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Mr. President, Ladies and Gentlemen:

Thank you for the invitation to speak to you today. It is good to see so many familiar faces and to receive such a warm welcome.

During the past twenty years, I have been a member of your Federal Public Service. For most of that time, my work has been for Ministers of the last four governments. Having seen so much so close for so long, it is hardly surprising that I have some reflections I would like to share with you on our politicians and bureaucrats, and on how our system of government is working.

I have no secrets to give out, no attacks to make, no party to promote. It seems to me a university rather than the Canadian Club is the place to try the time-consuming task of how things work and why.

I hope you will construe my remarks today as not directed at any particular party. My purpose is to report to you as honestly as I can my conclusions after two decades of experience in your government, five years of them at the head of your public service.

Throughout this period of time two issues have dominated everything else: national unity and inflation. They have made it a very tough time for government.

The national unity debate has been marked by federal-provincial rivalry between our governments and their bureaucrats of an intensity quite unknown to any other federal system in the world. Though the issues have varied, nearly all the provinces -- not just Quebec -- have been involved. Charges and counter-charges have been constantly hurled back and forth. In most cases, the general tone has seemed to be not what is best for the people, or even most efficient in terms of public administration, but rather the simple pursuit of power.

At the same time, in the inflation debate, everyone has been searching for scapegoats. Private interests blame the politicians for getting the economy into a mess. Politicians accuse the permanent public service of being unimaginative, self-serving and ineffective -- in short, of not delivering on campaign promises. If officials were allowed to respond (which, under our system, of course they are not allowed to do), they would no doubt complete the circle by saying that private interests certainly have not

hesitated to promote their own place at the public sector's trough and would blame the media for turning every election into a theatrical auction at the expense of the commonweal.

On all counts, what has suffered is the credibility of our government.

This is terribly unfortunate. Governmental systems take generations to build and ours, by comparison with any in the world, is one of the best. It is accessible and honest, sensitive and effective. We tend to take these and similar attributes for granted but, as anyone with experience in foreign countries knows, they are rare and exceedingly precious -- even in the so-called "great" democracies.

In short, we have a society that works and there are not many nowadays that do.

Few, if any, governments belong to the people to the extent that ours does. This is not because we know a lot about it or participate actively in it. By and large we have been less and less able to meet these measures of democratic health in recent years. Our good fortune lies in what our predecessors created and in the fact that we have had able and dedicated politicians and officials to rely upon.

To lay the blame for national disunity and inflation on our governmental system and its servants as we are doing with the issue of "Big Government" is not only a bum rap but something of a cop out. It is in essence an off-loading of our failure to recognize the end of the era of post-Second World War growth and prepare for the world of the Eighties.

We are trying to perpetuate the constant growth, seemingly endless resources and ever-enlarging social benefits that we came to expect in the Fifties and Sixties, into a world which is quite clearly going to be very different: a world of finite resources, of new countries and new power blocs where Canada -- with matured industry, depleted resources and a slower growing, aging population -- will have to deal with fierce competition; a situation where we will still have to contend with great distances, extremes of temperature, sparse settlement and a somewhat artificial economy.

In short, national disunity and inflation are not our problems but rather the symptoms of our situation and our reactions to it. Like exotic, vastly rooted poisonous flowers, disunity and inflation cannot be removed without laboriously reaching down deep into the soil of our attitudes.

Everyone has been trying to avoid this painful experience. With memories of the Fathers of Confederation, Macdonald's "National Policy" or Maynard Keynes, we have hoped for the sudden emergence of new leaders or bright ideas that will encompass a solution.

With our modern propensity to trust in pure technique we have bought from the political scientist frequent federal-provincial conferences, new inter-governmental arrangements and proposals for constitutional reform; and from the economist: price and wage controls, a devalued dollar, restricted money supply and high interest rates.

All of these appealed to us because they seemed to require no effort by the people -- and therein lay their fatal defect. Not working, or working in ways that the public did not like, we abandoned them one by one and moved from solution to solution until today even pure technique, not to mention the poor public, is quite confused.

Technique having failed, we have moved to blaming our government and its servants.

The result has been a great thrashing around which has drawn our institutions away from their tasks and diminished their effectiveness. Amongst our politicians and officials there has been such damage to morale as to

seriously undermine the recruitment and retention of our best people and make everyone uncertain and self-protective.

Seeing this mess, more and more people are reaching out for simplistic solutions.

In the field of national unity, some argue for a short, sharp confrontation with, say, Alberta or Quebec; and, in the field of inflation, there are those who quite seriously advocate a "good" depression -- as if we could handle civil war better than we are handling regional discontent, or would know better how to deal with the social cataclysms of a depression than we do how to get successfully out of a recession.

