

# THE HARPER MANDATE: THIRTY MONTHS OF DECISION

Charles J. McMillan

The new government's minority status could turn out to be like the Pearson minority from 1965-68, one of the most productive in history. The Prime Minister and his new cabinet could provide a strong national policy agenda. It would be a mistake to commit to powerful new spending initiatives, mainly for consumption purposes, when the global economy will face an extremely tough ride and pressures will mount for Keynesian style spending. Ottawa, working with the provinces, should devote its energies to a range of national investments, affecting transportation infrastructure, intellectual capital, and sustainable development to position Canada in the global economy. This Parliament, writes Charles McMillan, "has 30 months to achieve legacy issues."



Tout minoritaire qu'il soit, le nouveau gouvernement pourrait faire sa marque à l'exemple du gouvernement minoritaire de Lester B. Pearson (1965-1968), l'un des plus productifs de l'histoire. À condition d'appliquer un solide programme d'action. Il ferait erreur en prenant d'importantes initiatives en matière de dépenses, surtout aux fins de consommation, alors que l'économie mondiale se prépare à une période chaotique et que s'intensifieront les pressions en faveur d'une politique de dépenses keynésienne. De concert avec les provinces, Ottawa devrait privilégier une série d'investissements dans les infrastructures de transport, le capital intellectuel et le développement durable pour mieux positionner le Canada sur l'échiquier mondial. Selon Charles McMillan, le Parlement « dispose de 30 mois pour laisser un héritage de décisions clés ».

The 2008 election will have a million post-mortems, engaging policy analysts in a litany of "what if" questions, including why the Prime Minister didn't go a year ago, why he expected to gain a majority with new seats in Quebec when French Quebecers have never voted for an anglophone against one or more francophone or Quebec leaders, and why the Conservatives remain largely a sizable block limited to suburbanites and rural areas. In fact, the relatively low turnout itself indicates that none of the three "national" parties appeals to a broad coalition of voters, who clearly want a forward-looking agenda.

What happens now? Historically, a Canadian prime minister, whatever the party or circumstance, has to deal with three overriding issues as the first minister. Usually, a crisis in one area spills over to the other two. The first is federal-provincial relations, including the perpetual regional tensions when Ottawa seems to tilt toward one part of the country as against another. The second is French-English relations, exacerbated today when Quebec is not a signatory to the Constitution and the Bloc's huge parliamentary rump keeps other parties from winning key constituencies. And the third is Canada-US relations, depending in part on the occupant of the White House, but also on bilateral tensions

(softwood lumber, energy, trade, water and, more recently, huge issues on border security and the war on terror).

Today there is a fourth, and this issue is looming very large on the national radar screen: the challenge of globalization. For the first time ever, on a range of issues from banking to automobiles, energy to food production, the United States is no longer in a commanding position, and the Bush legacy of a dreadful macroeconomic picture — huge government deficits, massive debts, loss of competitiveness in a range of industrial sectors — forces Canada to open its eyes to a multipolar industrial world, with the US as only one partner. Indeed, emerging economies, former partners like Europe, forgotten allies (Japan is the second-largest economy in the world, and Canada is an unknown player in that huge market) show the diminished Canadian presence on most real indicators. India, China and the other BRICs (Brazil and Russia), and, by extension, a host of big markets like Egypt, Turkey, Ukraine, South Africa) illustrate that on many sectors vital for Canada, these are the new competitors — Embraer from Brazil, for instance, against Bombardier from Montreal. In sector after sector, Canada's international presence has diminished: consider that beer companies from Belgium and South Africa are global giants

— who is running Labatt's and Molson's?

In one sense, one could ask: Does it matter? Certainly in comparison to that of the US, at both the national and state levels, Canada's macroeconomic position is quite strong. In contrast to the 1970s and 1980s, neither the federal government nor the provinces (and related provincial entities like Ontario Hydro) are cumulating huge debts from

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regular annual deficits. By contrast, Washington is afloat in deficits and debt (deficits as high by some estimates as a trillion dollars, and a national debt of \$10 trillion — \$3 trillion more as George W. Bush leaves office than when he took office — payable only with huge overseas borrowing), and leading states are lining up staggering deficits to keep their governments afloat. Moreover, despite the ups and downs of energy and commodity prices, the long-term trend of India's and China's economies, with 40 percent of the world's people, is of rising demand for energy, raw materials and food. Canada, if positioned, has all three in abundance.

