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**“Lessons Learned and Steps Forward”**

**Speech by the Honourable Bob Rae to the Canadian Club of Toronto**

**November 21, 2008**

**CHECK AGAINST DELIVERY**

Today I want to talk to you directly about the economy.

Everyone is now preoccupied with jobs, with retirement savings and pensions, with housing prices and how families and businesses can make ends meet in a world that is changing before our eyes. This concern has relentlessly spread to every part of Canada, to every corner of the Canadian economy, to every Canadian family.

There are concerns, and rightly so, that capital and credit markets have seized up and has stopped growth in its tracks.

People are worried about today.

They are also concerned about the longer term, about the jobs and prospects for their families well into the future.

A perfect storm has hit Canada's manufacturing industries—the combination of sharply falling demand from the US, our biggest market, coupled with fierce competition from increasingly productive Asian factories. We have a gyrating currency that affects what we buy and what we sell. As in other crises, people spend less when they're less sure about the present and the future. .

We are now facing a global whirlwind pounding the real economy.

When a factory closes in a small community, the impact is devastating.

When the biggest earner in the family gets laid off, everything changes.

When a senior citizen living on the interest from investments sees her nest egg shrink by 30% in a matter of weeks, there are a lot of sleepless nights.

Political parties, —and those who aspire to lead them - have a critical role to play in helping Canadian families, communities and businesses get through tough economic times and come out stronger at the other end. The Liberal Party has always stood for helping people, communities and businesses in tough times. Sound economic and fiscal management, and creating opportunity through generating prosperity, are the cornerstones of the Liberal Party.

Canadians - all Canadians, workers, business people, from all backgrounds and all walks of life expect intelligent action from their government when things aren't working well.

I've had experience in governing when the economy goes into free fall, the worst recession to hit the province Ontario since the Great Depression. Then as now the recession was global in nature.

I know what it means to face the pressures of office during tough economic times.

To lead a new government in 1990 was a challenge. If I had it to do all over again, I would do some things differently. Some 20 years later, and with many other experiences under my belt, I can apply some lessons learned to the challenges of today and tomorrow.

Over the course of my career, I've worked on some very intractable challenges. Red Cross restructuring, the Burnt Church negotiations on aboriginal fishing rights, helping the Toronto symphony orchestra get back to its music, my work for Premier McGuinty on higher education, the Air India report. What all those projects had in common, ultimately, was that the solution was about creativity, hope, and action. The solution was about change; the solution was about managing through a crisis, sometimes a tragedy and above all learning. And building something better and stronger at the other end.

So here for the record, are some lessons learned from a life of public service.

Lesson One: the speed with which a falling economy can cause the revenues of a government to evaporate. Believe me, lesson learned. Mr. Harper is apparently learning too. As recently as four weeks ago he was telling Canadians that our economy was fundamentally strong and that his government would not run a deficit. He has changed his tune quite radically in four short weeks. Now he and Mr. Flaherty talk openly about recession and deficits.

Lesson Two. Times of crisis teach us the importance of being practical, and show us the folly of ideologies and theories. It was a great British Conservative, Edmund Burke, who reminded us that "there is nothing more dangerous than to govern in the name of a theory". Mr. Harper, like Mr. Bush, is now being forced to abandon some of his theories and ideologies. It is about time.

Lesson Three - prosperity matters and can never be taken for granted. Canada is not entitled to it, we have to earn it. It is prosperity that allows us to take care of our families, that allows us to live in good health that allows us to enjoy life. As the singer said "I've been rich and I've been poor and rich is better".

Lesson Four: fiscal discipline matters and is linked to prosperity, and Lesson Five governments must ensure everyone benefits from the opportunities prosperity creates.

Lesson Six: You can't go it alone - whether you are Ontario or Canada. I don't care how big or strong you think you are - global recessions are humbling to the mighty. So Lesson Six is to get all sorts of people to the table. You need other governments. You need industry. You need labour. You need community leaders. You need to build consensus for tough action. And you need to have confidence in this country—in its people-- to pull through, and come out stronger.

