PP+G REVIEW

Vol 2., No 2. Spring 2011

Interview

Public Policy & Governance Review

Rt. Hon. Paul Martin

Former Prime Minister of Canada

Interview By: Anna Strathy and Brent Barron

University of Toronto

Interview conducted February 25th during Mr. Martin's visit to the School of Public Policy and Governance.

The Right Honourable Paul Martin was the 21st Prime Minister of Canada from 2003-2006 and its Minister of Finance from 1993-2002. In September 1999, he was named the inaugural Chair of the Finance Ministers' G20. Since leaving office, Mr. Martin co-chaired a High Level Panel, responsible for submitting a report on a new strategic vision for the African Development Bank, following upon an earlier United Nations panel report on private sector investment in the Third World, which he had co-chaired.

Currently , along with Nobel Peace Prize laureate Wangari Maathai, he co-chairs a $200M British-Norwegian poverty alleviation and sustainable development fund for the ten-nation Congo Basin Rainforest. He sits on the Advisory Council of the Coalition for Dialogue on Africa, an initiative that examines the critical issues facing the continent. He is also a member of the International Monetary Fund's Western Hemisphere Regional Advisory Group. Domestically, he is leading The Martin Aboriginal Education Initiative, which aims at reducing the Aboriginal youth dropout rate and at increasing the number of Aboriginal students attending post-secondary institutions. He also founded with his son David the Capital for Aboriginal Prosperity and Entrepreneurship Fund, which helps establish and grow successful Aboriginal businesses both on and off reserve.

Before entering politics, he had a distinguished career in the private sector as a business executive at Power Corporation and as Chairman and CEO of the CSL Group Inc. Mr. Martin studied philosophy and history at St. Michael's College at the University of Toronto before obtaining his LL.B. from the Faculty of Law at the University of Toronto. He was called to the Ontario Bar in 1966. He married Sheila Ann Cowan in 1965. They have three sons and three grandsons.

There are some surface similarities between the current economic and fiscal situation and the one you experienced in the early part of your tenure as Minister of Finance. Federal deficits and concerns over retirement income initially come to mind. What parallels and differences do you see between these two periods?

Clearly the deficit at the time that I became Finance Minister was much worse than it is now. At that time, we were a year or two away from the tipping point. The tipping point is when the interest costs on the national debt are such that no amount of reasonable economic growth will cover the greater burden of compound interest. We were very close, if not there, at that time. That's not the case today.

The second thing is that we were, at that point, the sole practitioner of deficits to that extent. The rest of the global economy was in much better shape. Eliminating a deficit when other countries are practicing austerity is more difficult than when the other countries are experiencing growth.

On the other hand, we had had 20 years of deficits, and there had been very little pressure, despite what you read in the press, to deal with the problem. So we had to go to the Canadian people, convince them of its depth, and then convince them that the steps we were going to take, which were very severe, were warranted.

In summary, the biggest difference in the 1990s from now is that the deficit then was far worse than the current deficit but the global economy was in better shape.

The Kelowna Accord was a major policy achievement during your term as Prime Minister. You continue to advocate for Aboriginal rights in your work after holding public office, particularly, in Aboriginal education and entrepreneurship. Have you been able to work towards the objectives of the Kelowna Accord through these initiatives? What are some of the challenges of catalyzing change from both within and outside government?

The Kelowna Accord was one of the most important things we did and it could have been one of the most important steps forward in the history of Canada's relationships with the Aboriginal peoples of this country. It was the first time in history that the Prime Minister of the country sat down with the Premiers of the provinces and territories and the Aboriginal leadership to discuss not just the issue that we put on the table, but the issues the Aboriginal leaders put on the table as well. The negotiations took fifteen months, and the agreements that we came to were groundbreaking in the areas of education, health care, accountability, housing, and water. There was such enthusiasm in the room when the Premiers, Aboriginal leaders and the Prime Minister announced the accord and it was a national tragedy when—I don't want to be partisan here—but it was a national tragedy when the new federal government walked away from the understanding. As an example of this, look at the extent to which elementary and high school drop-out rates and the quality of education that the youngest and the fastest growing segment of our population receive. It is abysmal compared to what non-Aboriginals receive. There is huge underfunding by the federal government on a per capita basis of education for Aboriginal Canadians

and we said we'd make that up. That was part of Kelowna. It was money to be spent on education. Now, we've lost four or five years. I believe in the Kelowna message which says you cannot discriminate against the youngest and the most vulnerable in health care or education.

