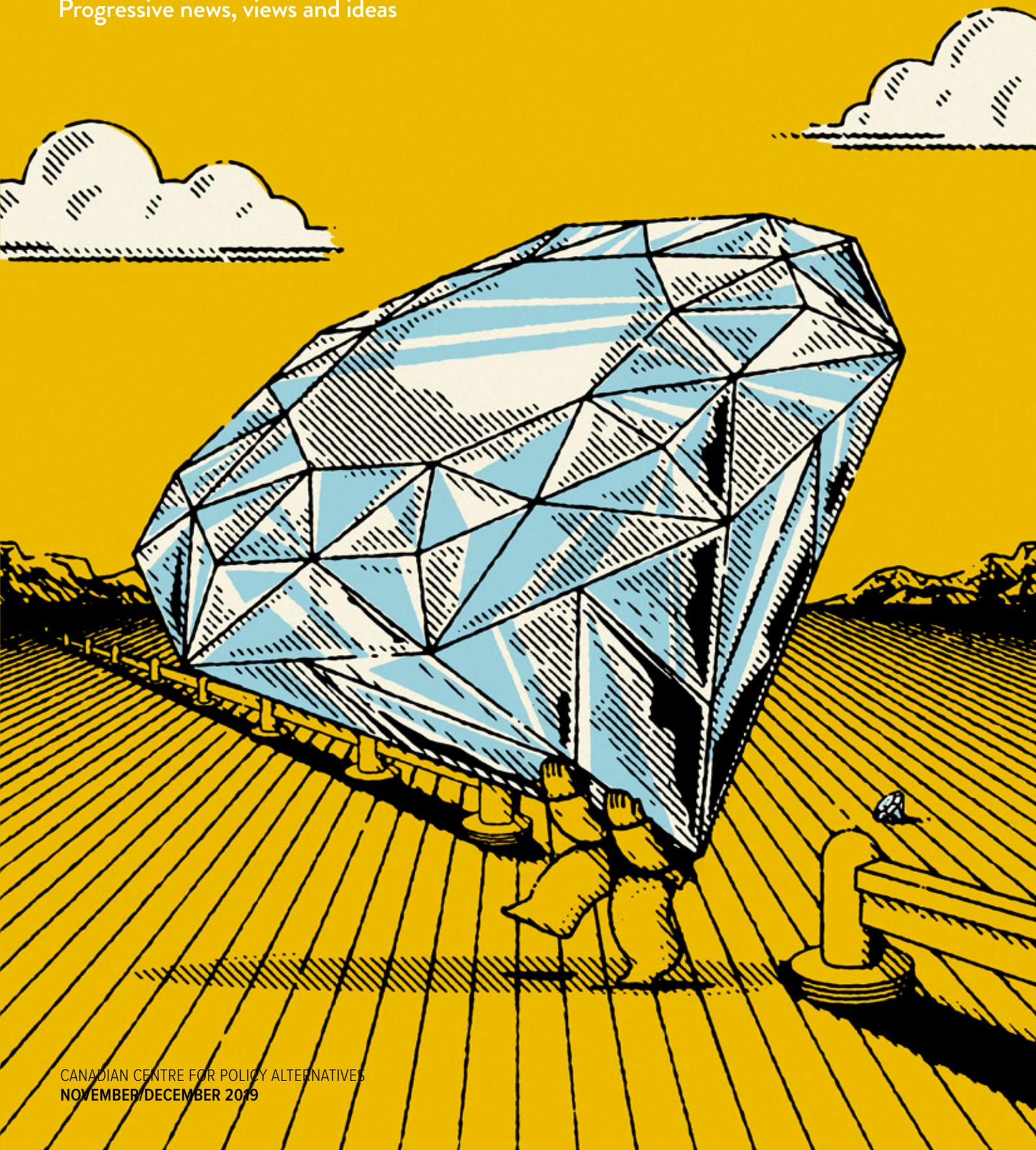


MONITOR

Progressive news, views and ideas





CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
CENTRE CANADIEN
de POLITIQUES ALTERNATIVES

MONITOR

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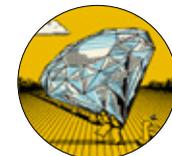
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Book reviews in the *Monitor* are co-ordinated by Octopus Books, a community-owned anti-oppressive bookstore in Ottawa.



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FOR OFFICE USE ONLY

ERIKA BEAUCHESNE AND TOBY SANGER

Why tax fairness?

TAXES ARE THE foundation of a healthy democracy. They fund the public services we depend on every day: roads, schools, community and social services, health care, justice, environmental protection and much more. The CCPA's 2009 report *Canada's Quiet Bargain* found that over three-quarters of Canadian households receive more in benefits from public services (about \$40,000 worth for the average family) than they pay in taxes.

Despite this, taxes still get a bum rap. Former prime minister Stephen Harper said he thought all taxes were bad. Over the course of his government, and the several before it, the progressivity of our tax system declined overall as corporate and top income tax rates were cut and tax loopholes proliferated. The top 1% of Canadians by income now pay a lower overall rate of tax than all other income groups, including the poorest 10%.

Canada is emerging from its 43rd federal election with a new government at the helm. It faces no shortage of urgent domestic and global challenges. We can afford to fund solutions to crises like poverty, housing and climate change, but substantial progress will require more funding and that should come from making our tax system fairer. In this special edition of the *Monitor*, we explore how we can do that.

We lead off with a proposal for the role Canada should play to end the rise of offshore tax evasion. Toby Sanger's cover story traces the history of tax havens and how these low-tax jurisdictions have made a multi-billion-dollar hole in government revenues while allowing Canadian corporations and wealthy individuals to avoid paying their fair share at home. Canada has also become a destination for money laundering and "snow washing" of illicit funds, as explored by Michael

Cuenco and Erika Beauchesne. A public registry of the real owners of assets could put a stop to that, they argue.

Matt Polacko examines Canada's failed corporate tax-cutting binge. He reveals how decades' worth of successive corporate tax cuts haven't led to economic growth or job creation, but rather to widening the wealth gap. Google, Facebook, Apple, Amazon and other digital giants in particular have been getting a free ride on their taxes. John Anderson describes how damaging this has been and how we urgently need to take steps to tax these digital firms fairly. Canada has also provided income tax cuts to those who can afford to pay much more. Toby Sanger and Lars Osberg consider how much higher we can raise rates on top incomes.

Cuts have only played one part in the growing divide between rich and poor. As our tax system has grown more complicated, it has also become less fair, offering numerous write-offs and credits that primarily pay out to corporations and wealthy Canadians. CCPA Senior Economist David Macdonald highlights the most egregious expenditures and loopholes that cost the government billions while benefiting almost exclusively top earners, most of whom are men. But that's just one of the ways in which government spending has failed to consider the needs of women. CCPA's Senior Economist Katherine Scott takes us through what fiscal measures can help include women in spending decisions and what more needs to be done to address gender bias in the tax system.

There are other steps we can take to make the system more accessible and beneficial to every Canadian. Jennifer Robson looks at inroads the government has made to distribute benefits to more of the people who need them, and proposes further improvements,

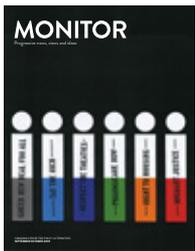
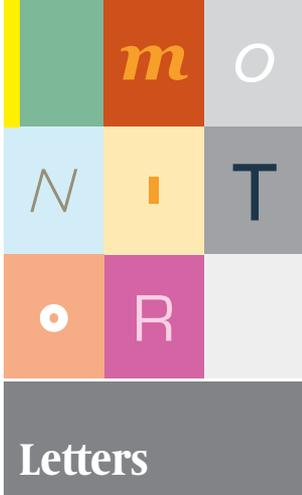
such as automated tax filing and viable savings options to lower-income families. Equally important is how well these and other tax measures are enforced. Ryan Campbell examines how cuts to the Canada Revenue Agency have made the tax system less fair in practice, and how it can be improved.

Advocacy groups in Canada have been influential in lobbying the government to make taxes fairer. Samuel-Élie Lesage of the activist collective *Échec aux paradis fiscaux* details how the movement has been especially vocal in Quebec, where the provincial government has adopted more progressive tax policies. Other articles in this issue by Kady Seguin, Emily Nickerson and Jamie Kneen explore how industry activists in the mining sector have led effective campaigns to increase corporate transparency and tax justice, and the problems that still exist.

As proposals to tax the rich gain support in the U.S., Canadians are also demanding similar policies here. We hear from members of the Resource Movement, a young organization comprised of privileged Canadians who want to see an inheritance tax to tackle inequality. And in his article, Nate Wallace provocatively asks, "Should billionaires continue to exist?" Given the potential for a wealth tax to counter inequality and fund major climate initiatives, he says the answer must be "no."

It's essential that the tax system be and be seen to be fair, otherwise trust and faith in the system will collapse. Thankfully, pressure is mounting to fix a system that no longer works. The evidence is clear: Canadians need tax fairness now. **M**

ERIKA BEAUCHESNE AND TOBY SANGER, GUEST EDITORS ON THIS ISSUE OF THE *MONITOR*, WORK AT CANADIANS FOR TAX FAIRNESS. VISIT WWW.TAXFAIRNESS.CA FOR MORE INFORMATION.



Look before you leap

Re: A Green New Deal for Canada: Avi Lewis's five reasons why a global, youth-led call for radical systemic change should stir our revolutionary souls, September/October 2019.

I am all for a radical shift in the paradigm that is causing people and the planet so much distress. But as a mother, grandmother, and daughter of a survivor of real and deadly revolution, my soul wants a better path. I want policies like a progressive basic income that reduces inequality and provides dignity, stability and resilience to everyone, right now, so we are all better equipped to deal with the rest of our problems. Martin Luther King Jr. thought so too, and his soul calls to me.

Sheila Regehr,
Chair of the Basic Income Network, Toronto, ON

BDS is about our values

Re: Public and political views of Israel-Palestine and the BDS movement, September/October 2019.

People toss around the term BDS (Boycott, Divest, Sanction) without clarifying what they mean. Some mean the boycott of everything Israeli, including Israeli artists, musicians and professors working actively for a just and peaceful arrangement between the two nations. Others mean the boycott of goods produced in Palestine by Israeli-owned companies. I subscribe to the latter, even knowing that Jews working for fairness for Palestinians are named "self-hating Jews."

Many Jews who support that fairness are silenced by other Jews as traitors. It's not pretty. Can support for BDS shade into anti-semitism? Yes, of course. But many progressive people supported a boycott in South Africa as a way to starve the apartheid government and they weren't demonized. Criticism of the Israeli government's policies is no more antisemitic than criticism of Trudeau or Scheer is anti-Canadian.

We tend to conflate Israel with worldwide Jewry but this is questionable. There are 14 million Jews worldwide, 6,500,000 in Israel—less than half the total diasporic population. Many of us would very much not want to live in Israel. A certain percentage of Israeli Jews are leaving Israel because they can't stomach government policies and don't want their kids in the army.

The West Bank Jewish settlements are illegal.

Still, the last many Israeli governments have done their best to annex parts of the West Bank, with mostly silence from Canada and the U.S. Netanyahu's reign has been the worst. He is committed to depriving Palestinians of water rights, bulldozing olive orchards, demolishing Palestinian homes, using the separation wall to steal productive farmland. Even within Israel proper, Palestinian Israelis are unequal under the law.

Fundamentalist Christians love Israel out of a belief that once all of us Jews move to Israel, the end of times will happen, they'll be swept to heaven, we'll be sent to hell. Justice, I guess, for being ever so stiff-necked. I'd call this antisemitic. Far right politicians and even moderate ones tend to support fundamentalist Christians out of political cynicism (conservative Jews tend to be wealthy donors) and cowardice. Even progressive Canadian politicians are afraid to speak out against the terrible abuses of the occupation for fear of alienating the "Jewish" vote, as if there is only one "Jewish" vote.

In Canada, we have approximately 638,000 Jews, a drop in Canada's bucket. That number includes religious, secular, right-wing and left-wing Jews. Some of us work to counter the arguments of the Centre for Israel and Jewish Affairs and B'nai Brith that Canadian governments adopt as a way to support us Jews. Others pressure our politicians to counter the extreme right's line. It tends to be rather thankless.

Young Canadian Jews are increasingly willing to criticize the Israeli government on the basis of its anti-human rights policies. They adhere to our basic Jewish ethos of taking care of the least of us: the widow and the orphan, the strangers among us. There is a growing number of older Jews who are sickened by Israeli government policies, as we all should be. I look forward to the day when Canadian politicians break through the logjam and realize that criticism of Israel is NOT antisemitic. I encourage all of us as progressive Canadians, Jews and non-Jews, to speak truth on this issue.

Thank you for the bar graphs in Clare Mian's article. They quickly illustrate what I've taken too many words here to describe. Just so you know, I use the word "Jews" rather than "Jewish people" because there is no other word to describe what I am. We Jews have to reclaim the word "Jew" and encourage everyone to take courage and speak it.

Dorothy Field,
Victoria, BC

Send all letters to monitor@policyalternatives.ca. We will contact you if we plan on running your letter.

New from the CCPA

Taking stock of CETA

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU was provisionally implemented on September 21, 2017, but won't come fully into force until all European member states choose to ratify the deal. A new report by CCPA trade researcher Scott Sinclair and *Monitor* editor Stuart Trew, written for Friedrich-Ebert-Stiftung (U.S. and Canada), assesses some of the agreement's key early impacts on Canada.

The report examines changes in bilateral trade patterns (including exports from small and medium-sized companies), continuing quantitative

imbalances in Canada's bilateral trade with Europe, and the composition of imports and exports. It then attempts an early assessment of how public procurement "liberalization" under CETA has affected public contracts, noting that a recent Via Rail contract could not favour Canadian-made Bombardier trains over a bid from Siemens due to new restrictions on "buy local" policies.

Finally, the report briefly examines CETA's impacts on access to affordable medicines within Canada, the agreement's potential impacts on public services, and the implications of the regulatory co-operation processes instituted within CETA's more than a dozen bilateral working groups.

Mapping the cuts to education in Ontario

In September, to find out what was really happening to school funding in the province of Ontario, CCPA senior researcher Ricardo Tranjan compared operating allocations (prior to capital adjustments) for school boards from the

2017-18 school year with estimates for 2019-20. "This is a straightforward way of finding out how much funding school boards will receive this year, in total, and per student, in comparison to how much they received two years ago, the last complete school year before the current provincial government came to power," he wrote on the Behind the Numbers blog.

Tranjan found that all school boards are experiencing cuts in total operating funding or per pupil funding. For the 2019-20 school year, the Ontario government is transferring \$430 million less (adjusted for inflation) to school boards than the amount transferred in 2017-18. "That's a (real) 2% cut in total operating funding," he wrote. "The percentage change in total funding for individual school boards ranges from -6% to +5%.... Sixteen of the 72 school boards have an increase in total operating funding, but all 16 have cuts in per student funding. In other words, the increase was smaller than what was necessary to make up for enrolment growth: they have less money per student overall."

You can find Tranjan's interactive map showing total funding changes for Ontario school boards across the province at behindthenumbers.ca.

security at risk for no good reason. A new study by CCPA economist **David MacDonald** and Canadian Labour Congress economist **Chris Roberts**, titled *First Served*, finds that Canada's largest publicly traded companies could have eliminated these pension deficits five times over with the value of what they chose to pay shareholders in 2017.

"Year after year, companies are bringing in excess income, and year after year they decide to pay that out to shareholders instead of settling their pension obligations," says Macdonald. "Shareholders are supposed to take on the firm's risk. Instead, that risk is being shouldered by workers whose retirement security is compromised by outstanding pension deficits."

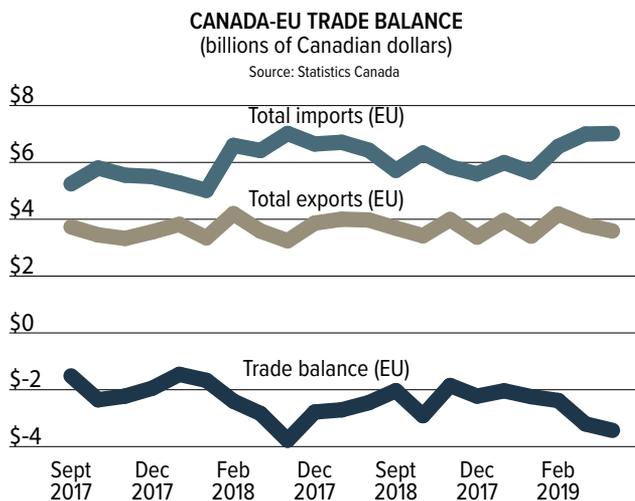
Canada's pension rules leave it to companies to decide whether to fully eliminate their pension deficit, as long as there is a minimal level of funding. "It's time for a new policy approach that considers firms' financial strength rather than only focusing on the health of their pension plans," says Roberts.

"But enhancing public options for retirement security in the Canada Pension Plan, old age security and the Guaranteed Income Supplement is still the simplest and most comprehensive way to ensure a comfortable retirement for all Canadians."

Playing with pensions

Some of Canada's biggest companies with deficits in their defined benefit pension plans are putting their employees' retirement

For more reports, opinion, infographics and podcasts from the CCPA, visit www.policyalternatives.ca.





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Up Front

JOHN FOSTER | INTERNATIONAL

The geopolitics of Trump's "Freedom Gas"

When Washington dubbed American gas exports "Freedom Gas" this year, it signalled a new salvo in U.S. competition with Russia. The target behind the branding is Europe, the largest gas market outside North America. With a bonanza of gas from fracking, the U.S. aims to become the world's largest gas exporter by 2024. It will need markets for this production.

Natural gas moves around the world by pipeline and tanker. This year, the U.S. became the world's third largest exporter of liquefied natural gas (LNG) as four new liquefaction plants came online. President Trump exulted, "we're

shipping freedom and opportunity abroad."

Canada is looking to increase gas exports too. In northeast B.C., companies are fracking for gas with plans to export it to Asia. And just this summer, Pieridae Energy announced its hope to pipe Alberta gas to a proposed LNG terminal in Goldboro, Nova Scotia, for eventual export to Germany.

U.S. LNG—and the Canadian stuff—will face stiff competition from Russia, which already has two LNG plants up and running and is planning two more. Foreign partners include Total, Shell and ExxonMobil. From the Russian Arctic, ice-breaking tankers move LNG to

Europe and Asia. From the Russian Far East, LNG tankers ply to Asia.

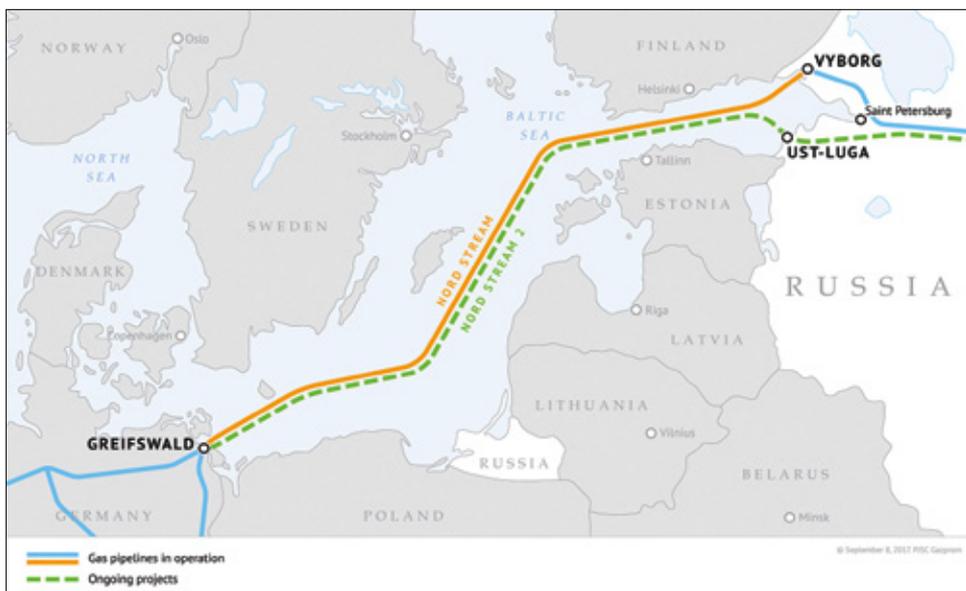
Russia is the world's largest gas exporter, mostly by pipeline. And Europe is a vital energy market for Russia. The European Union imports 70% of its gas; Russia is the biggest source, then Norway and Algeria. U.S. gas is more expensive than other sources. Perhaps that is why, as the Harper government tried with "ethical oil," the U.S. is appealing to ideology.

Europe has been using Russian gas since the 1960s, and in a real way, east-west pipelines helped build trust. Washington has consistently opposed Russian gas to Europe. Its envoys have visited Bulgaria, Greece and Germany repeatedly to vigorously discourage new pipelines from Russia. The Europeans excluded natural gas from Russian sanctions in 2014: they wanted Russian gas to keep flowing. Undaunted, the U.S. continues its efforts to curb European use of Russian gas, claiming the issue is energy security.

Traditionally, Russian gas flowed to Europe through pipelines through Ukraine. In recent years, Ukraine's payment problems, corruption, and hostility to Russia have threatened gas exports. For Russia, the European market is vital to government revenues and exchange earnings. In a quest for more reliable routes, Russia seeks new pipelines bypassing Ukraine to the north and south.

To the north, Russia built Nord Stream with European partners—a direct route to Germany under the Baltic Sea. Now a parallel line, Nord Stream 2, is three-quarters built. The project is highly divisive. Central Europe wants it, welcoming a diversity of supply routes. Eastern Europe opposes it, fearing loss of transit fees from existing routes. Poland increasingly prefers "Freedom Gas," i.e., American LNG. The U.S. is going all out to kill Nord Stream 2, threatening sanctions on European participants.

To the south, Russia is building TurkStream, two parallel lines under the Black Sea to Turkey. One will bring gas to the Turkish market; the other is intended for Europe via Greece or Bulgaria. European Commission approval of new connecting pipelines is by no means certain. Working hand-in-hand,



SOURCE: GAZPROM

Broadly speaking, Canada supports U.S. foreign policy in Europe, with Canadian troops stationed in Latvia and Ukraine and our sanctions on Russia.

Brussels and Washington favour rival sources: 1) gas from the United States; 2) gas by new pipeline from Azerbaijan; and 3) offshore gas from Cyprus and Israel. All are more expensive than Russian gas. It's a question of politics, not economics.

Ignored is gas from Iran, a country with the world's second largest reserves of the stuff. Iran produces gas for its own use and for neighbours Iraq and Turkey. For many years, the U.S. has blocked Iran's plans for other pipelines, including one to its neighbour Pakistan. The Iranian section is built. The Pakistani section languishes despite desperate gas shortages. The U.S. has threatened sanctions if Pakistan goes ahead.

Instead, Washington continues to promote a rival pipeline planned from Turkmenistan to Pakistan and India, passing through Afghanistan. Twelve years ago, U.S. ambassador Richard Boucher asserted, "One of our goals is to stabilize Afghanistan," to link South and Central Asia "so that energy can flow to the south." Four years later, in 2011, then Secretary of State Hillary Clinton offered more support for the proposed pipeline. Turkmenistan, on Afghanistan's northern border, has the world's fourth largest reserves. It used to export gas to Russia. Now it exports big-time to China via pipelines built peacefully since the Afghan War began.

Natural gas is part of the power politics among countries. The term "Freedom Gas" shows the rivalry extends beyond market competition. It's part of a U.S. geopolitical game to weaken America's nemesis Russia and control Europe through its energy sources. Broadly speaking, Canada supports U.S. foreign policy in Europe, with Canadian troops stationed in Latvia and Ukraine and our sanctions on Russia. Unwittingly or strategically, Canada is a player too.

JOHN FOSTER IS AUTHOR OF *OIL AND WORLD POLITICS: THE REAL STORY OF TODAY'S CONFLICT ZONES* (LORIMER BOOKS, 2018).

WORTH REPEATING

"Ahh. They all do blackface. I will make a note in the file."

Roxanne Gay on Twitter (@rgay), September 18

JESSE HAJER | MANITOBA

Austerity, round two

Manitoba's Progressive Conservatives, led by Premier Brian Pallister, won the provincial election on September 10, albeit with a slightly smaller majority than they had going into the campaign. We can expect the government to continue on its path of "fiscal responsibility," i.e., budget cuts and austerity.

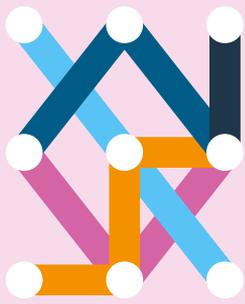
Of specific concern to the Pallister government has been bringing down the deficit, which was approaching \$1 billion when the government first assumed office in 2016. The government has applied a variety of austerity measures to achieve this objective, including:

- repeated, across-the-board budget and staffing reductions in departments, Crown corporations and agencies;
- a legislated wage freeze leading to real wage reductions for public sector workers;
- the contracting out and privatization of government services;
- the sale of government assets, including social housing stock for low-income Manitobans;
- cuts to social service benefits, including the Rent Assist program and employment and income assistance; and
- reductions in health care coverage—including outpatient physiotherapy and occupational therapy—along with the introduction of prescription co-payment fees for people with long-term health conditions.

Through these measures and others, the deficit was reduced by \$144 million during the government's first year in office (to \$764 million), and by another \$94 million in year two. Estimates for 2018-19 show the deficit was reduced by a further \$225 million. In the 2019-20 budget, the government managed to both cut the PST by 1%—at a projected cost of \$237 million a year—and reduce the deficit by a further \$110 million. It is confident it can eliminate the deficit two years ahead of schedule even after a planned elimination of the education property tax (at a cost of \$830 million over a decade).

The consequences for the province of balancing the budget on this timeline, while also reducing taxes, is ongoing austerity. Premier Pallister made this explicit during the election campaign, noting that these revenue losses will be accommodated by further spending cuts, staffing reductions and asset sales. Evidence of widespread harm from his government's cuts do not seem to matter.

Health care professionals, including doctors and nurses, are pointing to significant disruptions and staffing shortages in hospitals and emergency rooms. Teachers are rallying against flatlining funding to schools and an education review that is expected to result in similar upheaval in Manitoba's K-12 school system. Anti-poverty advocates have also highlighted



Index

Feel like sharing?

Compiled by
Elfreda Tetteh

In September, California passed a law requiring “sharing economy” businesses to classify their workers as employees. In Europe, Uber and Lyft are currently challenging an EU ruling that determined they must comply with strict European transportation laws in order to continue operating in the region. The popular ride-sharing apps remain banned in Denmark and Bulgaria, and are partially banned in Germany, Turkey and Spain. China, Thailand and Hungary have also barred them but allow other ride-sharing companies to operate. The drivers offering these services, often for poverty-level incomes, have faced countless threats against unionizing. However, unofficial ride-share drivers’ unions currently exist in California. In Toronto, hundreds of Uber drivers voted to unionize earlier in 2019, while Foodora couriers are currently fighting to join the Canadian Union of Postal Workers.

US\$204 billion

Gross volume from customers of the global “gig economy” in 2018.

58%

Portion of this amount coming from ride-sharing and delivery apps such as Uber, Lyft, DoorDash, etc.

\$465

What an average “gig” worker earns in Canada for about 43 hours of work.

\$762

Average monthly income of a transportation or package delivery worker (e.g., Uber and Lyft), a 50% drop from 2012 when it was \$1,535, likely because of far fewer hours worked.

33–38%

Estimated cut of driver earnings kept by Uber and Lyft.

68%

Number of Uber drives who quit within the first six months, usually after seeing how little they’re earning.

3.5%

Estimated portion of the Canadian workforce in the “gig” economy, or roughly 700,000 full-time equivalent jobs.