Because they're human, governments today continue to make mistakes.

Mr. Martin left office in early 2006 handing Mr. Harper a \$13 billion surplus—a rainy day fund, if you will. Well it is raining today. It sure would be nice to have even half of that surplus today to help families and businesses get through this downturn. But it is gone, and it's impossible to say that's prudent fiscal management. Mr Harper governed in the name of theories for too long, and the cupboard is bare as a result.

Canadians need thinking and honesty from their political leaders more than ever today.

So let me try and apply some of these lessons learned to what we can do today and tomorrow.

Step one is to support the key industries that drive the Canadian economy. The credit crisis has stopped growth. We need to get it back.

In the car industry, for example, the federal government has to get to Detroit and Washington to discuss major assistance packages that are essential to this completely integrated industry.

Canada must be part of any solution or we risk losing much more than we already have. In return Ottawa must insist on a profound commitment from the industry to make it sustainable and competitive in the future. That is the bargain that must be struck if the taxpayer is involved: we build the green and competitive industries of the future.

Of course there is a healthy resistance to "throwing good money after bad", but again, let's start thinking practically, and not about theories. I think of the De Havilland plant in Downsview and the Algoma steel mill in the Sault. We were helping companies and communities, owners and workers, invest in their future, and our future. We insisted on business plans, better labour relations, and did our due diligence on what makes for competitiveness. Those and countless other initiatives saved thousands of jobs. They saved some communities; they certainly saved some families. The ideologues called them bailouts, but in fact the costs of those restructurings have been recovered, many times over, in tax revenues alone.

Step two is for the federal government, the provinces and municipalities to invest in infrastructure in a big way. Our crumbling infrastructure adversely affects business productivity and our quality of life. Now is the time to act. A major infrastructure build will help maintain jobs and demand in the economy. It will also make us more productive, which is key for the long term.

We need everyone on board, and there's much to do: transit, water treatment, universities and colleges - you name it, the need is there. Ottawa should also put in place Green Bonds to raise capital to finance green infrastructure. And public, private partnerships for some infrastructure projects must be pursued, because we can get better value for money, as we did in the original construction of Highway 407.

La troisième piste serait d'aider les familles qui travaillent à gérer ces moments difficiles. Il faut assurer la prestation de l'assurance-emploi aux Canadiens qui en ont besoin. Il faut aussi assurer l'offre de la meilleure formation possible.

[Step three is to help working families manage through this time. We need to make sure that employment insurance is there for Canadians when they need it. And we need to make sure we have the best training available.]

Parallèlement, il faut modifier le programme Prêt d'études canadien pour assurer que tous les étudiants aient accès aux prêts à un faible taux d'intérêt. C'est une pénible réalité que de moins en moins de familles auront suffisamment de revenu disponible pour financer les études de leurs enfants, et de nombreux étudiants potentiels éviteront d'étudier par crainte d'engendrer une dette écrasante. Il ne faut pas que cela se produise.

[Similarly, we should change the Canada Student Loan program to ensure that all students have access to low interest support. The difficult reality is that more and more families will have less disposable income to help to fund their children's schooling and many potential students will be frightened off because of the crushing future burden of student debt. We cannot allow that to happen.]

Pour ne pas délaissier les gens, il faut travailler plus fort avec les provinces et le secteur privé afin de développer des possibilités pour la formation des autochtones, les entreprises autochtones, les programmes qui favorisent l'intégration souple des nouveaux arrivants à la société canadienne tout en reconnaissant leurs compétences, et pour accorder une attention spéciale à ceux et celles qui accusent un retard.

[Not leaving people out means we need to work harder with the provinces and business on opportunities for aboriginal training and aboriginal business, on programmes to ensure the speedy integration of new Canadians into our society with their skills recognized, on special attention to those who've fallen behind.]

