

### **Economic freedom underestimated**

*Government meddling in economy corrupts, demeans*

Bryan Schwartz

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THE biggest change in the way Canada is governed since the signing of the 1982 constitutional reforms lies in the free trade agreements with the United States. First there was the U.S.-Canada deal of 1988. A year later, the arrangement was extended to include Mexico under the North American Free Trade Agreement (NAFTA).

These free trade agreements are not part of the "sacred text." They are not in the canon of "constitutional" documents. No amending formula applies to them. Free trade deals become law in Canada only to the extent that they are implemented by laws passed in this country. Parliament could pass laws that violate the treaties, and our courts would enforce them. Canada could simply give notice, and back out of the treaty.

Yet, in practice, these agreements are almost as hard to change as the "sacred text." Practically, unilaterally pulling out of NAFTA would risk our whole economic relationship with the United States. The combined effects of NAFTA and our other international trade treaties has been to increase the ease with which Canadians can do business internationally. It is easier and cheaper to import goods and services and to sell them abroad. Foreign investment is free to come and go. While one of the main purposes of the 1867 Constitution was to make Canada a united economic union itself, modern trade agreements have encouraged Canadians to look beyond our national boundaries.

The World Trade Organization believes that "good government" is one of the benefits of entering into trade liberalization pacts. Under these deals, governments promise their international partners to stop meddling in the economy in certain ways. They are limited or prohibited from offering various subsidies to industry. Government purchasing must be done in a way that is open and transparent. The government has to announce fairly clear criteria, publicize them, and allow appeals.

Some complain that these deals have cost us some of our sovereignty. In a sense, that is true. Canadian governments are not as free as they used to be to selectively pick winners and losers by favouring one industry with a tariff, directly subsidizing another, and supporting a third by purchasing policy. But these represent the exercise of sovereignty that can damage the fabric of a society. When governments pick and choose which businesses to favour, they inevitably do it for reasons fraught with the desire to woo voter support, or reward business friends. The business "winners" are visible and grateful, and a government can make itself look very good by paying one business to come, and another to stay. What is less visible is the massive damage such policies can cause to an economy. Along with the government-chosen winners, there are owners, employees, and locations that lose out, even they would otherwise be competitive. A society is corrupted, impoverished, and its political cultural demeaned by the operation of a spoils system.

Economic freedoms -- to buy and sell, to work here or there, to invest in this or that -- are part of human freedom. It is right that the "sacred text" of our Constitution concerns itself with the absolutely core freedoms like political expression, the right to vote, or freedom from unjust detention. These are the irreducible minimum rights required for a society to be able to freely debate how to conduct its governmental and economic affairs.

Placing economic freedoms in the "sacred text" would threaten to have unelected courts run society, rather than having elected governments adjust policies in light of experience and public debate. But while political freedoms are well-understood by the public, the value of economic freedoms are too easily underestimated. To one person, the freedom to write poetry and share it with others gives meaning to a life. To another, it is the freedom to grow a crop or sell a car. The freedom to choose the kind of business you do can be the means of expressing your creativity, testing your determination, and leaving a legacy. It can introduce new people, new ideas and new insights to yourself and the world. Empirical experience across the world has shown that with honestly and sensibly regulated economic freedom comes prosperity. Open and diverse economies have fared far better than ones closed to internal or international competition or micromanaged by government.

Government has a role in providing a supportive structure for the exercise of economic freedom. That can mean a government that is active in many ways, from addressing public health and education to regulating the marketplace to prevent fraud and deception and anti-competitive practices. The means chosen to achieve these governmental objectives can themselves often involve deploying individual choice and initiative, and leaving the delivery of services to private sector rather than state bureaucracies.

Trudeau was never sympathetic to international trade, and had little appreciation or respect for business freedom. He was passionate about national unity, however, and he did want to include in his constitutional reforms a strong section on the Canadian economic union. He correctly perceived that there were far too many barriers in Canada based on provincial boundaries. A teacher certified in one province might find it practically impossible to have her credentials recognized in another. Provincial pressures forced him to back down in the 1982 package. All that was left was a "mobility rights" section in the charter, which was narrow in scope and shot through with exceptions and qualifications.

Since 1982, however, Canadian politicians have moved cautiously towards enhancing the internal union by quasi-constitutional means. We now have the Canadian Agreement on Internal Trade. It is not legally enforceable. Ironic, is it not? Canadians can more easily make trade deals with distant countries than among sister provinces. But that is the nature of families. Siblings can battle bitterly over trifles, with all the emotions connected with rivalry, jealousy and resentment over past slights. They may be far more ready to do business with strangers. Ireland separated from Britain but eagerly joined the European Union.

The agreement on internal trade provides a national framework for various licensing bodies to get together and try to harmonize standards and find ways to recognize each other's credentials. Some important practical progress has been made as a result. Much remains to be done.

British Columbia and Alberta last year entered into a bilateral agreement to remove economic barriers between them. Manitoba could be pursuing this model at the same time as it is pressing to improve and

implement the national agreement and roundly supporting Canada's efforts to further liberalize trade internationally.

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