

A New Economic Vision

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Prior to the COVID-19 lockdown, when buskers entertained folks on the waterfront, there was a performer named, “Nearly Normal Norman.” Norman had the gift to convey the message that the social and economic reality that we refer to as normal was in reality anything but normal and certainly not anything that we want to perpetuate.

While many of us dealt with a variety of hardships this spring, our local and federal governments have done a remarkable job in softening the blow with programs and aid packages; often unintentionally acting as a catalyst for economic reform. At the same time, Export Development Canada (EDC) is working with Canadian financial institutions to bring COVID-19 relief and support to Canadian businesses through the government’s new Business Credit Availability Program (BCAP). The EDC’s intentions are commendable. However, it appears determined to revive the economy to a Pre-COVID state with policies that will increase the government’s debt and exasperate income inequality.

Fortunately, a new wave of progressive economists are envisioning a “New Normal.” Among their proposals, they are suggesting that a guaranteed liveable income, like CERB, and higher wages for underpaid essential workers become permanent. There are also serious discussions underway to adopt a four-day workweek, as is the case in Germany, Denmark, Norway and the Netherlands, so people have more time for childcare, elder care and personal care. Google, Amazon and Deloitte also implemented 4-day workweeks and the results for them have quite obviously proven to be pretty good.

Conservative minded folks have traditionally argued that government-funded, social programs are too expensive to maintain and that they provide a disincentive for people to work. They can rightfully point out that the Island’s provincial budget is projected to top a \$173 million deficit. They question how we will ever be able to recoup our deficit and still maintain some level of socially responsible programs.

Further confounding our economic troubles, automation is reducing the need for people in many jobs. According to Erik Brynjolfsson, a professor at the MIT Sloan School of Management, rapid technological change has been destroying jobs faster than it is creating them. By 2025 technological advances are predicted to lead to an annual loss of 5-10 million jobs. Without a significant change in the way we operate our economy, we will be facing a future of stagnant income and worsening inequality.

In order to address this predicament, the Prince Edward Island government formed the Provincial Council for Recovery and Growth. The Council’s mandate is to engage Islanders and organizations in creating a plan to harness growth and build opportunity. In a recent Guardian Opinion column, Dr. Adam Fenech, a member of the Council, stated, “funding and innovation in governance are needed for a range of technologies, ownership and benefit

models.” Dr. Fenech, proposes a national program for home energy retrofits. This is a vital step to address how we will deal with climate change. However, I can almost hear people saying, “Yeah, but how will we pay for it?”

An over simplified suggestion is to tax the rich. It is often cited that in the 1950s tax on excessive income was between 60 - 90 %. However, what few people realize is that virtually no one paid that amount. The tax was there to provide incentives for people to invest in businesses to grow the economy. Income made from those investments was not taxed. A re-balancing of income disparities is long overdue. However, a wealth tax is more likely to result in a rush for offshore tax shelters. (Remember the Panama Papers).

As we create the “New Post-COVID normal,” we need a new vision - one that fosters equity while helping to transition our society to a sustainable future. This will require a change to the prevailing economic system, not just new programs and new taxes.

Years ago, our society determined that education and health care are necessities of a functioning society. Today, insurance, internet, energy, shelter and food must also be recognized as necessities of 21st-century life. As we emerge from the COVID-19 crisis, we can seize the opportunity to transition these services into publicly owned, cooperative enterprises with a primary objective to maximize public benefit.

Capitalism has demonstrated the benefits of competition in a free market. However, an economy managed solely by private enterprises with a primary goal to maximize the financial return to shareholders, does not place public good above private interests.

I am not suggesting a revolution to take over private corporations nor do I think we should engage in costly by-outs of the existing institutions. However, we can and should welcome government initiated, socially responsible enterprises that increase competition and spur innovation in these sectors. Those people who think the government cannot operate as efficiently as private companies and wish to keep their investments or do business with private corporations would be welcome to do so. However, government-owned, socially responsible enterprises that use profits for social benefits will provide an option that people may also choose to support.

For example, at least one of the dominant insurance companies on the Island has in excess of one billion dollars in the bank. In 1944, Canadian icon and Saskatchewan Premier Tommy Douglas, created Saskatchewan Government Insurance. The rationale was put forth that Saskatchewan residents were being taken advantage of by companies that set rates too high. Launching a publicly owned insurance company was justified by the government on both philosophical and economic grounds. With a publicly owned insurance agency, we could use the profits to reduce the provincial debt, create a contingency fund for inevitable climate change damage claims and provide a rebate to investors who make no claims.

