

# Marketing the market

## An interview with Michael Walker of the Fraser Institute

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According to Harry Rankin (alderman, socialist, the People's), whom I phoned because I was sure he would give me a juicy quote, the Fraser institute is:

"a right-wing organization dedicated to giving the best possible face to free enterprise and to Social Credit. They are totally in the pockets of big-business, though they try to hide it behind a pseudo-scientific gloss."

This summarizes quite succinctly the image that many British Columbians - especially those on the left - have of the Fraser Institute. I phoned Michael Walker, its Executive Director, read him Rankin's description, and asked him if he would like to try to refute it. He said that this would give him great joy. What follows is a heavily edited version of an interview conducted in the Fraser Institute's conference room on Friday, October 18, 1991 - the day after an NDP government was elected in B.C.

**VR:** Can I get some idea of your background and education?

**Walker:** I was born in Cornerbrook, Newfoundland. I lived there till I went St. Francis Xavier, where I did my undergraduate work, in economics and philosophy. Then I got interested in mathematical economics and went to the University of Western Ontario. There, I did a one-year masters degree and then a PHD in mathematical economics and econometrics, and banking. In 1969, I was offered a job with the Bank of Canada in Ottawa, where I worked in a variety of capacities - when I left I was in charge of a group that was advising the governors of the Bank on the conduct of monetary policy. In 1973, I went to the Department of Finance where I was a special consultant to the policy branches of the Department, using econometric models for policy simulation. I left the Finance department in 1974.

**VR:** What was the title of your PHD thesis?

**Walker:** "Econometric Model Simulation of Alternative Policy Rules" - or something esoteric along those lines.

**JS:** What is an econometric model?

**Walker:** It is like an economic wind-tunnel [a simulator] - it's for testing alternative policies. I went into econometric modeling because I was very much influenced by Merritt Brown, a famous Canadian econometrician, who really believed that if you could estimate all the parameters you could actually "fine-tune" the economy to the point that you could eradicate the kinds of social distress I grew up in - high unemployment, things like that. And I was really convinced that that was the case. Well, working in the Department of Finance, it became evident to me that a number of things were wrong with that assumption - I found out how decisions were really made. I found that the dispassionate analysis of the economists was having very little impact on the basic course of policy. This was largely determined in the political arena - and not, as far as I was

concerned, in a way likely to enhance the wealth of the nation. You have to remember that this was 1974 - the last year that the Canadian government ran a balanced budget, and from 74 on things deteriorated at an accelerating rate.

**VR:** It sounds that, like a lot of the people who came to Ottawa in the late 60s, you were an expert looking for expert solutions.

**Walker:** Yes, but even at the stage when I was still convinced that we could use models to fine tune the economy, I found myself debating against people who were promoting policies that interfered in people's lives, policies that made choices for people. I rebelled against that, because I felt that, in the end, that kind of policy was likely to fail. One particular person, one of my close working mates at the Bank of Canada, who subsequently went on to be a Deputy Minister of Finance and have a very profound influence during the Trudeau years - one day in the middle of one of these hot debates, he said to me: Well, if you don't believe in interfering in peoples lives, what are you doing in Ottawa? I guess, I just didn't realize the implications of what I was doing. But by 1974, I was thoroughly concerned about the direction I saw policy taking and recognized that the work I was doing wasn't benefiting Canadians - the reason I went to Ottawa in the first place.

**VR:** So, what did you decide to do?

**Walker:** In the meantime, Csaba Hajdu, a friend who had been an office mate at Western, was working here for MacMillan Bloedel. At that time, there was a great deal of concern out here about what the Dave Barrett government was doing. From different ends of the spectrum, he and I were seeing the same mistakes being made by well-meaning people. You see, this is the tragedy of that era: so many well-meaning people within government

thought that what they were doing was going to improve the situation - and that's what made it so dangerous. Anyway, I had decided that I was going to do something - I didn't know what. And during that period, Csaba Hajdu was experiencing the same kind of thing. And he said: Well, there are people out here that want to do something about it.

**VR:** For example, Pat Boyle. [At the time, a vice-President at MacMillan Bloedel.]

**Walker:** Yes, Pat Boyle. I had already decided to leave Ottawa, and I was exploring a number of possibilities. And Csaba said: Why don't you come out to B.C. and meet with these people. So I did that. And, to make a long story short, from what I heard them saying, I could see that we, from different points of view, had come to the same conclusion.

