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Understanding the Canadian Difference

Mutual accommodation as a defining feature of Canada's success

*A collection of essays by
William A. Macdonald*

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what makes Canada work; and to exploring the role
mutual accommodation has played or could play on
specific issues of importance to the country.
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Foreword

Since our inception a full 23 years before Canada was born as her own country, *The Globe* (later *The Globe and Mail*) has reflected on the facts of daily national life. The front page of the July 1, 1867, edition was a long article of several thousand words, which, though unsigned, had been written by George Brown himself. It announced, “With the dawn of this gladsome midsummer morn, we hail the birthday of a new nationality. A united British America, with its four millions of people, takes its place this day among the nations of the world.”

Today, 149 years on, what is Canada’s place among the nations of the world? It is an ever-expanding question, with those aroused by it travelling on a roller coaster of uncertainty seeded with optimism and a little bit of hope. We remain a country of regions and of tolerance. This definition is easily grasped. But have we evolved into something greater, something grander that allows us not simply to take our place among the nations of the world but to lead?

A national debate will inevitably take place as we head toward our 150th birthday. But the framing of that debate must be multi-faceted, and it will not be easy. Self-definition creates immediate blinkers, and complacency reigns in too

many parts of our lives. We need to build on our natural resources and resourcefulness to create a recognition of and then an adherence to that most difficult concept to grasp—the sum of our parts. Primarily, that is about capturing the ideas and the potential of Canada’s people.

It has long been said that *The Globe and Mail* is the nation’s town hall, provoking and knitting together competing and complementary ideas. As an immigrant to this country, I easily embrace the need to reflect our ever-changing demographics and to give debate a chance. Bill Macdonald’s 22 essays on mutual accommodation, for example, acted as a spark plug for discussing our potential. I was delighted to clear the space needed to discuss complex ideas that delve into our maturing society.

As we begin the journey toward our 150th year as a new nation, we should reflect on the lessons of the past. Our future direction is by no means clear, and we will have to define our goals. To be a success, however, we must not shy away from the challenges, and we must involve the richest part of our fabric—our people—in the discussion.

David Walmsley
Editor-in-Chief, The Globe and Mail

Editor's note

The *Globe and Mail* essays: An overall perspective

When Bill Macdonald experienced his epiphany about mutual accommodation more than three decades ago, he regarded it as an intrinsically Canadian characteristic—a quality that enabled Canada to survive and distinguished it from other countries. More recently, however, he has come to see that mutual accommodation has universal application. In the years ahead, it may well be the key to containing the world's most challenging problems: climate change and declining natural resources; political instability and regional wars; and power grabs by ambitious countries as the United States cuts back on its global influence. Mutual accommodation shaped Canada, he believes; perhaps now it can help to shape the world.

Macdonald's 22 essays published so far in *The Globe and Mail* cover mutual accommodation in relation to a broad range of subjects. They range from mutual accommodation as an idea, through various episodes in Canadian history, to current political, economic and societal issues. They also tackle international problems and Canada's position in the world. Although they have appeared in the newspaper in no particular order, it's best to consider them here by category.

The series began by defining mutual accommodation. Macdonald views it as an aptitude for practical compromise, without destructive conflict or loss of face, and he describes it in his essay "The magic of the Canadian ideal" as "one of history's truly transformational ways in which to do things better." It requires give and take, demands patient though firm negotiation, and involves respect for other points of view. The early essays also show how, throughout its history, Canada has used mutual accommodation to overcome severe problems in its extensive geography and harsh climate, in sharing North America with its dominant neighbour, in settling regional tensions, in balancing political rivalries between the federal and provincial governments, and in resolving cultural, linguistic and religious divisions among its population.

In outlining this history to readers, he credits six men in particular for developing Canada's brand of mutual accom-

modation. First, the explorer Samuel de Champlain, who, in 1608, dreamed of establishing a new nation in North America based on co-operation between the Indigenous inhabitants and the French settlers. The English Protestant Robert Baldwin and the French Catholic Louis-Hippolyte LaFontaine worked together to win responsible government in 1848; and in 1867 the great founding leader John A. Macdonald built Canada through Confederation and went on to unify it from east to west with the transcontinental railway. Wilfrid Laurier, Canada's first French-Canadian prime minister, brought peace and prosperity to the new nation through compromise; and the wily Mackenzie King, Canada's longest-serving prime minister, consolidated and preserved the achievements won by his predecessors. More recent leaders, such as Pierre Trudeau with his Canadian Charter of Rights and Freedoms, and Brian Mulroney and Jean Chrétien with their sound economic decisions, have continued the tradition.

Canada has always settled its own disputes without recourse to war—unlike the United States, which was born of conflict, first with the War of Independence from Britain in the mid-18th century and, a hundred years later, survived the incredibly bitter Civil War. The U.S. carries the wounds to this day, in racial and north-south rivalries, and in serious internal divisions over immigration, abortion, gay marriage and other issues. Its Constitution favours individual rights over the collective good. In contrast, as Macdonald argues in the essay "To be a global role model, Canada must realize what sets it apart," our leaders have always emphasized collaboration and consolidation in the interests of the country as a whole. Today Canada is in many respects the envy of the world: In addition to its great natural advantages of plentiful space, water, food and resources, it has developed a stable system of government, a high standard of living with sound economic prospects, and a free, democratic, inclusive and diverse society. To its great good fortune, it is also located in a still-secure and privileged neighbourhood.

With this broad-ranging foundation in place, Macdonald has gone on to address other, more topical subjects that fall within his basic concept of mutual accommodation. Early on, he saw the Indigenous peoples as Canada's great piece

of unfinished business in this area. When the final report of the Truth and Reconciliation Commission was released, he asked, “Will this time be any different?” The time has come to right the myriad misunderstandings and injustices of the previous 200 years, he said as he endorsed all 94 of the recommendations as the starting point for discussions at every level in Canada. The new Liberal government and the Supreme Court are both on side, and many of the most able Aboriginal leaders are willing to play their role in finally gaining equality for their people. Drawing on his own vast experience, Macdonald concludes: “No matter how good your case might be, action comes only when your proposal helps governments and businesses to deal with particular current challenges—not their longer-term interests. This test is now telling me that the institutional critical mass for forward momentum on Canada’s relations with its Aboriginal peoples is finally here.”

As the crisis mounted in war-torn Syria, he turned to the plight of the refugees in “There’s a big risk in doing too little for Syria’s refugees.” Canada has to accept as many of these urgent immigrants as possible, he argued: “The Canadian capacity to do what works and to use mutual accommodation to transform chaos into a stable way forward is what is needed now.” Once the newcomers were settled, “the government must engage in a broad-based, substantive conversation about what everyone at the personal level will have to do to make the influx of refugees a success, both for them and for Canada. Mutual accommodation is key.” He continued: “The people who come need not only help but recognition of the strength they demonstrated in leaving home and respect for what they bring to Canada.” He was disturbed when, during the election campaign in the fall of 2015, the Conservative government, for no sound public policy reason, suggested banning women from wearing the niqab, forbidding “barbaric” cultural practices and encouraging citizens to spy and report on each other. It tried to scare Canadians with the false charge that the opposition parties would admit thousands of refugees with no security checks.

Once Justin Trudeau was elected, Macdonald was quick to offer the young Liberal prime minister sage political and economic advice. While he rejoiced in the new government’s “sunny ways,” he warned of “storms on the horizon,” particularly in regard to the national debt and the long-term economy. The results of this election were not so much about policy matters as about the kind of country Canadians—including Quebeckers and many westerners—wanted to live in. The next election, however, would likely be about the economy. Over several essays, he urged the new government to curb consumer spending and become a “bold builder”: to focus on generating new wealth and job opportunities, developing transportation systems, fostering university research and expanding infrastructure. The government, he said, must look beyond Canada to broaden the country’s competitive capacity to supply global goods and services. And it should involve the private sector in stimulating the economy, partly through the attraction of a lifetime capital-pool/capital-gains system of taxation. Above

all, in the spirit of mutual accommodation, the country needs a good balance between social and economic advancement.

In the aftermath of the NDP convention in April 2016, Macdonald asked whether this party—the official opposition party in Ottawa before the election—has reached the end of the road. The abrupt dismissal of Tom Mulcair as leader and the adoption of the Leap Manifesto, he argued, demonstrate the two fundamental problems within the party: its divisiveness, and its prioritizing of an outdated socialist idealism over current practical reality. All told, he concluded, its core instincts run counter to mutual accommodation.

Finally, through this same mutual accommodation lens, he has written a group of essays that evaluate Canada’s role in the world. Traditionally, Canada’s external focus has been on its relations with Great Britain and, over the past many decades, with the United States. But, just as China and Russia are becoming more aggressive on the world stage and other countries in Africa, Asia and even the war-ravaged Middle East are demanding a greater voice, the U.S. is withdrawing from its huge global footprint and dominance to concentrate less on foreign policy and more on affairs at home.

Amid the turmoil this readjustment will entail, as well as such pressing problems as climate change, declining natural resources and rising populations, Macdonald argues that mutual accommodation may provide the essential key to avoiding disaster and managing world peace and prosperity. “In dealing with Uncle Sam,” he writes, “Canada must be patient and firm,” and he speculates that “Canada could play a major role in strengthening U.S.-China relations.” In light of the surprising results of the Brexit referendum, he posits that the European Union, in particular, could profit from some sensible regard for mutual accommodation as it solves its threatening immigration, debt and eurozone problems.

Early on in his series of essays for *The Globe and Mail*, Macdonald discussed two of Canada’s cultural visionaries—Northrop Frye and Marshall McLuhan—along with his six great political leaders. I would suggest that in developing his concept of mutual accommodation and applying it so broadly, Bill Macdonald deserves to join these two national heroes. Together, they make a grand trio.

Rosemary Shipton

Rosemary Shipton is arguably Canada’s leading book editor. She has edited all 22 of Bill Macdonald’s Globe and Mail essays. Among the many books she has worked on are the biographies of Samuel de Champlain by David Hackett Fischer, John A. Macdonald by Richard Gwyn, and Pierre Elliott Trudeau by John English; as well as the memoir The Call of the World by Bill Graham, and the art book Impressionism in Canada by A. K. Prakash.

Preface

The idea of mutual accommodation came to me some 30 years ago when Canadians were engaging in a lot of self-congratulation about how tolerant they were. I was not sure that was really true—and I felt that tolerance carries an element of superiority by the tolerator over the tolerated. I thought that a strong drive toward mutual accommodation, perhaps stronger than that of any other country, might capture better what was different about Canada. By contrast, I saw a United States with a strong drive toward division—a difference that has only increased over the years. What I did not yet think was that mutual accommodation might be more than a drive—that it might be Canada's shared story. Or that, while felt implicitly by Canadians, it needed to become explicit in order to be as helpful as possible to our collective future. In this sense, I gradually came to realize that Canada was still an unknown country both to itself and to others.

Early in 2011, Ken Dryden, who was then an MP, told me that Canada needed a shared story to help move it beyond our fractious Ottawa politics. I wondered if mutual accommodation might be that shared story. I remembered a *New Yorker* article from the early 1990s about the post-Soviet Union collapse in Russia, where William Pfaff said (prophetically) that the root of Russia's problem was that it had no usable history.

One week after my discussion with Dryden, I sat next to an American professor who was an expert in the resilience of young people. She told me that in her work with them she always looked for strengths rather than weaknesses. Some children and teenagers who had no visible sources of strength still made it through to a good life. They did so, she said, because they created a story about themselves that became their needed source of strength.

