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sistence by politicians that markets are failing and need government guidance. The way to score with this ball is to kick it from the field.

The government plan centres on giving money away on "pathways to innovation."

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business.

The government plan does not mention that gathering information is one of the most important things businesses do and that private investors spend small fortunes researching which high-technology investments are "hot." A government information program at best will supply businesses with information they would have gathered on their own. At worst the program will

The Canada Investment Fund "will help ensure an adequate supply of patient capital for the financing of innovation by leading-edge companies." Put differently, the government will place taxpayer dollars into the hands of high-risk investors for spending on projects that may not show a return for many years. The Canada Investment Fund is the latest in a similar crop of funds that provincial governments have been setting up.

The idea behind the funds is that the pri-

fewer sound investments than they had thought. The "shortage" of money for high-risk ventures reflects the experience and knowledge investors have gathered about this part of the economy. Politicians have not yet learned this lesson.

Perhaps the only sound proposal in the plan is to continue the previous government's policy of getting rid of business regulations. Our leaders should stick to this idea and forget their dreams of high-technology economic miracle plans.

# Why pour more cash into the Arctic Ocean?

By Ed Weick

For The Financial Post

THE NORTH is not paying its own way. By means of federal transfers, the federal government has funnelled large sums of money into the north for economic, social, political and community development purposes. In the 1990-91 fiscal year alone, planned transfers from Ottawa to the two territorial governments amounted to \$1.138 billion, which comprised 81.5% of the territorial budgets. Given that the total population of the territories is about 86,000, this represents a transfer of nearly \$13,000 per capita.

Federal funds have also moved into the north via subsidies to industry, economic development agreements and the direct expenditures of federal departments and agencies. From 1981 to 1990, total government expenditure on the north grew from about \$1.1 billion to over \$2.4 billion, or by an average of 10% annually, well ahead of inflation.

A proportion of such expenditures has been returned in the form of taxes and other revenues. Statistics Canada data show that

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returns to all levels of government were 48.6% in the Yukon and 30% in the NWT during the 1981 to 1990 period. Returns from the Yukon are only marginally less than those of the least fiscally independent provinces, Newfoundland and Prince Edward Island, where returns were 51.9% and 51.7% respectively from 1981 to 1990. The return from the NWT is far below rates for any of the provinces.

High northern expenditures have often been justified on the basis of the circumstances of aboriginal people. It is true that their circumstances were so desperate in the late 1940s and the 1950s that a social rescue effort was needed. Disease and starvation were then a reality. However, times have changed, and an urbanized aboriginal population faces a more complex set of problems.

On the basis of natural increase alone, the population of many northern communities could double in 20 years, far outstripping government's ability to take remedial action. There are simply too few jobs to support existing populations. Large expenditures on education have not succeeded in preparing the labor force for the modern labor market. Serious social problems have become endemic: rates for all crimes are between three-and-a-half and five times the level of national rates. Rates of substance abuse, family violence and suicide are also

much higher than all-Canada rates.

Though what has been achieved via past expenditures is at least questionable, what should now be of concern is that substantially higher levels of expenditure could soon derive from three relatively new sources: the division of the existing NWT into two new territories; the settlement of aboriginal claims; and the fragmentation of powers and responsibilities that will result from both territorial division and claims.

The federal government is now committed to dividing the NWT into two new territories. The new government of Nunavut is to be established in 1999. A report submitted to the federal government by Coopers & Lybrand in December 1992, estimates that the creation of a public service for Nunavut will require a net annual increment of 930 person years by 2008, a net annual increment of operating costs of \$84.6 million by 2008, and one-time costs of \$333.9 million between 1992 and 2008.

Meanwhile, aboriginal self-government is becoming a fact in the Mackenzie Valley and Yukon. If current political initiatives progress to completion, the north could eventually consist of three major levels of government (not including municipal governments), consisting of perhaps 24 separate jurisdictions.

The potential for total gridlock is large. Threading a highway or a pipeline (or the

protection of a valued ecosystem) through several jurisdictions, each with its own regulatory regime, could pose enormous problems. Disincentives to invest could be substantial: opportunities might be lost if entrepreneurs decided that the administrative and regulatory environment was simply too complex and discouraging.

The foregoing problems derive largely from promises made when funds were relatively abundant; these promises must now be kept when funds are scarce. Instead of pursuing land claims, aboriginal self-government and northern political development as essentially separate processes, it would seem important to develop a single unifying vision for the north, one in which the various processes make sense not only in themselves, but in terms of the fostering of inclusive public governments of appropriate scale.

The notion of three territorial governments with a wide array of provincial-type powers for a population of 86,000 already stretches credulity. Having 20-odd public and aboriginal governments, each with a considerable range of powers, each with a variety of boards and agencies, each with its own costly bureaucracy and each with only a very small economic base, is simply beyond reason. It represents an eternal feast for lawyers and negotiators, and a nightmare for the Canadian taxpayer and anyone who wants to get anything done.

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