**VR:** So, the seed idea for the Fraser Institute came from Pat Boyle.

**Walker:** I think so. Yes. But the idea that we ultimately came up with was extraordinarily different from what any of us had in mind when we had those initial meetings.

**VR:** Were they thinking "institute" at that time?

**Walker:** Now, I'm not quite sure. [pause] Yes, I think they were thinking institute, because, in the meantime, the NDP had set up an institute here in B.C. and, at the Federal level, Pierre Trudeau had set up the Institute for Research on Public Policy. The object of both institutes was to sketch out new directions -

**VR:** For government intervention?

**Walker:** Exactly. You know, you can never go back and put together exactly what the chemistry was, but we all had a sense that policy was moving in a very bad direction.

**VR:** Can you give me an example of a bad policy?

**Walker:** Well, Wage and Price Controls was very much in discussion at that time.

**VR:** Even the Conservative Party was promoting them, wasn't it?

**Walker:** That's right. You see, people keep wanting to put political labels on these things, but one of the first things you understand, if you have any sense of history, is that this is not partisan politics - it's about people getting ideas. As Keynes said: In the end, it is ideas that are powerful for good or for evil. And people, with very benign and lofty purposes, begin to pursue bad ideas that they think are going to help people. So, the discussions we had in those very early days were about: What can we do about those ideas? Then we asked: Where do those ideas come from? And looking in the university book-stores, we saw yard after yard of interventionist thinking. When I was a student, I wasn't aware of this kind of stuff - and that's why it took me until 1974 to come to my senses, because you don't encounter it in the area I was studying. I mean, I was interested in designing models, I wasn't interested in their implications, but once I started to address those implications and began, in the context of this institute, looking in the university book-stores and seeing what students were being exposed to - well, the future was not looking all that good. You have to understand that these interventionist ideas were now the consensus. The zeitgeist in Canada was moving in a left-ward direction, toward the nanny state - more and more of these social programs. During the 5 years I was in Ottawa, we adopted the Canada Pension Plan, Universal Medicare, and vast modifications to Unemployment Insurance - and the government was spending money like a drunken sailor on regional development programs all over the country. All of this was

alleged to be in people's best interests and all implied a very large increase in the tax rate.

**VR:** A Canadian New Deal.

**Walker:** Yes, and we thought that this was a malevolent development - so we decided to get into the ideas business. So, in August of 1974, I packed up my stuff and moved here to B.C. And, in September, we sat down for a couple of months to think about what, in precise terms, we were going to do.

**VR:** How did you support yourself during that time?

**Walker:** Before we got under way, Pat Boyle went to MacMillan Bloedel and a number of other firms and raised some seed money to tide us over until we could figure out what we were going to do.

**VR:** So MacMillan Bloedel - the institution - was interested in this project.

**Walker:** Well, Mac-Blo gives money to all kinds of things. But, at that time, they were faced with what they regarded as a very difficult government climate in B.C. It's ironic, but then they faced a less difficult climate than they do now - the amount of financial pressure placed on them now from Socred imposed royalties is much greater than what they faced with the NDP government in 1974. So, anyway, we had some seed money and the plan was that we would put together an idea and then go out and sell it to businesses.

**VR:** What was your first step?

**Walker:** Well. We had to get a tax charter [chartered as a non-profit corporation]. And to get this you must have a very clear idea of what you are going to do - and it must be non-political. Now, during those first few months - this was 1974 don't forget - people in B.C. were

at a fever pitch, particularly the business community, so we specifically considered - and rejected - getting into the political game, because we all recognized that at that time it was impossible to distinguish good economic policies from bad ones by knowing which party enacted them - even Conservative governments were supporting things like wage and price controls. Getting into politics just wasn't going to deal with the problem. Now, it's fair to say that some of the people we first approached assumed we were going to be engaged in some kind of political activity. Well, often people do the right thing for the wrong reasons [laughs]. Anyway, we decided, instead, to get into the ideas business, not politics, and we concluded that if we are going to get into the ideas business, we are going to have to get academics involved - so this is going to be an academic research organization.