30%

Number of households in Canada that have participated in some form of “gig” work.

Zero

Canadian cities that have not already approved Uber and Lyft operations. Vancouver became the last major city in Canada to grant approval to the ride-hailing firms earlier this year.

the regressive nature of many of the service and tax cuts. Lower-income Manitobans are far more acutely impacted by these service reductions while the bulk of tax cuts benefit primarily higher-income earners.

A recent poll also suggests that Manitobans aren’t particularly supportive of a rushed defeat of the deficit, with the majority preferring incremental spending on services. So, what is driving this agenda of austerity and tax cuts? And is it necessary? Let’s look at that second question first.

Manitoba’s previous 8% sales tax was already on the lower end of the provincial spectrum, creating a relatively low personal tax burden, according to the Conference Board of Canada. And despite a significant increase in provincial debt since the 2008-09 economic crisis, the province’s debt-to-GDP ratio in 2017-18 was still in the bottom half of Canadian provinces. In other words, the province could not be said to have been in a debt or tax crisis when the Pallister government started to cut.

Nor is business all that concerned. A majority of respondents to a 2018 Manitoba Chambers of Commerce survey agreed that the province is a competitive place to do business relative to other provinces. These businesses also ranked hiring and retaining skilled and qualified workers, and concerns with overall demand for their products, well ahead of taxes and government spending as their priorities. Both these areas will in fact only be further constrained by austerity.

The sad reality is that ideology, not evidence, appears to be driving the government’s deficit-slashing agenda. While some conservative economists continue to promote “expansionary austerity”—the idea you can generate economic growth through business confidence-inducing cuts to social services—the policy does not hold up empirically. The detrimental socioeconomic consequences of austerity, on the other hand, are increasingly well-known and include poor childhood outcomes, compromised health and education, reduced life expectancy and growing and increasingly racialized inequality.

While austerity advocates focus on the cost of government debt, they regularly neglect the social and long-term economic benefits generated from government investments in people and communities. Many publicly funded social interventions in areas such as public health and prevention, education and anti-recidivism have been rigorously tested and proven to generate the intended social benefits. In many cases the fiscal savings generated are sufficient for these programs to effectively pay for themselves.

In this summer’s provincial election, alternatives to austerity were put forward by all opposition parties. The CCPA-Manitoba is also in the midst of the 2020 Alternative Provincial Budget consultative process, collecting ideas for focussing the government’s attention on the pressing issues of climate change, growing inequality, and quality public services that meet the needs of Manitobans. While these issues will almost certainly be pushed to the margins in the Pallister government’s second term, public opinion research and the government’s reduced majority suggest they are appealing to a growing number of people in the province.

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Sources Mastercard Gig Economy Industry Outlook, May 2019; “The Size and Characteristics of Informal (‘Gig’) Work in Canada,” Olena Kostyshyna and Corinne Luu, Bank of Canada; “Why the gig economy may not be the workforce of the future,” Benefits Canada, September 2018; “Uber And Lyft Take A Lot More From Drivers Than They Say,” Jalopnik, August 2019; “Uber and the labor market,” Economic Policy Institute, May 2018; “Gig economy workers...often don’t realize how much it costs them,” Toronto Star, November 2018; “The Gig Economy’s Missing Data,” Ronald Orol, Centre for International Governance Innovation, July 2019; Rideshare Drivers United; “300 GTA Uber Black drivers unionize as city mulls regulatory overhaul,” CBC News, June 2019; “Battle between Foodora and couriers could define ‘how we do work in this century,’” CBC News, September 2019; “How the world is going to war with Uber,” The Telegraph (U.K.), June 2018.

MELANIE ALLISON

My wild, re-wilding summer

THE NEWS OF clearcutting, global warming and forest fires, whether in Western Canada, Southeast Asia or the Amazon, leaves me feeling overwhelmed and powerless. I know I'm far from alone when I say that. But the need to do something meaningful and "of service" to the Earth was especially strong for me this summer. So I decided to spend my vacation volunteering with an amazing NGO in Ecuador.

Merazonia is a dynamic wildlife rescue and rehabilitation centre located on 250 acres of Amazon rainforest near Mera in central Ecuador. Founded by Frank Weijand, a former journalist from the Netherlands, the centre puts a strong focus on actual rehabilitation of wildlife so that rescued animals can eventually be returned to their natural environment.

During the month I spent volunteering at Merazonia there were capuchin, red howler, woolly and tamarin monkeys, as well as parrots, macaws and other birds, a kinkajou, a puma, an otter, a sloth, a baby anteater, a turtle, a rainbow boa, coatis and at least two other species that I've forgotten the names of. All of them are cared for on the property or as part of ongoing monitoring after release. Merazonia provides the animals a refuge, safety and rehabilitation, medical attention when needed (Weijand's wife, Louisa Baillie, is the on-site veterinarian) and the possibility of making it back to the jungle where they were born, wild and free.

Other than the baby monkeys, who need one-on-one care for the first few years of their life, Merazonia is strictly hands-off. While cleaning and caring for the cages or the animals, volunteers stay as quiet and least disruptive as possible. This isn't the place to



The gate to Merazonia and current resident Chili.

AUTHOR'S PHOTOS

cuddle and take selfies. As release is the main objective, we don't want the animals to get used to human contact. Unfortunately, some animals are too traumatized to go back to their home, in which case they are given permanent residency in the most supportive and natural environment possible.

A lot goes into rehabilitating a wild animal that has been removed from its habitat and community, usually under force or violence. To fully recover, these physically and emotionally traumatized animals need to regain their spirit and independence, and exhibit the proper behavior needed to

ensure survival. Especially in the case of monkeys, many of whom are gifted or sold to households where they must adapt to a very unnatural, confusing environment, rehabilitated individuals will eventually need to integrate into a new group, which must function as a cohesive unit.

So many variables come into play. The process of getting it all aligned to release an animal or a group of animals can take years of hard, dedicated work.

Merazonia currently has five staff members who work tirelessly to keep everything running. They would not be able to do it all without volunteers. I met the most incredible people and had so much fun living in the jungle with a group of like-minded individuals of all ages, from all over the world, all working together for a common goal. Although the personal reasons for being there were unique to each of us, everyone shared a love of animals and nature and a desire to contribute to a greater good.

Merazonia is just one of many organizations out there doing exceptional work with limited resources. For example, I also volunteered with La Tortuga Feliz in Costa Rica in 2009. Some travel companies pitch very expensive "volunteer do-good" vacation experiences, but I found these two opportunities at www.volunteersouthamerica.net.

Dealing directly with the organization may take a bit more time or trust initially than the relative "security" of dealing with a large travel company. But the low-cost contribution for your food and lodging during your stay makes it more affordable, and your payment contributes directly to the survival of these organizations. For me, the experience is, well, priceless. **M**

MELANIE ALLISON HAS BEEN THE CCPA-NATIONAL'S ACCOUNTING OFFICER SINCE 2002.

How to do everything differently

Bruce Campbell, former director of the CCPA, interviews his friend and colleague **John Loxley**, heterodox economist, long-time CCPA research associate and co-ordinator of the first Alternative Federal Budget. John's work and globe-spanning career were honoured by the CCPA-Manitoba at an Errol Black Chair Fundraising Brunch on November 3.

Bruce: How did a working class kid from the north of England end up as a university professor, activist and public intellectual in Canada's hinterland?

John: I was born in Sheffield, England, one of 12 kids. My dad was a steelworker who contracted the equivalent of black lung disease... Fortunately, we had a very progressive Labour government at the city level. We lived in a council house, I had free education, we had great health care, we had food supplements when we were children, school milk, etc. That had a big impact on me, on my career possibilities and on my political viewpoint.

From England, and university studies, you ended up in Tanzania for a time before moving to Manitoba to join the Schreyer government...

Tanzania nationalized its banking system and I was invited to come down as their chief economist of the nationalized bank, which I then did and spent some years there. I moved from the bank to the University of Dar es Salaam and then back downtown to set up an Institute of Finance Management. There were a lot of Canadians there who I got on very well with. People like Lars Osberg, George Davies, Gerry Helleiner, even Ed Clarke, who became a TD Bank president. It was they who arranged for me to move to Manitoba in 1975 and I've been there ever since.



And you say this is where you got the idea for the Alternative Budget process?

There was an advisor to Prime Minister Nyerere, Reg Green, an American leftie, very eccentric, very bright. We were in a meeting together and people were late showing up. Reg had a foolscap sheet of paper on his knee and he just kept filling page after page with numbers. Nothing else there, just a sheet of paper and his mind. So I asked, "Reg, what are you doing?" And he said, "Oh, I'm just doing the budget" (laughs). And he was putting together the detailed numbers of the Tanzanian budget, department by department, from his head. And then it suddenly occurred to me: normally as an economist you read the published budget but don't think too much about where it came from. Someone has to put it together. Why not us?

We had a tradition in Winnipeg, long before I got there, of commenting on budgets. The City would be trying to close libraries down, and this group I was working with would pick a ridiculous budget item, like entertainment in the mayor's office, and showed that if

you canned that you could keep libraries open. The goal was to embarrass the politicians about their choices. I thought we could build on that when austerity became common, to show people that it was unnecessary, and we could do alternatives and do them right across the board.

The Manitoba government has embraced a new round of austerity. How are you and other groups responding?

We have to keep on top of what the government is doing. They've been quite stealthily cutting left, right and centre and CCPAs been one of the groups that's shone a light on that. We work with Make Poverty History and Right to Housing, and other local groups who've been very active, and we try to integrate their work and consolidate their work. In a sense it's defensive work at this stage, because we're trying to keep social programs in place, and it's a struggle for public opinion. But I think that some of the things the CCPA has worked on with these other groups have had an impact.

What big challenges do you see for Manitoba, for Canada? Where do you have hope?

The biggest problem I think we face in Canada is taking away Indigenous children from their families. It's got to stop. And it's not going to stop by just saying it should stop. There have to be supports in place to allow families to take care of their children and build up prevention activities. For years and years child welfare agencies only received funding if they took children into care; it was outrageous! Now, due to the efforts of the AFN and such strong and committed people as Cindy Blackstock, federal money is being made available for prevention. It was nice to have a bit role working alongside them in this development. **M**



Colour-coded Justice

ANTHONY N. MORGAN

The Great Canadian Blackface Debate

MY PATERNAL GRANDMOTHER has a great saying that she likes to remind me of. Drawing from a well of old Jamaican wisdom, she says: “Don’t watch the noise in the market, just watch your correct change.”

On September 18, *Time* magazine released a photo showing Prime Minister Justin Trudeau in blackface at a costume party in 2001. Similar photos and a video surfaced in the days that followed, suggesting the blackface routine is, or at least was, a habit for Trudeau. Every few days since then, Canadian news media have featured new articles, videos, commentary or panel discussions on this controversy.

With all due respect to the commentators that have kept #blackfacegate going, I can’t help but feel the media is allowing this conversation to drown out other significant stories that directly impact the material conditions of Black Canadians. But if #BlackfaceTrudeau is the noise in the market, what’s the correct change? I have a few examples.

On September 18, two Black female high school students who left their Vancouver school due to anti-Black racism finally received an apology from a white male classmate who was the source of the trouble. The white student circulated a video to his classmates in which he said, “I hope all n—— die.” The next day, the *Toronto Star* reported that the TTC had agreed to adopt an anti-racism plan as part of a settlement with a Black rider who sued the transit commission after he was violently accosted by three fare inspectors in 2018. These stories offered insight into the shortcomings of how Canadian public institutions address anti-Black racism.

That same week, but on the other side of the country, the Nova Scotia government released a detailed, 20-plus page action plan to support the United Nations International Decade for People of African Descent. This is significant because the African Nova Scotian community has for centuries been pushing the province to help its members achieve better social well-being outcomes in education, employment, youth development, health, housing, policing and the justice system. The government plan offers a positive example for how other provinces can address systemic anti-Black racism in line with the UN project.

But it’s in Ontario where the blackface media eclipse had the most significant effect.

On the same day that the first Trudeau photo surfaced, the Toronto Police Services Board passed a groundbreaking

policy requiring police to collect, analyze and publicly report data showing the racial breakdown of the individuals they interact with while on duty. The board’s Anti-Racism Advisory Panel (ARAP), co-chaired by Black Canadian community health expert Notisha Massaquoi and Sri Lankan-born mental health expert Uppala Chandrasekera, developed the policy and led its public consultations.

The adoption of this policy is an especially monumental development given the global rise of the Black Lives Matter (BLM) movement was in large part driven by a lack of state accountability for anti-Black racism in policing. Canada consistently markets our multiculturalism while police and correctional services refuse to democratically collect and release data that would expose the dramatic rates of overrepresentation of Black people among those stopped, questioned, carded, charged, arrested, incarcerated and even killed by Canadian police officers and in Canada’s prisons.

The Toronto police board’s race-based data-collection policy was a result of a decades-long push from Toronto’s Black communities and their allies for greater police fairness, transparency and accountability. Because Toronto’s police service is the largest in the country, it is almost certain that police agencies across Canada will adopt similar disaggregated data collection policies.

There is still confusion about the policy, with people wondering if it gives the police legal protection to continue the extremely controversial and anti-Black racist practice of carding, also known as street checks, which government legislation was ostensibly meant to end as of 2017. Carding allowed police to stop, question and document individuals without having a legal basis for doing so.

The new Toronto police board policy, however, focuses only on collecting data when police are exercising their legal policing duties. More media attention on this, rather than the blackface incidents, might have cleared these issues up.

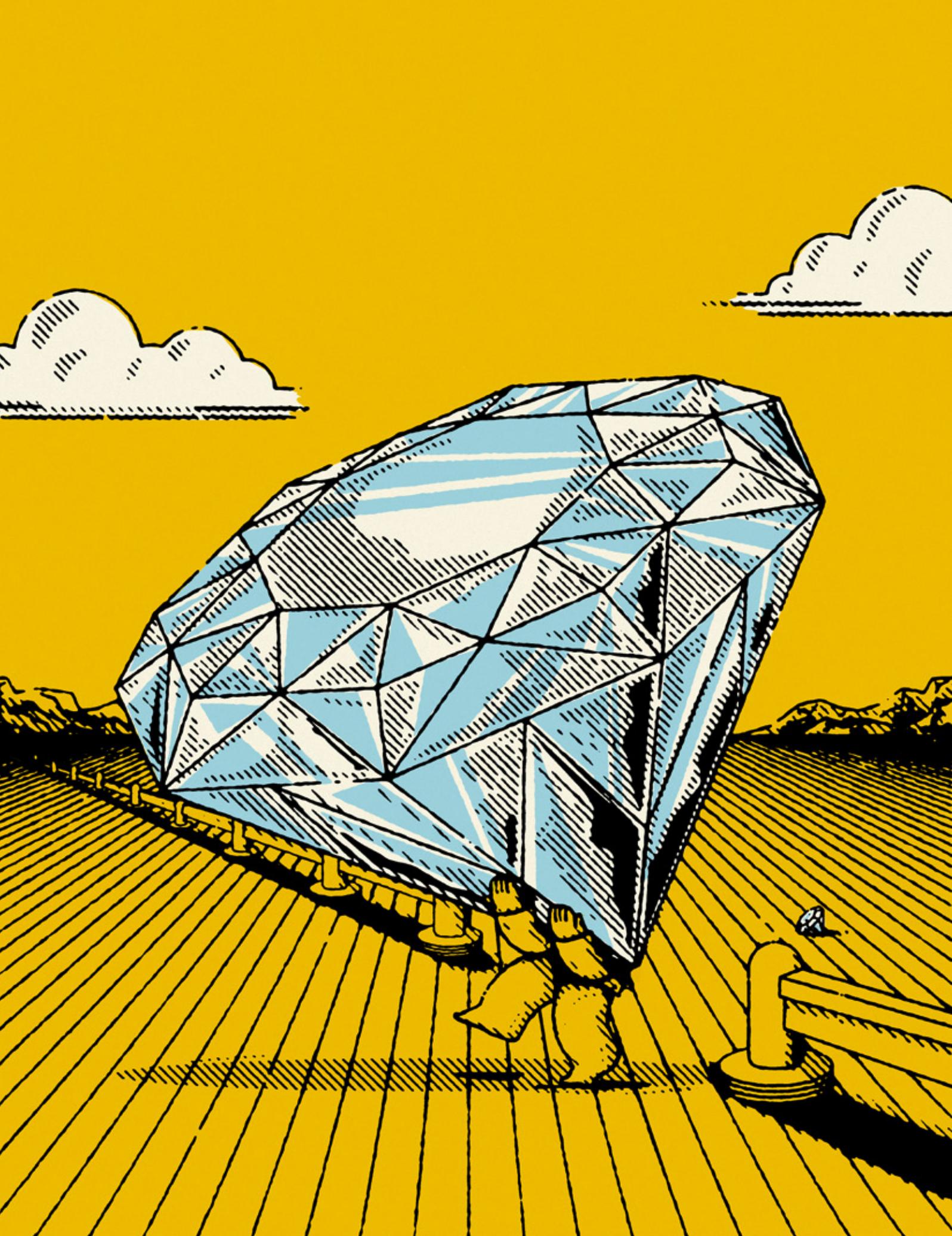
Finally, in a related story on September 20, the Ontario Human Rights Commission released its official policy on eliminating racial profiling in law enforcement. This policy was years in the making and will likely serve to guide police services across Canada for at least a generation to come. Was it news? Not for more than a day.

It is possible these important developments would have received just as little media attention had the Trudeau leaks not happened at the same time. And clearly, talking about Trudeau’s habit is a part of how we address anti-Black racism in this country.

But the hard work of making our police forces accountable is important too—it’s the correct change amidst the noise of the market. This is a serious concern because the noise of the blackface bruhaha will likely be forgotten long before Ontario’s police accountability changes are most deeply felt by Black communities.

Grandma, help us. **M**

ANTHONY N. MORGAN IS A TORONTO-BASED HUMAN RIGHTS LAWYER, POLICY CONSULTANT AND COMMUNITY EDUCATOR. FOLLOW HIM ON TWITTER @ANTHONYNMORGAN.



TOBY SANGER

Time to step up for tax justice

Important international reforms to end tax-dodging and tax havens are on the horizon. Why isn't Canada doing more?

When we think about tax havens the picture we see is usually of a small tropical island, its palm-lined colonial streets swarming with slick, shady lawyers and financiers who, for a fee, will happily hide money from spouses, creditors and the taxman. It's an image that pervades our popular culture and one that Steven Soderbergh exploits to the max in his campy new film about the Panama Papers leak, *The Laundromat*.

Certainly, the fact that many Caribbean and other tropical islands in the Indian and Pacific oceans are tax havens—or better yet, *paradis fiscaux* in French—lends credence to this idea. But the reality is more complex and much closer to home than that. Tax havens come in all shapes and sizes, with webs that extend all around the world, entangling Canada's financial, mining, and real estate markets, as examined later in this special issue of the *Monitor*.

After a short history of tax havens, including the key role Canadian banks and individuals have played in their establishment, this article explores how they have become a key part of the international corporate financial architecture, benefiting especially the wealthiest individuals and corporations in the world while harming the poorest. It then looks at how we can achieve positive changes, including through urgent measures the federal government could take to hold tax-dodgers to account and repatriate billions that could be put to better use serving public ends.

A very short history of tax havens

Switzerland was the first country to develop into a significant tax haven. Wealthy Europeans with money to hide were especially attracted by the historic financial secrecy laws of Swiss bankers, the country's tradition of neutrality in wars, and a decentralized federal structure under which cantons (small self-governing regions) compete with each other for business.

Switzerland's cantons flourished as international banking centres throughout the 18th and 19th centuries, but they did especially well during Europe's devastating wars in the 20th century. Swiss neutrality made it possible

for resident banks to lend and shelter money and wealth from all sides. The rise of income and wealth taxes in Western countries, originally to pay for these wars, made it even more attractive for the elite to hide their wealth in Switzerland.

Ordinary people were patriotically conscripted to fight and pay for Europe's wars, but many of its wealthy, as always, found ways to elude both. They also weren't prepared to let Swiss bankers take all the proceeds from the highly profitable business they had pioneered. City of London financiers developed their own web of offshore tax havens through the Channel Islands of Jersey and Guernsey and the Isle of Man, Crown dependencies that are not part of the United Kingdom.

During the 1930s, wealthy Americans and mobsters, including Meyer Lansky, used Switzerland, and islands closer to home including Newfoundland and Cuba, to both launder and hide their money from their governments. This helped them avoid the fate of Al Capone, who was famously convicted of tax evasion rather than the more violent crimes he was associated with. The Cuban revolution forced Lansky to move to the British colony of the Bahamas, which he helped develop into a more stable place to launder money and evade taxes.

Canadian banks and citizens were also intimately involved in the project to turn Caribbean countries including the Bahamas, Bermuda and the Cayman Islands into tax havens, as Alain Deneault documents so well in his book, *Canada: A New Tax Haven*. While these countries sported some political quasi-independence (though not so much to lose their cachet of stability under the British Crown), they increasingly became colonies of financial capital—a place for wealthy individuals and corporations from Western countries to hide their money and avoid taxes.

Part of the financial architecture

It's important to understand that most tax havens didn't develop on the margins of the financial centres of London, Toronto and New York, but as key parts of their respective international empires. They functioned similar to private clubs, with exclusive perks for the wealthy members,

notably the power to avoid taxes and other obligations in their country, but without ever having to leave home. The government made moving funds back and forth even easier for these people by signing tax agreements and treaties with other known tax havens, and making it simple to establish shell corporations, trusts and foundations for the purpose of sheltering money.

Tax havens couldn't exist without the very active facilitation and promotion of blue chip financial institutions including banks and accounting, legal and other firms. Very few wealthy individuals or corporations would take these risks without assurance that their assets would be safe and accessible, often only by them. Giant accounting firms including KPMG, EY, Deloitte and others are among the greatest promoters and facilitators of aggressive tax avoidance and use of tax havens.

Free trade agreements in the 1980s and '90s facilitated the globalization of industrial and financial supply chains. Tax havens provided multinational corporations straddling multiple countries with highly attractive opportunities to reduce their tax bills. It was easy to shift profits to low tax jurisdictions thanks to near century-old transfer pricing rules and arm's length principles at the foundation of international tax rules.

The windfalls from international tax avoidance escalated as politicians

engaged in mutual games of cutting corporate tax rates and making their regulations ever more friendly to foreign businesses, which were often offered better treatment than domestic firms. The creation of a European single market in the early 1990s and of stateless eurodollar markets provided far more possibilities to help multinational enterprises avoid taxes. So did the development of the modern corporate tax havens of Ireland, the Netherlands and Luxembourg. The information technology revolution and digitalization of the economy has taken tax avoidance to yet another dimension.

A whole universe of tax havens and low-tax jurisdictions now exists. Constellations of different tax havens service different major economies, the sources of their funds and strength of their links determined by different tax agreements between jurisdictions, their institutions, the players involved, and what each tax haven offers in terms of particular perks.

While wealthy individuals may just use one or two tax havens, corporations will establish subsidiaries in a number of different ones, with each serving a separate purpose. The multiplicity of tax havens further helps companies hide their assets and hedge their bets, in case political and public sentiment in one country turns the other way. And because the preferences provided by tax havens

are generally always only available for foreign firms, having multinationals straddle many jurisdictions makes it easier for them to avoid taxes in all of them. For instance, at a time when it was the most valuable company in the world, Apple was able to transfer much of its wealth to subsidiaries that were not considered resident for tax purposes anywhere in the world, and to pay an effective tax rate of just 0.005%.

Tax me if you can

The expansion of tax havens has also helped drive down corporate tax rates around the world, as countries feel pressure to offer "competitive" business environments. Canada's federal corporate tax rate has been slashed in half over the past two decades and other business taxes by more. But as in other countries, this race to the bottom on taxes in Canada has produced no significant increase in business investment.

Canada's largest corporations have also been big users of tax havens. The Canadians for Tax Fairness publication *Bay Street and Tax Havens* reported that Canada's 60 largest companies on the TSX60 Index had over 1,000 subsidiaries and related companies in tax havens, with some having over 50 each. Over 90% of Canada's largest corporations had at least one subsidiary in a tax haven.

Large multinational enterprises in more traditional industries such as mining, oil and gas, manufacturing, construction, transportation, finance, pharmaceutical and retail have been able to avoid taxes for many decades using a variety of techniques. But the rapid expansion of corporations using digital platforms—Google, Facebook, Amazon, Apple, Uber, AirBnB, etc.—has made international tax avoidance even more pervasive.

These corporations have much of their assets in software platforms, patents, brand names, and other forms of intellectual property that they can locate in different countries for the purpose of dodging taxes. In so doing, these mega-corporations have gained unfair advantages in comparison with smaller and medium-sized domestic competitors. International tax

WHAT IS A TAX HAVEN?

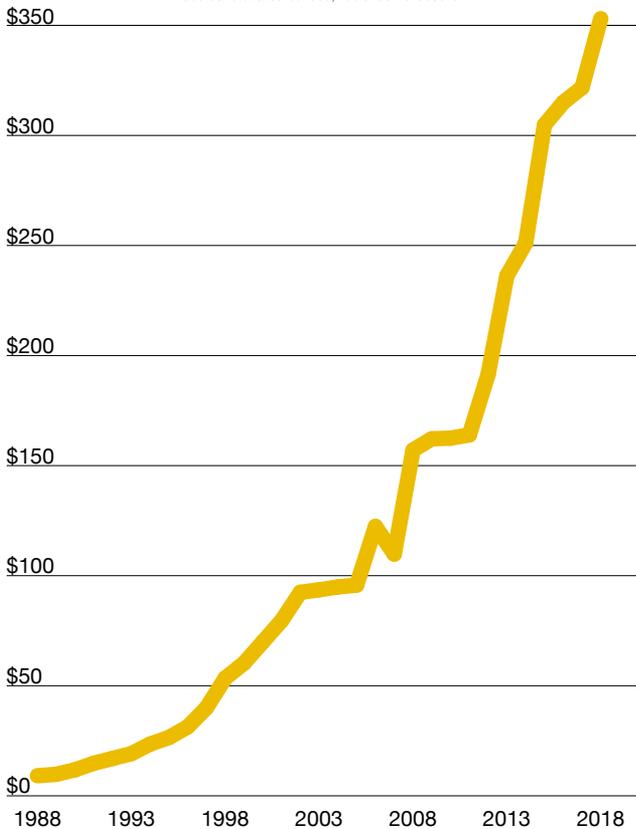
A tax haven is a jurisdiction with laws, regulations and other features that make it easy for corporations and individuals to evade or avoid paying taxes or meeting other obligations in other jurisdictions. A tax haven is a jurisdiction with:

- no or low effective taxes, particularly so non-residents can escape taxes and other regulations in their country of residence;
- ease of establishing corporations, trusts, foundations and other legal entities with limited requirements; and
- secrecy and a lack of transparency of who the actual owners of corporations, trusts and other assets are.

Different organizations and countries have different lists of countries and jurisdictions that they consider to be tax havens. These lists will change over time.

