

OPINION

How not to run a country: Government ineptitude and Canada's economic malaise

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INCLUDES CORRECTION
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Between mid-December and the end of March 2023, police inspected about 400 shipping containers at the Port of Montreal and found nearly 600 stolen vehicles, most of them from the Toronto area.

CHRISTINNE MUSCHI/THE CANADIAN PRESS

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In 2024 Canada has good news to share!

We now have a rapidly growing export industry, already considered to be one of the global top 10. It is an industrial dream come true, consisting of selling advanced manufacturing goods to the Global South. Statistics are somewhat unreliable, but the annual revenues were above \$1.5-billion in 2023 with 2024 promising to break that record.

This essay is the second in a series, *Prosperity's Path*. Successive governments have been warning about Canada's slowing productivity for more than three decades. Now as the cost of living rises and per-capita economic output shrinks, this problem has reached an inflexion point. Dan Breznitz lays out how we got into this productivity crisis, and how we can get out.

There is only one problem with this new export – it consists of stolen cars. Yes, we are now officially an international powerhouse in car theft, according to [Interpol](#). The situation is so bad that in March, 2024, Toronto police advised citizens to leave their keys in the front door to avoid confrontation with the thieves as they enter private homes looking for them, and our Federal Minister of Justice had his government-issued car stolen twice in 2022.

Even more disturbing is what this industry entails: taking a very large object – an SUV – driving it without any apparent problems into a major port; putting said SUVs in a container; loading those containers on ships; and sending them to prearranged foreign destinations. In short, our government has limited ability to control our very own borders, a basic tenet of national sovereignty.

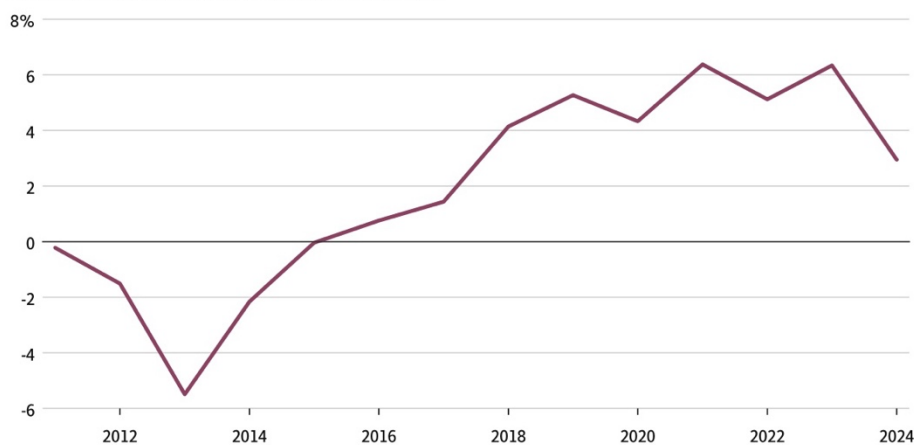
[Prosperity's Path: How Canada's middle class got shafted](#)

Interestingly, unlike other advanced countries that strategically invest in innovation to become more productive, Canada does not, so the Canada Border Services Agency does not have the same equipment that allows its U.S. counterpart to efficiently scan closed containers or check what goes into them.

The only reason we know where our stolen cars end-up is thanks to Canadian citizens searching and finding them for sale on the internet. Accordingly, a real concern is what else has organized crime freely been exporting from Canada?

The answer is: God knows, because the Canadian government certainly doesn't.

Growth in the population of the federal public service
Annual percentage change, as of March 31 each year



THE GLOBE AND MAIL, SOURCE: TREASURY BOARD OF CANADA SECRETARIAT

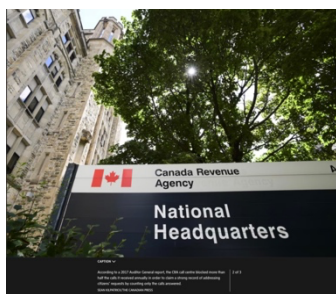
This story embodies the bizarre paradox of our federal government. We are adding people to the ranks of the federal service at an unprecedented pace, moving to a high of 367,772 in 2024 from a low of 257,034 in 2015. At the same time, the capacity of our public service to get things done, and done well, seems to be rapidly deteriorating.

The result is a government that fails in basic operation capabilities, lacks the ability to think, and is devoid of strategic leadership. We now address systematic long-term problems with short-term solutions that are either based on writing checks (our innovation and industrial policies), ad-hoc and bizarre (our Hail Mary pass attempt to fix the housing crisis by banning foreign students), or by bold announcements that are never followed up with action (from giving the public service independent expert advice to more or less anything green-related). This has a direct negative impact on the Canadian economy.

You might think I am just picking at extremes here, as it is well known that historically the Canadian government has been filled with the best and most educated people. This is still true: Our public servants are some of the most highly educated and most decent people on earth. Sadly, our country is being ran in such way that our government as a whole is far less effective than the sum of its parts.

We used to congratulate ourselves about our health system and tell ourselves the horror stories of how poor Americans with diabetes barely survive. It is time we face reality: six million Canadians are without a family practitioner, wait lists for surgery can span years, emergency departments are overrun, and private pay for access to anything health-related is on the rise.

