

LAMENT FOR A NATION— ALL OVER AGAIN?

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Successive Canadian policy innovations over the last 50 years have given rise to repeated warnings that whatever reform was being considered—from free trade to the Charter of Rights and Freedoms would lead to the end of Canadian independence. In fact, Canada has and holds fast to a set of values and institutions that are quite different from those of our southern neighbour. No policy change currently in the air—be it monetary union, sales of water or harmonization of border measures—threatens that.

Depuis un demi-siècle, chacune des réformes politiques mises en œuvre par le Canada a donné lieu à une série d'avertissements selon lesquels la moindre innovation—du libre-échange à la Charte des droits et libertés—sonnerait le glas de l'indépendance canadienne. En réalité, le Canada possède et privilégie un ensemble de valeurs et d'institutions qui se démarquent à maints égards de celles de nos voisins du Sud. Et aucune des réformes dont il est actuellement question—union monétaire, ventes d'eau ou mesures d'harmonisation des frontières—n'y changera rien.

There can no longer be any doubt that lamenting Canada's future has become a national pastime. Back in the mid-1960s, Canadian philosopher George Grant gave this mindset the most eloquent expression in his memorable book, *Lament for a Nation*.

The "lamenting game" had actually begun in earnest after World War II. In the 1950s and 1960s, it was foreign (that is, US) investment that would doom Canadian sovereignty and independence. In the 1970s and 1980s, it was free trade with the United States that would push Canada over the edge. By the 1990s, fears over "the US cultural invasion" had reached a peak—even while our federal government was forcing the CBC and a host of other organizations to cope with draconian budget cuts.

One of the latest alleged threats is the emerging debate on monetary union with the United States. Even more recent are the alarm bells being sounded over the possible sale of our water and other energy resources to the Americans; also over the idea of a further freeing-up of the Canada-US border. And believe it or not, some Canadians are now arguing that the Charter of Rights and Freedoms—with its US-style emphasis on individual rights—is eroding Canada's independence; and that severing our constitutional links with the British Crown would serve only to accelerate the erosion process.

Let's take a closer look at each of these concerns—past and present.

Fifty years' experience with foreign investment in Canada has left us with a basic, indelible message: the main thing to lament is that there has not been enough of it. Foreign owners or controllers of Canadian-based firms, like their domestic counterparts, have one overriding objective—to maximize profits. In so doing, they generally bring substantial wage, employment and technological benefits to the Canadian economy.

They can also bring problems, such as reduced competition and decision-making based more on nationality than on economic gain. But these are also problems generated by domestic investors. The appropriate governmental remedies are not to restrict foreign investment, but rather to combat anti-competitive behaviour and to create an attractive economic environment for all investors.

There is, in any event, incontrovertible evidence that foreign investment, most of it American, has produced huge net economic benefits for Canada over the past half-century. And there is not a shred of evidence to suggest that foreign investors have seriously hampered independent Canadian policy-making, or that their influence on policy has been any greater than that of Canadian business. (The current Air Canada monopoly is a classic case in point, illustrating how a misguided federal government has virtually eliminated air-travel competition in Canada by refusing entry to foreign carriers and the investment that they would

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make in the domestic market.)

As for the "free-trade bogeyman," at the outset, it is important to acknowledge that free trade is not—as some overzealous advocates have suggested—a cure-all for a country's economic ills; that it is not primarily an instrument for creating employment; and that, in fact, it typically produces job dislocation which is not adequately addressed by governmental adjustment policies. Having said this, however, let me go on to emphasize that 12 years of Canada-US free trade have brought great economic gains to Canada in terms of export-generated income, competitive efficiency and highly skilled labour.

Furthermore, there is no evidence pointing to a politically weakened Canada. On the contrary, the past decade yields plenty of evidence showing Canada, on the whole, effectively defending its interests in trade disputes with the United States. This capacity for standing politically tall can only be strengthened in an evolving three-country trade arrangement like NAFTA—and even more so if the projected free trade area from Alaska to Argentina (FTAA) comes into being. It is also crystal-clear, I believe, that Canada can be politically stronger as a rich country than as a relatively poor one.

But what about our social and cultural independence? In the hectic months leading up to the 1989 signing of the Canada-US free trade accord, many of Canada's lamenters were proclaiming that free trade would force this country to cut its social programs in order to harmonize them with those of the United States. To be sure, our programs were drastically reduced during the 1990s. But free trade had nothing to do with it. Canada's federal and provincial governments proved themselves quite capable of making the cuts on their own. Obsessed with the new gospel of balanced budgets at almost any cost, Ottawa and the provinces proceeded to slash funding for health, education and welfare. More recently, "blessed" with budget surpluses, the federal government, in particular, moved to restore some of the earlier spending—at times in innovative ways like the funding of national scholarships and professorial chairs at Canada's universities. But by then, the human and economic damage had been done—not by some foreign power or international agreement, but by our own "home-made" politicians and bureaucrats.

