

GOVERNMENT AND BUSINESS:
PARTNERS OR ADVERSARIES?

ADDRESS BY E. G. BURTON
PRESIDENT
THE BOARD OF TRADE OF METROPOLITAN TORONTO
TO
THE CANADIAN CLUB

MARCH 22, 1976.

I thank you for the honour of your invitation to a podium which is rightly held in very high esteem. This speaking assignment is a high point during my term as President of The Board of Trade of Metropolitan Toronto. I welcome the opportunity to explore, with such a public-spirited and thoughtful audience, some of the varied ideas and concerns I have been sharing with other groups during recent weeks.

In my discussion of issues and trends in Canada today, I have made a major effort to be frank, and, of course, such candour involves some risk, as was evident this past week when one of my associates sent me a bit of wry humour which said:

"I've let it all hang out,
 As is the current trend.
 I've told it as it is
 And lost every single friend."

Happily, as I look around the room today, I see more than a few of my friends and good neighbours, so I'll press on, hoping in the end if I have not warmed up old friendships, I will at least have provoked some new thought that will help all of us get a better fix on the future.

CLIMATE OF CHANGE

I have attempted before various audiences to spark discussion about the climate of change in which we find both society and business. I am convinced, as a citizen and a member of the community, the new trends will have a lot to do with our future. We are in for dramatic changes. Some trends, like shifts in population patterns, are even catching the professional planners by surprise, forcing them to change their view of the future. Jobs, politics, business, housing, the role of women -- areas of society being deeply affected.

If I were to give you notes on my recent experiences
 It has to strike one with my great opportunities that my business association speaking circuit has been notably and depressingly chauvinistic with its all-male audiences.

There, too, in my work with The Chamber of Commerce, one has to wonder after study
just what constitutes a housing crisis, ^{in a nation} and moreover, why housing (or shelter) is not as basic as
in our country bread and therefore placed beyond political decision and the vagaries of the residential construc-
 tion cycle.

I have been made to wonder how the business sector can rightfully expect to plan a steep, rising
 growth curve, seemingly to any time horizon -- a tendency which resembles the most utopian
 of government service plans.

One could scarcely miss noting in this time, the staying power of bureaucracies, ^{even} in corporations,
 but also where the bureaucrat is most at home, in all levels of government ^{in fact} -- anywhere that
 cost/benefit analyses are rare and the modern day miracle of deficit spending is drawn on, rather
 than ^{the} ^{is of} purge out-dated or redundant services.

And my researches have made me ask such awkward questions as "Is unemployment really a
 problem for governments to solve, when we in business constantly complain of the unemployment
 costs, disincentives to work, and non-productive job developments? Is unemployment not really ^{then}
 a problem which should be solved by business councils?"

FORUMS ON THE FUTURE

These matters are some of the vital issues I hope to see openly discussed at the FORUMS ON THE FUTURE program which I proposed in addressing the Brampton Board of Trade last week. It is my view, that in order to become more directly involved in helping shape our future goals and priorities, the Chamber of Commerce movement at the Canadian, Provincial and local Board levels should use their unique national base to sponsor a Canada-wide series of Forums on the Future.

I did not make that proposal in an off-handed way, and in fact I would like the support of people in this audience, including the press, to help get such a national project underway. I feel it is a viable idea, and ^a highly desirable one considering the climate of change in Canada today. Worthy of note and praise is the current discussion of change being conducted by our own Globe and Mail. Last Friday's forum concerning the relative degree of freedom in Canada today is an example of the press helping Canadians understand the substantive trends. *And this program will continue.*

GOVERNMENT AND BUSINESS

Another central issue for such national consideration is the main subject of this address:

Government and Business - - Partners or Adversaries? Let's think about that topic for a minute.

Think about whether, in Canada today, government and business are members of a partnership, or are these two vital forces to be adversary forever?

This is a very fundamental consideration, not simply for business people, but for every citizen who is dependent upon our system for spiritual and economic well-being. I would particularly ask the members of our journalistic community to think about the question, because, in all frankness, the media itself does a pretty good job at squaring off business against government. It may make for headlines, but does it make for a better country? Does it help the cause of Canada? A searching question for the media itself to consider in view of its own influence and power. The media, after all, is not above reproach, any more than the rest of us.

Our country is over a century old. We have enjoyed the fruits of the free market system for more than 100 years, just as we have benefited from government action and legislation. Yet, here we are today, business and government, like two strange dogs circling each other warily, suspicious of each other's intentions.

STRANGE STATE

It's a strange state of affairs. After 100 years we should know each other better. Business people and politicians have grown up in the same towns, we share the same heritage, we have gone to the same schools. The aspirations of the business person for ^{this} the country probably are not very far apart from those of the most-liberal-minded politicians, though each may express them differently.

