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The discipline of answering to taxpayers

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Abstract (summary)

Indian leaders quite rightly want to emancipate their people from subservience to the Indian Affairs Department. That tutelage was historically necessary to allow Indians to survive, but it is now obsolete. Yet it cannot be abolished until Indian politicians undertake to tax their own people. The purpose is not so much to save money for other taxpayers as to make Indian politicians accountable for their actions, now that the Department of Indian Affairs no longer exercises meaningful control.

Full Text

The discipline of answering to taxpayers

Thursday, December 4, 1997

CALGARY -- A SECRET Indian Affairs report was leaked to the public last week. It claimed that between 10 and 30 per cent of the department's \$700-million annual budget for on-reserve welfare payments is being paid to ineligible recipients -- people who are employed, who are collecting under two names and so forth. Indian Affairs Minister Jane Stewart was quick to dismiss the study as "nothing new, nothing exciting," saying the true non-compliance figure was 1 to 3 per cent.

Albertans who follow the news will find it hard to believe the minister's bland denials. Earlier this fall, The Calgary Herald reported that one of the chiefs of the Stoney nation, who is paid \$46,000 a year tax-free and gets extra compensation for chairing the nation's social-services committee, was also drawing welfare. So were half a dozen of her social-service employees -- mostly her relatives and political supporters, according to the report.

These cases may be only the tip of the iceberg, because the Stoney's \$5-million social-services budget is said to have experienced an overrun of \$500,000 last year. The public should learn more next spring, from the report of a forensic audit reluctantly commissioned by Indian Affairs after much journalistic muckraking and many complaints by disaffected members of the Stoney nation.

There is, however, an underlying problem far more important than the temporary titillation of scandal. Most Canadians who receive welfare get their payments from provincial welfare departments, staffed by civil servants. These are politically neutral public employees, working under hierarchical supervision. No system is perfect, but this form of bureaucratic organization is the best device yet discovered for handling public money with honesty and competence.

In contrast, Indians living on reserves get welfare not from provincial authorities but from the Department of Indian Affairs. At one time, normal administrative safeguards existed, but they have been hollowed out by the trend toward aboriginal self-government. Welfare money is now paid in a block grant to the band, to be distributed by local employees hired and fired by elected band politicians. Indian politicians may do what politicians of any race will do if they get their hands on public money without adequate controls: use it for personal and political advantage.

The debate about aboriginal self-government is ordinarily conducted at a high and abstract level: Do Indians constitute First Nations, with an inherent right of self-government, or are they First Immigrants -- Siberian-Canadians, as it were -- who have to fit into the institutions of Canadian society?

But behind the windy generalities of self-government lie vexing questions of institutional design that are too seldom considered. Indian reserves are tiny communities, the population of the average band being less than 1,000. Their internal politics often consists of a contest among kin-based factions to get their hands on a band government that controls all the land, resource rights, housing, jobs and welfare payments on the reserve.

Since there are usually few private-sector jobs on the reserve, politics becomes a struggle for the means of life itself. There is little room in that tableau for a neutral administration to handle public money according to civil-service norms.

AN additional complicating factor is that band governments do not have to raise revenue by taxing their own people. Most are totally dependent on transfer payments from the Department of Indian Affairs. Some have trust funds from land-claims settlements. Some also have substantial natural-resource revenues. But none of these sources puts Indian politicians under the discipline of having to tax their own people; the money comes to the band from outside without voters having to reach into their own pockets.

The battle cry of the American Revolution was "no taxation without representation." It is equally true, and more relevant to this situation, that there is "no representation without taxation." Even if they are elected, politicians who do not have to raise money from their voters do not really represent them. They may join them in a general conspiracy to divide the cash that falls like manna from heaven, but co-operation in sharing other people's money is only a travesty of representative government.

Indian leaders quite rightly want to emancipate their people from subservience to the Indian Affairs Department. That tutelage was historically necessary to allow Indians to survive, but it is now obsolete. Yet it cannot be abolished until Indian politicians undertake to tax their own people. The purpose is not so much to save money for other taxpayers as to make Indian politicians accountable for their actions, now that the Department of Indian Affairs no longer exercises meaningful control. Persuading voters of the necessity to pay for what they get is an essential part of genuine self-government.

Tom Flanagan is professor of political science at the University of Calgary. He was director of research for the Reform Party of Canada in 1991-92.

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