

**A NEW ENTREPRENEURIAL
VISION FOR CANADA**

An address to

THE CANADIAN CLUB OF TORONTO

By

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Before I get to the topic I was planning to speak about today, I would be remiss if I didn't make a couple of brief comments on the passing of our former Prime Minister, Pierre Trudeau. From the standpoint of the small business community, it is fair to say that we did not always see eye to eye on business issues with M. Trudeau, but he certainly made a tremendous contribution to Canada on the world stage, in the constitutional arena and in many other areas. He did much to make this country proud, and will be sorely missed.

At the dawn of a new millennium, we are overwhelmed by enormous and rapid change, in all areas of our lives. A strong case can be made that this is the most exciting and promising age since the dawn of civilization to be alive.

At the same time we find ourselves mired in deep ruts of inertia, which exert a powerful negative pull on progress and can cast a dark cloud over the prospects of a better future. For the most part these ruts are very apparent. They can be seen in government, business, labour, education and just about everywhere we look. When these forces take hold upon a person, a firm, a sector or a country, progress is impeded, hope is hampered and the prospects for betterment are limited.

Over the past few decades we have observed tired traditions of all these factors being perpetuated. We see them in the entrenched attitudes and sour relationships between unions and business, between government and the private sector, and even within the business community itself, such as between the corporate giants and their smaller cousins like those who make up CFIB's 100,000 membership.

So psychologically grid-locked have we become as a country that too often more effort is spent in firming up battle lines than in opening up communication lines. Somehow we bump along despite all this, keeping ourselves from becoming completely mired in the ruts, but not moving as quickly to that brighter future just down the road as we should be.

At a time when everyone seems to be looking for a new framework with which to face the future, we at CFIB have been proposing to all who will listen a means we believe will help smooth out some of these ruts. We have been suggesting there are important factors which all sectors have in common and that often are not being taken full advantage of.

In one word, the common factor is "entrepreneurship".

Entrepreneurship is not owned by small business or anyone else. It can, and does, thrive in the most rigid of environments. On the other hand, it can be

absent in places which are considered entrepreneurial greenhouses, such as small business itself.

Entrepreneurship embodies risk taking, having the courage to change, fostering creativity and encouraging excitement for excellence. All of these factors can and should be the driving forces in every working environment, be it government, business or wherever.

The idea, for example, that a federal government should adhere to the rigid rules of central control is not only impossible in today's world, but laughable. And yet there exist vast bureaucracies which expend enormous energies and financial resources to oppose this relentless gravitational pull called "change". On the other hand, there is a growing recognition, even within these bastions of inertia, that the old way is no way to conduct business, even government business. One only needs to see some of the innovating leading-edge technology coming out of some areas of government to realize entrepreneurship has champions even in this creatively stifling environment.

We see the same stresses swirling around change everywhere, and certainly in the labour market where old-style union bosses during recent years have become increasingly out of touch with their rank and file members. To cite one example, high taxes pinch the so-called blue collar worker today just as much or even more than the white collar employee, and as a result we see union members voting in governments that promise to cut taxes and pursue other so-called right wing policies. Attitudes among union and non-union workers on a host of issues are far more similar than was the case not that long ago.

Regarding business, either large or small, those who embrace entrepreneurship can be identified by the nature and results of their organizations. The small firm which resists technology and clings to outmoded methods of the past, takes on the biggest risk of all -- going out of business. The large business that is run by a make-no-waves "caretaker" and not by an entrepreneur, has much in common with some of those government bureaucracies I referred to earlier.

To underscore this point, it has been said that if you want to own a small business in Canada, all you have to do is buy a big business and wait a while. Perhaps what should be added is one sure way of having this occur is to buy or start any business and refuse to be entrepreneurial.

The really good news, however, is entrepreneurship is very much alive and well in this country, for despite rhetoric to the contrary, a growing number of Canadians are rising to the occasion and becoming entrepreneurs.

Accordingly, it would seem to be an opportune time to consider a different approach to economic and social policy issues based on an entrepreneurial vision for Canada.

If you have been following some of the debate that has been going on in the media and elsewhere lately, there has been a great deal of discussion about where Canada should be headed in the medium to longer term, and what types of government and business policies should be put in place to maximize our potential as an economy and as a society. I believe that Canada currently has a unique opportunity for a number of reasons to establish the type of policy environment that can serve us very well both at present, but also in the future, based on the basic principles and values of independence and entrepreneurship. This may at first seem to fly in the face of what we have traditionally viewed ourselves as Canadians to be - rather dependent on others, believers in a large role for governments, and not really very entrepreneurial - but you may be surprised to find just how much research and other evidence actually contradicts that perception.

But before getting to that I would like to touch on why I believe the time is now ripe for action. First of all, occasions such as a new millennium tend to put people in the mood to look at the big picture and be more receptive to change. Also, we currently have a pretty decent economy, and it looks like we will enjoy continued economic growth for at least the next year or so. When the economy is relatively good, we have the luxury of taking a more long term perspective that is difficult to do during bad economic times when our attention is focussed on just surviving.