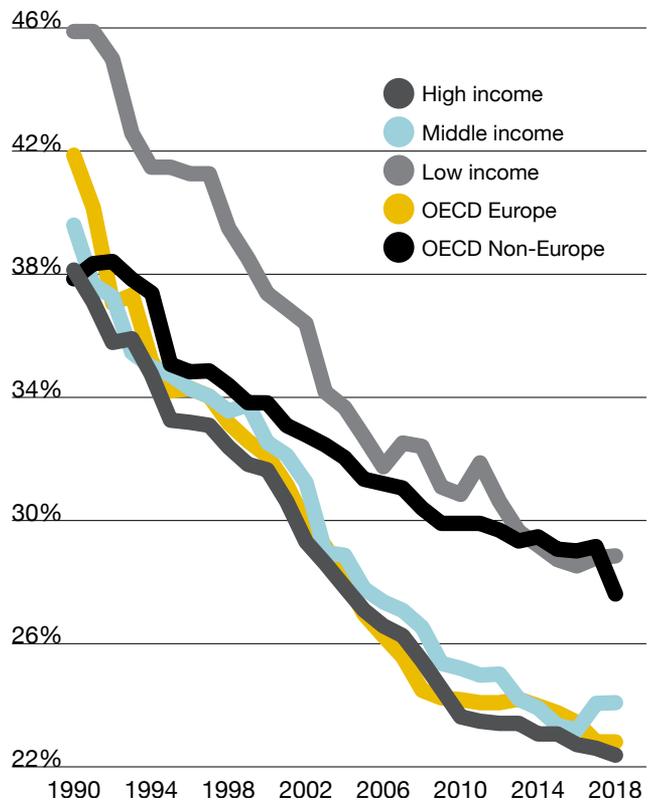
Canadian corporate funds reported in top 12 tax havens (billions)

Source: Statistics Canada, Table: 36-10-0008-01



Race to the bottom Combined corporate income tax rates by country group, in per cent

Source: IMF Fiscal Affairs Department Tax Policy Rates Database



dodging has contributed to disturbing levels of corporate concentration and control in many different sectors, which has also reduced competition and is bad for the economy.

The chart on this page illustrates how rapidly Canadian corporations have increased their reported investments in corporate Canada's top 12 tax havens—up to over \$350 billion in 2018, representing over 27% of their total reported investment overseas. As these figures are just the officially reported numbers, the real amounts that Canadian corporations hold in tax havens are certainly higher. They are also only national level findings and don't include assets in subnational tax havens such as Delaware, which is by far corporate Canada's most popular overseas destination for establishing subsidiaries.

Recent analysis by the IMF revealed that “phantom investments” in empty shell corporations in tax havens have increased to an astonishing \$15 trillion worldwide, representing 38% of all foreign direct investment overseas.

IMF researchers have also recently estimated that OECD countries lose an average of 1% of their GDP to this type of profit- and tax-shifting by large multinational corporations, adding up to over US\$400 billion (C\$530 billion) annually. For Canada, 1% of GDP would be equivalent to over \$20 billion in revenues lost annually. That's more than the federal deficit for this year, and an amount that could fund both free postsecondary tuition and a national pharmacare plan. Canada's losses are probably lower than this, but even

if they were half the amount it would still be a massive problem.

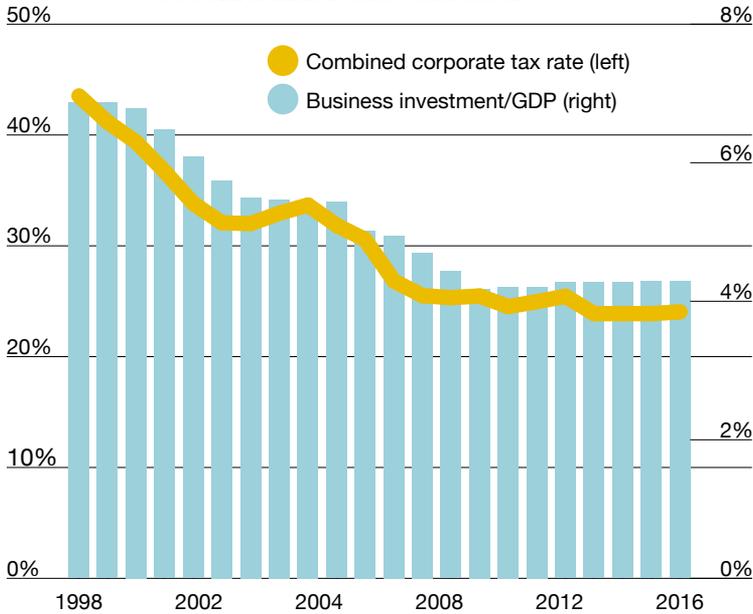
The losses are even more damaging for lower income countries. They lose over US\$200 billion (C\$265 billion) in revenues annually from corporate profit- and tax-shifting through tax havens, equivalent to over 1.3% of their GDP and more than they receive in international development assistance annually. These countries depend proportionally more on corporate taxes for their public revenues because their populations are poorer. They also have less capacity to investigate, audit, battle and recover taxes from multinational corporations. The lack of revenue in these countries to improve health care, public services and education is literally a life-and-death problem.

This is why international development organizations such as Oxfam, Action Aid, Save the Children, Inter Pares and others have been at the forefront of tax justice movements around the world. They've seen that the primary beneficiaries of tax havens and our archaic international corporate tax rules have been the wealthiest individuals and the largest multinational corporations, while it is the poorest who have been hurt the most.

It has taken decades of advocacy and fighting by small tax justice organizations—including the Tax Justice Network, the Global Alliance for Tax Justice, Canadians for Tax Fairness and *Échec aux Paradis Fiscaux*, labour unions and other supporters—to bring attention to the

Combined federal-provincial corporate tax rates and business investment in machinery and equipment

Source: OECD tax database and Statistics Canada Cansim table 380-0064



magnitude and injustice of this problem. But international organizations like the OECD, IMF, G20 and national governments are finally paying attention and pledging to make substantial reforms. The International Consortium of Investigative Journalists (ICIJ) has also had a big impact with the enormous amount of work their journalists have done analyzing millions of files from the Panama Papers, Paradise Papers and other leaks of information from tax havens.

Urgent reform needed

As a result of public pressure, national governments at the 2012 G20 summit asked the OECD to draw up a base erosion and profit shifting (BEPS) action plan to help prevent multinational corporations from avoiding tax by shifting profits to tax havens and low-tax jurisdictions. The first BEPS action plan, launched in 2015, significantly included reforms to increase transparency about what multinational corporations actually pay in tax, allow automatic sharing of tax information, and plug a few holes in tax treaties. But the OECD plan failed to fundamentally reform the international corporate tax system.

As a result, a number of OECD member countries were pressured by the public to introduce their own specific taxes on multinational corporations, often targeted at digital and e-commerce giants such as Google, Facebook, Apple, Amazon and others, which have been particularly adept at avoiding taxes.

For instance, Australia introduced a multinational anti-avoidance law two years ago that allows the government to apply a more punitive 40% diverted profits tax on multinationals that are deemed to have aggressively avoided taxes. Britain will start applying a digital services tax in April 2020 that applies to the revenues of large digital

corporations associated with their U.K. users. France has also committed to introducing a tax of 3% on the French revenues of digital giants like Facebook, Apple and Google. Meanwhile, the United States even introduced special anti-avoidance taxes on multinational corporations as part of a major tax reform bill in 2018.

All these different measures helped forced the international community to take action or risk creating a highly balkanized, varied and unpredictable international corporate tax system. In just the past year, the OECD and IMF have agreed that significant reform is needed. As Christine Lagarde, the head of the International Monetary Fund (IMF), recently stated:

The current international corporate tax architecture is fundamentally out of date [because] the ease with which multinationals seem able to avoid tax, combined with the three-decade long decline in corporate tax rates, undermines both tax revenue and faith in the fairness of the overall tax system.... The current situation is especially harmful to low-income countries, depriving them of much-needed revenue to help them achieve higher economic growth, reduce poverty, and meet the 2030 Sustainable Development Goals.

G20 and G7 leaders have agreed to try and achieve a consensus solution by the end of 2020. It's a very ambitious target given how long the existing international corporate tax system has been in place. The ideas on the table could represent the most significant changes to that system in a century.

A majority of countries appear to agree there needs to be a minimum international effective corporate tax rate. But there's disagreement about what this should be, whether it should apply to all or just "residual" profits, and many other technical but important factors. There also appears to be broad agreement that multinationals should be treated as unitary enterprises instead of being able to shift their profits to affiliated companies with impunity.

HOW DO THEY DO IT?

COMMON WAYS MULTINATIONALS SHIFT THEIR PROFITS TO TAX HAVENS

- 1. Transfer pricing:** goods or services are exchanged between affiliated companies at lower or higher than market rates so profits are booked in low-tax jurisdictions with no or low profits in host countries.
- 2. Intellectual property (IP) royalties:** patents or trademarks are owned by affiliated companies in a tax haven, with large royalties paid to the company.
- 3. Intra-company loans:** corporations pay large interest payments on loans to affiliated finance companies based in tax havens.

A number of Western nations are pushing to keep the existing transfer pricing system for the “routine profits” of multinational corporations, but to introduce new additional taxes for the higher-than-routine “residual profits” of larger, more profitable multinationals. However, doing this would retain a broken and ineffective system that allows corporations to avoid taxes. It would also make the international tax system even more complicated and open to dispute over what constitutes routine and residual profits.

A proposal from India and the G24 group of nations—also supported by tax justice organizations including the Tax Justice Network and the Independent Commission for the Reform of International Corporate Taxation—would deliver the much more substantial reform that is needed. Under the proposal, multinational enterprises would be required to pay tax to the different countries they operate in using a formula that apportions their profit according to the share of real economic factors in each country, such as sales, employment and assets.

In Canada and the United States, corporations have been required to apportion their profit for tax purposes between provinces (or states) in this way for over 50 years. If this type of system was also in place internationally, revenues from corporate taxes would be higher by an estimated \$10 billion or more per year.

Much is at stake in these international tax reform discussions: hundreds of billions of dollars in revenues could be repatriated if they get it right. It is very encouraging that the reforms long proposed by tax justice activists are now being very seriously considered by the OECD, IMF and national governments. But we should be under no illusions about the power of the corporate forces that will resist these progressive changes.

One problem is that these discussions are being led by the OECD, essentially a club of wealthy nations. Though other countries can have a seat at the table through its “inclusive framework” process, they aren’t necessarily equal partners and have less capacity to analyze and engage.

MAJOR TAX HAVEN LEAKS

UBS leaks 2007

Offshore leaks 2013

LuxLeaks 2014

Swiss Leaks 2015

Panama Papers 2016

Paradise Papers 2017

Ideally, these types of international negotiations should occur at the United Nations, but it doesn’t have the capacity in this area and has been made less functional by the U.S. Trump administration and others in recent years.

There’s still a chance the talks will achieve historic positive reform. Unfortunately, the Canadian government hasn’t yet appeared to want to play any significant role in this respect. Canada should strongly advocate for international adoption of a formulary apportionment system similar to the one we use successfully at home. It would be a win for the Canadian government, with the billions more in revenue it would gain, a win for Canadian businesses who will face less unfair competition, and a win for lower-income developing countries whose capacity to invest in sustainable development would be greatly enhanced.

The solutions

There’s no one silver bullet that will solve all the problems of international tax-dodging and tax havens. Instead, the federal government should take stronger action in the following areas.

- Stronger enforcement and harsher penalties to deter wealthy individuals and corporations from engaging in international tax evasion, and others from promoting the practice.
- Prosecute the professional promoters of tax evasion schemes, including lawyers and accounting firms such as KPMG.

- Increase funding to the Canada Revenue Agency and prosecution service so that it can investigate and shut down sophisticated tax-avoidance and evasion schemes.

- Restrict corporations or consortiums that engage in tax evasion and aggressive international tax avoidance from obtaining federal government contracts.

- Change Canadian tax laws and international tax rules to force international corporations to pay their fair share of tax by:

- introducing a minimum international corporate tax rate;
- treating multinational enterprises as single entities for tax purposes so they can’t avoid taxes through subsidiaries and affiliated companies;
- apportioning the profits of multinational corporations between countries based on real economic factors, such as sales and employment, so they can’t avoid taxes by shifting profits to tax havens;
- strengthening rules to prevent other common forms of tax avoidance and evasion;
- ending double non-taxation agreements with tax havens, requiring corporations and wealthy individuals to pay reasonable minimum rates of tax; and
- requiring large multinational corporations to publish financial reports, including taxes paid, on a country-by-country basis. **M**

MICHAEL CUENCO

Oh Canada, our home and native tax haven

The world is shutting doors to money laundering. Why are Canada's still wide open?

Imagine you're a lawyer who specializes in international taxation. You work at a prestigious firm whose clients include the world's rich and powerful: Russian oligarchs, Wall Street executives, Gulf state sheiks, some heads of state and government, even a few famous rock stars. Your task is to find a suitable place to stash their wealth so as to "minimize liabilities." An easy way to do it is to start shell companies, a trick you've pulled off many times before.

You look at a map of the world and start thinking. How about the old favourites: the Cayman Islands, British Virgin Islands, Bermuda? No, too obvious. The United Kingdom has passed legislation requiring the disclosure of the real beneficial owners of corporate entities in its overseas territories (see Erika Beauchesne in this issue), spelling the end of shell companies as we've known them. Ireland, Luxembourg or the Netherlands, then? Sorry—like the U.K., the European Union recently mandated that each member state must set up a public beneficial ownership registry.

You start scratching your head as you realize this is becoming a trend, at least among wealthier countries, many of which are beginning to catch on to the free pass given to all kinds of financial wrongdoing. Looking back at the map, Mexico, Kenya and India catch your eye as potential alternative shell company hosts. Then you remember that these countries have signed onto public beneficial ownership transparency as part of the 2016 London Anti-Corruption Summit!

Close to giving up, you wonder aloud: "Is there a country left in the world that has all the privacy protections and the rule of law and good ease of doing business, but that still lacks beneficial

ownership transparency?" You look back at your map and finally see what's been there all along. How could you have missed that huge landmass staring right back at you? Of course! Canada, a country with the nicest and cleanest of reputations, is somehow still a relative laggard when it comes to the level of transparency expected of corporate entities registered there.

You call up your clients and announce you've found the perfect place to park their evaded taxes and illicit wealth. "It's off to the Great White North!"

From Russia with laundered funds

It might be troubling for many Canadians to learn that their country has become a tax and laundering haven, but this is precisely what leaks like the Panama Papers have revealed. Internal records of the offshore firm at the centre of the scandal, Mossack Fonseca, show employees pointing to Canada as a particularly easy place to incorporate shell companies while advertising the country as a "good place to create tax planning structures to minimize taxes."

A large part of the reason for this is that Canada is tied for last place among G20 partners with respect to fulfilling the group's commitments to advance beneficial ownership transparency. More recently, the EU has committed to a publicly accessible database of individuals who ultimately own, derive benefit from or exercise control over a company or legal entity, whether or not these are the same as the formal legal owners.

The gap between legal and beneficial ownership reporting allows for any number of intermediaries, nominee directors and shareholders to obscure who really owns the entity, creating pathways for the circulation of wealth

between shell companies and making it much more difficult for public authorities to detect wrongdoing of the following varieties.

Magnitsky Case

In May 2017, CBC News released the results of its months-long investigation into a possible Russian tax fraud and money laundering ring. Suspicious funds were routed through approximately 30 Canadian bank accounts, and \$17.6 million was discovered to have been transferred from Canadian companies to the accounts of Russian criminal syndicates. Some of these Canadian companies undertook questionable business practices. (This was the case the slain Russian tax lawyer and anti-corruption icon Sergei Magnitsky was involved in exposing.)

Panama Papers

Since the release of the Panama Papers in April 2016, nearly 900 Canadian individuals and corporate entities have been named as being involved in Mossack Fonseca's tax-dodging operations. However, as the *Monitor* went to print, no one had yet been prosecuted, and investigative efforts by law enforcement and the Canada Revenue Agency are still in process.

The ongoing Panama Papers probe, undertaken by the CRA in connection with a reported \$77 million offshore tax evasion scheme, resulted in search warrants on two Vancouver properties this March. According to the agency's press release, the scheme was an alleged attempt to evade non-resident withholding tax and was enabled by connections between "domestic and offshore entities," as confirmed by "various information sources, including records obtained through the Panama Papers leak."

Money laundering in British Columbia

In September 2018, the British Columbia government created an expert panel chaired by Simon Fraser University professor Maureen Maloney to shed light on money laundering in the province's real estate sector, a practice commonly undertaken through the use of shell companies. According to the panel's final report in May 2019, an estimated \$7.4 billion was laundered in British Columbia in 2018, with around \$5 billion hidden through housing. The report estimates there could be about \$30 billion laundered throughout the rest of Canada.

Though the Maloney report did not put forward an estimate of how much of this money could be linked to tax evasion, it explicitly acknowledges the vital link between evasion and money laundering: "Money launderers are often also tax evaders. Less taxation revenue directly impacts the ability of governments to provide quality public services for residents," it reads. The report also highlights linkages with entities in tax haven jurisdictions: "All of the complexity of the international financial system can be used in innovative ways to structure a series of transactions that can be difficult or impossible to trace back in practice."

Oilpatch Case

In 2018, investigators from the CRA alleged that a company with holdings in Alberta's oil patch, Sequoia Resources Corp, served as a vehicle for tax evasion in connection with offshore accounts. The CRA claimed the company's owner received funds amounting to \$2,666,865, "through a series of transfers involving foreign corporations that he is either directly or indirectly involved with."

Though a relatively small-scale case of alleged individual tax evasion compared to the more notorious scandals, it is important in that it involves the Alberta oil patch, which is often touted as the economic mainstay and pride of the province. More care needs to be taken by the provincial government in Edmonton to address the vulnerabilities of the sector to tax evasion.

Project Sindicato

In June 2019, York Regional Police divulged information on the bust of the "Figliomeni Crime Family," accused of laundering around \$35 million through illicit funds and assets. Twenty-seven arrests were made, including nine individuals in the organization's leadership who "face a litany of charges, including money laundering, tax evasion, and participation in a criminal organization, among others," according to Global News.

The Figliomeni family's alleged criminal enterprises include corporate entities in the form of accounting firms and real estate companies in and around Vaughan, just north of Toronto. Using these corporate entities, the organization was allegedly able to engage in "laundering millions through Ontario casinos, gambling between \$30,000 and \$50,000 a night," as reported by the *Vaughan Citizen*.

Police involved in the case have remarked on the centrality of investigating "financial offences that can be documented." The observation underscores the need for law enforcement authorities to have the tools and

capabilities to trace illicit financial flows through whatever fronts and vehicles these funds may be channelled.

Ownership transparency and tax fairness

No one, not high-powered tax lawyers at an offshore firm or international crime syndicates and their confederates in corrupt governments, should be able to turn to Canada as a secrecy jurisdiction of last resort—and after everyone else has gotten their act together on corporate ownership transparency.

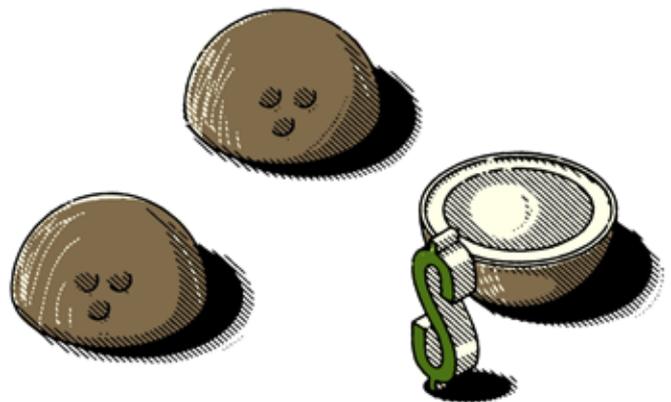
As these cases demonstrate, the need for a national public beneficial ownership registry has become more urgent than ever. Its establishment would eliminate the use of shell companies as a means of engaging in financial crime and allow Canada to realize advantages like potential increased tax revenues and an easing of the endemic money laundering of recent years.

Now, a national public registry would by no means be a panacea or a one-stop shop for tackling the complexity of financial crime. It would, however, provide a much-needed extension and supplement to the existing financial intelligence infrastructure, one that can help authorities by raising red flags in the event of suspicious transactions and transfers.

A public registry would fill in or match information from other databases, such as sanctions lists or the recently implemented Common Reporting Standard, and make it easier to co-operate with other jurisdictions in catching the culprits of transnational money laundering and tax evasion. For big cities like Vancouver and Toronto, where large infusions of anonymous wealth have inflated housing prices, a beneficial ownership registry would curtail the use of shell companies as vehicles through which to purchase property, and would do much to ease the affordability crisis.

For the federal government, a registry would close the avenues afforded by anonymous shell companies for directing the proceeds of crime to illegal outfits and assorted kleptocrats. Just as important, a beneficial ownership registry and database would allow Canada to challenge its growing international reputation as an alternative tax haven and money laundering destination.

We shouldn't be the place deceptive tax lawyers settle on to set up shell companies for their rich clients. We should instead take a leadership role in the global campaign to restrict illicit financial flows, fight corruption and lay the foundations of a fairer economy and a more decent society at home and abroad. **M**



MATT POLACKO

Canada's failed corporate tax cutting binge

Corporate income tax has long been a leading provider of government revenue. Unfortunately, large sections of the media and policy-making community have accepted the notion, propagated by both the business lobby and neoliberal ideology, that corporate tax is a detrimental, inefficient and growth inhibiting tax. Tax cuts, on the other hand, are said to encourage investment, create jobs and increase productivity. There is strong evidence that neither of these widely held beliefs are true.

We need look no further than south of the border for the latest example of corporate tax cuts failing to match promises. President Trump's Tax Cuts and Jobs Act of 2017, which lowered the corporate tax rate from 35% to 21%, did not lead to any increase in growth, investment or wages, according to a Congressional Research Service paper published in May. These findings were echoed in a more recent study by the IMF. The only benefit from the cuts was a brief upturn in repatriated corporate money from abroad, which quickly levelled off as companies

dumped their proceeds into share buy-backs and dividends.

Despite this considerable policy failure, we still hear calls for renewed corporate tax cuts in Canada. The Alberta government, for example, has announced it is lowering the provincial corporate tax rate by one-third, claiming this will increase competitiveness and spur investment. It almost certainly will not. Between 2000 and 2006, the Chrétien and Martin governments cut the corporate rate from 28% to 21%; by 2012, the Harper government had taken it down to 15%.

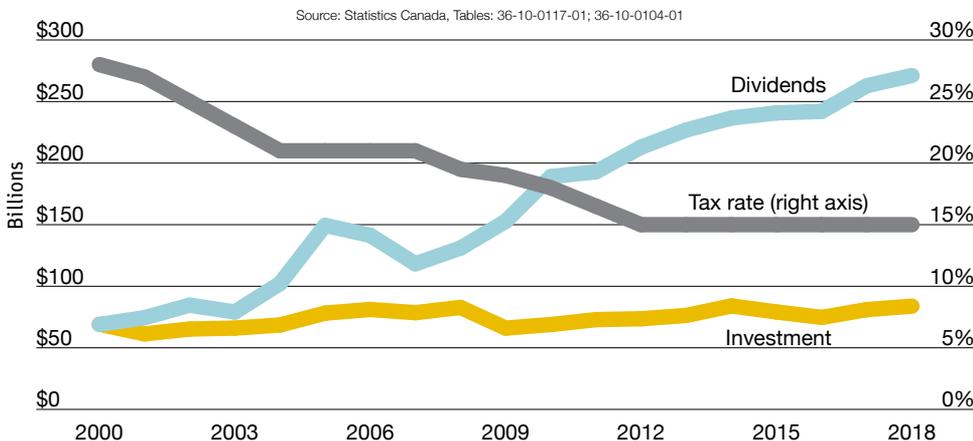
This halving of corporate taxes in just 12 years contributed substantially to the profits of large firms, but the public benefits are hard to find. According to Statistics Canada, after-tax corporate profits have more than doubled since 2000 (from \$122 to \$303 billion) while total federal corporate tax revenue increased by \$33 billion (from \$50 to \$83 billion). Canada's economy (measured by GDP) doubled in size over this period, from \$1.13 to \$2.22 trillion, yet corporations are contributing a declining share of this amount to the federal treasury.

Even small changes in corporate tax rates have sizeable ramifications, as every one percentage point cut has been estimated to cost the federal government roughly \$2 billion in annual revenue. This lost revenue has substantially undermined public spending. But corporate tax cuts have also been shown to actually foster slower growth in Canada. Worse yet, rather than investing their enlarged earnings into expansionary industrial projects, Canada's corporate sector has hoarded an idle cash pile of \$680 billion, which nearly matches the federal debt size.

As mentioned, the corporate profits that are not hoarded have mostly been spent on share buy-backs and dividends. As shown in the chart, dividend spending has quadrupled since the turn of the century as the tax rate dropped, while investment in machinery and equipment has barely budged.

Canada already has the lowest effective corporate tax rate (which includes tax incentives) among the world's leading economies, but it hasn't led to any increased rates of business investment. Canadians should be questioning why we are trying to win a global race to the bottom that simply helps more wealthy shareholders avoid paying tax.

Low corporate tax rates contribute to soaring inequality that has also proven to be harmful for economic growth. Moreover, the long-term well-being of Canada is being put at risk, since corporate profits depend on tax-financed public goods such as an educated and healthy workforce and a strong infrastructure. Cutting already low taxes for corporations does not lead them to invest more or contribute their fair share, but it does undermine everyone else. **M**



RYAN CAMPBELL

It pays to enforce Canadian tax law

Regular people are easy to tax. Most of their pay shows up on T4 slips, and most tax loopholes, shelters and incentives are of no use to them. Large corporations and wealthy individuals, on the other hand, can hire teams of high-priced specialists to aggressively game the tax code. They have the income to take full advantage of every possible relevant incentive. For the rich and powerful, enforcing the rules takes extra work, but it's worth the effort.

Canadians know the system is unfair. Asked by Environics in 2018 whether it's easier for corporations and wealthy individuals to evade or avoid tax than it is for average people, almost 80% of respondents agreed. Surprisingly, when the Professional Institute of the Public Service of Canada (PIPSC) put the same question to the auditors, economists, actuaries and other professionals at the Canada Revenue Agency, the level of agreement was even higher: 90% said it's easier for some to get around taxes compared to others.

Think about this in the context of a few troubling trends. First, corporations are footing less of the overall tax bill compared to individuals. Second, the super wealthy are paying a smaller percentage of their annual income in taxes compared to the middle class. And third, the inner workings of tax avoidance schemes have been exposed in recent years by high-profile leaks such as the Paradise and Panama papers. The end result is a growing number of regular people who understand the problem and want solutions.

CRA employees are regular people too; they want the rules to apply fairly to everyone. They also have unique insight into the working of the tax system and understand that any solution must acknowledge the connection between tax fairness and the hands-on work they do enforcing tax laws. And yet despite the increasing technological sophistication of tax avoidance—to the benefit of large multinational corporations and tax havens—the CRA has struggled to maintain its funding.

One of the worst hits to the CRA came in the Harper government's cost-cutting 2012 federal budget. At the time, every department and agency was asked to find efficiencies totalling between 5% and 10% of their overall budget. The official line was that they were targeting back-office spending. The reality was that you couldn't cut that deep without impacting frontline services. Nowhere was this destructive practice more arbitrary and illogical than at the Canada Revenue Agency, where everyone's job—either directly or indirectly—is to bring in money.

The agency's annual budget was scheduled to be cut by \$900 million; 3,000 positions faced elimination. Criminal investigation auditors were removed from smaller regional offices and consolidated into a few urban centres. A whole category of crucial subject matter expert positions were either eliminated or the function was diluted. Divisions for compliance, research and special enforcement faced the axe. Broadly, the CRA was required to collect the same amount of revenue with fewer resources and a smaller head count. The agency decided to increase automation in the auditing process and reorient other aspects of their approach to tax enforcement.

The changes were not well received. Employees pointed out they had less time to work on the bigger, more complex cases and instead had to focus on the simpler ones. In practice this meant looking at a greater number of small errors on small returns instead of spending the time needed going after the people trying the hardest to avoid taxes. Others said the restructuring was so misguided that it was acting as a de facto tax cut that benefited the big offenders while charities, small businesses and individuals faced stricter scrutiny.

