The Great Rebuilding Part 2

A Special Report on Canada's Economic Recovery

NDP calls for wealth tax bill 'immediately', PBO pegs revenue at $5.6-billion

The governing Liberals 'will pay a heavy political price,' if they don't introduce a new wealth tax, said NDP finance critic Peter Julian.

BY AIDAN CHAMANDY

NDP finance critic Peter Julian is calling on the federal government to immediately introduce legislation to bring in a wealth tax, which a new report from the Parliamentary Budget Officer says could bring in $5.6-billion in new revenue.

Finance Minister Bill Morneau (Toronto Centre, Ont.) said on July 8 that the government was on track to run a $343-billion deficit this year alone, as the government continues to borrow and spend to keep households and businesses afloat amid the COVID-19 pandemic.

NDP MP Peter Julian, left, and Leader Jagmeet Singh have again called for a tax on Canada's wealthiest residents, with the government expected to run a $343-billion deficit this year. *The Hill Times photograph by Andrew Meade*

Both the federal Liberals and NPD have promised to levy new taxes on Canada's wealthiest residents. The NDP has called for a tax on the wealthiest one per cent of Canadians, while Mr. Morneau's mandate letter from the prime minister instructs him to introduce a new tax on luxury boats, cars, and personal aircraft, and to do an analysis to "ensure that wealthy Canadians do not benefit from unfair tax breaks."

The governing Liberals were slow to introduce new legislation when the forty-third Parliament began, and the COVID-19 pandemic sidelined the legislative process in mid-March. The House is now in summer recess.

"We need to start taking action on the revenue side, so that we can continue to maintain services and support through the pandemic, and look to enhance public investments coming out of the pandemic," Mr. Julian (New Westminster-Burnaby, B.C.) said in a July 10 interview.

On July 8 four non-profits released a statement of their own calling for a wealth tax.

"Canada should immediately bring in legislation to tax the extremely rich as a means to not only raise revenues, but curb worsening inequality," read the statement signed by the Broadbent Institute, Canadians for Tax Fairness, Resource Movement, and Leadnow.

The July 8 economic update showed a federal debt over $1-trillion and a deficit of $343-billion. It also showed that the federal debt-to-GDP ratio, which the Liberals have often touted as a key financial marker, is expected to rise to 49 per cent in fiscal year 2020-21, up from 31 per cent the year prior. GDP is expected to shrink by 6.8 per cent this year before rebounding by 5.5 per cent next year.

Mr. Julian asked the PBO to estimate the potential revenues from a one per cent tax on families with a net wealth over $20-million. Released July 8, the PBO estimated that 13,800 Canadian economic families would be subject to the tax, and it would net $5.6-billion in revenue in fiscal year 2020-21. Administering the program

Continued on page 27

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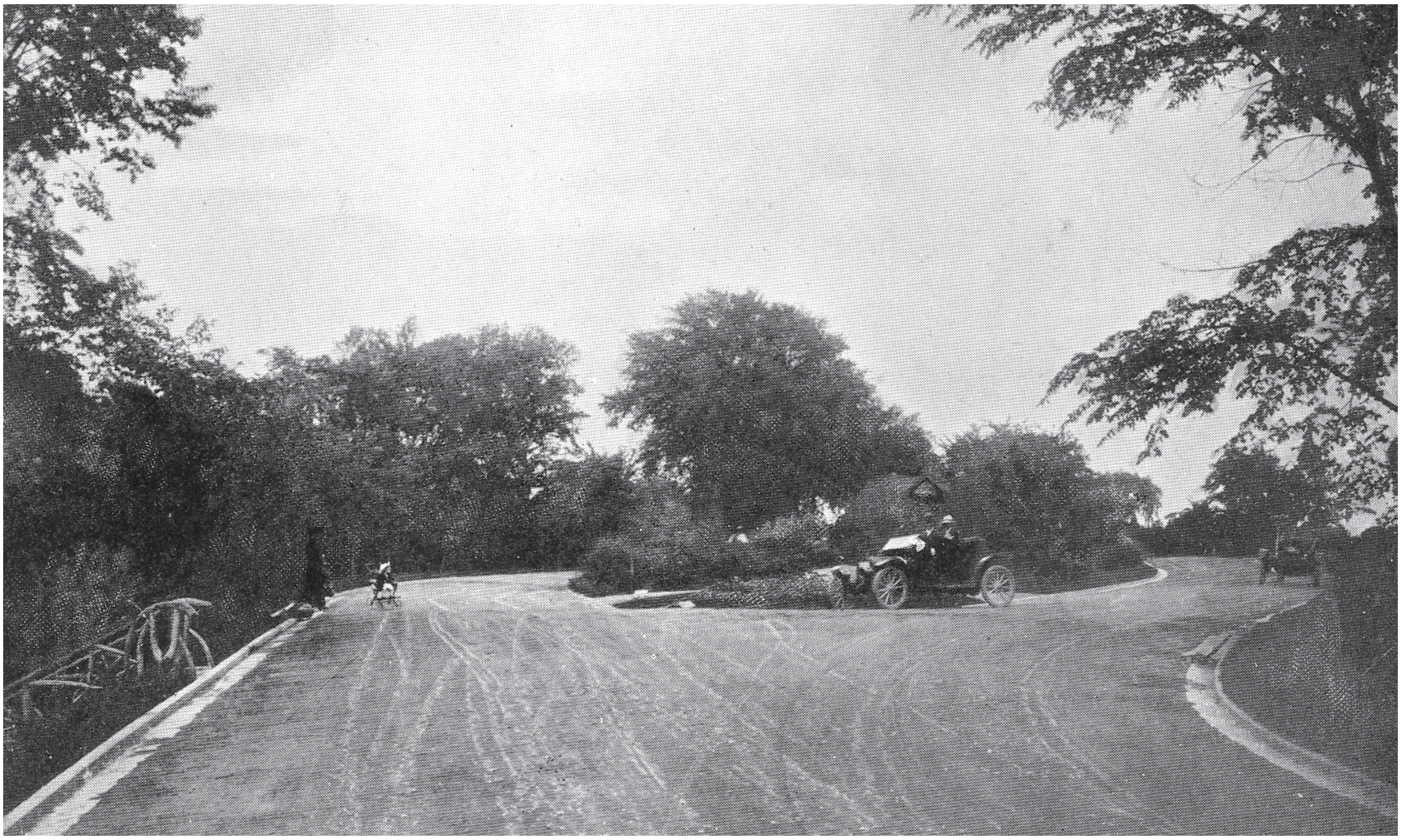
Keep the new pedestrian spaces, COVID or not



Ottawa's Queen Elizabeth Driveway, ca. 1912 was designed to be enjoyed at slow speeds, so it is an ideal candidate to convert for walking, cycling and other forms of active transportation, writes David Gordon. *Photograph courtesy of David Gordon and the Ottawa Improvement Commission*

COVID showed us what's possible when the roads aren't clogged with cars. Let's hang onto that when things get back to 'normal.'

