

Ep 6 Transcript.txt

[00:00:00:12 - 00:00:31:12]

Ken

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[00:00:33:05 - 00:01:14:07]

Ben

Welcome to the MBP Intelligence Briefing. I'm Ben Woodshinden, Director of MBP Intelligence and Senior Advisor at Meredith, Bozincool, and Phillips. Every week, we bring you unique and exclusive insights into the ideas, policies, and events shaping Canada's political landscape. From trade and fiscal outlooks to the decisions influencing business, governance, and public life, we bring context, experience, and perspective from people who've worked inside government, policy, and politics. MBP Intelligence is not punditry. We deliver targeted, actionable insights that help you give strong advice and make quick informed decisions. Whether you're leading an organisation, shaping policy, or simply curious about how complex decisions get made, this is your exclusive MBP Intelligence Briefing.

[00:01:15:21 - 00:02:04:23]

Ben

Hello, good evening, and welcome to the latest MBP Intelligence Roundtable. I'm Ben Woodshinden, and I'm here with, as usual, Talamara Death, Bozincool, and Shen Phillips. A lot to discuss today, so let's just dive straight into this. So we're going to obviously take a deep dive into the budget today. Everyone in Ottawa circles and beyond has been digging into this. It's a big, you know, 400 plus page document, so lots to dig into. So that's what we're going to focus exclusively on today. So let's start straight away with the economic outlook that the budget sets out. It's pretty grim, I think is a polite way to put it. Lower than projected economic growth, obviously, the Trump trade war on tariffs has affected that. That's shaping the budget. It's a gloomy budget that attempts to kind of show a path forward, I think is probably a way to describe it, but there's no hiding that. So let's jump straight in here. What are some key takeaways from you guys about the outlook that the budget presents and what it suggests going forward?

[00:02:04:23 - 00:04:33:02]

Tyler

Well, I guess I got to start since I'm the resident fiscal policy nerd on the crew and also used to do federal budgets. Look, I think it's fair in your setup there, Ben, that you said that the economic outlook looks more grim. Certainly, the projection on economic growth for 2025 is down by about half compared to what it was in the fall economic statement almost this time last year. And look, I think we all understand that that is likely the impact of what Trump has done to our economy. But I think if we take a step back and we recall that six months ago, we were talking about the pretty certain likelihood that we would be in a recession, and it looks like we will have avoided a recession, not just by a little bit, but by a decent amount. I think that's actually a really kind of incredible feat for the Canadian

economy. I just kind of want to start there because I do think that there's some truth to the fact that there's been actually a fair bit of resilience in the Canadian economy. Now, that is a different question than where do we go from here. And I think a lot of this budget, to a certain extent, is about meeting the commitments really that the prime minister laid out in the platform. Obviously, there's some changes, specifically in the composition of spending, especially towards defense. But this is a very capital assets heavy budget. You've heard us talk about that before in some of the setup that we did on Carney Economics and in our previous podcast. But this budget really delivers, I think, on that expectation, that this is a capital assets heavy budget. And going forward, the federal spending power is going to be weighted almost exclusively in terms of net new investments in that area. And so I think it's an interesting kind of departure of federal spending power to say that going forward, most of new investment is going to be in how we build roads, how we build housing, how we build trade infrastructure, how we invest in defense capabilities, how we invest in our own research and development capabilities. And that's important for how we build the productivity of the future for the Canadian economy. But I think for Canadians who are often saying in public opinion polls that health and crime are often and affordability are often their top issues, this budget, if it is representative of what the rest of the mandate is likely to bring, I think will pose some political gravitational poll questions for this government, right? Because at the end of the day, the public also wants government to focus on other things. And I think this budget is very heavily, almost exclusively focused on how to build those capital assets. That's what the country needs right now. And we'll get into what it means and how those investments are being allocated. But I think the story of this budget is very much following a fiscal and economic picture. And I'm going to let my colleagues jump in here, but I'll have more to say obviously in terms of expectations management and the market reaction.

[00:04:33:02 - 00:05:35:22]

Ken

I just want to jump on your original question, Ben, which is sort of the economic forecast. And everything Tyler said is absolutely correct. If you would have told me that we would have gotten through this far into the year without a recession with all the things going on in the US, I would have said that's a surprise. But I also want to look forward and say, where are the risks? And we've been saying to a lot of our clients on the trade front and others, hope for the best, but plan for the worst. And I think a lot of the risks are on the downside. Certainly if our negotiations with the US and USMCA goes sideways in any way, that's going to take a swipe at our economy. There's still signs the US is slowing down. I think that, Dre, the US sneezes and we catch a cold. So I think I wrote a little piece on Tuesday about the prudence elements in here and preparing for how to make the budget more credible. And I worry a little bit that the risks are on the downside. And if we hit those risks, then those forecasts will-- even though they're better than we expected to date, I think that's all true. But looking forward, I'm a little nervous that even though they're lower, that the risks are still on the downside.

[00:05:35:22 - 00:06:56:12]

Shannon

I do worry about those forecasts. And you can never forecast properly. You have to go with the experts within finance and then the aggregate of the private sector forecasters. And I think, obviously, they've done that. I do believe that for people, there are a number of risks. As we are seeing jobs

evaporate in Southwest Ontario and in any other places in the manufacturing base in Quebec and elsewhere, we are seeing some now trade-affected sectors like seafood, grocery, these kinds of places really starting to pull a fire alarm. This is a budget for meeting the moment in terms of our industrial policy, but not our people policy. What this budget essentially has said, implicitly, is that the social supports and the other social spending, whether it's health and social transfers or other transfers to individuals or provinces, those are sufficient for now. And those will be sufficient to take us through this. I don't think that any person in their right mind, if some of those downsides that Ken is talking about actually materialize, thinks that it is enough. But that's what's baked in right now. And you have to think about that when you look at the deficit number and when you look at the overall spending mix number, whether it's on operation or capital. If the economy really does hit turbulent waters, then we are going to have to see by necessity some differences, some changes, some contingencies, some new programming.

[00:06:56:12 - 00:07:54:18]

Ben

So, there's a chart in the budget which literally, it uses something literally called the uncertainty index. And uncertainty and unprecedented was very much a theme of this budget. And unlike some things that did not end up in this budget, but I did notice reading it, you know, I made comms, you know, I did a comms job prior to this, so the framing and the messaging that was in this budget interested me just as much as the substance. And the story that the government tells here, I think, is quite, it's from my perspective based on my prior employer, is interesting in that all this uncertainty, all the unprecedented stuff is very much framed around Trump and the impact he's having. But the government also, a lot of these problems that it's talking about, productivity, growth, these kinds of things, the government is, I think, kind of telling a story on itself where it's a lot of the stuff started before Trump, right? And there are numbers cited in there about these things being sluggish before. If you go and watch Champaign's very, very long speech that he gave in the House, I saw a good, I forget who said this, but someone said that budgets would be shorter if the finance minister had to read the entirety of the budget in the House.

