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# ***New Directions for Intelligent Government in Canada: An Introduction***

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THE TRADITIONAL "BIG-GOVERNMENT/SMALL-GOVERNMENT" DEBATES are ideological rather than content-driven. We do not necessarily need 'more government', but we do need more 'intelligent government', that is a government that recognizes there is a legitimate role for the state in social and economic policy and focuses on how to best play that role in a way that is effective without stifling innovation, creativity and private initiative. Whether it is government programming (ie. new spending programs versus targeted tax expenditures) or regulation (ie. how much, affecting who, what sanctions) there are choices to be made, but in all of these areas the role that governments play should be informed by solid analysis.

In his work as a public servant Ian Stewart brought this analytical focus to the role of the state. The editors believe that we need more of this approach as we move forward to deal with the challenges ahead. On the occasion of Ian's 80th birthday, we have commissioned a number of leading Canadian econo-

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mists and former senior policy makers to contribute to this festschrift by addressing specific public policy issues and the role of an intelligent government in addressing these concerns.

The two editors of this volume have worked closely with Ian during different time periods and in different capacities. In both cases Ian has served a mentor role. He hired Fred Gorbet right out of graduate school in 1968 and Fred worked with Ian at the Bank of Canada, Energy, Mines and Resources, the Privy Council Office and Finance. Andrew Sharpe's association with Ian dates from the early 1990s. With the demise of the Economic Council of Canada in 1992, a vacuum in the supply of applied economic research in this country was created. The establishment of the Centre for the Study of Living Standards in 1995 was orchestrated by Andrew, Ian, and David Slater. Ian assumed the position of Chair, a role he still holds 16 years later.

### *Structure of the Volume*

The papers in the volume are organized into four sections based on subject areas: macro-economic policy including financial sector policy; tax policy; social and health care policy; and general public policy. The volume also contains a biographical essay by our honouree Ian Stewart on his extraordinary professional career. We have also reprinted *The Way Ahead* - likely the most important document that Ian crafted during his years as a senior policy maker in the federal government. The purpose of this introduction is to provide a synthesis or distillation of the incredible richness of the policy analysis contained in the 12 chapters, produced by a stellar cast of leading academic economists with an interest in public policy and public policy practitioners at the highest level. The list of contributors includes four Deputy or Associate Deputy Ministers of Finance (not counting Ian), two Chief or Assistant Chief Statisticians, and four Past Presidents of the Canadian Economics Association.

### *The Contribution of Ian Stewart to Public Policy in Canada*

Born in 1931, Ian spent his early years on Toronto Island where his father was superintendant of the water filtration plant. He attended the University of Toronto Schools (UTS), excelling in both academics and athletics. After grad-

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uation he followed family tradition and enrolled at Queen's University in 1949 where he studied honours economics and politics. Not surprisingly given Queen's long association with the public service in Ottawa, Ian was exposed to scholars who had been part of the Ottawa economic policy community, such as Bill Mackintosh. Ian graduated in 1953 with the economics medal and remained at Queen's to do his M.A. in economics, which he completed in 1954. Based on his outstanding academic record, as well as his athletic prowess and leadership ability, he was awarded a Rhodes Scholarship to Oxford University.

Ian returned to Canada in 1956 and gained employment teaching economics at Queen's University. By 1959 he came to the realization that a professional career in economics required a PhD. He enrolled in the doctoral program at Cornell University in Ithaca, New York where he specialized in econometric modeling, then an emerging field advancing with the IT revolution. In 1962, he accepted a position in the Department of Economics at Dartmouth University in Hanover, New Hampshire. After obtaining his PhD degree in 1965 with a thesis that built a quarterly model of the Canadian economy, his thoughts turned to the possibility of returning to Canada. Fortunately, the Bank of Canada was recruiting, and was particularly interested in Ian's skills and experience in building econometric models, an art then in its infancy. Ian accepted the offer.

In 1966, Ian started his Ottawa career, assuming responsibility in the Research Department at the Bank of Canada for the development of the RDX econometric model of the Canadian economy. There he assembled a stellar team of economists, including Harold Shapiro, later President of Princeton University and Michael Spence, later a Nobel laureate in economics, and of course Fred Gorbet and John Helliwell. The work on the RDX model at the Bank of Canada represented a pioneering attempt to quantify the macroeconomic effects of various economic policy scenarios and Ian's leadership in this area was a major contribution to public policy in Canada.

