@bt

Canadian-Empire Club speech

We are told, in these times of restructuring, that we must all be prepared to change jobs every five or ten years. I must be, judged by these defining standards, something of a throwback to another age, since I joined The Globe and Mail in 1973 and have been hanging around ever since -- too long my various critics would say, and it is the cross a columnist must bear to have critics, lots of them. I did not know it at the time -- nor did any of us -- that the year 1973 would be (to steal the title of a book by the British writer Paul Johnson), the birth of the modern. It would be the start of what I have called in my book, "The Anxious Years,"a collection of columns that deals with the year of the Mulroney and Chrétien years but which tries to suggest in various places, as I will today, that the anxiety has much deeper roots.

1973 was the year our post-war world changed with the OPEC crisis that gave the western industrial world something called "stagflation." The OPEC crisis and what ensued marked a watershed between the long post-war period of strong economic growth and the slower growth that followed.

Today, looking back, that pre-Opec period seems like a distant age in which our economies fed off the pent-up demand from the war, low prices for natural resources, weaker international competition and apparently endless growth. It was a period in Canada of apparently endless possibilities, symbolized quite brilliantly by Expo '67 in Montreal.

Slower growth after 1973, with its attendant slumping productivity gains, is among the factors that lie at the heart of what has plagued governments and their publics ever since. We are now living through what we might call a delayed and painful readjustment to the developments and decisions taken long ago, under different circumstances, assumptions and beliefs, and this readjustment in turn explains much of the anxiety that has characterized our society in more recent times. Indeed, the longer I observe affairs here and abroad, I am struck by how much history hangs over today's decisions and by the fact that the roots of today's challenges lie in decisions taken long ago.

We may remember that the 1960s, turbluent in many ways, also saw governments in Canada launch major programs that have defined post-war Canada and to which Canadians remain attached. These include: the Canada (and Quebec) Pension Plans; federal-provincial programs for financing welfare, post-secondary education, health and hospitalization; regional development; and, in 1971, a significant expansion of unemployment insurance. All these programs were therefore in place when growth began to slow after the OPEC crisis, as an antedote to which governments attempted to spur activity with tax incentives and increased spending. The result was that slowly at first, then with increasing rapidity, the growth lines of government revenues and expenditures began to diverge, debt-repayment rose and governments were forced, reluctantly in most cases, gladly in others, to hack away at spending and to raise taxes, especially in the 1980s. It has been my lot as a journalist and columnist to

observe this entire process, and as I have said in the introduction to the book, it was intensely frustrating to watch as we delayed difficult decisions and remained blind for so long to what we were doing to ourselves.

I remember arriving in Ottawa in late 1976, shortly after the Auditor-General of Canada announced that Parliament risked "losing control of the public purse." Eighteen months later, Prime Minister Pierre Trudeau announced when confronted with a $7-billion deficit that: "We must have a major re-ordering of government priorities. We must reduce the size of government...Canadians within several years would almost certainly be faced with a fiscal crisis." A year later, a new Prime Minister, Joe Clark presented a budget on which his government was defeated that was called "short-term pain for long-term gain." Would you like to guess what the "pain" amounted to? It called for holding spending increases down to 10.9 per cent! We know how Canadians reacted.

Shortly thereafter the brutal recession of 1981-82 turned a weakening fiscal situation into a mess against which, until recently, we were unable to make significant progress, or at least the kind of progress the situation required. Instead, our debt rose from $19-billion in 1969 (in 1969 dollars) to what we know it to be today.

This is hardly the place for a detailed review of our last two decades, but I mention a few of these points to underscore that the deterioration of our fiscal situation underlies many of the tensions during what I have called the "Anxious Years," as governments of different stripes, federal and provincial, struggled to bring some semblance of balance to their books.

The struggle in Ottawa has been going on through two governments and it is not over yet, a struggle that has often featured bitter debates, and even massive street demonstrations, pitting public sector employees and their employers, namely governments. Indeed, I have sometimes thought that the fight between governments and its unionized employees has matched in intensity anything between political parties.

One of the very first columns I wrote in early 1984 after accepting my current job concerned the fragile state of the country's finances. In those years, anyone who raised the proiblem of our deteriorating fiscal situation was accused of being a neo-conservative, crypto-fascist, a captive of Bay Street or worse. I never liked to think of myself as any of the above; indeed it was to prevent neo-conservatism from triumphing politically and intellectually that I used my soapbox to issue to many warnings. I used to say, as Winston Churchill once did, that there was a right-wing way of looking at the world and a left-wing way of looking at the world, and then there was arithmetic. I used to plead privately with my left-wing friends to take the matter seriously. I used to ask them to think about deficits and debt this way: that those with lots of money here and abroad loaned it to us, then we taxed low- and moderate-income citizens to pay them back at handsome rates of interest. This was negative income distribution, and it was crazy. I used to argue that if the state became enfeebled by deficits and debt, it would no longer be able to engage in at least some of the necessary, useful and community-building activities that we wanted from the state.