Despite some much-needed reinvestment in the CRA since 2015—under the banner of enhancing tax fairness—funding levels are just now returning to where they were before the 2012 cuts. When adjusted for inflation, a \$500 million gap still exists between the agency's capacity then and now. Auditors feel outgunned by sophisticated tax avoiders. Investment in training, technology and staff would go a long way to levelling the playing field.

The 2016 federal budget promised that every \$1 in proposed additional spending on the CRA would bring \$12 in revenue. In 2017, it was \$5 in revenue for every \$1 spent. Investing in tax enforcement can raise billions to fight climate change or fund new programs like universal pharmacare, all without having to raise taxes. In 2019, the Parliamentary Budget Officer estimated that big corporations use tax havens to shirk upwards of \$25 billion per year. Clearly, more work needs to be done.

Canadians are fed up with the shell games that wealthy individuals and big corporations play to get out of paying their fair share. Professionals at the Canada Revenue Agency are firmly among them. **M**

RYAN CAMPBELL IS AN ECONOMIST WITH THE PROFESSIONAL INSTITUTE OF THE PUBLIC SERVICE OF CANADA.

ERIKA BEAUCHESNE

“Crooks and kleptocrats”

How a beneficial ownership registry would clear up
Canada’s snow-washing problem

When John Penrose visited Canada this year to address a global anti-corruption summit, he brought some advice for his host country. The U.K. member of parliament told government representatives of a powerful anti-corruption tool that would cost less to implement than paving a few kilometres of road.

He was talking about a public registry of beneficial owners, a searchable database that identifies the true owners of companies. In jurisdictions without public registries, companies can be established without ever revealing the identity of the person or people controlling them. Businesses can then be used to move illicit funds, including proceeds of corrupt governments, trafficking and terrorism. White-collar criminals also profit from the secrecy, which slows down investigators and tax authorities.

As the U.K. prime minister’s Champion on Anti-Corruption, Penrose knows a thing or two about tackling the kind of crime that occurs behind anonymous ownership. His government was the first in the world to introduce a public registry to draw criminals out from the shadows. Penrose spoke about the initiative at the Open Government Partnership Summit in Ottawa this spring, where officials, academics and civil society representatives from 79 countries gathered to promote more open democracies. He was joined on stage by representatives from Ukraine and other jurisdictions that see the value of beneficial ownership transparency.

The Canadian government, however, appears to be mostly watching from the sidelines, even as the situation worsens at home. Weak transparency laws—they are among the worst in the G20—have made Canada a money laundering hot spot. A C.D. Howe Institute

report earlier this year estimated that up to \$130 billion in illicit funds cross our borders every year. The practice of cleaning dirty money in the Canadian economy has grown so common that international experts found a special term for it: snow-washing.

“We are at the back of the pack on beneficial ownership transparency,” says James Cohen, executive director of Transparency International Canada, one of several organizations advocating for a pan-Canadian public registry of beneficial ownership. “While our peers make the move to address this policy, Canada becomes an increasingly soft target for crooks and kleptocrats,” he warned.

It’s not hard to understand why criminals are drawn to Canada: there are more rigorous checks to obtain a library card here than to set up a shell company. Under the cover of a legitimate business, criminals can stash their dirty money in various sectors of the economy, from casinos to real estate. The effects have been especially felt in British Columbia, where money laundering has increased housing prices by about 5%, according to an expert panel report this spring.

Transparency International’s research in Vancouver found the beneficial owners of nearly half the city’s most valuable properties were hidden behind shell companies, trusts and nominee owners. Then came a hard-hitting report from former RCMP deputy commissioner Peter German this spring revealing that 13,678 residential properties in B.C. were owned by individuals or entities in one of 113 countries outside of Canada, more than a fifth of which are from known high-risk jurisdictions.

In response to the findings, the B.C. government called a public inquiry into its money laundering problem and committed to creating a public registry of beneficial owners for

property—a Canadian first, and “one of the biggest steps of any government in the world to address beneficial ownership transparency,” according to Cohen. It could take time for federal and provincial governments to reach a consensus on a pan-Canadian registry, but Cohen says that’s even more reason for jurisdictions like B.C. to press ahead with their own measures, like a public land registry.

Governments that don’t act should consider themselves warned, according to Maureen Maloney, professor at the School of Public Policy at Simon Fraser University and chair of the expert panel that produced the report *Combating Money Laundering in B.C. Real Estate*. In an interview this year with CBC’s *The Current*, Maloney cautioned that other provinces will find they have a much bigger issue once criminals start moving their money out of B.C. in search of a new home. The expert panel calculated that other provinces are already awash in the activity, with an estimated \$10.2 billion of illegal flows in Alberta in 2015, and \$8.2 billion worth in Ontario.

The Greater Toronto Area—where property prices and homelessness have been on the rise—is especially vulnerable, according to a joint report this year by Transparency International Canada, Canadians for Tax Fairness, and Publish What You Pay Canada. The report examined more than 1.4 million property transactions in the GTA and found at least \$20 billion entered the GTA housing market over the last decade without oversight or due diligence on beneficial owners and source of funds. Companies were more than three times as likely as individuals to purchase real estate without a mortgage.

All of this has prompted a wave of support for greater transparency

across the board. One of Canada's largest single-industry trade associations, the Ontario Real Estate Association, backed calls for a public registry of beneficial owners of property. CEO and former provincial Progressive Conservative party leader Tim Hudak told the *Toronto Star* the policy solution was “a no brainer.”

Municipalities have a major stake as well. Regional governments have been left to deal with the localized effects of money laundering and other criminal activity, including drug and human trafficking, a worsening fentanyl crisis, and lack of affordable housing. Revenues lost to tax evasion have added insult to injury, as governments claw back public services rather than addressing the root of their revenue problems.

Tax experts recognize the need for greater transparency. A recent survey of Canada Revenue Agency professionals found 61% believe Canada is too secretive about beneficial ownership and even more (75%) agree that federal and provincial governments should require corporations to publicly identify beneficial ownership relationships.

Business too is building a case for lifting the veil on anonymous ownership. Legitimate small and medium-sized enterprises (SMEs) have lost millions from being taken advantage of by criminals hiding behind shell companies. Law enforcement is having a hard time tracking the perpetrators down, much less recovering lost funds. The C.D. Howe Institute found that 99.9% of money launderers are never caught due to the difficulty of tracing money through a complex web of secret corporate entities.

SMEs and big business alike need access to beneficial ownership information to help them make informed decisions about their supply chains, says Robin Hodess, a panellist at the Open Government Partnership summit this spring and director for the B Team, a U.S.-based advocacy group of global business leaders. At last year's B20 in Argentina (a global business meeting on the sidelines of the G20 summit) industry representatives called on governments to reduce business risks associated with anonymous company ownership. Public registries are increasingly seen as a critical due diligence tool, and support for that open data is growing across multiple levels of industry, from big banks to small businesses and even multinationals, Hodess told the summit.

Weak transparency rules pose risks to society beyond the impact on business. A report this spring from the Washington-based FACT Coalition highlighted how opaque ownership has allowed the import of counterfeit goods ranging from cancer treatment medication to knockoff military components. Legislators in the U.S. have recently acknowledged the perils of anonymous business ownership; beneficial ownership bills are making their way through congress with bipartisan support.

As the U.S. moves toward greater transparency, it has heightened warnings about the “major money laundering country” to its north. The U.S. Department of State this spring placed Canada on a shortlist of countries, including Afghanistan, the British Virgin Islands and China, at high risk of money laundering. Canada's international reputation continues to suffer as international headlines expose the country's snow-washing problem—and lack of government response.

An estimated \$2.6 trillion—roughly 5% of global GDP—is laundered worldwide. The effects at home are detrimental enough, but they are devastating in countries where the additional loss of revenue exacerbates poverty. Money laundering helps fund terrorism and trafficking, which also more profoundly affect the poorest individuals, particularly women. Canada, which is committed to a feminist international assistance policy, can do much more to strengthen domestic laws to reduce gender-based violence beyond our borders.

Federal and provincial policy-makers have acknowledged there's a problem. This spring, Finance Minister Bill Morneau announced the government would commit to exploring solutions with the provinces, including looking at a public registry of company beneficial owners. But without any firm commitment, advocacy groups and citizens must continue to press all levels of government to move toward more transparent laws that protect our communities, the economy, and Canada's role on the international stage. **M**

HOW DO BENEFICIAL OWNERSHIP REGISTRIES WORK?

Federal and provincial governments already have business registries that are updated whenever a company is created, dissolved, amalgamated, or when it changes ownership, address and other information. A public, searchable pan-Canadian registry would add beneficial ownership fields to these existing corporate registries, identifying the individual investing in and controlling the company rather than a nominee or “straw man.”

What data does a registry contain?

Basic information such as name, partial date of birth, address, country of residency, and whether the owner is a person of interest or head of an international organization. For privacy reasons, some of that information would be limited to government or law enforcement officials, but a unique identifier can be used to search related entities and activities.

Who benefits?

Law enforcement tracking illicit activity; tax officials investigating avoidance or evasion schemes in Canada and across multiple jurisdictions; real estate and financial institutions carrying out due diligence checks; Canadian businesses verifying customers, creditors and potential partners; journalists and civil society investigating matters of public interest and safety, etc.

Which jurisdictions are leading on transparency?

The U.K. was one of the first to implement a public registry of beneficial owners and recently passed a law requiring overseas territories, such as the British Virgin Islands, to do the same. The European Union has required member nations to create public registries by 2020. A number of regions have or are in the process of adopting beneficial ownership registry laws, including Brazil, South Africa, Ukraine and others. Within Canada, B.C. requires public registries of beneficial ownership for property through its Land Owner Transparency Act, which mandates that corporations, trusts and partnerships disclose beneficial owners at the time of legal transfer of a property, and any changes in ownership.

Who supports a public registry?

The Canadian Money Services Business Association, Open Concept, the AML Shop, Mining Watch, the Canadian Labour Congress, FACT Coalition, IMPACT, and many other organizations.

SAMUEL-ÉLIE LESAGE

An irresistible march toward fiscal justice

Échec aux paradis fiscaux was founded in 2011 by a small group of unions and civil society organizations fed up with how easily corporations and high-wealth individuals avoid paying taxes. Slowly, the coalition has grown to the point that today, nearly all Québec's unions are members, alongside a great number of other groups and two national student associations. In the past three years, we have met with executives at the Canada Revenue Agency, organized demonstrations, took part in parliamentary consultations (provincial and federal), and held public conferences and civil education workshops in Québec.

I believe the strength of our campaign for greater fiscal justice comes from Québec's rich history of social struggle and popular support for public services. While it is true that those very services are currently undermined by austerity policies and privatization initiatives, the people of Québec understand that other political choices would be possible if the funds lost to money laundering and tax havens were brought back within the reach of fiscal authorities.

In that regard, it *infuriates* Quebecers that we still have a two-tier tax system, where the rich and the most powerful megacorporations are legally allowed to avoid taxes without fear of recrimination. Québec is almost unanimously in favour of requiring that Netflix charge and remit sales taxes, for example, while the federal government claims that legal tax avoidance by internet-based service providers is best for the middle-class. Nonsense! Other tax scandals such as the Panama and Paradise Papers leaks gathered enormous attention here.

When *Échec* members meet with the public, we find they are genuinely

interested and surprisingly well informed on the matter of tax havens. This popular concern has translated into government action. For example, while Ottawa has done nothing to stanch the flow of taxes out of the country (and even worsened the situation), Québec launched an extensive inquiry into how tax havens impair public finances that produced a government action plan in 2017. Although seriously imperfect, the plan dares to acknowledge the existence of tax havens and puts forward some interesting policy ideas.

As I am writing these words, Québec is planning another consultation on the implementation of a public beneficial ownership registry. The policy would reveal who benefits from legal entities such as companies and trusts, make those people accountable if they try to snow-wash money or avoid their taxes, and would considerably bolster corporate transparency. Along with British Columbia's public registry on properties, the Québec action confirms how political mobilization and public interest shape and influence policy-making.

In the lead-up to the October election, all the main parties put forward policy ideas to tackle tax avoidance, yet similar promises in the past have been forgotten by incoming governments. Still, the population has never been more aware of this issue and rightly demands more from their leaders. In order to put the fight against tax avoidance at the forefront of the election, the *Échec* coalition asked each party to commit to 12 radical and innovative solutions to the problems of tax havens and money laundering. Where they said we were asking too much, we pointed out that many of these measures are already in place or being considered in other countries.

For instance, the government should restrict access to the CRA's pardon program—which lets some tax avoiders who come forward voluntarily avoid paying much of the back tax they owe—and put the agency under better scrutiny. We also need new tools to tackle tax avoidance via diverted profit logging (of the sort practised by Google) and to increase corporate transparency. A public ultimate ownership registry would help in this regard, as would ending legalized tax avoidance through Canada's fiscal conventions such as tax information exchange agreements (TIEAs), which let Canadian companies repatriate profits logged in known tax havens without paying taxes.

Finally, Canada must be at the forefront of the fight for fiscal justice by proactively promoting new models of international financial governance. We advocate the idea of unitary international corporate taxation. Rather than considering each company of a multinational firm as an autonomous entity, which facilitates tax restructuring and avoidance, multinational companies should be taxed based on their consolidated revenues, and on profits realized in each country.

The world urgently needs to transition to a cleaner and more equitable economy. With all the new public investment this transition entails, reforms that put an end to tax avoidance and tax havens have never been more important. Pressure is growing for our politicians to do more, and more importantly to do better. Other countries are showing the way by trying different, innovative approaches to end tax havens. I believe Canada should be one of them. **M**

SAMUEL-ÉLIE LESAGE IS CO-ORDINATOR OF *ÉCHEC AUX PARADIS FISCAUX* AND AN ASSOCIATE RESEARCHER WITH L'INSTITUT DE RECHERCHE ET D'INFORMATIONS SOCIOÉCONOMIQUES (IRIS).



JAMIE KNEEN

What riches await...

Canada treats mining companies like the goose that laid the golden egg. What we get in return looks more like a goose egg.

Mining enjoys massive government support in Canada. Politically, it's treated as a preferred development option for remote communities and Indigenous peoples. Former Saskatchewan premier Brad Wall once said, "The best program for First Nations and Métis people in Saskatchewan is not a program at all—it's [uranium mining company] Cameco." The law backs this up. Mining companies still have rights to "free entry" in much of Canada, since mining is legally considered the "highest and best" use of land. Though these laws are being challenged by First Nations, today prospectors can stake claims and even drill or trench without any consideration for other land users, or in some cases, even private landowners.

There are also financial incentives to mine. The federal and provincial governments and territories spend hundreds of millions on road and power corridors to support mining projects, while supporting training for mining skills that are often not highly transferrable. Already low corporate tax rates are further reduced by accelerated capital cost allowances and deductions for exploration and development costs. "Flow-through" shares allow mining companies to pass exploration costs onto investors as tax deductions. And while they've

Thessaloniki protest against the Skouris gold mine in northern Greece, September 2013.

been slowly getting better, Canadian jurisdictions still dramatically undercharge mining companies when it comes to setting aside money to clean up spills or for long-term environmental monitoring and rehabilitation.

All of this is justified publicly by the creation of jobs, contribution to GDP and exports—and taxes paid. Mining does create "good pay" jobs, though more of these are displaced from other sectors than the industry will admit. Mining does generate export earnings and boost GDP, though economists will argue about whether these really represent development, especially when what is being exported is raw materials with little value added. So, what of the taxes?

On paper, mining operations pay corporate tax and sales tax, among

others, along with royalties (sometimes called “mining tax”) intended to compensate the state for the permanent loss of whatever resource is being extracted. Depending on the audience, mining companies will either brag or complain about the amount of tax they pay. They rarely explain how those amounts are calculated, much less compare them to what they might have had to pay if it weren’t for the lowered tax rates, tax holidays and exemptions. More egregiously, they also like to take credit for the taxes that their workers pay.

James Wilt, writing in *The Narwhal* in July last year, found that Canadian governments collect a smaller percentage of mineral value than almost any other jurisdiction in the world. There are a number of explanations for this, ranging from low tax rates to grace periods and tax holidays, as mentioned, to using a variable base for calculating royalties. Canada is unusual internationally, for example, in the extent to which it charges royalties based on profits rather than on the amount of mineral extracted, allowing for deductions and “profit-shifting” to diminish the amount owed.

In an extreme example, the CBC’s Rita Celli reported in May 2015 that in 2013-14, De Beers Canada paid the

Ontario government \$226 in royalties from its Victor Mine in Attawapiskat, the only diamond mine in the province. “The diamond royalty stirred a huge debate when the Ontario government suddenly introduced it in 2007,” wrote Celli. “Then-premier Dalton McGuinty promised it would enrich all Ontarians. He promised the money would be used to hire more nurses and keep class sizes small in schools.”

The low figure was due to De Beers having been allowed to write down its capital investment against the royalties. Tom Ormsby, De Beers’ vice-president of external and corporate affairs, told Celli the company started to pay millions in 2014. Its reports under Canada’s Extractive Sector Transparency Measures Act (ESTMA), in force since 2015, show it paid US\$15.8 million in royalties in 2016 (on earnings of US\$79 million) and US\$11.3 million in 2017 (on earnings of US\$205 million). The mine closed in early 2019. In other words, the mine probably generated almost nothing for the province for the entire first half of its production, and probably less than \$100 million over its 11-year life.

Any assessment of the millions in taxes and royalties from mining operations has to include the overall value

of the resource, as they remove many times more millions of dollars’ worth of metals. Any honest calculation also has to include not only the overall flow of money to governments, but also the subsidies, costs and liabilities, including social disruption and damage to local economies and the environment.

Internationally, the Canadian government takes the promotion of Canadian mining companies very seriously indeed. This is demonstrated by the fact that while Canadian and international civil society has been pushing for almost two decades for restrictions on the international activities of Canadian companies, the federal government has refused to recognize that illegal activity and human rights and environmental abuses are even happening, much less restrict them—or enforce the sole piece of legislation we do have, the anti-bribery Corruption of Foreign Public Officials Act.

At the same time, Canada provides massive support for transnational mining investment, both politically and economically. It helps explain why so many mining companies are domiciled in Canada, even if they have no Canadian operations, or even no

Eldorado Gold 2018 payments to governments (USD) vs. production

Source: ESTMA and company’s Annual Information Form.

COUNTRY	PROJECT NAME	PRODUCTION (OZ. GOLD)	TAXES	ROYALTIES	FEES	INFRASTRUCTURE IMPROVEMENT PAYMENTS	PAID
Romania	Certej	0	-		1,820,000		1,820,000
Turkey	Kisladag	172,009	80,000	3,180,000	6,500,000		9,760,000
Turkey	Ankara Corporate Office	n/a	15,290,000	-	190,000		15,480,000
Turkey	Efemcukuru	95,038	40,000	2,710,000	1,340,000		4,090,000
Greece	Kassandra	46,750	80,000	150,000			230,000
Greece	Perama Hill	0	10,000	20,000			30,000
Brazil	Tocantinzinho	0			440,000	1,060,000	1,500,000
Canada	Lamaque (started production Dec. 2018, projected 100–110,000 oz/yr)	35,350	130,000				130,000

Canadian directors, and regardless of who actually owns the majority of their shares.

Our embassies contribute “economic diplomacy,” which includes pressuring foreign governments to support favourable legislation and policies and helping build relationships between mining executives and foreign officials, such as mining ministers and state presidents. Canadian diplomats also provide support directly to companies, going so far as to help them comply with regulations and apply for permits. Even our development aid is skewed toward rewarding countries and regions that are willing to host Canadian mining projects, and assisting governments in administering mining laws so as to smooth the way for Canadian investment.

Economic support is both direct (investment from the Canada Pension Plan and Canadian Investment Fund for Africa, for example, or loans and political risk insurance from Export Development Canada) and indirect. Canada has built a massive network of tax treaties, bilateral investment treaties and free trade agreements that all serve to facilitate and protect Canadian investment, as well as allowing profits to be shifted through subsidiary companies to avoid taxation. It’s all perfectly legally, if you do it right.

The result is a ballooning offshore pool of wealth sitting in tax havens and secrecy jurisdictions in the Caribbean, Channel Islands, and even some U.S. states—wealth that is not taxed to benefit the countries it was extracted from, or even the country that worked so hard to facilitate it (in this case, Canada). Governments that try to protect their own people and ecosystems from mining destruction face the threat of multimillion-dollar lawsuits through arbitration provisions in those investment agreements.

To pick just one example, Eldorado Gold has been struggling for years to overcome committed local opposition to its planned Skouries open-pit gold mine in Halkidiki, northern Greece. Local people opposed to the massive project have raised objections over the destruction of a forest that is of immense cultural and historic significance—it is where local partisans gathered to strategize and mobilize against the fascists, and now serves as a focus for tourism, beekeeping, etc.—and the contamination of freshwater supplies (the ore is loaded with arsenic, among other things).

They have also questioned the promised benefits for the Greek state—with good reason. A study led by the Dutch organisation SOMO (the Centre for Research on Multinational Corporations) found the company has structured its investment with tax avoidance in mind. Subsidiaries in the Netherlands will allow Eldorado to shift profits from Greece to the Netherlands and Barbados, minimizing exposure to taxes and leaving Greeks with little to show for the mine’s ecological, social and economic disruption. SOMO calculated this arrangement had cost Greece 1.7 million euros in lost tax in 2013-14 alone (nearly \$2.5 million based on the exchange rate at the time).

A look at Eldorado Gold’s payments to governments, as disclosed under ESTMA, shows that as of 2018, the company made significant payments in Turkey, where most of its

Even our development aid is skewed toward rewarding countries and regions that are willing to host Canadian mining projects.

gold production is, but nowhere else. Not even Canada, where it is supposedly headquartered, but also where it now operates the Lamaque Mine outside of Val-d’Or, Quebec.

What we don’t know is how much the company should have paid in the absence of what the accountants call “aggressive tax planning,” or what the rest of us call tax dodging. Nor does this accounting show how much has been set aside as security bond for closure, cleanup, and possible spills and accidents.

It makes sense that Turkey, as the primary host of Eldorado Gold’s operations, should benefit most. It’s an open question whether the country benefits enough to compensate for the loss of its gold-bearing ore, not to mention the various forms of damage occasioned by mining or the liabilities it leaves behind. And it’s more than likely that the company has minimized its exposure to Turkish taxes.

But at the same time, there is clearly no direct return for Canada from all of the support we provide. If share value increases or the company pays dividends we can benefit as shareholders—through our pensions, RRSPs or the Canada Pension Plan. But clearly the loot is mostly being scooped up by others: well-paid company executives, the banks that finance all of this, and the legal, accounting and investment houses.

At the end of the day, the notion that mining is good for Canada is pretty dubious. The reality within Canada is much more complex than our governments and most of the media are willing to admit. In other parts of the world, the reality is that Canadian mining primarily benefits the mining companies, their local backers, and their financiers. Its contributions to “host” countries are variable and on balance generally negative. Despite all the effort from public officials, Canada hardly benefits at all. It’s past time we started to dismantle the legal, regulatory, financial and political support that feeds and sustains this false narrative. **M**

KADY SEGUIN AND EMILY NICKERSON

The case for transparency in the mining, oil and gas sector

Canada is one of the biggest extractive sector players in the world. We are home to approximately 60% of the world's mining companies, and the Toronto Stock Exchange and Venture Exchange host more oil and gas companies than any other exchange in the world. Collectively, these companies have interests in over 100 countries.

Whether through taxes, royalties, bonuses or fees, extractive companies make significant payments to resource-rich countries and communities around the world for their natural resources. Until recently, these numbers were shrouded in secrecy. Citizens had no way of knowing how much money their governments were making from their natural resources or how those revenues were being spent. This opacity has fuelled corruption and mismanagement in many resource-rich countries and stifled informed dialogue about how natural resources should be managed.

Recognizing the benefit of increased transparency, PWYP-Canada (Publish What You Pay Canada), with the Natural Resource Governance Institute, the Mining Association of Canada and the Prospectors and Developers Association of Canada, launched the Resource Revenue Transparency Working Group. Together these organizations promoted mandatory disclosure requirements for Canadian mining companies operating in Canada and around the world.

In 2014, responding to the working group's campaign, the federal government passed the Extractive Sector Transparency Measures Act (ESTMA). Canadian extractive companies are now required to publish their payments per project in countries where they operate. The act requires large private oil, gas and mining companies, along with those listed on a Canadian stock exchange, to disclose the payments they make to governments in Canada and abroad on a country-by-country and project-by-project basis.

Many were surprised to see the Canadian mining industry supporting these requirements and sometimes actively pushing for them. But there are clear benefits to the industry from transparency, including the opportunity to demonstrate leadership on a global scale. As highlighted by the Mining Association of Canada on its website, "[t]he enhanced transparency resulting from this legislation will help reduce instances of corruption by enabling citizens around the world to hold their governments accountable for how they allocate and spend mining revenues. It will also help to ensure that these revenues contribute to sustainable development and poverty reduction."

For many companies, enhanced transparency is good for business. It can promote a more stable investment climate and help secure a social licence to operate. During debate on ESTMA, investors in the mining sector expressed the desire to see companies disclosing what they pay to governments in order to assess project- and country-specific reputational and tax risks. As the use of tax havens continues to receive more and more attention, investors are paying closer attention to such information.

One of the key things that PWYP-Canada heard from many extractive companies during the transparency working group campaign was that people, communities, and sometimes even governments often believe a company has paid significantly less or more in taxes and other payments than is the case. Some companies had been wrongly accused of paying no taxes at all.

While companies can voluntarily disclose this information—and some did prior to the passing of ESTMA—the fact the company is legally required to do so provides a much stronger level of credibility to this data. Furthermore, legal transparency requirements level the playing field while providing a full and clear picture of the industry to citizens and communities interested in what companies in their region are paying governments at various levels (local, regional, national).

The question of how much a company should pay in taxes and other payments is an important one, as is the question of whether to extract natural resources at all. There are a variety of social, environmental and economic considerations that need to be made, including how much money governments will earn from the project. Without this information, it is almost impossible to have a meaningful and informed conversation about whether what is being paid (or will be paid) is fair.

There have been numerous debates in Canada over the taxation regime, federally and in the provinces and territories, for oil, gas and mining companies. These debates often take place in the absence of tangible data on how much money such projects contribute to the public purse. It's time for a more data-driven conversation about the value of mining and extracting natural resources. The transparency requirements in ESTMA take us a step in the right direction. **M**

KADY SEGUIN IS TECHNICAL DIRECTOR AT IMPACT AND PRIMARY LIAISON WITH DOWNSTREAM MARKET ACTORS IN THE MINERAL SECTOR. EMILY NICKERSON IS EXECUTIVE DIRECTOR OF PWYP CANADA. DATA ON PAYMENTS TO NATIONAL AND FOREIGN GOVERNMENTS FROM EXTRACTIVE ENTITIES ACTIVE IN CANADA CAN BE FOUND ON THE NATURAL RESOURCES CANADA WEBSITE. FOR GLOBAL INFORMATION, INCLUDING DATA FROM CANADA AND COUNTRIES WITH SIMILAR LEGISLATION, SEE WWW.RESOURCEPROJECT.ORG.

BRONWYN OATLEY, CLAIRE TROTTIER, DAN HOYER, DAVID GRAY-DONALD,
JON MCPHEDRAN WAITZER, LINDSAY WIGINTON, SELIN JESSA AND SYLVIE TROTTIER

These rich folks want their inheritances taxed!

We are living with vast discrepancies between rich and poor in Canada. That much is undeniable. According to the Broadbent Institute, 10% of Canadians held almost half (47.9%) of all wealth in 2012. Meanwhile, around one in seven people (about 14%) live in poverty, according to Canada Without Poverty. The gap between those with and without wealth is stark. According to a 2018 CCPA report, the wealthiest 87 families in Canada hold about 4,448 times as much wealth as the Canadian average. This gap is only growing.

