

# THE WAY IT WORKS

INSIDE OTTAWA

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[A DOUGLAS GIBSON BOOK]



McCLELLAND & STEWART

Canada's fiscal situation – was that such a resignation would lead to chaos in financial markets and had to be avoided almost at all costs. At one point, Martin said to me, "If the prime minister doesn't agree with me, perhaps he would agree to meet with one of my advisers, who will explain why I want to tackle seniors benefits." It was a reasonable request, and I saw it as an opening. I arranged for his adviser, Peter Nicholson, a distinguished economic thinker, to meet with Chrétien on a Saturday afternoon at 24 Sussex. I hoped the chemistry between the two would be good. Nicholson's father was a former Nova Scotia finance minister and a friend of Chrétien, and Peter had made a major contribution to the Aylmer Conference when we were in Opposition. When the meeting was over, Nicholson called me and said, "I thought I had hit a home run, but the PM caught the ball as it was going over the fence. The bottom line is he will not change his mind."

Chrétien remained unconvinced that there was any need to touch entitlement programs for the budget to be a success, and was firmly of the view that doing so would be the straw that would break the camel's back in terms of the acceptance by Canadians of the budget. The prime minister – as he must in our system of government – had to have the last word. Therefore, there would be no change to seniors' benefits in the budget. I then helped broker a compromise to save some face for the finance minister. At my suggestion, there would be wording in the budget documents that the government would study the structure of those benefits over the next year. It was enough to satisfy a reluctant Martin, although it was another wound in their relationship that never healed. Chrétien turned out to be right. The Martin budget was a remarkable success, and the finance minister agreed a year later that there was no need to tamper with seniors' benefits.

The other occasions where there were disagreements between the two men were less dramatic but also important. Martin always argued vigorously – even at a time of budget surpluses – against the prime minister's support for a substantial increase in foreign aid. One day as we sat in the living room at 24 Sussex, Martin – to our astonishment – told the prime minister in all seriousness that because many aboriginal

Canadians live in Third World conditions, federal spending on aboriginals should be counted as the equivalent of foreign aid! But when Chrétien then suggested increasing the budget for aboriginals, the finance minister argued that enough was already being spent.

Regardless of the proposal, Martin's instinctive response was always that of a prudent finance minister. He would warn that any new spending might put the federal government back into deficit. Martin was usually far more fixated on the long-term fiscal implications of a proposal than on its substance, and would almost always eventually agree to a proposal when he was convinced that the fiscal situation of the government allowed for it. Even so, he fiercely resisted provincial pressures for increases in equalization payments; and in particular, he opposed any changes to the formula for calculating equalization for the province of Newfoundland to allow it to keep more benefits from its offshore resource revenues; and he was always reluctant to agree to large increases in transfer payments to the provinces for health care. In those days, he also blocked all attempts by Human Resources Development Minister Jane Stewart to put federal money into a national child-care program. Chrétien insisted on increasing spending on foreign aid, culture, and aboriginal people, but went along with his finance minister on other matters, including the Newfoundland equalization formula.

### **Conflicts Between Ministers: A Case Study**

THERE ARE MANY large egos in politics and with them go fierce ambitions that can get in the way of governing. It wasn't only the prime minister and the finance minister who were political rivals within the same party. I found that I sometimes had to step in to help manage relationships between the finance minister and other ministers who were in competition with him. For example, the focus of the budget of February 1999 was to be health. The two ministers principally involved were Allan Rock, the minister of health, and Paul Martin, the finance minister. Both saw themselves as potential successors to the prime minister. There was no question in each of their minds about the "glint of ambition" in the eyes of the other. Mostly for that reason,