In 1972, Ian joined the Planning Branch of the Treasury Board Secretariat as a Director. The mandate of the Planning Branch was to apply greater economic rationality to the allocation of resources among departments, a challenging task in a political environment. At that time, energy was beginning to

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emerge as a key policy area and Ian developed an intense interest in this issue. In 1973, he was seconded to the Department of Energy, Mines and Resources (EMR). The turbulent oil markets of the 1970s placed many strains on the economy and the federation, and Ian's highly honed analytical skills were applied to the preparation of many memoranda to cabinet on energy policy during this period.

In 1975, Michael Pitfield, Clerk of the Privy Council Office (PCO), recruited Ian to be Secretary of the Cabinet Committee on Economic Policy. These were turbulent economic times, with inflation accelerating. To deal with this situation, the government in October 1975 imposed wage and price controls for a three year period. The direction for economic policy after controls ended became a key concern. To address this issue, Ian, with the close assistance of Fred Gorbet, drafted the document *The Way Ahead*, which laid out new policy directions for intelligent government - focused not on carelessly and blindly unwinding government interventions, but on replacing direct interventions with structural policies that would make the economy more efficient. One of the key messages of *The Way Ahead* is that failure to design intelligent and effective policies may lead to social outcomes that may require more direct intervention by governments - at some risk to personal liberty. The experience of wage and price controls represented an example of this and the publication sought to learn from that experience in the future design of government policies. The Government of Canada officially released the document in 1976. It represents an excellent example of Ian's analytical approach to policy development and captures and articulates very well the economic choices facing the nation in the late 1970s. It is reprinted in the appendix of this volume, with Prime Minister Trudeau's comments.

In 1978 Prime Minister Trudeau offered Ian the opportunity to choose his next assignment. Given his keen interest in energy policy, he chose EMR where he was appointed Deputy Minister. With the quadrupling of oil prices in 1979 energy policy assumed even more importance. Ian was at the heart of the intense federal-provincial and international negotiations on energy issues, dealing directly on a regular basis with the newly elected Prime Minister, Joe Clark.

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In 1980, with the return of Prime Minister Trudeau to power, Ian was appointed Deputy Minister of Finance where he was responsible for three budgets. Certainly the best known, and most controversial, was the November 1981 budget, which curtailed a number of tax expenditure and tax avoidance schemes to both improve fiscal balance and to incorporate greater equity into the tax system. Particularly in the context of the rapidly worsening recession, the tax measures met with substantial resistance and the budget encountered a hostile reception, forcing the government to rescind some of them. Future Deputy Ministers of Finance learned greatly from this experience. Ian's last budget in June 1982 introduced the '6 and 5' program to limit wage increases in the public sector. The program contributed to a moderation in wage demands and hence wage expectations in both the public and private sectors.

In November 1982, after nearly three stressful years in the most important economic policy position in the federal public service, Ian decided to leave the Department of Finance. He assumed advisory roles at the Ministry of State for Economic and Regional Development and chaired the Board of Directors of the Canada Mortgage Housing Corporation. In 1985, he returned to his alma mater Queen's University as Skelton-Clark Chair for two years and in 1990 he became Chair of Statistics Canada's Advisory Committee on National Accounts, a position he held until 2000. In the 1990s and 2000s Ian has also served on the Board of Directors of a number of non-profit organizations, including chairing the Board of the Centre for the Study of Living Standards.

The above brief chronology of Ian's career is based on Ian's contribution to this volume. The reader is referred to his paper for the full story, which is extremely interesting, modest and well written.

By any standards, Ian enjoyed a most distinguished career in the federal public service. The source of Ian's success is related to a number of factors. First, very strong educational credentials - a PhD in economics specializing in econometric modeling from an Ivy League university - gave him the technical skills to conduct and direct economic research and analysis at a high level. Second, his highly developed people and leadership skills allowed him to work effectively with political leaders and motivate and direct his staff. Third, his commitment to public service, and to intelligent government, that is government not driven by ideological blinkers, allowed him to assess policy options

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from a balanced perspective, and provide sound advice to the Ministers he served.