**VR:** Why did you call yourself "The Fraser Institute"?

**Walker:** It was in deference to Herman Kahn and the Hudson Institute. We wanted to make a geographic statement in the same way that Kahn did [he named it after the Hudson river]. We could have called it anything - The Institute for Policy Studies - whatever. Anyway, to get a tax charter, you also need to have a founding board of trustees - but we didn't have anyone supporting us at that point. So, Pat Boyle went to some friends - in fact, the initial group that appears on the incorporation document were all Pat Boyle's personal friends. Anyway, Pat sent each of them a description of what we were going to do. Now, one of the people he sent it to phoned him and said: You know, what you have described here is identical to an institute that already exists in London. And Pat said: Well, as a matter of fact, I'm going to France to do business, so when I'm over there I'll phone them up and see what I can find out. That's how we got in touch with Anthony Fisher.

**VR:** Who is Anthony Fisher?

**Walker:** Anthony Fisher was a very successful innovator in the chicken business. He had, in fact, mechanized the chicken industry. His big contribution was not in keeping chickens in little cages but in using linear programming to determine their feed pattern. And this had a revolutionary impact on the price of chicken in Britain - dropping it by three-quarters. Anyway, he used some of his early profits to set up the Institute for Economic Affairs. And it was this institute that turned the intellectual tide in Britain. They produced Alan Walters - Mrs. Thatcher's personal economic advisor for 10 years; and Ralph Harris, who Thatcher credited as being the intellectual godfather of the neo-Conservative revolution in Britain. Now, it just so happened that when Pat Boyle approached him, Fisher had sold his business - Buckstead Chickens - to some large group in the U.K. So, he really didn't have anything to do. So, Pat Boyle phoned him and said: Why don't you come over and help us set up something out here? Anyway, he was happy to come over - and, really, it was Anthony Fisher who got us going. Now, it was around that time - I knew that Wage and Price Controls were coming - that I commissioned a group of top academics from around the country to do a piece on it. So, we had this book, passed it through the editorial board - by the way, one of the things we did when Fisher came was to build an editorial board, because we decided that if it was going to be academic research, it had to stand the test of academic scrutiny - it couldn't be flak. So we had this book ready to go, in fact, it was being printed, and the chairman of one of the major supporting firms - what the hell! it was Jack Clyne [at the time, chairman of MacMillan Bloedel] - had just taken out a full-page ad in the Globe and Mail arguing why the country needed Wage and Price Controls. And our book said that they were a pile of junk. Now, Jack Clyne - not a man noted for his

delicacy - was outraged because this institute, which one of his employees had got going, was now going to publicly oppose him and the rest of the Canadian business community. As a footnote: after we published, Joe Morris [at the time, president of the Canadian Labour Congress] sent us a letter of congratulations, because don't forget that at that time -

**VR:** Labour was against Wage and Price Controls.

**Walker:** Yes, labour was very much against it and for good - probably different - but for good reasons. So, Pat Boyle was in extraordinary jeopardy. Clyne said: If you guys go ahead and publish that, I'm going to withdraw our support and I'm going to ask all of my business colleagues to do likewise. Well, I'll never forget it. We had a meeting right around this table [we are in the institute's conference room] with the initial trustees - and many of these people were from the B.C. business community and they, in one way or another, were at risk, because if Clyne really set his mind to it, he could ruin them all. And the vote around the table was: We can't do anything but publish it. We set up this institute to do precisely what we were then doing: calling the shots as they really are, instead of the way people want to believe they are. In fact, Clyne at this point had not even seen the manuscript, because we have a firm policy that the Board of Trustees has no right to preview what the academics are going to say. We set that up very deliberately, because we knew that the scholars would leave us if we had people trying to influence us. I mean, at that time, we had two Nobel Prize winners on our Editorial Board.

**VR:** So, then what happened?

**Walker:** Anyway, we said: We can either publish the book or we can shut the institute down, because if we don't publish it, we'd be violating the very principles that we set out on,

and then there is no point in carrying on. So we, in effect, made a motion that we would publish it and we would, if necessary, move into my garage and carry on from there [laughs].

**VR:** Did Clyne withdraw his support?

**Walker:** As a matter of fact, he didn't. After we published it, what happened was that almost all of the things we predicted would happen with Wage and Price Controls began very quickly to happen - fortunately for us.

**VR:** So, your crisis is over.

**Walker:** Not quite. In the meantime, we've had an election here in B.C. [1975] And some of the people who were supporting the Fraser institute because they believed that it was going to make a political difference, now thought that the reason they had given their money no longer existed.