For me, the light came on: If a self-created, unsupported story could be so powerful, how much more powerful is a real shared story such as Canada's drive for mutual accommodation? Also in 2011, Bill Innes shared with me his perspective from working internationally that mutual accommodation is a distinctive feature of the way in which Canadian executives approach difficult issues. It is among the reasons why Canadians are often positioned to resolve contentious situations, and it is a strength upon which we need to build.

I initially viewed Canada's shared mutual accommodation story as primarily important for Canadians to understand and discuss. Over time, however, I began to see it as essential to the way the whole world is unfolding in the 21st century. I now think of mutual accommodation as one of the four best ways humans have found to go about things in a better way: compassion, science, freedom under the rule of law, and mutual accommodation.

My current thinking is that the Canada of 2017 and beyond

will be a different kind of great country for a different kind of world. Its history and geography have forced it to face what the whole world must increasingly learn to do if this century is to be bearable for most people. Canada has three big differences:

- It is a country where more people pay attention to what is going on elsewhere than most do in other countries.
- It has developed a strong capacity for mutual accommodation as the best way to move forward, wherever possible.
- It has found a way to keep a vast, diverse country together without a dominant central political institution most of the time. The world in general is now facing the same challenge as the United States withdraws from ground it can no longer hold to what it can. There is no longer a single dominant power. Canada, however, has developed ways to manage regional differences and to make space for divergent regional assertiveness while still coming together as a country when that is needed.

By circumstances of its geography and history, Canada has already been where the world is going. We all need:

- A capacity for less (but still some) vertical/central leadership alongside preserving important shared orders, such as the inclusive postwar global economic order and the European Union (not the misconceived and mismanaged eurozone);
- A broader national capacity to know and understand what is going on in the wider world; and
- A hard-won recognition of how mutual accommodation may be the best way forward.

The great American psychotherapist Erik Erikson saw individual greatness emerge from the intersection of personal history and societal history. This same dynamic is also likely true for countries and can now be true for Canada.

Bill Innes and I began this project five years ago with the hope that a better understanding by Canadians of their shared mutual accommodation story would make for a stronger and better Canada in a world whose prospects have since become much more perilous. Our hope is that we have launched a conversation that, at some time in the future, will result in Canadians treating mutual accommodation in this country in the same way they regard the air we breathe—as the way Canadians are. The project has also brought a much broader and longer-term hope—that more and more serious people in every part of the world will come to value and think about the need for cultivating and spreading those four best ways we have identified: compassion, science, freedom, and mutual accommodation. I suggest we discuss two key questions in future conversations:

- After reading what I have written about Canada's shared mutual accommodation story, do you think it fits (or not) with the Canada you see and live in?

- To what extent would you agree that, of the four better ways of going about things, the spread of mutual accommodation is, right now, what the world needs most? Mutual accommodation is not “going along to get along.” Because it must be mutual, it always requires often-difficult (sometimes impossible) compromise—making room for others and recognizing that, while differences are the source of our identity, we are strong enough not to be threatened by the differences of others. Making room for these differences can actually strengthen our own identity.

Compassion, freedom, science and mutual accommodation all benefit from each other. They do not constrain or put arbitrary limits on practical, “what works” outcomes; and they are open and possibility inexhaustible. Together, they offer the prospect of a shared order that can work for everyone, one in which more people can feel at home, with stronger identities.

The world faces several extremely dangerous moments in the coming year: the rise of centrifugal forces in the West that threaten to undermine it from within; the surge of refugees from failed states in the Middle East and Africa; and the increasing assertiveness of balance-of-power politics from China and Russia. Alarming, it is also a world whose capacity for mutual accommodation and shared orders seems to be weakening just when it needs to be getting stronger.

Canada has two overarching challenges in this world—both on the scale of Sir John A. Macdonald’s vision of a coast-to-coast country. One is internal: to build on the country’s supply-side strengths in a way suited to Canada’s own circumstances. The other is external: to work to blunt and then overcome the centrifugal forces within the West that threaten to undermine its strengths from within.

I am not the only person to think of mutual accommodation. Friedrich Nietzsche did, but he did not like the idea, preferring (like Hitler) to foster the will to power. Today Zbigniew Brzezinski regards mutual accommodation as essential for both the United States and China. The difference between these two men and me is that I approach the issue from a Canadian point of view, and Canada, because of its history and its prevailing values, is further down the road in successfully implementing mutual accommodation than any other country. As I write my series of essays for *The Globe and Mail*, I ask myself what I think I am doing. It is a continuation, really, of what I have done increasingly since I became a lawyer and adviser in 1951. It is to help people get the courage to do what is in their own best interests and show them how they can do that successfully. With this goal in mind, the essays are about the best paths forward for both Canadians and their leaders and why they have what it takes to get there.

This booklet contains 12 of the 22 essays I have written for *The Globe and Mail* since June 2015, together with an overview of all the essays from my editor, Rosemary Shipton. I met with the new editor-in-chief, David Walmsley, for the first time in December 2014, after sending him my 30-page booklet *Canada, the Unknown Country*. At the end of our meeting, he said, “I intend to get the national conversation you want.” Three lunches later, he asked me to write a series

of essays about mutual accommodation for the newspaper. The essays now add up to more than 40,000 words. John Stuart Mill’s iconic 1859 book, *On Liberty*, came to about 50,000 words. So far as I know, in *The Globe and Mail*’s 162-year history, no other non-staff writers have ever had such a platform to present their views. My opportunity comes from Walmsley’s broad vision of what the country needs and what *The Globe and Mail* can provide.

The process for preparing the essays has evolved. I first make a list of potential subjects, which enables me to think ahead and the newspaper editors to guide me. For each essay, I write a first draft, which Rosemary Shipton edits, and after my review it goes to Jerry Johnson at the Focus section. He ensures that it fits the space and accessibility requirements for the newspaper. So I am the idea guy, Rosemary is the story girl, and Jerry pulls everything together for our readers.

William A. Macdonald
Toronto, October 12, 2016

Canadian Difference website: scope and status

Web technology provides the easy access and broad reach that can for the first time enable a conversation on a truly national scale. However, like any other meaningful conversation, it requires leadership to engage thoughtful users and reach useful conclusions.

The *canadiandifference.ca* website has just been launched using an experienced designer of web and social media-based community solutions. Trent University, in collaboration with several other universities, will host the online discussions about the subject of mutual accommodation and how it may be useful in addressing some of the challenges facing our country. The website includes links to social media sites like Facebook and Twitter.

The site will initially explore the idea of mutual accommodation plus three topics of current interest: First Nations, Muslims in Canada, and Canada Global Citizen. It also includes comprehensive reference materials on each of the subjects. Others will be added through 2017. At the end of each discussion, the hosts will prepare an analysis of the conversation and give insights about the role mutual accommodation might play. The site will form an electronic record of Canadian views on these topics.

Over a thousand people have indicated an interest in becoming members of the conversation as a result of reading Bill Macdonald’s *Globe and Mail* essays. The website team is now focused on engaging these initial users, and extending the interest to the networks of related communities of interest: alumni associations, First Nations, the Canadian Council of Muslims, teachers’ networks, etc.

Please log on to *canadiandifference.ca* and join the conversation. Your perspective would be much appreciated.

William R. K. Innes
Toronto, October 12, 2016

CANADA'S MAGIC

The magic of the Canadian ideal

Published Wednesday, June 10, 2015

Two ideas: Canada is magic, and that magic has conjured up one of history's truly transformational ways in which to do things better.

How is Canada magic? I once told magician Jeff McBride that magic would not be magic if it really were magic. He agreed, and he added that all creativity involves overcoming limits.

Canada's magic results from the way it has overcome the limits of geography and history in its relations first with France and Britain and then with the United States. These stories create our magic. In the current challenging times for Canada and the world, we need to understand them and use them to our advantage.

Unfortunately, Canada is still an unknown country—for example, it has a shared story, but no one really knows what that story is. It is high time Canadians had a national conversation about it.

At the dawn of this century, we began a new moment in history. Good moments are often followed by bad stretches, and the Western world enjoyed a positive stretch after 1945. It ended on Sept. 11, 2001, and in the years since we have faced the post-2008 economic and financial crises, the geopolitical challenges of Vladimir Putin's Russia, and Islamic State terrorism in the Middle East. The postwar inclusive global order is becoming less global and less inclusive.

What story do Canadians share? Throughout their history, they have exhibited a stronger drive toward mutual accommodation than any other country—especially in comparison with the United States, which is currently paralyzed by divisions. Mutual accommodation—the shared Canadian story—is crucial to Canada today and to all the world.

Here are some fundamental ideas to spark the much-needed national conversation. When considered together, they put Canada and mutual accommodation at the centre of the next stage in world history.

The troubled global order, the weak global economy and the challenge of fostering economic growth in Canada while returning to live within our means will require resilience and adaptability. To help us along the way, usable history will become very important—the shared and individual stories that bind us together as a nation.

Canada's story is not marked by dramatic events, but the strength of our separate stories makes a powerful shared narrative. After 150 years of consolidating our coast-to-coast country since Confederation, Canada has reached a point where its stories mutually reinforce one another.

In its challenging history, Canada has found it necessary to put what works ahead of nationalism, ethnic difference, religion, class and ideology.

This shared narrative is defined by its achievements in mutual accommodation and its socio-cultural bent. Canada has got one of the great governance lessons of history right:

the necessity of mutual accommodation for a good and decent life. Accomplishing this goal makes Canada not just a good country but a great country.

Great countries (like great leaders) make many mistakes, including big ones, but they get the most important things right. The most significant piece of unfinished mutual accommodation in Canada is its relationship with the First Nations.

THREE CLEAR EXAMPLES

The challenges the country faces make it important to involve Canadians in a conversation about Canada's shared and separate narratives.

Historically, the choices made by leaders and followers have entrenched the Canadian mutual accommodation story. Three of the big stories focus on Louis-Hippolyte LaFontaine and Robert Baldwin in 1848; the election and re-election of Sir Wilfrid Laurier from 1896 to 1908; and the role played by Sir Arthur Currie and his Canadian Army in the defeat of Germany. Some historians consider Currie the Allies' greatest general.

The vision of LaFontaine and Baldwin manifested itself in 1848. They led the only reform movement in the Western world that tumultuous year to prevail as a responsible government and never lose its democracy. The francophone Catholic LaFontaine in Lower Canada needed the strength of the anglophone Protestant Baldwin from Upper Canada to overcome the anti-reform position of the Quebec clergy. Baldwin, in turn, needed the strength of LaFontaine to combat the anti-reform power of the Family Compact.

Both of these leaders were able to work together successfully at a time when differences of religion and nationality were intense. When LaFontaine lost his Quebec seat and Baldwin lost his in Ontario, each ran successfully in the other's province, despite these deep divisions. This accommodation showed, 20 years before Confederation, that a shared public purpose pursued through compromise could trump nationality and religion with Canadian voters.

The idea of restraint is also a striking element in this story. LaFontaine stood down the anti-reform mob in Montreal by asserting that reform would prevail without recourse to violence—a century before non-violence was championed by Mahatma Gandhi in India, Nelson Mandela in South Africa, and Martin Luther King in the U.S.

As for Laurier, his vision was political: to achieve peace, prosperity and public purpose through compromise and accommodation. He said that the 20th century would belong to Canada, and in many ways that proved true, in the relative goodness of life available in Canada to ordinary people. It became true primarily because Canada followed the Laurier vision of public achievements through compromise and restraint. The very election of Laurier, a francophone Catholic from Quebec, as prime minister only 30 years after Confederation is but one example.

This approach was so powerful and suited to Canada that it kept the federal Liberal Party in office three out of every four years over the following century. The less flexible

Canadian leaders (instinctively either /or, win/lose) have either been restrained in their actual behaviour or, along with their party, made to pay the price of not being restrained. The federal Liberal Party is still paying a price, three decades later, for Pierre Trudeau's unilateralism and his initial lack of restraint on both the Constitution and the National Energy Program. The Conservative Party similarly paid a six-decade price in Quebec for Robert Borden's inability to find the conscription compromise needed during the First World War.