Not surprisingly, if you do a Google search for, “Government Owned Internet,” what pops up is a series of conservative media stories of so-called inadequacies of the public internet. However, there are numerous examples of municipal/government-owned broadband that offer substantial advantages to consumers and to the economy. Such networks not only provide high-speed Internet access more cheaply or even free they also create competition, boost economic development, help keep prices down and make

broadband affordable in rural and low-income communities. Worker productivity has also been shown to increase by providing workers at home with remote access to information.

An Island-wide, publicly owned broadband network would also make the Island more attractive to businesses, especially high-tech and research companies, which are dependent on communication. Communication also enables small and home-based businesses to participate in local, regional and international commerce.

In 2000, the United States Federal Communications Commission endorsed municipal broadband as a "best practice" for bringing broadband to underserved communities. The Free Press, the Media Access Project, and the ACLU have all come out in favour of municipal broadband.

Harvard Law School professor Susan P. Crawford, argued in a New York Times opinion piece that lowering the barriers to the creation of "open municipal-level fibre networks" would help ensure the sort of internet access that proponents of net neutrality rules argue for, even in the absence of those rules.

In many ways, the Internet has become the library of the 21st century. Our library system could be running an Island-wide high-speed Internet. Island taxpayers have already paid several million dollars to Aliant to provide adequate internet service; unfortunately, no one seems to be able to account for where the money was spent.

In Australia, the government of New South Wales has published a guide to help local communities develop publicly owned, renewable energy systems. In the document's introduction, Rob Stokes, Minister for the Environment, NSW wrote, "Community-owned renewable energy is a fantastic opportunity for all of us to participate in developing clean energy. Not only is community-owned renewable energy a great way for us to improve our environment, but it is also an opportunity for regional communities to come together and benefit economically. A more diverse energy mix developed through local community enthusiasm will benefit us all. The NSW Government is proud to support community-owned renewable energy."

Publicly owned energy systems would be able to transfer the guaranteed 9%+ profit that goes to Fortis and use that money to create a decentralized, resilient, green energy system.

Nearly 90% of our Island food bill, approximately \$380 million, is spent at just two grocery chains. If a publicly owned option existed and captured just 10% of our present expenditures, \$38 million dollars would circulate in our local economy, profits from which could help alleviate food insecurity, pay for a school lunch program and support the transition to a sustainable agriculture future. These local food hubs could specialize in local products, zero waste and consultancy that teach customer service to other small businesses.

Recognizing the impact that the lack of affordable housing can have on the health of the local economies is not a unique problem to Atlantic Canada. Many regions have implemented programs that engage employers in providing financial support for workforce housing.

According to Robert Hickey, senior research associate with the USA Center for Housing Policy, Los Angeles, Seattle, San Diego, Santa Monica, and San Francisco - cities with some of the least affordable housing, require developers of new commercial, industrial, or retail properties to pay a “linkage fee” to help meet the need for workforce housing created by the addition of new jobs. These fees are usually charged on a per-square-foot basis and deposited into a housing trust fund, which is usually operated by non-profit housing developers to support the construction or rehabilitation of high-quality, low-cost housing over the long term.

Mr. Hickey says, ‘In each of these cities, linkage fees have generated millions of dollars in much-needed revenue to create affordable homes. By establishing a direct connection between new jobs and the need for new homes, these fees help to make it possible for families to live in the communities where they work, which also helps reduce traffic congestion from long commutes.’

When government revenues are used to build affordable housing those spaces should be attractive and designed with state of the art technologies. In previous generations, governments simply built square apartment buildings designed to occupy the most people for the least cost.

Given the social, economic and environmental issues affecting housing today it is more cost-efficient to construct eco-friendly buildings that utilize solar technologies, green or recycled materials and architectural designs to achieve attractive dwellings with improved social connections.

These are not pie-in-the-sky utopian visions. Additional successful examples can be found with simple Internet searches. Hopefully, when the Council for Recovery and Growth meets to engage Islanders, these and other public options will be up for discussion. After all, Dr. Fenech is correct that funding and innovation in governance are needed for a range of technologies, ownership and benefit models.

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