**VR:** The NDP was gone.

**Walker:** As I said, people do the right thing for the wrong reasons. So, we had our first fiscal crisis: we ran out of money - in March 1975. And I remember that I assembled the staff and told them: Well, it was a good idea, but it doesn't look like anybody wants to give us any dough, so I wouldn't blame you if you went out and found alternative employment. Well, then a check that we weren't expecting would come in - and that got us through the next month - but until 1983 we basically went through that every March - running out of money.

**VR:** What happened in 1983?

**Walker:** I marketed the board game Poleconomy. We sold 325,000 copies of it - it remains the most successful business board game in Canadian history. It was like manna from heaven - it generated millions of dollars

for the publisher, the inventor, and the Fraser Institute. It did two things: the cash flow got us through that recession [1982-83] and it left us with a modest endowment. We now have an operating buffer.

From a 1983 column by MacLean's columnist Allan Fotheringham: "The Canadian free enterprise system's latest pet intellectual [is] one Michael Walker. He was invented when Dave Barrett's idealistic but fumbling New Democrats ruled the province for three brief years in the early 1970s. Barrett's philosophical enemies, through generous funding, established a think tank called the Fraser Institute, a clutch of pointy-headed academics of the free-enterprise persuasion who were assigned to come up with heavy position papers that would mow down the precious tenets of social democracy. Michael Walker was hired to head the institute .... [which] never made any secret of being what it was: An NDP-bashing producer of anti-socialist propaganda. Walker in his early years fulfilled his role, churning out a steady succession of learned tomes arguing the views of the masters who had hired him."

As stated in its first press conference on February 5th, 1975, the institute's goal was precise:

"To re-direct attention to the use of competitive markets as the best mechanism for providing for the well-being of Canadians."

Since then, Walker and colleagues, have pursued this goal with a focused relentlessness reminiscent of a Marxist revolutionary cell; however, unlike Marxist cells, which were totalitarian states in microcosm, the Fraser Institute modeled itself after capitalism's representative institution: the private corporation. Their goal was to succeed in the ideas business, so like any successful business they streamlined themselves for competitive success: cutting costs by contracting out product manufacture (research is provided by market-oriented, university-based academics - as of 1991, over 300 contributors) and focusing their energies on the key to success in any competitive industry - marketing. The bottom line in the ideas business is the spreading ideas; some of the ways that the Fraser Institutes does this are:

1. Attracting media attention by making news: they regularly promote conferences, symposiums, and publications as news events - the recently published TAX FACTS 7 generated 3,500 column inches of press coverage in Canada.
2. Finding regular broadcasting forums - Fraser Institute editorials appear regularly in over 50 Canadian newspapers. In addition, Walker has become Canadian media's free-market expert, journalists regularly calling him for that balance-providing comment or sound-bite needed to flesh out a story; and
3. Packaging the message in an easily understood form - we can all relate to Tax Freedom Day: the day of the year when the average Canadian has earned enough income to pay that year's taxes.

But what exactly is the Fraser Institute's message? Though it is voluminous and technically complex, I will hazard a simplification:

"The wealth of nations results from the exchange of goods. When governments intervene in this exchange (through taxes, tariffs, etc.), they - usually - reduce its efficiency, thereby reducing the nation's ability to produce wealth. For a great variety of reasons, governments are strongly impelled to increase this intervention. But the historical record shows that this intervention eventually reaches

such an extent that it causes economic, then social breakdown to ensue. Canada is now suffering an acute stage in this process. But all is not lost. As ideas and beliefs can powerfully influence human behavior, breakdown is not inevitable. If the public and, especially, its leaders can be made to understand how markets function and their benefits, and if they act upon this understanding by restraining government, then this breakdown can be avoided."

The above - both a model of economics and a theory of history - is the conceptual motive that impels Walker on his mission (there is a patient missionary quality to him), and it is the underlying source of and justification for the many - to some people - shocking policy positions that he advocates; here exemplified by a series of newspaper headlines:

- "Inflation Blamed On Gov't Wage Hikes" (Province, 1977)
- "Benefits Increase Jobless" (Sun, 1978)
- "Industrial Strategy Best Left To Business" (Sun, 1978)
- "Rent Controls A Big, Bad Mistake" (Province, 1980)
- "Abandon NEP And FIRA And Let The Market Work" (Fin Post, 1982)
- "Let Private Sector Run Prisons, Walker Tells Club" (Sun, 1988)
- "Book Suggests Bids System For Right To Pollute" (Sun, 1989)

I should point out that presenting someone's politics as a series of newspaper headlines is simplification bordering on misrepresentation. As far as I can tell [I am not an economist], all these positions are backed by sophisticated arguments and research that make the policy that shocks you as a headline (which is exactly how most Canadians encounter it) seem quite reasonable, even sensible, when encountered as an essay.