Another reason is that despite our current relatively good times, there is an undercurrent of concern among Canadians about our standard of living and how it stands up when compared to other countries around the world. Recent comments by our prime minister and some others that our low dollar was really an economic bonanza as it helped exports so much were very misleading, since the most profound impact of a consistently low currency over a long period of time is a deteriorating standard of living relative to others, something that Canadians are rightly concerned about. There does seem to be a growing consensus that we have some problems that need attention.

And a final reason that the time is ripe for a change in direction concerns the policy environment in Ottawa, and in a number of provincial capitals as well. With our federal deficit eliminated, and most provincial deficits too, we are now at a turning point. We can either go back to the bad old days of big spending governments and the continued high taxes and possibly future deficits to match, or embark on a different course. At CFIB, we believe that the best path would be

one based on an entrepreneurial approach to business, to government and to economic and social issues. Canada is currently at a crossroads, and the choices we make now will affect our well being for many years to come.

Contrary to what many may think, Canadians are really quite entrepreneurial. Although we may have a reputation for being rather subdued and polite, this does not seem to hamper us when it comes to interest in starting up and operating a business. A recent study of entrepreneurial attitudes in several developed countries found that Canadians are neck and neck with Americans as the most entrepreneurial of the bunch. And in successive public opinion polls, Canadians consistently rate entrepreneurs as the number one most respected group in society.

It is impossible to fit entrepreneurs neatly into any one category or set of characteristics, but research has identified a number of common entrepreneurial qualities. These elements include first and foremost a desire for independence, the need to be one's own boss, self-reliance, the desire to build something, and the need to make a contribution to society over and above just putting food on the table. There is also an anti-establishment element of the entrepreneurial mind set, accompanied by a fundamental scepticism of big institutions and bureaucracies such as those found in government and large corporations. Although money is certainly one motivating factor, it has never been found to be the leading incentive for entrepreneurs. And that is just as well, considering that most entrepreneurs at some point in their lives have experienced spectacular failure as well as fantastic success. In fact, experiencing the former is often a prerequisite for achieving the latter.

One of the strengths of Canada's entrepreneurial culture is that we have permitted people to fail. This may sound a bit odd, but to see what happens in societies that do not believe in letting businesses fail, we need only to look at what happened in many Asian countries a couple of years ago. Governments had propped up inefficient and sometimes corrupt companies and financial institutions as long as they could, and finally the whole house of cards came crashing down. Most of the Asian economies are still struggling to get out of the hole they dug for themselves, and will likely continue to struggle for some time. As you may recall, it wasn't that long ago that we heard from some Canadian observers how we should emulate countries such as Japan and their highly interventionist way of managing their economy. Not surprisingly, we don't hear too many of those types of comments today. The way in which Japan and other Asian economies conducted their affairs was the absolute opposite of an entrepreneurial approach, and has been proven by history to be less than enduring.

Negative motivations have also pushed some people into entrepreneurship. Many people have become entrepreneurs because the classic societal power groups -- big government, big corporations and big unions -- have excluded them. This has certainly been the case over the past few decades for many immigrants to Canada. Also, over the last 20 years or so, there has been an incredible growth in the number of women entering the ranks of entrepreneurship, in part because they faced resistance in many occupations, or encountered the infamous "glass ceiling" in the public or corporate sectors. There has been particularly strong growth in businesses owned by women over the past couple of decades, to the benefit of the women running the businesses as well as the economy generally.

Many young people are also finding that, in the absence of more traditional employment opportunities, the best way to beat the "no experience-no job, no job-no experience" conundrum is to launch their own enterprises.

Entrepreneurship is also a very inclusive concept. Anyone can be entrepreneurial, even if they are working in a big corporation, a government department or even a labour union.

So given all this rosy context, who could possibly disagree with such an approach? As is often the case, the answer lies with the vested interests in our political and business communities. Too many politicians and senior bureaucrats have far too much invested in the current system to want to foster change, and all too many corporations -- most of them large multinationals -- are creatures of the existing system of corporate welfare.

One of the key obstacles to achieving progress on this thrust is the current political climate in Ottawa. We have a very complacent second term government which seems to view itself as bulletproof from an electoral standpoint. And they have some solid reasons to feel that way -- a fractured political opposition and a good economy that seems to hum along despite some of the poor policy thrusts we have seen coming out of Ottawa. The current federal government also enjoys consistently high ratings in public opinion polls, which promotes complacency and policy stagnation. This complacency is very dangerous, partly because inaction on the policy front is not an option in our rapidly changing, technologically-driven economy. Also, there will be considerable amounts of money sloshing around in government coffers over the next few years that can be either well spent or squandered depending on the checks and balances present in the system.