[00:07:54:18 - 00:08:02:09]

Tyler

I wouldn't be opposed to that, but... That actually is how they used to do budgets back in the early 20th century, was they were actually just speeches, but yes.

[00:08:02:09 - 00:08:28:03]

Ben

Well, if they had to read that 460-something page budget in the House, they'd still be there right now, I think. But there is a story here, right? It's about these are... Yes, Trump is causing these disruptions, but there is also a story about problems that are perceived in their long standing prior to Trump. To their... I say this as a conservative, to their credit, the government is finally taking these things seriously and I see that as a good thing, but it is also an indictment in some ways of the previous government's record on this stuff.

[00:08:28:03 - 00:10:05:00]

Tyler

Okay, so shots fired. You're absolutely right that this is a long standing problem or set of problems. I think though, if you did a word cloud of every federal budget going back to the 1990s, you would see a reference to the fact that Canada has slowing productivity, right? These are not new problems. They're not new problems of a liberal government, they're not new problems of a Harper government, they're not new problems of a Martin government. Governments have been dealing with these same problems and also, by the way, a lack of business investment in Canada. We've been dealing with these problems for decades. And I think at the heart of this, and I think you pick up on a very good question here, Ben, is like, "So we can put on the table the buffet of incentives for the private sector to invest. Will they do it?" Right? And it's interesting because the reaction from the Canadian Chamber of Commerce in their news release to the budget, which I think was actually a very shrewd and very effective analysis was to say, "Well, now it's up to the private sector to do the job." And it's true. That is the question. I think we actually know whether the private sector is actually going to step up. I think we can count, assuming that execution is done well, I think we can count on the public sector component that this budget will provide. But I don't know what the private sector is going to do. And I think therein lies a very important question we've talked about it before in terms of culture of the business community in Canada and whether they feel that they would be pulled away from better opportunities in the US, even irrespective of how you want to assess the marginal impact of tax rate differences between Canada and the US, which this budget apparently will put us on a track to exceed or continue to have an advantage over the US on. But whether that investment materializes is ultimately going to be a question for the boardrooms of the nation. And do our corporate directors in this country actually believe that they want to put their money where their mouth is?

[00:10:05:00 - 00:12:19:11]

Ken

It's interesting, Ben, that you mentioned sort of the previous government. I think that they tried to frame this budget as a transformational budget. And I'll come back to that point, whether it's transformational or not. But it's definitely a break from what we've seen before. I think I would characterize this as a Bay Street budget, trying to get, as Tyler just said, trying to get more investment from Bay Street and other investors, as opposed to sort of Justin Trudeau, which I would call more of a mainstream budget. And the biggest shift, I think, are we're moving from social policy tools that Justin Trudeau favored to sort of economic tools that, not surprisingly, a former Bank of Canada governor favors. And we're moving from the focus under Justin Trudeau, more of a social policy focus, to a broader economic focus. And I think both of those things are welcome, because I think some of the solutions-- and Shannon will probably, I don't know, agree or disagree. But I think solutions to some of the problems that Tyler rightly said have been around for a long time, productivity and other things, are going to be-- I think the needle is more likely to move on those things as a result of a Bay Street budget than a mainstream budget. But clearly, there's been a break from the way in which Justin Trudeau framed his budgets and the way in which Mark Carney framed his budgets. He wants to, as Tyler just said, increase private sector investment. That's clearly one of the, if not the central focus of this budget. I would be hard pressed to say Justin Trudeau brought a budget in that the focus wasn't people and programs. And so it's a big shift in focus. And I think people should notice that shift in focus. And we'll see where it shakes out. Whether it's a transformative budget, I think we'll only really know in a couple of years. If we get a couple of years from now and our trade balances are less with the US and more with other countries, if our

productivity has improved, then I think this budget will be a success. But I don't think right now-- I was in the budget lockup in 1995 and eyes were bulging as everyone looked at the cuts that Paul Martin was doing. And that budget, in fairness, looking back and retrospectively, was a transformative budget. I wouldn't call this a transformative budget today until we see, again, as Tyler said, until we see whether that private sector investment actually materialized, whether productivity actually improves. If those things happen, then it will be a transformative budget. But I wouldn't call it that today.

[00:12:19:11 - 00:13:12:05]

Ben

Let me point something out that I think sometimes goes under the radar. So I'm just reading from something here. Global trade as a percentage of GDP peaked around 60%. And then it's now-- it's since dropped to about the mid-50s, which is-- it doesn't tell you that trade itself is-- it's the end of trade. That would be, of course, silly. But I think something that's important about this is we are seeing a kind of retrenchment, right? A pair of peak globalization, maybe, and we're moving into something else. And so the interesting opportunity there, I think, for Canada, we are a country that generally sends a lot of money abroad, is that capital isn't necessarily going to flow just to the place where there's the lowest cost anymore, right? There's a genuine-- there's a competition for capital now. And so that means that there is an opportunity for Canada to try and, instead of just sending money abroad, actually bringing money back in. I was never mentioned in the budget, but there is something-- there's something implicit in the budget where it's about trying to bring money home in some sense.

[00:13:12:05 - 00:16:04:05]

Tyler

Well, and let's remember, Canada is actually one of the largest creditor nations in the world. I think we forget-- we talk about ourselves as being impoverished. We're not. We're one of the richest countries in the world outside of the United States and who's not a tax haven or a petro state. We have a lot of money. We built up a lot of wealth in our sovereign wealth funds that are our pension funds. And we spend most of that money abroad. And sometimes there's an argument to spend the money abroad because you want to address, the potential risk of overinvestment in the sense that you can get inflation. And historically, there has been some argument made that countries that generate lots of wealth, especially from resources, should spend that money abroad so that they avoid potential domestic inflation. But arguably, Canada has had the reverse problem. We've spent too much money abroad. We export a lot of our capital. There are reasons for that. And our pension fund system has done extremely well. The goal now is how do we repatriate that capital? And I think what's different about this budget is it very much in some ways is written almost like a budget written by a pension investor. It's like, what are the asset classes that I want to invest in? How do I create the certainty? How do I talk about competitiveness? What are the ways in which Canada wants to go out and engage the rest of the world? And even to the point of even saying, we're open to potentially considering privatization of airports, which is something that I can say would not have been on the public agenda at any other point in the last number of decades. I also doubt will actually happen, but whatever. My point is, it definitely reads like a document that is meant for an institutional investor. And so I think this budget is actually not really pitched at the public. To a certain extent, it is in the sense that it's trying to reassure Canadians about where Canada's future lies in a very unstable world. But what it's also really done is meant