For far too many Canadians the dark humour of these days is all about retirement and the new reality of Freedom 95 replacing Freedom 55. Like much humour, it reflects a troubling reality for far too many of us. And many of our parents have much less to live on today than they did three months ago.

The government should act and now to change pension rules so seniors aren't forced to liquidate assets in this bear market.

To help private pension plans, many of which are struggling with solvency issues due to the bear market, we need to think seriously about long-term solutions to make it easier and less expensive for Canadian businesses and their employees to build secure pensions. The Canada Pension Plan

can help in the short run. And we need to ensure pension rules alone don't force companies into bankruptcy, resulting in both job losses and lost pension plans. A lose, lose scenario if there ever was one.

These three steps – engaging more actively on restructuring, investing in infrastructure, helping families, students and seniors are critical, practical actions. They must all be carried out in a framework of fiscal responsibility and prudence.

But beyond today we have to address the deeper concern that Canadians have about the future. What will the economy of the future look like? Will our children do as well as we have done? How can we do well in a big world where sometimes we feel vulnerable to the pace and extent of change?

To do this, we need to re-think our tax system, to make it more efficient, simpler, and more geared toward productivity, savings, entrepreneurship and wealth creation. Our tax system is not sufficiently supportive of the people and businesses that generate prosperity and wealth for our economy. And the provinces and the federal government are overlapping and doubling up on taxes. If we have real tax reform, we can have personal income-tax cuts that are fair and progressive, that reward savings and boost productivity.

Our corporate taxes must also be competitive. I heard loud and clear in the election that this is anathema to the NDP, but the NDP is wrong. Economies that thrive, in good and bad times, are the ones that include competitive tax rates, and an environment that encourages venture capital

as part of the approach to creating prosperity. That is how we ensure opportunities for new businesses to thrive and good jobs for workers in a global economy where capital and labour are mobile.

No party has a monopoly on the answers to these questions. But the key to success lies in building on what we know works, and what has worked for others.

Stephane Dion is right to insist that just as fairness and prosperity are not foes, neither are sustainability and environmental stewardship frills that can be discarded when times are tough. Energy efficiency, a greener economy and a greener society have to remain critical objectives. For example, in Germany these sectors are now bigger employers than the car industry.

My work for Premier McGuinty on higher education reinforced for me the critical role that innovation, knowledge and skills will play in our future. Early childhood education and good schools are a big part of it, but so are fast thinking colleges, great universities, innovative research centres like the MARS project in Toronto, and the great Canadian companies that are outstanding world leaders in the knowledge economy. As my colleague Gerard Kennedy has put it, we have to embrace a culture of risk and enterprise.

We also need to recognize a new reality in Canada—the rise of a permanent and powerful economic centre of gravity in western Canada. The oil and gas industry in western Canada has been driving the Canadian economy in recent years. And that sector, contrary to popular belief, is not part of the “old” resource economy. It is vibrant, entrepreneurial and innovative. And it is

vital to Canada's long-run economic prosperity. It is a resource the world desperately needs for the foreseeable future. We are lucky to have it.

The challenge for this sector and for governments is to make the resource sustainable and as environmentally friendly as possible. This requires engaging with the innovators in Western Canada to develop the environmental framework within which the sector can prosper. The industry is in fact ahead of government thinking in greening its operations and wants the certainty of a framework.

Lorsqu'on subventionne la culture, c'est bon pour l'économie. N'oublions pas que dans l'économie du savoir, ce que l'on investit aujourd'hui dans la culture et la créativité nous rapporte par la suite des dividendes en innovation et en productivité.

[Supporting culture is also good economics. We cannot forget that in the knowledge economy, investments in culture and creativity today will pay dividends in more innovation and productivity tomorrow.]

