

WITH MIKE HARRIS, PREMIER OF ONTARIO 1995-2002



Mike Harris became Premier of Ontario following a landslide election victory in 1995. His plan – the Common Sense Revolution – struck a chord with people across the province who were tired of obtrusive government, wasteful spending, rising welfare rolls and rising unemployment. Over the next four years, Mike Harris and his team turned an \$11 billion deficit into a \$3 billion surplus. The economy grew, unemployment fell and investment returned to Ontario. Mike Harris was re-elected in 1999, making him the first Ontario Premier in more than 30 years to form a second consecutive majority government. He retired in 2002 and serves today on the boards of various non-profit and corporate organizations. Mr. Harris was recently named a Senior Fellow of the Fraser Institute, a leading Canadian think tank. He was interviewed prior to his speech to the Frontier Centre on May 21st, 2003 in Winnipeg.

**Frontier Centre: When you were elected as Premier of Ontario that province seemed to be in a fair degree of trouble – can you summarize the challenge that you faced?**

**Mike Harris:** It wasn't trouble – it was falling behind. The only thing we were first in Canada was the percentage of people on welfare. So, we were over-taxed, we had a massive deficit and we were falling behind in our standards of education. We were finding that investment was leaving the province and future jobs were leaving the jobs. A significant management turnaround had to come in and that was, indeed, our mandate.

**FC: The phrase “Common Sense Revolution” seems oxymoronic – the policies you implemented were not commonly held, at least by politicians, and revolution implies the overthrow of tradition. Were the people at large ahead of the political establishment in their thinking?**

**MH:** Perhaps they were a little bit ahead – there was a great brain session where we kicked around a title for this thing and it was a revolutionary way of thinking as opposed to the history of the last ten or fifteen years so, in that sense, there was a sense that this word 'revolution' conveyed a change from the status quo and but then 'revolution' sounded scary to a lot of folks. They said, you know what we are proposing is really just common sense the two ideas got married together. One, that there is a big change coming and, two, don't worry it is 'common sense'. It's going to be a positive change! That was the feeling behind it and it was criticized a fair bit when we started out but it worked.

**FC: What changes did you make on the tax side and why were they important in turning around Ontario's economy?**

**MH:** The biggest tax changes were tax cuts. In addition we passed legislation that made it compulsory to have either a defined campaign for tax increases or a referendum if you ever wanted to increase them. So it was to reverse this trend of ever-escalating taxes without a mandate. We had corporate tax cuts and we had payroll tax cuts which we saw as a tax on jobs. The greatest cut was in personal income taxes because we were so high - when you get up to 58 – 60% you are very close to destroying initiative and incentive while building up the underground economy. The biggest ultimate net result is that we were driving our best and our brightest out of Ontario to other lower tax jurisdictions so that is why the biggest tax change was on the income tax side.

**FC: What needs to be done in Ottawa to increase Canada's social and economic performance?**

**MH:** I believe that Canada is slowly falling behind. Every objective measure of productivity seems to be in the United

States: Average per capita income, GDP per capita. In regard to the gap between our main competitor in the United States and indeed Europe as well – we are falling further and further behind. And, while there is no great noticeable effect from one day to the next or one month to the next or even one year to the next, the cumulative effect is that Canada is declining. So, this needs to be turned around, you need to reverse this trend. You need not just to close the gap – when I think of Canada with the resources we have, the people we have, the talent we have, the proximity to this most lucrative market in the world and the relationship with the United States we used to enjoy which needs some repair right now, that we should be leading the world. Yet, we are falling behind so there is dramatic change in policy required – tax policy, regulatory policy, the size and cost of government, the need to bring more competitiveness to the delivery of not just private sector services but public services. Quite significant change is required.

**FC: What about tax policy?**

**MH:** There are two areas – we are over-taxed and the reason we are over-taxed is that government is too big. So you can reduce the size and cost of government and reduced the overall tax burden. But the second area is how we are taxed, too. Too many of our taxes are punitive on success and human nature says that the more successful you are, if you are going to get taxed more and more, the less likely you want to be success in that jurisdiction. This is just common sense and that is why we are looking at a new common sense vision for Canada – this is not a partisan issue this is a “non-partisan - what's good for Canada - forget politics” vision and those are some of areas that the Fraser Institute, Preston Manning and I a team of very smart people from across the country are looking at.

**FC: What is the optimum size of government?**

**MH:** I am not sure that I know that. Certainly I know that it is too big right now and there is an entrenchment of bureaucracy in Ottawa and in provinces. If you start to look at jurisdictions that, for example cities who have turned to the private sector for garbage collection, for municipal services such as snow plowing, road clearing, for park maintenance, for building maintenance, you find that they are doing it with far fewer tax dollars, far cheaper, far more effectively, far more responsibly so there are some lessons out there at all levels of government whether it's construction of hospitals, of schools – there's a whole host of areas where there is no need for a whole government bureaucracy and a team of architects who have no incentive to take projects in on budget on time efficiently and effectively – the way the private sector does – so, substantially

smaller than what it is today but I am not sure you will ever know the optimum size until you get there.

**FC: What are your views on education reform?**

**MH:** Education in Ontario had reached a point, and I think to a certain extent across the country, of sort of complacent mediocrity – teaching and standards sort of at a too low common denominator. And, again, the lack of testing, of competitiveness, of accountability, of measuring how well our kids are doing – it always bothered me that when the United Nations would do an evaluation of great countries to live in and Canada used to rank pretty high in these studies but if you look at the underlying numbers in education what they measured was how many dollars you spent and I have never heard of a sillier way of measuring the quality of education. What we need to measure is how well our kids are learning, how are they in skills of reading and language and communication and the only way you can do that is to test your skills. And test them to an international standard and so this was controversial because teachers, schools, principals, wards – the system didn't want to be tested. They didn't want to be accountable.