So what does this mean for the new government and its chance of longer-term success? Consider four issues.

*Minority government.* Most minority governments last less than three years, and few minority governments leave a strong legacy (Diefenbaker 1962, Trudeau 1972-74, Clark 1979). But there is one notable exception: the second Pearson minority, from 1965 to 1968, was one of the most productive in history. This example could be the Harper model for the next 30 months, providing a basis for a strong national policy agenda, and one not committed to powerful new

spending initiatives, when the global economy will face an extremely tough ride and pressures will mount for Keynesian-style spending. But to be successful, the Prime Minister himself must spell out what the agenda will be, and why he intends to pursue these agenda items. In many ways, he, not the government, nor the cabinet, must decide if he is to bend toward the Reform Party group within the caucus and the party on such issues as global warming, China versus

Taiwan, and a range of divisive social issues over the next parliament, or whether he is to reach out across the whole party and much of the country on a national policy agenda.

Curiously, despite various statements about the dysfunctional nature of the last parliament, most of the Harper government's agenda was passed, and passed fairly quickly. The real problem, and one recognized by the public, is the excessive partisanship within Parliament, and the view, typified by the Rat Pack in the 1980s, that disagreement on policy positions quickly turns to a nasty coloration on personality and decorum. Not only do most politicians and their aides shun friendship and cordiality, parliamentary committees and the functioning of Parliament have become a lamentable and dreary exercise in seeing the worst in the other parties, and their followers. The media, of course, loves this game because it provides a low-cost sport rather than requiring serious policy analysis. Various prime ministers call for a new civility in politics, but that is possible only when the head of government himself leads by example.

In the next 30 months, it is easy to see why not much will change. The

Liberal leadership race will offer numerous instances when potential leadership aspirants will want to challenge the Prime Minister directly, not cabinet ministers, to show their mettle to delegates. Further, each party has a number of spokespeople who will vie for the cheapest form of partisanship against both the government and the other parties, because there may be additional leadership races. Why do these parliamentary tactics matter? The simple reason is that in the next two years, the global economy and Canada's industrial structure will face very difficult challenges. As in the Pearson minority Parliament in the 1960s, excessive partisanship can quickly turn to deadlock, and key initiatives can grind to a halt. The natural reaction is to run the government

with as little parliamentary time as possible, and lead by executive edicts. That is not a prediction, but a description of the organizational culture of Parliament. The Harper government isn't to blame for these dysfunctions — they have been building for at least a decade — but this government does deserve a disproportionate amount of reproach for excessive partisanship on certain wedge issues like crime and defence.

*Policy agenda.* Despite the campaign promises of the 2006 election, and the new promises of 2008, there is nothing very remarkable in the policy achievements, including the lost opportunity on tax issues. The booming economy could have sustained the GST at 7 percent while cumulating enough tax revenues to lower personal and corporate taxes. By any international standards, Canada's overall tax revenue machine is about average for OECD countries, lower than in many European countries, but a bit higher than in the US or Japan. But to non-ideologues, Canada, like most advanced countries, accepts that it is a mixed economy — a powerful private sector, a strong public sector and a judicious mixed sector of special circumstances. Certainly in the past 20 years, most countries have learned that the

private sector must become attuned to global forces, not because of Milton Friedman's overstated prescriptions of private markets but because many industries require huge markets to gain efficient economies of scale. Canada, with a tiny market (33 million, about the same as Tokyo-Osaka or London-Paris-Moscow), needs free trade to provide manufacturers with a guaranteed market of 100 million or more; it is the only country that had no access to such large population markets before free trade.

The reaction to the Bush legacy will force the government to reconsider its fiscal and economic agenda, as pressures mount from rising unemployment and provincial deficits. In many areas, Canada's industries (like those of the US) have structural impediments to competitiveness. The most glaring is the Ontario automobile industry, where lack of sustained new investments, technical innovation or a green shift has exposed Ford, Chrysler and GM to severe (and unstoppable?) market share declines. In certain ways, of all provincial economies the one facing the most critical competitive challenge is Ontario, for three reasons. The first is that outside the information and communications technologies sector, most industries remain in a bricks-and-mortar, metal-bashing 1970s mode of production, competitive only when the currency is weak. The levels of money spent on R&D and training (measured by days of training per employee per year) remain abysmal for an advanced country. The high school dropout rates are at Third World levels. Except for the University of Waterloo, which truly understands the commercialization nexus between academic research and new business start-ups, most Canadian universities have university commercialization centres only to pretend they are in this business.