David Gordon

Opinion

The "great re-opening" of our economy has been accompanied by an extraordinary burst of experimentation in the use of public space in Canadian cities. After automobile traffic evaporated during the lockdown, we noticed that our streets had lots of space for other modes of travel.

There was a double imperative for experimentation and change. First, housebound citizens needed some exercise and gradually emerged to walk, run, cycle, or rollerblade. Unfortunately, walking is difficult, because our sidewalks are just not wide enough—they were squeezed down to a minimum of 1.2 metres in many places to create the maximum possible room for cars. Keeping a two-metre separation for safe social distancing is simply not possible, so walking needs to spill into the street, to join the cyclists.

The second push came from restaurants, cafes and pubs that wanted to re-open. The folly of indoor re-opening has been demonstrated in Texas and Florida, so expanded outdoor patios to serve customers safely are a better choice. These patios often require more public space outside the front door.

These two forces signalled an urgent need to rebalance public streets to focus on accommodating people rather than cars. Automobiles are remarkable personal mobility machines, probably the most important appliance developed in the first half of the twentieth century. Canadian planners spent the second half of the twentieth century trying, and failing, to adapt our cities to this disruptive technology.

Automobiles impose substantial environmental and social equity issues. It is difficult to function in our vast suburban environments if you are too old, too young or too poor to own and operate a car. In the denser central parts of the city, they also pose an urban design challenge, because automobiles require a great deal of space to be operated at speed and then parked. Almost all the space in public streets is devoted to moving and storing cars.

Some citizen activists pushed back against this trend before the coronavirus, using tactical urbanism techniques to make temporary and small-scale changes to local streetscapes that demonstrate better use of public space. On Park(ing) Day, some activists feed the meters and transform curbside parking spots into pop-up cafes or mini-parks. In Hamilton, tactical urbanists used paint and traffic cones to demonstrate that sidewalks could be improved, and intersections made safer near schools.

A few municipalities adopted these tactics, notably Halifax transforming its winter curbside parking into outdoor patios in summer. The coronavirus has pushed many Canadian municipalities to experiment with similar pop-up cafes this summer, which is a boon to our service sector and also to public life.

The next level of intervention is to close entire traffic lanes to create more room for pedestrians, cyclists and transit. New York City was a frontrunner in these tactics under the visionary leadership of Mayor Michael Bloomberg and Janet Sadik-Kahn. They used temporary "pilot projects" to convert automobile traffic lanes in Times Square, with careful surveys of before and after conditions to demonstrate the value of newly created public spaces. Although critics predicted a Carmageddon of congestion and downtown store closings, an amazing thing happened: traffic levels remained the same and retail sales *increased*. Pedestrians and cyclists take up much less space and spend more money than drivers.

Toronto used similar techniques in its controversial King Street pilot project and acclaimed transformation of Queen's Quay West into a multiuse waterfront boulevard. The coronavirus pushed many other Canadian cities to experiment with converting a lane to wider sidewalks, cafes, and cycle lanes in downtown streets.

Completely closing an entire street to automobiles has long been a common tactic for low traffic periods, such as Sunday mornings. Bogota's Cyclovia network is a global inspiration and the National Capital Commission has provided Sunday Bikeways on the Ottawa River Parkways since the 1970s. These networks have expanded during the pandemic.

Of course, some roads are better candidates for closure than others. The Ottawa River parkways have pleasant waterfront views and offer the opportunity for long, uninterrupted walks and rides, which are a rarity in big cities. The NCC's closure of the Queen Elizabeth Driveway (QED) was particularly appropriate. It runs along the Rideau Canal, adjacent to denser downtown neighbourhoods in need of outdoor exercise. Fast-moving traffic is a menace on the Driveway, since its narrow lanes and tight curves were designed for cycling and "driving" a carriage in the pre-automobile era.

The NCC recently announced that the Driveway closure will continue to September. As work restrictions are gradually lifted in the meantime, we have a golden opportunity to assess whether these "temporary" urban interventions are worth retaining to increase more sustainable forms of transport and keep the improvements to our quality of life.

A traffic-free Queen Elizabeth Driveway may turn out to be a "keeper."

David Gordon is a Professor and Former Director of Queen's University's School of Urban and Regional Planning.

The Hill Times

The Great Rebuilding II

Government must help businesses, not just households, to sustain economic recovery

Prime Minister Justin Trudeau held a photo op at the Régimbal Awards and Promotions plant in Ottawa in June to promote the Canada Emergency Wage Subsidy, one of his government's programs to help businesses during the COVID-19 crisis. *The Hill Times photograph by Andrew Meade*

It will be a hollow victory to help individuals survive the first stage of the crisis, but then have their jobs disappear later this year or next.

Philip Cross

Opinion

What should the federal government be doing to help the private sector sustain its recovery, rather than sustain its mere survival for another quarter or two?

Without a recovery of the business sector, there will be no ongoing growth in Canada. Ensuring firms survive only to be swamped by too much accumulated debt just postpones the stress on our financial system, government finances, and ultimately the recovery itself.

The key to recovery for businesses is finding a mechanism to help firms deal with their excessive debt loads. Firms in Canada already entered the government-mandated shutdown of non-essential services with historically high levels of debt. High indebtedness is partly the result of years of tantalizingly low interest rates offered by central banks; even corporations with huge cash reserves like Apple issued bonds to take advantage of interest rates reaching lows that may never be repeated.

After the pandemic arrived in Canada, firms saw their revenues plunge. In some of the hardest-hit industries such as airlines, accommodation, food, recreation, auto dealers and personal services, revenues dropped by 65 per cent or more.