Leaders with the right followers, and followers with the right leaders, can do great things. Both came together for Canada in the final years of that war—a coming-of-age moment for the country. At Vimy Ridge in April 1917, Currie first led his Canadian Corps to victory, making it the only army on the Western Front to capture a fortified ridge. During the Hundred Days offensive in September and October 1918, the Corps outflanked the Germans, leading to their only real defeats in the war at the Drocourt-Quéant Line and the Canal du Nord, both key to ending the conflict.

In advance of Vimy Ridge, Currie decided to make his battle plan (but not the date) available to every soldier. As the battle unfolded, he wanted them all to understand what was going on and be able to operate without direction, if needed. No other country was socio-culturally flexible enough to do that. Even today, few chief executives would take that kind of risk.

Together, these strong and proud visions have made Canada a great country, and the choices that made these achievements possible have made it a magic country. But much remains to be done in bringing the First Nations into full participation in our unique mutual accommodation story. The words “cultural genocide,” used by Chief Justice Beverley McLachlin in her lecture in Toronto on May 28, 2015, drew headlines, and the following week the Truth and Reconciliation Commission of Canada issued its recommendations. This report will now take its place alongside others that have shaped our history—Durham, Rowell-Sirois, and Bilingualism and Biculturalism—all of them milestones in mutual accommodation.

Resource development and education are the urgent issues for First Nations. Canada has lost much of the past decade in economic development because the federal and Alberta governments, along with natural resource industries, ignored the opportunity they had to work with First Nations. As for Ottawa's stalled Education Bill, the best way forward is to move beyond politics by making the program optional. That would enable Aboriginal communities anxious to educate their young people to do so.

FOUR WAYS TO BE BETTER

Since the Middle Ages, the Western world has tried to make things better in four powerful ways: through freedom, science and compassion, as well as mutual accommodation.

Freedom and science (which includes education and technology) represent the power of either /or and have been the dominant drivers. Compassion and mutual accommodation—the power of both /and—have been much less influ-

ential. Amid all of the global tensions today, it is crucial that these four basic qualities act more in unison. Otherwise, the future will become hellish again, as it was from 1914 to 1945.

Journalist Martin Wolf wrote recently in the *Financial Times* that “we are doomed to co-operate.” That does not mean, of course, that we will. Zbigniew Brzezinski, a U.S. national security adviser when Jimmy Carter was president, believes mutual accommodation is the only way forward for both China and the United States. He may be right, but only time will tell.

On the foreign policy front, Canada should be working the compromise side, doing the independent thinking about the world and what is going on, and seeking the relationships that could make it a useful player. No other country is better positioned to be helpful in a world that desperately needs magic that can creatively overcome limits.

Canada is not a mistake-free zone. Magicians are human, and so are the citizens of this magic country. Canadians have work to do, but little sense of what it entails right now, let alone for the future. For example, since the 2008 financial crisis, they have been suffering from moral smugness and economic complacency. Canada has run annual current-account deficits of some \$55-billion—money borrowed to sustain consumption, not to build Canada or enhance its ability to create lasting jobs.

The current-account deficit is already starting to rise again because of the oil-price collapse, despite a lower Canadian dollar and a stronger U.S. economy.

The next federal government will face a Canadian economy that demands a major set of structural and macro-economic policy shifts. The oil collapse is a huge shock to an economy that has been living on credit while its growth and supply-side competitiveness have declined.

Reining in the excess consumer demand, running federal deficits a bit longer to finance public infrastructure and pro-capital-creation tax policies, and focusing on a stronger supply-side performance are essential if Canada is to address the current economic challenges. Capital Economics, a London-based consultancy, recently reported that, in 2013 and 2014, Canada and U.S. growth rates were about the same—in the 2.4 per cent range. For 2015 and 2016, however, it predicts U.S. growth rates of 3.3 per cent and 2.8 per cent, respectively; and for Canada 2 per cent and 1 per cent, respectively.

The upcoming federal election will determine when and how this reality will be addressed. Canada's medium and longer-term prospects continue to look strong. What will happen in the short term looks problematic.

I have three suggestions to get us back on track. First, we must once again learn to live within our means. Second, we must urgently address mutual accommodation with First Nations. And third, we must immediately focus our foreign policy on long-term and strategic goals in our interest. Only then will we be ready for the transformational changes that are sure to come.

Canada's mutual accommodation drive gives us hope. No other single idea, if taken on board globally, could do more to change the world in a positive way in the decades ahead.

CANADA'S DIFFERENCE

To be a global role model, Canada must realize what sets it apart

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Use words, not force. Make railways, not war. These overly simple ideas capture a national story—the Canadian one—that differs from those of most other countries.

Canada's story has increasingly been driven by persuasion. The American story has more often been shaped by war and violence: the Revolutionary War, the Civil War, Indian wars, Mexican wars, lynchings, and 300 million guns in private hands.

These differences in how to go about things and how to make a good society are huge. They come from the fact that the histories of the two countries are so dissimilar, as are the choices each has made along the way. Over the years, the differences have been the source of both strength and weakness.

The United States has been great when it comes to freedom and science—the most transformative forces for doing things in a better way since the Renaissance. There is still more to do, but science and freedom now face limits because the U.S. lacks mutual accommodation, which is the key to a satisfactory way forward.

So, while the U.S. remains unmatched, it is now less indispensable because so much is inherently beyond its reach. The world today is different and needs a different kind of country, which means Canada's special task is to help advance mutual accommodation outside its borders as well as within.

Since its beginnings—first Quebec in 1608, then Confederation in 1867—Canada has had three very big achievements. First, it has survived—not just as a nation but as one that includes the distinctive province of Quebec. Second, it has made itself coast-to-coast. Finally, despite its divisions of nationality, culture, language, religion, and class, it has developed a political and socio-cultural outlook that works.

All of these achievements have been based on mutual accommodation. Today's Canada is the product of its capacity for mutual accommodation and a belief in an underlying shared order. But how well is this historical fact understood as we prepare for the 150th anniversary of Confederation in 2017?

SEVEN KEY IDEAS

The Canadian Narrative Project is a collaboration with Bill Innes, who has spent his career in the global oil industry in Canada, Europe, Japan and the United States. He and I are not wannabe historians who think we have a better grasp of Canadian history than others. The purpose of the project is simple: to get Canadians talking about whether Canada has a shared story; whether that story is indeed mutual accommodation; and whether understanding that story will strengthen us for the future.

At the heart of the project is the notion that, in many ways,

Canada is still “the unknown country” that inspired the famous 1942 book by that title written by Bruce Hutchison, the late journalist and political commentator.

That idea is one of seven that shape the notion of Canada as the product of mutual accommodation. The second is the concept of “usable history,” which stems a piece in *The New Yorker* by U.S. historian William Pfaff soon after the collapse of the Soviet Union. The newly emerged Russia's problem, he said, was that it had no usable history—which comes from what has worked to get a country through something hard in its past. Interestingly, after the 9/11 terror attacks, Mayor Rudy Giuliani found New York's usable history in what Londoners did during the Second World War to endure the Blitz.

Third, the central idea that shared stories are the stuff of usable history—a vital source of strength or of weakness—comes from many diverse places.

The four remaining ideas are more original and therefore may be less familiar:

- Mutual accommodation as a formal term. While Canadians instinctively understand it as a practical way to go about much of their business, it has not been expressed previously in two simple words. Amid everything going on in the world today, this idea becomes ever more central, not only for Canada but for other nations, too.
- The likelihood that Canada will have another “Sir John A. Macdonald moment,” which will demand achievements that seem completely improbable and require much boldness and patience. The first such moment was Sir John A.'s bold and improbable decision to build a railway that would make this country coast-to-coast and able to withstand American expansionism.
- Globally, we are at another very difficult moment of change in history (as in 1815, 1914, 1945 or 2001). Moments in history come when the momentum and direction of the dominant forces that have overcome everything standing in their way start to weaken, the counterforces become stronger, and the path forward is once again uncertain.
- Greatness is important for countries and leaders alike. Although great leaders and great countries make many mistakes—some of them big ones—they get the most important things right. Sir Wilfrid Laurier and Canada became great by getting mutual accommodation right. Canada will always be Laurier's country, unless it chooses to abandon its mutual accommodation ways or reaches an impasse where they no longer work.

As for shared stories, they can strengthen the courage needed to support bold action and confront hard challenges. These two ideas—courage and shared stories—lie behind the Canadian Narrative Project.

Mr. Innes sees Canada's mutual accommodation story as a crucial advantage at home and abroad, an idea central to what we have achieved.

I, in turn, foresee several decades of challenge ahead, on the scale of what happened internationally after 1910.

We will get the policies we need to survive and thrive only if

we find the story that captures where Canadians are now and how they see things—and if we put what we find to good use. This national conversation is key to everything else before us.

GLOBAL IMPLICATIONS

Mutual accommodation is the opposite of what is happening in the United States. That great nation is being undermined by extreme emphasis on individual rights at the expense of society, on divisions among different groups, and on the never-ending struggle between good and evil. The global order now faces serious risks of destabilization and disruption. Mutual accommodation looks more and more to be the crucial ingredient needed for the survival of the best of our world as we know it.

There are three kinds of stories: the “how” (the manner of journey), the “where” (the journey’s destination) and the “what” (specific events that happen along the way). Mutual accommodation is a how story—a way of doing politics and social living. Science is another great how story: the whats (the discoveries) and the wheres (the specific investigation goals) take place within the scientific way of doing things. Since the Renaissance, science has changed the world by how it approaches knowledge and technology. Freedom, human rights, the rule of law and democracy have also changed the world.

Mutual accommodation is not itself a memorable event, although it can make possible uniquely remarkable events. It has changed Canada. It has not yet changed the world. But Europe’s postwar successes have come from the continent’s growing capacity for mutual accommodation. Europe’s current risks stem from those places where it has fallen short. With the right will, however, mutual accommodation can change the world, just as freedom and science have changed everything.

Canada’s mutual accommodation story began when Samuel de Champlain arrived at Quebec in 1608. He came with a vision for a new nation based on co-operation between the Aboriginal inhabitants and the incoming French settlers. Once Canada became a nation through Confederation in 1867, it spent its first 150 years consolidating its northern half of the North American continent into a viable country—again through mutual accommodation between the provinces and the federal government, French and English, Protestant and Catholic, Quebec and the rest of Canada, and settlers and immigrants, though with the glaring omission of the First Nations. Much achieved. More to be done.

The next 100 years will likely be dominated by serious threats to the world’s economic and geopolitical order and stability—a world in which Canada’s rare combination of physical bounty, socio-political understanding and living in a good neighbourhood could make a significant contribution. The time has come for Canadians to begin talking about their shared history and how to use it purposefully in the years ahead for the benefit of Canada and the world. As the late Quebec premier Robert Bourassa put it, Canada is for its citizens “one of the world’s rare and privileged countries in

terms of peace, justice, liberty and standard of living.”

To date, Canada’s focus has been on its own internal development—on making things work—and on coping with the United States. Its development has taken place largely separated from events outside North America. The focus in the future, however, will be more external and will extend far beyond this continent. Canada is moving from being a largely disconnected part of the world to being deeply interconnected. This change will make it a very different country, and its mutual accommodation strength will increasingly need to be deployed abroad.

Canada has the water, food, space, minerals and resources, and the political, economic, societal and cultural ways that are in short supply for the rest of the world. These diverse advantages carry both opportunity and risk. If Canada is to seize the opportunities and avoid the risks, it should quickly get on with a national conversation about the shared and separate stories of its different peoples and regions—about how it got where it is, how to envisage its future and how to seize its place in the world.