to pitch to investors who might be thinking about whether to put their money here. And I think it'll be interesting to see, does the government follow this up in subsequent months with a way to try to bring some of those investors together to say, OK, we've shown you now all of the incentives that are out there. We may do more. We've established a major projects office. We've already been working to accelerate specific big nation building projects. Are you interested? Are you willing to pledge? Will you make a commitment, right, in the way that we've seen other countries like Cure Starmer and the UK and others talk about how to bring investment to their countries as part of like a pledging summit or a pledging conference? I think it'll be interesting to see whether that happens, because I read this budget as kind of being in a process step to get us towards something like that. It's interesting. So the prime minister obviously has made a lot about the \$500 billion private sector capital commitment that he that he wants to unlock. He, by the way, with this budget now has made that a trillion dollars. Now a trillion dollars includes the underlying baseline amount as well. But that's a really those are really big numbers to hit. Right. And it's interesting that in spite of this, as they move from the campaign into government, that level of ambition that the prime minister has around how to unlock and get private capital moving has not abided, in fact, if anything, its increase. And I just think that's really interesting because that that goes against the grain of how the government normally behaves.

[00:16:04:05 - 00:17:07:15]

Ken

Yeah, it's the classic. It is. It is. The ambition keeps rising with Carney. And you know, I don't I don't want to get into punditry, but I've often I've often thought that the one commodity you can spend in politics is low expectations. Stephen Harper and Jean-Cretien were masters at keeping trying to keep expectations low. And we have a very, again, a very different model of setting high expectations. And, you know, perhaps that's good. But it also means you have to meet those expectations. A lot of Canadians are looking at Mark Carney and looking at his resume saying if he says it, it must be true. And that's how he won the last election. But it also means that he's setting, you know, putting his personal credibility. I think in a way, a few prime ministers have done since Cretien and the 95 budget have put their put their credibility as a prime minister solely on a budget. And I think very few people are talking about this budget as a champagne budget. We're talking about it as a Carney budget. And I think that is because this is the centerpiece of his agenda as opposed to other prime ministers who had different things that they were trying to achieve with their agenda. This budget is very much at the center of what Mark Carney is trying to achieve.

[00:17:07:15 - 00:18:45:01]

Shannon

I think, though, that in in both in the big spending buckets, whether it's defense or infrastructure, you're not going to see immediate change in people's lives. And so that is a risk, although it will certainly contribute to the economy in the short term, in the communities where those projects are going to most affect for sure. And so people will see that in a localized way, but it's going to be stretched out over time and also place specific of where the the big benefits of this budget are. That's a risk in a in a minority parliament, obviously. But it also makes it tough to tell the story of the budget as well, because a lot of the benefits are at the other end of the rainbow. And that's the case for both the public spending, I think, and the private sector investment climate that it has framed up in this budget. The only other thing I'll add there is that some of these ideas for building

the national economy, for patriating capital, for making sure that we are investing here and investing in Canadians and kind of putting that wall back up, right? Putting that border back up after the free trade election in 1988. Look, some of these ideas for how we're going to do that are pretty old. They are union guarantees. They are making sure that we have, you know, local training and procurement, making sure that we are keeping Canadians dollars here in Canada and buying Canadian and investing in cultural industries. These are long standing approaches to a Canadian economy with a Canadian identity. What will be very interesting to me is what Tyler says. Does the business community take him up on the offer? Because this budget really is a red carpet rolled out.

[00:18:46:10 - 00:19:13:14]

Shannon

I'm very curious as to whether people sort of see what they want to see and continue with the status quo of not taking Canada as a place to invest really seriously, or if they see these advantages and also the advantages of a stable country with a highly educated workforce and all the other advantages that Canada has and puts that up against the competitor nations and along with the tax system and all the rest of it go, okay, actually, it is time to place capital here in Canada.

[00:19:13:14 - 00:20:40:12]

Ben

These are all good points. There's one way to describe the budget. This was very much a macro budget, right? This was a budget looking at the big economic picture. And one of the challenges for the government here is going to be that even though things like productivity, these kinds of things matter ultimately in the long run for people in their individual lives, people don't live in the macro on a day-to-day basis, right? They live on the other end of it. And so one of the challenges for the government here is if it is at the other end of the rainbow, we'll see how patient voters are. And, you know, some people, especially people that might be doing okay, are probably okay with that. Some people are struggling to pay your rent, someone that is, you know, seeing the cost of food going up every single month and that's affecting you. Being told that there's a pot of gold waiting in a few years, I think that's a hard thing to sell. Ken mentioned expectations here. We're not pundits, but I do want to add that one thing I've been surprised by with the current government since they won is that they don't seem that interested in doing expectation management, right? Even this budget itself was framed as this kind of transformative generational investment kind of stuff, which, you know, maybe it will end up... Maybe these things will pay off down the line. And maybe this is just, I suspect this is just part one. This did not look like an election budget to me. This did not look like a budget they'd be planning on running on in a few weeks if they had to, but they are going to have to show... Let me just put a few stats here really quick that what the actual damage this means. So exports to all destinations were down 7.2% in August from a year earlier. That's jobs. That's incomes. That's real people's lives that are being affected there. Exports to the US were down 10.4%.

[00:20:41:18 - 00:21:03:01]

Ben

Other than the Lubin exports were down by almost one third. Canola was down 17%. There's obviously other stuff going on with that. They're just numbers in some ways, but those numbers have real people at the end of them, right? Those are jobs that are being lost. Those are livelihoods that are being

destroyed. And the challenge the government is going to have is if this is a macro budget, they're going to have to find a way to translate the macro into things that people can understand into the micro. And they're going to have to do that I think sooner rather than later.

[00:21:03:01 - 00:23:10:20]

Tyler

I think you're right that, look, we all know as practitioners of politics that people live in the micro, right? That is what politics is. To a certain extent, election campaigns have, although I would argue that the last election campaign was an outlier and buck this trend. But election campaigns often revolve around, "What have you done for me lately and how much are you going to give me?" And it becomes a bit of a bargaining war between parties over how much they can promise. That was not the last campaign, but that tends to have been our politics. I think what's interesting though is this is a moment where people do feel like the world is coming apart. I think it was a very noteworthy choice of the prime minister's language to talk about. We want to put you back in control, language that harkens back a little bit to Brexit, and how he saw helping walk through with the UK that huge political and economic cleavage. But it's also just, I think, reflective of the sense of the mood of the country where people do feel like they, to use your language, been from the last election, things are broken. But what's interesting is that in that list of data points that you cited, what you didn't cite is any jobs number associated with this budget. And what I find interesting, and this is maybe one area where I'm going to be a little critical on my colleagues, my former colleagues, is all of this is great. These are great initiatives. I think this budget is very good. I think it's very strong on a substantive basis. I actually think it's very also close to the mandate that the prime minister won. I don't know what the economic impact of this is going to be. Now, part of that is because it really does depend on execution. And I think the side of government around now, can we actually get it done? Can we move things through Treasury board quick enough? Can we negotiate agreements with provinces and territories? And we move with the urgency that we intend to in terms of getting money into people's hands. That is what's going to matter. But if we assume that we meet the level of urgency that the prime minister says that he has, right, what is the economic impact of this? The answer to that question is not clear in this document. And I really do think that it is in the government's interest to try to explain that because my sense in reading this, I think your analysis is correct, Ben, that this is very much the prime minister looking out over the horizon and saying growth is dimming. And so how do I help to stabilize and hedge where growth needs to be for Canada in a moment in time in which the private sector needs a bit of time and space before they are able to come along and make the necessary investments that gets capital flowing again?