Sustainable development, truly a conservative proposition, became a hallmark of the Mulroney administration, with a series of environmental achievements like the acid rain treaty, the biodiversity accord, the Green Plan, new national parks and the landmark



Jason Ransom

**Stephen Harper now moves from the campaign back to government, with a number of serious policy challenges in front of him. Charles McMillan writes that, like Lester B. Pearson in the 1960s, the Prime Minister has 30 months to define his legacy.**

Montreal Protocol reflecting global leadership by Canada. New, bold initiatives on commercialization of environmental technologies, and truly integrated sustainable development plans linking gas emission reductions to water and air pollution as vital health-related issues, are required. So is the vision of the Arctic, a combination of Diefenbaker's Northern Vision and Mulroney's Arctic sovereignty agenda, including an ambassador to the Arctic

Council. Accelerated infrastructure projects, linking forward-looking Atlantic and Pacific gateway strategies, urban transit expansion and high-speed trains from Calgary to Edmonton and from Windsor to Quebec City, using hybrid electric vehicles, are the best immediate job-creation projects.

The new government, using a bipartisan mode, can address many structural issues without committing much additional money. Consider

three examples: Aboriginal issues, internal barriers to trade, and medicare.

The achievement of the Kelowna Accord, when the 10 provinces and three territories agreed to a new framework for dealing with complex and difficult Aboriginal issues, was a watershed for Canada. The Harper government discarded the accord and proceeded to a piecemeal settlement of land claims. What was remarkable about the Kelowna Accord was that it raised the profile of the issues at all levels, educated the country about why Aboriginal issues were a national priority and showed that a bipartisan method can succeed, especially when most governments outside western Canada do not deal with these issues on a regular basis.

Indeed, most Canadians still have no understanding, beyond sketchy media reports, of how many Aboriginal students, especially in western Canada, are obtaining advanced degrees; how the landholdings of Aboriginal people have tremendous economic possibilities across a series of industries (timber, mining, oil and gas, and tourism); and how many Aboriginal entrepreneurs are slowly making their way into a number of areas, including arts and culture. Clearly, this file is a perfect example of how the new parliament can deal with these complex issues, how a return to a reworked Kelowna Accord is in the national interest and how even former prime ministers can help build a national consensus if a will prevails.

It remains shocking how little progress has been made on the removal of barriers to internal trade since Canada signed the Canada-US Free Trade Agreement more than 20 years ago, since it was repackaged as NAFTA. As in many areas, the last thing needed is more studies. The BC-Alberta agreement is a model, but given the deteriorating international financial situation now is an ideal time to accelerate this model across Canada,

if not on a national basis at the start, then within regions (e.g., Manitoba-Ontario-Quebec). Internal political pressure on governments could push premiers and politicians toward more barriers, especially in areas like public procurement, industry subsidies and professional qualifications. (Ontario has more than 20 separate agreements on qualifications for health professionals, reducing the value of credentials received from other provinces.)

Most national politicians have little idea how the federal government, using existing clauses in the Constitution on trade and economic matters, could take the provinces to court as a way of removing these nefarious policies, most of which are largely unknown by the public and poorly understood by indus-

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try groups. Studies of Canadian productivity and of the lower performance by industries as compared with those in neighbouring American states illustrate that on trade, economies of scale and learning from foreign customers do count. Atlantic Canada illustrates this national challenge, with 11 separate dairy operations across four provinces and a population of only two million, but what shows in small provinces is also the case in big provinces; the only difference is that it isn't so obvious.

No subject has been the topic of so many studies as medicare, and nothing illustrates as well as health spending that in tough times, real spending does make a difference. Alas, the entire subject is now ideological: from the left, any change to current practice is seen as an opening for American-style

health care; the right favours a return to real individual choice, not government-supervised medical practice. Can a new government deal with this issue on a bipartisan basis? Paradoxically, the push by American industry for a national, government-sponsored health system (possibly working through individual states like Massachusetts and California) will be an opportunity for possible Canadian reforms. As the US shifts toward a publicly funded system like Canada's, Canada could start adopting the models of France or Switzerland, or even Japan. Indeed, in the latter case, Japan spends as a percentage of GNP only half of what Americans spend, with better outcomes in primary medical practice, and Japan's publicly funded system also includes drugs and privately owned hospitals.