For many rich people, wealth comes not only from wages, but also from capital gains (through owning and trading stocks and bonds) and intergenerational transfers of money and land. The latter was often accumulated at the expense of marginalized communities such as Indigenous peoples, whose stolen resources and land continue to generate wealth for largely non-Indigenous people and their families. These forms of wealth persist (and grow) over generations and are not taxed as progressively as income in Canada. Inequality snowballs over time.

We personally have experienced this gap mostly from the wealthy side of the equation. And we do not believe that the concentration of money in the hands of just a small number of people is fair or beneficial to society. That is why we are members of a group called Resource Movement. Founded in 2017, our movement's mission is to unite young people with money and class privilege around a strategy to equitably distribute wealth, land and power. Resource Movement (a project of Tides Canada) was inspired by the U.S.-based Resource Generation and currently includes over 100 members.

Stark contrasts in wealth accumulation are fairly common around the world today, but they are not inevitable. Wealth gaps are the result of social and political choices: choices like prioritizing tax breaks for the rich and expanding fossil fuel production over increasing the number of people with access to child care and expanding the availability of affordable housing. We believe, as individuals who are or have been part of wealthy families and communities, that no one needs the levels of wealth that some people in Canada currently command.

The level of inequality we are experiencing today is a threat to us all. Indeed, several recent prominent works, such as *Capital in the Twenty-First Century*, *Ages of Discord*, *The Spirit Level*, *The Inner Level*, and *Inequality: What Can Be Done?*, have stressed that disparities in wealth and power—like those we experience here in Canada—tend

only to grow more and more extreme over time. This leads to increasingly drastic consequences: high rates of poverty and immiseration, polarization and political gridlock, increased crime and social and domestic violence.

In addition to opposing inequality for its unfairness, we don't want to live in a world with these material disparities, hierarchies and power differentials between people. We see how wealth inequality negatively affects people we know, our relationships, and ourselves.

Fortunately, there are some compelling ideas out there to close the wealth gap. Many other societies, present and past, have turned these ideas into action. Promising measures include estate taxes on properties worth several millions of dollars, a wealth tax for the super-rich, restoring higher income tax brackets for those earning extremely high salaries, eliminating tax loopholes and cracking down on tax evasion.

Implementing any of these measures would begin to redress the stark wealth inequality we are living with. Implementing them all would go even further. Ultimately, we want to see steps taken to build a world where wealth and power are shared, and Indigenous land rights are respected.

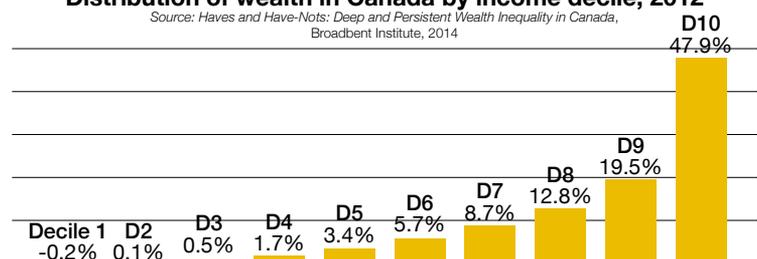
Many members of Resource Movement expect to receive large inheritances, so we are particularly supportive of the reintroduction of a federal inheritance tax—a form of wealth tax that exists in all other G7 nations. Recent calculations from the 2019 Alternative Federal Budget suggest that a 45% tax on inherited estates valued at over \$5 million would generate \$2 billion of federal revenue.

Aimed only at multimillion-dollar inheritances, this tool would make a dent in Canada's inequality while raising revenue that could, for example, begin to address the climate crisis or provide affordable child care and housing for all of us. We see this as an easy and necessary first step to closing Canada's immense and growing wealth gap. **M**

THE AUTHORS ARE ALL MEMBERS OF RESOURCE MOVEMENT. SEE CONTRIBUTORS PAGE FOR MORE ABOUT EACH OF THEM.

Distribution of wealth in Canada by income decile, 2012

Source: Haves and Have-Nots: Deep and Persistent Wealth Inequality in Canada, Broadbent Institute, 2014



Should billionaires continue to exist?

How taxing wealth could tackle both wealth concentration and the climate crisis

Wealth taxation is back on the progressive political agenda. It is both a refreshing new idea and a return to vogue of a policy established decade ago in Europe. Some remember it as part of François Mitterrand's 110 *propositions pour France*, a joint electoral platform in 1981 with the Communist Party that carried him into the Élysée Palace. The solidarity tax on wealth survived multiple right-wing presidents, only to fall recently to President Macron.

Even so, it is an idea whose time has come in North America. It continues to exist in three OECD countries, and both Bernie Sanders and Elizabeth Warren, two of the leading three Democratic contenders for U.S. president, have a plan to tax wealth in their platforms. The NDP also included a proposal for a wealth tax in its 2019 election platform, which was met with backlash and bad-faith critiques from the usual suspects.

Matthew Lau, who has written for the right-wing Fraser Institute and Atlantic Institute for Market Studies, called it “class warfare” and “confiscatory” in a *Financial Post* column. This was followed by another piece in the same publication by the Montreal Economic Institute's Gael Campan, who claimed taxing wealth would be a “tragic mistake,” seemingly oblivious to the existence of property taxes in Canada. Calling it a “demagogic ploy that ends up being counterproductive,” Campan brings up the prospect of the widely discredited “Laffer effect” of falling tax revenues from increasing taxation.

In a slightly more serious challenge, Robin Broadway and Pierre Pestieau call the wealth tax “Over the Top” in their recent C.D. Howe paper of the

same name, stating that it isn't needed, and it would be more efficient to raise taxes on capital gains. Why not do both? Recent studies such as the CCPA's *Born to Win* have shown that Canada's wealthiest 87 families now own the same amount as the lowest-earning 12 million Canadians, which is approximately equivalent to what everyone in Newfoundland and Labrador, Prince Edward Island and New Brunswick collectively owns. In Canada, just two billionaires (David Thompson and Galen Weston) own as much wealth as a third of Canadians.

A bold tax policy package is sorely needed to address this kind of wealth hoarding, which contributes to soaring inequality. Along with a host of other progressive measures, the wealth tax in particular sits in the enviable position of being at the nexus of both good policy and good politics.

According to a recent Ipsos poll, 67% of Canadians believe that “Canada's economy is rigged to advantage the rich and powerful.” Another poll conducted by Abacus Data found that 67% of Canadians also support the idea of a wealth tax, including 58% of Canadians self-identifying as “right-wing” and 64% of those who say they are in the political “centre.”

In his critique of the NDP's modest wealth tax proposal, Campan alleges it would force poor farmers to sell their land and cause capital flight. Lau asks how the tax could work when wealth in financial assets can vary day by day depending on the stock market. As the OECD has pointed out, there are ways of getting around all these problems.

The best wealth tax systems have a series of exemptions regarding most forms of middle class wealth, such as pensions and primary homes, as

well as exemptions for agricultural property. Assessments can occur every 3–5 years with options to apply for reassessment if a significant change in value occurs, and payments can be made in instalments for those taxpayers facing liquidity constraints.

Wealth taxes can apply to both domestic and international assets, be tied to citizenship and be negotiated by international tax treaties—to eliminate the incentive for capital flight. As proposed by Elizabeth Warren, you can introduce an “exit tax” at the same rate as an estate tax to seize assets from those who do choose to renounce their citizenship. With a rigorous enforcement regime, along with legislation to tackle tax havens, taxing wealth isn't a pie-in-the-sky or unrealistic idea. It just takes political commitment and good policy design.

Casting aside the nitty gritty, the fundamental question we really should be asking ourselves when we design our wealth tax is should we allow billionaires to continue to exist?

Gabriel Zucman and Emmanuel Saez, two economists at the University of California, Berkeley who advised Elizabeth Warren on her wealth tax proposal, write that the “revenue maximizing rate” runs as high as 6.5%—far beyond the NDP proposal of 1%. According to the economists, such a low rate would provide permanent revenues due to its quite limited effect on wealth concentration. Higher rates of wealth taxation, say, up to 10%, would more effectively dismantle entrenched wealth concentration over time with the trade-off being the loss of a permanent and reliable source of tax revenue.

Bernie Sanders's recently unveiled wealth tax plan would cut in half the wealth of the typical billionaire over 15 years, according to Saez and Zucman.

When the *New York Times* interviewed Sanders about his plan, they asked if he thought billionaires should exist in the United States. “I hope the day comes when they don’t,” he responded, adding, “It’s not going to be tomorrow.”

Sanders’s wealth tax (see box) is much more aggressive and much more steeply progressive than Warren’s plan, which begins at a 2% tax on wealth above US\$50 million and adds an additional 1% surtax above the billion-dollar mark. The revenue differences are large: over 10 years, Warren’s plan would raise US\$2.75 trillion while Sanders’s would raise US\$4.35 trillion. The other significant difference is how the Sanders plan obliterates wealth concentration while Warren’s plan has a much more limited effect due to the fact that the wealth of the richest Americans grows at an average rate of 6.6% a year.

By comparison, the NDP’s plan for a 1% flat tax rate on wealth above \$20 million seems quite modest. The Parliamentary Budget Officer estimates the NDP proposal would rake in approximately \$70 billion over 10 years, a value that includes the assumption that revenues from the wealth tax will be reduced by about 35% due to tax avoidance.

Rather than being “confiscatory,” as Lau suggests, Saez and Zucman write that “the marginal utility of a billionaire’s wealth is close to zero” and therefore “the revenue consequences of taxing billionaires outweigh the welfare consequences on billionaires.” Imagine for a moment what we could do if Canada plowed \$70 billion into reducing poverty, fighting climate change or tackling the housing crisis. Canada’s oil barons can manage with one less yacht.

We can see that a wealth tax would be good for redistribution. What of wealth concentration? Should we not also tax inheritances in order to stop the out-of-all-proportion pooling of family wealth through massive intergenerational transfers? The issue here is political. Sometimes inheritance taxes poll poorly, even when the tax only targets the passing down of unearned wealth. Even so, should we continue to allow oligarchs to control so much wealth and power

while other Canadians continue to live in poverty?

The proper design of any wealth tax system ought to both balance revenue generation and target wealth concentration. Which is why if we swear off an inheritance tax, we should be jacking up wealth tax rates. And if we shy away from steeply progressive wealth tax rates, we need to at least implement an inheritance tax.

French economist Thomas Piketty, best known for his best-selling book *Capital in the 21st Century*, has just put out a new book entitled *Capital and Ideology*. In it he proposes a wealth tax with a rate that goes as high as 90% for those worth over two billion euros (almost \$3 billion). He also states that billionaires actually harm economic growth and should be completely taxed out of existence. In a world in the midst of a climate emergency, it may also simply be necessary.

Piketty writes in *Le Monde* that “it is increasingly clear that the resolution of the climate challenge will not be possible without a strong movement in the direction of the compression of social inequalities at all levels.” This is because, “at world level, the richest 10% are responsible for almost half the emissions and the top 1% alone emit more carbon than the poorest half of the planet. A drastic reduction in purchasing power of the richest would therefore in itself have a substantial impact on the reduction of emissions at global level.”

When designing our wealth taxes, we should perhaps consider not only their redistributive power but also how they can attack the entrenched power of economic elites—and how this might help us save the planet along the way. As Piketty suggests, a wealth tax could be instrumental in shifting carbon intensive and socially useless elite consumption patterns.

Looking forward into the next decade, when large-scale economic decarbonization is on the agenda, we should also ask ourselves if this should mean moving toward a billionaire-free world. In the future we want to build, if we are asked the question, “Should billionaires exist?”, we should be able to confidently and resolutely answer: no. **M**

COMPARING THE WEALTH TAXES



THE BERNIE PLAN

REVENUES OVER 10 YEARS:
US\$4.75 TRILLION

Net Worth	Tax Rate
US\$32–50 million	1%
US\$50–\$250 million	2%
US\$250–500 million	3%
US\$500 million–\$1 billion	4%
US\$1–2.5 billion	5%
US\$2.5–5 billion	6%
US\$5–10 billion	7%
US\$10 billion and up	8%



THE WARREN PLAN

REVENUES OVER 10 YEARS:
US\$2.75 TRILLION

Net Worth	Tax Rate
US\$50 million–\$1 billion	2%
US\$1 billion and up	3%



THE NDP PLAN

REVENUES OVER 10 YEARS:
\$70 BILLION

Net Worth	Tax Rate
\$20 million and up	1%

How high should top tax rates go?

U.S. Congresswoman Alexandria Ocasio-Cortez provoked a lot of hostile—and positive—reaction earlier this year when she proposed the United States should introduce a top tax rate of 70% on incomes over \$10 million, with revenues going to pay for a Green New Deal. Although many on the right belittled her idea, it was in fact firmly based on the historical record.

Both the U.S. and Canada had marginal tax rates of over 90% on top incomes during the 1950s, and Canada's rate was over 60% throughout the high-growth years of 1940–80, when the average real wage of all Canadian workers grew strongly. The wage stagnation of the last 35 years has been accompanied by lower tax rates at the top, but for most of the 100-odd years income taxes have existed, high top marginal tax rates have been the norm.

Still, some pundits argue that high tax rates will make Canada “uncompetitive” and perhaps result in high earners leaving Canada or working less or taking more steps to avoid paying taxes or “the global talent pool” steering clear of the country. There is little evidence to justify these concerns. It's one thing to bluster about leaving the country if income taxes go up, but that would also mean giving up the public

services those taxes pay for and the opportunities to make money that a high quality public infrastructure enables.

And even if some of the affluent become more likely to want to avoid and evade their taxes, it is a public policy choice whether the rest of us let them—enforcement of tax laws and closing tax loopholes is a better option. The reality is Canada's higher income earners are not paying their fair share and there is lots of room to increase top tax rates.

So, how high can we go? Revenue maximizing tax rates for top incomes are now estimated to be at least 60% for Canada and up to 80% in the United States. In his 2015 CCPA report, *How Much Income Tax Can Canada's Top 1% Pay?*, Lars Osberg proposed that the federal government should increase its top rate (on income above \$210,000) to 65%, which would increase revenues for the federal government by an estimated \$21.8 to 26.1 billion.

The Trudeau government did, as the Liberals promised in the 2015 election, increase the top tax rate, but by a much smaller four percentage points—from 29% to 33%—starting in 2016. The government estimated this would add \$3 billion to annual revenues. In response, some of Canada's wealthier income earners shifted their declared income, and particularly discretionary forms of income such as dividends, to 2015, to take advantage of the 29% rate that was disappearing in 2016. This was reflected as a higher total declared income for this group in the 2015 tax year and a big drop in 2016. Opponents of the tax increase immediately claimed this was proof the tax hike was a failure.

But figures recently released for the 2017 tax year show that the incomes declared by the top 1% have rebounded again, as have the federal taxes they paid, similar to what was expected. Once the initial income timing response was over, the hike in the top marginal tax rate *has been effective* in raising revenues.

Importantly, the policy success means the federal government could probably increase the top income tax rate again, and by considerably more. The move would be appealing if only for its capacity to lower levels of inequality in Canada—by enhancing and expanding social services or redistributing some of this money to lower incomes.

In his new book, *Ideology and Capital*, French economist Thomas Piketty proposes a top tax rate of 90% on the incomes and wealth of the world's richest people. We're not there yet, but popular support for wealth taxes is growing. There's no reason why we shouldn't take more steps along the path to greater fairness in taxation. **M**

Revenue maximizing tax rates for top incomes are now estimated to be at least 60% for Canada and up to 80% in the United States.

DAVID MACDONALD

Close these tax loopholes now

A few years ago, I put out a CCPA report on Canada's most expensive tax expenditures called *Out of the Shadows*. It showed how some of these expenditures, sometimes called tax "loopholes" or boutique tax credits, are costing the government billions of dollars a year while primarily benefiting the rich. The *Monitor* asked me to update those numbers for this special issue on tax reform, which is what I've done here. The following costs are the expected value of the tax expenditure in 2020. Cancelling just two of these loopholes would free up enough revenue to pay for a gold-plated national pharmacare plan. Imagine what we could do if we cancelled them all?

1.

Pension income-splitting: \$1.455 billion

The most regressive tax expenditure in Canada is pension income-splitting. It allows the higher income earner in a couple, which is almost always a man, to transfer some of their wealth to a spouse to lower his taxes. The benefits of pension income-splitting are concentrated at the very top, with 83% of the value of the expenditure going to the richest income decile.

2.

Employee stock option deduction: \$710 million

About 99% of this tax credit is disbursed to income earners in the top decile, and 100% of that amount goes to the richest 1% of Canadians. In essence, there is no benefit from this loophole to anyone making less than \$215,000 a year, while 77% of the benefit goes to men. Thankfully, the stock option deduction was capped, although oddly not cancelled outright, in the 2018 federal budget.

3.

Dividend gross-up and tax credit: \$5.65 billion

This loophole gives shareholders a credit for the taxes their corporation paid on profits and is spun as necessary to avoid double taxation. You and I are taxed twice all the time—first on our income, and then again on the goods

and services we spend it on—but that doesn't warrant a special tax credit, according to the government. The benefits of the dividend gross-up and tax credit are incredibly concentrated: 91% go to income earners in the richest decile, and half to the top 1%.

4.

Foreign tax credit for individuals: \$1.66 billion

If a person makes money in another country and pays tax on it to a foreign government, they get a credit toward their income taxes paid in Canada. This loophole, which is similar in intent to the dividend gross-up credit, does not have a maximum value, but the amount claimed cannot exceed what that person would have paid in Canadian taxes on the same income.

5.

Partial inclusion of capital gains: \$8.25 billion

This loophole applies to individuals who buy a stock or real estate at one price and subsequently sell it for more money, realizing a "capital gain" in the process, only half of which is taxed by the government. With 92% of the benefits going to the richest decile—and virtually nothing for anyone earning less than \$84,000—the concentration of benefits from this expenditure is similar to that for the dividend gross-up and credit. However, in this case the very richest 1% of tax filers reap 87% of the benefits, making it one of the most unequal in terms of income inequality. **M**

KATHERINE SCOTT

The promise and reality of gender budgeting

We need fiscal policies *and* budgetary processes to work together if we are going to close the gap for women living in Canada.

You can't assume that government budgets affect men and women the same way—or other groups for that matter—since men and women generally occupy different social and economic positions. Unfortunately, until very recently, governments have done exactly that—developing policies and assigning funding to them in a gender-blind fashion.

Just asking how a policy could have a different impact on men and women, as Finance Canada now does, is important. It strips away the idea of budget neutrality. Gender budgeting also generates the evidence needed to inform policy and programs so that they have the best chance to deliver on their stated goals, strengthening public accountability and transparency in the process.

When economic policies are made based on this kind of gender-informed analysis, we have the opportunity to reduce the number of women experiencing violence and poverty. We have the chance to clear the way for women to have equal access to decent work and decent pay.

New gender budgeting legislation

Canada's new gender budgeting legislation, passed in 2018, is an important milestone. It requires present and future governments to apply a gender and diversity lens to existing and proposed policy and program decisions. Although the government has carried out some gender-based analysis (known as GBA+ today) since the mid-1990s, it has only recently expanded the scope of its efforts to apply to all memoranda to cabinet, Treasury Board submissions, departmental plans and results reports, and now all

budgetary and financial management policies.

The 2017 and 2018 federal budgets included separate chapters on gender equality, for example. These summarized key challenges facing women, girls and gender diverse people and outlined related budgetary measures. A Gender Results Framework was introduced in the 2018 budget that set gender equality goals and related indicators to track progress.

This year's federal budget presented the most detailed gender analysis to date. It included an update on Canada's gender equality goals and a separate *Gender Report* that applied GBA+ to every budget measure. As a result of this analysis, federal departments were able to develop mitigation strategies to compensate and/or offset the negative impacts on women of 15% of the measures announced in the budget. In another 8% of cases, departments proactively took steps to reduce barriers to women's equal participation in the program.

That said, gender-based budgeting, and GBA+ more broadly, remains a work in progress. Canada has struggled to implement GBA+ across all levels of government and was called out in two reports of the auditor general (in 2009 and 2015) for applying it "incompletely" and "inconsistently." A 2016 study from a parliamentary committee on the status of women corroborated these findings.

More recently, results from a 2018 survey of public servants found that fewer than half of departments and agencies had a GBA+ plan in place, with most departments saying they lack the internal mechanisms to apply one. Many more officials are familiar with the concept of GBA+ but continue to struggle with implementation despite

the rollout of new tools, training and support.

Action needed to strengthen gender budgeting processes...

The federal government has introduced some of the infrastructure needed to pursue gender equality. The question is whether these efforts will produce results.

On this score, as Helaina Gaspard and Emily Woolner from the Institute for Fiscal Studies and Democracy write, "the current parameters for GBA+ analysis are compelling at first glance but may be insufficient to have a real policy impact beyond a change in rhetoric." The government's Gender Results Framework remains "quite vague," they add. Key objectives are identified alongside recent government initiatives, but there are no explicit connections between the two, no global plan for achieving desired outcomes.

Action is needed to strengthen Canada's gender budgeting process—to ensure that the purpose and goals of GBA+ are defined in concrete terms, with clear metrics against which to evaluate progress. There also have to be enough resources in place to support the process or there is little chance of it eliminating the gender disparities identified.

... and to tackle gender bias in the tax system

The other side of this challenge, as Kathleen Lahey so insightfully describes in her research (see interview on page 36), is what's needed to effectively deal with the profound gender bias already baked into the fiscal foundation of government, i.e., the expenditure policies, budgetary allocations and tax policies that impact women every day.

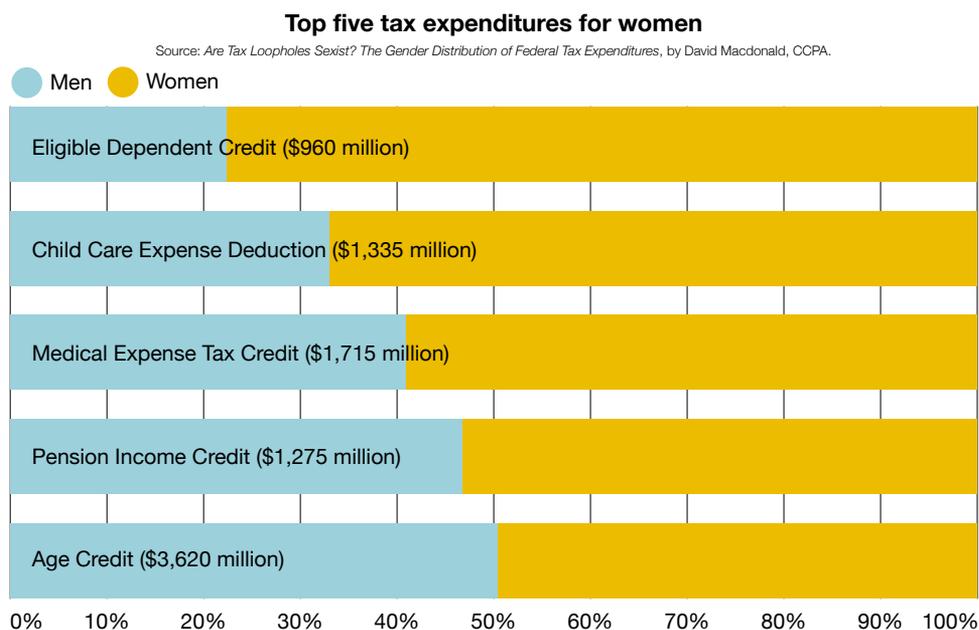
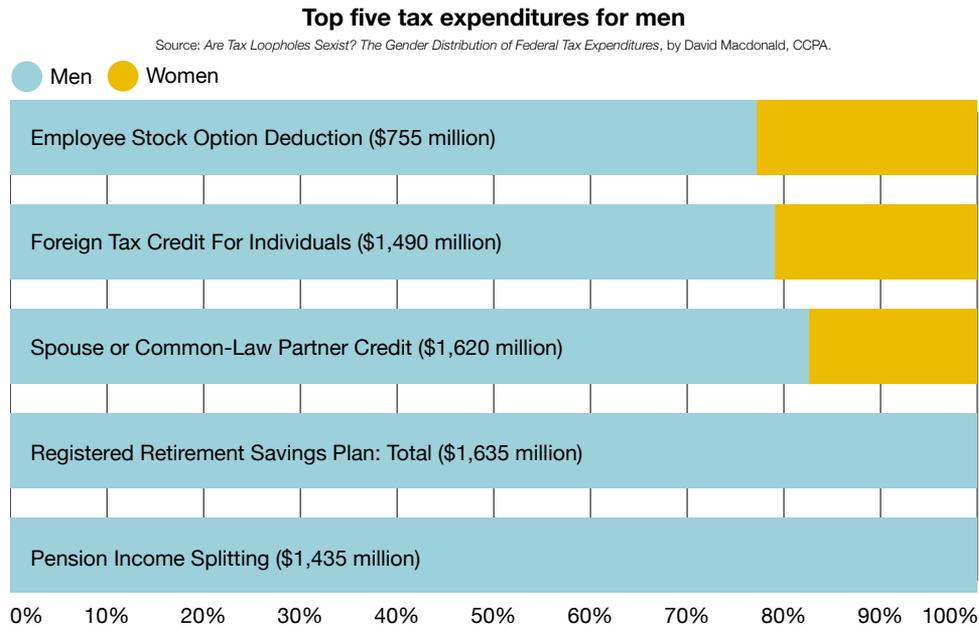
This includes tax measures designed in such a way that they disincentivize women's paid work and keep women focused on unpaid work and care. The unequal division of caring labour already puts women at high risk of poverty. The inadequate supply of quality child care, home care and other supports, in addition to tax penalties for second earners, compounds these risks exponentially, especially for those women from marginalized groups.

The scale of these barriers is significant yet largely invisible. In the 2018-19 fiscal year, only 4.8% of the \$27.6 billion in tax expenditures directed at supporting family caregiving (both paid and unpaid) helped women offset the costs of hiring paid care while they were in school or at work, according to research from Lahey.

The CCPA's own research similarly reveals the skewed character of the tax system. Of the largest 42 tax expenditure programs, only eight (19%) delivered the greatest benefit to women. Women were the primary beneficiaries of the eligible dependent credit, receiving nearly 80% of government spending. This is not surprising as the credit is designed to assist single parents, most of whom are women. The second most beneficial tax expenditure was the child care expense deduction, which allocated about three-quarters of its benefit to women (again, no surprise, as this deduction must be claimed by the lower income partner).

By contrast, the employee stock option deduction provides 77% of its benefit to men and costs the federal government \$755 million a year. (Of the 100 highest paid CEOs in Canada last year, only three were women). The partial exclusion of capital gains delivers 75% of its benefits to men, representing \$6.6 billion in foregone revenue to Canadians—a huge benefit for the wealthy at great public expense.

Women and girls lose out twice from the cumulative impact of these policies. First when they lose access to essential public services due to insufficient revenues and withheld federal funding, and then when they are forced to fill the gaps with many hours of unpaid caring work, reducing



their hours of paid employment in the process.

The promise and reality

In a world of concentrating wealth and privilege, refundable child care credits or even universal care strategies cannot on their own reduce deeply rooted structural barriers to economic gender equality. Our entire tax system needs to be revised, taking into account detailed distributional gender and intersectional impacts, if

we are going to advance, rather than stymie, gender equality.

Which is why getting gender budgeting right is so important. The federal government has moved us in the right direction with its GBA+ legislation and new budgetary requirements. It seems less interested in correcting the imbalances in our tax system. We need fiscal policies and budgetary processes to work together if we are going to close the gap for women living in Canada. **M**

ERIKA BEAUSHESNE

Canada can't advance women's rights without tax fairness

An interview with Queen's University professor Kathleen Lahey

Kathleen Lahey knew the system was biased against women from an early age.