I also believe that as a result of Kelowna, never again will the federal government be able to impose solutions on Aboriginal Canadians. Kelowna changed the paradigm. The next agreement may not be the Kelowna Accord, it may be the Moosejaw Accord for all I know, but the process will be forever known as the Kelowna approach because it's the only one that will work.

What are you doing now in your work after holding public office?

I've charted out three areas in which I want to spend most of my time. The number one priority for me are Aboriginal issues. My other priorities are the G20 and Africa. The question of Aboriginal issues goes to the heart of what we are as a nation; it really is our Achilles heel and it's why, if we are going to say we have values, this is the area where we have to demonstrate it. I've been focusing pretty solidly on Aboriginal education: elementary and high school.

What was the biggest challenge in those 15 months of negotiations, at that table? What was the dynamic like?

I think it was two-fold. Canada has had a history of saying, long before Confederation, "We've arrived here, and this is really good farm land, and you happen to be sitting on my farm land, so, would you just move off?" And then came Confederation and the next step was, "We can't do this to these people, therefore, we've got to repair what we've done." What was the reparation? The reparation was assimilation. At no point in all of this did we ask Aboriginal Canadians what they thought. So there were two things that I insisted upon as we were moving through the Kelowna negotiations. Number one, we start with what Aboriginal Canadians think.

The second thing was to address the very different ways each side had of looking at things. Our history: it's very hard for people to overcome this. If you and I disagree with each other, but we both start from the same starting point, we may get to an answer, or

we may not, but the odds are, we'll find a compromise. However, if you and I disagree on something because our starting points are very different, then the dominant power's tendency is to say "you're just off base" rather than "you look at things differently".

There's a different value system here. I spent 20 years in business before I went into government. When I first started out in business as a very young man, it was at the time when Japan was on the rise to becoming a great economic power. When I had to go to Japan to negotiate something, Japanese experts took me aside for about a week and they said "Here's how they approach things: face is very important, they operate on a consensus," and they trained me. Nobody here sits down and says, "you're going to sit down with the First Nations and this is their value system, these are their traditions, this is what they believe". If Kelowna was going to work we needed to understand that Aboriginal Canadians operate on the basis of consensus. They have a much longer time perspective than we do. So, I think those are two of the real obstacles that we had to overcome, and I think we did. That's one of the great tragedies of the Conservatives throwing all of it out. There was so much progress made and they just walked away from it.

As a member of the Task Force on Social Finance, you have been asked to look at investment and philanthropy in Canada. What do you see as the role of social enterprise in Canada? Do you anticipate that role to change, particularly given current expenditure restraint at all levels of government?

First, I think that if social enterprise has ever been important it's more important now in an era of financial restraint. However, I don't believe that social enterprise should relieve governments of their responsibility. I just think that social enterprise is a better way of delivering in certain areas of government responsibility.

I said to you earlier that I focused on high school and elementary school education for Aboriginal Canadians. The other thing that we recognized is that if you're a young Aboriginal person, you don't get the kind of mentorship that non-Aboriginals get. Nor will you be able to borrow money. So I went out and raised $50 million and created a fund to invest in Aboriginal enterprise in a way that will train Aboriginal Canadians to be managers and ultimately entrepreneurs with businesses of their own.

The question I got from the people I raised the money from was, "Do I get a charitable

deduction?" to which I would say, "'No, you don't because this is not a charity." Then they'd say, "Well am I going to get a hedge fund investment return?" and I said "No, you're not. You'll get a return and ultimately you'll get your money back, but we're going to have much higher overheads because we're going to be training and developing people all the way through." Fortunately the people I approached felt as strongly as I did about the issue and they invested in our fund. However, the fact is, we need rules and regulations to guide the evolution of social enterprise. For example, if we are prepared to provide tax flowthrough shares for the mining industry to encourage mining or we're going to have tax credits to encourage people to invest in certain parts of the country, why shouldn't we have tax benefits to encourage you to invest in social enterprise which is going to help people directly?

