money flows. The team is attempting to explain the outlines of the Robin Hood fund to local Milan activists who are curious about how it works. Virtanen takes the lead.

"We have, on the one hand, a financialized economy in which the financial sector parasites off almost everything," he says. "On the other hand, we have increasing precariousness of labour, an erosion of worker protections. People who sweat in mines or care for the sick get paid almost nothing and live in anxiety, whilst traders who push money around earn enormous sums. In their search for returns big investors seek to enclose and commoditise whatever remaining public commons exist."

Financial funds often compare themselves to mythological figures, like the colossal Cerberus Capital Management, named after the three-headed hellhound of the underworld. But the mythic figure of Robin Hood doesn't fit comfortably within normal financial culture.

In one version of the legend he's a guy who steals from the rich to give to the poor, a champion of economic redistribution. In another, he's a guy who dares to poach deer

## Redistribution, equality and protection of public commons? These are not things that financial institutions normally specialize in.

in the king's private forests, a rebel against privatization of common land. Redistribution, equality and protection of public commons? These are not things that financial institutions normally specialize in.

"Our fund delves into the heartlands of Big Finance and makes money using their own rules," says Virtanen, "and then we distribute the returns back to precarious, insecure workers."

That sound nice on paper, but does this kind of trading actually work?

The Parasite algorithm is just lines of code, yet it is a core member of the team. Robin Hood feeds it with US\$15,000 worth of data per year from the New York Stock Exchange and NASDAQ. In financial jargon, it is a "trend-following" algorithm, which means the Parasite digests the data and seeks to identify herding behaviour among big players in the stock market, and then makes trades to try to profit from that. Robin Hood achieved double-digit returns with this strategy in both 2013 and 2014. Not bad for a group of relative financial amateurs.

Serbian activist Branko Popovic is sceptical. He's in Milan to take part in May Day protests and has ambled into the

Stare into the blockchain.



room by chance. His day-to-day life involves fighting housing evictions and squatting public theatres due to be turned into luxury apartments. In comparison to such concrete actions, Robin Hood's financial trickery seems abstract.

"I understand you're trying to be like a vampire on the market," he says, "but why be a vampire on vampires? They have nothing to give us."

Popovic's sentiment echoes an age-old tension within radical movements. Do you attempt to work within mainstream structures, or to completely bypass them?

Robin Hood takes a lot of flak from activists who find the idea of taking an active part in the financial system repugnant. Radical movements often start by imagining the current world as not being the way it should be, and then adopt a stance of defiant rejection. They try to live as if the status quo was not real, avoiding contact with it and seeking purity in small communities of like-minded people.

We saw this during the Occupy Movement. Idealists took to the streets in an attempt to reclaim some public commons, but never attempted to actually occupy the

financial institutions themselves. The insults they threw at the "banksters" did nothing to break down the insider-versus-outsider barrier that financial workers actually rely upon to maintain their powerful mystique. Nearly a decade later it is back to business-as-usual on Wall Street.

Virtanen responds patiently to Popovic's question, but also with visible frustration.

"There are no financial virgins. Everyone is implicated in the system in some way or another, and we embrace that. We believe in this world and not in some other. In this world the high priests of finance tell you that you cannot touch their temples. But if something is sacred you must profanate it to bring it back down to earth. The best way to do that is to reach out and touch it, to make it dirty. We want to be irreverent and scandalous."

This is not the first time I've heard the group being criticized. At a Berlin technology activism meetup I attended, Robin Hood was treated with a mix of bemusement and skepticism. One prominent participant in that group was very dismissive: "It has an element of fun, but let's face it, it's just a normal financial fund trading like any other. It's not an emancipatory project to help workers. It's just a kind of joke."

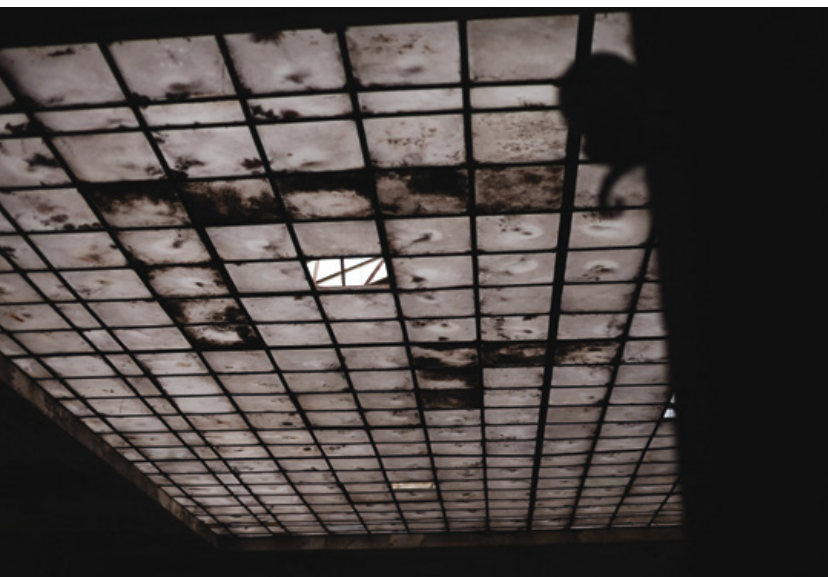
Perhaps being a joke is part of the point. In Milan, I meet another member of Robin Hood, Pekko Koskinen, then part of the Finnish Reality Research Center where he designed "reality games" situated in real world settings but with hidden rules known only to participants. He tells me he views Robin Hood as a type of mischievous game to explore the markets.

"People often want clear boundaries between good and evil, professional and amateur, right and left, but Robin Hood breaks those binaries," Koskinen says. "We're creating a Trojan horse to warp the rules of the market. Activists making a hedge fund is a bit like building a homemade surfboard to ride monster waves with professional surfers who say you can't paddle out with them. Sorry, but we're going to ride."

Reading through Robin Hood's official documents, one begins to feel that they've got the spirit of a joker making fun of the pretences of high finance. They mimic and mock the language to create a deviant dialect. The co-op's May 2015 "Grey Paper" reads like something produced in collaboration between Goldman Sachs and Occupy Wall Street:

*Robin Hood will issue €20 million of collateralized equity notes, called "Hood notes". All investment monies from note issuance will be turned over to the Parasite for investment.... Note holders, as denizens of Robin Hood, will continue to design, propose, vote-on, and execute mutual equity programs with all shared proceeds.*

"Robin Hood is a financial hack, a subversive installation that takes the standard conventions set by the big financial institutions and bends them," says Geert Lovink of the Institute of Network Cultures in Amsterdam, a keen observer of the team. In that way the project follows a tradition in radical activism that can be traced back to movements like the Situationist International, or the absurdist clowns



of the Dada movement. The Dada artist Marcel Duchamp took a urinal and called it *Fountain*. Robin Hood takes a hedge fund and calls it a liberator of precarious workers.

For Lovink, though, the tantalizing element of the fund is that it can actually make money to help other radical projects: "In a world of austerity, the funding for arts, culture and political activism is being cut. Robin Hood offers us a new source of funds, and it does so by using the vehicles of the very financial institutions that caused the austerity in the first place."

For a group to apply for a share of the profits made by Robin Hood, it must operate outside the work-yourself-to-death-so-you-can-consume-yourself-to-death logic of the mainstream economy. In some of its first distributions, Robin Hood, gave €5,000 to the autonomous arts space Casa Nuvem in Rio de Janeiro, €6,000 to the activist broadcaster Radio Schizoanalytique in Greece, and €4,000 to the Commons Transition project run by the P2P Foundation alongside the Catalan Integral Cooperative (CIC).

The CIC is a network of Catalonian co-operatives that was co-founded by Spanish bank-activist Enric Duran. The €4,000 is not big money (about \$6,100 CDN), but it's a welcome boost for a project normally excluded from mainstream funding.

"The CIC is a very inspirational commons-based economic network," says Stacco Troncoso of the P2P Foundation. "We want other community groups around the world to learn from it, so we're using the funding from Robin Hood to build training materials based on the CIC's experience for widespread distribution."

Virtanen is impatient though. Giving away €15,000 in trading profits to rebel economic groups is cool, but it is still too small. A key purpose of the Milan workshop, therefore, is to introduce a work-in-progress that the team refers to as "Robin Hood 2.0."

According to Akseli, 2.0 will be "even more monstrous" than the first incarnation. Rather than being based out of Finland, he wants to transform Robin Hood into a decentralized global cryptofund, built using the underlying blockchain technology of cryptocurrencies such as Bitcoin and Ethereum.

Bitcoin uses a public database called a blockchain to record the creation and movement of digital tokens between participants in a network, and thereby keep track of those participants' token balances. Unlike a bank that keeps a centralized private database to keep score of your money, the Bitcoin and other cryptocurrency blockchains are collectively maintained by a decentralized network of peers. Such a blockchain needn't only be used to record the existence and movement of digital currency tokens. It could also be used to record the existence and movement of shares... like shares in an activist hedge fund.

Virtanen has roots in the radical tradition of worker co-operatives, but he says the old-school co-operative is "a form that belongs to the last century." That form can be updated to the current century by using blockchain-based "crypto-equity."



Late night at the office.

Dan Hassan, a software engineer, joined the Robin Hood team to test out the feasibility of using blockchain technology. He says "old co-ops allowed co-operation between small groups of people, but with crypto-equity we can scale that up." Hassan is part of the burgeoning blockchain community that includes Ethereum and other groups, and he has come to Milan to run a session explaining blockchain basics.

"A blockchain is a collectively maintained database controlled by no one person. You bring it to life by getting a network of people to all run the same software, and that software has rules for creating a shared account of reality between those people. The more people involved the stronger it is. Imagine a global network of people using this technology to organize themselves into huge digital co-operatives that facilitate mass collaboration."

Shares in an activist hedge fund could be created and moved around using such a system. But building a next-generation anarchic crypto-entity to take on Wall Street still seems like a pretty tall order. The team has done most work thus far as unpaid volunteers. To create this



“Robin Hood 2.0” will be a full-time job. And that requires an injection of capital to pay proper salaries.

What do you do when you need to kickstart a new, risky company? You get venture capitalists involved, of course. But there are reservations.

Getting slick venture capitalists on board potentially brings a different political dynamic. VC investors want to see big returns. How will that jell with the original intent of giving away the profits to countercultural groups? I ask Virtanen, but his hacker mentality is already fired up with the idea of messing with something new.

“Robin Hood 1.0 was able to assimilate the hedge fund structure, so why not also do it for the venture-funded start-up structure? It’s too good not to try. We do mimicry of Wall Street hedge funds and mimicry of Silicon Valley start-ups.”