Growing up, the Queen's University law professor recalls enviously watching her father and brother "go off and do fun things like make model airplanes," while women performed unpaid labour such as laundry and caring for younger children. But it was a casual conversation with her mother one day that made her realize the gender bias was also entrenched in law.

Her mother was a bookkeeper for the family business and a pretty good one too. So Lahey was surprised when she found out in high school that her contributions were never compensated.

"I asked her why, and she said, 'I can't get paid because then we would have to pay more in taxes,'" Lahey recalls, referencing the income splitting tax measure in the U.S., where she grew up. "That was when I started noticing how life broke down differently for men and women."

It was also what inspired a career in academia and activism as Lahey went on to become an international expert to the United Nations on gender and tax issues. She has authored numerous reports and books, and in addition to teaching and advising governments, sits on the board of the U.K.-based Tax Justice Network.

Despite significant progress on other women's rights, many tax policies such as income splitting or joint tax benefits still support primarily men and keep women focused on unpaid work such as child care.

"Even the Canada Child Benefit is structured in a way that proposes to help families with low incomes, but if that family has to choose between

something like buying hockey sticks for their kids or child care so that the second parent can go back to work, they are probably going to choose hockey sticks."

Lack of affordable child care remains one of Canada's biggest barriers to economic fairness.

"Right now, we have one of the least generous child care support systems in the OECD," Lahey points out.

A report released earlier this year by the Canadian Centre for Policy Alternatives offers similar advice for the government. It calls for a review of tax deductions, credits and loopholes that primarily benefit men over women, such as the employee stock option deduction and pension income splitting.

The 2019 Feminist Scorecard published by Oxfam Canada acknowledges some progress, including our country's first gender budgeting, but highlights the need to eliminate corporate tax loopholes and regressive income tax structures.

While Canada has its work cut out for it, the outlook is grimmer in developing nations, where tax disadvantages against women are aggravated by a lack of revenue and resources.

"Women in low-income countries face very similar challenges to the ones women face in Canada and the U.S., including that they still do disproportionately large amounts of unpaid work," Lahey says.

But in poorer countries revenues are scarcer, the data is harder to acquire and governments are less likely to care. Women may also have challenges accumulating assets or legal rights to property and business.

The challenges are complex and hard to fix. While increasing consumption taxes, such as sales or green taxes, does lead to larger revenues, the tax system becomes less redistributive when it comes to gender and low incomes, she points out.

"There is no one magic bullet," she says, but a combination of quality health care, child care, equal income and authority would go a long way to foster economic and overall social well-being.

There is some good news. Since Lahey started out studying law and gender, she's noticed recently some tax fairness issues that weren't mainstream, such as tax havens, beginning to capture more of the public's interest.

Activists can benefit from that, she suggests, by drawing the link between wealthy corporations and individuals who abuse the system and inadequate revenues for women in international communities.

Whatever the approach, it's clear Canadians need to do more to fix the tax gender gap here at home and around the globe.

"We have a big complicated set of problems and we need as much advocacy as possible out there." **M**

THIS INTERVIEW ORIGINALLY APPEARED ON THE WEBSITE OF CANADIANS FOR TAX FAIRNESS IN MAY.



JOHN ANDERSON

Summer of digital discontent

Facebook, Google, Apple, Amazon, Netflix and other tax-avoiding internet giants were in the news a lot this summer. Much of the credit for this can go to Emmanuel Macron. Despite pushback from big tech and U.S. President Donald Trump, the French president announced plans at this year's G7 summit to introduce a 3% tax on digital revenues. Trump only backed down after Macron agreed to pay back some of these revenues once the OECD reaches a new agreement for taxing digital giants over the next year.

In fact, Macron's 3% tax, which was backed by the Liberals in the election, is too meagre. It lets these super rich companies escape any real tax accountability. In Canada, for example, harmonized sales taxes hover around 13% depending on the province. If we simply required the digital giants to collect it on their domestic sales (which we don't), governments would accrue four times what Macron wants to charge.

Prior to the election, the federal government had said it wouldn't act until the OECD presents its digital plan, an initial draft of which was expected in October. The problem with this approach is that the OECD tax chief has admitted there will be no "massive shift" in revenues, no "big losers or big winners" from the plan. "Countries should relax a bit on that one," he said in mid-September.

Some countries don't feel like waiting. In fact, there would have been no progress at the international level if individual countries hadn't proceeded on their own, forcing some kind of international co-ordination. Quebec and Saskatchewan have applied taxes to imports of digital services, including streaming subscriptions. There's no reason why the federal government shouldn't have moved forward either.

This has never been about just slapping a new tax on the digital giants. For Canada, the question is why we should treat mostly foreign-owned big tech firms differently than every other Canadian company. A digital tax is about fairness, but the implications of not taxing these companies go much further—affecting the news we consume, the strength of our cultural industries and even our democratic institutions.

U.S.-based social media and streaming services, which now include Apple TV+ and Disney Plus, dominate online content in culture and in news. Yet none of them are required to abide by minimal Canadian content and language rules that apply to major broadcasters such as Rogers, Bell, Quebecor and Shaw. These Canadian firms must put 5% of their revenues toward new Canadian programming, for example.

Canada's film and television producers and their viewers, particularly in Quebec, are understandably frustrated that Netflix does not have to produce new Canadian content or

showcase older Canadian programming. Former Heritage Minister Mélanie Joly's deal with the popular streaming site, which included a non-binding promise by the firm to spend \$500 million in Canadian programming over five years, has no commitment to French programming at all.

Had the federal government simply applied a sales tax to Netflix's six million subscriptions in Canada it would have pulled in \$500 million over five years. Facing pressure to rethink the arrangement, Joly's successor as heritage minister, Pablo Rodriguez, recently said the government will change its policy toward digital giants—no matter what an external panel reviewing Canadian broadcasting recommends in January.

With respect to online news the situation is just as dire. Some 70–80% of online advertising in Canada, including a majority of all federal government ads, now goes to Google and Facebook—sales and income that are, for the most part, tax-free for the companies. Google even nabbed a quarter of all advertising in any media in 2017. No wonder Canadian newspapers are closing down, the latest being the Quebec chain Capital Media, which had to be propped up by the Quebec government. Over 250 newspapers have closed in Canada over the last 10 years, with many others reduced to websites.

The advertising is merely following the eyeballs. And here is where lack of regulation becomes a much bigger problem. More and more people now get their news over Facebook, WhatsApp, Google, YouTube, Twitter and Instagram. All these U.S.-based companies control what you see (including news and advertising) and in what order using closely guarded algorithms.

In the broader sense of surveillance capitalism, which Shoshana Zuboff has so brilliantly written about (see the May/June issue of the *Monitor*), all these digital giants, untaxed and unregulated, know so much about everything we do and think that they can manipulate our data to better control our lives for profit. With this increased control, our limited democracy—not just business practices—is under increased threat.

Canada and the provinces along with big cities have to react strategically. The old policy watchwords of regulation, taxation and public ownership are still the best remedies. If we do not react in a hurry, like we should be reacting toward climate change, it may become too late at some point to safeguard our cultural protections and the many valuable, top quality industries and jobs that depend on them.

We cannot let the digital giants define who we are and where we are going as a country. **M**

JOHN ANDERSON IS AN INDEPENDENT RESEARCHER AND CONSULTANT, AND AUTHOR OF THE CCPA REPORT *AN OVER-THE-TOP EXEMPTION*.

JENNIFER ROBSON

A progressive foundation, but so much more to do

People with lower incomes need a say on tax reform

Canada's income tax system has a lot going for it. On balance, its rate structure is progressive. While there are flaws in our system of self-assessment, such as underreporting of income or aggressive tax planning (to avoid taxes owing), most Canadians seem to be motivated to comply with tax rules. What's more, the costs of collecting income tax revenues have been modest and stable for several years, judging by the annual spending reports from the Canada Revenue Agency (CRA). We have a good foundation to build from.

In recent years, calls for tax reform seem to come either from a desire to boost Canada's competitiveness (in the hope that tax cuts will attract more foreign investment) and growth, or from a desire to increase

redistribution by generating revenues to support new investment in social programs. There can be merit to both of these motivations. But either way, we shouldn't lose sight of the effects the tax system has (or fails to have) on Canadians with low incomes.

For many Canadians, the tax system can be more like a social service system. It delivers cash benefits such as the GST credit and Canada Workers' Benefit, for example. Through a notice of assessment from CRA, the system also helps people prove their annual income so they can qualify for means-tested programs including housing and daycare subsidies, home heating rebates, and many others. In fact, working-age Canadians in the bottom quintile for market income get the vast majority of their income from government transfers, income

that could be put at some risk if they can't or don't file a return.

For example, a low-income single mother with two children could lose as much as \$13,000 if she doesn't file a tax return to renew her eligibility for the Canada Child Benefit. In a study underway with my colleague Saul Schwartz, we estimate that 12% of adult Canadians may not file an annual tax return and could be missing out on important benefits as a result.

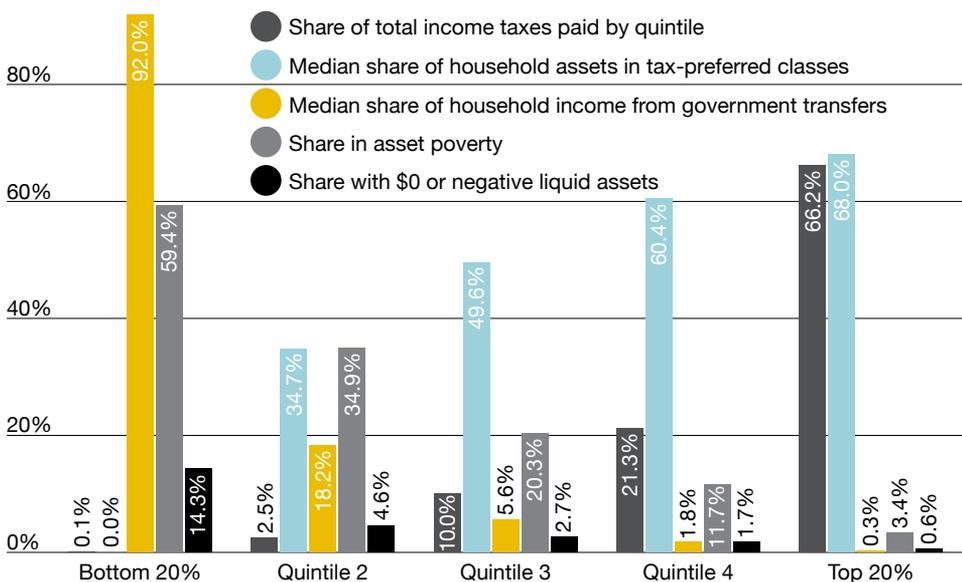
On the other hand, the tax and transfer system isn't doing much to help lower-income Canadians build any kind of liquid savings. Even in the best of social insurance systems there can be gaps in coverage, and delays of weeks or even months before benefits are paid to eligible applicants. Emergency savings can make a world of difference to a family.

Nest eggs, even small ones, are also essential to investments in things like training, education and the establishment of micro-enterprises that create new and long-run opportunities for income. The current tax system provides several incentives for household savings and wealth accumulation for these and other purposes, such as exempting earnings in tax-free savings accounts (TFSA), deductions for contributions to registered retirement savings plans (RRSPs) and favourable tax treatment when RRSPs are used for homeownership or mid-career education. The thing is, lower-income earners don't really have access to these incentives. It's an upside-down system that rewards people who already have money to save.

Yet Canadians at the bottom can face the double whammy of having low income to cover ongoing expenses and a small or non-existent cushion to help them cover emergencies. Fully

Taxation, transfers and assets by income quintile
Canadian economic families headed by a working-age adult (2016)

Source: Author's calculations using the Survey of Financial Security 2016, Public Use Microdata File, Statistics Canada



59% of working-age families in the bottom quintile for market income have savings too low to cover even poverty-level spending for a month; 14% of families have \$0 or negative levels of liquid savings.

By contrast, working-age families in the top quintile have, at the median, just over half of their total wealth in some form of tax-benefitted asset and only a tiny share of this group are asset-poor. This figure does not even include pension assets, which can be considerable, and does not take into account preferential working-age tax deductions and tax planning to reduce taxable income in retirement.

Research by U.S. economists Emmanuel Saez and Gabriel Zucman has inspired interest in both the U.S. and Canada in creating a new annual tax on the net wealth of the very richest asset-holders. Though others have questioned its desirability and feasibility, the simple idea of a wealth tax has opened a window of opportunity to talk about broader issues of tax fairness, and how tax and transfer systems shape the financial security (or precarity) of Canadian households.

Here are a few examples of the kinds of policy directions that could be brought forward in any conversation about tax reform. All of them have the potential to make a meaningful difference in the financial well-being of lower-income Canadians.

Embrace automation in the tax system

In the 2018 federal budget, the government announced that the Canada Workers' Benefit (formerly the Working Income Tax Benefit) would no longer need an application on top of an annual income tax return. Instead, CRA would now automatically assess returns for eligibility for the refundable tax credit. A similar auto-enrolment measure has also been introduced for the Guaranteed Income Supplement payable to lower-income seniors.

These changes are important. But moving to pre-filled tax forms or even return-free filing would do far more to ensure that tax-filing is no longer an obstacle to accessing means-tested programs and benefits. The transformation—from self-assessed to government-assessed tax-filing—could be extended to all Canadians, not just those with low incomes and simple returns. Of course, that would

only be possible if we also simplified the overall system, reducing the many assorted credits that demand self-reporting and self-assessment.

Make emergency savings real for everyone

Right now, the tax treatment of savings and assets offers multiple avenues for those with higher incomes to reduce their taxes owing by investing in certain kinds of assets. For those with low or no tax liability, these incentives do almost nothing to reward their savings. Worse still, clawbacks on means-tested benefits such as the Guaranteed Income Supplement can mean that low-income savers are severely penalized if they pick the wrong kind of asset for their modest savings.

An income-tested and refundable credit could provide an incentive to lower-income savers that would complement the existing tax savings offered to higher-income savers. If tied to a TFSA, which still badly needs a lifetime contribution limit, a refundable credit would make it easier for so-called small savers to build a bit of a nest egg to cover short-term emergencies or longer-term needs.

Rationalize non-refundable tax credits

If we can't quite shake our collective love of boutique tax credits, we can at least look for opportunities to streamline the tax code where refundable credits would be more effective. For example, the non-refundable Canada Employment Credit effectively provides a maximum \$179 credit against federal taxes owing for persons with employment income. But the program costs roughly \$2.5 billion per year and has no clear impact on labour force participation. For the same amount of money we could double the refundable Canada Workers' Benefit, encouraging increased employment and reducing poverty among working-age Canadians.

When we talk about tax reform it can be easy to overlook lower-income Canadians, since they are less likely to be net payers on personal income taxes. But the tax system is more than just a public revenue system: for many lower-income Canadians it is a key part of how they get the income and benefits they need. They need a voice in tax reform too. **M**

SIMPLIFYING THE TAX SYSTEM — ONE T4 AT A TIME

Tax season can be stressful for individuals and families who spend a lot of time — and money — filling in forms that could easily come to us pre-filled by the Canada Revenue Agency (CRA). Tax agencies in Norway, Denmark and Sweden were first out of the gate to offer this tax filing service, but other regions including Chile, Spain and California are coming on board.

The CRA has much of the information it needs to get the job done for most Canadians: employment and earnings, location, banking details and family status. Tax filers receive a draft tax return to review or update, change and add to. While it may not work for people with more complicated financial situations, it would for just about everyone else.

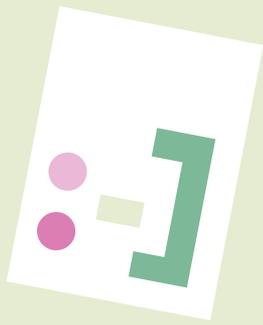
Beyond the time and cost savings, pre-filled tax forms would help ensure everyone gets the benefits they're entitled to, such as the Canada Child Benefit, Canada Workers Benefit, and Climate Action Incentive payments.

Lower-income individuals, who may find it hard to file their taxes or pay a professional to do it for them, need these benefits the most. Federal investments in programs to help low-income earners with their taxes have led to an increase in returns. Automatic filing would let government expand its delivery of benefits even further.

Not everyone likes it. The tax preparation industry including Intuit, maker TurboTax, has spent \$6.6 million lobbying against government tax filing in the U.S. Public solutions to making tax time less stressful naturally eat into corporate profits.

That shouldn't stop Canada from adopting a Scandinavian-style tax-filing system. The Income Tax Act is complex enough, with its numerous loopholes and rebates. Canadians shouldn't have to spend more of their precious money and time to file their taxes when the government could easily do it for them.

—*Canadians for Tax Fairness*



The good news page

Compiled by
Elaine Hughes

Aiming high

Sara Striker, a 14-year-old from Warman, Saskatchewan, completed her first solo flight and landing this August, making her one of Canada's youngest pilots. She learned to fly with her father, a bush pilot, and is now a qualified student pilot. "I'm hoping to fly float planes and bush planes," she told CBC. "Then hopefully I'll move to big airlines like Air Canada or WestJet." / Kelly Shulman, a physics, math and computer science teacher from North Bay, Ontario, presented her Grade 12 physics class's high-altitude balloon at the NASA International Observe the Moon event in Greenbelt, Maryland on October 5. Their "Moonshot Mission" payload, launched into space using a weather balloon, included a mini Neil Armstrong holding a flag marked "50," to commemorate the moon landing's anniversary. / More than a year into the global school strike movement #FridaysForFuture, founder Greta Thunberg received the 2019 Right Livelihood Foundation Award, sometimes known as the Alternative Nobel

Prize, "for inspiring and amplifying political demands for urgent climate action reflecting scientific facts." The three other award recipients are Brazilian Indigenous leader Davi Kopenawa of the Yanomami people, Chinese women's rights lawyer Guo Jianmei and Western Sahara human rights defender Aminatou Haidar. / CBC News / Reuters

More sun, less meat

In September, the Oslo Circle K gas station became the first in the world to replace all its pumps with electric car chargers. Electric vehicles account for 44% of all new car sales in Norway, while traditional vehicle sales are declining. / Global investment in renewable energy capacity, excluding large hydropower projects, should reach \$2.6 trillion by the end of the decade, according to a new UN report, which points out that fossil fuel subsidies are slowing progress. / Over the past decade, renewable capacity has quadrupled, with solar energy increasing 26 times from 2009 levels. China leads the way in solar investment, its \$758 billion worth of investment over 10 years far surpassing even second place United States (\$356 billion). / As part of its plans to go carbon neutral, Portugal's 729-year-old University of Coimbra will stop serving meat for the first time in its history. Students at the university were consuming about 20 tonnes of beef per year—a major source of greenhouse gas emissions. On hearing the news, students

in California are petitioning their universities to do the same. / Newsweek / Reuters / Environmental Health News

To the rescue

Numbers of the critically endangered Bagot goat (pictured) are slowly increasing in the U.K. as a result of successful breeding efforts. There are now as many as 300 breeding pairs in the country, some of them living at educational institutions to "ensure other students are able to learn from them and help preserve these amazing animals," according to animal practitioner Hayley Burkey. / With the passage of the Wildlife Protection Act of 2019, California became the first U.S. state to prohibit commercial or recreational trapping on both public and private lands. Also in September, California banned the inclusion of wild animals in state circuses. / Following recent glyphosate bans in

Austria and some French cities, Germany has agreed to outlaw the popular herbicide starting at the end of 2023 and limit its use before then. To date, 18,000 people have filed lawsuits against Monsanto, the maker of glyphosate (now owned by Bayer), after a court found its Roundup product likely causes cancer. / Costco will phase out the use of receipt paper coated with toxic BPA or BPS by the end of 2019. / Veterans at a medical centre in Manchester, Vermont are treating their PTSD with beekeeping. Vince Ylitalo, a 57-year-old vet who did two tours in Iraq, says it "helps me think of something completely different." / The Zambia-based group Mama Buci, meaning "Mother Honey," has placed over 90,000 beehives on farms across the Zambian bush and now pays between 5,000 to 7,000 families to harvest the honey. / BBC / Los Angeles Times / Fox News / Reuters / Environmental Defence / Associated Press / Guardian U.K.



PHOTO BY AMANDA SLATER (FLICKR CREATIVE COMMONS)

ASAD ISMI

Old money and new questions in AMLO's Mexico

IT'S BEEN NEARLY a year since the “leftist firebrand” Andrés Manuel López Obrador (AMLO) took office as Mexican president, promising to end official corruption and state-linked violence, redistribute wealth to the poor and promote Indigenous rights. Shortly into his term, AMLO famously declared that neoliberalism is “dead” in his country—a four-decade-old elite consensus appeared in real danger from the newly elected National Regeneration Movement Party (MORENA) government.

But a series of economic policy choices since then—not least of them the quick Mexican ratification of the Canada-U.S.-Mexico Agreement (CUSMA), or “New NAFTA”—have some of AMLO's supporters wondering whose side he is on. The president's attempts to satisfy the country's oligarchs on one hand, and labour and Indigenous groups on the other, appears to have moved MORENA to the political centre rather than moving the country out of its disastrous neoliberal quagmire.

As an economic nationalist, López Obrador has long opposed NAFTA and threatened to discard it if elected. So it came as a surprise to many of his supporters that Mexico was the first country to ratify CUSMA, on June 19, only seven months into his presidency. Neither Canada nor the U.S. had ratified the “New NAFTA” when this issue of the *Monitor* went to print. The Canadian federal elections and the start of impeachment hearings against President Trump make it even less clear when that might happen.

“This fast-tracking is wrong and a mistake,” says Eladio Abundiz, national co-ordinator of the Authentic Labour Front (FAT in Spanish), a progressive and independent Mexican union, and one of the founding organizations in the Mexican Network of Action

Against Free Trade (RMALC). “We do not understand why Lopez Obrador ratified this agreement right away without consultation with labour unions and other affected sectors such as farmers, and without bargaining for better conditions.”

Abundiz was in Canada at the end of September for a speaking tour organized by the United Steelworkers (USW), Common Frontiers, the International Centre for Workers Solidarity (CISO) in Montreal, and the Public Service Alliance of Canada (PSAC). In an interview with him after his Toronto presentation, Abundiz tells me he supports the president, “and we brought him to power and also he was always opposed to NAFTA. We asked the Mexican senate to hold hearings on CUSMA so that we could present some of our concerns about its impacts on labour. But there were no hearings.”

Those concerns, from the FAT and others in Mexico, include problems with the new deal's labour chapter and its provisions on the environment. “The agreement allows mining and other companies to destroy the country's environment without penalty,” he says. Many resource firms operating in Mexico are based in Canada. But Abundiz is particularly worried about the auto bargain reached in CUSMA, which he calls a “disaster” for Mexico's auto sector.

Under the rules of origin in the “New NAFTA,” which must be met by automakers in order for cars and car parts to cross borders tariff-free, by 2023, 40-45% of all auto parts must be produced in factories that pay at least US\$16/hour. According to Abundiz, this will mean a greater share of vehicles will be produced in the United States or Canada, where the wage condition is already met, than in Mexico, where

the average auto wage is currently just over \$3/hour.

“This \$16 an hour wage rule does not make any sense,” he says, “because the only reason car companies come to Mexico is to take advantage of the low wages.”

CUSMA does contain a clause that appears to be a victory for Mexican workers. The agreement requires that Mexico: “Provide in its labour laws the right of workers to engage in concerted activities for collective bargaining or protection and to organize, form, and join the union of their choice, and prohibit, in its labour laws, employer domination or interference in union activities, discrimination, or coercion against workers for union activity or support, and refusal to bargain collectively with the duly recognized union.” Implementation of this clause would mean that non-democratic, state-sanctioned “company” unions, which organize 75% of the unionized workforce, can no longer exist.

However, CUSMA provides no effective enforcement mechanism to ensure this labour reform holds. Mexican company unions are already taking action to halt its implementation, while U.S. Democrats are pushing the Trump administration to strengthen the clause.

“Four hundred and thirty legal cases have been lodged against the Mexican government by the corrupt corporatist unions to stop the implementation of the labour reforms contained in CUSMA,” Abundiz explains. “Given this, the United Autoworkers (UAW) in the U.S. is very concerned that the Mexican government does not have enough money to implement the labour reform. You can imagine the Mexican state having to fight 430 [expensive] cases in the courts.”

López Obrador's rush to ratify CUSMA and his disinterest in the concerns of Mexican labour unions can be explained by his closeness to the notoriously corrupt Mexican corporate oligarchy that he periodically rails against. The president's powerful chief-of-staff, Alfonso Romo, is a case-in-point.

A millionaire business tycoon from the affluent northern city of Monterrey, Romo is the former head of VECTOR Casa de Bolsa, the largest fund management company in Latin America. In July, AMLO's treasury secretary, Carlos Urzúa, resigned in spectacular fashion, sending a letter to the president in which he complained that Romo, "a man of the extreme right" who "came to admire Augusto Pinochet" had more control over the country's finances than he did.

Romo's power was increased again, significantly, in February 2019 when the president appointed him head of a new Council for Investment Promotion, Employment and Economic Growth. The purpose of the council is to stimulate economic growth through the convergence of the private, public and social sectors working together.

"This council is a key conjuncture of forces, a crucial point of union between the private sector and López Obrador's cabinet," explains James Cypher, professor of economics at the Autonomous University of Zacatecas in central Mexico. "Romo comes from old Monterrey money...and the Monterrey capitalists have been pushing a very right-wing ideology since [the 19th century]." Romo is a strong believer in private enterprise and has said he wants to make Mexico "a paradise for investment."

"López Obrador thinks that he can find the way to unify opposites—business and labour," Cypher continues. "Much of his intellectual framework comes from Lázaro Cárdenas, Mexico's President from 1934 to 1940. Cardenas was able to walk that fine line when he often had Mexican business in his pocket and he often was opposed to Mexican business, but he got results." Cardenas is known for nationalizing Mexico's oil industry and implementing agrarian reform, for example.

While López Obrador also hopes to prioritize a state-run expansion of

"López Obrador thinks that he can find the way to unify opposites—business and labour."

the oil sector, it's his emphasis on corporate investment that worries Isabel Altamirano-Jiménez, Canada Research Chair in Comparative Indigenous Feminist Studies at the University of Alberta and a member of the Indigenous Zapotec Nation from the Tehuantepec Isthmus in Oaxaca, Mexico.

"López Obrador came to power with a lot of hope that things were going to change for the better and he had a lot of public support. But a lot of people in Mexico now feel that they have been let down by him as his many progressive promises have been postponed," she tells me. "The most important segment that feels alienated in this sense is the Indigenous population. He made a lot of promises to improve conditions for native communities, but so far the policies he has been pushing involve more corporate development on Indigenous lands."

For Altamirano-Jiménez, the president has failed especially to restrain mining companies whose activities have harmed many Indigenous communities in Mexico.

"López Obrador promised that the laws around mining activities would be revised in order to force mining companies to respect Indigenous rights and protect the environment, but that has not happened. Instead he is pushing for corporate investment, particularly in southern Mexico where most of the Indigenous population lives. We see López Obrador's contradictory stance, which advocates on the one hand respect for Indigenous rights and on the other hand pushes for corporate development, with talk about making some areas free investment zones with no official regulation."

The Mexican president's "signature infrastructure project" is the Maya Train, a proposed 1,500-kilometre rail connection through Mexico's Mayan heartland in the Yucatan Peninsula, to bring tourists to Indigenous villages. Construction on the route has already started despite the absence of an environmental assessment—Lopez Obrador claims Mother Earth granted him permission—and is scheduled to conclude by the end of AMLO's six-year term.