Meanwhile, even with extensive layoffs, companies still have to pay some fixed costs such as property taxes, rent, mortgages and other debt, a skeleton headquarters staff, security, utilities, and so on. As a result of the squeeze between a sudden drop in revenues and high fixed costs, even businesses with a fundamentally good business model (such as dentists) assumed large levels of debt during the lockdown. This debt risks pushing many into insolvency.

Governments have traditionally adopted the so-called Bagehot rule as a guide for emergency lending to the private sector, which is to lend generously against good assets to solvent firms in order to assure that no taxpayer money is at risk. This treats the fundamental problem as a crisis of liquidity and not solvency. However, this approach has some serious flaws.

So far, governments have successfully kept loans flowing to businesses—bank loans jumped eight per cent between February and May—while sending money with no strings attached directly to households. While preventing a rash of business failures, the problem is that the high and accelerating indebtedness of firms at a time of declining revenues means many eventually will become insolvent. For example, delaying rent payments means that this expense will increase when the moratorium ends, with no guarantee that revenues will return to pre-crisis levels.

The underlying stress on firms, especially small businesses, is why polls show over a quarter are uncertain they will survive the current crisis even with the current level of government aid. Despite such a major threat to the sustained recovery of jobs and income in Canada, this draws little interest from governments, which remain fixated on households. It will be a hollow victory indeed to help individuals survive the first stage of the crisis but then have their jobs disappear later this year or next.

The traditional Bagehot approach to lending during a financial crisis won't work in the current downturn because corporate debt has reached too high a level and because the unpredictable course of both the pandemic and government's response make it impossible to differentiate between good and bad debt.

Jeremy Stein, chair of the Department of Economics at Harvard and a former Governor of the US Federal Reserve Board, has argued that the federal government has to be prepared to take on some debt from firms to assure their ability to survive. To protect central bank independence, it has to be government, and ultimately, taxpayers, who absorb these losses. So far, households have been on the receiving end of the bulk of government largesse; indeed, a sharp jump in personal deposits at banks since February suggests, overall, more aid to households was provided than was necessary. It is now time for governments to step up and help firms directly.

The real risk in the huge increase of government transfers to households during the pandemic is that government will soon test the limits of its borrowing capacity, as reflected in the recent downgrade of federal debt, even before a wave of business bankruptcies puts more demands on its resources. If the federal government is unable to help firms, then much of the short-term aid to individuals will have been wasted as people lose their jobs and return to government support. Then the demands on government may prove to be unsupportable, and our nascent economic recovery unsustainable.

Philip Cross is a senior fellow at the Macdonald-Laurier Institute and the former chief economic analyst at Statistics Canada.

The Hill Times

In the next wave of economic recovery, 'speed, scale, and simplicity' need to make way for sustainability

Putting 'green strings' on government spending and subsidies should be a key part of Canada's effort to fight climate change.

Vanessa Corkal

Opinion

When Finance Minister Bill Morneau provided Canadians with a fiscal update July 8, he described how the federal government helped pull Canadians and businesses back from the brink of financial insolvency due to the country entering lockdown in response to COVID-19. Three principles, he said, were applied to all new programs: speed, scale, and simplicity.

Programs had to be implemented quickly, accessible to everyone, and easy to apply for. The government understood the conditions that needed to be met to ensure these efforts did what they needed to do—help Canadians manage financially in a time of emergency.

And yet, despite a $343-billion deficit and the second highest debt-to-GDP ratio in Canada's history, even more spending will be required to help get the economy back on track. The need for recovery spending is not up for debate; how those funds will be spent, on the other hand, will be a hotly debated topic in the months ahead.

While leading companies are committing to net-zero emissions and calling for investments to support the zero-emissions transition, there are others who are committed to the status quo. If funding is allocated without sustainability in mind, especially in high-carbon sectors, we could end up undermining vital climate change and equity goals.

Internationally, organizations such as the International Energy Association, more than 155 businesses, and countries such as Germany and the UK are calling for a green recovery that will build a resilient, low-carbon economy that puts workers and well-being at the forefront.

Canada has signalled its interest in moving in this direction, and Morneau's speech July 8 stated, "We need to invest in an economy that is greener and more diverse."

But we need more than statements—we need a commitment.

If the federal government is truly dedicated to its promise of net-zero by 2050, and if it actually wants to invest in a green economy, now is the time for Trudeau to commit to the principles that will ensure this new wave of spending takes Canada in a sustainable direction.

A recent report by 14 environmental groups titled *Green Strings: Principles and Conditions for Green Recovery from COVID-19 in Canada* offers a framework for doing so. One of its key messages is that conditions must be applied to all companies receiving funding. This would include requiring applicants to have effective and measurable plans to reach net zero emissions by 2050, disclose climate risk to shareholders, and ensure the financial support secures the labour force—either through existing jobs or a fair transition to new jobs.

Hundreds gather on Parliament Hill to call the government to take action on climate change on May 3, 2019. *The Hill Times photograph by Andrew Meade*

But conditions must be applied to government, too, to ensure they are allocating funding and developing programs and policies across all sectors in line with their commitments to a green recovery. With many investments flowing through the provinces, provincial and territorial governments also need to apply conditions to spending. Ottawa could encourage this as well; one example would be to tie provincial stimulus to the adoption of net-zero building codes, while supporting building retrofits across the country.

Funding should support enterprises using innovative technology or providing tangible social benefits to communities, who could use the money to scale-up; it should not be used to expand the development of large CO_2 emitters via the expansion of oil, gas, or coal.

The forthcoming report from the Task Force for a Resilient Recovery, of which the International Institute for Sustainable Development is a founding member, will provide further specific policy proposals later this month.

Speed, scale, and simplicity were the right principles for this government to follow in the early days of the pandemic. But now we need new principles and conditions that will take this nation to a climate-safe future that puts the wellbeing of people and the planet first.

Vanessa Corkal is an energy policy analyst at the University of Ottawa's International Institute for Sustainable Development.

The Hill Times

The Great Rebuilding II

Remote working brings a new set of challenges

Building structure into a remote working routine will help to ward off ‘presenteeism.’

Vishwanath Baba

Opinion

“Presenteeism,” in general, refers to being physically present at work but functionally absent. It results in suboptimal productivity.

The reasons vary. You are unwell; you have reason to be absent but you are at work because you have a deadline to meet, you have expectations to fulfill, you fear being “out of sight and out of mind,” your coworkers may doubt your commitment to work, you want to demonstrate your loyalty to your boss, and let your team know that you are strong. This is sickness presenteeism.