As for the cultural dimension, there can be no denying Canada's increasingly massive exposure to US ideas, values, media reporting and artistic expression. But in this age of the Internet, who can

name a country that is not deeply affected by this "US invasion"? Canada's answer should not be to build unsustainable cultural walls against the invader, but rather to expand public funding for an already vibrant cultural community, and to produce the kind of educational reforms that will better equip Canadians to accept the positive external influences and reject the negative ones. (In this regard, it is worth noting that the "cultural industry" is exempt from Canada-US free trade and NAFTA, and that Ottawa has so far fought off US efforts to remove the exemption.)

Let me now address the "monetary union" issue. This debate has intensified over the past several months. Much of it, however, is going in the wrong direction. There is no necessary or inevitable progression from monetary to political union. The European Union provides a vivid example. France will remain France and Germany will be Germany long after the "euro" goes into circulation in January 2002. Language differences are, of course, a contributing factor to these countries' certain survival. One can also distinguish between an officially bilingual Canada and an English-speaking United States. But the main point is that Canada has become mature enough, and resilient enough, to sustain its political viability.

Power-sharing over monetary policy would pose a problem. It would, however, be entirely possible to craft a system that gave Canada a voice consistent with its economic size and with Canadian views on effective decision-making. The real issue is whether Canada would reap substantial economic gains by replacing its own currency with the US dollar. This, in turn, boils down to the question as to whether Canada should switch from its floating exchange rate to a fixed rate (in terms of the US dollar).

The economic literature is overloaded with analysis of fixed vs. floating rates. Suffice it to say here that:

- a fixed rate promotes price stability and fiscal discipline at a possible cost in unemployment, while a floating rate promotes flexibility in employment policy at a possible cost in inflation and the standard of living;
- Canada has long been heavily dependent on US monetary policy, and a fixed rate would further constrain our degree of policy freedom;
- to the extent that our policy-makers fall short, I would prefer an inflation cost to a cost in unemployment; and, finally,

- high living standards are a function not only of exchange-rate policy, but of a broad range of policies primarily designed to increase productivity.

Personally, therefore, I am inclined to oppose monetary union with the United States. Let me underscore the point, however, that while a floating rate cushions the shock of a sudden drop in demand for Canada's exports, a fixed rate provides much of the monetary and financial stability on which investors—domestic and foreign—depend. The policy choice, in this context, is a difficult one to make. But most important is the fact that whatever the choice, it should be made for economic reasons, not in order to save Canada from an imaginary political death.

As for the possible sale of Canada's water and other types of energy wealth, I am reminded of the hue and cry raised, many years ago, against a "sell-out" of our precious natural resources. Then, as now, the real issue was, and is, not whether Canada should denude itself of its riches and political strength, but whether, given changing technology and market demand, there was, and is, a right time to export our carefully estimated excess resources at the highest possible price and under the best possible terms. The lamenters were wrong then, and they are wrong now. In economic logic, the federal government is also wrong for posting a "no sale" sign on our water resources—whatever the political rationale may be. As "The Preacher" said so eloquently in the *Book of Ecclesiastes*, "To everything there is a season, And a time to every purpose under the heaven: ... A time to keep, and a time to cast away."

There is, indeed, a right time for everything, including the elimination of wasteful Canada-US customs administrative blockages and delays to the hundreds of billions of dollars worth of goods that move across the border every year. The time for elimination is now. These red-tape costs may well exceed 10 per cent of the value of last year's two-way merchandise trade (\$625 billion). The gains in competitive efficiency would accrue to both countries—not only within North America but also for North American trade *vis-à-vis* world markets. Putting it mildly, it is difficult to see how such enrichment could have adverse political consequences for Canada.

(This issue has a very important "security" dimension. The horrendous terrorist attack on the United States last September 11 points unmistakably to the urgent need for a Canada-US initiative to tighten the monitoring of "peo-

ple" movement into both countries and across the border. Closer security checks on merchandise flows should not, however, be a substitute for administrative efficiency in cross-border trade.)

A freeing up of cross-border restrictions on merchandise trade does represent a further stage in Canada-US economic integration. There may, or course, be a point beyond which integration makes some form of political union necessary or profitable. But if there is such a point, we have not even come close to it.