These increasingly frequent sparks of mindlessness manifest the growing frustration and bewilderment of people that results from treating disunity and inflation as problems rather than as the symptoms of a broader malaise, the disease of trying to perpetuate the past rather than face the future. Only if we can understand the fundamental mechanism of this sickness can we hope to deal with it.

What, then, is the essence of disunity and inflation? It is our perpetuation of unrealistic expectations in our individual demands on the collectivity.

In order not to sound highfalutin', one is tempted to translate this rather abstract assertion into hard examples, such as: labour looking for catch-up; management looking after itself first; the feds passing tax burdens to the provinces, or provinces to the municipalities, or municipalities to the people; or, all governments promising something for nothing -- whether unemployment insurance, mortgage deductions, or BCRcs. I want to avoid doing this because it leads to concentration on the examples - of which there are endless numbers - rather than on the general proposition. What we have been doing is tackling the examples one by one according to whichever is most unpopular at the moment, with the result that political programs have become a collection of things various interests are against with little positive and forward-looking view of the country.

Of course, we can look forward to progress of all sorts in the future but we are failing to read clearly the lesson of the Seventies: those who will prosper most are those who know where they are going and whose expectations in that regard are most realistic.

Waiting for a messiah or the discovery of new ideas, applying naked technique without widespread public understanding and acceptance, blaming government, politicians and bureaucrats, or trying to pull everything down in the hopes of starting afresh, -- none of these strikes directly at unrealistic expectations. All they do is compound bewilderment and sow frustration.

Even our rhetoric is confusing:

We slash social and industrial programs set up at great expense just as they reach a cheaper efficiency -- all in the name of demonstrating economy to an uncertain public -- and then, turn around and announce that the funds supposedly saved will be used for new programs to "get the economy moving again". We destroy -- or, more commonly, handicap -- one institution or instrument only to set up another. On both the Right and the Left, we inveigh with indignation against interventionism, and then nonetheless proceed to act without either public understanding or acceptance. Far from encouraging realistic expectations and bolstering public confidence, we have perpetuated the belief that everything is possible and it is just the technique that is wrong.

What are the features of a strategy that will secure realistic expectations? Certainly, knowing what we are trying to do and consistency in doing and communicating it are essential; but, how do you get realistic popular expectations in a practical world?

Though I shudder at sounding so theoretical, it seems to me that there is no alternative but to look to the old-fashioned virtues of individual responsibility and self-restraint, compromise and co-operation.

I think most people recognize this in their heart of hearts. But how do you pull everyone together to do something about it? Certainly, so long as we are a democracy, it is not going to be done by decree. Surely it can only be done through leadership. It is with this in mind that I think it would be useful to focus my reflections today on some of the conditions affecting leadership that I have seen during my past twenty years in government in Ottawa.

Let me divide the subject into public sector and private sector leadership. The latter is much more important than the former and there are few forums in Toronto more representative of private sector leadership than this one, but since the focus of popular attention is almost entirely on public sector leadership, let us begin with that.

To say that government is big and complex, has a methodology of its own and serves democratic not simply economic objectives is all obvious, yet not -- in the final analysis -- really accepted. Few people bother to learn much about our governmental system; fewer still respect the professionalism it requires. One is forever hearing proposals, for example, to patch onto our governmental system things quite alien to it borrowed from another system -- usually the congressional system or the commercial system. More often than not this sort of patching is not only ineffective but counter-productive -- as would be the case if features of government were tacked onto business practice -- but for the professional to point this out risks being accused of coming out against progress and efficiency.

The fact is that there are more effective ways of pursuing progress and efficiency and those who know the governmental system have been working long and hard to these ends. As a result, modern public administration stands on the verge of break-throughs comparable to what swept business administration forty and fifty years ago, and -- if we play our cards right -- we should see in the next few years smaller and less obtrusive government without any loss of effectiveness.

Our agents in achieving this are our full-time politicians and bureaucrats.

Taking the politicians first, theirs is a most unenviable if not almost impossible function. Always thinking of politicians as "fixers" or communicators, we seldom stop to think about their really fundamental social role: it is to make and implement the host of ineffable, unquantifiable choices necessary to the operation of our society -- a thankless job that cannot be done by computers, that few would want done by judges.

It is our politicians who fashion the compromises which keep all sorts of men and women in the widely dispersed and varied regions of our country moving forward together. And the only certainty they face -- from the moment of their election -- is that sooner or later they are going to be defeated and thereafter largely ignored.

It is customary in our society to debase the politician's function. More often than not, the term "politician" is a label of ridicule. The Canadian system of government is as well run and free of graft as any system in the world, yet we sometimes act as though we were in the hands of 18th century wheeler-dealers. In a country of minorities and contrary interests, we increasingly tend to regard compromise as a bad word.

Let's face it: we do not encourage Canadians to go into politics. Young people have often confessed to me that their parents were firmly against even a short stint as a ministerial aide. Companies have told me that

they do not like their employees taking political sides. I have often heard of qualified, able men and women refusing to be electoral candidates because -- if they ran for public office -- their associates would pass them over or even get rid of them altogether.