Underlying all this is a realization that the power dynamics of Big Finance are shifting. In the U.S. it is not just the banks and funds of Wall Street in the finance game. There are also the West Coast digital tech gods waging a new Cold War on the traditional financial markets, armed with apps, payment gadgets and internet monopolies.

If the waves of power are changing, a subversive surfer might reposition themselves, and that is what Robin Hood is doing.

**A**t the Milan meeting, the team still has the feel of innocents, feeling out the contours of the dark side of money. The nervous energy is tangible, and each

night they try to bring it back down to Earth, standing on the balcony of the Macao squat, drinking beers, smoking cigarettes.

Koskinen methodically describes how to make whisky. Finns enjoy such practical matters. They are notoriously quiet, but underneath it lies a self-contained disdain for information that is unnecessary. As core team member Harri Homi wryly confides, “It’s great to break open the black box of finance. But my life I like to just live and leave it as a black box. I do not understand why I do things.”

Long Term Capital Management was an enormous hedge fund that famously went bust in 1998 after the advanced financial theories they based their trading on ended up being out of sync with the reality of the world. Robin Hood faces a similar dynamic. Their radical financial theories could either be complete revelation or complete hocus-pocus, and there’s no guarantee that their Parasite algorithm will carry on working.

In this gambit to fuse together algorithmic trading, blockchain technology, Silicon Valley and artistic activism into one epic hack of the financial system, the team remains in uncharted waters. **M**

THIS ARTICLE WAS COMMISSIONED BY VICE (U.S.) IN 2015 BUT NEVER PUBLISHED. IT IS REPRINTED HERE WITH MINOR UPDATES FROM THE AUTHOR’S BLOG. YOU CAN SEE HOW THE ROBIN HOOD CO-OP IS DOING AT [WWW.ROBINHOODCOOP.ORG](http://WWW.ROBINHOODCOOP.ORG). IN 2016, ROBIN HOOD WAS SUBSUMED UNDER A WIDER PROJECT, THE EVEN MORE AMBITIOUS ECONOMIC SPACE AGENCY, TO REORGANIZE AND REBUILD SPACES OF PRODUCTION, DISTRIBUTION AND FINANCE.

# Money changes everything

TEN YEARS AFTER the crash, is any aspect of our daily lives unfettered by the influence of finance capital? It is clear enough that neoliberalism has permeated most layers of public governance, most social interactions, to create a legacy of starved public services, wealth inequality and powerful global capitalism. Surely art has been spared, especially in the contemporary form, which can be an expression of emotion and beauty, or even a space where criticism, resistance and subversiveness are not only allowed but expected. Max Haiven argues instead that art and money cannot be disassociated; that art is in fact dependent on capitalism and in no way apart from it.

In *Art After Money, Money After Art* (Pluto Press, September 2018), Haiven explores the many intersections of money and art. He starts his new book with a review of artists who have used money to challenge the economic system—in the 1970s, when neoliberalism was still an experiment, and in today's reality. Haiven applies definitions of *financialization* to art to see how far the process has spread to more creative spheres and to determine its workings. Financialization—the growth in importance of finance in the economy, and market relationships in most social interactions—is both a goal and an outcome of contemporary art, he claims. And yet art, and what he calls the “radical imagination,” can resist this outcome.

Haiven argues that the history of art as we know and experience it is intrinsically linked to access to wealth and money. The space allowed for contemporary art to grow as a form of creative human expression was facilitated, not impeded, by capital. This should concern anyone hoping to build an alternative to financialized capitalism, Haiven argues, since it makes it harder for artists today to be on the frontlines of anticapitalist resistance.

On the one hand, finance capital celebrates the “creative class,” using money to “art wash” their public image and prey on new markets opened up by gentrifying creative urban neighborhoods. The individual artist, on the other hand, more often than not remains precariously employed, laying the groundwork for what is frequently called the gig economy. While the financialization of art may only represent a small share of the world's markets, if social movements are going to take up the mantle of expressing resistance through art they must be aware of these risks, pitfalls and contradictions, says Haiven.

It is one of the book's strengths to have documented and categorized real-life artworks that can serve to inspire younger critical artists to continue challenging the dominant state of things, while recognizing the limits of the discipline of art itself. Haiven provides many examples of artists who have, over many decades, used money (cash, coins, bills) as their object and dared to create a counternarrative to capitalism.

For example, the late American artist J.S.G. Boggs was well known

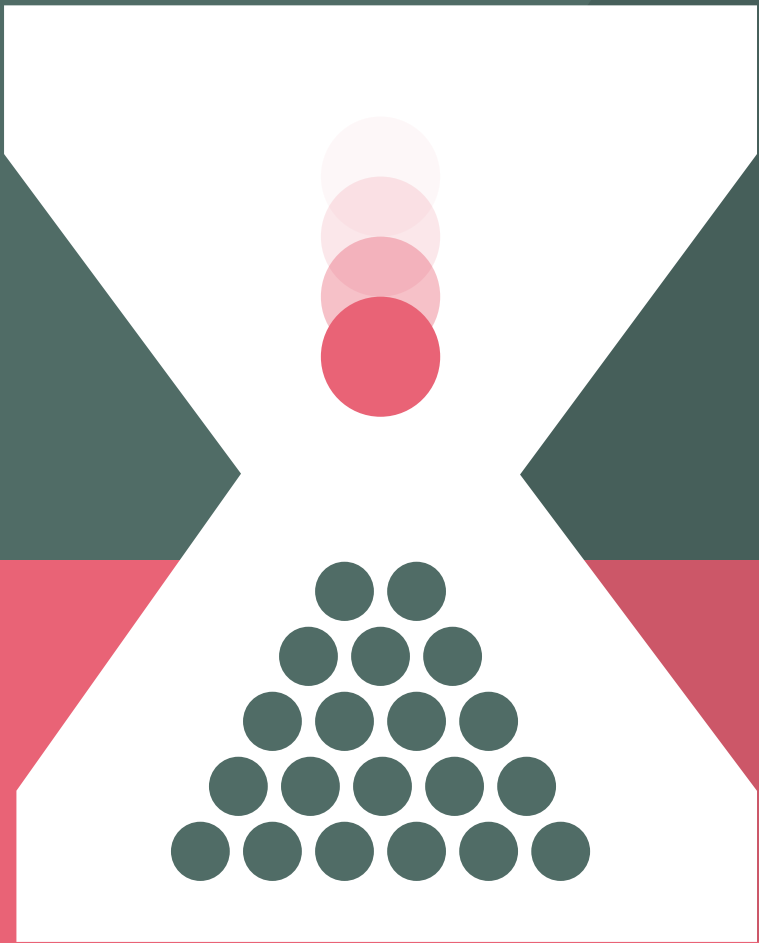
for replicating banknotes using pen and ink. He would replace the official signature on the bills with his own, or even put his image where the appropriate former president's should go. In these and other ways, Boggs toyed with the idea of value that comes from selling drawings of money as art.

In Axel Stockburger's 2014 *Quantitative Easing (for the street)* (pictured), the artist installed a large golden pillar in the busy centre of Vienna. At random intervals the structure would spit a one euro coin onto the street. Passersby grappled with the choice of either reaching for the rarity that is free money, or watching others expect more unpredictable wealth to be ejected from such a mysterious donor. Haiven sees in Stockburger's creation the cruel optimism brought upon by capitalism and depicted by art.

Haiven focuses on contemporary art because of its polyvalent qualities—as a conduit for finance capital. Ultimately, the author believes both art (contemporary/financialized) and money should be abolished rather than saved. To get there, he draws inspiration from Black Liberation struggles, especially abolitionist thinkers such as Angela Davis and Ruth Wilson Gilmore, and aims to provide a pathway to develop strategies that will “work within, against and beyond dominant institutions.” Haiven concludes by advocating an approach that combines ideas from feminism, Marxism, anti-colonialism and anti-racism to imagine a future beyond art and money.

This is a book that looks imaginatively beyond the possibilities of today. Instead of allowing the 10-year anniversary of the financial crash to discipline readers into further abandonment to the bleak, destructive current state of the world, *Art after Money, Money after Art* is a reminder that through all means possible, resistance and resilience are human traits as old, beautiful and powerful as artistic expression. **M**







# NO TIME TO LOSE

## Alternative Federal Budget 2019

BY STUART TREW

**CANADA FACES SIGNIFICANT** and unpredictable headwinds going into 2019. Their source, and what we should do about them, however, are a topic of intense debate in Ottawa this fall.

According to big business lobby groups, the biggest threats to Canada come from uncertainty from our relative tax competitiveness in the wake of Trump's *tremendous* (as he would put it) corporate tax cut in January 2018, and the effects of "burdensome" federal and provincial regulations on lagging productivity. Alongside Finance Minister Bill Morneau's economic advisory council, these groups are calling on the federal government to more or less ape the Trump agenda by cutting corporate taxes here, too, while softening environmental and other public interest regulations, all in an effort to attract investment.

But are these really Canada's top priorities, with greenhouse gas emissions nowhere near as low as they need to be to avoid the worst of climate change, and with inequality continuing to chip away at the economic, political and social fabric? Are tax cuts and deregulation really the only options available to governments looking to support innovative new industries and jobs? No and no. Once again, we have an Alternative Federal Budget to prove it.

For the past 24 years, the CCPA has released the AFB just ahead of the annual budget, normally in late winter or early spring. In consultation with the dozens of organizations and academics who contribute to the project, we decided to move our release date to the fall this year so that we might feed directly into the budget-making process, inspire political parties of all stripes to put public money and resources to more effective use, and give activists and the public facts they can use to counter the corporate agenda.

On September 12, the powerful Business Council of Canada, representing CEOs from Canada's largest corporations, released a doom-filled report claiming 4.9% of GDP and \$20 billion in government revenues are at risk if big business doesn't receive substantial new public subsidies. In the lobby group's vision, this handout would be paid for through increases to personal income taxes and consumption taxes, and by finding "efficiency and effectiveness" gains in federal and provincial tax collection. That last part is never explained, but it sounds ominously like service cuts.

Canadians should be concerned about the competitiveness of the economy and our major industries. But cutting taxes and the programs they pay for is a failing strategy. Not only does austerity stunt growth, it has also clearly contributed to the worldwide rise in right-wing, anti-democratic demagogues.

It would be much wiser, as the 2019 AFB proposes, to attract positive new ventures and promote sustainable economic activity by making strategic investments in our physical and social infrastructure—money that would make everyone's lives better, even the CEOs begging for another handout from Ottawa.