THE GOAL IS TO LOOK INWARD

In some senses, Canada is still an unknown country—unknown to itself as well as to others. It needs to hold national conversations about many important issues. Above all, it needs to talk about whether its mutual accommodation narrative captures how most Canadians feel about the country.

If it is to succeed, the Canadian Narrative Project must spur Canadians to think about when mutual accommodation has worked in the past and how in the future it may help us both at home and abroad. For example, what if it were used to manage the fallout from all of the current anxiety over extremists claiming links to Islam? If we articulate our narrative well and deepen our understanding of its power—and of the costs where it has yet to work—it will continue to help us and others in the future. Values, stories, ideas, dreams, purposes and choices together shape individuals, societies and civilizations. Vision—the sense of what can be and what should be—lures and drives them all.

As the great Canadian critic and thinker Northrop Frye said, identities are always about who you aspire to be, not who you are now. Moving toward some vision of the future for Canada and the world (the two now go hand in hand) is what the project is all about.

Central to all identities—as individuals, organizations, societies or countries—is how our particular culture shapes us to respond to what is put in front of us. We must understand both ourselves and others and the effect we have on one another. In his book *The Duel*, historian John Lukacs tells the story of the 80-day struggle between Churchill and Hitler immediately following the fall of France. Although many others contributed to the ultimate defeat of Hitler, Churchill won this particular round because he understood Hitler better than Hitler understood him.

So it is with mutual accommodation. It works best when each side understands the other side very well. It’s essential to know what the opposing group wants before you can

come to a deal that can last, and how best to respond if a deal does not initially prove possible.

The big questions for those who think a national conversation about Canada's mutual accommodation story is worth pursuing include these points:

- Does the accommodation Canada I have described feel like the Canada you live in?
- If it doesn't, what does the Canada you live in feel like to you?
- Do you have an alternate shared story, in addition to or instead of mutual accommodation? What is it? What are your reasons?
- Do you agree with the thought that usable history comes from shared stories and separate stories, and how they may strengthen or weaken one another? If not, why not?

It's time to get the conversation started.

VISIONARY LEADERSHIP

How Canada's eight leaders of special vision guided the way

Published Friday, July 3, 2015

Great countries get the leadership they need just when they need it most. Exactly why that happens is both a mystery and a miracle. If it keeps happening, as it has so far for Canada, the result is a kind of magic—the magic of creatively overcoming challenges and limits that look almost impossible.

In its relatively short history, Canada has had eight leaders of special vision, not all of them chosen at the ballot box.

SIX GOVERNING VISIONARIES

What can we learn from the personalities and events that shaped the way we do things in our country? Canada's defining narrative began early, with the reliance, amid a difficult geography, of European traders and settlers on Aboriginal peoples. Over the centuries, the nation that has emerged has continued—in fact, extended—this tradition of mutual shaping and accommodation. Canada has not been entirely free of violence, but its primary markers have been a blend of vision and what works on the ground. In this way, it has been a great country unlike any other in history.

Canada's three greatest visionary leaders—Samuel de Champlain, John A. Macdonald and Wilfrid Laurier—each combined vision, practical boldness and an ability to work and get along with a wide range of diverse people. Two other politicians, Robert Baldwin and Louis-Hippolyte LaFontaine, showed that political and social reform could be achieved by non-violent means. William Lyon Mackenzie King, Canada's longest-serving prime minister, was the skilful consolidator of their achievements. Consolidation can be as vital as initiation, although it requires a different type of vision, boldness and patience.

Today all of these leaders would recognize that many of their visions are embedded in the fabric of modern Canada.

Champlain wanted a new kind of society—one in which Aboriginal peoples and Europeans could live together in amity and with mutual respect. Individualism underlies the American dream—the right to “life, liberty and the pursuit of happiness” for every citizen that is reflected in the Declaration of Independence and the Constitution. The Canadian dream comes from a man who is remembered as an explorer but arrived here as a soldier more than familiar with the horrors of war.

Champlain had many dreams, among them colonizing New France, which he succeeded in doing, and finding a passage to China, which did not exist. The greatest of them was achieving humanity and peace. In North America, he became a political leader and statesman who, through his ability to get along with different people, was able to convert his dreams into reality.

Canada's dream includes individual desires for freedom, material advancement and happiness, just as America's includes wishes for a better, fairer and more equal and open society. But the initial aspirations of the two countries were and remain distinct. “And that,” as American poet Robert Frost put it in another context, “has made all the difference.”

Macdonald's vision was national: a transcontinental country in the northern half of North America. This country had to accommodate people of French and English heritage, of Catholic and Protestant faiths. It had to be ready to stand up to the United States and to build a sound economy. He remains the country's greatest builder, striving for a nation of “one people, great in territory, great in enterprise, great in credit, great in capital.” He got three big things right: Confederation, the transcontinental railway and containment of American expansionism. He also got English-French politics mostly right, although the execution of Louis Riel aggravated the political challenges from Western Canada and francophone Quebec. Finally, when the country needed a looser federation than Macdonald sought, his Confederation allowed it.

He found, in his partnership with George-Étienne Cartier, a way forward on the Quebec political front that others followed. This endured for more than 100 years. And he recognized how fundamental mutual respect was to mutual accommodation: “Treat them as a nation, and they will act as a free people generally do—generously,” he said of French-speaking Canadians. “Call them a faction, and they become factious.”

In a private letter on July 1, 1867, just before the inauguration of what he called “the confederate government,” Macdonald described what he felt had been achieved: “By the exercise of common sense and a limited amount of the patriotism which goes by the name of self-interest, I have no doubt the Union will be good for the Country's weal.” And so it has turned out.

Confederation was a first. No previous colonials had written their own constitution. It set in motion a coast-to-coast country that has survived and thrived. Canada has also emerged as one of the better places to live and, because of its achievements in mutual accommodation, one of history's truly remarkable countries. And because of the potential

importance of this idea to the world right now, Canada has vastly more runway ahead than it has used so far.

The visions of its founders have shaped Canadian society in ways that have been mutually reinforcing. Champlain's desire for a diverse and peaceable society remains dominant, if not yet fully realized. For example, much remains to be done in mutual accommodation with First Nations, and now in finding a way to cope with anxieties about extreme Muslim groups, fed in part by a fearful neighbour and its hyped-up media.

As well, Baldwin and LaFontaine's belief in reform through non-violent means has become the Canadian way, while Macdonald's vision has led to the quality of life that Canadians enjoy, and Laurier's political model of accommodation has, for the most part, been followed. Together, these visions have made Canada great—a country of unexpected magic.

TWO CULTURAL VISIONARIES

Mutual accommodation involves two fundamentals. One is effective two-way communication. The other requires a belief that a shared and meaningful order exists at the heart of things. Geography creates one kind of communication problem; it helps to explain why Western Canadians feel alienated from Ottawa and Toronto, and why Midwestern Americans disdain Washington and New York. But breaking away from history can result in much bigger and deeper communication challenges than holding on to it. The U.S. Civil War lasted for just four years, but the aftermath still persists, and contributes to our neighbour's current political turmoil.

Canada did have its own break in history, but it was not abrupt. Rather, it was more a moving on while also holding on. Its English and French connections have remained, though they have gradually become less relevant over the years. The American rupture between North and South was sudden, violent and destructive, followed by less-than-happy reconnections. By comparison, Canada's recent existential crisis concerning Quebec was peaceful and lasted for decades. These differences have produced distinctive communication, institutional and socio-cultural results in both countries.

It's no accident, perhaps, that Canada's two greatest non-political visionaries in the mid-20th century, Northrop Frye and Marshall McLuhan, both addressed communication issues. Each came partly out of the mid-20th-century world of the University of Toronto, a world that had been greatly influenced by Harold Innis, a pioneering theorist in economics, communications and the media.

They, like him, had a Canadian (as distinct from an American) sense of a fundamental shared order at the heart of things. Between them, they captured better than anyone else the nature of the transformational communication and identity changes of the post-1945 era. McLuhan grasped the scale and scope of the incipient revolution of modern communications technology, along with some of its socio-cultural implications. For him, the medium was the message, and, because the technology was global, the world had become a global village. Frye grasped the reality that culture

is fundamental and that all culture is local in expression. Although culture is shaped by the medium, it is not the medium. For Frye, culture and nationality come from a shared order, and all literature has the same anatomy. The global village is also a globe of villages.

The successful or unsuccessful reconciliation of the global village with the globe of villages is what the next decades in the world will largely be about. For Frye, the world of the imagination (inner) is the only place of unlimited individual freedom, unlike the physical (outer) world of limits and possibilities. The shared structure of all imaginative literature is what makes us human.

The Americans, more than any other society, have a never-ending drive for outer freedom in search of new possibilities with the fewest possible limits. Frye argued that free individual responses, rather than manipulated ones, would produce genuine and sustainable human cohesion. He saw the media as too often a world of manipulated mass response, leaving less space for individual reflective response—and, I would add, for real mutual accommodation that lasts.

The U.S. media may be a particular problem for Canadian culture. But as Frye famously said, the problem was even greater for American culture. Culture for Frye was not simply high culture; it was the characteristic response of individuals and groups to what they find before them. While Canadians seem to lean toward “underlying unity and order,” many Americans prefer the “struggle between good and evil until the final moment of victory or judgment.”

WHAT A DIFFERENCE A BORDER MAKES

Alarmingly, the drive toward irresolvable divisions (the endless struggle between good and evil) produces a world of slippery slopes and apocalyptic dangers. It makes democratic politics and mutual accommodation much more difficult to achieve. Today there is more internal political turmoil in the U.S. than at any time since the Civil War. In an era of terrorism, it is important for Canadians, living next to a fearful country, to keep their cool and hang on to mutual accommodation as still the best way to go—even when it does not work quickly or well and even when it fails.

Canada used its first 150 years to consolidate the initially thin coast-to-coast thread that made the country improbable into one that was strong and viable. It withstood the centrifugal forces within and the external expansionist instincts of the United States from without. It survived the global convulsions of two world wars and a great depression. Now, as it tries to cope with the world's latest challenges, it has the “usable history”—proven tactics for getting through difficult situations—that it needs to move forward. Canada must now use it or lose it.

Not surprisingly, narratives have emerged from the many challenges, successes and failures in this vast country, home to diverse peoples from many parts of the world. These stories, however, have rarely been national stories. More commonly, they are regional and local stories of everyday life—from First Nations, the Québécois, Western Canada, the North, immigrants, and francophone Canadians outside Quebec.

Only Ontario, particularly since 1945, has consistently regarded Canada in a more national way. Now, as Ontario finds itself in a Canada that no longer works all that well for its economy, this outlook may also change. What is certain is that many more shared and separate stories will emerge from what Canada and the rest of the world are experiencing right now.

Canada's glue is still its unknown shared narrative. Its future lies in a return to the boldness that created Canada in 1864–67. It enters this new era with an exceptional range of strengths. Paradoxically, these same strengths will make it more vulnerable than ever to those who want what it possesses. They may also make Canadians more anxious. Our best defence will be twofold: to articulate our stories so we understand who we are and what we stand for; and to discuss what Canada should do to seize the opportunities and minimize the risks that accompany good fortune. We could now well be entering a second Sir John A. Macdonald moment of huge challenge — so called because it will again call for boldness in pursuit of the improbable.

MUSLIM RELATIONS

Overcoming Islamophobia: Fear is never the best basis for action

Published Friday, August 14, 2015

There is no valid reason for Islamophobia, no matter what Islamic State or homegrown extremists claiming to act in the name of Islam do in Canada, the United States or other countries. We cannot let 0.003 per cent of the Muslim world speak for the other 99.997 per cent. Canada must avoid this error — and it can. The answer is simple. It requires a willingness by all of us to think for ourselves, be open with others and, most importantly, engage in conversation. Fortunately, that conversation is already under way.