Is it sound scientifically? A very real problem with all economic theory is that because it can never be experimentally tested in a controlled environment, it will always be quasi-scientific: economic policies can be implemented, but, in the end, their success or failure could be due to unaccounted-for variables, and that's why economics, like Christianity, has opposing sects. Therefore, the work of the Fraser Institute, as Rankin suggests, might well be pseudo-scientific, but judging from its impressive roster of academics and Nobel-prize winners, if it is pseudo, I doubt that it is any more pseudo than the competing brands.

In any event, whatever the validity of the message, its results have been startling. When the Fraser Institute was formed with a staff of four and an annual budget of \$125,000, Canada was about to adopt Wage and Price Controls - the most interventionist policy in its history - and its Prime Minister was soon to speculate on national TV that the market economy was dead. Seventeen years later, the Fraser Institute has a staff of 23 (18 of them women), an annual budget of \$1.4 million, and is the industry leader in Canada's ideas business; and, probably, its largest exporter: its over 100 published titles are sold in 54 countries and are required reading in dozens of universities around the world. Though they can't take all the credit for it, in 1991, Canada has free-trade with the US and even NDPers are trumpeting the importance of the market. Times have changed and the head of Canada's major left-leaning think-tank - Duncan Cameron of the Canadian Centre for Policy Alternatives - thinks he knows why: "The Fraser Institute has moved the political agenda to the right."

Headline from The Province of Oct 27, 1983: FRASER DOMINATES POLITICS - The organizations which support the Fraser Institute ... appear to be dominating B.C. politics through their use of the institute as a propaganda and government lobby instrument, says a report released by the Solidarity Coalition.... "Virtually the entire range of big forestry based capital in B.C. has membership linkages of a direct or indirect type with the Fraser Institute.... For the large corporations, sponsorship of the Fraser Institute produces a variety of benefits, both immediate and longer-term. In many instances, there is a direct connection between the policies of the institute and the interests of corporations." The report concludes that the provincial government "has leaned heavily on the Fraser Institute to provide an ideological rationalization" for its recent program-chopping legislation.

**VR:** Many people believe that the Fraser Institute is closely linked to Social Credit - the Rankin quote expresses this nicely - and this belief became widespread when you privately addressed the Bennett cabinet at a Kelowna resort just prior to the 1983 restraint budget.

**Walker:** Yes. But you see most of that is misunderstood.

**VR:** Can you tell me how the restraint thing came about?

**Walker:** Well. There were a number of reasons. One reason I think was because in 1982 Milton Friedman came up here. Rose Friedman had wanted to see Butchart gardens and I said: While we're over there, why don't I introduce you to the premier. I thought, it can't do any harm and it might actually do some good - because the Socreds were doing a lot of things that were bad! [laughs] And Bill Bennett - who was often criticized because he didn't have training beyond high school - was said to be a dummy - is actually interested in ideas. So, anyway, we went over and had a morning with him, and during its course Bennett mentioned several examples of things he thought were good things for government to do - and Friedman shot them all down.

**VR:** Can you give me an example of the kinds of things

**Walker:** Oh, I can't remember. [pauses] I do remember that rent controls were discussed. And Friedman told him why they were bad - you have to understand that one of the main reasons Milton Friedman has had such an impact is that he is an extraordinarily charismatic individual. Well, anyway, regarding 1983 [the appearance before the Socred cabinet] - you have to appreciate that by then we had published a lot of books on every conceivable topic, from rent control to privatization. In fact, the privatization thing, BCRIC, back in 1979, came out of a Fraser Institute book. But not because I had had any contact with the Socreds. As a matter of fact - it came through Austin Taylor [at the time, vice-president of McLoed-Young-Weir]. His wife was Bill Buckley's wife's sister - so in a round-about way he had acquired an interest in these kind of ideas: he used to read Fraser Institute stuff, and one of the things he read contained a piece by Milton Friedman that asked: what do you do with nationalized industries? And here in B.C., after the NDP, we were left with all these nationalized industries - what should you do with them? And Friedman suggested that you create, in effect, a holding company and give away the shares. And that's what Bennett did, but I had no personal contact - I mean - the ideas were out there. Anyway, so, why did the government call us? Well - I think - because if you were looking for economic advice and were dissatisfied with the direction you had been heading, the logical place to turn was the Fraser Institute. You've got to understand that by 1983, we had published a lot of material, I

was doing a regular columns in the Financial Post and the Province - we were getting a lot of notoriety. So, they invited me over.