## *Macroeconomic Policy*

### Christopher Ragan on the Evolution of Canadian Monetary Policy

The first paper in the volume following Ian's biographical overview is by Christopher Ragan from McGill University. He provides an extremely readable overview of the evolution of monetary policy in this country from the late 1970s. Ragan is one of the few, if not the only, academic economist in Canada who has held senior appointments at both the Bank of Canada and Finance Canada. This gives him a unique perspective to address his topic. This paper represents a wonderful introduction to the monetary policy field for undergraduate students.

The first section of the paper offers an insightful assessment of Ian Stewart's influential document *The Way Ahead*, which, as noted, is reprinted as an appendix to this volume. Ragan finds it a balanced and realistic view of government in a modern economy. He notes that the document both emphasizes the importance of using relatively free markets for the organization of economic activity, but also recognizes the need for government intervention to solve certain problems that markets are ill-suited to solve, including provision of public goods, appropriate pricing of externalities, and reduction of severe inequities.

The key message of Ragan's paper is that the process of natural selection of good and workable ideas in monetary policy formation has led to the creation and refinement of the current and very successful inflation-targeting system. At the core of this evolutionary process he sees both a continual drive toward "better" government and a recognition of the limitations of what government can accomplish. In reading Ragan's assessment one is struck by how the evolution of monetary policy through the decades of the 1970s and 1980s was informed by advances in research and analysis, applied to critical economic problems - a hallmark of what we call 'intelligent government'.

Ragan identifies a number of lessons that led to the establishment of the current regime, including the discovery of the importance of the supply side of the economy for monetary policy and the role played by a flexible exchange

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rate. He identifies the need to ensure "financial system" stability as one of the most significant challenges now facing central banks in both Canada and other countries and discusses some of the options that policymakers face in "leaning against financial excess" and searching for an appropriate approach to "macro-prudential stability".

### David Dodge on the Canadian Financial System

The importance of a well functioning financial system for a sound economy has been highlighted by the recent economic crisis. Unlike the downturns in the early 1980s and 1990s, the origins of the current crisis reside in the financial system. In the second paper in this section, David Dodge provides an insightful overview of public policy toward the financial system in Canada. He traces the development of Canadian financial market policy from the Porter Commission released in 1964 to the present, assesses the successes and shortcomings of these policies in meeting the twin objectives of efficiency and stability and dealing with inherent conflicts, and examines challenges ahead in light of the lessons of the financial crisis.

As Deputy Minister of Finance from 1992 to 1997 and Governor of the Bank of Canada from 2001 to 2008, Dodge became very familiar with the role public policy has played in shaping the financial system in this country. This experience makes his observations on developments in the financial system of particular interest.

Dodge states that, at the broadest level, financial sector policy should facilitate the development of financial markets and institutions which enhance efficiency and innovation while at the same time assuring the macro-stability of the system. But he notes that financial innovation can become a source of instability if regulation and risk management fall behind the curve. Indeed, this is what happened in the late 2000s when policy-makers in the United States, in particular, diminished the regulatory framework in an attempt to allow greater efficiency and innovation in financial services. The resulting global financial crisis has demonstrated dramatically the need to achieve an appropriate balance between efficiency and stability in financial sector policy. The paper outlines a number of factors that led to the relative resilience and

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robustness of Canadian financial institutions in the face of crises in the United States and Europe.

Of course, there are many challenges for financial market policy in Canada, and especially in other countries. Dodge provides a detailed discussion of what he sees as the reforms needed to buttress financial stability at both the international and national levels, such as more stringent capital and liquidity requirements. He recognizes that such reforms may result in slower economic growth and argues that a focus on preserving, if not enhancing, competition and market contestability may be the best way to promote efficiency and innovation in such circumstances.

### Scott Clark on Credible Fiscal Policy

A sound fiscal situation is a key requirement of successful economic policy, but how to define and attain "soundness" is a matter of debate. Scott Clark argues that it is important that fiscal policy be seen by relevant constituencies as "credible" and sets out, in this paper, the key attributes that he believes are essential to credibility in fiscal policy. He also discusses his perspective on how Canadian fiscal policy has measured up to these attributes over the period from 1983 to 2010. He is particularly well qualified to write on this issue, having served as Deputy Minister of Finance from 1997 to 2000, a period when Canada's fiscal balance was improving greatly.