Fear can goad people into action, but it is never a good guide for that action. For some reason, Americans seem to be more naturally fearful than Canadians, and the media there stokes that fear more than the Canadian media does. The primary danger for us is succumbing to that heightened fear through contagion. The best antidote is calm common sense and fair-minded discussion. We all have a stake.

Mackenzie King, arguably Canada's most successful prime minister, once said he wanted to be remembered not for what he achieved, but for what he avoided. Most important, he avoided the breakdown of unity during the Second World War. Today, in a world preoccupied by extreme terrorist violence, it is essential that Canada, in relation to its Muslim population, avoid a repetition of its failure so far to deal with its First Nations in a mutually accommodating way.

The numbers tell their own story. There are about one million Muslims in Canada, and 1.6 billion around the world, one-quarter of whom reside in India and Indonesia. Despite the current problems particular to Islam, there is no irresistible link between Islam itself and terrorism. No Muslim

country is in the world's top 20 in terms of homicides per capita, nor is Islam associated with any of the 10 largest genocides in history.

The only long-run solution to the relationship between Islam and the rest of the world is rooted in mutual accommodation. Whatever is being done to fight terrorism must always keep that reality in mind. Words matter, and we should avoid to the extent possible including the terms Islamic or Muslim in our descriptions of extremism or terrorism, even if the violence is being done in the name of Islam. Readers already know that is what al-Qaeda and Islamic State claim.

RELIGIONS NEED TO RE-EVALUATE

Islam is no different from any other religion in its need to examine itself critically. The thinking mostly has to come from within, while the challenges will often come from outside events. The recent U.S. Supreme Court decision upholding gay marriage is a good example: Religion not only challenges the world; the world challenges religion. Institutional religions, if they are to survive and thrive, need to communicate with their adherents, and everyone else. For example, the Pope challenges the world to do better at the very moment when the acceptance of gay marriage challenges his church (and not long after it was challenged by the adverse reaction to its reluctance to respond to the sexual abuse of young people in its care).

David Brooks, the insightful conservative columnist for *The New York Times*, described the current post-gay-marriage situation in the United States well. True believers — mostly of some religious persuasion — have a choice, he says: One way is to keep fighting for what they believe by seeking to change laws so they can impose their views on society. The other, as Mr. Brooks and I both believe, is for these groups to accept that they are special communities of individual believers who can make their best contribution to their members, and to society, not by trying to impose their views on others but by the strength of their own communities of faith.

The racist massacre at a church in Charleston, S.C., has provided yet another example to a world even more desperately in need of compassion and a larger purpose than individuals are. It is difficult to imagine anything more powerful than the personal, face-to-face forgiveness of the deeply mourning families toward the murderer of their loved ones. The authenticity of this forgiveness could only come from the force of their deep faith.

ISSUES WITH MUSLIMS

There is an urgent need to find the best strategy to address the double challenge presented by terrorist acts committed in Canada and terrorist recruits from Canada. Aside from that issue, how big a problem are Muslims? Or, from another perspective, is Canada a problem for Muslims? Canada's history is all about a growing capacity for the inclusion of more and more differences in our society. Covering a woman's face with a niqab is certainly incompatible with the openness that has become part of the Canadian way. Yet it represents

no threat to anyone except on those occasions when there is a clear need to see someone's face, such as for identification purposes or during testimony in court.

CBC TV's Rosemary Barton conducted a constructive interview on this subject with two Muslim women last November shortly after two soldiers were killed, one in Quebec and the other in Ottawa. She spoke first to a middle-aged Quebecker who said that all head coverings, and especially niqabs, are the result of religiously imposed male oppression. She presented herself, I thought, as a supporter of a secularist authoritarianism reminiscent of the religious authoritarianism from Quebec's past.

The other woman was young, lively and wearing a hijab. She said her personal preference was to wear a niqab as well. It was not a male-imposed choice, so she opposed any unnecessary restrictions against it. Asked by Ms. Barton why she didn't wear one for the interview, she replied, "Because other people don't like niqabs." In other words, she respected mutual accommodation.

If non-Muslim Canadians felt uncomfortable in her presence when most of her face was covered, she would voluntarily respect their feelings. I hope that impulse will become the way forward. It would see both sides accommodate each other, not by coercion but by choice.

THE SITUATION IN QUEBEC

Over the past few years, there have been sporadic flare-ups on the Muslim front in Quebec — although even if Quebec is a distinct society, it is also subject to the same demographic pressures as other parts of Canada. Its reaction, however, reflects the special Quebec drivers of culture, language and identity, which are no longer as different now as they have been at times in the past. Separatism may be finished in Quebec, but nationalism and some socio-cultural anxiety remain.

Philippe Couillard seems to be the province's first post-separatist-threat premier. He knows the power of freedom and science, as opposed to a narrow nationalism, and he encourages mutual accommodation. Like Robert Bourassa before him, he recognizes that a sound economy and the province's ability to live within its means are crucial to its survival and prosperity.

Quebec's political preoccupations have always revolved around the survival of the Québécois collectivity within an English-dominated North America. The Quebec family quarrel following the Quiet Revolution in the 1960s now seems pretty much resolved, and the majority of the population accepts that it will be more protected than threatened by being a part of Canada. This was the position of all of Quebec's great francophone federal leaders before Pierre Trudeau.

So what have these intermittent disputes over Muslims been about? In the past, issues in Quebec around others who are different have been linked to identity insecurity — essentially to language insecurities. After some wrangles in small communities over the "threat" of Muslims they had scarcely ever seen, Premier Jean Charest felt compelled in 2007 to establish the Bouchard-Taylor Commission into

cultural and religious accommodation as a political necessity. The recommendations in its 2008 report over the wearing of conspicuous religious symbols such as turbans, kippot, hijabs and crucifixes within public institutions were mild and never really implemented. Then, in 2013, Mr. Charest's successor, Pauline Marois, launched the extremist Quebec Charter of Values, which inflamed the issue once again — and worked against her Parti Québécois in last year's provincial election, when the Liberals returned to office.

The "accommodation" bill that Premier Couillard introduced last fall maintained the religious neutrality of the state even as it protected Quebec "values." Mr. Bourassa had recognized Quebec nationalism as something that could not be ignored; similarly, Mr. Couillard initially seemed to realize that since the Quiet Revolution, equality for women had become a fixture of the Quebec political scene. Thus it had to take precedence over other considerations, so anyone performing (or receiving) a public service in the province could do so with a covered face.

After the terrorist incidents in November, however, the Premier delayed bringing the bill forward. "I am here to defend the freedom of all Quebecers of all origins," he said, "and I say no to exclusion and discrimination." This is the kind of firm political leadership that may be needed right across Canada.

A MUSLIM RESPONSE

How might ordinary Muslims best respond to these challenges? One initiative I heard about recently is the Next Generation, a modest symposium held in Toronto a few months ago. Some of the most accomplished Muslims in Ontario were invited to discuss two central issues: how to engage the tiny minority of Muslims who develop strong anti-Canadian views, then act on them violently; and how to reduce Islamophobia.

Similarly, I would add: How might non-Muslim Canadians engage intelligently in the conversation we all need to have? To begin, I suggest that they read two books by the thoughtful English writer Karen Armstrong, entitled *Islam: A Short History* and *Muhammad: A Prophet for Our Time*, along with *Globe and Mail* columnist Doug Saunders' *The Myth of the Muslim Tide: Do Immigrants Threaten the West?*

Visit the Aga Khan Museum (as well as its gardens) in Toronto and appreciate the rich culture included in the exhibitions. Also, as a caution, visit the Mosque-Cathedral of Córdoba, where, after the Muslims were driven out of Spain in the 13th century, their monumental mosque was converted into a Catholic cathedral (to my eye a monstrosity, even though I usually love medieval cathedrals), marring a place of rare peace and beauty.

This is a hugely important moment in history — possibly comparable to the transition from the Middle Ages to the Renaissance. Canada lives in the world's best neighbourhood, with an unparalleled array of space, resources and food. It is strong in all of the best ways to live: compassion, freedom, science and mutual accommodation.

If we consider Canadian Muslims in this broad context, two issues have been identified as potential problems: terrorism, which, though involving only very small numbers, must be curbed; and women's head and face coverings—a purely socio-cultural matter. Consequently, only very limited changes in the law and the use of state force are needed. The recent Senate committee report on terrorism goes much further. It recommended, among other items, training and certifying imams—a suggestion the Muslim community immediately condemned as religious discrimination. The sensible response to the report will be to use it to initiate more conversation among all of the stakeholders.

All Canadians, Muslims and non-Muslims alike, need to put their faith in the proposition that every valid value is safe in the Canada we know. It is for those values that Muslims came to our shores in the first place. If Canada holds to its mutual accommodation heritage, the power of freedom and Canadian inclusiveness will prevail.

Certainly, a well thought out strategy that includes force on the terrorism front will be needed. Ultimately, however, to secure a lasting cure for excessive fearfulness and for keeping limits on the necessary use of law and force, we Canadians have to rely on ourselves and our ability to find a mutually accommodating way forward.

In 2006, the Environics Institute for Survey Research delivered *Muslims and Multiculturalism in Canada*, a useful and interesting study that provides a vast array of information that could be most helpful in guiding the discussion.

As Walter Isaacson, the acclaimed biographer of Benjamin Franklin, predicted a decade ago, the dominant battle in the 21st century will be against intolerance, especially religious intolerance. The only way to handle it will be by mutual accommodation. Canada, if it is true to itself, is as well positioned as any country to succeed.

ELECTION 2015

Justin Trudeau's sunny ways— and a storm on the horizon

Published Friday, November 6, 2015

The results of the federal election were so startling, and the likely effects so huge, that it will be some time before we can grasp them fully. But let's start with three major outcomes that go beyond the usual fallout from elections.

First, this was much more than a fight between three leaders and parties of varying degrees of acceptability. It was also far more than a poll on the economy or how Stephen Harper went about his business. It was an election about the kind of country Canadians want. A vast swath of voters was determined to hold on to the Canada they have come to love and not to lose it to divisive themes.

Second, Quebec returned to be part of the country's government. Throughout the long campaign, the province was more engaged in a federal election than it had been in almost 30 years. Eighty per cent of its voters supported a federalist party.

Third, the Liberal Party came back from near death five years ago to win the first federal vote since Canada's existential crisis: its battle with Quebec separatism. The first such provincial election was also won by a Liberal, Premier Philippe Couillard, who dispatched the Parti Québécois in March 2014. In both cases, a political realignment is under way that will leave the crisis behind and look to the future.

THE PEOPLE'S ELECTION

Quite simply, the election belonged to the people—it was more about trust than leaders, parties or policies.

The Liberals recognized that mood best, with their program, their campaign and their leader, who seemed to grow a little every day in full public view. From the beginning of his Liberal leadership run three years ago, Justin Trudeau trusted Canadians to be fair and give him a chance, despite inevitable miscues as he gained experience—and they did. The Conservatives' "not ready" attack ads recognized that public patience, and shifted to "not ready yet."

Over time, the public obviously learned to trust, as well as tolerate, him. Canada's political system proved that it works (a challenge still to be met by the American system).

The Liberals' trajectory from a third-place start through a three-way tie to a majority shows that they had struck a chord with the people. Across the country, the cumulative votes of Liberal, New Democrat, Green and moderate Conservative voters meant that some 70 per cent of the Canadian electorate was on side with seeking mutual accommodation on the niqab and security issues. At the end, Canadians preferred what they saw as a moderate economic risk over losing who they feel they are.