Still, and as we have seen in recent months, there seems to be abundant cliché and a lack of overall common cause when business people and government leaders come in contact. Whatever the subject for which they meet, neither is quite sure -- much of the time -- whether he is transmitting and receiving on the same frequency as the other. Worse still, we often find these two forces engaged in raw displays of confrontation politics with the third party -- the public -- innocently and helplessly trapped in the middle. This is indeed unfortunate because, given the state of the economy and the new trends in society, there is urgent need for co-operation, not confrontation. There is need for partnership, for a common purpose.

Our new Toronto neighbour, John Turner, an able citizen with a grasp of business...and, I should add, of politics, made the point in a widely quoted speech last week when he addressed the need for business and government to pull together "in harmony" rather than stand-off in confrontation. I agree, and John might also have included labour, which at this very moment, today, is in Ottawa using the strident and inflammatory rhetoric of confrontation, a stubborn exercise in polarization and destructiveness which may or may not have the support of the rank-and-file, and which, due to advance billing, leaves no room for negotiation or reasonable compromise.

MIXED ECONOMY

The business community's current concern about government is not without justification. We have grown accustomed to a so-called "mixed economy", in which for a long time government and business managed to co-habit. But now, due to the insistent growth of all government in the economy, coupled with its increasingly pervasive character, through regulatory legislation, business people feel we face a critical choice -- whether the current mix is to be the place where we stop, whether we consciously attempt to regain more productive ground, or whether as a country we go on to an economy in which the most important decisions are made by government. I happen to believe the "mix" is already distorted, and tilted too much toward government.

The troublesome prospect, especially in view of the anti-inflation controls followed by the disquieting "new society" musings, is that all governments will continue to expand their frontiers. Our system, with the rigours of its geographic and regional economic problems, needs a vigorous public sector. Nevertheless, it has to be of major concern that we may end up with a country having only a marginal productive sector, and a boring, even a sterilized, society from which private enterprise and corporate excellence has all but vanished.

PARTNERS IN PROGRESS

The call I make today, for business and government to be PARTNERS IN PROGRESS for the betterment of Canadian society, is not new. Furthermore, business and government working together in ^{the} an earlier era of this country's development contributed to some very important forms of progress, including school systems, transportation, reciprocation of supply of our great harvestable resources, etcetera.

Business, of course, far from its conservative public image today, identified itself with progress. Its contribution to the political life of the nation was quite constructive, an example being the railroad system that was built in concert of private capital and enterprise, together with public subsidies, and the use of (pardon my blasphemy) government intervention!

Somehow, we seem to have lost, or at least fumbled, that winning strategy, possibly because in recent years the very idea of progress through growth became less popular, but more likely because there has been a tragic loss of frankness between the major forces - - - a loss of mutual understanding, of mutual trust and of honest to goodness candour. Thus, we seem unable to communicate effectively because of losing the simple language of frankness.

Let's get back to being frank, with each other, so we can break out of a damaging adversary position. Let's again start pulling together in harmony, particularly in view of economic conditions.

PRIVATE ECONOMIC BRIEF

Let government display frankness in openly admitting a fact that was made in the recent brief by the Canadian Economic Policy Committee, a group representing a broad cross-section of the private economy. The Committee's brief said:

"Leadership in reconciling expectations and economic potential must be provided by government. That leadership cannot be expected from a government that becomes preoccupied with interfering with sectors of the economy that perform, or are capable of performing, effectively in a market-oriented environment."

At the same time, let government frankly face up to a key issue pointed out in a brief on inflation prepared by our own Board of Trade. Sent to government leaders last week, it says in part:

"Governments at all levels must take prompt action and far-reaching steps to curb expenditures. This can be done by a combination of administrative and statutory changes."

In energy policy, let government also be candid and allow that price controls on domestic oils and natural gas, which, while a political palliative, can only perpetuate scarcity, and only serve to delay the inevitable hard decisions by industry and individuals alike, at the same time robbing us of needed exploration for new energy capacity.

Let government stop spending more money than it is willing to raise by taxation, which is already too high by any standard. As the Board of Trade brief notes, our monstrous tax and welfare system must be overhauled to provide more incentives to work, to save and to invest, and to provide less reason for loafing, speculating and consuming. Furthermore, taxes must enable, rather than confiscate, earning abilities.

Governments respond to economic problems with much political expediency and with too few long-term solutions, because real cures almost always involve distasteful medicine and painful surgery. It should be "pain now, and pay off later" at the polls.

PAINFUL TRUTHS

On the other hand, business itself must face some of its own painful truths and solutions, not the least of which is its weakness for blaming government for everything that fails. Surely we must end the sordid practices of favour seeking and self-interest, and stop regarding ourselves as "conservative". Business can be, as it always was, a contributor to the broad social movement called "progress".

Business has to admit frankly that for many Canadians today, growth, divorced from any advance in the "quality" of life, has become unacceptable. For the most part, I do not believe our

citizens are opposed to bigness as such. What many of them want, particularly younger people, is a technology sensitive to human needs, and one that will enhance the health, beauty and nature permanence of our environment.

Some people are advancing the contemporary theories of trend-spotters like British economist and author B. F. Schumacher who, in his popular paperback "Small is Beautiful" (required reading for Trudeau disciples), captures one current mood, specifically that the economic system should serve man, and man should not serve the system. Schumacher warns that the economics of materialism is based on the uncritical worship of continuous and unlimited growth which, as we in business know, can create its own serious corporate problems.