Large deficits are the neoconservatives' best friend, because it allows them when public opinion is right to slash away at the state which they feel is the source of much evil. For them, the smaller the state the better, because they fundamentally do not believe in community, but rather in society as an agglomeration of individuals, each maximizing economic gain, and the state just gets in the way.

But I believe in selective, creative use of the state for collective purposes such as the fostering of national identity, furthering social justice and the enlargement of what the German sociologist Ralf Dahrendorf called "life chances" for the largest number of citizens. The free market is the best mechanism ever devised for the delivery of goods and services and for sending signals to consumers and taxpayers to guide their behavior. But the market cares little for social jusitce, and a cohesive society must search endlessly for a balance between justice and efficiency, rights and responsibilities, so that the agency of government is needed to lean periodically against the injustices and disequilibriums caused by the free market. But this balancing was less possible with governments burdened down by insupportable deficits and debt.

Governments during these "anxious years" constantly found themselves in the maelstrom of change; usually reacting, sometimes leading. What characterized these "anxious years" were a series of major policy initiatives -- responding to or driving change -- that rocked the body politic and produced what I might call "in your face" politics. Think of them. Wage and price controls. Mr. Clark's budget. Patriation of the constitution,

with the arrival of the Charter of Rights and Freedoms, a hugely consequential development in changing the nature of Canadian politics. The National Energy Program. Free trade with the U.S. The Goods and Services Tax. More constitutional change: Meech Lake and Charlottetown. The fight against the deficit. The attempts to reform social programs. That's an agenda for a lifetime, compressed into two decades. And I might add that in addition to these initiatives, important underlying demographic changes were occuring such as immigration that in the late 1970s began turning away from traditional European sources and the entry of women into the workforce in large numbers.

Each majorgovernmental initiative was accompanied by prime ministerial admonitions that if Canadians did not accept these changes, serious, even cataclysmic results would strike Canada. Inflation would eat us alive; energy prices would bankrupt us; without free trade our economy would slip into decline; without constitutional change, Quebec would separate; without lower deficits, the International Monetary Fund would knock on the door. The rhetoric that accompanied these initiatives pummelled the body politic. The message tended to be that if Canadians did not pull up their socks, suck in their stomachs and accept these major changes then something was wrong with them or their country. No wonder people got "anxious;" their leaders kept telling them something serious was wrong. But even without these prime ministerial admonitions, Canadians could see their nature of their governments changing, they could see their taxes rising and services from government declining, and they knew in too

many cases that their own incomes were stagnant.

People today wonder how it is that the current prime minister can be so popular, Canadians having villified his predecessors more often than not. Well, many are the dimensions to that answer, but here is one. Along comes Mr. Chrétien after all those admonitions and all that rhetoric and all those doubts and he says: "Canada is Number One." Sighs of relief can be heard all across English-speaking Canada. He doesn't ask people to make big changes. He's not in their face. He says we'll solve one problem at a time. He's a manager, not a visionary. He has a tough hide but a restrained ego. He says: "Stay cool. Don't worry. We've got problems, yes, but we're the best country in the world."

This rhetoric may be banal; indeed I have heard his speeches so many times that I can reasonably accurately predict which cliché is coming next. Elites and - dare I say it -- newspaper editorials and columnists laugh at this folksiness. We worry, not without reason, that his sunny words deflect us from debating the genuine problems before us. But Canadians, who have the good sense to not get as worked up as we journalists and who are certainly less cynical than we are, eat it up, at least outside Quebec. Under him, Canadians have been experiencing collective decompression after all those years of high-octane rhetoric, threats and huge changes.

There is an enormous irony to what is happening these days, because, of course, his government has spent more time doing what the previous Conservative government tried to do than embarking on striking new initiatives of its own. Think about it. Safely elected, the Liberals have

conducted themselves like "Conservatives in a hurry." Having assailed the Conservatives' attempts to tackle the deficit-debt problem, the Liberals introduced budgets that went further, faster than the Conservatives in lowering government spending, privatizing crown corporations and otherwise scaling back areas of federal action. Having promised in opposition, although not in the Red Book, to scrap the Goods and Services Tax, the Liberals retained the tax with a few variations. Having campaigned vigorously against the Canada-U.S. Free Trade Agreement, then having criticized the extension of that agreement to Mexico, the Liberals signed onto NAFTA and became enthusiastic boosters of new free-trade agreements. Having bemoaned the Conservatives' attempts to change social policy, the Liberals introduced major changes to unemployment insurance and major changes to pensions are on offer. Having criticized the Conservatives constitutional reform attempts, the Chrétien Liberals found themselves after the Oct. 30, 1995 Quebec referendum proposing constitutional changes themselves, including the recognition of Quebec as a "distinct society," the very clause in the Meech Lake accord that caused Jean Chrétien to oppose it.