Worse, we used to console ourselves by claiming that in the case of life-threatening conditions, Canadians get access to the best global care. However, in Ontario, for example, people diagnosed with cancer sometimes wait several months for treatment, and those diagnosed with early-stage Parkinson's get no specialized physiotherapy. As anyone who has been to an ER lately would know, many of our hospitals look like, and have the equipment of, a poor developing country.



According to a 2017 Auditor General report, the CRA call centre blocked more than half the calls it received annually in order to claim a strong record of addressing citizens' requests by counting only the calls answered. SEAN KILPATRICK/THE CANADIAN PRESS

So, what about that basic function of government that allows it to pay for all those services – taxes? Turns out that the Canadian Revenue Agency (CRA) not only cannot answer the phone when citizens call but also has been systematically lying about its ability to do so.

According to the [Auditor-General report](#) that looked at the CRA's call centres, the CRA has been blocking more than half the calls it received (over 29 million calls annually). Blocking means that the CRA did not even give the caller access to an automated answering system. Worse, the CRA did so in order to be able to claim that it has a brilliant record of addressing citizens' requests, by counting only the calls actually answered.

There is nothing that says "Trust in Your Government" like having your tax agency caught red-handed systematically lying and trying to cheat the system.

In case you're curious, in typical fashion, the CRA tried to solve its productivity issues not through innovating by using AI-powered chatbots to help it screen more calls, for example, but by hiring even more employees. It has more than [55,000 employees](#) and is still not capable of answering calls.

Yes, it's not just our private sector that leads the world in non-innovating. Our public sector innovates even less. When it comes to innovation, our public sector avoids engaging with new technologies at all costs, and when it tries it has zero capacity to do so – [the Phoenix pay system anyone?](#) Instead of increasing productivity by innovating, Canadian organizations seem addicted to hiring ever more highly skilled people to do the same low-skill jobs equipped with outdated equipment. No wonder that outcomes do not improve.

So how did we get here? How, from having one of the best forward-looking governments on earth, led by truly impressive public servants, to this: a country so timid and reactive and so incapable of innovation and engaging with

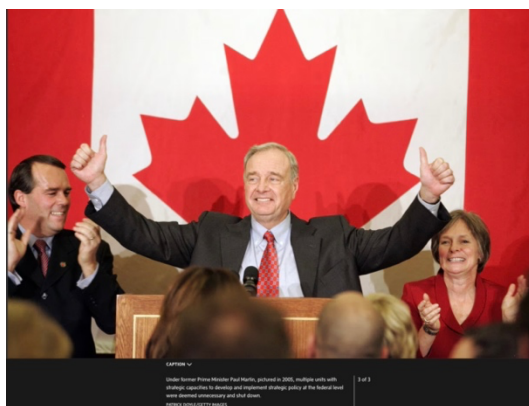
new technologies that it cannot even answer the phone or pay its workers properly?

The answer is that first we dismantled the ability of our state to think and act, then we retrained our public service and transformed it into a meeker version.

We then countered the unintended consequences of those two moves by vastly expanding the use of political advisers. This move further eroded our public service belief in, and ability to fulfill, its important public role. To counter that we became addicted to hiring management consultancies, such as McKinsey, to undertake what aresupposed to be the core strategic functions of a properly functioning state. The federal government now hires management consultants in such numbers that the amounts we pay them and the ways they get hired became highlights of our auditor-general reports.

We have done all of that just to avoid doing the right things: i) innovate and engage with new technology and knowledge, and ii) believe in Canada and Canadians by re-empowering our highly educated and committed public servants to do their job as servants of the public.

This process started in the late 1990s when the Western world was filled with optimism. Globalization was seen as the means to unending wealth and prosperity. Naively believing in the promises that we can establishing global free trade and fully competitive markets on this earth, we systematically dismantled all our operational capacities to know, imagine, develop, and implement strategic policy at the federal level.



Under former Prime Minister Paul Martin, pictured in 2005, multiple units with strategic capacities to develop and implement strategic policy at the federal level were deemed unnecessary and shut down.PATRICK DOYLE/GETTY IMAGES

Under former prime minister Paul Martin, multiple units of the public service possessing strategic capacities, deep technical and industrial knowledge, and

working relationships with the private, civil society and the not-for-profit sectors, were deemed unnecessary and shut down. This process was further accelerated under Mr. Martin's successor, Stephen Harper. After all, the thinking went, if global market forces were going to solve everything so cheaply, efficiently and beneficially for Canadians, why does government actually need to have knowledge and the ability to think and act?

The result was both the destruction of the knowledge of how the economy really works, how the state can strategically assist its growth, and even the ability to maintain competitive markets in, and for, Canada. Indeed, it made sure that our domestic market became less and less competitive and more and more oligopolistic. That is exactly the result that you should expect when our government has lost all interest in and most of its capacity to enforce market competition. In the name of the hypothetical "market," Ottawa conveniently forgot the critical role government has in ensuring and sustained free competitive markets.