[00:23:13:14 - 00:23:43:16]

Ben

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[00:23:43:16 - 00:25:17:08]

Ken

I'm going to grab your mantle for a sec, Ben, because I think there's something else. I just want to shift to immigration for a minute because I think the immigration section of this budget has been vastly under talked about and under recognized for the massive shift that it is. So I'm going to see you take a minute to set this up. I think most commentators would agree that in Canada until the last number of years, there's been a consensus in Canada that immigration is good and that more immigration is better than less immigration. But I've seen a bunch of commentary in the last few days saying that that consensus has broken down. And I think that that's wrong. I think the consensus was immigration is good and we should have more of it. And then we had a few years where immigration got to be blunt, a little out of control. And the new consensus is immigration is good and we should go back to what we did before. I don't actually think that there are parties that are going to disagree that we should reduce the levels of immigration. But if you look at the numbers, the reduction in foreign students and the reductions in temporary foreign workers from the levels we've seen in the last two or three years are quite astounding. I think it's an interesting question about what the economic impact of that is going to be. I mean, I would point to one area where hopefully it'll be good, which is we've seen this odd secular rise in youth unemployment across the country, even in Alberta, the place where jobs are supposed to be plentiful. We've seen a rise in youth unemployment. And frankly, I hope that the reduction in TFW's temporary foreign workers is going to offset some of those trends. And over to my colleagues for what they think is going on and whether it's just a housing strategy or whether there's much more to it.

[00:25:17:08 - 00:26:37:10]

Ben

Let me throw some numbers out here just so that we've got some context here. The budget outlines an immigration plan over the next three years that continues to kind of at least a rhetorical theme of restraint. We can get into the rhetoric for in a second because I did find that the language used there very, very interesting. Permanent residents' emissions will be set at 380,000 annually for 2026 through 2028. And then the federal government is planning on further hacking away at the inflow of temporary residents. So next year, admissions will tumble to 385,000 from this year's targets of 673,000. So it's just at 674,000. And then I think most interesting here was what they've done on international students. And there's other implications. There's other downstream effects of that. So starting next year, Ottawa will limit the number of international student permits to 150,000 from a previous target of 305,000. And so there's been a lot of noise about this recently. That's going to have a big effect on the post-secondary sector as well, right? The post-secondary institutions have come, many, many, many schools have come to rely on international students as important revenue sources. So that's going to have all sorts of downstream effects, not just on the schools themselves and their finances, but also on research and stuff like that. So there was awesome, I will say, I also read that and it took me by surprise just in the sense that this is something that the conservatives have been trying to carve out some space on recently. And I don't think conservatives looking at those numbers will be too upset, or maybe they will be upset because it takes something off the table for them.

[00:26:37:10 - 00:28:56:21]

Tyler

Yeah, look, I mean, I think on the immigration stuff, so a couple points should be made. I mean, the first is the targets are a bit lower than they

were last year under Minister Miller, not hugely so, but they're a bit lower. And I think it reflects the desire from the prime minister to go a little, to be a little bit more restrictive in a world in which Minister Miller himself made a significant overall intake. I think there's a couple of things going on here. The first is provinces have been pushing for a long time to reclaim a significant amount of control over immigration. I think this clearly doesn't walk in that direction. And the pleas that we've seen in a number of quarters for enhanced provincial nominee programs are not being saved in this particular levels plan. The government is also on one hand saying that they want it to really attract high skill migrants. The prime minister promised and put some money behind a commitment around how to respond to the changes in the US and the H-1B visa. We also see a billion dollars being spent by the government on the attraction and retention of top talent. But you don't see necessarily the clear crosswalk between those commitments and where they fit in the levels plan necessarily. And so I think it'll be interesting to see how that plays out because it is clear that the prime minister has, I think, a desire in addition to lowering the overall levels of intake to levels that are more sustainable. Also to shift the composition of our overall immigration mix towards, back towards arguably more of a high skill component than it has been in the past. And that's going to probably draw some fire from the provinces who, you know, let's be honest have become a little bit reliant on some lower skill talent that they've needed in certain hiring demand industries. But it also means that provinces are going to have to decide, are they actually going to come along and bail out the post-secondary education institutions, many of whom, especially in places like Ontario, have been largely left to rely on foreign students. I mean, I teach at the University of Toronto. About a third of my class is foreign students and has been that way for several years. And the university is, it relies heavily on the income that it earns from foreign students. Now, I think the University of Toronto has a better way of dealing with this reduction in intake because it will continue to be the most attractive place to want to have foreign students come to. If you're a public college or you're Trent University, it's going to be rather hard. And I don't think that there is a provincial government that's going to come along and save you. This immigration plan is kind of confirmation that now it is largely over to the provinces to deal with that.

[00:28:56:21 - 00:31:08:04]

Shannon

Well, I was just going to make exactly that point. Tyler stole it for me on the provinces using international student revenue to paper over their declining base operating grants. And this has been happening for some time. This really is hitting, to Tyler's point, the smaller regional universities and the colleges that are trying to sort of reinvent themselves, at least here in Alberta, things like polytechnics and so on, right? Or achieving degree granting status so that they can at least attract some international students. We've seen that in the last few years. So this is going to put pressure on the overall undergraduate experience. It is going to put, I mean, the closure of some programs and so on at the same time as we have a government who is trying to attract research talent from American universities. And so there is going to be attention there. And I do not see a provincial balance sheet across the country that can make up some of this revenue. And I do not see within this budget a federal government that is willing to move in and start to bail that out. This has been a slow burn for a really long time around post-secondary education. We've tolerated it as a society. I don't see any indication that we're going to stop tolerating it. So it is just going to get worse. And so for many, many parents who are

looking at where they're going to send their kids to university, this is going to have a real effect on the quality of undergraduate education. So that's the first piece. But the other provincial policy area that this is going to put pressure on is minimum wage because you cannot keep your minimum wage at 15, 16 bucks an hour if you do not have a number of permanent residents or temporary workers or international students. Some of them are able to take up those jobs. And so there is going to be a point at which Canadians or, you know, I recently arrived Canadians in the last couple of years will be able to use their bargaining power a little bit more because some of these minimum wages in many of the provinces have been essentially stagnant in order to deal with the fact that as soon as you have lower immigration levels, you are going to have labor shortages in some areas. Most of those are going to be in low skilled. That is going to put pressure on minimum wage policies. So again, you have provinces that are going to have to respond to this. And some of them may not be thinking those two or three chess moves ahead.

