

Ontario must cease to be a regulator's paradise

By Conrad Black

The following is a connected series of extracts from a speech I gave to the Investments Industry Association of Canada on June 13.

I think we should start by recognizing that this country, so rich in natural resources and with a skilled and law-abiding workforce and a generally stable social and political environment, is on the verge of losing its status as a prosperous and successful country. The Organization for Economic Cooperation and Development (OECD) now predicts that Canada will be the poorest performing advanced economy in the world for the next 35 years if it continues on its present path. Under Prime Minister Justin Trudeau, Canada's per capita average income has increased by three per cent, from \$54,154 in 2016, to \$55,863 in 2022. In the same time the average per capita income in the United States rose by 12 per cent from \$65,792 to \$73,565. In approximately this same period, cash generated in Canada and invested outside Canada exceeded incoming investments in this country by nearly \$300 billion. From the onset of Covid in February 2020 to June 2023, the number of private sector jobs in Canada increased by 3.3 per cent while public sector jobs increased in number by 11.8 per cent and public sector employees are paid 31 per cent more on average than those in the private sector. Canada now has 4.1 million public-sector employees, more than 10 per cent of our entire population. The corresponding percentage in the United States is slightly over six per cent despite that country's very large military establishment.

Capitalism is by far the best economic system, because it is the only one that is aligned with the almost universal human

ambition to have more: more security and more access to desirable things, which generally means more money. With no regulation whatever, a capitalist economy can produce abusive monopolies and dangerous levels of under-secured debt. When these debt bubbles burst as in the equity bubble of 1929 and in the housing bubble of 2008, severe chain reactions can occur. The most defenceless often suffer the most, even if they are personally blameless, and for the last 90 years our only answer to such problems has been to expand the money supply to massage financial relief around society, which debases the currency. This devaluation of the currency is somewhat disguised by the fact that for more than 50 years our currencies been valued only in other currencies and if they are all being devalued at once the relationship between them is not too much altered. As every informed person knows Canada needs capital. The determination of China and more recently India, representing nearly a third of the world's population, to build their economies rapidly has raised them up from a chronically under-developed status to be the second and fifth largest economies in the world. In this benign process that has gratifyingly reduced poverty in the world, much of the cyclicalality of resource pricing has also been reduced.

But Canada's ability to exploit this has been compromised by a seriously misplaced focus on climate concerns and a completely unjustifiable war has been waged against our greatest industry, oil and gas. This increases our own energy costs and makes us appear like chumps in the world, having to import petroleum products in eastern Canada because of irrational aversions to pipelines that should be delivering Canadian oil from western to eastern Canada.

When the international left was defeated in the Cold War 30 years ago, with a genius for improvization that I had not suspected our Marxist opponents possessed, they clambered aboard the environmental bandwagon and propagated an unsubstantiated theory of imminent climate disaster. They attacked capitalism from this new angle in the spurious guise of defending the planet. Conventional energy economics were attacked as dangerous to the environment and this has

generated unsustainable gasoline and home fuel cost increases to the electorate. In these circumstances, our official and intellectual leaders have made Canadians almost ashamed of our resources. This attitude must be jettisoned.



In my grumpier moments I have referred to the Ontario Securities Commission as the Office of Stupidity and Cowardice, on the basis of my own experiences with it. But I do agree

entirely with the statutory mandate of the OSC: "To provide protection to investors from unfair, improper, or fraudulent practices, foster fair, efficient and competitive capital markets and confidence in the capital markets, to foster capital formation, and to contribute to the stability of the financial system in the reduction of systemic risk."

The OSC should be discouraged, if necessary by the Ontario legislature, from truckling to what it states in its [Strategic Plan-2024 to 2030](#) are the "many investors, both institutional and retail, who are increasingly influenced by environmental, social, and governance (ESG) factors, when making investment decisions. They are demanding greater transparency about how public companies are contributing to, and preparing for climate change, and steps they are taking to build a more diverse board and management team that better reflects today's

society and leads to better decisions. ... Our work will include a specific focus on working with and integrating perspectives and interests of indigenous peoples." None of this is any rightful concern of the OSC. Questions of the environment and social matters and governance and native policy are rightly the province of individuals and corporations within a statutory framework that is in the hands of the elected legislators. This field does not belong to the regulators, who in order, supposedly, to insulate themselves from special interests, have made the Ontario Securities Commission almost completely unaccountable.

We are supposed to be a society of laws, not a regulator's paradise.

Almost like Peter Pan, the Commission's Strategic Plan wondrously states: "Canada and other developed economies have seen a steady increase in private financing and a growing tendency for issuers to stay private for longer or not go public at all. These trends raise concerns related to the ability of average investors to participate in economic growth through compelling opportunities in our public capital markets. ... The lack of transparency and a lighter regulatory touch in private markets provide less investor protection and add to the challenge of monitoring risks." Bingo. The Toronto Stock exchange went 13 months recently without a new issue. The authors of the strategic plan might focus on the fact that they will have absolutely nothing to regulate unless they start to regulate reasonably. There are more frequent private financings and a tendency for companies to remain private precisely because regulation has become so intrusive and compliance so costly and distracting that it is for many a disadvantage to be a public company at all. The correct response of the OSC and other regulators to this phenomenon would be to reduce unnecessary regulation, curtail the ambition to control every aspect of corporate life, and not to pretend that anyone other than they are responsible for

reducing the ability of average investors to participate in economic growth. If economic growth were what the regulators really wanted, they would be a good deal less irritating than they frequently and needlessly are.

We already see and the commission itself decries the decline in companies voluntarily submitting to its jurisdiction and someone in the OSC should contemplate the possibility that the commission is now more part of the problem than of the solution. In addition to its endless quest for more areas to meddle in, it has redoubled its efforts to establish its complete independence of the government of Ontario and determine its own management and the composition of its board.

Things will get better. Either the Ontario legislature will impose reasonable restraints on the Ontario Securities Commission, or another province will take away what is left of its authority by sensible competition, or Canada will gradually gravitate towards a private economy, with the help of the private equity firms, and public companies active in Canada will report in other jurisdictions.

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