

NEW ECONOMIC IDEAS

MAY 14TH, 2014

THE SETTING

- **1981: The Oil crisis, inflation and high interests rates had taken a toll.**
- **We slipped into economic recession and job prospects were poor.**
- **We were now a nation of spenders.**



UNCERTAIN FUTURES

- **1984: The gov't faced huge economic problems.**
- **National Energy Program had failed.**
- **High unemployment meant a decrease in gov't revenues.**
- **The gov't had to borrow money to pay for social services.**
- **Provincial/federal gov'ts were operating in a deficit.**
- **The Trudeau gov't had started to cut social programs.**



MULRONEY + DEBT

- **Mulroney had come to power with the promise to fix Canada's economy.**
- **Inspired by USA & Britain, he planned on cutting back on the role of government in the economy.**
- **Reagan thought economic problems could be solved by corporations and wealthy citizens being given tax breaks. The thought was that they would reinvest in the economy and this would create jobs. Known as the trickle down effect.**
- **This was Mulroney's plan: Trim social programs and hope the savings would pay off the debt. Also cut taxes to stimulate the economy.**
- **He tightened economic ties to the USA.**



CONTINUED

- **Some Canadians expressed concern about American company controlling our economy.**
- **The Foreign Investment Review Agency (FIRA) was created in 1973 to block any foreign investment not in Canada's interest.**
- **Mulroney replaced it with Investment Canada, which encouraged suitable foreign investment.**
- **But his plan didn't work.**
- **1990: Recession hit Canada.**
- **1993: Canada ousted the Conservatives. They only won two seats in parliament.**



FREE TRADE

- **1987: Mulroney started negotiations that led to the Free Trade Agreement (FTA).**
- **FTA removed tariffs on goods crossing the border and opened Canada and the USA to the other's investment.**
- **Supporters argued:**
 - Eliminating tariffs would attract more US investment.
 - Would give Canada access to the larger US market. With more demand, products could be sold at a lower price.
 - It would attract US firms to Canada to take advantage of our natural resources/skilled workers/well planned transportation.

MORE FREE TRADE

- **Those who were against is argued:**
 - Once tariffs were removed, US branch plants that had come to Canada to avoid tariffs would go back to the USA.
 - Canadian businesses couldn't compete with giant US companies.
 - Free trade threatened our independence.
- **1989: the FTA was established. It included:**
 - Tariffs between Canada and the USA were eliminated.
 - Cultural industries were exempt from the agreement.
 - Included mechanisms to ensure fair competition between the USA and Canada.
 - Fewer conditions on investment.

NAFTA

- **1992: Mulroney expanded the free trade zone by signing the North American Free Trade Agreement.**
- **This included Mexico in the free trade fun.**
- **There was a fear that some companies in Canada would move to Mexico for cheaper wages and less strict anti-pollution laws.**
- **Supporters of NAFTA argued some might do that, but most would stay because of Canada's workers being better educated and skilled.**

**ABOUT ONE THING YOU LEARNED TODAY AND
ONE THING THAT YOU ALREADY NEW! 😊**

**TALK TO
YOUR
PARTNER!**

LIBERALS AND DEBT!

- **1993: Jean Chretien and the Liberals came to power. They had inherited debt close to \$459 billion.**
- **Solution: Insert \$6 million into the economy via public works.**
- **1994: Interest rates shot up. The gov'ts were using 43% of their revenues to pay interest on their debt.**
- **They cut 40000 civil service jobs, reduced \$\$ transfers to provinces for post secondary, health care, welfare. But extra money was put into Canada's Pension Plan and Employment Insurance.**

THE PROBLEMS

- Tuition fees increased.
- 80s/90s: Health care costs increased.
- Hospital wards closed, hospital stays reduced, staff cut, nurses cut and replaced by aides
- Lots of children were living in poverty.
- 40% of food bank users were children.



GLOBALIZATION

- **1993: One of Chretien's priorities was to expand Canada's trading opportunities.**
- **'Team Canada' trade missions were sent to Asia and Latin America.**
- **FTA were signed with Chile and Israel. Canada joined the Asia-Pacific Economic Cooperation or APEC.**
- **These were a part of Globalization: a process by which the regions and countries of the world are becoming economically and culturally interconnected.**

GLOBALIZATION

FOR IT!

- Raise living standards for everyone.
- Large companies investing in poor countries creates jobs.

AGAINST IT!

- Makes business rich at the cost of everyone else.
- Companies moved production away and to countries with lower labour costs/fewer environmental regulations.
- Should Canada build trade relations with countries who disregard human rights?

KYOTO PROTOCOL

- The Kyoto Protocol is an international agreement that set targets for the reduction of greenhouse gas emissions.
- An important step in the fight against climate change.
- 2005: It took effect.
- 2009: 187 countries had signed.
- Canada, under Harper, did not meet its reduction goals.