Clark first identifies the four key groups who decide whether a government's fiscal policy is credible. They are financial markets; important stakeholder groups (including, for example, business, labour, consumers and educational institutions); the media; and the general public. He then points out the criteria that these groups use to judge whether a fiscal policy is disciplined or credible. First, it must be realistic, that is based on sound analysis. Second, it must be responsible, that is the government must be committed to establishing a sustainable fiscal framework. Third, it must be prudent, that is it must include a reasonable amount of "insurance." Finally, it must be transparent, that is providing full disclosure of information.

Clark provides a detailed discussion of the federal government's fiscal policy since the 1970s from the perspective of these four criteria. He provides an inside account of the decisions taken, or not taken, at the Department of



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Finance in the 1980s and early 1990s that resulted in a massive deterioration of the country's fiscal balance and rise in the debt/GDP ratio, as well as the policy shift taken in the mid-1990s that turned around this situation.

Clark expresses concern at certain developments that have taken place since 2006. He notes that at that time Canada's fiscal position and fiscal credibility were excellent, but that both have since deteriorated, not only because of the economic crisis, but also due to discretionary fiscal policy decisions. He argues that fiscal prudence has been virtually eliminated in fiscal planning and transparency in budget planning has diminished. While recognizing that Canada's current fiscal situation compares favourably to that of most OECD countries, he feels that the federal government nevertheless faces a structural deficit that will worsen in the coming years with the increased health costs associated with the ageing baby boom cohorts. He concludes with a call for the adoption of a fiscal strategy that is realistic, responsible, prudent and transparent.

### Lars Osberg on the Role of Unemployment in Public Policy

In the immediate postwar period, full employment, or at least low unemployment, was an important objective of economic policy and featured prominently in official government documents on macroeconomic policy. In the final paper in this section, Lars Osberg from Dalhousie University argues that unemployment has largely disappeared from official macro-economic policy discourse in Canada and provides an explanation for what he sees as an unfortunate development.

Osberg traces the origins of this development to the change in the understanding of unemployment within the economics profession. In the immediate postwar period, with the experience of the Great Depression still fresh, economists emphasized the large economic and social costs of unemployment, and the key role of aggregate demand in determining the level of unemployment. With the rise of inflation in the 1970s the issue of inflation control became a much greater priority for economists. Economic policy, especially monetary policy, focused much more closely on this issue, with concerns over unemployment diminishing, even though the unemployment rate had risen significantly. A desire to minimize the risk of inflation, and a strong view that in the long-run there was no trade-off between unemployment and inflation, dominated

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macroeconomic policy discourse. The emergence of persistent public sector deficits at about the same time constrained countercyclical fiscal policies, and attempts to deal with unemployment became increasingly focused on micro-economic, labour market oriented policies.

Osberg notes that one exception to the focus of monetary policy on inflation to the exclusion of unemployment occurred during the second half of the 1990s in the United States, when the Federal Reserve Board, under its chairman Alan Greenspan, rejected the standard NAIRU framework and probed the limits on the non-inflationary unemployment rate, driving the unemployment rate down to 4 per cent.

Osberg believes this lack of policy interest in unemployment on the part of government policy makers is having a negative effect on the well-being of Canadians. He points to recent research that finds unemployment especially bad for subjective well-being or happiness, not only for the unemployed, but also through a spillover effect for those with jobs. Osberg notes that Canada is one of the few industrial countries that does not collect data on job vacancies, which can be useful for analysis of how tight labour markets actually are at any given time. In line with the desire to inform government policy with more solid and sophisticated analysis, he makes a strong case that such information should be collected.

## *Tax Policy*

### **Robin Boadway on Rethinking Tax-Transfer Policy**

In this paper Queen's University Economics Professor Robin Boadway, one of the country's most distinguished tax scholars, argues that a major rethinking of Canada tax-transfer system is warranted, and outlines the key elements of the design of a new tax-transfer system. The paper is a tour de force, covering a very wide range of tax issues in a rigorous manner informed by the latest research. It represents a major contribution to the field.