### **Economic sustainability and the just transition**

By far the biggest threat to Canada's economy in the medium to long term is not tax and regulatory competitiveness but global climate change. Occurrences of wildfires, floods and other extreme weather events associated with global warming are on the rise in every part of Canada and around the world. The rapid depletion of our natural environments and species extirpation puts the need for better conservation measures high on the agenda.

To address these urgent challenges, Canada must rapidly transition away from fossil fuel dependence and toward a clean and sustainable economy. The AFB initiates a "just

**In general, the AFB aims to improve the safety net for workers impacted by big shifts in the economy and the way we work.**

transition" plan for Canada aimed at lightening the blow that decarbonization will naturally have on fossil fuel workers and communities. That plan includes a new Sustainable Infrastructure Transformation Fund worth \$6 billion over three years to provide resources for ambitious projects in clean energy, transportation and building retrofits.

Part of the funding for this "just transition" will come from strengthening the federal carbon pricing backstop system, by continuing to increase the minimum carbon price by \$10 a tonne annually after it reaches \$50 a tonne in 2022 and closing some of the loopholes for highly polluting industries. The AFB also cancels all fossil fuel subsidies, which currently distort the true cost of the oil and gas industry, to recuperate \$1.5 billion in federal revenues.

A "just" transition is impossible without meaningful reconciliation with Canada's first peoples. While this agenda naturally transcends fiscal policy, there are simple measures the government can afford to take today that would begin to correct some of the outrageous imbalances in the federal–First Nations relationship and inequalities between settler and Indigenous communities across the country.

There is a \$30-billion infrastructure gap on First Nation reserves in Canada, for example, reflecting needs in housing, water, roads and other construction projects. Economic development cannot happen without roads and broadband internet. More importantly, no one in Canada should live without a home, without access to clean drinking water, or without heat and electricity. Yet there were 174 drinking water advisories recorded in First Nations communities in May 2018. To begin to correct this imbalance, the AFB invests \$5 billion over three years in First Nations infrastructure.

Lest we forget the environmental impacts of economic development, the AFB redirects funds to enhance federal agencies that assess and manage toxic substances, including pesticides, and to revive the National Pesticides Monitoring Surveillance Network. A further \$100 million will go toward establishing a network of marine protected areas, increasing research on and enforcement of increasingly controversial aquaculture projects, and protecting Canada's migratory and resident birds.

### **Decent work and innovation**

Inequality is not only unjust, it is a drag on the Canadian economy. Narrowing the gender employment gap, particularly among highly educated workers, would add 4% to real GDP, according to the International Monetary Fund. An estimated 608,000 women are working part time either involuntarily or because of caring responsibilities. Providing those women opportunities to enter the workforce in full-time jobs would increase payrolls by \$17.7 billion a year. That money would ease family debt burdens and stimulate growth in the economy.

Likewise, young Canadians need more support navigating an increasingly precarious employment environment. Federal statutes pertaining to income security and labour are not responsive to the labour market realities of non-standard work (part time, contract, and with few

benefits). The Canada Labour Code and Employment Insurance Act need to be updated to address what young workers experience.

To allay the very real short-term threats to the economy from U.S. taxes on Canadian imports, the AFB allocates \$100 million toward a new adjustment fund for workers, industries and communities that are negatively affected. In the longer term, the federal government must engage constructively in broad public consultation on how to replace Canada's current free trade deals with a new, fairer and more sustainable trade and investment treaty model and negotiating process. The AFB puts \$5 million toward that consultation in its first year.

Additionally, stimulating innovation in Canada must start by making sure young and older students alike have the education, training and supportive environment they need to prosper. The AFB eliminates tuition fees for all post-secondary programs, establishes a \$1-billion Strategic Training Fund to bolster and diversify the workforce in key carbon-free sectors, and invests broadly in apprenticeships and training.

In general, the AFB aims to improve the safety net for workers impacted by big shifts in the economy and the way we work. The universal employment insurance entrance requirement, for example, will be set at 360 working hours to level the playing field for precarious workers. The AFB also sets a minimum benefits floor for all unemployed workers (not just those with children), issues open work permits for the Temporary Foreign Worker Program (TFWP) and allows migrant workers to obtain parental benefits. Newcomers to Canada will benefit from greater access to training and accreditation, more support for resettlement programs and, for all migrant workers, a guaranteed path to citizenship.

Innovation must also be a priority in established industries, such as the crucial arts and culture sector, which contributes billions of dollars annually to the Canadian economy. While the AFB applauds the launch last year of Creative Canada, the federal government needs to better monitor the flow

of investments to arts and culture to ensure the industry (including artists, staff, boards, volunteers, etc.) reflects Canada's diverse population. Funding disparities that reinforce colonial ways of understanding Canadian culture need to be corrected. Given the growing number of Canadians who identify as Indigenous or as from a visible minority, this process can only enhance our artistic and cultural output.

### Fiscal strength through progressive taxation

Decades of tax cuts have compromised the fiscal health of government. Federal revenues are presently 14.4% of GDP, much lower than the 50-year average of 16.4%. That might sound marginal, but this 2% difference amounts to \$46 billion in 2019 alone. Canada doesn't have a spending problem, it has a revenue problem.

The 2019 AFB prioritizes closing expensive tax loopholes (sometimes called tax expenditures) that benefit mainly Canada's wealthiest income earners. These expenditures include the stock option deduction and preferences in the taxation of capital gains that cost the government \$18 billion every year. Likewise, the government should consider an inheritance tax on estates valued above \$5 million, in line with similar estate taxes in the U.S. and many other OECD countries. Such a tax would only apply to the top 0.5% of families (by income), but would generate \$2 billion for public services and programs that benefit everyone.

Rather than finding new "efficiencies" at the Canada Revenue Agency, as proposed by Canada's big business lobby, which would likely mean cutting staff and services, the government should continue to empower the agency to crack down on tax evasion and tax dodging. For example, a 1% withholding tax on corporate assets held in known tax havens could generate over \$2 billion a year. Revenue can also be recuperated from foreign-based e-commerce firms (e.g., Google, YouTube and Netflix) that do not currently charge HST on the services they provide or ad money they collect in Canada (as their Canadian competitors are required to do).



## THE 2019 AFB WILL



LIFT NEARLY  
1,000,000  
OUT OF POVERTY



CREATE MORE  
THAN 500,000  
JOBS



REDUCE SENIOR  
POVERTY RATES BY  
ROUGHLY 40%



LOWER  
UNEMPLOYMENT  
TO 5%

## Canadians should be concerned about the competitiveness of the economy and our major industries. But cutting taxes and the programs they pay for is a failing strategy.

Big business may want another corporate tax cut. But the reality is Canada's existing tax regime is highly skewed in their interest. We propose that Canada should raise its top corporate rate to match the current U.S. rate of 21%. This, and a related increase in the small business tax rate to 15%, would generate revenues of \$12 billion annually—money that could be reinvested in existing and new social services, as well as workforce development programs.

### A more caring society

There is very clear evidence that investments in public services create jobs and improve quality of life. Yet as a country we are not investing enough in health care, child care, seniors care and affordable housing. We also know that the changing nature of Canada's labour market means many workers are in precarious jobs, their employment instability having all kinds of negative social and health-related effects. But we are not doing enough to support those workers.

The AFB proposes a major expansion of federal public services and support programs—a subsidy for people, not the CEOs asking the finance minister for another handout. On health care, the AFB commits to a new Health Accord and Canada Health Transfer that grows at 5.2% annually. We allocate \$7 billion a year to create a single-payer pharmacare plan that will create savings of up to \$11.5 billion across the economy. And we implement a comprehensive, universal mental health program based on the principles and criteria of the Canada Health Act.

Most comparable countries spend at least 1% of GDP on child care; Canada spends an estimated 0.5% annually. The federal government should increase child care funding by \$1 billion a year until the 1% (of GDP) benchmark is reached. That funding should go directly to public and not-for-profit providers to reduce child care fees for parents. The AFB spends a further 2% of GDP on universal home care, again based on principles and criteria set out in the Canada Health Act.

While the federal government has announced it will launch a promising Canada Housing Benefit in 2020 to help low-income households afford their rent, the AFB accelerates its implementation. We immediately put \$1.5

billion toward the benefit and launch it next year (2019), which would help an estimated 250,000 people afford their rent in the first year. The AFB puts a further \$1 billion toward a new annual fund for supportive housing on the basis that a secure, affordable place to live is a necessary first step for people to participate in the workforce and their community.

Like with housing, the federal government has made several important policy changes that have had tangible impacts on poverty in Canada. We need to build on that momentum. The AFB seeks to lower the poverty rate by 50% from 2015 levels within three years. It introduces a yearly \$4-billion transfer to the provinces and territories to boost social assistance benefits and achieve clear poverty reduction targets. It increases direct transfers to low-income families, including a new "Dignity Dividend" that would reduce child poverty by a quarter and adult poverty by 10%. The AFB also adds \$1,000 a year to the Guaranteed Income Supplement (GIS) and expands the Canada Pension Plan (CPP) replacement rate to 50%.

### No time to lose

Budgets are political documents—they are about choices and values. And the choices we make today will determine the long-term sustainability of our society and our economy for generations to come. Given the threats and uncertainties on the horizon, there is no time to lose in choosing to budget more equitably and cost-effectively—so that we are in a better position to face those challenges head on.

Last year's budget introduced a new gender-based analysis plus (GBA+) framework to better understand how all government decisions affect people differently, with a view to making better decisions and allocating resources more equitably. This framework is a starting point for tackling inequalities based not only on gender identity, but also race, class, sexuality and ability. The government should also be commended for proposing legislation to ensure that future budgets keep the focus squarely on closing gaps and creating greater opportunities.