That being said, we also know there is much disagreement simmering under the surface among the political types in Ottawa. The possibility of a looming federal election will undoubtedly heighten these tensions. Fortunately, there does

appear to be some backing in high places for an entrepreneurial approach. For example, the last federal budget contained the following quote:
"Our goal must be to inspire a spirit of entrepreneurship, one that asks our people to reach higher and look further, one that encourages us to see the world as our market, but Canada as the place to live."

As well, just a couple of weeks ago the Finance Minister made a pivotal speech that also had an entrepreneurial theme. Talk is cheap, however, as illustrated by the outrageous announcement last week on Employment Insurance which reversed many of the positive reforms undertaken a few years ago and seemed to encourage Canadians once again to rely on a system of government handouts instead of their own initiative. How disheartening to see such a policy reversal after Canadians sacrificed greatly through the last recession, enduring much higher tax levels, a more severe recession and a declining standard of living relative to others to eliminate our federal deficit, only now to see such a reversion to the discredited policies of the 1970s which got us into the problem in the first place. So although we are starting to see some leaders talking the talk, there is still a significant group among the powers that be that support a culture of dependence for Canada instead of one driven by entrepreneurial motives. Canadians deserve better than leaders who talk about how we must prepare for the new economy, and then implement policies which hamper our ability to do that.

We can never underestimate what does get the attention of politicians -- even those who are riding high in the public opinion polls -- and that is the view of voters. This is especially true in a pre-election context.

Canadians need to be more vocal in letting the politicians know what we really think, and not just what the pollsters are saying. They need to tell the politicians that they want some attention paid to our national debt of almost \$600 billion dollars so that we do not leave a highly mortgaged country to our children. They need to say that they don't agree with comments like "if you don't like our tax levels, you can leave the country". We need to tell politicians that we are not fooled by their statements that tax cuts must be modest or they would endanger health care and other social services we justifiably support. Surely some of the numbers we have seen recently coming out of Ottawa, such as the over \$12 billion surplus for the last fiscal year, a surplus in the Employment Insurance account approaching \$40 billion next year, and some of the wasteful spending illustrated by the Human Resources Department and other government agencies has put the lie to political statements that there just isn't any enough money around for truly significant tax cuts. We also need to tell governments loud and clear that we don't want them intruding in our lives any more than is needed to provide a decent level of essential services and social programs for those truly in

need. And we need to tell them that we won't vote for them if they are not more responsive to the wishes of the majority, not just a handful of special interest groups.

The most recent Nobel prize winner in economics, a Canadian named Robert Mundell, had an interesting comment to make about his views as to the greatest factor holding back the Canadian economy. He said that it was "the anti-business philosophy that has permeated much of the civil service and government -- the view that the economy is some kind of class struggle -- rather than something we all benefit from". He also noted that our constant emphasis on wealth redistribution has obscured the need to foster an environment that allows it to be created in the first place.

I believe this viewpoint has considerable support among Canadians generally, and not just in the business community. Canadians have become rightly suspicious of governments that promise to do it all for us, now that decades of overspending and overtaxing have left so little to show for it all but enormous debts. There are hopeful signs that we are changing attitudes and direction in a positive way, but these views need to be impressed upon our political leadership more consistently and emphatically.

The immediate future looks pretty positive in many respects. We have had a very good year on the economic front so far in 2000, and all indications are that another year or two at least of decent economic growth is very feasible. Our small business members are a very good bellwether of economic fortunes, and they are currently more buoyant than they have been in over a decade. But we also cannot let ourselves be lulled into complacency by a good economy, since it won't last forever. We must use this window of opportunity to enshrine attitudes and policies that will serve us well in the long term, and not permit ourselves or our governments to succumb to the instant gratification of spending today which will come back to haunt us down the road. Economic and social policies which reward, not punish, entrepreneurship are one means of achieving enduring gains.

Looking ahead to the future for entrepreneurs generally, there are many reasons to be optimistic despite our rapidly changing economic and political landscape. First, all of the trends that have driven the growth of small business and entrepreneurship over the last decade show no signs of abating. Technological change has arguably been even more beneficial to small firms than to large ones, and this will also continue to be true in the future. The role of small businesses in Canada as job and wealth creators continues to grow as large firms merge and downsize.

And we are also seeing the beginning of some significant improvements in our tax and regulatory environment that will not only benefit small businesses, but the economy as a whole. The last federal budget contained a number of helpful measures directed at small businesses and taxpayers generally that represent a good start on fixing some of our problems in various areas of tax policy. Our motto at the CFIB is that we never give up and we never go away, and we have outlasted many governments over the years who thought they could ignore the small business community, only to find that small businesses and other Canadians ignored them at the ballot box.

In 1904, Sir Wilfrid Laurier proclaimed that the twentieth century would belong to Canada. With the benefit of hindsight, we can now say that it would seem he was a little premature. But if we can, as a country, continue to build on some recent developments that promote more self-reliance, independence and an entrepreneurial culture, the twenty-first century will see Canada become the world leader it has always had the potential to be.