There's a company not far from here called Eva's Phoenix. It's a printing company, and what they do is help street kids. They bring them in and teach them how to become printers, so that they then have a job and earn money while they are developing a skill. Eva's Phoenix is doing a tremendous job. So let's say that you've got this printing company, and it's teaching these kids how to be printers. At the end of the year you may make a little bit of money but if you want to expand, you have to go to a foundation and get new money from them. Let's say, for the sake of discussion, that you could go to an investor and you could say, "If you want to invest in this print company, I won't give you a 15 percent return, but I'll give you a 4 percent or a 5 percent return and the government will give you a bit of a tax break so that the 5 percent return becomes 7 or 8 percent after tax." Then, they could expand without going to cash strapped foundations.

When Carnegie died, he left all his money to create the library system across North America. It was a very good thing, but he waited until he died. The next evolution was Bill Gates and Warren Buffet who decided to give their money away while they were still alive. The next paradigm has to involve a lot of people who don't have Warren Buffet's money. A lot of people want to save for RRSPs and other things. However, they'd like to do some good with their money, so they're prepared to take a slightly lower return. They want it to be safe, but they'll take a slightly lower return if they can get a social return. There's more

money available with these kind of angel investors than there is in all the governments and all the foundations in the country.

There are many different definitions of social enterprise. My definition is that a social entrepreneur is a business entrepreneur who respects the bottom line. His or her priority is a social return. In this scenario the social entrepreneur measures his profit in terms of a social return as well as a financial return.

It seems as though there's a more robust social enterprise economy in the UK than there is in Canada, at least from what I understand. Is that a regulatory issue; is it that we haven't discussed it?

There is a more robust social enterprise philosophy in the rest of the world than there is in Canada. The United Kingdom is probably the leader, but I was over in Korea last year and found there is a phenomenal social enterprise community in that country, and they have good legislation to support it. A minister from Malawi came to see me because he wants to encourage social enterprise in Africa. The United States is further ahead than Canada. However the United Kingdom is the leader because Gordon Brown, when he was Chancellor, asked Sir Ronald Cohen to conduct the equivalent of a royal commission to identify the regulatory problems and he did a marvellous job.

So, yes, the UK is very much ahead of us. The reason for the social enterprise task force, which you mentioned, is to convince government to do what the Brits did. There's going to be a lot of resistance in the various Departments of Finance. I know the Federal Department of Finance and anything that deals with taxes is resisted. However, I think it's an idea whose time has come and we should get on with it.

A few days ago [Feb. 23] you made comments regarding international intervention in Libya based on the Responsibility to Protect (R2P) principle, which Canada had an instrumental role in developing. This principle calls for sovereign states to protect their populace from crimes against humanity, and for the international community to become involved should the state be unwilling or unable to do so. This principle was part of the 2005 World Summit Outcome document which was adopted by the UN General Assembly, and a debate on implementation took place in 2009. Why have we not seen more R2P activities, and how can the international community move forward in a way that aids the people of the world while respecting sovereignty?

The Responsibility to Protect was a Canadian initiative originally put forward by Lloyd

Axworthy. Allan Rock, whom I appointed as Canada's ambassador to the United Nations, took the bull by the horns and pushed for it very strongly. He got me involved and I called a number of reluctant Heads of State and it passed.

The Responsibility to Protect is an intrusion on an outdated definition of sovereignty, but that outdated definition is still held by a considerable number of countries. Some of those countries are very powerful and they're members of the Security Council. So, while the resolution has passed, we haven't yet built up the strength that would be called for. My view is that Libya represents a clear violation of the Responsibility to Protect which is why I actually made the interventions that I did.