Unfortunately, a narrow focus on corporate taxes and preserving the status quo in the lead up to the fall fiscal update and 2019 budget ignores the magnitude of the challenges facing Canada and indeed much of the world: climate change, inequality in all its forms, and precarity. The AFB proves we have affordable, achievable options for addressing all of these challenges, as great as they are. **M**

*For more than 24 years, the AFB has shown that by focusing on people and communities, and using fiscal power in a more egalitarian and democratic way, governments can encourage strong, sustainable growth in climate-friendly industries while providing strong public programs that support our economy and make all our lives better. To read the whole AFB, which is broken up into 23 chapters including an assessment of the macroeconomic situation facing Canada, visit [www.policyalternatives.ca](http://www.policyalternatives.ca).*



## The good news page

Compiled by  
Elaine Hughes

**T**he Sunshine Coast School District (SD 46), about a 20 km drive (and ferry ride) northwest of Vancouver, has installed more than 730 solar panels on the rooves of three of its 13 schools, thanks to the advocacy of retiring school board trustee Betty Baxter. The district's facilities manager Rob Collison, who oversees the installations, wants to see "solar on ever roof," which will save the school board thousands of dollars a year. / Two of the world's first hydrogen-powered trains began servicing a 100 km route in northern Germany on September 17. The Alstom-made trains, whose fuel cells produce electricity through a combination of hydrogen and oxygen, leaving only steam and water as emissions, can run for about 1,000 km before they need a new tank of hydrogen. Canada is one of several countries expressing an interest in purchasing the trains. / Shipping giant Maersk Tankers is testing rotor sails on its Long Range 2 tanker vessels. The 30-metre-tall metal cylinders work as mechanical sails, spinning to propel the vessel forward, which can cut fuel consumption by up to 10%. In May, the Finland-based

Viking Line ferry became the first passenger vehicle to deploy the rotors. / On a smaller but no less important scale, Indigenous Australian teenager Uriah Daisybell has invented a cheap water filter—made of neodymium magnets, carbon-coated mussel shells and charcoal—that can identify and reduce contamination by nitrates and heavy metals used in mining. *The Tyee / Guardian (U.K.) / Reuters / Afloat / Planet Ark*

**B**urkina Faso farmer Yacouba Sawadogo received an "Alternative Nobel Prize" this year for his work, beginning in the 1980s, to spread the benefits of *zai*, a neglected ancient farming technique that thrusts pits into hardened soil to concentrate water and nutrients, thereby helping crops withstand drought. The Swedish prize, handed out annually to people who find solutions to global problems, comes with a shared prize worth about \$340,000. / Another, newer farming technique is easing tensions between Africa's pastoralists (numbering about 268 million) who are coming into conflict as extreme weather, droughts and desertification, all linked to climate change, reduce the amount of available land. An "alliance farming" model tested in Cameroon's northwest region has herders using land in the dry season, their cattle fertilising soil that can be cultivated during the rainy season, resulting in increased yields of organic produce and healthier animals. / Ethiopia and Eritrea have ended their 20-year-long

border conflict to great celebration in both countries. / In Wales, however, borders between farm plots have proven remarkably useful for revitalizing rare wild fauna. A two-year-old National Trust experiment in strip-field farming is yielding "fantastic" results, according to countryside manager Alan Kearsley-Evans. Some 80 volunteers divided six fields into 17 different areas, planted a variety of food crops and flowers, transforming a stretch of the Gower Peninsula into a haven for endangered animals, birds, insects and wildflowers. "We have simply reverted to farming sustainably and with astounding results," said Kearsley-Evans. / *Reuters / Guardian (U.K.) / New York Times*

**A**n injured 18-year old eastern box turtle, found in July at Baltimore's Druid Hill Park with multiple fractures on the bottom of his shell, is healing with the help of a LEGO frame and made-to-measure wheelchair built by Saskatoon student Garrett Fraess (see picture). / Though poaching and habitat loss

remain massive risks to the mountain gorilla population of Virunga National Park in the Democratic Republic of the Congo (DRC), the animal is recovering slowly thanks to the efforts of conservationists and armed rangers, growing 25% since 2010 to the point there are just over 1,000 gorillas in the park today. / Human animals can recover 9.7 years of life by playing tennis, according to a new Danish study. Those who played badminton similarly enjoyed a 6.2-year life bonus over sedentary Danes, while the soccer players in the study lived almost five years longer. / The student council at Michigan's Chelsea High School can't live any longer with a sexist tradition. The student body has unanimously decided to ditch their traditional homecoming queen event, which pitted girls against each other, and replace it with an "Excellence Award" for a student who shows kindness, character and school spirit. / *EcoWatch / Planet Ark / New York Times / Good News Network / CBC*





ASAD ISMI

## Pakistan's government in military hands — again

**IMRAN KHAN**, Pakistan's leading ex-cricketer, became the country's prime minister in August after his political party Pakistan Tehreek-e-Insaf (PTI), or the Pakistan Justice Movement, won an election marred by shocking violence—including two suicide bomb attacks in Balochistan province that killed or injured more than 180 people—and allegations of massive rigging and military manipulation. The PTI did not win a majority of seats in the national assembly and is ruling in a coalition with smaller parties.

The European Union's election observer mission to Pakistan stated that "the election suffered from the lack of a level playing field, and that irregularities had been reported in the vote-counting process." The mission criticized "a systematic effort to undermine the former ruling party (the Pakistan Muslim League-Nawaz, or PML-N) through cases of corruption, contempt of court and terrorist charges against its leaders and candidates." The EU was also concerned about "concerted efforts by state and non-state actors to stifle the reporting environment."

Six political parties including the PML-N, whose leader Nawaz Sharif was ousted as prime minister, have alleged vote-rigging. This is backed up by the Free and Fair Elections Network (FAFEN), a Pakistani observer group. The PML-N has accused the army of rigging the election in favour of the PTI and censoring media outlets. Pakistan's powerful military has directly or indirectly ruled the country for almost all of its 71-year history.

Ironically, as Ryerson University professor Tariq Amin Khan told me, Sharif won the 2013 Pakistan election also mainly due to rigging by the military, but that time in his favour. This underlines the farcical nature of the Pakistani political system, which is a façade for army control.

Labourers sit in front of a billboard displaying PTI leader Imran Khan as they listen to the future prime minister give a campaign speech ahead of July's general elections.

REUTERS/AKHAR SOOMRO

Shortly before the election, Sharif was convicted of corruption, jailed for 10 years and barred from politics for life by a politicized judiciary known to collaborate with the military. The former prime minister wanted improved relations with India, which the Pakistan army opposes, and he insisted that the latter end its support for terrorist groups within the country that attack India and kill thousands of people domestically. The army will not be told what to do on this issue either.

The sad fact is, Pakistan's military has not let any civilian leader complete her or his term in office. Sharif probably is corrupt, like much of Pakistan's elite, but his sins in this regard pale in comparison to the Pakistani military's economic dominance of the country.

"The military runs a parallel economy in Pakistan, and there is very little knowledge of how the military runs its business affairs and there is absolutely no accountability," explains Amin Khan. "Pakistan's economy is on life support while the military's web of industrial interests, banks, insurance companies, airline, and housing and land development seem to be thriving.

“This economic strength of the military underlies the exercise of power and control, and needs to be recognized as such,” he continues. “By reducing the military’s economic power to corruption, the pitfall is to minimize the gravity and scale of the problem.”

In her 2007 book, *Military Inc.* (Fernwood), Ayesha Siddiqi exposes just how deep and entrenched the military’s ties are to the wider economy. She calls it “a militaristic, totalitarian system” in which the army runs a multi-billion-dollar empire. For example, Pakistan’s largest business conglomerates, the Fauji Foundation and the Army Welfare Trust, are both military outfits.

“This military capital also becomes the major driver for the armed forces’ stakes in political control,” she writes, adding that this “does not nurture the growth of democracy or rule of law.” Others, including Alfred McCoy of the University of Wisconsin-Madison, and *Whiteout* authors Alexander Cockburn and Jeffrey St. Clair, have documented the Pakistani army’s involvement in the Afghanistan drug trade.

Khan takes over a politically volatile country on the verge of bankruptcy and riven with terrorist violence, a separatist insurgency and massive poverty and illiteracy. He ran as an anti-establishment candidate (despite the obvious army backing) who promised to curb corruption and create an “Islamic welfare state” by building five million houses for the poor and creating 10 million jobs.

However, given the almost empty public treasury, Khan has already had to approach the International Monetary Fund for a bailout, which will inevitably come with austerity conditions that would make poverty-fighting measures difficult to enact.

In spite of his railing against the corruption of the Pakistani establishment, Khan has let many of its chief operators into his party, including 10 ministers who formerly served in the cabinet of General Pervez Musharraf, Pakistan’s last military dictator (2001–2008). In his first month in power (to September 18), the new prime minister had stepped back from election promises and cabinet decisions 16 times. This includes his decision to increase

gas prices, which will only contribute to worsening poverty.

The Khan government’s most crucial problem is Pakistan’s depleted coffers, which require an immediate infusion of US\$12 billion (over \$15 billion CAD). Pakistan’s budget deficit jumped 43% to \$18 billion in the fiscal year ending June 30. In mid-September there was only enough money to pay for two months of government operations.

To raise funds, Khan initially turned to Saudi Arabia, where he travelled on September 18 for his first state visit. The Saudi royal family is a close ally of Pakistan, protected by thousands of Pakistani soldiers stationed there.

Khan asked Saudi leader King Salman to join Pakistan and China in their joint infrastructure project called the China-Pakistan Economic Corridor (CPEC). CPEC is part of China’s Belt and Road Initiative (BRI), the largest infrastructure project in the world (see my March-April *Monitor* article), which includes more than 60 countries. The Saudi government pledged to send a delegation to Pakistan to examine the prospects of investing in CPEC.

According to the Pakistani newspaper *The News*, “The Saudi delegation will finalize the details of financial assistance required by Islamabad in the form of Saudi investments in CPEC, provision of oil on deferred payment and dollar deposits in Pakistan to boost the country’s foreign exchange reserves.” Khan also plans to ask China for financial assistance, but about US\$8 billion of the US\$12 billion he needs will likely come from the IMF.

Pakistan has received loans from the IMF and friendly countries in the past, but these have not relieved its deep-seated economic malaise, which stems from the country’s domination by the military and a landlord class, both of which (in collaboration) have obstructed industrialization and economic development by monopolizing national resources.

The military takes the lion’s share of national wealth including foreign loans and investment; landlords keep most of the income generated by agricultural activities. Land is still the main source of wealth inside Pakistan and most of the population lives in

villages. Given this military-feudal power structure, no positive economic change such as poverty reduction can be expected.

The army’s dominance over Pakistan has been enabled by 70 years of U.S. military and financial backing that is now being replaced by Chinese support, with Beijing emerging as Islamabad’s main ally over the past few years after the latter’s relations with Washington have soured.

As Amin Khan puts it, Pakistan is at risk of being “mired in colonial-era social relations,” wherein “the feudal elite continues to exercise monopoly power in the rural sector and rides roughshod over the peasantry.” For him, Pakistan’s biggest problems, and the new government’s main challenges, are the lack of accessible public education and a high poverty rate, along with the deplorable treatment of women and the lack of public health care.

Amin Khan recommends that the new Khan government come up with a land redistribution policy to provide “livelihood to people in order to reduce poverty and the strain on cities [from migration],” but he admits there will be “considerable opposition to these changes [from] vested interests.”