"This train is going to cross several southern states and disturb important protected areas and Indigenous communities," says Altamirano-Jiménez. The route will go through the only unspoiled ancient forests on the Yucatan Peninsula and put at risk endangered species such as the black howler monkey. "The project is being put forward without consultation with native communities. The people have been left out and for López Obrador's government, it is business as usual."

In spite of his apparent drift toward the political centre, it would be premature to pass judgment on López Obrador this early into his government's term. Altamirano-Jiménez notes the president took office "with a set of political and economic conditions already defined, including CUSMA. So even if he wanted to implement some of his promises, it would not be that simple to do so."

Ratifying the "New NAFTA" negotiated by his neoliberal predecessor had one benefit of allowing the Morena government to move on to other priorities. AMLO inherited an economy that has been ravaged by 40 years of corrupt and violent right-wing rule; no president could be expected to reverse the damage in six years. But according to Cypher, the president's balancing act—between supporting business and workers—is unlikely to bear fruit.

"No leader has been able to reconcile the opposed interests of workers and capitalists as López Obrador is trying to do," he tells me, adding it is easy to imagine a scenario where the president goes in one direction and the oligarchs split the other way. "The situation in Mexico is very volatile." **M**



STUART TREW

RAINFOREST ACTION NETWORK

From “Teamsters and Turtles” to the TPP

Twenty years after the Battle in Seattle, global justice activists consider the impact, evolution and future of neoliberal globalization

THE BATTLE OF SEATTLE, a 50,000-strong protest of the World Trade Organization meeting in that city in November 1999, united labour unions, the environmental movement, Indigenous communities and social justice activists from the Global North and South as few issues had or have since. For a time, it looked possible to stop and roll back the neoliberal ideology-fuelled, corporate-dominated version of globalization that was being stealthily codified into the WTO agreements and regional deals like NAFTA. Another world seemed eminently possible, and given the danger to our planet, absolutely necessary.

A globe-spanning anti- or alter-globalization movement scored an impressive win in Seattle, delaying the introduction of a new negotiating mandate at the WTO and putting corporate elites and their government backers on the defensive. The year before, the same movement had defeated the Multilateral Agreement

Protestors hang a flag from a construction crane in downtown Seattle in protest of the November 1999 World Trade Organization conference.

on Investment (MAI), a plan to internationalize the ludicrously anti-democratic investor-state dispute settlement process rich countries were forcing into bilateral investment treaties with the Global South. Two years after Seattle, an equally spirited and more brutally policed alter-globalization protest in Quebec City against the Free Trade Agreement of the Americas (FTAA) would throw those talks permanently off-kilter.

Yet for all this effort and global solidarity, the corporate juggernaut moved relentlessly forward. Plans to negotiate new WTO agreements covering virtually everything governments do

to regulate the economy would stall. But many countries simply included chapters on these issues—like the functioning of state monopolies, local government procurement, strict limits on environmental rules, and longer and broader monopoly patent protections—in bilateral and regional deals. Like other rich countries, Canada walked away from post-2001 efforts at the WTO to make development, not corporate profits, the foundation and priority of global trade rules. Instead, consecutive federal governments continued to foist the NAFTA model onto poor and middle-income countries while jumping into anything-but-progressive mega-regionals like the Trans-Pacific Partnership (CPTPP) and Comprehensive Economic and Trade Agreement (CETA) with the European Union.

The financialization of most areas of public policy—another *gift* of the neoliberal era—has also continued apace since November 1999. Privatization of public health, water and other social services and infrastructure; integration of public pensions with the stock market; ever shrinking corporate tax rates; the co-optation of environmental and consumer protections by self-regulating industry lobby groups; and near total corporate control of food are just a few of the visible consequences.

To commemorate and consider the impacts of Seattle—and the destructive trade model the protests tried to stop—the *Monitor* asked activists who were and are still part of the global justice movement the following three questions:

1. What were anti- or alter-globalization activists right about?
2. What did they fail to anticipate about the WTO or the agenda behind it?
3. What does the future look like for the WTO or the corporate globalization project more broadly?

Here's what they told us.



SCOTT SINCLAIR

The protestors understood that global corporate elites had big plans to lock in restrictions on democratically elected governments through an expanded WTO, and that this agenda had to be exposed and challenged. Powerful intellectual property rights blocked access to affordable medicines, while pro-market services rules threatened to commercialize public services. New standards-setting codes restricted governments' right to regulate to protect health and the environment. But before the Seattle protests, the public and even many elected officials had little idea just how intrusive the WTO's new legal framework could be.

That veil was lifted in Seattle. By then, a critical mass of developing countries had realized how badly their interests had been sidelined. Public attention and concern had also grown because of controversial WTO rulings affecting conservation of sea turtles and dolphins,

and the banning of hormone-treated meat, among other public policy issues.

After the collapse of the MAI negotiations in 1998, corporate lobbyists seized on the planned WTO "Millennium Round" as their best bet to further codify and entrench neoliberal disciplines. But the protests, massive publicity, and renewed resistance from developing countries stymied that agenda, making the Battle of Seattle one of the most effective and iconic alter-globalization mobilizations ever.

Unfortunately, the corporate globalization agenda found a new outlet in bilateral and regional free trade agreements (FTAs), which proved harder for social movements to fight. The U.S. and EU began aggressively pursuing bilateral FTAs. Soon, other countries and trading blocs followed suit, resulting in the famed "spaghetti bowl" of bilateral and regional agreements.

Social movements and progressive governments had some wins, for example defeating the planned FTAA. But like-minded conservative and neoliberal governments forged many smaller deals that typically included "WTO-plus" services, investment and intellectual property provisions. This patchwork of agreements tied the hands of future governments, interfering with the ebb and flow of democratic politics between left and right. The subsequent explosion of investor-state disputes also took many unawares.

Thankfully, the world has now woken up to the unacceptable threats posed by investor-state dispute settlement (ISDS), and new global social movements are making headway in campaigns to reverse the damage and eliminate it. The future of the WTO is far from bright. It has been largely sidelined as a negotiating forum. The Doha "Development" Round is deadlocked because of deep, unresolved divisions between developed and developing countries.

Corporate lobbyists haven't given up on using the WTO as their tool. The failed Trade in Services Agreement (TiSA) talks were an attempt to complete the unfinished GATS agenda, by doing an end run around developing countries. In the current discussions on e-commerce,



ROBERT SORBO, REUTERS

Even before the outbreak of the current China-U.S. trade wars, a new trend toward deglobalization of the world economy was evident.

corporate lobbyists continue to pursue their narrow commercial interests while paying lip service to concerns about data privacy, consumer protection, and negative impacts on local economies and the global climate.

Hardball tactics by the U.S., which is blocking appointments to the Appellate Body, threaten the WTO's main role as a dispute settlement forum. By the end of this year, dispute settlement may grind to a halt. More fundamentally, even before the outbreak of the current China-U.S. trade wars, a new trend toward deglobalization of the world economy was evident. With the world's biggest trading powers ignoring the WTO in favour of unilateral threats and retaliation, others may begin to question their own compliance, especially when that involves defending their food safety or climate-change reduction policies.

The overreach and corporate bias of WTO rules and rulemaking was exposed by the Seattle protestors for all to see. Two decades later, if a reconstituted WTO is to have any relevance or positive role in a new, more multipolar world, it will have to finally heed those concerns.

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MAUDE BARLOW

We got that the WTO was (to that date) the ultimate venue created to deliver the promise of economic globalization, namely, to free markets from government interference and allow global capital to set the rules of trade, finance and commerce. We got how the WTO then would pose a major threat to the whole concept of public services, to laws and regulations protecting human health and the environment, and to workers' rights. Hence the importance of "Teamsters and Turtles, Together at Last." We also got the need to form international alliances to fight the WTO, as neoliberal policies were already creating deep economic divisions between and inside nations.

In concentrating on the WTO (and I was present and protesting at all the ministerial meetings from Seattle to Hong Kong), we failed to understand how the powers that be slipped sideways—to get around the resistance we and many of the countries of the Global South had mounted—and turned instead

Outside the WTO conference in Cancun, Mexico in September 2003, Oxfam lampooned G8 leaders including Canadian PM Jean Chrétien (far right) for casually enjoying the proceeds of subsidized surplus agricultural production as food trade impoverished Global South farmers.

ANDREW WINNING, REUTERS

to regional and bilateral trade and investment agreements. I would say that our success in exposing the corporate agenda of the WTO pushed that agenda underground where it was harder to fight. Governments stopped trying to convince us all that trade deals were good and turned them over to their bureaucracies and away from the public eye.

One exception to this was the Multilateral Agreement on Investment (MAI), a sort of mega version of investor-state dispute settlement (ISDS) first proposed to the WTO. When many developing countries balked, the MAI was shunted over to the OECD where it was taken for granted it would pass without notice. However, a great coalition that had first formed to fight the WTO came together to defeat the MAI—a rare and true win for our movement. Alas, victory was brief, as ISDS is now embedded in over 3,500 bilateral investment agreements and many regional trade deals.

I am actually hopeful about the possibility for a new narrative around international institutions and global governance. The 30-year promise that economic globalization would lift all boats has proven to be a contemptible lie, with three-quarters of the world's working age population now forming the precariat—part-time workers with no benefits or security. As well, people around the world know that uncontrolled corporate-led growth has led to the climate crisis that threatens all life on Earth. The sides are being clearly drawn and the lies exposed. In my view, the WTO is a discredited institution ready for the dustbin of history. A new day is waiting.

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STEVEN SHRYBMAN

I believe that Seattle did represent a turning point. Not primarily because civil society groups showed up in numbers, but because for the first time since the General Agreement on Tariffs and Trade (GATT) was founded in 1947, developing countries (the group of 77) were reasonably united in their opposition to further liberalization. The fraud of the false promises, lies, and bulldozer tactics that allowed the WTO to be born had become painfully apparent in the five years prior to Seattle.

That said, civil society groups, mostly from Canada, the United States and the Third World Network played a key role in providing developing countries with critical analysis and intelligence, and by providing moral support, including when people showed up in large numbers in Seattle. I believe the community had a pretty solid understanding of trade liberalization and the WTO regime by 1995. And our critique of the regime as having codified—having legally entrenched—the fundamental elements

I think we are still failing to grasp how the globalization of food systems has become the single biggest driver of increased greenhouse gas emissions.

of global corporate rule was sound and correct.

If I disagree with my colleagues about anything, it is that I believe the corporate agenda was essentially completed in the mid 1990s, with a global blanket of bilateral investment treaties (BITs) having been woven to compliment the “trade” deals. Successive proposals for further liberalization were essentially unnecessary, at least legally, and in many ways were simply a make-work project for trade bureaucrats (public and private) whose numbers had greatly expanded between 1986 and 1995. What gaps still existed in the formal framework were being readily filled by the tribunals “applying” the rules.

What I believe we have seen more clearly since Seattle is the play of market power that has always moderated the influence of international commercial, investment and trade law. That explains why, for example, investor-state dispute settlement (ISDS) tribunals never find against the U.S., and why China can ignore the intellectual property provisions of the TRIPs agreement.

On the other hand, I think we are still failing to grasp how the globalization of food systems has become the single biggest driver of increased greenhouse gas emissions. Left to run its course, we will not survive the development model entrenched by the WTO, but it is very difficult to see any means of escape.

But as the Fugs instruct us, in their *Refuse to Burn-Out* album, “Party, Party, Party till the Gloom goes away.” But which way to the party?

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ANNIE LEONARD

Protestors were right that the WTO's attempt to launch the Millennium Round of negotiations in Seattle was a corporate-driven attempt to shred human rights, environmental standards, public health policies and the rights of developing countries, while weakening national sovereignty and democratic decision-making. In short, we were right to ensure that the ministerial conference ended with the suspension of the planned deliberations.

Looking back, many of us might not have fully realized at the time how likely it was that if we managed to disrupt the negotiations for a while, the negotiations would not reach a successful conclusion. There were certainly indications going in that the agenda was quite ambitious. USTR (the United States Trade Representative) and other industrialized country delegations, as well as the WTO itself, went in with a long list of expectations that reflected a kind of hubris. What they may not have expected was that many chapters of the agreement (e.g., services) covered so many sectors that it ignited opposition from many different parts of society that were represented in the streets, in teach-ins, etc. The WTO itself unthinkingly strengthened our ability to mobilize the massive protest that resulted.

Meanwhile, at the time we were not aware of how fragile the negotiations were. The draft ministerial declaration reflected many tensions and serious differences between industrialized nations and the Global South, many of which would be difficult to resolve in just a few days. On top of that, the negotiating process was essentially designed to marginalize or ignore poorer nations. This created a dynamic that contributed to the failure.

It seems like corporations and neoliberal free-traders have learned little from Seattle, except to take measures to remove themselves further from

accountability and scrutiny. The decision to locate their next (post-Seattle) summit in Doha is an obvious example.

Although the WTO has taken a back seat, it is still part of a process that has continued to push for an agenda largely designed to favour multinational corporations and investors. So far, regional agreements like the Trans-Pacific Partnership and its successor CPTPP (which excluded the U.S.), as well as other plurilaterals (like TiSA and the Environmental Goods Agreement) and bilateral negotiations, have included many of the same principles and WTO language, even as the emergence of nationalist leaders has put parts of the agenda on hold.

Companies still have unparalleled influence over national trade authorities, so that when leaders like Trump claim leadership in effecting long-standing demands of civil society, like eliminating the NAFTA investor-state regime, it's not surprising that the new agreement (USMCA or CUSMA) ends up riddled with exemptions for the fossil fuel industry, while other proposed changes (e.g., to NAFTA's intellectual property rules for pharmaceuticals) would only make things worse.

Whether global (WTO), plurilateral, regional or bilateral, no matter what form, the legitimacy of any agreement will be questioned so long as the process: a) shuts out public interest voices while including corporate lobbyists in secretive consultations; b) fails to acknowledge commitments established by the Paris Agreement on climate, the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals, and other environmental and human rights accords; and c) includes unaccountable tribunals (ISDS) that prioritize the interests of investors and transnational corporations.

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ALEJANDRO VILLAMAR CALDERÓN

Seattle viewed with the benefit of hindsight can be considered to be a first victorious battle against the transnational corporate agenda in the WTO. It was made possible by a convergence between the demands of an incipient but very active transnational citizens' movement and the resistance displayed by a majority of the governments in underdeveloped countries.

Though apparently a social movement of organizations with very diverse profiles and different experiences, as well as sometimes divergent demands, it nonetheless had a binding glue in the phrase "Fair trade, not free trade." Ecological demands symbolized by turtles, dolphins and forests amounted to an explicit and systemic rejection of the WTO: "No WTO," "Power to the people," "Global Resistance." These and many more slogans showed that we all fit in as part of the protest.

It was a victorious battle, which made visible on a worldwide scale the refusal to buy in to neoliberal policy, with its embedded ideological messaging, while rejecting the structure of the WTO as a global institution. This struggle made evident the political possibility that mass mobilization, despite the brutal police repression that even affected government representatives, could cause the failure of the official summit. It was a one battle in a long war that is not over.

Even though international groups were in close contact with local organizers, we could not have anticipated what proved to be a determining political co-factor, that being the strength of the intergovernmental contradictions and the potential for resistance by underdeveloped countries. These countries, inside the WTO meetings, were aware of the negative impact stemming from the official "agreed upon" rules; the noncompliance by rich countries (the

U.S. and EU) to the prior commitments of no agricultural subsidies, no protectionist measures or unilateral sanctions; and the resistance mounted against going ahead as is with the pending issues of trade rather than a development agenda.

We did not foresee, nor could we have guessed, the great impact that the unusual growth in academic and intellectual criticism focused on neoliberal political/ideological dogmas—as reflected in the multilateral and regional agencies of the UN system, and even in the mainstream media—would have. Although we knew about and fought against NAFTA's neoliberal agenda, and had in the months preceding Seattle succeeded in stopping the other major part of the corporate pincer, the MIA, most in the social movement did not seem to anticipate either the proliferation of parallel bilateral and regional agreements, or the so-called plurilateral agreements, all of them tactical maneuvers in the service of constructing a global corporate agenda.

Despite being aware of the importance of the need for the social movement to act in unison at a global level while simultaneously working to build itself and expand, we did not grasp the complexity in needing to address global as well as regional diversity in political and ideological experience. Which, it turns out, was a necessary factor in being effective at neutralizing or overcoming the transnational agenda over the subsequent two decades.

Traditional multilateral, global or regional institutions including the WTO have displayed different variants of dysfunctionality in responding effectively to the crisis brought on by the current neoliberal and transnational capitalist model. Here we are speaking in terms of geopolitical, socioeconomic/financial, environmental, global, regional or national crises, as well as about calls for change demanded by the majority of social actors, and even by the interests of capital and its transnational class.

Trump, his trade representative Lighthizer, and some other U.S. lawmakers have been working with the European Union and Japan to pressure the WTO and other institutions to unilaterally break the fundamental

rules found in international agreements and treaties. In the WTO, using China, Mexico and other countries as a pretext, those actors aim to end the fundamental principle of recognizing the diversity of development represented by common agreements with differentiated responsibilities.

The future of the WTO falls in between, on the one hand, the geopolitical clash between a declining block that falls back to false nationalism and an authoritarian and imperial unilateralism—one that seeks to destroy the principle of negotiation, agreement and multilateral action—and, on the other hand, the new and old blocks made up by the majority of underdeveloped countries working to maintain the advantages of multilateral trade regulations.

While the ongoing strategy undertaken by the old empires and by transnational interests is and will continue to be to pressure, to threaten, and to punish, this approach is being increasingly resisted. The enormous challenge to be met by underdeveloped nations and their allies in furthering a winning formula for a new global arrangement can be made possible only if the emerging policies are based on real support flowing from a new agenda built by the social sectors through collective action, and by using the new global instruments of communication, co-ordination and mutual support.

There is a need to recoup an understanding that a globalized social movement is required in order to rewrite these rules. But it must be a globalized social movement acting in unison, while respecting diversity and differentiated responsibilities, for it to be decisive in defining the future for the WTO.

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ANNAHID DASHTGARD

We were right about the increasing handover of power from elected governments to corporate hands. We're seeing this now in the active denial of the climate crisis by governments (in Ontario, the U.S., etc.) that are able to remain legitimate somehow despite pandering to business interests over the health of our society and its future occupants.

Overall, there is more general public distrust of corporate interests because of Seattle, but the movement got cut off at the knees by the 9-11 "terrorist" conversation, before we had the chance to really protect key democratic rights from encroaching corporate capitalism.

As a Western democratic movement, we failed to strategize around the pushback of state powers. The escalating police response at civil protests was something many, especially younger activists (including myself!), were unprepared for. It was traumatizing, and after 9-11 we lost all focus and ability to push back.

In the activist world, we also didn't pay enough attention to relationship as a strategy. We recreated the pecking order that exists in society, except in activist circles it was about how sharp one's critique is of capitalism or patriarchy, rather than how well-dressed one is. Same beast, different clothes. As a younger

The militarized police presence in Seattle was shocking to many, but it became the norm for future trade negotiations.

STEVE KAISER, FLICKR CREATIVE COMMONS

activist, I lost faith that if we were to inherit the reins of power that we would do things differently.... We didn't grapple with how to navigate power in gentler, more humane, more psychologically sophisticated ways, and this was also part of the movement's undoing.

We need to rebuild collective power structures. But rather than just a single movement focused on a trade organization like the WTO, we need to link many smaller, disparate movements together. The anti-corporate globalization movement professed to be representative of all levels of society, but the reality is that it was overwhelmingly white people, driven by middle-class young activists from academic backgrounds.

The question is, how do we push back against increasing corporate hegemonic powers by linking Black Lives Matter, Idle No More, the environmental movement and migrant justice, for example? Part of the answer lies in change-makers doing more inner work to remain humble enough to remember that not a single one of us, nor a single movement, has the power to recreate the future we all dream of. We need to do it together, through relationship, one small victory at a time. I write about much of this in my new memoir, *Breaking the Ocean*.

The reality is that we need each other, and we have to fight to stay connected. Because the core impact of oppression is the breakdown of relationship—and because of this, our ability to have widespread impact.

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GOPAL DAYANENI

There is no question that we got a bunch of things right! First, I think this was one of the most visible expressions of a broad intersectional movement that demonstrated the inextricable relationship between social inequity and ecological erosion—that they share root causes and common solutions—and that corporate concentration, deregulation, privatization, enclosure and militarism must be confronted by a broad alliance of diverse forces.

I think we were also right to recognize that our outside actions could and should give support to forces on the inside to take bolder action, including many of the Southern states. I want to be clear that intersectional politics and analysis greatly pre-date this moment, of course, and were embodied by the environmental justice movement, Indigenous rights and sovereignty movements and radical feminist and racial justice movements. But I do think this was an important moment to visibly express that politic in a mass mobilization. I also think that after 9-11, the shift from anti-globalization to anti-war as the container for a global uprising against corporatism and militarism was very important.

I think we did not have a clear enough understanding of the role of technology in enabling corporate concentration and the destruction of living systems and life-ways. I think the rapid development of certain technologies, the role of these technologies as new platforms of corporate control and the ways in which they would fundamentally alter the nature of the struggle is something most of us missed at the time. I think we knew that the WTO was not going to be the end in and of itself, but I don't think we were ready for the shift from globalization/poverty-alleviation to climate (UNFCCC) as the container for a corporate agenda.



(Top) Indian farmers shout slogans against the WTO during a protest in New Delhi, September 1998. (Above) Rally in front of the Philippine senate building in downtown Manila, March 1996, to protest the WTO and Asia-Pacific Economic Conference.

OMEO RANOCO (TOP) AND SUNIL MALHOTRA, REUTERS.

One of the biggest challenges, I think, was that we didn't necessarily have a way to take the momentum from mobilization and turn it into stronger organizing. We didn't necessarily have the infrastructure to capture the excitement and energy and channel it toward the hard and important work of everyday organizing.

With respect to the future, the endless frontiers of extractivism demanded by capitalism have managed to infringe upon every aspect of our lives and the living world. However, the limits of a finite system will inevitably lead to a

contraction and collapse. This is not something to necessarily celebrate. Collapse sucks. And while I see new forms of organizing emerging to help communities build resilience and the capacity to navigate the collapse, I think we have to put much more energy in that direction.

We have to focus on living into the world we need—the daily practice of self-governance and meeting peoples' needs. We have to focus on disrupting ever expanding enclosures, particularly those enabled by finance and technology, by creating new commons—of land and capital in particular. **M**

GOPAL DAYANENI IS A CO-FOUNDER OF THE OAKLAND, CALIFORNIA-BASED MOVEMENT GENERATION JUSTICE & ECOLOGY PROJECT, A FOUNDING MEMBER OF THE CLIMATE JUSTICE ALLIANCE, AND CURRENTLY SUPPORTS MOVEMENT-BUILDING ORGANIZATIONS THROUGH HIS WORK WITH THE ALLIANCE, ETC GROUP, AND THE CENTER FOR STORY-BASED STRATEGY. GOPAL TEACHES IN THE URBAN SUSTAINABILITY PROGRAM AT ANTIOCH UNIVERSITY IN LOS ANGELES, WHERE HE WAS THE FIRST CLIMATE JUSTICE FELLOW (2014-2016), AND IS A TRAINER WITH THE RUCKUS SOCIETY. HE LIVES IN OAKLAND IN AN INTENTIONAL, MULTI-GENERATIONAL COMMUNITY OF NINE ADULTS, EIGHT CHILDREN—INCLUDING TWO OF HIS OWN—AND A BUNCH OF CHICKENS.

SABRINA WILKINSON

Monetizing the social network

What risks does Facebook's Libra currency pose to the public?

IN RECENT YEARS, Facebook has made the daily news more regularly than at any time in its 15-year history. Very rarely have these reports been positive. Privacy scandals (like Cambridge Analytica, for example), regulatory non-compliance and algorithmic bias are just a few of the issues that have engulfed the social media company, heightening concerns about the risks the firm poses to democratic institutions.

It might be a surprise to some, then, that Facebook chose this June to formally introduce a cryptocurrency called Libra. Beginning in 2020, consumers will be able to pay for goods and services through the Libra app or over Facebook Messenger or WhatsApp. That includes individuals who don't have a bank account. According to a white paper released alongside the announcement, the effort promises to "[t]ransform the global economy [so] people everywhere can live better lives."

Built on blockchain and backed by a reserve of assets, Libra will be governed by the independent not-for-profit Libra Association based in Geneva, Switzerland. Association member organizations include a range of payments, technology, telecommunications, blockchain, venture capital and non-profit organizations. Alongside Facebook, which operates the cryptocurrency through its regulated subsidiary Calibra, other notable names on the roster are (or were when the *Monitor* went to print) Mastercard, Visa, Paypal, Uber and Spotify.

The cryptocurrency has provoked a slew of reactions from central banks and politicians, ranging from apprehension to calls for an immediate pause on the project. In early August, policy-makers from Canada, the EU, the U.S. and other countries, including Privacy Commissioner Daniel Therrien, released a joint statement to express

their "shared concerns about the privacy risks posed by the Libra digital currency and infrastructure." The European Commission is looking into whether the cryptocurrency reflects anticompetitive behaviour. The U.S. House Committee on Financial Services will continue its examination of Libra when Congress resumes this fall.

These inquiries are warranted and do well to highlight the threats prompted by the social media company's recent efforts in the financial services sector. Indeed, Facebook's entrance into this market poses real risks to consumer privacy and financial regulation. Not least, Libra has the potential to provide even more power to a firm that has repeatedly exploited the public trust.

The separation of personal and financial

The emergence of Libra raises a number of privacy concerns related to the blending of personal and financial data. In contrast to regular financial service providers, which deal predominantly with financial information, Facebook collects and uses personal information, such as social and political views, as a part of its core business model.

This is not to say that banks haven't admitted to sharing sensitive consumer data with other companies, or that the data they collect isn't also personal. In 2013, Barclays informed 13 million customers that it would be selling information about their spending habits and other data that "may include images of [them] or recordings of [their] voice[s]" to third parties. But it's important to note that the breadth of personal data held by Facebook is much more significant than that collected by banks. Such data sharing practices also don't form a central part of banks' business models.

"Facebook's involvement is particularly significant, as there is the potential to combine Facebook's vast reserves of personal information with financial information and cryptocurrency, amplifying privacy concerns about the network's design and data sharing arrangements," said Elizabeth Denham, U.K. Information Commissioner, in August. Denham further noted the lack of detail surrounding how the association plans to handle, secure and protect user information.

Anxieties about the crossover of financial and personal data are especially pertinent because Facebook has historically shared information between its affiliated platforms. Instagram and Facebook accounts, for instance, are automatically linked in order to, amongst other things, target users with more accurate personalized ads. It's impossible for users to de-link their accounts. At the same time, the social media company has announced plans to integrate the chat platforms in Facebook Messenger, WhatsApp and Instagram, which some have suggested could prompt the co-mingling of metadata.

In July, David Marcus, who heads Facebook subsidiary Calibra, assured members of the U.S. Senate Committee on Banking, Housing and Urban Affairs that "[they] do not expect Calibra to make money at the outset, and Calibra customers' account and financial information will not be shared with Facebook, Inc., and as a result cannot be used for ad targeting."

While this affirmation and others related to consumer privacy sound promising, it's far from clear we should treat them as a reliable and complete picture of Facebook's plans given the firm's missteps and broken promises. CEO Mark Zuckerberg was

recently accused of withholding the truth during his highly publicized April 2018 congressional testimony, following news this August that the social network has been paying contractors to transcribe audio clips from users. In another instance, the social media company publicly stated it would not share data between WhatsApp and Facebook, before renegeing on that promise in 2016.