Boadway believes a rethinking of the tax-transfer system is needed for two reasons. First, the views of what constitutes an effective tax-transfer system have changed considerably in recent decades, an evolution well captured by the Mirrlees Review in the United Kingdom. Second, the world has changed,

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and a key aspect of this change has been the trend toward greater inequality. Unfortunately, the ability of the current tax-transfer system to cope with these changes is limited.

In contemplating his rethinking of the tax-transfer system Boadway eschews political constraints. Although he recognizes that political considerations are critically important in implementing tax reform, he believes that to constrain the analysis by what might be politically feasible will lead to inferior choices. His paper sets out what he believes the most appropriate reforms would be, recognizing that political realities will result in tradeoffs.

Boadway identifies many concerns about the existing tax-transfer system. For example, he finds the treatment of natural resources, particularly non-renewable resources, especially problematic and the pricing of environmental damage, whether due to global warming or congestion, very uneven. The personal tax system in his view does a mediocre job in achieving equity. He considers it a national disgrace that welfare incomes remain below the poverty line and have been falling in real terms, and argues that the current treatment of intergenerational transfers represents a failure to address the issue of equality of opportunity.

Boadway's proposals for reform are based upon the Mirrlees Report, but are modified to reflect the realities of the Canadian context - in particular, shared jurisdiction over taxes and transfers, the particular role that natural resources play, and the lack of inheritance or wealth taxes. The key organizing principles for this reform are that the tax system should be as efficient as possible, and that the tax-transfer system should be highly targeted to those most in need.

### Stanley Winer on Tax Policy Design

Stanley Winer's paper complements Robin Boadway's analysis by taking a different starting point to the process of tax reform. Rather than adopting a strictly normative approach, as Boadway does, Winer views tax policy formulation as an equilibrium outcome of competition between political and interest groups, conditional on and evolving with technical knowledge on tax issues.

Winer prefers an approach that tries to incorporate feasibility into the analysis, even though it may entail making 'political judgments' and results in 'a second-best' world. In Winer's view, this is because the real choice is not

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between an optimal design and the world as it is, but between alternative conceptions of what is both possible and desirable. As an example Winer's analysis reviews some of Boadway's proposals through this prism and adds an additional, valuable dimension, to Boadway's analysis.

## *Social and Health Care Policy*

### Pierre Fortin on Income Support

Income support programs are largely under provincial jurisdiction in Canada. In this paper Pierre Fortin from the University of Quebec at Montreal highlights some important differences in income support in the Canadian federation and puts forward some lessons for social policy gleaned from the Quebec experience.

Fortin begins by noting that Canada is a relative laggard in spending on income support among OECD countries. In 2007, this country devoted 9.3 per cent of GDP to income support, ranking 20th out of 22 OECD countries (only the United States and Korea were lower). He then points out that Quebec devotes a much larger share of GDP to social assistance, workers' compensation and other social services than the other provinces. As a consequence, Quebec has a considerably lower poverty rate than the other provinces (except Alberta), and the bottom quintile has a higher level of income than is enjoyed in other provinces.

Fortin identifies two areas where intelligent government could find new directions for income support in Canada. First, with the rapid growth in the elderly population in coming decades, the demand for residential care and home help services in this country is set to explode. He sees an urgent need to recognize this challenge and to initiate a discussion of intelligent policy alternatives to address it.

Second, based on the robust finding that early childhood plays a fundamental role in the building of human capital, he suggests that other provinces learn from Quebec's family policies. In particular, he recommends that the other provinces consider universal educational childcare programs similar to Quebec's \$7 a-day program, which covers half of pre-school children in the province. He argues that this program increased female labour force participation

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significantly, generating additional tax revenues that more than covered the costs of the program. The program also fosters greater interaction between children from different social backgrounds, contributing to class rapprochement, and giving middle-income families a tangible benefit for their tax dollars, thus stabilizing support for social programs in general.

### John Richards on Policy Linkages

Two of the most important challenges facing Canada are the future financing of the increased health care costs associated with the ageing of the baby boomer cohorts and the reduction in greenhouse gas emissions. In an innovative paper John Richards from Simon Fraser University proposes a linkage between these two seemingly unrelated issues, arguing for a carbon tax to reduce greenhouse emissions being used to prefund the boomers' 'frail elderly' care.