Another major challenge for the PTI-led government will be the separatist insurgency in Balochistan province where ethnic Baloch are fighting against a Pakistan army accused of numerous human rights violations. Since 2005, an estimated 18,000 Balochis have been forcibly disappeared by the Pakistan army, but Naela Quadri Baloch, president of the World Baloch Women’s Forum, claims the actual numbers may be much higher—between 60,000 and 100,000 people.

“We Baloch are a nation and country occupied by Pakistan,” she tells me, adding that Prime Minister Khan “has no mandate [from the Baloch people] and no vision. He is just a mouthpiece for the army and follows its orders.” **M**

SHAHRZAD MOJAB

# Why Marxist feminism today?

“**THE INVISIBLE WOUNDS** to women and girls damage all of us” is the title of a statement issued on World Humanitarian Day (August 19) by UN Women Executive Director Phumzile Mlambo-Ngcuka and Christos Stylianides, European Commissioner for Humanitarian Aid and Crisis Management. The statement is one of many acknowledging continuous global violence against women—violence that is (re)produced in multiple forms by many actors.

No space of women’s life remains untouched by violence: home, workplaces, schools, cultural and social media, church, community and streets. The perpetrators of violence are equally diverse, ranging from state, market, civil society, military, religious and other actors. According to the UN Women statement, “One in five refugees and internally displaced peoples are experiencing sexual violence, and practices such as child marriage,

female genital mutilation and human trafficking during emergencies are resulting in lives lost or damaged, societies destabilized, recoveries delayed and human rights neglected, particularly for women and girls.”

Feminism, as a body of knowledge and practice, has wrestled with the question of why violence against women persists when we know so much about it, but with no universally agreed upon response or plan of action. In fact, feminism has mostly abandoned the epistemology of universality and with it “grand” theories that might help us address this violence in its many forms.

What we have instead is a range of plausible explanations, each giving us a partial understanding of the “women’s question,” “gender relations,” “gender, race and class relations,” “production/reproduction,” “patriarchy/patriarchies,” “gender, state, nation and nationalism,” and so on. This partiality, I argue, separates or isolates “woman”

or gender relations from the organization of society and the structure of power, in short, from the patriarchal racist capitalist relation. Let me expand on this abstract (universal) claim.

In the contemporary historicization of world order, it is common to mark the 1970s as the beginning of a major global political and economic turn. Capitalism was in crisis, financially as well as politically, and it needed restitution by fortifying the ties between state and market, as well as curbing the liberal democratic rights of citizens, in particular in response to the radical social movements including anti-racist feminism, students, left politics, civil rights movements, Black power, anti-colonial and national liberation movements, and more.

Under these conditions, the 1970s is said to have marked the end of welfare-state capitalism (mostly in the West), the rise of global neoliberalism,



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the integration of most of the post-colonial nations (in Africa, Latin America and the Middle East, for example) into the capitalist/imperialist world order, the beginning of the downfall of experiments with socialism (in the Soviet Union, China, Eastern Europe and elsewhere), and the emergence of intensified imperialist rivalries that would re-divide the world into competing spheres of influence, in particular the expansion of the U.S. imperialist power.

Intellectuals inside and outside of academia had to respond to this real/material social condition. Some retreated from Marxism, which had dominated knowledge production since mid-20th century. These intellectuals found the “grand narrative” of Marxism too restrictive to explain the *local, specific* or *cultural* social relations or modes of resistance. Instead, they shifted their gaze from the social to the individual, from global to local, from action to performance, from materiality to immateriality.

In short, knowledge production focused on *agency* versus *structure*, privileging self, body, spirit, identity, voice, authenticity and nativism, which in turn supported a politics of identity, difference, tolerance, accommodation, access and cultural relativism. In this theoretical environment, political advocacy for internationalism, socialism, communism, secularism, anti-racism, class struggle or anti-colonialism was considered too “meta-narrative,” or “Western universalist.” After the 1970s, questions of *self* all but eclipsed those of *society/social relations*, reversing the dominant approach of the earlier 20th century.

In recent years, there is a renewed interest in both Marxism and Marxist feminism as scholars both young and old attempt to understand and analyze the continuing economic crisis of capitalism. Already, this century has been defined by wars (military and trade), mass migration, genocide, refugees, violence and poverty. The overall dispossession of the majority of the population of the world is happening under a condition where capitalist production is massively *socialized* (euphemistically called “globalization”) while profit is *privatized*.



International Women’s Day in Buenos Aires, Argentina, March 8. *Ni una menos* (“Not another [woman] less”) is a Latin American movement against *machismo* violence against women. REUTERS/MARCOS BRINDICCI

This colossal contradiction requires a robust, not partial, theoretical framework that can explain the relationship between *exploitation* (constituting economic relations between capitalists and workers) and *oppression* (constituting trans-class political and cultural relationships in which, for example, women and racialized people are oppressed).

The Marxist feminism that I advocate for tries to grasp the dialectics of this struggle; that is, the inseparability of gender from class, class from race and gender, and all three from capitalism, sexuality, patriarchy, culture, and religion. Returning to Marx’s historical materialism helps us to get closer to the reality that is lived by the majority of women, racialized, ethnicized and poor people of the world regardless of regional or geographical differences. I call this the “universality of women’s exploitation and oppression.”

However, dialectically speaking, in this *universality* there are myriad, internally related particularities of forms of exploitation and oppression. These *particularities* are manifested in languages, religions, cultural practices, the urban/rural divide, etc. For example, we can talk about the *universal* violence against women, but the way women are raped, murdered, disappeared, shamed, become the victim of “honour-killing” or virginity tests—in Europe, North America, India or

throughout the Middle East and North Africa (MENA)—are *particular* forms of patriarchal dominance which (re)produces capitalist/patriarchal/theocratic (Islamic, Christian, Judaic, etc.) forms of gender domination.

For the MENA region today, where my research is located, charting a democratic and emancipatory future puts a heavy political and intellectual burden on both Marxists and feminists. The main issue to address is how to renew a feminist project that can liberate women and with them all of humanity. In this case, the feminist project should address three main contradictions dominating everybody’s life in the region: authoritarianism/fascism, fundamentalism, and imperialism.

As a Marxist feminist I am committed to an *objective* knowledge production: I observe, assess and measure social relations of exploitation and oppression as they exist in the real world. In other words, there is a truth to be told. However, I remain *subjective* in my objectivity. I pay attention to differences, histories, to what is actually happening to individual women. My goal is to *transform* power relations, not *reform* them.

I think the only way to remain intellectually relevant is to produce meaningful and purposeful knowledge. This is not an easy task, but a liberating and hopeful one. It requires deep thinking and it has to go beyond and above the pragmatist, reformist, charitable, short-term approach mostly dominant in women’s organizations. *Reform* is no doubt important and much can be learned from how it is achieved, its outcomes and its limitations. However, *reform* should not turn into *reformism* as a philosophical and methodological approach. **M**



ILLUSTRATIONS BY ALISHA DAVIDSON

## Lac-Mégantic: Plus ça change

One of Canada's worst industrial accidents ever should have sparked major reforms to rail safety. As **Bruce Campbell** explains in this excerpt from his new book on the disaster, that train has yet to leave the station.

**A**T 11 P.M. ON JULY 5, 2013, a 10,290-tonne train is parked on the main track on top of a hill in Nantes, a village in the southeast corner of Quebec. The night is warm, the air still. The stars shine brightly in a cloudless sky.

The train, hauling 72 tank cars loaded with high-volatility crude oil, belongs to Montreal, Maine and Atlantic Railway (MMA), a small, American-owned company. But the cargo began its journey under the charge of a much larger company, Canadian Pacific Railway (CP).

CP hauled the oil from New Town, situated atop the Bakken shale formation in North Dakota, some 4,000 kilometres to Montreal. After winding its way through cities and towns in Minnesota, Illinois and Michigan, the train entered Canada at Windsor. In Ontario it travelled

through numerous communities, including downtown Toronto, before arriving in Montreal on July 4. The chain of tank cars was transported to Farnham and handed off to MMA early the next morning for the 200-kilometre trip to Nantes.

The railway's owner, 75-year-old Ed Burkhardt, is a lifelong railroad entrepreneur with a stable of freight companies in the United States and Europe. Burkhardt is likely asleep at home in Kenilworth, a Chicago suburb, secure in the knowledge that years of cost cutting, in concert with the lucrative new revenue stream of Bakken shale oil, bodes well financially.

The train is scheduled to continue the next day on its journey through Maine to its final destination: the Irving

Oil refinery in Saint John, New Brunswick. The crew consists of one person: engineer Tom Harding. He's worried by how the lead locomotive has been smoking, sputtering and spewing oil on the ten-and-a-half hour trip from Farnham, just south of Montreal. He calls the rail traffic controller at company headquarters in Hermon, a suburb of Bangor, Maine.

The rail traffic controller tells him not to worry. "Just leave it, Tom. It will settle down. The American crew will assess the problem in the morning." An exhausted Harding sets some handbrakes. Following company procedure, he leaves the lead locomotive running so its air brakes can also be applied.

Eleven kilometres away lies Lac-Mégantic, a town of nearly 6,000 nestled in a basin beside the lake of the same name. Surrounded by rolling countryside, the town is a popular destination for hikers, cyclists, cottagers, swimmers and amateur astronomers attracted by the observatory on nearby Mount Mégantic.

The town is humming on this balmy summer night. Boats line the marina. The main street is crowded. A popular nightclub, the Musi-Café, is crammed with people. A band that reunites two popular Quebec musicians has the dance floor packed. The club is a mere 15 metres from where the train track curves sharply in the centre of town.

At 11:30 p.m., Harding leaves the train—unattended, in accordance with company policy. It was the last time he would see his train intact.

With 47 people dead, six million litres of oil spilled and the centre of a historic town charred, it was the largest disaster on Canadian soil since the 1917 Halifax Explosion. People across North America watching on TV or YouTube asked themselves: How could the government let this happen? What if the derailment had happened not in a town of 6,000 but in a metropolis like Toronto or Montreal?

The disaster was the direct result of decisions made by companies and by governments that are supposed to protect the public. A long pattern of loosening safety standards in the name of deregulation and cutting red tape made the catastrophe in Lac-Mégantic possible.

Canadians were wrong to think their safety was being safeguarded, and they were also wrong to think things would change after the heart of a community was immolated. Many of the conditions that led to the disaster are still in place. Deregulation, along with its neoliberal sibling policies, was responsible for the inferno, but the inferno barely singed deregulation.

What's more, those responsible were not held accountable.