And what, in your opinion, would be a more modern definition of sovereignty?
It really is a definition that recognizes our common humanity and our responsibility to each other. That would be the bottom line. This is not limited to the R2P. It arises from the interdependence of nations. Look at the financial crisis. The banking industry is global. Bank regulation is national. We've just come through a financial crisis that was caused by the failure of the banking system in the US and Europe. Now, banking regulation should stay national, but it has to be monitored at a global level to ensure the banking regulators are doing their job. And I think that means that a global banking regulator has to be able to say that national banking regulation in a country is insufficient and that there are going to be sanctions. Under the old definition of sovereignty, the United States would say that's an infringement on its sovereignty, "You can't come in and tell me to fix up my banking system." The new definition, my definition of sovereignty would say, "Banking is global and because of your inadequate regulation you've caused a global recession which has hurt the Canadian economy. You've infringed on my sovereignty as a result of what you have done." So the new definition says, if you're infringing on my sovereignty by not doing your job at home, then the world has the right to step in. I'm not out here proselytizing for a world government; I believe in sovereignty, I just think that the interdependence of nations is so great, that the protection of sovereignty requires international rules and international standards. Probably the three best examples of this are climate change, financial regulations, and the Responsibility to Protect.

In your career in public service, what achievement are you most proud of?

I think most people who comment on that question talk about the elimination of the deficit and Canada's fiscal status, as well as the G20. My view is it is the Kelowna Accord, despite what Mr. Harper did in reneging on it. The discrimination against Aboriginal Canadians I think is the ultimate attack on Canadian values. I believe the Kelowna Accord was a huge step forward. I believe the name may fade but the Kelowna approach will never fade.

What advice do you have for students of public policy and public administration in Canada?

My advice wouldn't be so much to the students, as it would be to the media and it would be to the politicians. I don't know how much you know about my dad, but he was one of the fathers of Canada's social infrastructure: health care and family allowances. His generation had lived through the depression which devastated the country and devastated families. Then they went to war. When the war was done, there was a very strong feeling that the social infrastructure that didn't exist during the Depression Era had to be built and there was money to do it. So there was a phenomenal movement to rebuild the country. For this reason, if you were a young person you either went into politics or you went into public service. It was the highest calling. Public servants were tremendously respected and admired. I remember as a kid, the great public servants of the time, the ones you read about in history, would come for dinner. I remember those discussions around the table, the tremendous dynamism of these people and their views about the kind of country that they wanted to build.

So we now translate this to 20 or 30 years later. The view of the Canadian business community and an awful lot of Canadians somehow changed to "Well, politicians are useless and public servants aren't much better. The person who's trying to run the health care system—you're just living off the public while I'm really doing something worthwhile making hulahoops." I will never forget hearing about the senior administrator, who was a tremendous public servant, in the Department of Transport finally one day quitting and saying he was tired of people thinking he is living off the tax payer. I think that people who go into public service are performing the greatest act of generosity toward their

fellow citizens possible, and they should say it. They should say it and Canadians should understand them.

Now I'm told that among your generation things are getting a lot better. When I was in university, writing the foreign service exams was the ultimate test and most of us probably didn't write them because we didn't think we'd get through. Then, I was told, ten or fifteen years later, that almost nobody wrote the foreign service exams. I'm now told that today, once again the best and the brightest are writing them. Now, if that's true, that's a tremendous sign. I would say that if you're going into government and you're studying public policy, you should insist on being respected. Just insist on it. And the second thing is, remember you can do more in five minutes in government than you can do in five months or five years outside of government. I've now spent a huge amount of time, as I mentioned, on Africa, Aboriginal issues and on the G20. So I spend an enormous amount of time trying to convince the government to act. But if you're in government you have the power to act. You asked a question about social enterprise. Well, we set up a task force, but what are we trying to do with that task force? We're trying to convince government to do what is right. If you're in government, you can make that decision and you can act.

What is one single policy that Canada could undertake to improve life for Canadians?

Early learning for all Canadians without exception. The research is overwhelming. Getting children ready to learn plays all through kindergarten, all through high school, all through university, and all throughout one's life.

What is one single policy that Canada could undertake to improve life for humanity?

Making the G20 work. The G20 was a huge success in dealing with the financial crisis, but it must now become more than a crisis responder. Fundamentally, the international institutions and national governments need a body that provides direction. The United States no longer has that power. So whether you're talking about climate change, financial institutions, or AIDS in Africa, you need a body composed of the great powers and the regional powers to establish a direction that will meet with a global consensus.