**VR:** After the '83 election?

**Walker:** Yeah, after the election. They were having some kind of a special cabinet meeting, and I went to it and I laid out what I thought should be done. And, of course, the impression people had was that we had some kind of a connection with the Socreds, because some of our ideas were adopted by them.

**VR:** I read somewhere that that is the only time an outsider has addressed the cabinet in private.

**Walker:** I don't know. I can only tell you that I was very careful to be public about it - and that's why people knew about it. I mean, people think that we're trying to get in tight with government. The last thing I want to do is get in tight with government! I left the government because I realized that if you want to have an effect, the last place you're going to have a big effect is inside a government. The problem is not that there is a shortage of government policy ideas; the problem is that there's no demand for the policy, so what you have to do is go out and create a demand for it - and that's why I left. You see, when we were set up, people here, the news media and so on, thought the things that we were talking about were so far out of what was then the mainstream, they would refer to us by all sorts of nasty names: they called us fascists and -

**VR:** Lunatics!

**Walker:** Lunatics. [laughs] Whatever. And that has almost always been the case here in B.C. A lot of people believe that our real interest is B.C. But that's not true: I don't have any particular interest in B.C., in terms of the policy position here. It's true that some of the people

associated with the Fraser Institute were conservative British Columbians. But we all recognized that if it was just going to focus on B.C., it wasn't worth doing because the problem wasn't just located here. Anyway, I did not want to be identified with any government, particularly not the B.C. government. So, I was always careful not to do anything that would make it seem so. Anyway, there were a lot of media people hanging around in Kelowna, and I told them exactly what I was going to do.

**VR:** True. It was no big secret.

**Walker:** That's why people knew. Later, when they saw the stuff that came down [the restraint legislation], some reporter made the connection between what they did and what we say - and there was a lot of overlap, but there were things I told them not to do that they did: they increased the sales tax. They did things I hadn't even talked about - they abolished the Human Rights Commission - and if they had asked me, I would have told them that that was dumb. Nevertheless, the impression was given that we were connected with the Socreds. Now, our books and ideas on all these topics had been well publicized - public servants had them, everybody had them - I have no way of knowing whether that meeting with the cabinet had any impact at all. It may have had no impact. Maybe, it had a huge impact. Maybe, the fact that Bennett met Milton Friedman and was impressed with what he said - cause he clearly was! You can't sit with Milton Friedman for a couple of hours and not be. You know, in Beijing, Friedman was able to turn around the General Secretary of the Chinese Communist party. If he could meet Zhao Ziyang for only half-a-day and completely change his view of the world - I'm sure he had an impact on Bill Bennett.

**VR:** Your cabinet talk got you involved in a lot of political controversy during the Solidarity thing.

**Walker:** Yes, they burned us in effigy. We had bomb threats here. The West-Vancouver Police placed my house under surveillance for several weeks because people were threatening my life. There were a lot of nasty things - because some people quite rightly recognized that ideas are very powerful. But what they didn't recognize was that B.C. was not our particular focus. At that stage, we were much more concerned with the Federal Government's activities.

**VR:** Around that time, didn't the NDP's Jim Fulton challenge your charitable status - in the House of Commons.

**Walker:** Oh, yes, that happens on a regular basis.

**VR:** Why is your charitable status so important?

**Walker:** Well, it's important, not because we get a lot of money, you know, we get, maybe, \$50,000 dollars from people for whom that tax deduction is important.

**VR:** It isn't important for corporations?

**Walker:** No, they can deduct their expenses anyway. From their point of view, memberships are the same as donations. It's a cost to them, so they write it off as a cost.

**VR:** What's the largest individual donation you've ever had?

**Walker:** Right now, we're getting the largest donation we've ever had. And that's the reason we need charitable status: because the government has a rule that non-profit foundations - like the Lilly Endowment - can't give to groups who don't have one.

**VR:** Are foundations your largest source of donations?

**Walker:** Yes, they are now by far our largest source of revenue - and we have to have charitable status to be eligible to get money from those sources. See, the thing is, I mean, you talk to anybody who's trying to fund non-profit research in Canada - and everybody has this view that corporations are just dying to give away their dollars. Well, the fact of the matter is, it's just the opposite. It's terribly tough to raise money. And you've got to spend a lot of time knocking on doors and begging people to give you \$1,000 or \$1,500. The majority of the people who support the Fraser Institute give us \$500.