And if these are costs to running, the costs of winning are no less. In twenty years of working closely with Ministers, I know none who have left office without their reputations, their family lives, or at least their pocket books, diminished by their terms of public service.

This is what the public does not hear about. What it does see is a highly misleading advertising campaign regarding politicians' pensions, or months of insinuation about trust funds, or income from the writing of memoirs -- matters which, it seems to me, if properly done, are necessary compensations for other failings in our system and do not necessarily debase it at all.

Again, if a former politician joins a prestigious law firm, becomes an executive or goes onto the Board of Directors of a leading firm, the suggestion is that he or she is selling out inside knowledge -- the implication being that since these people are politicians, they could not possibly be able or singularly well-qualified for the jobs.

It really is time we revised our view of our politicians. They are an extremely hard-working and dedicated group.

More important: it is time we revised our view of the political vocation. It is full-time; it is demanding; it is precarious and, above all, it is the most complete possible fulfillment in peacetime of a citizen's duty to the state. A society that as a matter of habit, ridicules the politician and deprecates his function is on a course almost certain to encourage disunity and inflation, and absolutely certain to destroy democracy.

Senior officials provide the necessary expertise and counter-part to political leadership. Where the latter maintains sensitivity and adherence to short-term goals, the other ensures consideration of stability and coherence in the longer term.

Twenty years ago, when I first went into the public service, it was a widely respected vocation. That reputation has suffered considerably with the advent of collective bargaining and the right to strike, with its suggestion that the public service is looking after itself, rather than after the people's problems. For reasons of this kind and because of the temper of the times, the public service -- like all public institutions -- has been under attack for the

last decade and it is now beginning to have trouble getting and holding the leaders it needs.

Government, no less than business, depends enormously on its most senior people. A good man attracts others and each can save many millions of dollars and vast amounts of public aggravation. Government is in competition for these people with the private sector. It has never been able to pay them what they can find outside, but it has been able to get them by offering very considerable job satisfaction. With waning Ministerial and public confidence and attacks from the media, that coin has been diminishing in recent years.

What the public does not realize -- and the media does not say -- is that officials in these circumstances are bound by firm rules of silence. The reason for these rules is that if officials were allowed to speak out and defend themselves, it would soon be impossible to distinguish them from politicians; so, the essential role of complementarity they provide would be lost. But if to preserve the balance of our governmental system, they are not to defend themselves, they must -- as all our traditions explicitly provide -- be defended by their Ministers, or Parliament or the public.

Increasingly, it has not been in the interests of government or opposition, business or media, to do so. The result, if this continues, will be a less able and more self-protective public service -- the very antithesis of

leadership -- with the longer term interest in stability and coherence left to fend for itself.

Please do not get me wrong. I am not pretending that politicians and officials do not make mistakes, are not sometimes incompetent or need no improvement. These things need correction in government as they do in any organization -- perhaps more in government because, after years of expansion, reassessment and consolidation are overdue. That things happen which should not, I do not deny -- just like flies occasionally get into soup cans and products come from the factory that do not work -- but I can say that after two decades of looking into complaints of all kinds, I have seen very few in which there were not two sides to the story -- and each side, from the point of view of its proponents, as reasonable as the other side.

It is perhaps in the nature of business decisiveness that many key figures in the private sector simply do not accept that two sides to a situation can possibly both be equally justified. They expect their government to champion their cases, as they see them and are impatient with the balancing of conflicting interests. As a result, they tend to regard government as an adversary instead of a service they share with others in society.

We have a long tradition in Canada of more or less of a gulf between private and public sector leaders. Whether it came from our colonial heritage, the location of the federal capital away from metropolitan areas, or Ottawa's early advocacy of Keynesian and other "leftist" doctrines, or whatever, the fact is that there has been a sort of respectful distrust between government and large parts of the private sector which is altogether counter-productive nowadays in a country having to compete in the modern "global village".

Because most foreigners like Canadians, we tend to think that their countries will not take advantage of our weaknesses. Nothing could be farther from the truth. If General de Gaulle's famous declaration in Montreal ten years ago taught us anything it should be that the world is a fiercely competitive, often downright hostile, place. Abroad, those we think of as friends can sometimes be as dangerous as those we know to be our enemies. At home, there are elements none the less pernicious and subversive through wanting to achieve by illusion and division what at other times they might try to do by force.

Both as a deputy minister and as Secretary to the Cabinet I have seen these facts of life repeatedly demonstrated. In international negotiations, where foreign countries increasingly turn up with their governments

and business representatives tightly allied, it is all too common for the Canadian contingent to find itself internally divided and at odds; or to refuse briefings or debriefings by their government while at the same time laying themselves open to the most extraordinary manipulation by their foreign "friends". At home, trying to develop a consensus between labour and management, government has repeatedly faced accusations by each of being too friendly with the other.