Whether ideas expressed by Schumacher and his contemporaries will inspire change within our system is another matter. But what is not in doubt is that we are not likely to go back. There are major changes to the traditional ideology which has been the basis for the legitimacy of our important institutions.

There are, in fact, new challenges to the old ideas of rugged individualism, of private property rights, of competition to satisfy consumer desire, of limited government, and of scientific specialization having become increasingly irrelevant in a world of necessarily huge organizations

and limited resources. What is emerging is a set of precepts that business executives and government planners may not routinely articulate, but that are already shaping behaviour and the future of Canadian society.

LET'S MOTIVATE OUR PEOPLE

Let the public frankly face up to the fact that we can't go back to a simpler world - - that we're going to have to live in a world of big organizations, of specialization, and of interdependence. And, if our only choice is to move forward, then we should remember certain natural influences we can look to for guidance. I suppose, for instance, if any man could effect the right attitude, in fact if he had the key to what motivates each person, surely he could "rule the world".

Such universality is utopian, of course, but at least we can each try to motivate, and we can each set healthy attitudes by example. It is in this area of frankness that we can, each and every one, commence our search for a better life, and a better society. Until we candidly try to motivate, most people don't even know what their capabilities are to contribute. Until we effect the right attitudes broadly, our values are bound to erode.

Being frank, we can admit that motivation and productive attitude are the seeds of self-reliance. Self-reliance in concert with our progressive social policies could prove a leadership role - - a frontier if you will - - in all the world.

UNWARRANTED NATIONALISM

In a public sense, I would also like to see our ultimate honesty, some frankness, from Canadians who continue to preach economic nationalism at all costs. I ask them to open their eyes to what has been happening to the scheme of things in this country. One can readily observe that Canada, while still remaining closely linked to the United States growth centre, has developed a considerable internal cohesion and self-reliance, so that it is far less dependent on the United States as the sole source of its economic momentum.

In addition, we are beginning to strengthen our ties with other dominant countries and, while maintaining and cultivating historic roots with Western Europe, we are playing an increasing role of our own among developing countries.

We must follow the lead of the great trading nations who under constant economic pressure, have consistently made a greater effort to further their business interests abroad. This would help us see the vital contribution which multinational companies can make to our economy and future development. And being as frank, we really should learn to be good hosts in order to savour the benefits of such multinational enterprise.

ORGANIZED LABOUR

Finally, I would like to see more frankness on the part of organized labour, another vital force in Canada. Let's take so fundamental a matter as productivity and wages. Over the 1971-74 period, output per man-hour in the private sector of the U.S. economy rose 2 per cent annually, while Canada's real domestic product per worker increased about half as much.

Since productivity trends were different, wages should logically have followed parallel patterns. Canadian wages and salaries used to increase at close to the U.S. rate. However, wages increased by 16.3 percent in the United States in the 2 years ending in 1975, and by 30 per cent in Canada.

These increases seriously accentuate inflation, and contribute to a deterioration of our export competitive position. This is serious, because the vitality of the Canadian economy depends also upon the strength of its external trade. This situation is even more disquieting since the United States, again speaking frankly, represents 70 per cent of Canada's external market. So if we have wage controls today, let labour honestly admit their intent is contrary to the national trading interest.

The Financial Posts's current issue features an editorial page heading which asks : "Who cares about truth ?"

If the language of frankness is to be the common ground on which we walk as partners, then we all must care about truth, frankness and goodwill.

In the process Business and Government must renew their partnership because as adversaries they do disservice to themselves and to the economic development of Canada.

I don't imagine I have set forth any very original ideas in what I have said today. Nor do I deceive myself about the extent of the challenge of applying either the ideas I advance, or the frankness I urge. But I am persuaded of the importance of trying to understand the true nature of development processes, so that we may shape policies that contribute to motivation, to attitudes.

Now we must all be involved in resetting the conditions of the business of Canada, and find ways that it can sustain real values and build the capital wealth without which all ideology dies.

The answers to Canada's problems are neither social programmes beyond our means, nor fast-tracking profit takers in the private sector.

Fortunately, when traditional fiscal incentives fail in a free market economy, nature has a way of providing the best incentive ever known to man - - survival itself. Ladies and gentlemen, the very survival of the economic system which built our country is at stake in the era of the 70's.

I would suggest to our leadership that we are ready to join in the setting of attitudes for a more productive, more dynamic Canada, in which real value will not erode.

FINAL THOUGHT

I leave you with a thought from John Ruskin. He wrote to The Seven Lamps of Architecture:

"Therefore, when we build, let us think that we build forever. Let it not be for present delight nor for present use alone. Let it be such work as our descendants will thank us for, and let us think we lay stone on stone, that a time is to come when those stones will be held sacred because our hands have touched them, and that men will say as they look upon the labour and wrought substance of them, "See! This our fathers did for us."