Or you are not sick at all, but you are not focused on your task; you have other things on your mind. Nevertheless, you are at work and people see you at work, but you are not exactly working. Presenteeism occupies the grey area between total work engagement and total absence. If your job has enough latitude, you can hide your presenteeism, but its organizational costs are high, often higher than plain old absenteeism. All this matters when you work with people in a shared space in an organizational setting.

We now have a pandemic. We must practice social distancing. Remote working is the order of the day. Likely, it is here to stay. Recent polls tell us that only one in three will be back at the office on a regular basis after the pandemic, and one in five will permanently work from home. We still have deadlines to meet, expectations to fulfill, projects to complete, but there is no seeing eye—we are not directly visible either to our supervisor or to our coworkers.

If we are unwell, we can take time off to recover without social consequences. There is no need for sickness presenteeism. We can meet goals with redoubled effort upon recovery. But we may be afflicted by presenteeism of a different sort. It is easier to be distracted when there is no one to enforce social control. When we work from home, it is also a shared space, but those who share that space have different interests. The challenge is how not to fall prey to presenteeism in remote work.

Work must be intrinsically interesting for us to be fully engaged. Many tasks constitute work and not all of them are equally interesting. The physical and social context of work often compensates for the irksome parts, allowing for spontaneous exchanges with coworkers that moderate the occasional tedium. Arrival and departure mark the beginning and end of the workday, while schedules and structure punctuate the order of work. The permeability of the workspace and shared organizational rituals tend to discourage presenteeism at “work”. In remote working, sickness presenteeism is less of an issue but one must create a working environment at home that is conducive to concentration.

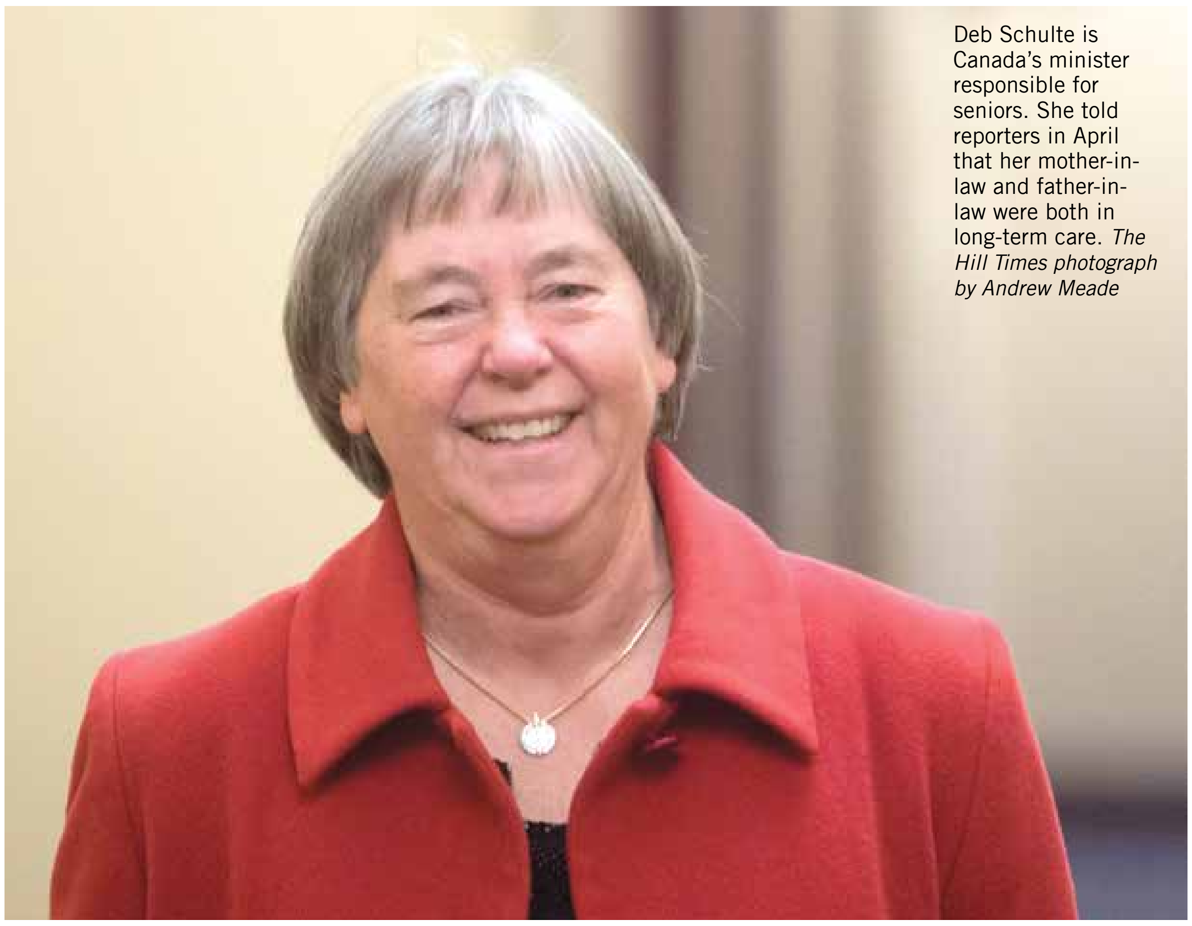
In remote working, the nature of the work does not change, but everything else does. So, work-life balance becomes important. We are used to a routine at work. For remote work to be productive one must have a routine. Introverts and extroverts react quite differently to remote work and their routines will reflect that. While the specifics vary, the essential components include space, structure, rhythm, schedule, interaction, reward, and discipline. It is good to have a dedicated space for remote working that does not double as a dining table during worktime. A work schedule that distributes various tasks through the day and aligned to our work rhythm for efficiency and creativity is a must.

We need structure that stabilizes the workday with start and finish times that suit our needs, with breaks to recharge, and lunch to reenergize. It is good to have a fixed time to have virtual meetings for work related interaction, and to chat and share lighter moments. All of this creates the routine and preserves work-life balance. We also need to give ourselves little rewards for accomplishments during the day, and enforce discipline to respect the schedule we made for ourselves. We are social beings and prolonged isolation is not conducive to robust mental health. The breaks, if carefully planned, can contribute to the enhancement of mental health. So does the ambience that envelops the workday and space. Perhaps all this will eliminate presenteeism in remote work.