[00:31:08:04 - 00:31:18:23]

Ken

Can I challenge you a little bit, Shannon, on that? If we have more demand for that low skilled labor, won't the wages go up without raising the minimum wage? What do you mean it will put pressure on minimum wages? Would the provinces need to raise the minimum wage?

[00:31:18:23 - 00:31:24:00]

Shannon

Well, sometimes provincial governments follow whatever the market dynamic is, right, in order to...

[00:31:25:01 - 00:32:36:12]

Shannon

and because they're also turning around and bargaining in low skilled as well and low wage professions, or not professions, but vocations, or low wage work in the public sector, whether it's lower wage anyway, and it does matter what the minimum wage is for that bargaining. I'm thinking here of some of the associated work in healthcare and that kind of thing, right? So you usually get a bit of a push anyway. I'm thinking here, I'll give you an example of the Stelmak years. And in the 04 to 07, 08 kind of boom, Stelmak ended up raising that minimum wage from five bucks an hour to I think it was essentially 10 or 11 is where it sat until we inherited it in 2015 and moved it up over time. But he raised it considerably over that time. And it was in response to labor shortages, it was in response to... I mean, obviously the economy was trucking along at a much higher pace than it is now, but that certainly put pressure on it. And one of the reasons why I think we do see higher levels of youth unemployment is because is it worth it to go out there for 13 bucks an hour because Alberta has an under 18 minimum wage, which is literally \$13 an hour, which is really, really, really, really low.

[00:32:36:12 - 00:34:40:03]

Tyler

Can I just because... So Ken stole the mantle to talk about an interesting topic, but like immigration, right? This document included a bunch of other major kind of policy initiatives that are not really about spending, but which the budget was used as a vehicle to outline those things. And I think what's interesting is there's like a whole several sections actually on kind of the future of the innovation economy in this document. Now, obviously there's a lot of commitments on things like shred and several tax related

incentives in order to provide a deeper capital base of financing for startup companies. But there's also significant moves in this budget, particularly in the financial services sector to address areas of innovation, right? So to encourage competition, to look at Canada's space in the area of stablecoins and in digital assets, which has been an area where we've recently seen significant move by the US administration with the adoption of the Genius Act and Trump and his various interests in crypto. We saw moves as well to regulate the transfer of accounts and to put limits on the amount that financial institutions can charge as kind of a barrier to competition. And so I think what's interesting is, and that's just a short list, I think what's interesting here is that this is probably the most extensive piece of policy thinking on, particularly on financial services, but also on the broader kind of innovation economy that we've seen in decades. I don't think that you would have predicted six or nine months ago that this budget was going to do that. I don't think that even a year ago, you would have predicted that Canada would have an upcoming framework on stablecoins. And I think it speaks to one, the adaptability of the Department of Finance in a much more fast moving world than it has been used to in the last number of years. But also the fact that this is actually very different in new government, right? I can tell you these are not the things that Krista Freeland would have been spending her time thinking about because I think she and I obviously worked for her. I think she had a much more analog version of the world. And I don't say that to be pejorative. I think she had some high degree of skepticism about some of these things. And so to me, there are significant parts of this budget where there's clearly an imprint of a new government. And I think in a certain microcosm, that is very true of what we saw on the innovation side of this budget.

[00:34:40:03 - 00:35:43:04]

Shannon

Well, so on this, they did lard in a whole bunch of different topics, right? You had the immigration levels plan in the budget, you had this whole innovation framework, which could have been pulled out and announced before or after. And there's the discussion of the industrial pricing framework in here as well and climate competitiveness writ large, but let's face it, it redounds to essentially an industrial carbon price, some methane stuff, and a couple of things. And so they've put kitchen sink into this budget. So I'm interested in what Ben thinks about that from a comms perspective. But also, I mean, they signaled straight up a Fed Prov. They set up a federal provincial conflict because they said that they would promptly and transparently move in to ensure that the federal backstop was applied in provinces that either have weakened their industrial carbon pricing relative to the federal backstop or in Saskatchewan's case, outright eliminated it. So you had a number of other things in this budget that I think will set up obviously the terms of Canadian federalism for the next little while in addition to, well, I mean, in immigration, it also sets the table for federal provincial bun fights as well.

[00:35:43:04 - 00:37:41:14]

Ben

Yeah, let me, we're jumping around here, but I think that's okay. I was imagining myself when I was reading this last night, if I was, if I was, you know, had we won the election, maybe I was sitting in the PMO and I was trying to figure out how we were going to roll this budget out. You know, a good rule for communications is that you pick a couple, you pick your message, you distill it into a couple of pillars, and then you hammer them over and over again. If you're a politician, good communication means you're

sick of saying the same thing because you're saying the same thing over and over again to get that message out. I suspect this is going to be a hard budget to message precisely for them because there's so many different things in here. It's not just a purely fiscal document, right? There is all sorts of intentions and ambitions laid out here, which I think, I think that's actually becoming a hallmark of this government that they don't, this replay by the conventional rules on how they go about doing this kind of stuff. But this is going to be a hard budget to actually get that out because you've got so many different moving pieces and fitting all of these things under one umbrella is going to be, it's tricky to begin with. And you can try, you know, you can, I think they've tried to do this with pre budget messaging around, you know, the new world we live in and the uncertainty, this and that, but still, you still want to get bite sized, digestible, easy things about these specific things you're doing out. And that's going to be a challenge for them. I probably spent four or five hours last night in this moment just going through all the news coverage of this. And there's hundreds of stories, at least probably more by this point. And they're on 50 different topics. There's not one clear message that necessarily breaks out. And maybe that's kind of throwing everything out and seeing what sticks. I don't think that's probably the intention. I think challenge of having a budget this broad is that it's going to be hard to distill it and turn it into some easy, some core pillars that get breakthrough. And I'll throw this as Tyler now. Obviously budgets have been used in the past to announce other things. It's not like budgets are only just ever used as fiscal documents. They are, they are comms products. They are comms documents too. Do you think there was any kind of, I'm not asking you to give away state secrets here, but what do you think is the thinking behind this? Why did all this stuff have to come out now? Why not roll out a budget now and then have, you know, have the climate strategy a month later or have the immigration plan a month after that?