As national media interest faded in the months following the disaster the community was beset by a series of cascading tragedies: widespread post-traumatic stress disorder (PTSD) and other health problems; a Texas-based legal predator who exploited vulnerable victims' families; and the arrival of disaster capitalists pushing the narrative of creative destruction and the need for a clean slate, resulting in the unnecessary and unpopular demolition of the rest of the town centre.

In the face of these tragedies, citizen activists battle relentlessly against apathy and despair, challenging politicians, warning of still present safety risks and fighting for justice for their community. But five years after the disaster, deregulation and deference to industry are still the order of the day. As the following survey shows, reports and recommendations on safety abound. Actual improvements, on the other hand, are harder to find.

### Trudeau government see-saws on safety funding

On the campaign trail in 2015, the Liberal team led by Justin Trudeau promised to provide Transport Canada with enough funding to tighten up rail safety. But since they were elected, the record of Trudeau's Liberals on this file has been indifferent. The government's first two years saw funding go up, then drop in subsequent years, according to the departmental plan.

Transport Canada's overall spending on "transportation safety and security" was projected to fall by over 17% between 2018–19 and 2020–21. The department's numbers say the number of inspectors has been hiked. But observers say the additions are mainly desk jobs, not personnel in the field, where transgressions happen.

### New tank cars are coming, slowly

In July 2016, Transport Minister Marc Garneau moved up the cut-off date for transporting crude in standard DOT-111 tank cars (of the kind that failed in the Lac-Mégantic disaster) to November 1 of that year. While the move was praised by Transportation Safety Board chair Kathy Fox for highlighting "Canadian leadership" on tank car safety, there was less to the news than met the eye.

Garneau failed to mention that the CPC-1232 model—a "slightly improved" DOT-111—would still be allowed to carry crude until May 1, 2025. Then they would be fully replaced by the newly designed TC/DOT-117. Yet according to a U.S. Department of Transport report, in all of North America there were only 360 legacy DOT-111 tank cars still carrying crude oil in 2016. The vast majority of the old DOT-111 fleet was carrying ethanol, and thus was not affected by Garneau's accelerated phase-out.

The Transportation Safety Board had warned that the CPC-1232 phaseout was too long. But an internal Transport Canada memorandum to Garneau cautioned that accelerating the schedule was not feasible considering

**A long pattern of loosening safety standards in the name of deregulation and cutting red tape made the catastrophe in Lac-Mégantic possible.**

economic realities, and that any change “would require U.S. regulatory support.” The U.S. tank car industry was pushing back strongly, claiming there was insufficient manufacturing capacity to meet a tighter deadline. Such were the limits within which Canadian regulators were permitted to reduce risk to the public.

In any case, the TC-117 is not a cure-all. As we’ve seen, the vast majority of bitumen transported by rail is in diluted form — dilbit or synbit. Highly volatile components are added to the raw bitumen to make it flow. The TC-117, while safer than existing models, is not designed with bitumen in mind. It is much safer to transport bitumen in its raw form in tank cars specially outfitted with steam coils to maintain its fluidity. However, relatively few of these specialized cars have been built, and so only a fraction of bitumen is transported in raw form. The TC-117, which is expected to carry the vast majority of bitumen into the future, is not fitted with steam coils.

Eighteen months prior to Garneau’s announcement came the two CN diluted-bitumen train derailments near Gogama, Ontario (which I describe in Chapter 11 of my book). This should have been a red flag. And if that wasn’t sufficient, more troubling was the June 2018 incident in which a Burlington Northern Santa Fe train hauling diluted bitumen from Alberta in retrofitted CPC-1232 tank cars (re-built to the state-of-the-art TC/DOT-117 standard) derailed near the Little Rock River, Iowa. Fourteen cars punctured, spilling over 871,000 litres of bitumen.

### Safety management systems are still lagging

It fell to the Liberal government to ensure that new safety management system regulations, which came into effect just months before the Harper era ended, were properly implemented. Transportation Safety Board chair Fox, speaking to a National Railway Day conference in November 2017,

complained that companies were still not taking their risk assessment obligations seriously.

“There are still railway companies that aren’t conducting risk assessments before making operational changes,” she said. “Moreover, there still seems to be an attitude of trying to justify why a risk assessment is not required by the regulation.”

Among the new safety management system regulations are those requiring that work-rest scheduling practices be compatible with the science of fatigue management. But Steve Callaghan, the expert witness at the Lac-Mégantic criminal trial that wrapped up this winter, calls these regulations “a farce.” Companies have avoided re-examining their work-rest scheduling practices simply because of the costs involved, and because regulations allow them to do so, says Callaghan. Currently, train crews are exempt from the Canada Labour Code’s maximum-hours-of-work provisions.

In 2016, company resistance and Transport Canada inaction prompted the Transportation Safety Board to put fatigue management on its watchlist for the first time, stating that Transport Canada has been aware of the problem for many years but was continuing to drag its feet. It added that sleep-related fatigue has been a cause or risk factor in one-fifth of Transportation Safety Board accident investigations over the last two decades. Transport Canada and Minister Garneau say they are on the case.

### Emergency preparedness

One of the lessons of Lac-Mégantic was that firefighters, especially from small communities, lacked the training to handle such large-scale accidents. They lacked experience with specialized equipment and knowledge of available emergency response resources.

The federal government’s Emergency Response Task Force, convened in the months following Lac-Mégantic,



issued its final report to the Transportation of Dangerous Goods Directorate in July 2016. It contained 33 recommendations including the following: the specification of the contents of emergency response assistance plans and company reporting requirements; the specification of inspector reporting procedures; improved outreach and communication activities, and information sharing with other departments and agencies; the additional mapping of routes of flammable liquids transported by rail; and the creation of specialized training programs. Transport Canada has made significant progress implementing the task force's recommendations.

The jury is still out on whether these changes will be effective. In the meantime, municipal first responders and emergency planners are still being denied real-time information about dangerous goods passing through their communities.

### **Railway Safety Act review recycled**

At the behest of Minister Garneau, an independent commission conducted an accelerated review of the Railway Safety Act. It was the first since the Harper government's 2007 Railway Safety Act review, on the eve of the oil-by-rail boom.

The report, issued in May 2018, made 16 recommendations. Many, such as calls for improved fatigue management, the study of electronic braking systems and that Transport Canada strengthen its capacity in the development and adoption of rail safety technology, were recycled in various forms from the previous review. Overall, the effort opted for a series of marginal recommendations, papering over fundamental flaws in the railway safety regime, above all the power relationship between the industry and Transport Canada.

But if the report was a missed opportunity, it did resurrect, if inadvertently, the problem of rail safety statistics, even if it conveniently overlooked some of the negative trends in rail safety since Lac-Mégantic.

The 2007 review noted a "widely held view that the Transportation Safety Board's published data on railway occurrences did not provide a comprehensive or fully accurate picture of railway safety in Canada." These statistics remain unreliable in large part because of the nonreporting of accidents. In a post-Mégantic audit, the Transportation Safety Board learned of more than 250 accidents that had not been reported between 2007 and 2013.

Moreover, this data was not collected systematically. The Transportation Safety Board looked at seven years of CN data, but only 13 months of CP records (even that small sample showed 100 accidents). For Montreal, Maine and Atlantic Railway, the Transportation Safety Board only considered data from 2010 to 2013. It found that for every accident MMA reported in the years before Lac-Mégantic, it experienced another two that it did not report. Finally, a CN audit between 2001 and 2007 added between 200 and 400 accidents per year to the numbers.

"When Canadians ask, as many have in recent months, whether the rail transport system is 'safe,' they surely want

## **The Trump deregulation tsunami will put intense pressure on regulators in Canada to follow suit in a downward spiral of "harmonization."**

to know whether the accident rate is low—compared to other countries and other forms of transport—and whether it has been improving or getting worse over time," wrote Jennifer Winter, with the School of Policy Studies at the University of Calgary, in a sharp critique of rail safety data in 2014. "Yet the statistics that might provide the answer are worryingly inaccessible, sometimes conflicting and in certain cases not available at all."

### **Freedom of information not improving**

Among the Trudeau government's promises of "real change" was a more transparent government. "Government and its information should be open by default," wrote the prime minister in his mandate letter to Transport Minister Garneau.

This was a breath of fresh air for an author frustrated by the Harper government's procrastination and lengthy delays in providing information about Transport Canada's role in the Lac-Mégantic disaster. Yet things did not change—for this book, or overall. A freedom-of-information audit conducted by the University of King's College concluded that the Liberal government's performance "was even worse than in the latter years of the former Stephen Harper government."

This is startling, given that the Harper government was considered the most secretive since the legislation was first introduced more than three decades ago. Or perhaps it was an example of something that has become mundane in the neoliberal era: regressive tactics, once discovered, stay in the bloodstream of politics even when governments change stripe.

### **One-for-one rule still the centrepiece of Liberal regulatory policy**

The Harper government initiated a number of reforms to the way the federal government and its agencies regulate during its nine years in power. In many ways these changes followed a trend started under previous Liberal governments to align the regulatory process with the neoliberal rules embedded in today's free trade agreements. These trade deals include strict rules forbidding regulations from being overly "burdensome" or creating costly (for business) barriers to trade and investment.

## An essential part of the act of remembrance is not forgetting what happened, why it happened and who was responsible.

As such, governments around the world have, since the mid-1990s, aligned their internal regulatory process—the way they set environmental and public health rules, for example—with so-called good regulatory practices established at the World Trade Organization. In Canada, thanks to reforms by both Liberal and Conservative governments, all regulations must be vetted by trade officials to ensure their consistency with international trade and investment agreements. And they must pass a necessity test, meaning new rules must not be more burdensome than necessary to achieve their objectives.

The centrepiece of the Harper government's regulatory policy, however, was the "one-for-one" rule, which mandated that regulatory agencies offset each proposed new or amended regulation by removing at least one existing regulation. One-for-one, which came into effect in April 2012, was the key mechanism for implementing the government's little-known "regulatory budget" initiative, which defined and quantified regulations solely as a cost to business—a "hidden tax." A metric was devised to measure progress, and an external private sector watchdog committee was established to oversee the process and ensure that bureaucrats did not stonewall the government's agenda.

The new Liberal regulatory policy, the Cabinet Directive on Regulatory Policy, which came into effect in the fall of 2018, is not a significant departure from the Harper policy. The one-for-one rule is still in place. A report from the finance department's (Business) Advisory Council on Economic Growth identifies priorities for establishing what it calls an agile regulatory system: consistency with competitiveness, innovation and business investment imperatives; and compatibility with other regulatory jurisdictions. Regulation's impact on health, safety and the environment is not mentioned. A regulatory review of key sectors including transportation is planned for the next three years based on the report's priorities.