Vishwanath Baba is a professor of management at McMaster University’s DeGroote School of Business.

The Hill Times

In remote working, the nature of the work does not change, but everything else does, writes Vishwanath Baba. *Photograph by Junjira Konsang, courtesy of Pixabay*



Deb Schulte is Canada's minister responsible for seniors. She told reporters in April that her mother-in-law and father-in-law were both in long-term care. *The Hill Times photograph by Andrew Meade*

Liberal MP Marie-France Lalonde, a former retirement home operator and social worker, is one of several MPs who have called on the government to set national standards for long-term care in Canada. *Photograph courtesy of Marie-France Lalonde*

Post COVID-19: reopening our cities means restructuring older adult care

Home care and informal care givers must be utilized and better supported in any re-think of Canada's approach to caring for its oldest residents.

Anna Cooper Reed

Opinion

The COVID-19 pandemic has affected aging populations in countries around the world, bringing to light many longstanding and severe challenges for older adult care sectors.

Both home care providers and long-term care facilities have found themselves ill-equipped to respond to the current emergency, leading to tragic consequences. Familial and informal caregivers, who continue to supplement and support our fragmented care system, have been reduced to little more than "non-essential" and thus removed from the circle of care during a time when older adults may need these people most. It is clear that reform is desperately needed.

As we begin to reopen our cities and consider transformations post-COVID-19, governments must restructure older adult care. Given the LTC system appears increasingly overburdened and we know many older adults would prefer to remain at home, why not look to existing innovations in the home care sector and try to improve coordination and balance between home and long-term care? By doing so, we could allow older adults and their families more autonomy in their care decisions, ultimately improving their quality-of-life and the delivery of older adult care.

First, we have to come to terms with the unique care needs of older adults, as they represent an increasingly large proportion of the global population. In Ontario alone, the number of adults age 65 or older is expected to almost double from 2.4 million in 2018 to 4.6 million by 2046. Within Ontario, older adults have been among the most vulnerable to the COVID-19 pandemic, a truth supported by many disturbing statistics: 16 per cent of all of Ontario's 33,000+ cases have been residents of long-term care facilities, a population that also accounts for 64 per cent of the province's 2,600 deaths. All told, roughly 1 in every 50 residents in Ontario's long-term care facilities have died of COVID-19. In Ontario 12,230 people aged 60 and over have tested positive for the virus, representing around 37 per cent of all cases. Compare that number to the around 12 per cent of all Ontarians that fit in this age group, and you can see the disproportion.

The pandemic has also exposed challenges in delivering care to this population through long-term care facilities. The terrible conditions inside some of these care homes have been discussed in national and international media, and on May 19th, Ontario's Minister of Long-Term Care, Merrilee Fullerton, announced that she would be launching an independent commission to investigate Ontario's long-term care system in September. The focus on long-term care homes has opened up an opportunity for home care, where older adults continue to receive the support they need from informal caregivers and health care professionals while staying in their own home. The question of why home care hasn't been given enough attention during this crisis is puzzling. Even for individuals who may not be good candidates to receive care at home, the question of what can be learned from home care delivery models is a valuable one and may illuminate how we can improve care in general for older adults.

A recent study by a team of researchers at the University of Toronto's Munk School of Global Affairs & Public Policy, in partnership with the Reach Alliance, explored an innovative model of care called "consumer-directed" or "self-directed care" that provides care recipients with more control over the care being provided to them. Self-direction refers to a growing trend in health care that provides people with more autonomy in deciding what care they need and how their needs should be met. The notion of self-direction highlights that it may be reasonable for a client to select a family member as one of their formal care providers and this family member should therefore be formally employed and compensated as such. Self-direction isn't new to Ontario, it was introduced by the government in 2017 and dismantled soon thereafter by a coalition of for-profit and not-for-profit home care providers, citing concerns with increased bureaucratization, ultimately delaying care. Their concerns may have been valid, as older adults don't need more hurdles to get through in order to access appropriate care, but it seems increasingly evident during this pandemic that familial and informal caregivers continue to be undervalued in our home and long-term care systems. We must learn to value the very important role they play in older adult care and begin to redesign our care systems to demonstrate this.

Home care isn't right for everyone, and there will be those whose needs are best met by institutions like long-term care homes. But the tragedies of the pandemic have made it increasingly evident that these two systems cannot function without familial caregivers supporting their loved ones both at home and in institutional settings. As the sector responds to the crisis, and the conditions in Ontario evolve, researchers and policymakers must think about what can be done to better support older adult care moving forward. The need for reform is evident, and as more research into the home care sector becomes available, there can be greater opportunities to learn from the strengths and weaknesses of the two delivery models. As cities reopen across Canada, let's welcome the myriad of innovations developing in older adult care and ensure restructuring better values the important role of families and informal caregivers, for the benefit of all.

Anna Cooper Reed is a social worker and PhD student at the Institute of Health Policy, Management and Evaluation at the University of Toronto.

The Hill Times

Finance Minister Bill Morneau will guide the government's plan to bring Canada out of the Covid-19 recession. The federal deficit is already on track to reach $343-billion this year. *The Hill Times photograph by Andrew Meade*

The other side of Canada's deficit coin

Cutbacks to downsize Canada's national debt would come on the backs of Canadian households.

David Macdonald

Opinion

For every transaction in the economy, there is someone on the other side: someone who is paying money always has someone on the other side receiving it.

Last Wednesday's economic and fiscal snapshot revealed a historic $343-billion deficit, 15 times higher than where the federal deficit stood at the end of last year. This came as no surprise, given the scale of what was necessary to support Canadians during the initial phases of the COVID-19 crisis, which forced the shut down of our economy in order to protect public health.

The real question around deficits isn't if they should occur, which they do for all sectors, even households. The question is: which sectors are on the benefit or surplus side of any deficit?

In the case of the national deficit, the flipside of that coin is this: government spending shifted substantial economic burden off of the shoulders of workers, students, families, seniors, and corporations at a time when they desperately needed the support.