[00:37:41:14 - 00:40:04:19]

Tyler

So I think part of it is they were, they have been lacking for a vehicle through which to be able to do a bunch of cross government policymaking for a while. And I mean that in the sense that you could have taken that platform document and kind of said, you know, maybe with a few changes, you know, I'm going to do a quick and dirty budget just with the numbers and just with the initiatives of those things in, you know, mid to late summer. And then all of these other things will, will, will proceed on a different track. I think the reason that they were, were held back was A, because this government was getting its feet and I think a lot of new people around the prime minister were getting their feet and figuring out how they want to govern. But frankly, also because they've been operating at a pretty breakneck pace, especially on the international front, that's occupied a lot of attention. And there just hasn't been the time to be able to sit down and frankly, clear all of the decisions that I think they needed to clear to be able to get to this point. I do think it's interesting that they put so much stuff in here because it is kind of almost like the launch point, not only of the government's budget, but of the government's broad policy agenda, right? On a whole bunch of different fronts. And what's in here, and I think we should expect that there's going to be more stuff that they're going to do, especially on the tax competitiveness side in the next number of months as we go into a spring update. But what's here in this document is enough to keep a government occupied in terms of implementation for the better part of the next year, for sure. And I just think that it's interesting that they, they felt the need to have to do that. And again, because I start from, I think

what the audience that they were thinking of wasn't the actual general public. I think it was very much actually about how to convince an investor who might be thinking about Canada. And in that context, you do want to know what's happening with immigration. You do want to know what's happening with climate competitiveness policy, especially if you're going to be making significant changes to your industrial carbon pricing system, right? Where you might trade off your oil and gas cap in exchange for an industrial price. And so from that perspective, like it makes sense that an investor would want to see all of these things at once, potentially. I don't think the public would frankly care about those things. But that's why you've seen the government also make quite a number of big announcements before the budget itself was out, right? To make sure that people were aware of the PSW tax credit, of the fact that they were extending the National School of Food Program, of the fact that they're introducing an automatic federal benefits program, of the fact that they're creating Build Canada Homes. Because those are the kinds of things that are a little bit more retail that could very well be lost in the breadth of what's in this document and which is not going to be covered in the 48 hours in which media attention will be occupied by the story of the budget.

[00:40:04:19 - 00:41:31:00]

Ken

Let me pick up on the setup for more things down the road. I think Tyler made a suit observation that there's probably more about banking and competition in this document than in the last three Bank of Canada Act reviews. And the reason I mentioned that is that we're going into a Bank of Canada Act review in the next year. And we have a prime minister who has a deep and long and abiding history in the banking sector. If I were in the financial services sector today reading this budget, I wouldn't conclude that everything he wanted to do is necessarily in this budget. I would conclude that this prime minister, and maybe this is just speculation on my part, but this prime minister is setting up, as Tyler just said, for a lot more stuff to be done. And I would say that the Bank Act review that's coming will be an opportunity to do more in this area. And I think we're going to see a lot more transformation in the financial services sector in the next year on top of what's in this budget than we've seen in the last 10 years. And look, that's not necessarily a criticism. I think we're a little bit behind on open banking and a few other things compared to where we could have been. But I do think that in the financial sector, we're going to see a pretty rapid movement in here because we have a prime minister who actually understands these things, who actually has views on where these things should go. And so if I was in the financial, again, I'm repeating myself, but if I was in the financial services sector, I wouldn't be looking at this budget going, "Wow, that's a lot to get done in the next year." I'd be like, "Oh, wow, there's a lot more to come."

[00:41:31:00 - 00:42:34:08]

Ben

Well, look, I want to shift topics here because there's so much to cover. If you had told me before we started recording this that we even talked about the deficits and debt numbers in the budget, I would have laughed at you. But let's cover those off now because I think they are important to talk about. The deficit for the 25-26 fiscal year, the deficit is 78.3 billion, which is roughly in line, I think, with most private sector projections. There's a few people that were on either side of that. And then the deficit will edge lower over the projection horizon, reaching about \$57 billion by 2029, 2030. The budget shows the latest evolution in this government, well, there's now new

government, but in the government's fiscal anchors. And so now there's two objectives, which is maintaining a declining deficit to GDP ratio and balancing operating cost expenses by 2829. Let's just go straight into discussion here. But there was some benchmarks laid out here, right, by how the carnay government is thinking about this stuff. And if I can just pad Tyler in the back here for a second, I encourage everyone to go and read his series on carnayconomics. I think it pretty much captures in many ways how the government did actually approach these things in the end.

[00:42:34:08 - 00:45:39:02]

Tyler

Thank you for that plug. I appreciate it. And yes, it's an important three-part series, which we encourage everyone to read. Look, a couple of things I would say. I think that this was a bit of a masterclass in expectations management. So we said earlier that this government maybe has not spent a lot of time about expectations management. I think they actually manage people's views on the deficit very well, or maybe put it differently, people don't care as much about the deficit as we might think they do, right? If we compare against the baseline of the last year, even before we were in this recent trade war with Trump, this budget delivers a deficit that in some cases is more than twice what it was supposed to be based on the last forward projection. And look, I think the markets have largely shrugged, right? If you look at, I posted this online just before we went to record, if you look at what's happened with the 10-year government bond rate, which is the benchmark that you often use to compare bonds, the yield on the government 10-year rate has gone from 3.15% at 330, just before the budget was tabled, to 3.165 this afternoon, right? So it's moved like a basis point and a half in the space of just over a day, which is another way of saying the markets are totally kosher with what is more than \$200 billion on a cash basis of new spending on the part of the government. Why? And the reason why is because the world has changed and it's a recognition that the world has changed. Canada starts from a much better place relative to everyone else in the G7. Now it's true. We were talking about stabilizing deficits in the, you know, in the 2%, sorry, 1.5 to 2% or more range, which is historically higher for Canada, right? Like before the pandemic, we were talking about deficits that were at or below 1% of GDP now were kind of materially higher than that. But that's okay in part because we have a balance sheet that's in a relatively good position. And because I think, and this is what's really important, it gets to the point that you were just making, Ben, about the accounting framework change, is that the prime minister is signaling very clearly in the choices that he has made and with the recategorization of spending between operating and capital, that there's a material improvement in the quality of spending that he's going to bring about, right? So the shift towards capital is very intentional because it's not just about how do you invest in productive assets, but it's also about telling debt markets, don't worry, we're investing in the things that you would generally look at as appropriate investments that will yield productivity benefits for the economy going forward. The Globe and Mail editorial board can debate whether or not that definition of capital is perhaps too expansive. But at the end of the day, the market is signaling that it is totally fine with this because we are in a world in which as other countries reach towards 5% of GDP for NATO or even some number that's between two and five, right? That's a hell of a lot more spending that's going to require, as we talked about in past podcasts, significant sacrifice in what we are giving up as investments in other areas. And so we are going to have to largely pay for that with debt because I think we've gotten to the limit of where people will not accept new taxes. And if you're not going to accept new taxes, then you either have to pay for it with

debt or with a greater amount of cuts. And this budget delivers both of those things.