**T**he main point is that the present system is unsustainable, not because health professionals want to turn back the clock, but because too many patients are treated in extremely expensive hospitals instead of private clinics, and too many routine issues are treated as if they were emergencies. Further, governments at all levels are

pouring money into the front-office functions of hospitals — more doctors, nurses and health professionals, more beds and new equipment — without dealing sufficiently and comprehensively with back-office functions like information technology, joint procurement of goods and services, and hospitals sharing treatment services such as radiology (where scale and critical mass allow huge real savings).

**C**anada-US relations. By any standards in the world, Canada and the US share a fabulous bilateral relationship, across a range of subjects. In general, there is more than a slogan behind this friendship or the personal links, good or bad, behind the US president and the Canadian prime minister. Mature Canadians appreciate what an example

this linkage is for Canada but also for the United States. In the next 30 months, to a degree that would have been hard to believe a decade ago, the US will need help from Canada in dealing with its own challenges both at home and around the world. Consider two examples: the UN and South America.

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To say that the US has a reputation problem at the UN is to state the obvious. The new president will make the UN an obvious priority, and NATO partners can be a huge help to rebuild America's reputation around the world. But in many instances, Canada can be a big help, not only with countries of the old Soviet Union, where Canada shares its northern border, but with smaller Commonwealth countries, including in the Caribbean, because Canada enjoys a special access to the White House through a range of international forums. At their best, Canadian prime ministers make great go-betweens, ambassadors at large, where too often big countries place their own agendas first.

This example illustrates the huge American hole in relations with South America. Under George W. Bush, the United States has had terrible diplomatic relations not only with Cuba but with the northern half of South America (Venezuela, Ecuador, Bolivia) and extending southward to places like Argentina. This challenge will be a big chore for a new president saddled with so many immediate problems at once, but it illustrates how an effective, articulate and multilateral position from Canada, which still has a strong brand image, could help the United States in this extremely important region. Too often Canadians forget, because of the success of Brazil, what a scramble the other South American countries experi-

ence, not only to secure food and raw materials, but also to find markets for their goods. Canada's reputation can be a force for good, if all diplomatic, economic and political cylinders are firing together.

*Globalization.* Even a casual perusal of party platforms during the last elec-

tion shows that most politicians are thinking in terms of the late 1980s or 1990s. Critical 21<sup>st</sup>-century issues such as education and training as a lifelong pursuit, broadband and Internet access, excelling in new environmental and energy technologies, demographics and immigration policies, and cultivating Canadian companies in trade and high technology so they can sell in overseas markets were not on the political radar screen. Federal agencies like the CRTC are too busy quietly siding with the likes of Bell Canada to slow down new technologies like wireless and high-speed Internet, to allow cable and telephone companies time to depreciate old equipment. In the recent election campaign, most of the political discussion was instead ideological, short-term, defensive, often parochial and at times philistine (for example, the discussion about the arts and culture).

**W**ealth creation no longer rests upon simple access to the US market. In too many areas, the American market and industrial marketplace must turn to what is happening in other countries — Europe for nuclear technology, wind power, parts of aerospace; Japan for wireless technology and automobiles, to name two; and increasingly India and China to deal with products and technologies for low-income people (consider Tata's new car, the \$2,500 Nano). Canada's population is at best 2 percent

of the world's total, its own technology accounts for 3 percent — so it must incorporate 97 percent from the US and around the world. North American blinkers have been a postwar success but now blind Canadians to the new realities of globalization.

Perhaps in the next few years, much of American defence and foreign-policy-making will become mainly bipartisan, led of course by the president, but Congress will play a huge part. There is much to be said for the same approach by Canada's new parliament. Parliamentary committees should be given the time, money and especially staff to study how globalization affects Canada. The francophone and Commonwealth connections also can be a huge counterbalance to a narrow North American perspective. Greater Asia, encompassing about 60 percent of the world, must be more than an empty slogan and lost opportunities, like Canada's relationship with Japan in the 1980s.

The new government does face a policy challenge; it also faces a directional challenge. By any standards, money is going to be extremely tight, unemployment could get very high and individual insecurity will test politicians and political leaders of every stripe. A command-and-control style of government, making incremental adjustments to policy for partisan gain, will be a recipe for electoral retribution. The Canadian public, with low turnout, is giving both the government and parliamentarians a simple message: our patience is limited. The Prime Minister has 30 months to achieve legacy issues, and anything less than bipartisanship will be a test of failure.

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