Without help, households would have faced their own deficits as they lost jobs and incomes plummeted, but everyday expenses remained. They would have withdrawn more from their savings, racked up credit card debt and drawn down lines of credit to pay for food and housing. In the worst cases, more jobless Canadians would have turned to other sectors like the provinces for social assistance, or non-profits for things like food. Then it would have been those sectors that would have shouldered deficits. Thankfully most of that desperation and deficit shifting was avoided because the federal government stepped up and the deficit created by COVID-19 appeared on federal books.

For households alone, COVID-19 emergency response funding reduced the deficit that Canadian households would have faced without federal support by a whopping $224-billion. The corporate sector was cushioned by $41-billion in spending.

Provinces and municipalities, which are in line to receive a proposed $15.9 billion support package, were also spared a harsher financial blow.

Overall, the largest beneficiaries of the federal deficit were those who've lost their jobs or their hours during the pandemic. This portion of the deficit encompasses the Canadian Emergency Response Benefit (CERB) but also the Employment Insurance (EI) benefits that will continue long after the CERB wraps up in August, as is presently the plan.

The second largest group benefiting from deficit spending were those at risk of losing their jobs, but who were, instead, supported through various payroll supports such as the Canadian Emergency Wage Subsidy as business revenues tanked.

As expected, austerity hawks are already making the rounds calling for spending cuts and privatization. That would be a mistake. What is often missing from the "deficit=bad" debate is the context that a deficit in one sector of the economy, like the federal government, always results in a surplus of the same size in another sector—in this case, households and businesses when they needed it most.

The opposite is also true. Federal surpluses achieved through public service and program cuts must force another sector into deficit by the same amount. When the federal and provincial governments ran consistent surpluses during the 2000s, they did it at the expense of households. The federal government reduced EI payments and health care transfers, for example, in the mid-1990s. The direct effect was on households, which didn't get as much support when laid off or sick. They made up that difference by digging into savings or taking on more debt, resulting in massive deficits among households—deficits that households have been running since the early-2000s.

Given the uncertain trajectory of the pandemic in the months ahead, as well as historically high unemployment that is disproportionately impacting women, racialized, and low-wage workers, massive government spending cuts would only make a bad situation worse. And importantly, if CERB or EI support were cut, it would shift the deficit from the federal government onto exactly those workers.

There will be a need for continued federal investments through the COVID-19 recovery and rebuilding period on things like universal affordable child care, public health care, and long-term income support modernization. Every one of those investments will pay off for generations to come.

Spending cuts aren't the only way to reduce deficits. Addressing long-standing fiscal revenue issues through progressive tax reform measures, like wealth taxation, is not only a solution that most Canadians support, it would help Canada with its recovery and rebuilding efforts.

Government leadership in a time of unprecedented global crisis saved lives, and kept workers and businesses afloat by investing in emergency programs that made public health the priority. This wasn't just a one-time deal. The future of Canadians relies on steady government leadership in the months and years to come.

David Macdonald is senior economist with the Canadian Centre for Policy Alternatives in Ottawa.

The Hill Times

Aviation sector needs help to join economic recovery

With all the flight and travel restrictions in place during COVID-19, the aviation industry is truly at the mercy of government policies.

John Gradek

Opinion

As the Northern Hemisphere countries move to gradually reopen their economies post lockdown, it is very apparent that consensus is lacking in the extent to which commercial air travel is being addressed.

We see new travel phenomena emerging such as bubbles, corridors, and quarantine-free entry, all done in the spirit of minimizing the risk of COVID-19 infections from travellers originating or travelling through territories with high rates of confirmed cases.

Canada maintains a requirement for visitors and Canadians returning from international travel to self-isolate for 14 days after their arrival. Canada has also issued travel advisories to Canadians leaving Canada for international destinations to limit such travel for only essential purposes, warning that entry and exit conditions throughout the world are subject to potentially sudden change.

So who wants to risk air travel given this state of affairs? Thus, the dilemma facing the commercial aviation industry in Canada today. Airlines have boldly announced a significant restart of both domestic and international flights for the latter half of the summer, anticipating a lessening of travel restrictions and a subsequent return of demand for air services. This increase in air service requires an intense amount of effort in getting both human and physical resources ready to operate. The ultimate validation of this effort will be whether passengers do in fact purchase this increased service offering in light of the government's continued advisories on limiting potential transmission occurrences. It remains a—hopefully—calculated risk by the airline industry that their increased service levels will attract sufficient traffic to improve their financial picture.

Given the economic and social value that the aviation industry brings to Canada and the industry's valiant attempt to stimulate air travel, it is now more appropriate than ever to consider the role of government policies on the success or failure of this sector of the Canadian economy. We have observed national governments in the developed world take extraordinary steps to maintain the financial stability of their respective aviation industries, from Germany to France to the United States of America. Canada has offered numerous financial lifelines to industry throughout the course of the COVID-19 public health emergency, a number of which the aviation industry has benefitted from. There remains, however, a further, and more urgent need for specific sectoral support for tourism and travel service organizations, including hotels, airports, and airlines who remain hard-hit by continuing government advice to avoid non-essential travel.

'The airlines have been hammered by this pandemic,' Transport Minister Marc Garneau told a House of Commons committee in June, while defending his decision not to force the carriers to refund passengers for flights cancelled by the pandemic. *The Hill Times photograph by Andrew Meade*

While Canadian airlines remain wary of government funding and potential government involvement in their strategic choices, it remains the government's obligation to oversee the management of the current health emergency with unwavering focus on maximizing Canadians' health.

The issues being debated about aviation sectoral support revolve primarily around the form of such support, whether as loans, grants, or other financial support mechanisms, and the conditions that such support would carry. Typical government support has to date been in the form of outright grants, term loans, funding with equity participation and in some cases funding with sustainability targets focusing on reduced energy consumption and reduced emission levels. Is there an appetite for such funding models?

When historians write the about the successes and failures of government actions during this pandemic, the Canadian aviation industry should be characterized as one that attracted government's attention for financial support in the light of continued government action to minimize the spread of the COVID-19 virus. If there is one segment of Canadian economic activity that is truly at the mercy of government policies, aviation, and consequently tourism are prime candidates.

Much has been said about the dire straits being faced by aviation globally, and governments have taken the initiative to shore up the financial viability and the economic engine that aviation provides. Notwithstanding the relatively good financial situation of Canadian carriers at the start of this pandemic's impact on travel, the ongoing reduction in air travel demand will put most of Canada's carriers at greater risk. Efforts to gain additional liquidity through public and private financial vehicles can only go so far. There is a limit to the ability of Canada's aviation industry to increase their financial burden by weakening their balance sheets.