**VR:** Is this because business people don't appreciate the power of ideas?

**Walker:** Well, the truth is, a lot of them don't agree with what we're doing. See, we really are in favor of competition - and most Canadian businesses are not. We oppose governments subsidizing business. And most businesses in Canada are getting subsidies in one form or another. We've published books saying that Northern Telecom is not the great Canadian success story - theirs is the story of a business feeding at the public trough. And we lost a whole bunch of supporters in the high tech industry because we published those books.

**VR:** They pulled their funding?

**Walker:** Yes! Northern Telecom wrote us a letter saying: if that's what you're going to write, we're not going to support you. And a bunch of other people in the high tech industries pulled out as well. So, we really believe in what we're saying and we do our damndest to get those ideas out there. And not everybody in the business community agrees with us; though, they agree with the work we've done on -

**VR:** Taxation. Business people like your position on taxation.

**Walker:** But then, so do most NDPers. Look, I don't think that any of this stuff is ideological - one of our biggest fans is a Socialist - Roger Douglas, the former Finance Minister of New Zealand. Here's a life-time socialist who, in some ways, had the same crisis of personal commitment that I did when I was in Ottawa: he realized that what he was trying to do was wrong. So, he changed. And when he got in power, he put in place the most radical free-market program ever adopted in history, as far as I can tell. New Zealand had fallen from third in the world in per capita income to thirty-third, because they had implemented the complete social-welfare state, and because they had some bad external economic shocks, with which they were ill equipped to deal. So, these are not ideological questions. Given what's happened in the USSR and Czechoslovakia, you'd think people would start to say: Well, maybe this is not a matter of partisan politics; maybe, it's not a matter of simple ideology; maybe, there are laws governing economic behavior that we have to pay attention to. And, you know, it doesn't matter how many times I repeat that, people still say: Well, you're just a mouth-piece for the corporations. Well, if Harry Rankin wants to believe that - I mean Rankin is a guy, don't forget, who thought that Soviet Communism was great. And why do people forget that? Why don't they go back and see what Rankin was saying about the benefits of socialism? It just infuriates me to see all these leftist hacks, frankly, for years and years, without doing any research, passing off all this gumph that was pumped out of Moscow. Without ever asking the question: Are people in the USSR really better off? And, now, when the whole thing collapses, instead of saying: Well, all that stuff that we read in the Pacific Tribune all these years was just a pile of nonsense. Instead of saying that it was a pile of nonsense, people

say: Well, that really wasn't socialism. You see, I mean, sometimes - it really is hard! The people who are really going to be hurt by following these bad ideas are always the objects of altruism: the people who are not yet born, who are going to be looking for a job in 15 or 20 years - they are the people who are going to pay the price. And it's always an unseen effect, an unintended consequence, an unintended side effect of these altruistic policies that produces the damage. It's very hard to persuade people that these things....anyway, sometimes I do lose my patience. I don't understand it. I mean, you're a journalist, you tell me, why is it that the journalists aren't saying: You know, those free-market guys were right! All of these years, they've been telling us that the USSR was in a state of economic chaos. And why don't journalists now go back and say: You know, they were right. Instead of making excuses for it. I don't understand it.

**VR:** Well, the average journalist's event horizon to about five days ahead and five days before - it's the nature of the job.

[There is a knock on the door. Walker answers it and then leaves the room for a minute or two. When he returns, he tells me that he is to be interviewed by CBC in a few minutes, so I will have to hurry.]

**VR:** Would you define "market" for me?

**Walker:** "Market" is a term we use to describe a human interaction where people are, in a variety of ways, trading what they have for what other people have. The Greek word *Catallaxy* - the provision of service - is a better word. In an economic market, the only way to be truly successful is to give people something they want, in return for them giving you something you want. To the extent that you can do that, you are successful. If you can't serve people, you're not going to be successful

in the market. One of the things I always point out to people who believe in cooperatives and collectives is that the market is the most cooperation inducing mechanism we've ever discovered. For example, that pen you have there [a Bic]: people all over the world collaborated to produce it. They didn't know each other, if they met they might not even like each other, but they cooperated so that you could have it. It took, literally, thousands of people to create it. So the market is really about cooperation and service to others. Unfortunately, in a political marketplace that cooperation breaks down, because to succeed in a political market place, you don't have to serve others. In fact, you have to serve yourself. because if you don't serve yourself, you won't be successful. And that's why individuals who seek subsidies are, basically, saying: I don't want to serve others; I want the government to give me a subsidy, so that taxpayers who are unwilling to voluntarily support me through the market, will be forced to involuntarily support me through a subsidy. So, there will always be some market operating - the world always runs on markets. There's a market in politics, there's one in the politburo - there's always a market. The questions is: Are the outcomes of that particular market going to benefit society or will they harm it? - as is the case, typically, with the kind of markets that operate in totalitarian regimes.