Not to be undone, we also went further than any other G7 country by signing away our rights to make domestic policy decisions in critical domains, from procurement to intellectual property. Indeed, anyone who wants to understand how thoroughly we were outplayed in the past three decades should just read the Intellectual Property Rights sections of the ever-narrower and less free regional trade agreements we are addicted to signing, starting with [NAFTA](#) through the [CPTPP](#) – the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which, consisting of several million words is very comprehensive, but far from being progressive – to The United States-Mexico-Canada Agreement ([USMCA](#)).

Worse, we stopped believing in Canadian ownership: a series of governments that by then lacked basic knowledge and capacity to even understand the consequences allowed, in the name of efficiency and "letting the market rule," both major and promising Canadian companies to be acquired by foreign buyers. Thus, in each and every sector from mining, where if we still had any truly major mining company other than Teck, our critical mineral strategy might have made sense; to steel, where there are no Canadian players left; to transportation, where anyone who flies Air Canada and reads the emergency instruction cards knows that formerly Bombardier airplanes are now proudly Japanese or European; to manufacturing and information and telecommunication technologies.

Just imagine the policy possibilities we could have in semiconductors, control of data, and AI if Nortel was kept as a going concern and its patent trove was not sold to foreign buyers, with most of its Canadian assets not ending up controlled by European and Chinese multinational corporations, such as Huawei and Ericsson?

Canada's resources, ideas, and people are now owned and controlled by foreign corporations, some of which officially or unofficially are owned by foreign governments, further limiting our ability to act and define our own future.

This approach was paralleled in government itself. If strategic action is not only unnecessary but might be damaging, and the main role of government is solely to get out of the way and let "the markets" do their work, then there is no need for a forward-looking public service.

Instead, a vision of a more passive public service, whose job is merely to realize the decisions of the political leaders, came to the fore. Instead of seeing the ideal as public servants thinking about multiple opinions and ideas, hashing them out as part of a process of finding the best road forward for Canada, both the political and the public service leaders started to push the ideal of the meek bureaucrat – one whose main quality is collegiality. There are only very few true public servants left in Ottawa, the rest have become simply servants.

While on one hand this was viewed as a blessing by politicians who now felt they have more power, it was not seen as enough. A move to rapidly expand the numbers and the power of political advisers started about two decades ago and never stopped. Indeed, managed directly from the prime minister's office, the political advisers have become their own little party, fiercely loyal mostly to themselves and to their masters in the PMO, not to Canada.

As of 2024 we have such an extremely centralized government that Donald Savoie's warning in his 1999 book [Governing from the Centre](#) looks optimistic. This centralized government is run through two parallel organizational structures, neither of which is focused or empowered to think long-term about the future of Canada.

This arrangement resembles the dream of perfect control over the organization. This might work when your CEO is a genius with obsessive-compulsive attention to details, armed with a vision of future global dominance, and an amazing capability to micromanage – think Bill Gates and Steve Jobs in their

prime. When we have mere humans at the top, this organizational set-up leads to an extremely reactive enterprise, drifting with no direction, while exhibiting a rapidly declining operational capacity.

Not all is lost, as there are still many pockets of excellence, especially in areas that necessitate deep technical skills, and Canadians as a whole are one of the most entrepreneurial, capable, and resilient people in the world.

But Canadians need to work with the best equipment and cutting-edge knowledge, be in control of their own future, and be empowered to do their best.

What is needed is a mindset change, the lazy fantasies of the 1990s are long gone, and the world definitely does not need Canada, it is Canada that needs the world. To win in this world we need a leadership that is committed to growing productivity in both the public and private sector and is willing to fix the government itself to do so.

<https://www.theglobeandmail.com/business/commentary/article-how-not-to-run-a-country-government-ineptitude-and-canadas-economic/>

Those of us who smelled a rat as we watched trainloads of containers stream by us (heading either from China or back to it) at railway crossings were not wrong. But we were told we were reactionary and stuck in the past—"and anyways, globalization cannot be stopped so we have to find ways to be 'winners' rather than 'losers.'" (We had a Prime Minister—well-connected son of an Establishment Liberal—proud of his business prowess with a "self-made" fortune in maritime shipping.) Well, some of us may have "won" but most of us got "scr_w_d." And we wonder why there is a populist backlash?

Mr. Breznitz I think also misses a key point: Government has been undermined willfully by "anti-government" forces (Thatcher, Reagan, Harper, Sask Party types, Trump), winning elections. In particular, the more clumsy and callous the CRA becomes, the more people come to lose faith in—hate—government. And the more testy they become when they do get through to a CRA agent (expecting an angry impatient caller.) The less competent Government is, the more people resent it and paying the taxes to fund it. It is also much easier to sabotage and destroy government than to build it.

I also think he over-estimates the abilities and "brilliance" of technocrats. No doubt he is one himself. But people need Government—not too much of it, but still, lots of it—even if it will be conducted by fallible people subject to political masters. Call it "socialism" if you like and reflexively berate it, but what about the copious sins of "capitalism" and the greedy, narcissistic, often sociopathic types who ruthlessly rule it?

TJB