With the country undergoing phased restart of portions of the economy, one must not forget that aviation is a key underpinning of the Canadian economic engine. A failure to provide a level playing field for this industry to begin the long road to recovery will have long-term implications on how and when Canadians will once again feel better about our economic strength, and the future state of the Canadian aviation industry.

John Gradek is a Faculty Lecturer and Coordinator of the Global Aviation Leadership Program at McGill University.

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NDP calls for wealth tax bill 'immediately', PBO pegs revenue at $5.6-billion

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would cost an estimated $113-million, or about two per cent of the total projected tax revenue.

A few weeks before the July 8 report, another PBO report was released that offered new and more comprehensive data on the wealthiest families in Canada. The PBO created a database using this new information, called the High-net-worth Family Database (HFD), that allows the office to "produce cost estimates and analysis of measures affecting Canadian families with wealth in the millions and billions of dollars."

The PBO was forced to develop the new database after their election platform costing efforts were hampered by a lack of publicly available data on high-net-worth families. The HFD incorporates data from Statistics Canada's Survey of Financial Security (SFS), the National Balance Sheets Accounts, and Canadian Business magazine's Richest People List. The PBO said they will use the new HFD database for similar analyses going forward.

Previously, the PBO had used SFS to analyze Canada's wealthiest families. The June 17 PBO report showed that "Canada's wealthiest families have significantly more wealth that recorded in the SFS."

The SFS showed the top one per cent of Canadian families held 13.7 per cent of total wealth, whereas the HFD reported that number at 25.6 per cent. The report said the discrepancy is "likely due to sampling and non-sampling errors, especially higher survey non-response among high-net-worth families."

The PBO measured family wealth in the report "in terms of marketable net worth: the amount of money left to a family if it liquidates all its financial and non-financial assets and paid off all its liabilities."

The report took into account the likely behavioural changes that would result from a wealth tax. The PBO assumed that wealthy families would manage to reduce their wealth by 35 per cent, based on adjusted findings from the U.S. Internal Revenue Service.

For Aaron Wurdrick, head of the Canadians Taxpayers Federation, the likely behavioural response would make a prospective wealth tax extremely hard to implement, and likely render it counterproductive.

"Its not a simple matter of, we'll raise taxes on the rich and they'll pay it. The rich have a lot of resources and they tend to use them to minimize their tax burden," Mr. Wurdrick said. "Because they stand to lose a lot, even with a small increase in tax, they will spend a lot of money to avoid paying more tax. So you're kind of chasing your tail."

Mr. Wurdrick said he fears wealthy families would rearrange their finances to reduce their tax burden, resulting in an overall reduction of federal revenues.

"I'm less concerned about the impact on the rich themselves. They're going to be fine whether or not they have to pay a little more tax. But I am concerned about what happens to the rest of us if we lose that revenue. Because it's a lot to make up. It only takes a few really rich people to rearrange their affairs or leave and that leaves a real big fiscal hole but the rest of us have to end up paying," he said.

During Question Period on July 9, NDP Leader Jagmeet Singh (Burnaby South, B.C.) asked Prime Minister Justin Trudeau (Papineau, Que.) if the government would consider imposing a wealth tax similar to that which was outlined in the PBO report. Mr. Trudeau did not answer the question directly, but said "everyone must pay their fair share of taxes" and highlighted that the government raised taxes on wealthy Canadians when they were first elected in 2015.

Polls suggest that Canadians are largely supportive of Mr. Julian's proposal for some kind of wealth tax. In May 2019, 67 per cent of Canadians supported or somewhat supported a wealth tax, according to an Abacus study commissioned by the advocacy group North 99. In late May 2020, Abacus did another poll commissioned by the Broadbent Institute that found 75 per cent of Canadians support a wealth tax. The poll found majority support in all parties, regions, and age groups. Just 13 per cent of Canadians said they oppose a wealth tax.

In May, Mr. Morneau told *CBC News* that the government is "not thinking about raising taxes." Mr. Morneau doubled down on that comment in June, when he appeared on CTV's *Power Play* and said raising taxes is "not on the table."

Mr. Julian said the current state of federal finances coupled with the broad support for some kind of wealth tax presents a good opportunity to implement such a policy, but said he doesn't expect the government to move on it.

"I think they have a lot of friends in high places that are saying 'don't do this,'" Mr. Julian said.

"If the Liberals aren't prepared to look at" a wealth tax, he said, "at some point in the next year or two, there will be an election. This is a minority government," he said. "I think they will pay a heavy political price."