**VR:** One problem that many people have with the "free market" is - frankly - they don't believe it exists. I'm sure you've heard this before - I remember Lucy McNeil, when she had you on her program a couple of months ago, making reference to the "mythical free market." Evidently, Lucy doesn't believe that it exists.

**Walker:** Okay. People who take a first course in economics are introduced to a model of the economy that is based on a lot of assumptions: perfect information, these kinds of things. One

of Friedrich Hayek's greatest contributions to economics was to point out that we don't have any information. The future is a collective noun for ignorance and uncertainty. And we're all trying to grope ahead, and the future includes 10 minutes from now, and five years from now, and we're all moving ahead through time and we're all trying to do the best we can with the information we have. The free market that is described in the text books is one that assumes away all that ignorance. Of course, in the real world, we're all suffering from varying degrees of capability and ignorance. We all have different endowments, we were born differently and so on, and there are all kinds of human factors that have to be taken into account. The question is: How do you best take them into account? And Hayek pointed out, that even though it's imperfect, the market seems to do the best job of groping ahead in this darkness of ignorance. You don't know what people should be paid and you don't know how much a cottage should cost; you don't know all these things, but you grope ahead, and you try this and you try that, and you punish people, in effect, by making them have losses if they make mistakes, and you reward people if they make the right decision, and in that way, you get an optimal set of decisions - not a perfect set of decisions. And then people look at all the imperfections of the free market and they say: Ah, there are imperfections, it must be possible to do this better. And that was the trap into which I fell, and into which a lot of us fell in the 60s and early 70s - by saying: Because we have problems, it must be possible to do it better; and not only that, it must be possible for the government to do it better by intervening.

[There is a knock on the door. Walker's secretary leans in and tells him that CBC is waiting outside to do their interview, to get a comment on last night's NDP victory. The interview is over.]

Headline from the Vancouver Sun of Sept 22, 1987: BERTON, HURTIG SLAM FRASER INSTITUTE REPORT - "Author Pierre Berton and publisher Mel Hurtig said the report ... simply reflects the right-wing bias of the Fraser Institute and deserves no serious attention. Hurtig ... said the Fraser Institute only publishes reports that espouse its right-wing view of the world. "I never have in the past, nor do I expect to in the future, ever pay serious attention to anything published by the Fraser Institute."

The past decade has been a disaster for the left. The 80s has seen the rise to power of a well organized, well financed, and intellectually sophisticated movement that directly and - often - convincingly attacks many of the left's most firmly held positions. It has also seen the abject failure, disgrace, and demise of most of the world's socialist states; as well as a growing disillusionment with the role of government in many Western social-democracies. For many on the left, it seems possible that the great gains of the past could be lost. Threatened: those publicly defending these gains resort, more and more, to ad hominem attacks and emotional appeals, than to clear reasoned arguments. Worse: the defenders often seem to confuse their noble goals (human betterment, economic justice) with their methods (expropriation, government control), hence an intellectual refutation of the method is viewed as a heartless attack on the goal, and the resulting emotionalism and stridency of the defense - in the long run - carries no authority with the thinking public. Sadly, if and when the methods fail or are discredited, the goals will suffer by this contrived proximity.

Whether they have been paid for by a corporation or divined from a OUIJA board, in the end, ideas and arguments exist outside their sources. And the best way to defeat ideas and arguments is - if possible - to relentlessly counter them with more powerful ideas and more convincing arguments. But to create these powerful ideas and convincing arguments, you must put yourself in jeopardy, because to truly and soundly defeat opponent thought, you must come to understand it as well as those who espouse it, and there is always the danger that this understanding might lead to agreement. However, if you do not lose sight of your goals, this new understanding can only make you more powerful in their pursuit, more convincing in their promotion, and more able in their implementation.

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