[00:45:39:02 - 00:45:50:19]

Ken

I'm going to be a bit unconervative for a minute, but not without giving Stephen Harper a compliment. When I got into politics in 1994, we were running deficits of 6% and 6% or 7% of GDP, and our debt was at 72% or 74%.

[00:45:52:05 - 00:47:23:08]

Ken

Through the work of Paul Martin, Jean-Cretien, and then through the financial crisis, the work of Stephen Harper, our debt to GDP and our debts to GDP are the envy of the G7. And that has set us up well to go into the pandemic, that set us up well to respond to the pandemic era challenges. And I would say it's set us up well to deal with this trade threat from the United States. The challenge, I think, is, is this budget meant to address any trade challenges from the US? Or if things get worse, will we have to spend more? But I do think Canada is in better shape than most other countries. I think most other countries would die to have our debts to GDP and debt to GDP levels. The challenge is, Mark Carney is betting that what he's done in this budget is going to stand Canada ready to deal with the trade challenges from the United States. But if we actually get rid of, if Cosma dies, and or we get a across the board tariff as Trump is negotiated with other countries, that's going to have a massive, massive impact on our economy. And it's going to drive a whole bunch of social spending. And as we've been saying throughout this podcast, this budget is focused on spending on economic things, not on social things. And if we go into a recession driven by a trade disruption, that's going to drive a bunch of social spending. And so again, there's some risks there. But my bottom line is, I think people that are wailing about Canada being going into another fiscal hole like we did in 1994 and 1995 are probably misguided. We're just not in as bad a shape. And frankly, we're not as nearly as bad a shape as the United States is.

[00:47:23:08 - 00:47:33:20]

Tyler

Jason Jakes and the interim PBO should probably eat his heart out, right? Because he said going into this budget that we were about to drive off a cliff. And clearly, markets have said we have not driven off a cliff.

[00:47:33:20 - 00:47:35:00]

Shannon

So am I going to miss on his part?

[00:47:35:00 - 00:47:41:01]

Ken

Get rid of it. Get rid of the PBO and give the budget to the opposition parties. Why we have a PBO at all is just beyond me.

[00:47:41:01 - 00:48:08:13]

Ben

Let me put my concern to that one here. So this, we could talk about this. This is still the largest deficit the country's ever run outside of a pandemic, outside of COVID. It's still a lot of spending. And I think something that the budget does point out, as we said earlier, there is a high degree of uncertainty in the world right now, right? So a lot of these, a lot

of the kind of forward looking numbers, they are based on scenarios that are incredibly uncertain. And so maybe we have some wiggle room, but there is still some risk there.

[00:48:08:13 - 00:49:22:06]

Tyler

There definitely is risk. I think you're right to raise that concern in the sense that as overall debt levels rise and interest costs are rising, our interest payments are in the mid to high twos as a percent of GDP, which is back to where we were in early 2000. So we've eaten up a bit of that advantage that Ken was talking about earlier. That's true, right? And where we go from here is going to need to mean that we're more cautious and more selective in what we invest in. But I just want to pick up on one point that you said, Ben, and I'm not challenging you necessarily, but I just want people to keep this in mind as they compare these numbers over time. We are, when that claim is made about who has the highest debt or deficit, it's made often in nominal dollars. And that is not the way that you actually compare these things over time, because obviously prices change over time and economic output changes over time. You either want to do it on the basis of inflation adjusted dollars or on the basis of real GDP. And if we do it on either of those two things, if we go back and look at, for example, the size of the deficit that Stephen Harper had in 1910, as we went into and through the great financial crisis, that deficit that he ran in would have been in today's dollars about \$79 billion, which is just a little bit higher than the \$78 billion deficit that we're projected to have in 2025, 26.

[00:49:22:06 - 00:49:34:12]

Ken

So I can say that- I'm going to interrupt Tyler for just one second. While you were talking, I calculated the 1994 deficit, which was \$42 billion, and today's dollars is \$79.6 billion. So same thing if you go back to 1994.

[00:49:34:12 - 00:51:11:22]

Tyler

Exactly. And so people will say, when I quote that fact, people will rightly say, "Okay, but this is not the great financial crisis. This is not 1994. We should be doing better." And that's a debatable, normative point, and I think people can rightly debate whether today is different. But I would make the case that today, in fact, is, and this budget is, as just as important as the budget of 2009-10 in how we think about responding to the great financial crisis. Yes, it's true that we're not in a recession. Yes, it's true we're probably going to avoid a recession, absent even these investments that are made in this budget. But the challenge that the country faces as a result of the geopolitical and trade environment that we face today is just as alarming, if not more, than the great financial crisis. Why? Because the great financial crisis in Canada wasn't the US style great financial crisis. We were dealing with a drop in demand as a result of what was happening in the United States coming through our trade channel. That's a very temporary thing that the economy can adjust for. It required government intervention, but it was a temporary exogenous shock. What we are facing today is a fundamental reordering of the political and trade system in the world, right? And so as a country that is one of the most dependent on the US market, we're clearly access to that market is now being severely restricted. And we have to go and find new places to trade. We have to find new ways to get our resources to market. We have to figure out whether there are alternative supply chains and arrangements that we can establish and we need to invest at the same time at a more rapid rate in our own capabilities, right? That

requires significant investment, even if you're not going into a recession. So for all of those people on Twitter who will say to me, this is not 2009, 10, I have a lesson for you in economics.

[00:51:11:22 - 00:52:20:03]

Ben

Let me throw this back to you and then I want to move, we're running up on time here. So we're going to talk about defense quickly after this, but let me just say this, all this can be well and good. Parts of the proposition the government's offering here, right? So let's take the premise here that we're in this, we're in this moment. The way that what the government is essentially saying is that this is now we need these investments now to drive in it, to drive productivity, to drive actual growth, to drive innovation, to drive all these sorts of things. The government at some point, because they're saying that they're investing and they were expecting a return, at some point there is going to have to be a return there, right? And so as you say, the markets responded, the markets I think responded fairly comfortably with what they saw here. Well, the government can now say that it's up to the, it's now up to the markets to respond to that, right? We need to see these, we need to see results and we'll need to see them, you know, it's not going to happen overnight, but we will need to see these results sooner rather than later. And so maybe the challenge for the government is going to be that they are in some sense, they're making an investment, but they're also making a bit of a gamble that this is going to work, right? And if five years from now we turn around and we haven't seen any significant changes in productivity, in major, in growth, stuff like that, then that bill might look a bit more painful would be the, would be what I challenged you there.

[00:52:20:03 - 00:52:47:08]

Ken

I think even before we get a return, and I think we all made this point earlier, we're going to have to see whether the private sector responds. And I think if we don't see a big tick up in private sector investment as a result of this budget, like before we even get the return of that investment, we have to see if this, you know, leveraging the federal balance sheet to get private sector investment, that has to work. And we have to see evidence of that and we'll be able to hopefully see evidence of that sooner than waiting 20 years for a return.