It remains only to confront some of the constitutional lamenters who fear for Canada's future. The argument that the Canadian Charter of Rights and Freedoms justifies this fear would be laughable if it were not taken so seriously by those who make it. To argue that the Charter puts Canada at risk is tantamount to saying that we are in trouble because we have chosen to enshrine individual rights which are also protected in the US Constitution. So if we happen to believe in some of the same basic principles that the Americans do (along with the United Nations, the European Union, and so on), then we are in grave danger of becoming Americans. How illogical can the lamenters get! The Charter is one of the great Canadian achievements of the 20th century. If Canada endures, as I believe it will, much of the credit will go to Pierre Trudeau's Charter.

By contrast, none of the credit will go to Canada's constitutional link with the British Crown—if that endures. Australia's republicans made good sense: the "divine right of kings" had no place in their mature democratic system; and abolishing the monarchy could in no way weaken the fabric of Australian nationhood. They lost the country's recent referendum on that issue mainly because of complex, demanding rules set by a pro-monarchy federal government.

The republican rationale for Canada is much the same as for Australia. There is, however, the added monarchist twist that since Canada sits next door to a republican United States, we will cease to be Canadians if we reform our political system along republican lines. Our monarchists seem oblivious to the fact that a Canadian republic need not, and should not, be a carbon copy of the US system; and that, given the preponderance of republican opinion in Quebec, such reform could actually strengthen Canadian nationhood.

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In this age of accelerating globalization, it should come as no surprise that Canada—like all countries, including the United States—is a less independent nation than it was a half-century ago, or even a decade ago. We are now constrained by the pressures of unprecedented, worldwide advances in technology, communications and transportation. We are, of course, also enriched by these advances.

But the lamenters on Canada's political viability should not lose sight of some indisputable facts. It may border on cliché, but it is nonetheless true that we have, and show no signs of abandoning, a set of values and institutions that differ markedly from those of our southern neighbour.

Our national medicare—warts and all—is a system about which progressive Americans can only dream. Our long tradition of equalization payments—with all of its problems—is unique in North America; and it reflects a sense of equity and compassion that continues helping to sustain Canada's political bonds. We are a giant step ahead of the Americans on such socio-cultural issues as capital punishment, gender equality, abortion and public funding for education and the arts. We have a Supreme Court in Ottawa that—in spite of a defective selection process—is far less polarized, and far more sensitive to national values and aspirations, than its US counterpart. We have a federal, representative system of government that, for all its problems, gets some very important things done relatively quickly by, and for, all Canadians. In sum, despite the constraints and shortcomings, Canadians have proven themselves clearly capable of setting their own goals and pursuing them with reasonable effectiveness.

All this, obviously, is not to say that there is no cause for concern about Canada's future. But this country's fate lies in Canadian, not foreign, hands. We are a rich country growing richer, with a considerable capacity to grow politically stronger. There will be plenty of time to "lament for a nation" if we fail to use that capacity. Meanwhile, to repeat a favourite prime ministerial phrase, "we have work to do": in particular, exploding the ubiquitous myths of our pseudo-nationalistic lamenters; reducing the still excessive tax burden on Canadians; getting serious about bringing the poor and the disabled—"the broken people"—into our economic mainstream; doing real justice to Canada's Aboriginal peoples; meeting the challenge of basic reforms in health, education and welfare; charting a solid path towards resolution of "the Quebec problem"; and conducting our foreign policy in a way that gains greater international respect—giving genuine priority to poverty reduction, environmental protection and the promotion of human rights.

In closing, I would be remiss in not mentioning that a different type of "lament for nation" has been blossoming over the past few years. We now have the "unite the right" lamenters. Their prime concern does not appear to be Canadian independence, but rather the lack of an effective small-c conservative opposition to the federal Liberals, and the alleged dire implications for Canadian governance. While I am not much impressed, addressing this particular lament is for another time and another place.

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All over by 1950 The Liberals failed to recognize that the real danger to nationalism lay in the incipient continentalism of English-speaking society, rather than in any Quebec separatism. Their economic policies homogenized the culture of Ontario with that of Michigan and New York.

The crucial years were those of the early forties. The decisions of those years were made once and for all, and were not compatible with the continuance of a sovereign Canadian nation. Once it was decided that Canada was to be a branch-plant society of American capitalism, the issue of Canadian nationalism had been settled. The decision may or may not have been necessary; it may have been good or bad for Canada to

be integrated into the international capitalism that has dominated the West since 1945. But certainly Canada could not exist as a nation when the chief end of the government's policy was the quickest integration into that complex. The Liberal policy under Howe was integration as fast as possible and at all costs. No other consideration was allowed to stand in the way. The society produced by such policies may reap enormous benefits, but it will not be nation. Its culture will become the empire's to which it belongs. Branch-plant economies have branch-plant cultures. The O'Keefe Centre symbolizes Canada.

George GRANT, *Lament for a Nation*, 1965