The consequences on unity and the economy of these sorts of dissension are obvious. Somehow we have to achieve a very marked increase in mutual understanding and support between our public and private sector leaders.

To an extent this is being encouraged by the gradual recruitment by the private sector of leaders with government experience. We are still a long way from the sort of cross-fertilization customary in industrial countries like Germany, Japan and the United States, but, if only for the single reason that government is such a large part of GNP, many firms are now finding that it makes some sense to know the public better.

Government, on the other hand, has been using all sorts of advisory committees, task forces, crown corporations and exchange programs to try to attract participation from the private sector on a part-time or short-term basis.

While there has been some difficulty in trying to meet private sector pay scales, and certainly all organizations fear raiding and need their best people for their own affairs, these initiatives have been well-received. Real obstacles remain, however, as - for example - on the one hand, the tendency of managers to see a government assignment as a chance to off-load personnel problems and, on the other, the incapacity of government as it is now set up to really share the responsibility and so, meaningful authority for decision-making.

Not only must we clear away these obstacles, but we must beware of unwittingly introducing others. Take, for example, the question of conflict of interest:

This is a very complex area on which government, as it has got bigger, has clearly had to have some rules. On the one hand, the obvious standard to reach for was to be, like Caesar's wife, not only free of guilt but free of any possibility of suspicion. On the other hand, there is no doubt that if someone wants to violate even the most stringent conflict of interest provisions, there is no system on earth that will prevent him from doing so. Somewhere in between there is the public interest, and between appearances and reality, what we risk forgetting is that just as a certain amount of regulation will keep the system honest, so too much

of it will ensure that people from the private sector are unable to participate in the public sector, and that people in the public sector will have no stake in an awareness of what is going on in the country.

Put another way: integrity is in the individual, whether he or she comes from business or government; though honesty can be maintained, it is not created by the system; we want private sector leaders in government because of their expertise and we are not going to get them if we lay a tax on them because of it -- and I have seen this happen repeatedly.

Neither are we going to get them if, when someone who has succeeded in business comes into government, there are groundless insinuations of all sorts of skullduggery. It is no great trick for the media or the opposition to do this with impunity and the costs to the public and to the individual are very great.

On the other hand, simple fear of public controversy must not dissuade key figures in the private sector from leadership, whether in government or in matters closer to home: industrial relations, professional associations, community affairs, and so forth. We all know what a deterrent unfair media criticism can be, but surely it comes with democracy and the job, as much for an officer of a company as for an officer of government. Public sector leadership is nothing without

private sector leadership. For someone with authority over capital, people and information in the community to say, as some certainly have to me, that their responsibility to lead does not extend beyond the firm's door is clearly to place the bottom line in the wrong place. If that route is to be the norm not only must we expect disunity and inflation but, ultimately, the failure of democracy in Canada.

So what is the message that I leave with you?

It is simply that the test of democracy and a safe delivery out of disunity and inflation lies in the capacity of the people to keep their expectations and their demands on one another realistic, that the key is leadership and that you are our leaders; that to help you, you have as good a system of government as any in the world, served by able and dedicated people who need your support and understanding.

All pretty obvious, if not hackneyed .. and yet, perhaps worth thinking about as Ontario enters the Eighties.

Whatever your political persuasion, I think you will agree that Ontario has done very well in bringing forward succeeding generations of new leaders in both the private and public sectors over the years. All Canada has benefited from this because Ontario is in fact, as it is in rhetoric, "the linch-pin" of Confederation. Some say that it has been in the province's self-interest to take this position, but there

is nothing necessarily wrong with a concordance of self-interest with the national interest. Ontario has had the geographical position and mix of population, resources and industry to be a leader in forging national consensus, encouraging or moderating expectations as the situation required, and this has been a great source of strength to the nation.

The challenge will be to continue this role in the Eighties, when not only will the situation be very different from what we have known but when the brunt of change will fall particularly here.

In the Seventies we have had a preview of some of the effects of the emergence of the European Community, the Third World and Asian trading blocks centering on Japan and Singapore. We have had a taste, but only a taste, -- in the negotiations in the GATT and MTN, in the turbulence of our capital market, and in the auctions by the multi-nationals as they move towards world sourcing -- of what the future is likely to hold. Regional nationalism in Canada is not going to go away and, on top of it all, we are going to have to cope with the declining economic predominance in the U.S. of the north-eastern states, with the westward shift in Canada of the focus of national wealth, and with our own increasing energy dependence.

It is a very tall order, certainly not beyond our means but possible only if Canadians face the future with realistic expectations of the demands they can make on the country and on one another.

Will we have the leaders to do it? That is not a question for government to determine; only you can decide it.