The election's most striking feature was the level of energy from almost every direction and the number of people actively engaged in the campaign. From time to time, Canadians have strong feelings and worries, but they usually want leaders who are less extreme and worried than they are. The Trudeau victory message—the return of Sir Wilfrid Laurier's "sunny ways" and Canada as the country where better is always possible—added to the historic, stunning scale of the win. It will also move him into new territory where expectations of what is possible could be too high. He needs to figure out quickly what economic expectations are reasonable and explain them to Canadians. This election was not about the economy. The next one almost certainly will be.

THE HARPER LEGACY

Every Canadian prime minister faces the same three big challenges: the economy, national unity and the United States. By the end, Mr. Harper did not do well on the economy (highest consumer-debt-to-income in the G-7 and \$400-billion of accumulated borrowing from abroad to fund consumption). Excess credit has masked Canada's economic vulnerability.

Most people do not yet realize the extent of that vulnerability. Mr. Harper inherited an economy and a fiscal position from the Mulroney-Chrétien era that set him up for a decade.

Unfortunately, his natural makeup does not fit with mutual accommodation: He did not trust other people, yet he insisted they trust him, and he was determined to manage everything from inside his own mind—an impossible task in a complex and fast-moving world. As a result, he leaves Canada with an economy that is weaker than necessary, and with a decade's worth of policy challenges that will involve some voter pain.

Mr. Harper did not get along with the United States, but political leaders there cannot get along with each other. Mr. Trudeau may have a better chance, but relations with our southern neighbour will be difficult until the political turmoil there subsides.

Counterintuitively, Mr. Harper did well, overall, on national unity. His greatest skill in terms of mutual accommodation was political calculation. His understanding of Canada's political reality kept him from crossing the line most of the time. In the end, the power of Laurier's Canada—pursuing public purpose through compromise—prevailed.

The only time Mr. Harper faltered seriously was relatively recently with Muslims and terrorists. Otherwise, he leaves an important set of unity achievements:

- When he took office in 2006, the West wanted in and Quebec was still undecided about getting out. Ten years later, the West is in, and so is Quebec—perhaps in part because Mr. Harper passed the “Québécois nation” resolution in the House of Commons.
- During the controversy over the proposed Charter of Values in last year's Quebec election, he asked the premiers and his own cabinet to keep out of it, knowing that Quebecers do not want outsiders intruding in their affairs.
- While other countries have serious divisions over immigration, abortion and same-sex marriage, Canada does not.
- The opposition on these issues was inside his party, and Mr. Harper kept it quiet.
- He gave the First Nations the apology they wanted and needed.
- He established the Truth and Reconciliation Commission, whose thoughtful and balanced summary report came out last spring.
- He presented a First Nations education bill that awaits implementation by the Trudeau government (and can be quickly achieved by an opt-in approach for those who want to get moving for their children now).

So, in the final analysis, Mr. Harper was an exceptionally skilful political operative, limited by an ideology and a political style that relied on a base that was strong but proved too small and difficult to reach out from.

Ideology can be like celebrity—a form of shouting. But it is neither enough about real substance, gets lasting things done nor provides reliable paths forward. As well, ideology is always trumped by reality, within whose bounds mutual accommodation can help to keep us.

Mr. Harper's approach sometimes seemed to be that of a doctor who just shouts, “Bad disease, go away!” And, of course, it never does. For example, Vladimir Putin's Russia is a huge, potentially destructive force that a globally televised snub from a Canadian prime minister does nothing to curb.

Whatever his shortcomings prove to be, Justin Trudeau appears to have the patience, the inner confidence and the toughness to find very good people to work with, and to pursue a strategy that can help, over time, to get the disordered parts of the world to a better place.

LEFT BEHIND

The New Democrats and the Parti Québécois have made strong contributions to shaping what Canada is today, but each now seems to have run out of runway.

The federal NDP has never, since its 1933 beginning, offered a single constructive, doable, fresh proposal on any of those fundamental challenges every federal government must face: the economy, national unity nor the United States. Meanwhile, its substantial contribution in social policy and rights has largely been achieved. Unlike in Britain, there is no political space here for more mainstream, Tony Blair-style socialism.

The Péquistes likely have a future in Quebec—but only if they abandon separatism (the Bloc Québécois has no future federally). If they cannot, some other party will emerge as the primary contender to the Quebec Liberals. The PQ of René Lévesque and Lucien Bouchard gave Quebecers the choice of in or out. Ironically, that choice and the PQ language bill saved Quebec for Canada, and Canada for Quebec.

Federally, the Conservatives may become the main alternative to the Liberals in Quebec. They can also become federally competitive again if there is more room for Progressive Conservatives. I see no real right-left shift in Canada (the world is too diverse and complex for left-right to be useful).

So federal third parties may now recede. If they return, it will likely be more for regional reasons.

CHALLENGES GOING FORWARD

In the years ahead, Oct. 19, 2015, will take its place among the great elections since that of Laurier as prime minister in 1896, specifically around issues of national unity and the role of mutual accommodation as a way of solving our problems.

- The first, in 1917, brought to power the Borden conscription coalition, which Laurier would not join and which divided the country fatefully along English-French language lines. It represented the greatest failure of mutual accommodation in Canadian history.
- The second was the 1940 victory of onetime Laurier protégé William Lyon Mackenzie King. His policy of “conscription if necessary, but not necessarily conscription” avoided deep divisiveness over a war most franco-phone Quebecers did not support.
- The third was the election of Pierre Trudeau in 1968. He could be even more averse to mutual accommodation than Mr. Harper, but he subsequently faced down Quebec separatism and preserved Canada.

Now we have Justin Trudeau, who matches his father in moral and physical courage, but brings more emotional intelligence and a less intellectual approach to government (perhaps more in tune with how young people today go about things and what today's world necessitates).

SPIRIT OF THE WEST

Aside from Quebec, the other great challenge to national unity has come from the West. The Laurier-King political coalition that led to Liberal dominance of federal politics from 1896 to 2006 was based on francophone Quebec finding a common cause with Western Canada.

That came to an end with John Diefenbaker's sweep in 1957. Thereafter, whether Liberal or not, prime ministers from Quebec seemed largely unable to understand the West, causing alienation that reached its peak with Pierre Trudeau's National Energy Program and his unilateral efforts on the Constitution.

But the fact that the Liberals won 32 seats west of Ontario means the Harper defeat need not leave the West on the outside. All will depend on the eight members it has in the new cabinet sworn in this week, how much scope and profile Mr. Trudeau allows them, and how effectively they can work with Western Canadian governments.

The major unity problem now is the First Nations. There is every reason to expect Mr. Trudeau to do his part of what's needed. If he does, that will put pressure on the First Nations to do theirs. The outcome will depend on patient mutual accommodation. One should be optimistic.

TROUBLE DOWN THE ROAD

Justin Trudeau has the ability to harness mutual accommodation and strengthen unity at home and, when the moment is right, foster better relations with our southern neighbour.

However, mutual accommodation is a means to an end, not an end unto itself. It must serve a purpose, and the primary purpose at the moment is to get Canada on a sustainable economic path. The country has been living beyond its means (by \$60-billion a year), it has the G-7's highest debt as a percentage of household income, and it is not internationally competitive in enough goods and services.

Canada's economic ship is headed for the rocks. Mr. Trudeau must chart a new course—and soon.

INDIGENOUS PEOPLES

Truth and reconciliation: Will this time be any different?

Published Friday, December 18, 2015

The coming year offers Canada its best chance in four centuries to reach an accommodation with its Indigenous population.

This week, the Truth and Reconciliation Commission (TRC) published its full report—six volumes totalling nearly 4,000 pages—on how best to cope with the fallout from the residential school era. It comes six years after the commission began its work and six months after the release of the report's highly acclaimed executive summary. Change is in the air, and the Prime Minister was on hand Tuesday when the final documents were presented. During the campaign that brought him to power, he promised that, if elected, he would enact all 94 of the commission's recommendations.

A skeptic may recall that almost exactly 20 years ago another large report appeared, that of the Royal Commission on Aboriginal Peoples. It had no fewer than 440 recommendations for sweeping changes that would recognize Aboriginal self-government and address social, educational, health and housing needs—at a cost of \$35-billion over 20 years.

The federal government responded, more than a year later, with an action plan that was much more modest. But it led eventually to a pact between native leaders and then prime minister Paul Martin that was very encouraging—but it was aborted after his Liberals were voted out of office 10 years ago next month.

So what will happen now? Will history repeat itself as Canada falters once again in trying to deal with its biggest item of unfinished business: mutual accommodation with Indigenous peoples?

Just saying that this time will be different (as Neville Chamberlain famously told reporters after his “peace in our time” meeting with Adolf Hitler) is not enough. But there are signs that Canada's quest for a just and equitable relationship with Aboriginal peoples may be coming together.

CHAMPLAIN'S DREAM

It's still too soon to see what can and should be done, and the path is not an easy one. But we would do well to remember the example set 400 years ago by Samuel de Champlain. The founder of Quebec did not set out to conquer the Indigenous peoples, whom he regarded, according to biographer David Hackett Fischer in *Champlain's Dream*, as “fully equal to Europeans in powers of mind, and...superior in some ways.”

Had such an attitude persisted, the residential schools would have been inconceivable. Exposed as a young man to the brutal treatment of Indigenous peoples in wNew Spain, Champlain envisioned a society in which settlers and local inhabitants would intermarry and, together, forge a strong nation.

He was ahead of his times, but that dream may yet come true, because we now have what seems to be our best chance at mutual accommodation since he was alive—and the cost of failure has become too high.

The TRC was established specifically to redress the residential schools tragedy, but the six years of research and public hearings led to a report on a wide swath of issues—from the sociological, economic and political impact when children are separated from their homes (let alone disappear altogether) to what happens when people lose their language, culture and sense of identity.

The 94 recommendations for reconciliation range from how to heal families and communities and revitalize Aboriginal cultures, languages, spirituality, laws and government systems to building respect for and a relationship with First Nations at all levels of government.

NO MEAN FEAT

Despite Justin Trudeau's promise, implementing the recommendations will be easier said than done. If another Trudeau promise—more open discussion—is kept, the best early use of the report will be to provide the basis for proposals by many actors. Input must be real and come from all who are affected. The members of the commission clearly believe that First Nations have been missing from almost every part of our national life. Many changes will be needed to break this pattern: Every significant institution and segment of Canadian society needs to take an honest look at itself from this perspective.

These action calls cover child welfare, education, language and culture, health, justice, Aboriginal equity in the legal system, public servants' training and development, youth programs, museums and archives, missing children and burial information, commemoration, establishment of a National Council for Reconciliation, church apologies and reconciliation, media and reconciliation, sports and reconciliation, business and reconciliation, Aboriginal information for newcomers to Canada, Canada and the United Nations Declaration on the Rights of Indigenous Peoples, and a new Royal Proclamation and Covenant of Reconciliation.

Given all of these demands, the devil will be in the details and in the need for goodwill. The TRC report described Canada's residential school tragedy as "cultural genocide," which some people consider inflammatory. But what happened is what's truly inflammatory.

The residential schools are part of a much larger problem in the Western world. Over the past few centuries, thinking that it knows more than it does, the West has sometimes felt it has the right (or the obligation) to impose its views on others. Even those considered socially progressive were still captive to their times. For instance, J. S. Woodsworth, the first leader of the Co-operative Commonwealth Federation (the predecessor of the New Democratic Party), once praised a Toronto church for sending a minister to a residential school in Western Canada "to do God's work." Even if people mean well, superiority and arrogance can be very destructive; add abuse to the mix, and the results can be fatal.

