

# End Of Commodities Bubble A Learning Moment For Canadians

“**W**hat goes up, must come down.” That’s not just a classic Canadian rock-’n’-roll tune. It’s a motto for stock market investors. Just as investors are counting their profits from the latest hot fad, the bubble bursts and the market heads south.

It’s happened time and time again – like the crash of 1987, or the dot-com meltdown of 2000. Now it’s happening again: World prices for oil and minerals are falling, and the overheated shares of Canada’s energy and mining companies are cooling rapidly. At time of writing, the Toronto stock market was headed firmly toward bear territory (off nearly 20 percent since June), as investors anticipate the end of the super profits that resulted from sky-high world prices.

Financial investors are suffering indigestion. But the popping of the global commodities bubble should give the rest of us pause, too, to consider the extent to which we tie our national economy to the fickle fates of natural resources. Canada’s whole economy has been reoriented to a surprising degree by the dramatic run-up in global minerals

prices, profits, and investments. Now that the boom is coming to an end, we should collectively re-learn a lesson that we should have accepted long ago: namely, true national prosperity cannot be based solely on what we dig out of the ground beneath our feet.

The commodities boom began in earnest in about 2002. Since then Canada has become significantly more dependent on the production and export of largely unprocessed natural resources (minerals, agricultural products, and especially energy). For example, unprocessed or barely-processed resources now account for about 60 percent of all our merchandise exports. Value-added merchandise (for which we process, manufacture, and add value to our resources) make up only 40 percent. That’s a dramatic change from just the turn of the century, when those ratios were reversed (value-added products 60 percent of



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## BOOK REVIEW

### An Essential Element In Union Activist Training

**Economics For Everyone: A Short Guide to the Economics of Capitalism**

By Jim Stanford

**S**tanford removes the veil from an otherwise difficult subject and shows that working people can not only understand economics but can use it as a tool for social justice.

Jim Stanford has provided a great service not only to the CAW but to all union members, social activists and those seeking a better understanding of the workings of our economy. Stanford sees the capitalist system as a multifaceted set of criteria. He explains each of the segments and provides a final grade with explanations why.

The book backed up with the website [www.economicsforeveryone.com](http://www.economicsforeveryone.com) and the recommended reading list, along with the graphs, tables and cartoons by Tony Biddle, contained in the book would be an essential element in union activist training. Jim’s examples are up-to-date and timely, and are made of the stuff we can relate to by watching the nightly business news. He has a way of explaining otherwise difficult concepts and putting them in the context that we experience on a day-to-day basis.

The highjacking of economic theory by the neo-liberals led by Milton Friedman and the Chicago School has put too much power

in the hands of the rich. Stanford puts economics back where it can be more readily understood, back to its beginnings as “political economy.” Decisions made by various levels of government are done for political purposes and it favours the class in control.

He leaves us with an encouragement that when ordinary people band together and exercise political pressure, good things can result.

After leading us through the construction of the free enterprise model, he leaves us with a few alternatives I will leave the reader to discover and evaluate. Stanford exposes the pitfalls of globalization and NAFTA and shows how wrong Finance Minister Jim Flaherty is in telling Ontario their solution is lower corporate taxes.

I would highly recommend Stanford’s book; after so many years of right wing think tanks, Reaganomics, Thatcherism, Mike Harris and Stephen Harper, it is welcome and long overdue. The final chapter is on 12 things to remember about economics – it is worth the price of the book alone.

Economics For Everyone: A Short Guide to the Economics of Capitalism. Pluto Press,

**ECONOMICS  
FOR  
EVERYONE**

**A  
SHORT  
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THE  
ECONOMICS  
OF  
CAPITALISM**

**JIM  
STANFORD**

“Stanford is that rare breed: the teacher who changed your life. He has written a book – both pragmatic and idealistic – with the power to change the world!”  
**NAOMI KLEIN**  
author of *No Logo* and *The Shock Doctrine: The Rise of Disaster Capitalism*



\$22.95. To order the book, follow the link found at [www.economicsforeveryone.ca](http://www.economicsforeveryone.ca) or phone 613-563-1341. 🌻

Reviewed by *Don Nicholls, Retired Workers Chapter*

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our exports, and resources 40 percent).

There has obviously been an upside to this restructuring. In resource-reliant communities (especially northern Alberta), the commodities boom generated significant trickle-down benefits (in jobs and incomes). Even governments benefited from resource-related revenues (while they lasted).

