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January 1998

## The Press Looks at the Political Future of Canada and the United States in the 21st Century--Where Do We Stand, and Where are We Headed (A Canadian Perspective)

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### Recommended Citation

Giles Gherson, *The Press Looks at the Political Future of Canada and the United States in the 21st Century--Where Do We Stand, and Where are We Headed (A Canadian Perspective)*, 24 Can.-U.S. L.J. 347 (1998)

Available at: <https://scholarlycommons.law.case.edu/cuslj/vol24/iss/48>

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THE PRESS LOOKS AT THE POLITICAL FUTURE OF  
CANADA AND THE UNITED STATES IN THE 21<sup>ST</sup> CENTURY  
– WHERE DO WE STAND, AND WHERE ARE WE HEADED?  
(A CANADIAN PERSPECTIVE)

*Giles Gherson*<sup>\*</sup>

My assignment was to talk about the political future of Canada and the United States in the 21<sup>st</sup> century. I have been out of the United States for about ten years now, so I thought it would be presumptuous to carry on too far in that direction. Taking the more modest course, I decided to restrict myself to Canada.

Let me start by saying – and this is my own provocative statement of the evening, I do not think there is any guarantee that there will be a Canada through the 21<sup>st</sup> century. Of course, I hope there will be. I think there ought to be, but I cannot say with any certainty that midway through the next century, Canada, as it is presently configured, will continue to exist as an independent country from sea-to-sea-to-sea on the northern half of the North American continent.

There is my first big admission. I do not know what the political future of Canada will be in the 21<sup>st</sup> century, but, before you get me off the stage, I should tell you that I do not know of anybody who does. That is probably the big difference between our two countries. On the cusp of the new millennium, the United States leads the “American Century” as the world’s single super-power; its dominant economy; its most dynamic innovator; and its most influential culture. True, the United States has no shortage of challenges; high rates of urban crime, a widening income polarization, and acute environmental degradation, to cite a few. And there is no doubt that, in the age of big markets and diminished states, national government and politics seem distant and irrelevant to many Americans raising important questions about the evolving quality and the nature of the U.S. democracy. Just look at the appallingly weak voter turnout in the 1996 presidential election. Nevertheless, speaking about the future of U.S. politics in the 21<sup>st</sup> century, no one doubts the success or the permanence of the American experiment and the self-confidence of Americans as a national society.

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The touchstones of the American way, individualism and political and economic freedom, are being copied the world over. But, this sort of confidence is far from evident north of the border. It has to be conceded right off the bat, and George Grant makes this perfectly clear, that existentialist angst is almost a Canadian pastime,<sup>1</sup> and it has been true all of my adult life. Indeed, today the real or the presumed threats to Canadian survival are so familiar that they are almost woven into the Canadian psyche itself. The nagging threat of separation has been with us since the first election of the secessionist *Parti Québécois* in Quebec City in 1976. And then, there is the anxiety over being swallowed up by the U.S. giant next door, a danger older than the Confederation itself. These are the two obvious mainstays.

However, as the century draws to a close, the demands of globalization and technology are exerting especially acute pressures on Canada. There could be no question that, as something of an artificial nation, defined by a small, scattered population strung over a vast and often forbidding territory, with most citizens living within maybe one hundred miles of the U.S. border, Canada very much has been defined historically by the legacy of a strong central government. Not only has this government been a tool of economic nation-building, much more so than the United States, but it is well reflecting a Loyalist-Tory tradition dating back to the American Revolution. As tens of thousands of American settlers loyal to the crown moved north, Canada's political culture has also been more collectivist and less individualist than the United States, with a stronger social role for government.

Canada was not forged from revolution, but from a compromise accommodation brokered from the center. This is why the big market, small government phenomenon of today's global economy is sharply exacerbating the strains on the Canadian state, both on the southward pull to North American economic regulatory and cultural integration, and the outward pull to greater political decentralization and local autonomy. Indeed, one of Canada's best known political thinkers, Tom Corsean at Queen's University, recently has gone so far as to posit the view that Ontario is no longer Canada's traditional heartland of the nation, a province that always put the nation's welfare at the core of its political culture but has, in fact, become a North American region-state.

The big irony of the present state, as it underscores the fragility of the Canadian experiment, is that, by some measures, the country has not looked as strong or robust in a long while, which is why my putting its future in question might be viewed at first blush as kind of eccentric. First of all, the federal government has not been healthier financially in more than a genera-

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<sup>1</sup> GEORGE GRANT, *LAMENT FOR A NATION: THE DEFEAT OF CANADIAN NATIONALISM* (MacMillan of Canada, 1978).

tion, after decades of appalling budgetary mismanagement manifested by twenty-eight years of consecutive and mounting annual budgetary deficits, culminating in a forty-three billion dollar shortfall for 1993-1994. This year we will see a balanced budget, or probably a small surplus. The forecast, for as long as the eye can see, is for a string of federal surpluses.