It's cheap coin to poke fun at the Liberals for being "Conservatives in a hurry," but what this list of flip-flops suggests is that despite the rhetoric and partisanship, there has actually been a remarkable degree of continuity in government policy for more than a decade. And that continuity arises, I would suggest, from the relentlessness of the fundamental challenges facing the country, of which three stand out. The first is the problem of

productivity, which such initiatives as the FTA and the GST were designed to address. The second is the fiscal imbalance built up over the last 23 years, which has produced the fight against the deficit and the reform of social programs. And the third is the fragile state of Canadian unity, which is a euphemism for saying that the restlessness in French-speaking Quebec continues to roil the country and threatens its very existence.

That threat, barely beaten back a year ago yesterday, is still present to the extent that I would warn those here today not to be lulled into a false sense of complacency as we all were in the months and weeks preceding the last referendum. There are those who believe that events will transpire to foreclose the possibility of another referendum, because Mr. Bouchard will not call one he knows he cannot win and because his ultimate objective is not secession after all but rather some modified kind of arrangement that would keep Quebec in Canada albeit with more autonomy. Perhaps those who construct such scenarios will be proven right, but my instinct and experience suggest that it is more likely another referendum will indeed be held within the next five years. All I say is that we in the rest of Canada must never, ever be caught as unawarenes as we would have been this day a year ago, not knowing how to proceed, not having given a moment's thought to the definition and protection of our national interest. We must think through a range of issues about how to protect and, if possible, enhance that self interest should be worst come to the worst, not by way of menacing Quebec but as a prudent insurance policy of the kind any sensible business or individual would make.

In the meantime, it would be tempting but terribly naive to assume that the Quebec situation wil not continue to roil the Canadian body politic and to bedevil our political system with regionally-based parties, which are largely an outgrowth of our unresolved unity dilemma.The whole issue may be one that Canadians wish would disappear, like a bad dream that evaporates in the morning. It may be one that nobody wishes to raise in polite company, and it is certainly one we have talked ourselves to exhaustion in discussing. But it will continue, no matter how hard we try, to add its measure of anxiety to the others that command our attention.

These have indeed been "anxious years," despite the kind of political decompression through which we are passing. They have been laced with doubts about the future and our capacity to adjust to incessant demands for change. They have featured too much denial that problems existed that required attention, compromise and even sacrifice. Now, belatedly, we are in the process of redefining our governments, adjusting them to what we are prepared to finance. We are witnessing the simultaneous erosion of governments' capacity to act in the face of global demands, and the resurgence of demands by people to take a greater measure of control of their lives in the face of these impersonal, bloodless forces. We are entering the new and difficult debate over equality between those who favor equal treatment and those who favor policies to make more likely equal results. We are facing a very serious problem oif growing income inequalities that cannot be easily dismissed because in them lie the roots of many social problems. We have, as always, what a friend of mine calls Canada's

"malignant form of regional envy" on which to waste precious psychological energy. We have been at the precipe of national dismemberment, and drawn back, at least for now. Anxious years indeed.

And yet, there is room for optimism in my heart because in the face of all these challenges, many of which are by no means unique to Canada, an observer -- and that is all I am -- is struck by a sturdy patriotism and a willingness in many quarters to make hard choices and adapt to new realities, to understand again that this country, with its full cup of problems but with everything at its command, still offers its citizens an unparalleled opportunity for personal fulfilment with a sense of community, an undergirding of rights offset by an abiding sense of responsibility, a meshing of individual opportunity and a sense of what we owe each other, a country whose habitual public questioning cannot fully cloak a determination to carry on -- with setbacks and heartbreaks to be sure -- the ceaseless search for a more prosperous and fair society, a search that is, if I may say so, a noble one worthy of a country as large as ours. It is a search that never ends. It is a search that commands the respect of others. It is a search that demands that we seek within ourselves, as Abraham Lincoln once said, the "better angels of our nature." And it is a search that through all the mindless chatter and setbacks and staggered starts I have chronicled, I still believe goes forward in this frustrating, perplexing but quietly dignified and still inspiring country.

@et