**FC: Why does the education establishment resist measurement?**

**MH:** Because they see it as a way to attack them perhaps – you aren't doing a good job because the kids are measuring up. And that's not why you test – you test to help the system change the system. A good example, there is a whole series of kids who do not learn to read very well using the Whole Language system and with a Phonics system they learn well. Testing can show you that – testing can demonstrate that – which kids should have Whole Language – which kids should have Phonics – who should have both. And so the reason for testing is to adapt teaching methods to take a look at system, to take a look indeed at the quality of the job being done. For so long in Ontario, this had not been done and so there were some fears and concerns about motive and once you understand that the motive is to help kids, help the system and elevate the standards and you get people working together on that then you are going to have a better system.

**FC: Welfare reform seemed to be quite successful in Ontario. What did you do in Ontario and how successful was it?**

**MH:** We had a several-pronged approach. There was rampant fraud and welfare abuse we had not put enough resources into the system – I mean it was inconvenient for people to have to go down to offices to pick up cheques so we mailed them out and we found out that mail was being re-directed to other provinces and even other countries. People had jobs we didn't know about – there was a lack of control. So, that was one side of welfare reform. The second side was the work ethic – the work principle. There was a complacency, even Bob Rae at one point had said it was silly to be paying so many people to sit home and do nothing and penalize them for wanting to get out to work because the entry level job pays less than welfare. We had to re-adjust rates and give incentives for those who were able-bodied to go out and get into what we called “workfare” or “educationfare” or “get-off-your-duff-and-do-something fare.” The net result was a million Ontarians, men, women and children off welfare – the vast majority into the dignity of a job – in many cases breaking a cycle of dependency from generation to generation and really giving a whole mass of Ontarians a new lease on life and a new reason to get up in the morning because they were contributing

members of society. So, “workfare” – that principle of rewarding initiative and the work ethic, clamping down on fraud and other policies in combination was a huge success.

**FC: One of the policy myths of Canada is that Walkerton involved gaps in the public sector. Could you explain what the real story in Walkerton was?**

**MH:** There were cutbacks in the amount of dollars and in some cases, the number of people involved in the public sector but I would certainly argue that there was no cutback but in fact an improvement in service overall. In the case of Walkerton, which was a tragedy, we learned some lessons in systems and controls there. This was a public sector water system that didn't have the oversight that it ought to have had and, clearly, I think most objective observers would say that if this system had been run by the private sector it would have been far better run and the likelihood of the tragedy in Walkerton would have been vastly diminished. That doesn't seem to be the perception out there unfortunately and I think there have been some good changes made across the country as a result of increased oversight and that the private sector somehow has got a bum rap here when, in fact, all the systems were run by the public sector.

**FC: Electricity market reform in Ontario seems to have gone off the rails. How would you put things back on track?**

**MH:** I believe we had this huge electricity monopoly that generated, distributed and sold electricity. It was inefficient and it was also interfered with politically and subsidized by the taxpayer. It had this huge stranded debt that was growing. So we broke up the vertical monopoly, if you like, from the generation to the distribution and the sales side into different entities and got them ready to privatize to be taken out into the market place where market forces can work. That has been delayed – the current administration is taking a second look at some of the areas where they have concerns about the transition but, ultimately, I believe that should be the goal and I think the sooner you get there the sooner you will have effective market forces controlling the supply and the delivery and the cost of electricity. A good example is Alberta where they had some little bumps in the first six to nine months – a spike in the price of natural gas – they did have some mitigating factors to help them through that but now they have a pretty active and competitive working marketplace.

**FC: Due to price controls the government is on the hook for hundreds of millions of dollars of subsidies. Where will they get the money?**

**MH:** The question is they are on the hook in the short term but the government maintains they are not in the long term. There is a profit being returned to the dominant generator, Ontario Hydro, in excess of what they required to get their monopolistic return on the investment and that is being rebated back to the consumer and, I think, the position of the government is that over four or five years that will equal out. I don't think anybody knows the true answer to that – that is the budgetary expectation. Some of the critics will argue that is not the case. I am not an expert in that area, what I do believe is that eventually in Ontario we do have more competition in the generation. I don't see any reason why the private sector can't run the business.

**FC: The Liberal Party's federal dominance depends in part on its dominance in Ontario. What needs to happen to give voters some options?**

**MH:** In a first-past-the-post system as long as there is a New Democratic Party that is quite weak it gives a dominance, if you like, on the centre of big government side of politics to the Liberals. On the free market, free enterprise, less government side you have two parties splitting the vote. As long as you have that under our system, the Liberals can win seats with a significant minority of the votes. So I am a great believer that the Alliance Party and the Progressive Conservative Party have to find a way to come together and to cooperate and to understand “first past the post” politics and those ideas that they share essentially in principles of free markets is to come together.

**FC: Many people had hoped that you would move into federal politics after your success as Premier – why didn’t you?**

**MH:** I think there isn’t a vehicle. I felt it was time for me to move on. I thought it was good for the Ontario PC Party to have a revitalization and I had been there eleven years as

leader and I had other challenges. There were things that I wanted to do in the private sector and things I wanted to do with family and things I wanted to do with my life. Maybe at some point in time there may be some interest in federal politics. You never say never – in private I care very deeply about the country and I am concerned about the direction it is going in but at this point in time, I needed some time off from politics and, secondly, there is no vehicle there that can win successfully. I think if the parties were to come together, I think then there would be a lot more people like me interested in being involved in some capacity – whether it is running or not – in federal politics.