Second, the economy looks poised for several years of rapid growth, likely the most rapid growth of the G-7 countries. After suffering through deep recession, then protracted, slow growth for the first half of this decade, the economy has rebounded sharply. Unemployment, stuck at about ten percent for five years, has now finally fallen below nine percent, hardly a great number in the United States, but still something about which the Canadians are proud. West of the Ontario-Quebec border, the unemployment rate is closer to seven and a half percent.

Third, Quebec separatism appears to be staging one of its periodic retreats, after reaching its high point in this latest cycle with a narrow loss in the 1995 October referendum. A recent slate of opinion polls in Quebec makes it abundantly clear that Quebeckers are fatigued by years of political talk focused on national unity and secession, and are increasingly cognizant of the steep economic cost political uncertainty has exacted on the province. Below-average economic growth, higher-than-average unemployment, continuing disinvestment, the relative decline of Montreal from Canada's first city a generation ago to Canada's poverty capital today, all of that has left an imprint.

On top of this comes the recent move by Jean Charest, the young, charismatic, highly popular leader of the federal Tory party to seek the leadership of the Quebec provincial Liberal party and become *de facto* leader of the province's federalist political opposition. This has dealt a further psychological blow to the separatist forces.

Quebec's Premier, Lucien Bouchard, who only a few months ago was preparing for a spring election against the disorganized and embattled provincial Liberals, to be followed, assuming victory, by another referendum on sovereignty later this year, now is very much on the defensive. An extensive *Montreal Gazette* poll a week ago shows that, if an election were held today, the Liberals under Charest would get fifty percent of the vote, versus thirty-one percent for the present *Parti Quebecois* government. In another poll by the Ekos organization, Quebeckers said they would choose, even at today's status quo, Canadian federalism over complete independence by a margin of fifty-nine percent to thirty-one percent.

That is quite a sweeping change over the past six months or so that this current sharp reversal of fortune for the separatists seems likely to postpone the Quebec election by a year, while Premier Bouchard waits and hopes for

Jean Charest's star to slip. For his part, Charest seems certain to be acclaimed Quebec's Liberal leader at the end of this month. As leader, he will have just one message, that a Liberal government is the only guarantee against another divisive referendum on separation, ending, or at least suspending, Quebec's long period of economic and political uncertainty.

Returning to my main theme, with Canada seemingly about to conquer its two biggest problems of the last generation, Quebec's independence and looming Canadian government bankruptcy, and with the economy on a roll, why does the 21<sup>st</sup> century not beacon more brightly? Why is Canada's future in doubt? Is Canada not a huge success? It is emerging from the 20<sup>th</sup> century with the world's thirty-fifth largest population, the eighth largest economy, and with the United Nations' seal of approval as having the planet's highest quality of life for the second year in a row.

The answer, fundamentally, is that the past, or even the present, may not be prologue. It gets back to the challenges posed by globalization and micro-chip revolution; the rising power of the market; in this case, a rapidly integrated North American market and the mounting obsolescence of Canada's national government in this changed environment. As the 21<sup>st</sup> century approaches, Canada faces three key challenges to that existence.

The first is the economic challenge, or more precisely, the standard of living challenge. There is no doubt about the success of the Canadian economy in this century, delivering, as it has, one of the highest standards of living in the world over the last fifty years. But there is also no doubt that, in relative terms, we are now seeing a pronounced erosion of that success. The Conference Board of Canada reported last fall, using numbers that are very close to internal Canadian government findings, that Canada's per capita income has been sliding steadily against the United States over the last fifteen years, and now stands at thirty percent below the comparable U.S. number. Since this is the most used proxy for standard of living, it suggests that Canadians are becoming steadily poorer than their cross-border American cousins. Thirty percent is a shocking and sustainable gap across a relatively open international border. Already 3.3 million Canadians, more than ten percent of our population, live in the United States. And many are the best and brightest of our countrymen, who have sought more rewarding opportunities south of the border. Now the talisman of Canada's income gap is the Canadian dollar. Sure, there are number of technical reasons relating to monetary policy and cross-border interest rate differentials that partly explain the current weak Canadian dollar, now worth about seventy cents on the U.S. dollar. Canadian authorities for over two years now have proclaimed the dollar's weakness to be a temporary aberration. But surely it is no coincidence that the Canadian dollar discount closely mirrors the gap in standard of living or

output per person between the two countries. Of course, to a lot of Canadians, and even many politicians, the seventy-cent dollar is a marvelous blessing.

The decade-old Free Trade Agreement notwithstanding, this provides a hefty invisible tariff wall, making Canadian exports more competitive in the United States, then bolstering Canadian exports abroad, and also keeping a bar up against exports to Canada. As a result, Canada has had a very healthy merchandise trade deficit ever since the Free Trade Agreement was signed. But in an increasingly integrated continental market, characterized by intensifying competition for investment and skilled, technologically proficient people, Canada's flagging standard of living, compared to the United States, threatens to feed on itself.