But there have been many downsides to the commodities boom, as well. Directly or indirectly, it substantially narrowed Canada's economic base. Manufacturing has withered away, shedding over 400,000 jobs, hammered by the inflated value of our currency (which soared in line with oil prices and other commodity values). Other non-resource industries were also hurt by the loonie, including tourism and exportable services (like business services and transportation). Indeed, in Statistics Canada's latest economic accounts, our services trade deficit was the largest ever. Excluding minerals and petroleum, Canada went from a \$17 billion trade surplus in 2002 to a deficit that will exceed \$30 billion this year. Unfortunately, we relied on the "easy" money provided by record commodity prices to subsidize the erosion of our trade performance in other, higher-technology industries.

Productivity was another casualty of the commodities boom. Productivity in the mining and energy sectors has declined (as companies chase increasingly expensive deposits), and the destruction of high-productivity manufacturing jobs has also hurt productivity badly. Statistics Canada reported recently that national productivity is now lower than it was at the beginning of January 2006 – ironically, when Stephen Harper's petroleum-friendly government came to power, and the longest sustained productivity slide in our postwar history.

To be sure, Canada is blessed with abundant resource wealth. But we have clear choices regarding how to make the most of that wealth. In recent years we've promoted a helter-skelter boom, throwing caution to the wind; companies fell over each other to extract and export as much resource wealth as they could, while the getting was good. We even allowed foreign companies to grab much of the pie. Big money was flowing fast and furious for a while. But with the boom now coming to an end, did we make the most of our non-renewable wealth? Or were we obsessed with short-term profits, ignoring the state of our true fundamentals: our technology, our productivity, and our capacity to add value?

A better approach is to use our resource wealth carefully, as a strategic asset. Foster development, yes – but with strings attached, like spurring the use of Canadian-made inputs, and the made-in-Canada downstream processing and manufacturing of our own resources. Attaching performance requirements to foreign takeovers (regarding Canadian value-added commitments) would also help. Our currency should be deliberately managed (through lower interest rates and restrictions on foreign investment) to prevent a resource boom from squeezing out other valuable export industries.

Canada partied hard while the commodities boom lasted. Now we're likely to be stuck with a national hangover, reflected in our backsliding on productivity and non-resource exports. Let's see if we can learn our lesson. Next time global commodities markets catch fire, let's be a little more careful and deliberate about jumping into the flames. ♣

*Jim Stanford is economist with the Canadian Auto Workers, and author of the new book, Economics for Everyone (see [www.economicsforeveryone.ca](http://www.economicsforeveryone.ca)).*

## UNION IN POLITICS COMMITTEE REPORT

# Remember To Vote October 14

**T**his being my first article since before shutdown, I hope everyone had a safe and enjoyable holiday. A big thanks goes out to everyone who participated in the rallies, marches and the blockade. I believe we proved to General Motors and the world what can be accomplished when we stay united. We proved fighting back does make a difference.



As everyone is aware, we are on the eve of a federal election and it is once again time for us to stay united. It is time for us to send an MP to Ottawa that will continue the fightback we started in June with the blockade. It is time for us to elect someone who actually worked in the plant and knows the industry, knows the issues and will fight for trade policies that protect workers' jobs. We need an MP who understands that Made In Canada Matters. Someone who knows that cynically throwing money at the problem on the eve of an election isn't going to solve the problem.

Colin Carrie recently said it was an exciting time in the auto industry. Well I guess if he thinks thousands of workers losing their jobs is exciting, then it proves he just doesn't get it.

While Colin has been working on our behalf, Oshawa has had the highest year-to-year increase in unemployment in Canada. While Colin has been working for us, Oshawa has seen 11,000 good paying jobs leave. I have to think, if we all did our jobs at General Motors as poorly as Colin has done his job in Ottawa we would all be fired.

On Tuesday, October 14th Colin Carrie is asking us all to once again hire him to go to Ottawa and fight on our behalf. Sisters and brothers the decision is ours. Do we want to rehire him and hope that this time he will finally get it, or hire someone else? I think it's time we fired Colin and sent someone to Ottawa that does get it.

Mike Shields has put his name forward to run as an alternative to Colin Carrie. Brother Mike Shields does get it. As the former president of CAW Local 222 Mike understands the problems and uncertainty we face as workers and has a proven track record when it comes to fighting for working people and our community. Mike will give us the strong voice in Ottawa that we so desperately need now more than ever. On October 14th we must stay united and continue our fight back by sending Mike Shields to Ottawa with a loud and clear message, Made In Canada Matters!

Until next time. ♣