Richards provides evidence that the social program costs, under middle-of-the-road assumptions, will increase by 4 percentage points of GDP by 2031 and by 7 percentage points by 2051. Just as the future payouts for the Canada Pension Plan were prefunded by a hefty rate hike in the late 1990s and early 2000s, Richards argues that it makes sense to develop a comparable pre-funding mechanism for future health costs.

Canada must reduce greenhouse emissions. Most economists agree that carbon taxes are the most effective means to reduce energy use, as both consumers and businesses, particularly in the medium-to-long run, respond to price signals. Higher energy prices will lower consumption. Richards is well aware of the political unpopularity of carbon taxes, but notes that such a tax was successfully implemented in British Columbia in 2008.

Richards recognizes that his linkage idea in the current political environment of public skepticism to increased taxes represents "idle speculation". But he argues that such speculation has its place as it invites advocates of particular agendas to address the politics of taxation, and to assess the need for alliances to achieve goals they are unlikely to realize alone.

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## Michael Wolfson on Health Care as a Knowledge Industry

An increasing share of GDP is being devoted to health care. Yet because of inadequate knowledge within and about the health care system, Canadians have little idea if they are receiving value for money for these expenditures. In this paper Michael Wolfson from the University of Ottawa, and a former Assistant Chief Statistician at Statistics Canada responsible for health data, addresses the weaknesses of this country's knowledge infrastructure for health care.

Wolfson paints a dismal picture of the state of information in the health care system in Canada, finding that it is decades behind the best practices in other sectors in this country and health care systems in other countries. He reports that the health care system is blind to patients' care trajectories, paying no attention to the sequence of health care encounters, how they interact, and their cumulative impact on health. Instead of a sophisticated system of electronic health care records, health professionals maintain paper filing systems that in effect constitute a "wall of ignorance."

Wolfson sees the roots of the lack of priority given to the systematic accumulation of knowledge in the nature of the health care system, a system driven by specialists "who treat body parts rather than whole people, and by organizations which typically lose track of their clients once they go out the door (both vertical and horizontal)." He also notes that modern health information systems have the capacity to monitor physician performance in unprecedented ways, a situation that may not necessarily be considered desirable by independently-minded doctors who largely control the health care system.

Wolfson puts forward a vision for a coherent health information framework based on a hierarchical structure. At the base is a combination of basic administrative and survey data, which are then rolled up into local or facility information, regional indicators, health accounts, and summary indicators such as the health-adjusted life expectancy.

The federal government transfers significant monies to the provinces for health care. But in the 2004 Health Accord, demands made on the provinces in terms of accountability were minimal and hence did not provide an impetus for the development of better health information systems. The upcoming 2014 Accord represents an opportunity to move much more aggressively to

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improve health information. Wolfson makes a case that the federal government should use its financial clout to encourage the provinces to make much better use of the potential of health information systems to improve the efficiency and effectiveness of the health care system.

## *General Public Policy*

### John Helliwell on Improving Subjective Well-being

Information on subjective well-being, often referred to as happiness and best measured as life satisfaction, is increasingly being used to supplement, or even supplant, more conventional indicators of individual and social progress such as GDP. In this paper John Helliwell addresses the topic of how the recent research on the determinants of happiness can be used by policy makers to improve the subjective well being of the overall population.

A robust finding of the happiness literature is a strong correlation between the existence and strength of social ties and subjective well-being. When conditions are experimentally controlled, a causal relationship emerges, running from increased social interaction to greater happiness. Trust has also been found to be positively associated with happiness, independent of its relationship to social connections. The most important support for life satisfaction in Canada has been found to be a sense of belonging to the local community, which has a stronger effect than sense of belonging at the provincial and national levels.