The output gap reflects Canada's decidedly anemic productivity performance since the early 1980s, compared to the United States, and already it translates into higher U.S. manufacturing wages, higher unemployment levels in the United States, and lower taxes south of the border. In fact, manufacturing income is now on average one dollar an hour higher in the United States compared to Canada. Middle-income Canadian wage earners pay roughly one-third more than their American counterparts in taxes. And, if the same percentage of working age Canadians had a job in 1996 as in the United States, over a million more Canadians would have been working, soaking up nearly two-thirds of the Canadian unemployment rolls. If Canada is to survive as an independent country in North America, it will have to close the widening income gap with the United States, yet this is an issue that is barely on the political radar screen in Ottawa.

Next is the political challenge, specifically the continued capacity of a severely atrophied government to play its traditional role as the custodian of pan-Canadianism, forging and maintaining East-West ties against the southward pull of the United States. In the past, the federal government employed its tax-and-spend power to support the development of major transnational transportation and communication systems, as well as a national social safety net of pensions, unemployment, insurance, public health care, post-secondary education, and other social services. In recent decades, it has become an article of faith among Canadians that the generous national social safety net was a defining characteristic of a kinder, gentler society north of the forty-ninth parallel. Of course, over the last twenty-five years, as the pace of economic growth slowed, unemployment levels climbed, and family income stagnated, these social programs became far too costly and nearly bankrupted the government, forcing retrenchment in the last five years. Hospital overcrowding, an overstressed education system, an employment insurance system available to only thirty-five percent of Ontario's unemployed people, and a declining

elderly income support system, suggests social services that are no longer a source of very much pride.

Today, in order to keep its budgetary house in order while paying over forty billion dollars a year in interest payments on a gargantuan \$560 billion national debt, the impoverished federal government simply cannot be the sort of activist purveyor of national unifying symbols that it once was.

Let me give you a taste of the scale of the federal government's retreat. In 1994, the federal government's spending on programs and services, all programs and services, amounted to the equivalent of 17.6% of the country's economy. This year, program spending will account for just 12%, the lowest level since the 1940s, at the early years of the welfare state. Putting it another way, six years ago, Canadian taxpayers got one dollar and twenty-three cents worth of services for every dollar of taxes they sent to Ottawa. Now they get about seventy-five cents for every dollar, which basically invites contempt. No wonder, as public services are scaled back, pared down, and rationalized, Canadians are losing confidence in government's capacity to withstand the pressures of globalization.

Adding to the pressure on government is clear evidence that, with programs and services in decline, Canadian tax rates are seriously out of line with those in the United States, and are overdue for an across-the-board cut. Middle class tax relief is clearly a top priority for the Canadian Finance Minister in coming budgets. Clearly, this will further constrain government resources.

At the same time, as the federal government finds itself, however unwilling, in headlong retreat, it is fair to say that there is no longer much of a political constituency advocating a return to central government activism. In contrast to the two-party system in the United States, the Canadian Parliament of today and in the foreseeable future is splintered between regionally based parties with highly divergent visions of the Canadian state. Facing the Ontario-based Liberal government in the House of Commons is the western-based Reform party advocating minimalist national government and greater political decentralization. The third party is the separatist Bloc Quebecois from Quebec, with the fourth and fifth parties being the left-wing Democrats and the depleted remnants of the once-governing Conservatives, now an Atlantic Canada-based rump.

Underscoring the fragmented pizza-Parliament, as we call it, and the ebbing political consensus around national institutions, is a new provincial assertiveness among the big four provinces. Ontario, Quebec, British Columbia, and Alberta are all pressing for stronger provincial authority and less interference from Ottawa, an alliance that is hard to ignore. Finally, along with the withering of the post-war consensus around activist government

which fostered what my fellow journalist Richard Gwyn has called the Canadian state-nation, is a growing social challenge that cuts to the core of Canada's identity as a distinctive North American society.

In a nutshell, there simply is not much agreement anymore about what attributes constitute Canadian-ism. Intensifying economic cultural integration with the United States, the decline of Canadian institutions in the public consciousness, and shifting values among the massive baby-boom generation are the causes for this disagreement. For instance, there is a lot less of the traditional Canadian deference to authority, replaced with greater individualism and rights-consciousness, and the rising demographic wave of immigrants from non-traditional sources. All of these are recasting the Canadian character. Indeed, sociologists increasingly are calling Canada the world's first post-modern state, partly to reflect the multi-ethnic aspect of Canada, as well as strong national institutions or shared trades.

None of this is intended to convey dismay or pessimism. In many ways, the disappearance of the old post-war Canada, the reliable dull place that Seymour Lipsett used to write about in comparison to the United States, presents a huge opportunity for the 21<sup>st</sup> century to re-invent a distinctive, prosperous, alternative society to the United States on the northern half of the continent. But, in today's world of shrinking political and economic sovereignty, staying free of the U.S. vortex will not be easy, nor even perhaps worthwhile.