[00:52:47:08 - 00:52:52:12]

Tyler

Those are the right questions to raise. I would say though, that's not the line of questioning that Pierre Poliev has raised.

[00:52:52:12 - 00:54:02:20]

Ben

Okay, let's, we could keep going on for hours here. Let's just do one more quick section here on defense. Obviously the big, if there's one signal shift in this budget, I think about the government's priorities and where it's shifting its spending, it's defense. So this was, and this area of the budget does stand out. So the government is going to spend 84 billion on a cash basis over the next five years, nine billion of which was already announced by the prime minister in June. And of that, of that total amount, one quarter of it will go to raises and recruiting. And then among the other, the other big ticket items, 19 billion will go in to repair Canadian air force infrastructure and on training, digital infrastructure and cyber defense gets another 11 billion. And then just under 18 billion will go to boosting

Canadian military capabilities with money for things like armored vehicles, counter drone technology, long range strike capabilities. I think these are kind of standard wish list items for the Canadian military. So that's not too surprising. But this was, if there was a key major investment the government's making here, it's in defense. And so again, that signals something about the government's priorities and we'll see where this goes, but this is, obviously this is about NATO, this is about trying to reach certain targets that have been laid out, but it does signal something important about the government's priorities and where it thinks it has to spend money.

[00:54:02:20 - 00:54:21:17]

Ken

Well, it'd be interesting to see to what extent this recruitment strategy puts a dent in our youth unemployment. I mean, that's a huge, huge amount of recruitment that they're talking about. Students have not seen the military as a career path for a long time. So I think just there will be some very interesting challenges to meet those recruitment targets.

[00:54:21:17 - 00:56:35:00]

Tyler

Yeah, I think what remains probably the most important economic question of that investment is what percentage of that will make its way into the Canadian industrial base, right? We've talked about the fact that in the past about 70 to 80 cents on the dollar of a given defense capital investment makes its way into the US and the prime minister is committed to changing that. And obviously some of the things that that investment plan is that you just quoted there, Ben, is meant to address will obviously be spent in Canada, especially if it's, you know, if a lot of it's going to upgrades of facilities here in Canada. But the question is what technology is it using? Where the capital input's coming from? Do we have, you know, Canadian companies that are lined up to be able to do that in a system that's going to treat those companies fairly and ideally want to shift the procurement lever in their direction? I think it still remains a bit unclear as to how that will play out. There's been a commitment for a separate defense industrial strategy, which apparently will be coming relatively soon, which hopefully will detail some of those things. But it's a very big bet that's being made on defense. And I think the economic translation of that into benefits for the Canadian economy is going to very much depend on whether we are able to actually tilt the procurement system in a way that will ensure that it's Canadians who get that advantage. Where Canada and this is, and I think the government understands this very well, but this is where Canada has to be less of a boy scout, right? We have a thing in Canada called the Canadian International Trade Tribunal, right? And one of the things that the CITT is responsible for is ensuring that there is a fair procurement process for international bidders who go through our procurement process for things like defense. Well, I'm sorry, you know, maybe we should frankly just get rid of the CITT as it relates to a defense procurement. And I'm actually serious, right? Because like every other country treats their procurement system as it relates to defense and national security as excluded from trade review, right? We should do the exact same. Now the PM is kind of basically committed to that already, not necessarily getting rid of the CITT, but in terms of excluding it from the international trade agreements. But we have to actually really follow through on that. And I can tell you, this is where the culture of the public service, right? The lawyers of the Department of Justice, the procurement officials at public services in procurement Canada get very jittery because they live by a culture of cautiousness. And that is not what

this moment calls for if we actually want those economic benefits to translate into things for Canadians.

[00:56:35:00 - 00:58:13:01]

Shannon

The only thing I'll add is on people. Yes, that is a big recruitment budget, but the Canadian military has to be an attractive place to work and it has to be attractive to young people. And it would seem to me that once again, you know, in the micro, you're going to need to do some of the politics of this, some of the translating that moment of patriotism that we just had into service to the country. And I think the Canadian military is going to have to think more broadly about what service looks like potentially in terms of recruitment and what some of the benefits are. I think the government should be thinking about this and they should be doing it in a way that is creative, that understands service more broad and more regional as well in ways that knit the country together. I also think that the progressive left needs to get their act together on this topic and be really clear with respect to our NATO obligations and what this actually can mean both for the Canadian economy and for Canadian national security, because it is all well and good to think of some of this defence spending in terms of the old ways of thinking about it in terms of, you know, in a Cold War frame or an American imperialist flame or whatever the case may be, all of those things are over, they are done. And we now have the Russians and the Chinese, you know, whistling through the Northwest Passage and, you know, cruising wherever they want and doing whatever they want. This is a moment that requires seriousness on Canada's part, requires seriousness in terms of how we support our European allies vis-a-vis Russian aggression. And it would seem to me that the rules of the game have changed and the rules of the road have changed for the progressive left. And we need to think a little bit more deeply about how we think about defence, how we think about how we treat people who work for the Canadian military and what kind of working conditions they have and what kind of training opportunities they have as well.

[00:58:13:01 - 00:58:59:17]

Tyler

And just to note, the cover photo for this year's budget is very intentionally on theme, right? It is a major icebreaker and shipping container that is, that I understand is used by FedNav, right? And interestingly, and this speaks to, I think, you know, the moment of transition that Canada is in, that ship was built in Japan, as I understand. It's been put into service in Canada. It's part of how Canada needs to be able to access greater shipping capabilities and shipbuilding capabilities. I can't imagine a moment in the last two decades where you would have had on your budget cover a major container ship moving through the Arctic, right? Like that's anyway, I just, you know, usually it's a family that's, you know, smiling into the sunset as they're being promised a better future. And clearly this budget was, as we said earlier, about capital assets, including all the way through to defence.

[00:58:59:17 - 00:59:03:05]

Ken

A picture of the CBP Investment Board is lying on the cutting floor somewhere.

[00:59:03:05 - 00:59:44:00]

Ben

We've run long here today, but I think the topic justified it. So we'll leave that there. I just want to add for people still listening at this point, this will be the last week you'll be able to get, you'll be able to listen to the full podcast completely free. Starting next week, the full podcast is only going to be available to paying members. So please go over to MVPintelligence.com, sign up so you'll be able to get full access to it. We have special rates available for certain individuals and certain organisations. So please be in touch. And what you'll still get if you're not paying is you'll still get probably the first 10 minutes or so, but then the rest, I'm afraid, is just going to be for paying subscribers. So please MVPintelligence.com and please sign up today. So thank you everyone for that discussion and we will talk again very soon.

[00:59:46:04 - 01:00:19:00]

Ben

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