### The Trump effect has yet to hit

The attack of the Trump administration on regulation could fill a good-sized book, or several of them. The climate was bad for rail safety, and so was the weather. Any forward-looking effort that came up for consideration was batted back.

A case in point is the rule requiring minimum two-member crews for all train operations, proposed by the Federal Railroad Administration in the last months of the Obama

administration. The railways immediately demanded that the proposal be withdrawn. Edward Hamberger, CEO of the Association of American Railroads, called it "a textbook example of unnecessary regulation

"With no data showing that one-person operations compromise safety," he said, "there is no basis—other than anecdotal storytelling—for enacting a general prohibition on crew size reductions."

The Federal Railroad Administration delayed issuing the final rule. Once in office, Trump immediately sent the rule back to the administration for internment in regulatory purgatory.

This was cheered by the Canadian railway industry, which has been pushing hard behind the scenes for the elimination of the post Lac-Mégantic operating rule that trains carrying dangerous goods must have at least two employees.

The same inclination affected positive train control, the remote-control satellite-based protection system long advocated by the National Transportation Safety Board. In the wake of a fatal California train crash, Congress in 2008 passed legislation setting a 2015 deadline for the implementation of the technology. It subsequently extended the deadline to the end of 2018.

A passenger train accident near Tacoma, Washington in November 2017 killed three and injured dozens more. A positive train control system would have prevented the accident (one was installed after the fact). But under the Trump administration, the deadline for across-the-board positive train control implementation has been put off indefinitely.

The Federal Railroad Administration had also imposed a rule that unit trains carrying high-hazard liquids must be operated with an electronically controlled pneumatic braking system by 2021. As I describe in Chapter 11 of my book, electronically controlled pneumatic brakes are widely seen as a quantum leap in rail safety. Again, the industry lobby, including the Railway Association of Canada, pushed back, arguing that the technology had only marginal safety benefits and would cause operating disruptions. Nevertheless, the Federal Railroad Administration upheld its rule change.

But as the Trump administration's first year drew to a close, the Department of Transportation announced that this timeline too would be erased. Also removed were prospective regulations to address track deterioration and to require engineers to be screened for sleep apnea, which the National Transportation Safety Board had found to be a cause in at least 13 accidents it investigated.

The Trump deregulation tsunami will put intense pressure on regulators in Canada to follow suit in a downward spiral of "harmonization." The ground has already been softened up. At the top of the Canadian American Business Council's wish list for the NAFTA renegotiation was regulatory harmonization. Exactly the same message was sounded by the Trudeau government's Advisory Council on Economic Growth.

Canadian-based companies will argue that following Trump's lead is necessary to maintain their competitiveness under NAFTA, given that 35% of Canadian railway revenue

comes from cross-border trade, and 79% of Canada's crude oil production is exported to the US. Public input is nominally part of the regulatory harmonization process within the bilateral Regulatory Co-operation Council, but in reality it is a closed-door business-government exercise. The larger partner is in the driver's seat. Canada, with some exceptions, usually adopts U.S. regulatory standards, not the other way around.

### Montreal, Maine and Atlantic Railway gets a successor

Fortress Investment Group, a publicly traded New York-based investment company, won the auction for MMA's assets in January 2014, bidding almost US\$16 million. It began operations six months later.

A similar operation to Pershing Square Capital Management, which took control of CP in 2012, Fortress was named Hedge Fund Manager of the Year by *Institutional Investor* magazine in 2012. Fortress renamed the company Central Maine & Quebec Railway and slotted it into its transportation and infrastructure division, which also managed several U.S. railways. John Giles, a 45-year railroad veteran, was lured out of retirement and appointed CEO, again echoing the Pershing Square-CP narrative.

The company committed to investing US\$23 million in track and infrastructure improvements, US\$10 million of it on the Quebec leg. (The work on the American side was subsidized by the Maine and federal governments.) It also replaced all the locomotives that belonged to its previous owner. Having completed renovations by the end of 2014, and obtained the approval of Transport Canada, the Central Maine & Quebec Railway began hauling dangerous goods at the beginning of 2015.

Giles told the *Bangor Daily News*, "We patched up the track, and then we negotiated what we call a social compact with the city of [Lac-]Mégantic, and that was something we thought was necessary because those people had been through so much."

Although it began shipping dangerous goods in 2015, at the town's request Central Maine & Quebec declared a moratorium on transporting crude oil through the town. Relations were good, according to Conrad Lebrun, director of buildings and projects for Lac-Mégantic. "We have access to Central Maine & Quebec representatives," he said. "When we need to, we call them and they call us right back and we work issues out well. We expect it to keep going in the future."

However, in the months that followed, Robert Bellefleur and the *Coalition des Citoyens* were still concerned about the state of the track, which they continued to monitor, discovering signs of disrepair. The daily passage of trains carrying hazardous products—sulphuric acid, propane, sodium chloride and ethanol—through the heart of town was worrisome.

In July 2015, on the second anniversary of the tragedy, the citizen's coalition asked independent railway expert Jacques Vandersleyen to accompany them on an inspection of the tracks. Vandersleyen was shocked by what he

saw. The condition of the tracks was, in his view, unsafe for transporting dangerous goods. Transport Canada responded that this portion of the track had been inspected in May and that its experts considered it safe. The next day, the mayor requested an independent evaluation of the track.

The coalition, frustrated at the inaction and non-responses from the company and Transport Canada, sent a letter to CEO Giles in September, copied to then transport minister Lisa Raitt, with a petition from 2,600 residents asking the town council to seek an injunction to stop the company from carrying dangerous goods until it had fully completed its track repairs. The council did not, however, proceed with the injunction, nor did it undertake its promised independent evaluation of the track, given that it would cost more than \$25,000.

Less than two years after it began operations in 2014, Central Maine & Quebec had more than doubled its traffic from 3,000 carloads per quarter to almost 7,000; in 2016 it posted its first profit. According to an assessment by *Forbes* magazine, Fortress has been a growth dynamo led by its transportation division, tripling revenues between 2014 and 2016. A *Forbes* analyst praised "the explosive growth potential of this extremely niche but lucrative opportunity."

In December 2017, SoftBank Group Corp. acquired Fortress Investments for US\$3.3 billion. SoftBank is a Japanese-owned global investment conglomerate that *Forbes*





rates as the 38th largest public company in the world. Its distant, complex ownership structure would blur even further the accountability lines in the event of another catastrophic event.

### **A fix for Lac-Mégantic**

In April 2016, Transport Minister Garneau visited Lac-Mégantic, accompanied by John Giles, CEO of Central Maine & Quebec, to assure the community that the track through town was safe and that rail safety was his number one priority. Paul Dostie told Garneau that lost trust is hard to recover: “You talk about safety; it does not assuage me. It is like telling a child who has been disfigured by a dog to go walk the dog.”

The citizen’s coalition asked Garneau to order Central Maine & Quebec to stop switching and parking railcars at the very location from which the fateful train had run away. (The new operator was doing so because MMA’s old rail yard, destroyed in the fire, was appropriated by the municipality.) The coalition repeated its request that Garneau order the company to fix its tracks, especially because the curve where the train had derailed was now even sharper.

Garneau replied that such matters were up to the company. This did not instill confidence in the coalition, whose members renewed their efforts, with measures such as a press conference on Parliament Hill and Bellefleur confronting Prime Minister Trudeau at a town hall in Sherbrooke. Bellefleur also addressed the commission reviewing the Railway Safety Act, concluding with a chilling question: “If we tolerate such risk factors in Lac-Mégantic, the site of the most destructive railway tragedy in Canadian history, what is happening elsewhere in Canada?”

Bellefleur’s concern was based on his own continuing observations. He was driving back from the criminal trial

of Tom Harding et al. late one night in October 2017 when he noticed a convoy of railcars parked on the main track at Nantes without a locomotive or a derailer. His attempt to raise this with Transport Canada eventually produced the answer that Central Maine & Quebec was not breaking any rule. On February 3, 2018, Bellefleur noticed a 50-car convoy with 29 tank cars of propane—which is highly explosive—in the same location. It was there for about 35 minutes without a locomotive, unattended, without a derail device and without handbrakes.

Government, at least, was working on one solution for Lac-Mégantic. On the morning of May 11, 2018, Prime Minister Trudeau, Transport Minister Garneau and Quebec Premier Philippe Couillard announced, with the gaping vacant space that had once been Lac-Mégantic’s town centre behind them, that they would fund a 12.8-km bypass around the town at an estimated cost of \$133 million. Ottawa and Quebec City would share the cost 60–40.

The bypass construction will be managed by Central Maine & Quebec, and the track will be owned by the company upon completion. Ownership of the original track property, estimated to be worth less than \$1 million, will revert to the government. Construction, it was said, will start in 2019 and be completed in 2022.

The mayors of the neighbouring towns of Frontenac and Nantes were critical of the selected route and proposed a modified version. Mayors of 20 communities in the region sent a letter to the provincial and federal governments requesting that they accommodate this variation. It was rejected. Bellefleur, relieved that after years of advocacy the bypass would finally go forward, was nevertheless troubled by the fact that it would create divisions at a moment that should be a coming together and healing of the communities.



## Fifth anniversary bombshell

Just days before the fifth anniversary of the Lac-Mégantic disaster, the Transportation Safety Board released statistics on “uncontrolled movements of rolling stock” (cars and locomotives), more commonly called “runaways.” An accompanying statement from Transportation Safety Board chair Fox reminded the government of its failure to implement the board’s post-Lac-Mégantic recommendation for additional protections against runaways, as well as its ongoing concerns with the vulnerability of older tank cars and Transport Canada’s oversight of safety management systems.

The numbers, which compared the five years preceding 2013 with the four years following, were alarming: the average annual number of runaways jumped 21%, from 48 to 58. Almost two-thirds of runaways over the entire period were caused by lack of securement. The percentage of runaways involving derailments climbed in the second period, as did the average annual number of incidents involving dangerous goods, climbing from 11 to 15.

Earlier in 2018, the Transportation Safety Board had reported 115 railway accidents in 2017 involving dangerous goods, including five in which contents spilled. This was up from 100 dangerous goods accidents in 2016, of which two involved spills. This comes at a time when Canadian oil-by-rail export volumes for June 2018 reached record levels.

All told, the numbers told a tale: the problem of runaways was itself a runaway.