L'état, c'est Facebook

Facebook is a huge company with incredible reach and market value. As of the second quarter of 2019, the firm had 2.41 billion monthly active users, with 2.7 billion people using at least one of the company's three core platforms—Facebook, WhatsApp or Instagram—every month. (The Canadian Internet Registration Authority estimates that 71% of Canadians are on the social network.) In the same quarter, the company made US\$2.6 billion (\$3.44 billion), a drop from previous quarters but still a significant sum.

With stats like that, it's not surprising that some have compared the firm to a nation-state. Zuckerberg himself has said, "in a lot of ways Facebook is more like a government than a traditional company." Certainly, the company plays a significant role in how people communicate with each other and consume information, including news coverage. The organization also has substantial influence over the success of firms in a variety of sectors, not least journalism.

Yet, unlike democratically elected governments, Facebook is largely unaccountable to the public. And despite statements to the contrary, the social media company has shown itself unwilling to fully co-operate with regulatory bodies around the world. Moreover, the governance structure of the organization itself is unusually centralized. Zuckerberg controls 58% of the firm's voting power at shareholder meetings.

To be sure, Libra won't just be controlled by Facebook. The aim of the Libra Association is to bring membership to about 100 organizations by the cryptocurrency's planned launch in the first half of 2020. And all major policy and technical decisions made by the association will require approval from at least two-thirds of members.

But Facebook has said it will continue holding a leadership role in the group until launch day. This arrangement suggests that the social media company may play an outsized role in the policies and principles that shape the initial operations and aims of the body. At the same time, despite the Libra Association being not-for-profit, the majority of current members are private companies.

Writing in *New York Magazine* this June, Max Read claimed Libra has the potential to become something very close to a global reserve currency, an internationalized central banking system, with vast implications for national currencies and monetary policy. Even when we put aside recent indiscretions involving members of the Libra Association (Mastercard is being sued for more than \$22 billion in the U.K. for charging excessive fees), we need to consider whether we are willing to give weighty fiscal responsibilities typically taken up by governments to an organization predominantly run by powerful corporations.



Do we trust our money to Facebook and other tech firms (Apple, Amazon and Telegram have shown similar interest in financial services) when we're not sure they can, or care to, protect our privacy?

Regulatory backlash

It is promising that regulators have given many of the risks presented by Libra their due weight. In July, the chair of the G7 working group on stablecoins, Benoit Coeuré, affirmed that the cryptocurrency should meet stringent regulatory standards, hold a strong legal basis and be underpinned by a "governance and risks management framework," among other conditions. Coeuré noted that Facebook and others involved in the project are far from meeting these requirements.

Such reactions have undoubtedly forced the Libra Association to backpedal on some of its plans. In late August, the *Financial Times* reported that regulatory scrutiny caused three unnamed members of the association to look into ways to loosen their ties with the venture. Facebook also hadn't, as the *Monitor* went to print, announced the addition of any new organizations to the group since the introduction of the cryptocurrency, which could signal a reticence by potential members to attach their names to the effort. In any case, it's possible that regulatory barriers will delay the launch date or put a stop to the project entirely.

In other instances, policy-makers have used the dialogue around Libra as an opportunity to outline alternatives to such schemes. In a speech in late August, Bank of England Governor Mark Carney considered the benefits of a global monetary system run by the public sector. Advantages of the proposed approach include a decreased reliance on the U.S. dollar and reduced volatility in capital flows to emerging market economies.

Such a proposal would be an immense undertaking and require extensive cross-border collaboration. Yet it does seem like a project well-suited for a diverse and globalized world, and an effort with the potential to foster a secure global currency run by accountable entities. Time will tell whether Carney's vision, or Facebook's, wins out. **M**

REVIEWED BY FRANK BAYERL

Let's mix it up a little

TEARDOWN: REBUILDING DEMOCRACY FROM THE GROUND UP

DAVE MESLIN

Penguin Canada, May 2019, \$27.00

DONALD TRUMP, Bernie Sanders, the Tea Party, the Occupy movement. What do these seemingly disparate actors have in common? According to Dave Meslin, it's the belief that the political system is rigged in favour of (choose one): the elites, the one per cent, the establishment. And what term is usually invoked to characterize, almost always pejoratively, the impulse behind these actors? "Populism," of course, whose root meaning is simply support for the concerns of ordinary people.

Meslin is on the side of those who feel our democracy is broken, hence he argues a teardown, not tinkering around the edges, is required, with the goal to correct the cynicism that infects so many citizens today. Like these people, Meslin wants to disrupt the system, but in a positive direction. In this book he lays out his suggestions for opening up politics to ordinary citizens from the local, community level to the federal level.

At the municipal level, Meslin notes the many amalgamations that have taken place in recent years, almost always against the wishes citizens, and looks at various ways to bring local government closer to the people. Montreal, he feels, has the best approach, with its 19 borough councils. Each has a local mayor and councillors elected by neighbourhood residents every four years. Borough council meetings allow any citizen to raise issues and question councillors directly. From Meslin's experience, they receive polite and meaningful answers.

At the federal level, no doubt the most important reform would be the

introduction of proportional representation. "In almost any country in the Western world, if one party takes complete control of the government against the will of the people, it's called a coup," Meslin writes. "In Canada, however, we just call it an election." He goes on to weigh the merits and disadvantages of the various forms of PR, concluding that any such system would be a vast improvement on our current first-past-the-post model. This is hardly a controversial view now, but Meslin also advocates extending the franchise to permanent residents and youth over the age of 16—more than two million Canadians in all.

The author makes some familiar points about Canada's political system, such as the excessive power of political parties and party discipline in the House of Commons and the consequent powerlessness of individual MPs, and he points out that things were not always thus. The Constitution hardly mentions the office of prime minister. And before 1970, parties were not listed on ballots, only the individual candidates' names. He advocates various sensible measures to restore the independence of MPs and rebalance the triangular relationship between constituency wishes, personal opinion and party loyalty.

Readers with a theoretical bent will find Chapter 10 of *Teardown* fascinating. In it Meslin describes how the British parliamentary system has been transformed from one where parliament was clearly supreme (early 19th century) and the concept of a "prime minister" did not exist, to one where that office now has extraordinary powers. Similarly, in the nascent United States, having just overthrown a dictatorial king, there was at first great resistance to the idea of a chief executive with any significant powers. An executive structure will almost

always usurp a deliberative legislature, says Meslin, who suggests that members of Parliament in Canada should be selected on a rotating basis to fill the position of prime minister.

Meslin uses the issue of homelessness to distinguish between upstream and downstream solutions to political problems. Some might hand out sleeping bags or set up food banks to address the problem, but these are temporary fixes (downstream solutions) that don't get at the root of the problem. Others might work to increase affordable housing and tenant protections or redistribute wealth. These are upstream solutions, but there are far fewer organizations working on them than there are groups who tackle downstream approaches. Meslin says the tax rules governing non-profits vs. charitable groups are the major culprit in underfunding upstream solutions. The former can engage in advocacy but cannot provide tax receipts, while the latter can offer tax deductions but must follow strict rules limiting their advocacy activities.

In his final chapter, Meslin returns to his roots as a community organizer to tie together the disparate threads of the book. He talks about some ways he has tried to promote community engagement in his Toronto neighbourhood, through projects to de-fence the neighbourhood and to produce maple syrup by tapping local sugar maples, for example. The aim in both cases was to create a greater sense of community. All Meslin's suggestions in *Teardown* are intended to replace top-down control with bottom-up empowerment. The book is an unusual combination of the very practical and the theoretical, and its suggestions deserve serious consideration whenever we vote to elect a new government. **M**

Lots of love for queer memoir

LOVE LIVES HERE

AMANDA JETTÉ KNOX

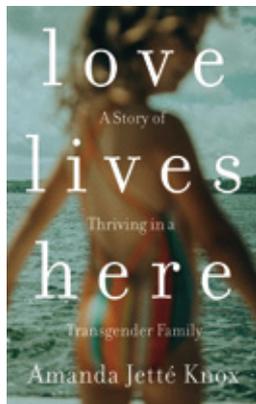
Viking, July 2019, \$24.95

“**T**HERE'S A LOT of crying in our story. That day was no exception. But it was the happy kind of crying.”

Summing up her partner's transition to becoming a woman, this sentence also succinctly describes our experience of reading Amanda Jetté Knox's life-sustaining, life-affirming memoir of her family's attempts to build a more socially just world for trans people. Here is that rare book, moving in all senses of the word, that will have readers continually leaking happy/sad tears while frantically turning the pages.

Love Lives Here is about a queer family that has survived and thrived after going through two transitions—Knox's daughter's, at 11, and her wife Zoe's shortly after that—and one coming out: her own as a lesbian. The book details the heavy toll that society's homophobia and transphobia can take on queer lives, from forcing a young Zoe to hide her true self, resulting in years of depression and anger, to keeping Knox in denial about her own sexuality, to leading a tearful and scared young girl to email her parents about her gender identity while fearing their rejection.

For many trans folks and queer youth, hatred and abuse from society leads to a range of mental health struggles including depression, anxiety, and thoughts of suicide. Knox and her family had to deal with brutalizing homo- and trans-phobic backlash to their activism. If they were able to completely turn things around it was because of the positive and welcoming



support they received from friends, extended family, their workplaces and the educational system.

Of course, as Knox herself would note, part of the reason their family has been able to thrive stems from the ways in which they are supported by systems of class and race privilege. This privilege shields Knox's family from the ways that so many trans people living in poverty and trans people of colour are forced to live—subject to police violence, criminalized, denied access to housing, kicked out of the educational system and fired summarily from their jobs.

Still, in describing the fears she has for her family, notably the impact of transphobia on her children, Knox helps us think about some of the questions that continue to preoccupy many queer families. How out should we be? Should we have no gay shame because this is who we are? And how should we protect our children from queerphobic and transphobic hatred? Knox forefronts ethics in her answers to such intimate questions and encourages readers to do the same, the ultimate goal being to try to better the world for queer and trans people.

In this sense, Knox's book functions as a guiding light for all of us in our struggles to decide *how to be* in this beautiful, broken world.

Like Knox, we too are part of a queer family, one that has few templates. Shoshana had a baby on her own, her best friend fell in love with her baby and they now co-parent him while living in an intentional community. Allison had her baby with her beloved partner Steve, who died when her son was not yet two years old. We met online (does anyone meet anywhere else these days?) and have fallen wildly in love.

Two queer women, one trans man, two kids, two households (for now). What does the future look like for families like ours? Like Knox's family, ours is shielded by our own middle class and race privilege. When we think about queer futures, this work must also involve ongoing social justice efforts aimed at combatting racism, heterosexism and patriarchy. While we might disagree on what queer inclusion looks like, it is helpful to think alongside Knox about how queer families can provide meaningful challenges to the status quo. And like everyone else, we hunger for representation. Our family does not need to look just like Knox's family for us to be inspired and moved by the ways her memoir details their unwavering commitment to love and to social change.

We found ourselves immensely grateful to the bravery of the Knox family. Thank you to Knox for a courageous, kindhearted, empathetic booked aimed at inspiring change by example. We certainly found ourselves among the inspired, even as we continue to think about what other forms of substantive change will look like for families like ours. **M**

REVIEWED BY MADELINE LANE-MCKINLEY

Unthinking the Family

FULL SURROGACY NOW: FEMINISM AGAINST FAMILY

SOPHIE LEWIS

Verso Books, May 2019, \$35.95

“REALISM”—AND ITS attendant demand for plausibility, imaginability and appeals to common sense—taunts a version of feminist history. “Softhearted and softheaded,” feminism has been perennially recast, Kathi Weeks suggests, as “more precisely, softheaded”—like utopianism, it is “at best naïve and at worst dangerous.”

As doomed to such rebukes as any other text of its ambition and political scope, Sophie Lewis’s *Full Surrogacy Now* anticipates and thoroughly rejects this anti-utopianism that—specifically through gender—fancies itself somehow “realist.” Her debut text is a more properly historical materialist case against this “realism” on the one hand, and something of a science fiction on the other. Without naming itself as such, *Full Surrogacy Now* is a manifesto. And in the spirit of Donna Haraway’s *A Cyborg Manifesto*, it explores a multiplicity of feminisms and possible futures, through vibrant moments of genre-bending, speculation and immanent critique. Provocatively, and with an often wicked sense of humour, Lewis historicizes and taunts back that which renders her project seemingly impossible, modelling (as her subtitle promises) a “feminism against family.”

The speculative future staged by *Full Surrogacy Now* is that of family abolition. As an addendum to Fredric Jameson, Lewis conjectures that “it is still perhaps easier to imagine the end of capitalism than the end of the

family.” Certainly, the thought stimulates a wide range of frustrations and anxieties, along with the familiar proclamations of hysteria. Recalling a 2014 conference in London, for instance, Lewis describes an unnamed speaker in strong opposition to family-abolitionist thought: “We are not,” the speaker cried out, “about to march around with placards saying ‘Abolish the Family,’ which would be crazy.”

Inspiringly, Lewis’s critical utopian impulse is to face up to this “crazy.” The supposed craziness of family abolition is not so much challenged as profoundly integrated into the problem around which *Full Surrogacy Now* orbits: primarily, the problem of its own imaginability.

Of course, the thought of family abolition is crazy—and to sit with it is crazy-making. As Lewis makes clear, it is a matter of bumping up against, rather than shutting down, our capacity to even think, much

less collectively enact, revolutionary struggle. Through these productive and often painful frictions with “realism,” the text “stands for the levelling up and interpenetration of all of what are currently called ‘families,’” Lewis asserts, “until they dissolve into a classless commune on the basis of the best available care for all.”

In this framing of a feminism against family, *Full Surrogacy Now* understands the work of “baby-making” precisely as work, ultimately asking of the possibility for all baby-making to be reimaged, through revolutionary comradeship, as surrogacy. Always in contrast to Surrogacy™—the commercial surrogacy industry which generates an estimated one billion dollars a year—“full surrogacy” is a queer communist speculative future: “We are the makers of one another,” she writes. “And we could learn collectively to act like it. It is those truths that I wish to call real surrogacy, full surrogacy.”

Never hiding from full surrogacy’s lurking sense of unthinkability, Lewis calls for a mode of thinking about family abolition through an ongoing friction with nihilist visions of withdrawal, negation or abandonment. “Couldn’t there be more (rather than less) opportunity for bonding and connecting,” she asks, “in a surrogacy context?” However “crazy,” her version of the end of the family is not at all the end of care. Rather, “full surrogacy now” takes the standpoint of a “plural womb and a world beyond proprietarian kinship and work alienation.” As Lewis maintains, this is not the end of care but the beginning of real care.

To today’s Marxist-feminist focus on social reproduction, this demand for full surrogacy marks a crucial contribution: a “multigender feminism in



which the labour of gestation is not policed by well-meaning ethicists but, rather, ongoingly revolutionized by struggles seeking to ease, aid, and redistribute it,” as Lewis describes it. The question of “life-making,” which Tithi Bhattacharya and Susan Ferguson raise in defining social reproduction theory, might be elaborated through this expansionary theory of surrogacy. The term “surrogate,” Lewis suggests, has the potential to bring together millions of precarious and/or migrant workers—gestators along with, to start, “cleaners, nannies, butlers, assistants, cooks, and sexual assistants”—whose work “is figured as dirtied by commerce, in contrast to the supposedly ‘free’ or ‘natural’ love-acts of an angelic white bourgeois femininity it in fact makes possible.”

In a moment charged with feminist revivalism, as well as competing and recuperative feminisms, *Full Surrogacy Now* is as much a demand of the impossible as a meditation on radical disinheritance. “Wanting a mode of gestation that itself contributes to family abolition makes my little book a clear descendant of disparate elements of the Second Wave,” Lewis acknowledges playfully, while calling the text a “disloyal, monstrous, chimerical daughter indeed.” Not only de-centering but fully eradicating the mother-child relation from how she conceptualizes gestation—that is, as labour—Lewis is consistently disloyal, to borrow her own phrasing, to the feminist theorists who made her work possible. She does not abandon but, in Haraway’s terms, she “stays with the trouble.” It is a loving disloyalty, seeking to unimagine, in broader terms, the labour of love. It is also a source of enduring conflict and ambiguity.

Among her disloyalties, Lewis finds fault with Shulamith Firestone’s *The Dialectic of Sex* (1970) and Marge Piercy’s *Woman on the Edge of Time* (1976), calling both texts “insufficiently ambitious” in their determination to wish away the labour of gestation in search of what she describes as a “gestational fix.” In each case, she suggests, the problematic of pregnancy—whether figured as labour, love, nature, etc.—is estranged and displaced, rather than fully dealt with. As Lewis observes of Firestone, what will be unfortunately most remembered of her “flawed masterpiece” is the proposal that “childbearing...be taken over by technology.” Quite powerfully, Lewis launches a consistent attack on the trans-exclusionary implications of Firestone’s work, as well as Piercy’s, both of which trade in biological determinism in differently problematic ways. Throughout the text and elsewhere, Lewis challenges trans-exclusionary radical feminism (TERF) as a dangerous and conservative strain in the battlefield of contemporary feminisms.

Staging direct confrontations at several instances in her text, Lewis models for us a way forward which takes on the radical kinship at stake in “full surrogacy”—not of cancelling, forgetting or forgiving, but of troubling. Reading Firestone’s utopia against the grain of her political theory, Lewis recovers the most revolutionary elements from *The Dialectic of Sex* as well. Most evocatively, *Full Surrogacy Now* continues Firestone’s often overshadowed dream of collective belonging, outside the terms of the mother-child “social bond,” and through the abolition of the capitalist family.

Lewis challenges trans-exclusionary radical feminism as a dangerous and conservative strain in the battlefield of contemporary feminisms.

Entering into a love-hate relationship with Firestone is something of a rite of passage—and for this, I appreciate Lewis’s nuance and care, never at the cost of critical rigour. After publishing *The Dialectic of Sex*, with severe anxiety, at the age of 25, Firestone only published one more book, 28 years later, after years of institutionalization—not uncommon in her Women’s Liberation cohort. Certainly, there is an exhaustive list of low-hanging problems to pull at in *The Dialectic of Sex*: Firestone’s contribution to “sex class” theory, her appeals to nature and her optimism toward technology are among the many.

But what I have grown to feel about *The Dialectic of Sex*—which is perhaps more apparent in Firestone’s later work, *Airless Spaces*—is that its antagonism toward genre has been tragically overlooked if not misread. What she perhaps felt had to be framed as a grand synthesis of “feminism” with Marx, Engels and Freud, becomes ultimately something more akin to the work of Charlotte Perkins Gilman: a feminist utopian thought experiment, which she describes as “the case for feminist revolution.” This mutiny against genre is something that *Full Surrogacy Now* shares in common with this flawed masterpiece from 1970, and quite knowingly.

Lewis has a much keener sense of her genre trouble than Firestone. While Lewis promises her text will not be a matter of case studies, she offers plenty, along with autobiographical interludes, theoretical conjectures, forays into various debates and generative conflicts. Fluidity is hardly to be missed as a motif that especially comes to life in her conclusion. Noting that “all humans in history have been manufactured underwater,” Lewis postulates that “[o]ur wateriness is our surrogacy. It is the bed of our bodies’ overlap and it is, not necessarily—but possibly—a source of radical kinship.” In these musings on wateriness, she offers a hermeneutic for the text.

It is no coincidence that some of the primary texts Lewis draws from are in some manner science fictions like hers. Besides Firestone and Piercy, Octavia Butler and Ursula K. Le Guin are crucial influences, alongside Haraway, Angela Davis, Mary O’Brien, Simone de Beauvoir, to name only a few. As Lewis reflects, “While the name on the cover of this book is mine, the thoughts that gestated its unfinished contents, like the labours that gestated (all the way into adulthood) the thinkers of those ongoing thoughts, are many.” Yes, the process described here is no different from

Lewis demonstrates how the revolutionary possibilities of “full surrogacy” and family abolition can merely be grasped at, precisely because of the dystopia we find ourselves in.

any other text: there is never a “mine,” and there is always a “many,” though often unacknowledged.

What is different, however, is how *Full Surrogacy Now* here and elsewhere actively seeks to be communized and de-individuated as a collective project—not as the “death” of authorship (or private property) but as its complete abolition. Just as Lewis asks us to unthink the proprietary bond between gestator and child, she begins to construct an epistemology of surrogacy, at points brilliantly elaborated through this analogy of motherhood and authorship.

Fittingly, and from the start, one of Lewis’s central antagonists is Margaret Atwood. In her reading of Gilead, Atwood’s reproductive dystopia in *The Handmaid’s Tale*, Lewis argues that “human sexuaction is neatly dimorphic and cisgendered,” adding, “but that is apparently not what’s meant to be dystopian about it. It’s the ‘surrogacy.’” The “universal” agony at the center of Atwood’s narrative is the separation of a mother from her daughter, and moreover, the breeder’s deprivation of motherhood. Lewis is not alone in reading *The Handmaid’s Tale* as a de-raced slave narrative, tending toward a version of “cisgender womanhood, united without regard to class, race, or colonialism, [that] can blame all its woes on evil religious fundamentalists with guns.” However, far more than taking up these questions in the 1985 novel, Lewis targets the narrative’s resurgence as what today’s cultural feminist front claims to be an “allegory of our times” in the Trump era.

To the alarum “We are living in *The Handmaid’s Tale*,” she retorts, “People’s eagerness to assert that we are betokens nothing so much as wishful

thinking,” in that “it promises that a ‘universal’ (trans-erasive) feminist solidarity would automatically flourish in the worst of all possible worlds.” It is in this sense, as Lewis suggests, that “the dystopia functions as a kind of utopia: a vision of the vast majority of women finally seeing the light and counting themselves as feminists because society has started systematically treating them all—not just black women—like chattel.”

These Atwoodian anxieties get us closer to understanding white feminism’s humanitarian impulses, as in the anti-surrogacy campaign, Stop Surrogacy Now, which Lewis detours like much else. Contending with these anti-surrogacy and anti-sex work platforms, Lewis argues that these political rhetorics have been used to justify imperial wars and establish a “rescue industry,” seeking to “abolish the commodification without abolishing the work.” Entangled, quite generatively, in this analogy between sex work and surrogacy, which Lewis takes on as anything but simple, she redirects us toward the abolition of work: “All we really know is that their articulation as work in the first instance will be key to abolishing them (as work) in the long run.”

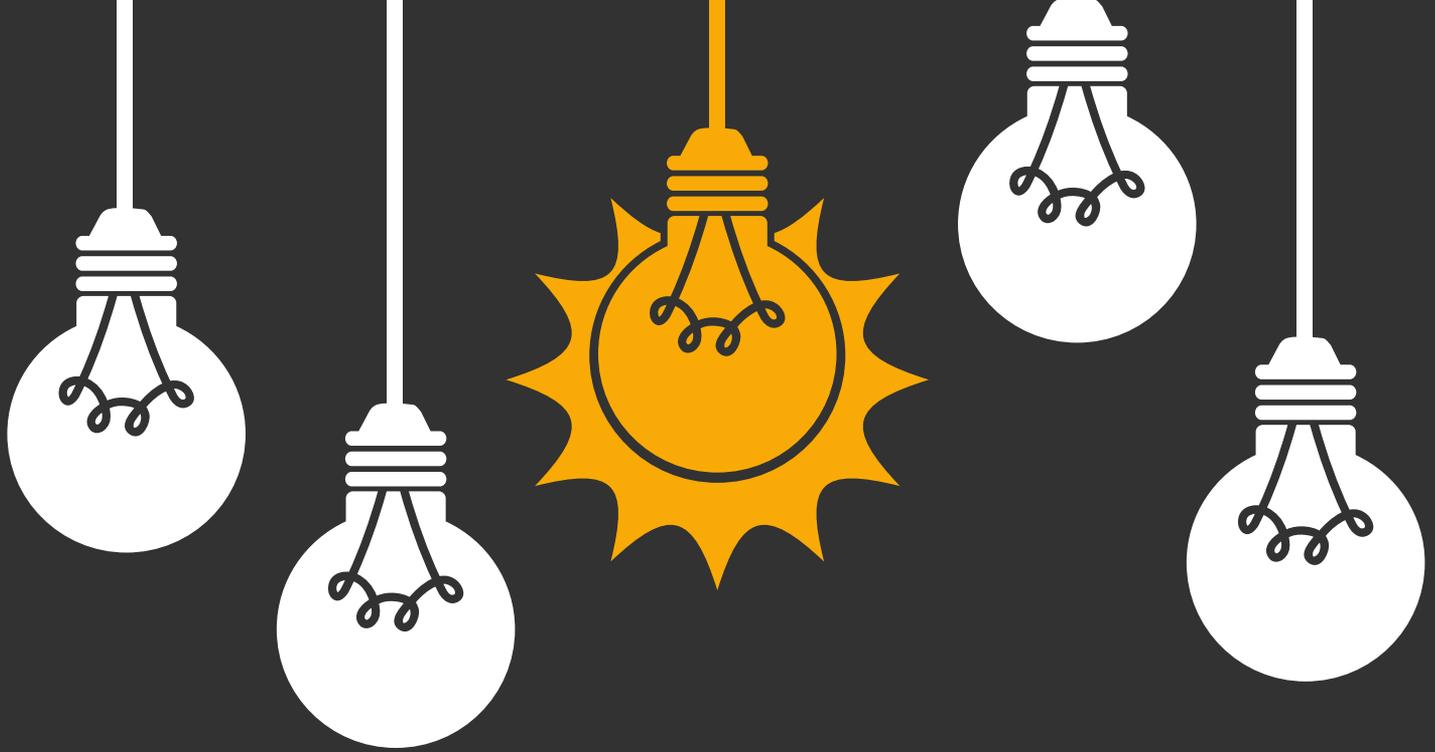
What’s most frustrating about *Full Surrogacy Now* is also what’s most remarkable about it: how it lingers with the discomfort induced, so thoroughly, by the unimaginable. Throughout, Lewis demonstrates how the revolutionary possibilities of “full surrogacy” and family abolition can merely be grasped at, precisely because of the dystopia we find ourselves in. Where Lewis might slip easily into programmatism or reform-based

solutions, she perseveres instead toward a troubling of her own language and key concepts, animated all the while by a sense of futurity. The work of this project, as she notes herself continually, is necessarily collective—and whether this project is to be continued is yet to be determined, but the prospects are good. Queer communist Jules Joanne Gleeson, for instance, has delved into the possibilities of this text already, not only underscoring Lewis’s commitment to a trans-inclusionary view of gestation, but asking of the “presently unclear relation” between this work on womb-labour and Marxist-Feminist thought in social reproduction theory.

Like Gleeson, I can’t help but hope that “Surrogacy” could bring together some of the more disparate yet potentially congruent “feminisms” today. Yet to the extent that *Full Surrogacy Now* could provide such a point of synthesis, it is likewise, quite clearly, something of an outsider text. Perhaps too occasionally, *Full Surrogacy Now* features moments of approximating and making concrete the possibility of its fundamental demands. “We need ways of counteracting the exclusivity and supremacy of ‘biological’ parents in children’s lives, experiments in communizing family-support infrastructures; lifestyles that discourage competitiveness and multiply nongenetic investments in the well-being of generations,” she writes, fully attuned to the rebukes of “realism” she finds herself taunting back.

These more practical moments are gestures throughout *Full Surrogacy Now* toward what is not-yet-conceivable, all with a built-in sense of urgency, potentiality, and familiar sorrow. Like Butler, Le Guin or Samuel Delany—queer, feminist, anti-colonial writers, prone to science fiction precisely as a mode of abolitionist dreaming, untethered from chauvinist “realism”—Lewis pulls to the surface of her text ideas and desires that cannot survive with us here, in this toxic atmosphere. But these longings for “a world worth living in,” as she forcibly unravels, demand from us more than a moment of thought. **M**

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