Tout ce qui se passe aujourd'hui nous rappelle surtout que nous sommes loins d'être isolés du reste du monde. La crise qui touche le Canada est une crise d'échelle mondiale, et le Canada doit être un leader international dans la quête aux solutions.

[Above all what is happening today reminds us that we are not at all remote from the world. The crisis affecting Canada is a world crisis, and Canada must be an international leader in finding solutions.]

Nous devrions jouer un rôle de leadership international et remettre à l'étude l'architecture de l'économie internationale afin de prévenir une telle crise à l'avenir. Le Canada peut être fier de son histoire à cet égard. Nous avons joué un rôle critique dans le développement du système Bretton Woods pendant les années quarante. Nous avons joué un rôle déterminant dans l'établissement de l'Organisation mondiale du Commerce pendant les années 90 pour contrer les effets pervers du protectionnisme. Et nous étions parmi les premières nations industrialisées à équilibrer notre budget pendant les années 90, sous la gouverne de Jean Chrétien et Paul Martin. Sous leur leadership, le Canada a championné le G-20, qui s'est réuni pour la première fois la semaine dernière, et s'est clairement manifesté comme élément central d'une meilleure gouvernance mondiale.

[We should play an international leadership role re-designing the international economic architecture to help prevent such a crisis from happening again. Canada has a proud history in this area. We played critical roles in helping design the Bretton Woods system in the 1940s. We played a seminal part in establishing the World Trade Organization in the mid 1990s to counter the perverse effects of protectionism. And we were one of the first major industrial countries to balance our national budget in the 1990s, under the leadership of Jean Chretien and Paul Martin. Under their leadership Canada championed the G-20, which met for the first time last weekend, and is now clearly central to better global governance.]

Cela signifie qu'il nous faut tisser des liens bien plus étroits avec les futurs géants économiques comme la Chine et l'Inde, la Russie, le Brésil et le Mexique. Le Canada dépend du monde entier

pour son niveau de vie. Ce monde-là est passionnant, et nous devrions y célébrer notre place. Cela exige une mentalité différente à Ottawa, dans chaque capitale provinciale, chaque entreprise et chaque école. Avec notre société multiculturelle et multiethnique, cela devrait se produire assez naturellement, mais il faut y travailler car cette mentalité ne se développera pas d'elle-même. Pour créer une culture de risque et d'entreprise qui voit d'un œil positif le défi mondial, il faudra faire preuve de leadership et d'imagination.

[It also means we have to be far more deeply engaged with the economic giants of tomorrow, like China and India, Russia, Brazil and Mexico. Canada depends on the whole world for its standard of living. That world is an exciting place, and we need to celebrate our place in it. This means a different mind-set in Ottawa, every provincial capital, every company and every school. Our multicultural and multiracial society should make this a natural for Canada, but we have to work at it, it won't happen by itself. To create a culture of risk and enterprise that welcomes the global challenge will take leadership and imagination.]

I have a powerful faith in Canada's future, but good work needs to follow that faith. The innovation and inventiveness of Canadians needs to be matched by its political leadership. Canada can restore the prosperity that we have had and will have again if we apply lessons learned to the steps we have to take together.

A new era of prosperity will not come about on its own. It will take focus and resolve. It means that Canada will once again have to find its voice, a voice that transcends borders and barriers and speaks to a common interest far stronger than what divides us. That voice must express this point at home and abroad that things will get better, that opportunities can come again. That

voice must speak for our values as well as our interests, be prepared to face stormy weather, and remind the world that Canada is, in the words of Champlain, a great and beautiful place, and wants nothing more than to build peace and prosperity for ourselves and for all our friends and neighbours. Le Canada, comme l'a décrit Champlain, est un immense et beau pays qui ne demande pas mieux que de créer la paix et la prospérité chez lui et pour tous ses amis et voisins.

I seek your help and support, and thank you for the many kindnesses you have given me and my family over a life of public service. I would like to continue that service by leading the Liberal Party of Canada, and hope we can travel on that journey together.