The TRC report addresses all of these problems and, in its recommendations, seeks to find redress for them. A key factor is recognition—it matters to everyone. The apology former prime minister Stephen Harper gave to Aboriginal people was important, but his failure to call a public inquiry into the murdered and missing women remains a need for recognition that now the Trudeau government is promising to address. Historically, there have been many similar breaches of trust and respect.

The UN Declaration on the Rights of Indigenous Peoples and a jointly developed Royal Proclamation and Covenant of Recognition recommended by the TRC are more important than many Canadians realize. Restoring broken trust requires both mutual recognition and much encouragement.

Also, we must recognize that the sizable gap in the funding for education between reserves and everywhere else is unfair—and stupid. Despite the imbalance, a number of Aboriginal education initiatives are under way across Canada—many of them innovative and privately funded. Canada's public school system could learn a lot from them.

First Nations are united in their belief that education is the way to strengthen and sustain their cultural, linguistic, social and economic development. They want it so they can prepare their children to walk in two worlds: to know their language and culture and be proud of their identity; and to have the skills they need to succeed in the dominant society and the modern economy.

This objective applies to Aboriginal students in both reserve and public schools—just as it applies to all Canadian students. Everyone lives simultaneously in two worlds: inner and outer. Literacy facilitates access to culture; fluency in two or more languages brings cognitive, social and economic benefits; and a strong sense of identity improves academic achievement and social behaviour.

THE MISSING

When I saw the recent revival *Flare Path*, the 1942 Terence Rattigan play about British airmen and their wives, I was reminded how, during my youth, the nightly radio news almost always ended: "One of our aircraft is missing." The wives would know if an aircraft had not returned—it could be one of their husbands.

Indigenous people still experience too many such moments. We are constantly reminded of the women who are missing—and perhaps murdered—but many in the community are missing as well from Canada's mutual accommodation ways. Our school system fails to provide everyone with a good education, and our child welfare and justice systems do not shield everyone who needs protection.

The TRC report is essentially about a large number of Canadians who have gone missing, or risk doing so. How will Canada reduce that number? Shawn Atleo, former national chief of the Assembly of First Nations, described Aboriginal Canadians as a "traumatized people." Being missing helps to produce the trauma.

The institutional critical mass that's needed encompasses key government leaders and their governments, the courts,

educators, the media, public opinion, and business at large and affected industries.

Aboriginal leaders and their communities will have to do part of the heavy lifting. The TRC report is focused on what Aboriginal groups want and need, so they will have to get the different balls moving by thinking through what they specifically want and how best to achieve it.

In my experience, no matter how good your case, governments and businesses tend to act only when your proposal helps them deal with specific immediate challenges—not their longer-term interests. And the time is finally here for movement on relations with Aboriginal peoples.

POLITICAL STARS ALIGNED

Mr. Harper did more on the First Nations front than he is generally credited with, but he was limited by a reluctant voter base. His successor doesn't have that problem: Mr. Trudeau's heart and mind are open, and the Aboriginal issue is one of the more important challenges he wants to address. The premiers of the four largest provinces are in the same place. There is a strong political basis for moving forward.

The Supreme Court of Canada has consistently found that the law on Aboriginal title favours First Nations—decisions that, along with their protest-based clout, give them greater leverage on big resource projects. Although some businesspeople and their advisers find the Supreme Court uncertainties hard to manage for practical business decision making, I doubt they present an insuperable problem. Legal reality may help businesses see they need more social licence for what they do. We will see.

This combination of evolving politics and Supreme Court decisions should encourage Canada's First Nations to believe that the political and legal system can work for them. In the last federal election, First Nations' engagement was higher than ever and a record number of 10 Aboriginal members were elected as MPs. Having the First Nations on side would be a huge asset for credibility on the environment, although the federal and Alberta governments and the oil and pipeline industries have been very slow to grasp that idea.

The media seem to get it. So, for the most part, does the public, as long as whatever steps taken are discussed openly and thoughtfully first. There will, however, still be strong differences on the particulars.

Optimism among Aboriginal people about the combined potential of the TRC report and the new Trudeau government is palpable. Mutual accommodation and improved relations by both sides will be needed to flesh out these expectations and to seize what is now possible. Continuing political leadership from the Prime Minister and the premiers will also be indispensable.

LOOKING AHEAD

The whole tone of the report presented by the commission (whose chair, Murray Sinclair, was Manitoba's first Aboriginal judge) was forward looking, using truth, not blame or

anger, to move toward reconciliation.

In the early '70s, I used to go fishing on Georgian Bay with Barney Danson, Pierre Trudeau's minister of defence. On one occasion, he talked about doing business with West Germany, I asked how, being Jewish, he could do that, given the Holocaust and the fact that he lost an eye as well as many comrades during the Second World War.

"You have to move on," he replied, expressing an idea that is the most powerful message for our times.

It also underscores what an Indigenous professional I know and respect told me when I asked what she considers the best way to address the TRC report:

Governments should move on matters under their control, especially funding for education and child health. All sides should focus on how to bridge the gaps between them. First Nations should take more responsibility for their own future, however politically incorrect that advice is in some circles.

The world is driven by feelings and limited by facts. Right now, there are high hopes for reconciliation and mutual accommodation, and we must seize the moment.

We can achieve these goals by open discussion, very hard work and much patience over a long period. What matters now is to get on the right path—quickly.

ECONOMIC BOLDNESS

To transform Canada's economy, Trudeau needs to be a "bold builder"

Published Friday, February 12, 2016

Canada's wake-up call has arrived with all of the bad economic news: the falling loonie (which raises the cost of living), collapsing oil and commodity prices, a serious bear stock market, reduced government revenues and weakening employment performance.

But bad news can include good news, and the upside is that the new government and the watching public cannot fail to see what they face. The harsh forces now at work can no longer go unnoticed. The government is getting a clear idea of the challenges ahead, and that will help it explain to Canadians what has to be done.

The past five years were largely lost ones for the Canadian economy, which has suffered from three major vulnerabilities:

- Our growing household debt (because we have failed to live within our means) and foreign borrowing;
- China's impact on oil and commodity prices, which stems from the fact that a once-explosive economy is growing more slowly and reducing its investment in physical capital;
- The looming, and unavoidable, end to the current U.S. expansion.

Some of these troubles were self-inflicted; others came from outside but were at least partly foreseeable. Either way, the end result is very, very real. What matters now is to assess where we are and find the right policy and political ways forward. Canada was unprepared to deal with the first two problems. It's urgent that we get ready for the third by using U.S. growth while it lasts.

A HARD GLOBAL ENVIRONMENT

The global economy is still being held back by two huge deflationary, or recessionary, drags:

- *Continual aftershocks from 2008*

We forget that the world never really came out of the Great Depression of the 1930s—rather, the economy was revived by a global war. Nor has Japan fully recovered from its 25 years of economic malaise. In both cases, the premature withdrawal of measures to stimulate a recovery brought recession back.

This helps to explain why the U.S. Federal Reserve Bank has been so cautious about doing the same since the 2008 meltdown—and, now that it has, why *Financial Times* columnist Martin Wolf thinks the increase was perhaps a blunder. He may be right, but for once I think maybe not—just as, unlike some commentators, I don't feel the Fed's action is the prime suspect in triggering the current global stock setbacks.

- *The China factor*

The overwhelming shock of China's economic rise has now turned into the shock of its lowering growth adjustments. Wendy Dobson, a China expert at the University of Toronto's

Rotman School of Business and the author of *Canada, China, and Rising Asia: A Strategic Proposal*, points out that while Western economies make mistakes, they have way-forward charts. For China, there are no charts for moving 1.4 billion people forward, with an authoritarian government and an economy hindered by the fact that it's partly state owned. We don't like today's destabilized Middle East. A politically destabilized China could be much worse.

But Canada has to look out for itself in a world of insufficient demand. Just as the country needs what the Prime Minister calls "sunny ways," it needs to be deeply rooted in reality and what works.

THE WAY FORWARD

Right now, Canada needs major initiatives in three key areas: public infrastructure, natural resource infrastructure, and incentives designed to foster the creation of wealth.

Entering the last election, Canada had none, but it emerged with a government that supports the first and promises a more positive approach to First Nations and climate change, which could help with the second. Of course, neither it nor the other parties advocated anything to help us start living within our means.

In the immediate aftermath of the financial crisis, Canada famously did almost all of the right things, using the strengths from the legacies of Brian Mulroney and Jean Chrétien to overcome the worst of the fallout. The Bank of Canada under Mark Carney edged interest rates up 75 basis points, an amazing accomplishment compared with the performance of the rest of the Group of Seven developed nations. The bank no doubt wanted to do more, but it was held back by elections and volatile external challenges.

After the return of majority government in 2011, there was a shift, but for political, not economic, purposes. And those changes rested on an unsustainable foundation: too much foreign borrowing and too much household debt. Now the rough new economic world Canada faces will be much more powerful in shaping future policy. No matter what the Liberal government does, any tendency to live beyond its means will be influenced more by market forces than by policies.

The Liberals put forward two positive ideas: enhanced infrastructure financed by a larger deficit; and better relations with First Nations, which could help to get big pipeline and resource projects moving. But the centrepiece of its platform, a better life for Canada's middle class, requires some heavy lifting on the economy.

THE NEED FOR CHANGE

Canada's overall policy is badly unbalanced: There is too much stimulus from private credit and too little from federal deficits. Interest rates are so low, housing prices in some areas so high and so many households deep in debt that the Bank of Canada is now essentially powerless to provide relief when the next recession comes, as it inevitably will. A recent poll shows that Canadians' prime financial goal is to cut their debt, which would help even if it slows consumer demand in the process.

So now is the time for the Bank of Canada to spur debt reduction, not only by matching the Federal Reserve rate rises but perhaps even by retracting the two unnecessary decreases it made last year. As for the lower dollar, by raising prices it tightens domestic spending while spurring foreign demand for Canadian goods—not that earning less for what you sell is the fast track to prosperity.

It was heartening that the bank at least resisted the urge to cut interest rates yet again in February. After seeing the federal budget, which is expected to land next month, it should consider an early 25-basis-point rate rise. Such an increase would signal a better sense of policy reality than its actions and talk indicated before a speech by bank governor Stephen Poloz early in the new year. In it, he essentially acknowledged for the first time that we are in a world beyond monetary policy help, one that will require hard and painful adjustments.

Canada must use the stimulus from the fiscal deficit the Liberals have promised to raise interest rates slowly, to help achieve four goals: a stronger dollar, less inflation, somewhat lower household debt and more moderate housing prices.

Currency exchange and interest rates are good or bad depending on whether they reflect a sound policy framework, and Canada's overall framework has been askew for three to four years. Too little stimulus has been focused on the economy's true challenge: building longer-term productivity and expanding the supply capacity. Too much has gone to creating jobs in other countries because Canada has spent billions more on imports than it earned from exports.

The possibility of greater personal financial prudence is a positive sign, but right now the dollar and interest rates are both too low. The federal government and the central bank need to work together to achieve great balance, with less risk than we are now running and a bigger cushion for the future.

WHAT THE POLICIES SHOULD BE

And how do we build that cushion? Imagine the nation's economic policy as a stool supported by three legs, and the first is public infrastructure, especially transit and communications. The government is making a start, but the investment will need to be bigger than it has promised, and focused almost totally on what will make the economy more competitive in the longer term.

Leg two is pipeline infrastructure. Here the Liberals can benefit from their approach to policy on Indigenous affairs and global warming—issues the previous federal and Alberta governments, along with the oil and pipeline industries, are seen by many to have blown over the past decade. The third leg should be a powerful incentive for the best people, and for businesses that are bold enough to expand in the face of uncertain times.