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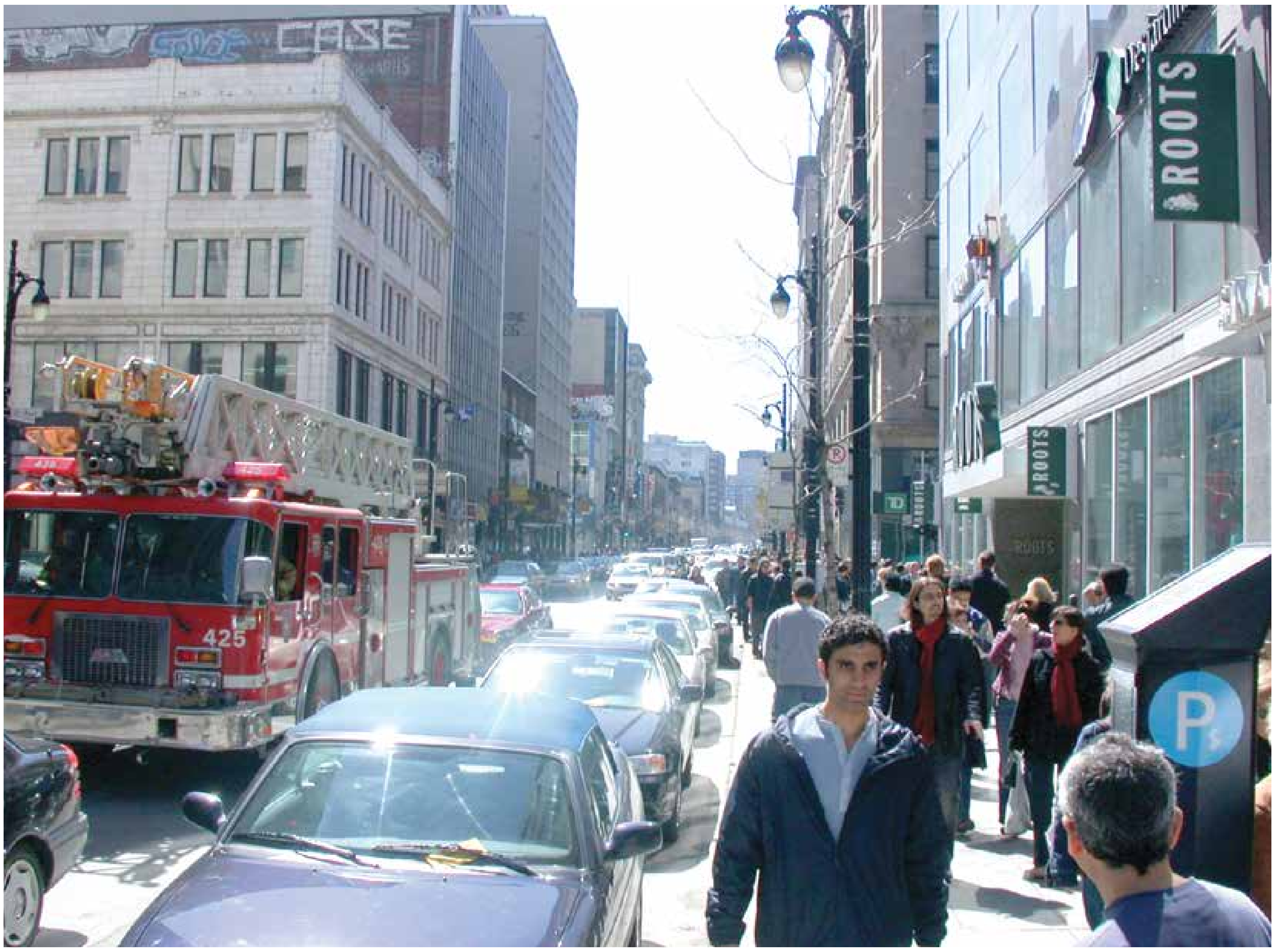

Montreal has been hit hard by the COVID-19 pandemic, while other Canadian cities have had far fewer cases. *Photograph by Germán Poo-Caamaño, courtesy of Flickr*

Time to take urban policy seriously

The loss of life and the financial devastation associated with COVID-19 have been concentrated in Canada's cities, but the data is often reported in a way that makes us blind to this reality.

BY DR. KATE GRAHAM, DR. NEIL BRADFORD, & DR. GABRIEL EIDELMAN

Every good photographer knows that getting a clear image requires choosing the right lens. The same can be said for good policy making: how we look at a problem or phenomena determines how clearly we see it, and how effectively we can address it.

Take the COVID-19 pandemic. For the past 16 weeks, the rapid rise of global case and death counts have dominated headlines around the world. Canada reached the 100,000 case mark just one day short of the 100th day of the pandemic. Every day, the government of Canada releases an epidemiological summary of how the pandemic has progressed, including data on how each province and territory has fared since the day before.

The problem with this is that it doesn't give us a clear picture of how COVID-19 is affecting Canadians. A new report released by the Canadian Urban Institute, *COVID Signpost 100*, reveals the disproportionately urban nature of this crisis.

So far, the loss of life and the financial devastation associated with COVID-19 have been concentrated in Canada's cities. The largest 20 cities in Canada account for 42 per cent of Canada's population and yet have 67 per cent of total cases and 75 per cent of total deaths. People who live in cities report a more profound impact on their quality of life and personal financial situation.

More importantly, a look at how each city in Canada has fared reveals a high level of variation. The case and death counts in Montréal, for example, are more than 25 times higher per capita than they are in Edmonton. In some cases, the variation between cities within the same province is greater than the variation between neighbouring provinces.

The Signpost report, as well as neighbourhood-level data released by cities such as Toronto, reveals strong patterns in how COVID is disproportionately impacting marginalized and racialized populations.

Unfortunately, Canada's daily epidemiological summaries—as well as the vast majority of nationally collected and reported data in Canada—ignores the local scale, creating a form of institutional blindness to the highly varied and localized ways that our nation experiences all manner of crises. This is a legacy of a federalism that prioritizes provinces, most of which are large and diverse enough that this scale of data reporting is of limited utility.

It is the *Simpson's paradox* of Canadian federalism, hindering our ability to meaningfully address the most pressing challenges facing our nation.

With more than 82 per cent of Canadians now living in cities, Canada is long overdue for a new era of multi-level urban governance. No level of government in Canada is equipped on its own to address the complexity of challenges faced in our cities. Cities are crucial to both effective implementation of federal interventions; and, federal-provincial agendas will require the front line policy innovations which are tailor-made in cities to address the varied dynamics of the challenges they face.

The countries that have fared best during COVID-19 have been those with high-performing multi-level governance systems. As the OECD summarizes: "The most effective responses are coming from systems characterised by flexibility, where there is room to act 'on the ground' combined with effective leadership at the national level."

It's time for Canada to get on board. The federal government has committed to a "whole-of-government" approach to the crisis and recovery. But it isn't prioritizing the collection and reporting of city-level data, and it has essentially ignored calls from city leaders for greater federal support.

An essential first step is the creation of a Canadian urban policy observatory, a "one-stop shop" for qualitative and quantitative data on Canadian cities and city-regions, and the political systems which govern them.

A national urban policy observatory would have several distinct benefits for federal policy makers. It would provide comprehensive data on the unique realities in each Canadian city and community, bringing local challenges to the attention of federal and provincial governments to inform policy implementation; it would help direct resources toward cities with the greatest needs by providing current and comparable data on municipal fiscal pressures and revenue tools; it would provide race and ethnic-based data, as well as neighbourhood level data where possible, facilitating the execution of equity seeking policy solutions; it would support national economic recovery strategies based on analysis of local assets and regional resilience; and it would facilitate coordinated intergovernmental policy learning, and thus serve as a building block for greater intergovernmental dialogue on urban priorities across Canada.

Where we look determines what we see. In a nation as urbanized and as diverse as Canada, we must use a cities lens if we want to really understand, and address, the challenges we face together.

The time for action is now.

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