Helliwell identifies a number of ways in which these findings related to happiness can be incorporated into a policy making framework that increases subjective well-being. Information on happiness can be factored into conventional cost-benefit analysis, so that the impact of specific changes in policies and programs on subjective well-being can be quantified. Public services can be designed and delivered in a manner that elicits the maximum satisfaction from the persons being served. Local governments can build on the efficacy of face-to-face contact, the subjective well-being advantages of a local sense of belonging, and the psychological benefits of working together to develop new models of operation. Macroeconomic policy makers can integrate into their tradeoffs the insights that the welfare weight associated with

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the unemployment rate is significantly higher than that associated with the inflation rate, and that the overall effect of unemployment on subjective well-being is much larger than that explained by the effect of unemployment on income.

### Munir Sheikh on Good Data and Intelligent Government

Intelligent government is critically dependent on good data. In this paper Munir Sheikh, Chief Statistician of Canada from 2008 to 2010, provides a primer on Canada's statistical system. He begins by explaining why we need good data, outlines the attributes of good data (access, relevance, quality and organizational efficiency), and then evaluates the effectiveness of Statistics Canada in the provision of good data.

Perhaps not surprisingly, he rates Statistics Canada's performance quite good in all areas. He explains this performance by many factors including: the agency's history of political neutrality and independence; the centralized and comprehensive nature of the statistical system; the concern for the privacy and confidentiality of the data; the transparency of operations; a high-quality methodology group; the client-orientation of data dissemination; sophisticated internal systems for risk management and program evaluation; and a strong analytical and research program.

The federal government's decision to discontinue the mandatory long-form census and, more particularly, the way in which the position of Statistics Canada was publicly communicated by the responsible Minister led to Sheikh's resignation as Chief Statistician in July of 2010, - the first time a Deputy Minister of the Crown had resigned in so public a manner over a point of principle. Sheikh's contribution to this volume provides the historical context for the mandatory long-form census, as well as a detailed account of, the issues surrounding the decision to discontinue it, and the reasons for his resignation. The paper also explores some of the broader implications of this decision for the ongoing role of Statistics Canada and the possible ways in which it might affect the continued provision of good data.



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## Don Drummond on the State of Public Policy Analysis in Canada

The essence of intelligent government is high-quality policy analysis. The last paper in the volume by Don Drummond surveys the state of public policy analysis in this country. With extensive experience at Finance Canada in a number of senior management positions, including Associate Deputy Minister of Finance, and with experience as Chief Economist of TD Bank, there are few individuals in the country better qualified to address this topic.

Drummond discusses all potential suppliers of public policy analysis, providing many insights. Perhaps not surprisingly he finds little policy analysis done by local governments and the media. Because of conflicts of interest he finds the private sector is hampered in the degree to which it can conduct disinterested public policy analysis. He considers the number of think tanks and research institutes in Canada inadequate for the task of providing comprehensive policy analysis across a full range of issues and views some think tanks with skepticism, because of their predictability arising from their ideological orientation. Drummond in general finds the level of public policy analysis done by provincial governments to be fairly weak. In terms of academia, he finds very few researchers in the public policy fields as the incentive structures of the institutions do not encourage non-tenured faculty to undertake this type of research.

The most important player in the public policy field is the federal government. Drummond characterizes the quality of public policy analysis from this source, based on what is in the public domain, as dismal. He cites the analytical void in the climate change field as an example of government neglect to produce and release high quality, analytical documents to support intelligent public debate on the issue. He identifies a number of factors responsible for this decline in public policy analysis in the federal government. Program Review in the 1990s led to departmental downsizing, and policy research is often the first program area to be cut. Increased tensions between the political leadership and the bureaucracy marginalized policy units, making them expendable.

Drummond concludes that the state of public policy analysis in Canada is bleak. But there is hope. Drummond does not believe that the federal government's policy capacity function is beyond the point of no return. A revival will require action on the demand side through greater interest by the political

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leadership in high quality policy analysis and on the supply side by the allocation of greater resources to establish and build up policy analysis units.

### *Concluding Remarks*

The theme of this festschrift has been that Canada needs more 'intelligent government', defined as a government that recognizes there is a legitimate role for the state in social and economic policy and focuses on how to best play that role in a way that is effective without stifling innovation, creativity and private initiative. The papers contained in the volume, written to honour Ian Stewart for his distinguished career as a public servant on the occasion of his 80th birthday, represent high-quality analytical contributions to public policy analysis in a number of areas. They do an excellent job at pointing to new directions for more intelligent government in this country.