As my book went to press, it had been more than five years since Gaston and Pauline Bégnoche’s world fell apart on July 6, 2013. Their daughter, Talitha Coumi Bégnoche, and their granddaughters, nine-year-old Bianka and four-year-old Alyssa, were asleep in their apartment a stone’s throw from the railway tracks when they were consumed by an inferno of exploding oil. The previous afternoon, Gaston had been sitting on a bench by Lac-Mégantic with his daughter and granddaughters, playing, laughing, eating, discussing summer plans. They were the light of his life. It was the last time he would see them.

In 2018, Gaston and Pauline are still grappling with the pain and anguish of their loss. Talitha’s two sisters, Nadine and Karyne, are still grieving, trying to come to terms with the reality of their sister’s death. The family’s grief is mixed with anger that no one has been held accountable for taking away their loved ones.

Another 44 people also died that night, their hopes and dreams obliterated, futures wiped out. Two more victims followed in suicides. Twenty-seven children lost their parents. Families lost their sons, daughters, mothers, fathers, brothers, sisters, cousins, aunts, uncles. Others lost their friends, lovers, fellow workers, classmates, teammates. No one in the town was spared the grief of their loss.

Their deaths were collateral damage from the culmination of decisions stretching back more than three decades. Mutually reinforcing policies of deregulation, privatization and fiscal austerity; power relationships that subordinated government’s obligation to protect its citizens to the private interest of corporations; decisions that were driven by greed, corruption and hubris—all aligned that terrible night. The tragedy is only deepened by the sorry fact, demonstrated here and in much more detail in my book, that government has not taken appropriate steps to prevent another Lac-Mégantic.

Susan Dodd, in her book *The Ocean Ranger: Remaking the Promise of Oil*, warned: “Time and time again, publics trust governments to ensure that companies operate prudently. Time and again, we are shocked by a new disaster caused by corporate negligence. We say, ‘We will never forget.’ Then we forget. And then it happens again.”

Let us not forget Lac-Mégantic. **M**

**The victims were remembered once again on the fifth anniversary of the tragedy, as they will continue to be remembered, with love and longing. They are:**

Marie-Semie Alliance  
Alyssa Charest Bégnoche  
Bianka Charest Bégnoche  
Talitha Coumi Bégnoche  
Diane Bizier  
Guy Bolduc  
Stéphane Bolduc  
Yannick Bouchard  
Marie-France Boulet  
Yves Boulet  
Frédéric Boutin  
Geneviève Breton  
Karine Champagne  
Sylvie Charron  
Kathy Clusiaux  
Réal Custeau  
Denise Dubois  
Maxime Dubois  
Marie-Noëlle Faucher  
Jacques Giroux  
Natachat Gaudreau  
Michel Junior Guertin  
David Lacroix-Beaudoin  
Gaétan Lafontaine  
Karine Lafontaine  
Stéphane Lapierre  
Jo-Annie Lapointe  
Henriette Latulippe  
David Martin  
Roger Paquet  
Éliane Parenteau-Boulanger  
Éric Pépín-Lajeunesse  
Mathieu Pelletier  
Louisette Poirier-Picard  
Marianne Poulin  
Wilfrid Ratsch  
Martin Rodrigue  
Jean-Pierre Roy  
Kevin Roy  
Mélicha Roy  
Andrée-Anne Sévigny  
Jimmy Sirois  
Élodie Turcotte  
Joanie Turmel  
Lucie Vadnais  
Jean-Guy Veilleux  
Richard Veilleux  
Kevin Morin  
Yvon Ricard

REVIEWED BY JOSÉE MADÉIA CYR-CHARLEBOIS

# Aspiring to belong

## WHY YOUNG MEN: RAGE, RACE AND THE CRISIS OF IDENTITY

JAMIL JIVANI

HarperCollins, April 2018, \$32.99

“TO USE A cliché, I was one of those young people who fall through the cracks.”

With this poignant opening we meet Jamil Jivani, a person whose life experiences and trajectory inform and enrich the subject of his first book. Part autobiography, part storied qualitative field work, *Why Young Men* explores the reasons and the ways in which youth “of all races and religions are vulnerable to falling outside of the reach of mainstream morals in the countries they call home.”

Jivani writes about the rejection he experienced as a young person—from police, from his father, from teachers and the school system—and of rejecting the world in turn. These and other key social institutions seemed irrelevant to the challenges he was facing, challenges like racism, family breakdown and social exclusion.

Jivani searched for answers and for meaning elsewhere. Indeed, a central thesis of his work is that human hearts and minds, like nature, abhor vacuums. In the absence of role models, group belonging, aspirations, trust, or a healthy, respectful rapport to mainstream social institutions, we can become consumed by their opposites, or by potentially dangerous extremes.

Jivani tells us the stories of young Black men living in Toronto’s immigrant neighbourhoods, where racial profiling by police shapes young boys’ daily lives and self-perception. He quotes Harvard University economist Roland G. Fryer, who told the

*New York Times* in 2016, “It is hard to believe that the world is your oyster if the police can rough you up without punishment.”

Jivani finds similar realities among young Muslim men in Belgium’s Molenbeek district, where he did field work shortly after the 2016 Paris attacks. Negative portrayals of these communities deeply affected the men’s self-perception and by extension their ability to create different and positive futures for themselves, he writes.

The book is refreshing in its nuance and focus on questions, many of them drawn from the author’s life work trying to better understand the crisis of identity among so many young men and its connections to racial discrimination, family breakdown, systemic racism, poverty, and lack of access to housing and employment opportunities.

Where one could get weighed down with the multitude of societal forces that need to be profoundly changed to halt this disconnection by young men, Jivani carefully brings the conversation back to the very basic existential desire to be needed and to belong. Luckily, his own life and those of the young men he interviews contain many people and places that make this possible: teachers who listen and are receptive to speaking to the hard issues youth are facing; community spaces where young men are invited and expected to take their masks off, to let their guards down; and opportunities that allow one’s sense of agency to nurture one’s capacity to aspire.

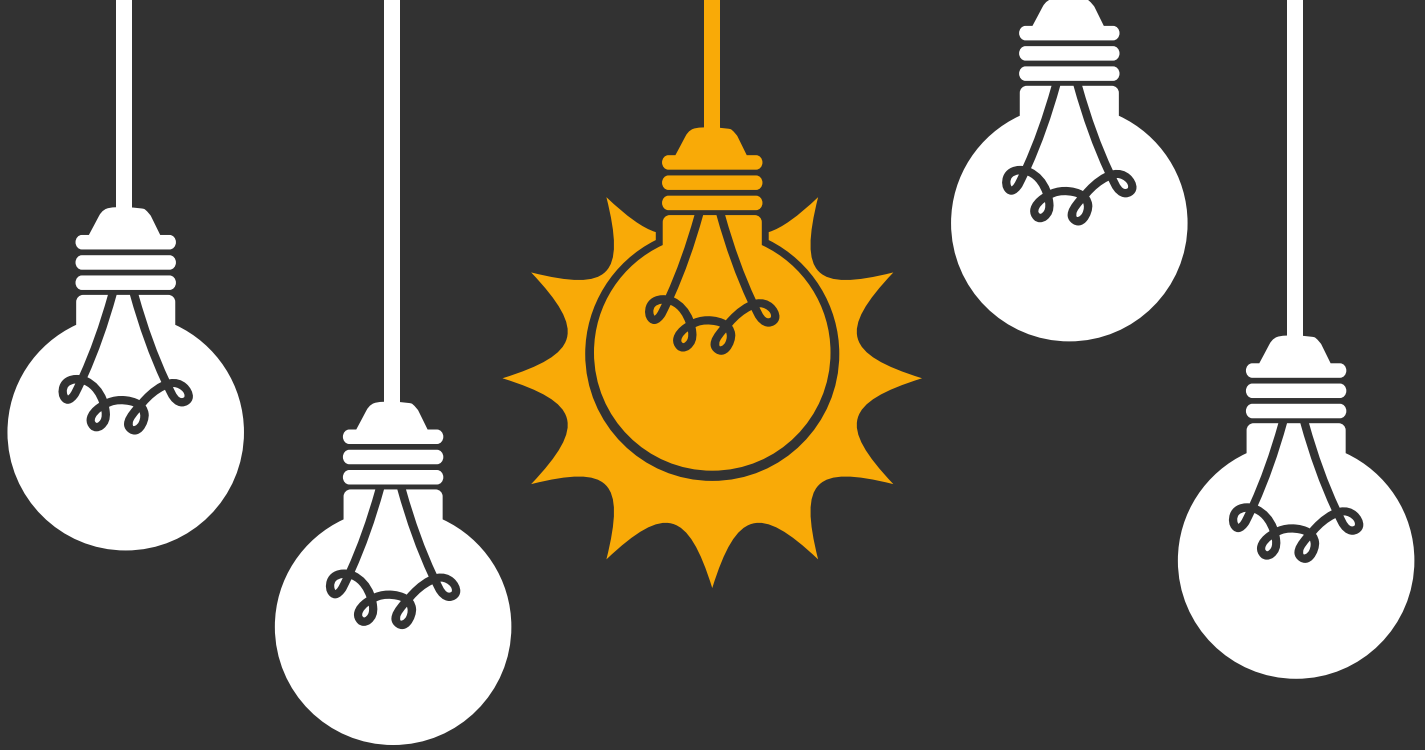
For Jivani, the capacity to inspire is the ability to imagine different paths, see different trajectories, job prospects and lives, as real possibilities. It’s the ability to imagine yourself becoming something more probable than an NBA All-Star—a teacher, for example.

Jivani spent his teen years convinced he would become a gangster precisely because the men he could look up to, the role models he chose to fill the void, were gangsters. He eventually became a lawyer.

For how to get from one place to another, the book dedicates a full chapter to the youth worker, the individual tasked with connecting and mentoring young people through their hard questions and harder realities. Where the mainstream thinks in binaries, forcing racialized youth into categories and futures not of their choosing, these workers can provide a nuanced alternative to more radical identities.

Youth workers can be found in schools, community centres and on the ground as knowledgeable, approachable local actors. Often they are more agile and quick to respond to crises than government programs, writes Jivani. As such, youth workers are crucial links between angry, disengaged young men whose social disconnection puts them at risk, and the communities that need their energy and presence to stop the cycle before it begins.

While some may see the intertwining of Jivani’s story with those of the youth he studied and worked with in Toronto, Europe and the United States as a scientific shortcoming, reading the work of engaged intellectuals who name their own biases, and who study groups whose identities they share, allows for a genuine richness of study and solutions. Jivani, who is 31 this year, was diagnosed with lymphoma shortly after *Why Young Men* was published. He continues his work as a dedicated community organizer. **M**



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