The old way to promote something like this was through tax breaks or direct government spending, and there is still a role for both approaches. But something big and new is needed on the globally competitive goods-and-services front to match the infrastructure incentives. We need a creative way to reward those who create wealth and jobs, and then put their gains back into the Canadian economy.

SERIOUS BARGAINING AHEAD

Canada's economics and politics tend to be more regional than national, whereas elections that bring about change are usually national, like the one last October. The provinces and the First Nations have needs—and leverage—so overcoming their differences will require political leadership, based on mutual accommodation.

Today's regional economic tensions are not so severe that they have the potential to match the political ones witnessed when the Prime Minister's father was in office, but it is still a situation difficult for any federal government to manage alone. The eruption of protest against the Energy East proposal for a 4,600-kilometre pipeline to carry about a million barrels of oil a day from Alberta and Saskatchewan to refineries in the East illustrates what may lie ahead.

Back in 1967, there was a void in national leadership before the arrival of Pierre Trudeau. Premiers John Robarts of Ontario and Daniel Johnson of Quebec stepped in, calling their provincial colleagues to the Confederation for Tomorrow Conference. Perhaps it's time the premiers of the four largest provinces (Ontario, Quebec, Alberta and British Columbia) did something similar: the Canadian Economy of Tomorrow Conference.

THE FUTURE

Every Canadian prime minister faces three primary challenges: the economy, national unity and the United States. The wider world has now added two new challenges: security, and desperate people fleeing failed states and economies and the effects of global warming.

Pierre Trudeau saved Canada from separatism. Justin Trudeau promises to preserve its identity as a nation that relies on—and thrives because of—mutual accommodation. But the second Trudeau also needs to become the second Sir John A. Macdonald—the bold builder of a stronger coast-to-coast Canadian economy he can take to the world and bring the world to. It is a huge moment both for him and for Canada. The urgent question now is whether he and we can seize it.

The scale of the collapse in oil prices and the global stock market must be seen as wild cards that would not normally threaten the U.S. and global economies—but could do so. If they do, it does not mean the Fed was wrong to test the waters with a 25-basis-point rise in interest rates. What it says is how very hard it is to get past the two big global drags: the post-Lehman aftershocks and the challenge of adjusting to China's new path.

Heavy lifting and much need for mutual accommodation lie ahead. The key is to get on the right path with a lot of honest and open discussion. In all likelihood, it will take the rest of 2016 to get started. The politics can be supportive if what is needed is well explained: the right policies should bring little political danger from the left and potential support from moderate Conservatives on the right, based not on ideology or wedge politics but on what works.

REWARD REINVESTMENT

To revive Canada's economy, reward those who pitch in

Published Friday, February 26, 2016

Vaudeville ain't what it used to be, nor is the Canadian economy. But the economy can bounce back, and this week Finance Minister Bill Morneau announced something to help it do just that. Largely lost in the fallout when Mr. Morneau revealed that this year's fiscal deficit will be much larger than expected was the creation of a special agency, the Advisory Council on Economic Growth.

After years of policies that created debt at home and employment elsewhere, this country must earn its way again. Once it has delivered its first budget on March 22, the government of Justin Trudeau plans to do something much needed: it will devote the rest of the year to looking to the future. The new advisory council is being asked to recommend ways that Canada can, as the Ministry of Finance puts it, "create the long-term conditions for economic growth."

That is clearly a step in the right direction, as long as the government recognizes what is really needed: a broad set of discussions about how best to increase productivity, and especially how to revitalize the nation's competitive capacity to supply global goods and services.

Direct government spending to spark a sluggish economy is effective in the short term, and Mr. Morneau insists that the rapidly expanding deficit makes the infusion of public money more vital than ever.

But the only lasting strategy for generating jobs that are more plentiful, more satisfying and better paid is to enlist the private sector. And I have an idea that Ottawa's new advisory council should consider. It is rooted in both the notion that the private sector should drive the economy, and the fact that private enterprises deserve a strong foundation built on social licence. In other words, ventures that make a contribution to society should be granted special privileges.

My proposal may not be the only (or even the best) way forward, but it takes a practical "what works" approach, one that is easy to grasp and would enable Canada not only to live within its means but to prosper.

INVEST NOW, TAX LATER

Building larger, more dynamic pools of capital in Canada would be enhanced if investors could treat their investment capital as a single asset for the purposes of capital gains taxation. The way to do that is to allow capital property gains to be reinvested without immediate tax.

A simple taxpayer election, like the existing rollover (deferral) provisions for a small category of capital gains, would do it. It would be available to all Canadian resident taxpayers and involve no registration requirement, only a tax return designation. In effect, until assets in the pool are withdrawn (or so deemed on residence change or death), they would remain at work, creating businesses, jobs,

incomes and tax revenues. There would be no change in the present capital gains system or level; no fund, plan or administrator; and nothing directive as to qualified reinvestment. If taxpayers wished to avoid having premature taxation reduce their capital pool, they need only elect to have the cost of the disposed security become the cost of the new security to defer recognition of the gain.

If a taxpayer did not reinvest, a taxable gain would be reported. Elections would not be available in the year of a taxpayer's death or when the taxpayer ceased to be a resident. If the full proceeds were not reinvested within some reasonable time (say 60 days), a pro rata portion of the gain would be subject to current tax. Income on investments would be subject to taxation, and interest on money borrowed to acquire securities would remain deductible. The plan would be easy for those paying tax and for those collecting it.

WHY THE TIMING IS RIGHT

Several developments suggest that now is the right time:

- The recovery of our oil and commodities strength is likely some years off. Until then, supply will probably exceed demand. We need more strings to our bow.
- Canada has lost ground in some manufacturing sectors. The lower Canadian dollar will help sales, but some lost capacity will not return.
- Recent economic and financial setbacks mean smaller initial revenue losses from deferred capital gains, because those gains will likely be smaller for a while. Like infrastructure spending, short-term revenue losses are best seen as a longer-term "investment."
- The plan will counter weak Canadian business investment prospects by favouring reinvestment from successful ventures over immediate profit taking. These reinvestments must succeed to benefit.
- It will make Canada's capital markets more efficient. People will decide to sell for investment reasons, unaffected by tax considerations. We don't want our physicians thinking about tax while they operate; similarly with investors.
- The global venture capital world, one of launching new businesses and moving on from one success to the next, would find Canada a much more attractive place to do that.

The proposal reflects today's realities, not ideology or theory. Canada has huge advantages: resources, space, water and food. It's still the best neighbourhood in the world, with a proven history of mutual accommodation. The best way forward is to make an already-good Canada more competitive for the best people—entrepreneurs, innovators, creators, professionals, scientists and managers (the weaker dollar is starting to really hurt here). The ability to build personal wealth by keeping one's gains at work would be an additional powerful magnet, one that is fair and reinforces Canada's advantages.

The proposal would temporarily "socialize" private sector gains by keeping them at work creating jobs and wealth while enhancing government revenues. When the reinvestment ends, the deferred tax is paid.

We are likely in the early stages of the second quantum

revolution. The first one brought us the modern digital world. Mike Lazaridis, the technology genius behind the BlackBerry and the Perimeter Institute, the cutting-edge physics research group in Waterloo, Ont., believes the next one will produce an even greater transformation. He says Canada needs to match a university infrastructure that is strong in basic science research with equal entrepreneurial and investment strength. A one-two punch.

U.S. president Franklin Roosevelt realized that science and the government, together, had contributed enormously to victory in the Second World War. He wanted that same collaboration to bring the U.S. economic success in peacetime by combining effective public support for science with effective incentives to the private sector. Canada, being even more willing than the U.S. to use collective action to advance shared causes, surely can do this.

After the financial crisis in 2008, Canada had an economic advantage over the U.S. and other advanced economies that could have lasted a decade. Instead it has disappeared already because we chose to spend now and earn later, at a record level. Nonetheless, we can have another “Canada moment,” when our country is viewed positively from abroad, our economic policy approach is regarded as among the most effective, and Canadians feel deservedly good about themselves.

POLICY THAT MAKES SENSE

For two decades after 1945, Canada had tax policy that was well suited to its strengths. Special provisions encouraged oil, gas and mining development. The absence of any capital gains tax proved a driver to all investors and businesses.

These policies rewarded success, not effort; investment, not spending. We again need a custom-made policy for Canada’s particular situation. The controversial Carter Tax Report of 1966 recommended big changes. One was taxing capital gains as ordinary income—an approach out of tune with how investors and business people behave. This was rejected in favour of the current 50 per cent of gains.

In a December 1970 paper on taxing small business, Ontario accepted that compromise but put the reinvestment rollover case simply: “The need for both private savings in Canadian hands and capital-market efficiency strongly favours a reinvestment-related tax-free rollover approach for all shares and business assets...especially if one regards the taxation of capital as more appropriately having a lifetime perspective...The Ontario proposals are based on the central importance of savings and investment for economic growth as the only reliable generator of increased revenues to governments...Ontario does not believe in designing a long-term structure on the basis of short-run revenue considerations.”

GET MOVING NOW

During his recent “rebranding Canada” trip to the World Economic Forum in Davos, Prime Minister Trudeau offered encouraging words. But now is the time for action, and this proposal responds to Canada’s needs. It is balanced; everyone gains. It will show Canada in a new light, to itself and to others—a unique made-in-Canada way forward.

The Canadian business community has been absent for 20 years from serious discussion of economic policy. It shows. Neither zero federal deficits nor “shovel-ready” should be the primary focus. The business sector should take a hard look at this proposal and consider whether it would work and whether they could help make it happen. The unions should ask if any other proposal would work better for their members. Is there a safer bet for creating good jobs? At Davos, the Prime Minister said Canada would not just manage change but take advantage of it. How? Unless matched by some big deeds, the words will not become reality. Small will not work for tomorrow’s world, which is not about to get much better. It will become even more competitive. Mr. Trudeau’s assertion will happen only if Canada gets better—starting in Ottawa.

THE RIGHT MESSAGE

The best global economic outcome is a slow struggle forward to 2020. A worse outcome is where the inclusive global order continues to weaken, and Canada becomes more isolated in a difficult economic environment, next door to a United States with a weakening economy and a seriously dysfunctional political system. Canadians must drop their moral smugness and economic complacency, and engage in serious discussions about the future. Canada was unprepared for the oil price collapse. There is no excuse for not being prepared for a wide range of potential economic outcomes in a world that is so uncertain.

There may be a better plan than what I suggest, but doing nothing powerful to stimulate private sector investment is not an option. The low dollar alone is not sufficient. You do not get ahead by making yourself poorer through foreign borrowing and a currency that buys less. In an outside world that’s far from favourable, how does Canada do something striking and different—really rebrand itself? We need the start of an answer within the year. If we do not, the populism spreading in other Western countries will reach Canada. Too many think the system no longer works for them. The challenge is to find what can work and get it working before the populist train leaves the station.

POSTSCRIPT

The creation of the federal advisory council guarantees the government will have the economic discussion it needs (one ably led by Dominic Barton, a Canadian based in London as global managing director of consulting firm McKinsey & Company). No doubt the council will explore many options before delivering its report, which fortunately is due by the end of the calendar year.

I have believed in the capital pool approach since 1970, when I was advising the Ontario government in its fight against Ottawa’s tax proposals. I have yet to find a better way forward. We approve of large rewards for sports and entertainment stars because we feel what we give them is matched by what they give us.

The capital pool idea tries to fit the notion that “a fair exchange is no robbery” into the broader world of jobs and wealth creation. The idea is win-win—the non-zero-sum world of mutual accommodation. A social contract that works.

CHINA

Canada could play a major role in strengthening U.S.-China relations

Published Thursday, March 24, 2016

How much interdependence is possible in today's world? What form will it take? How stable will the way forward be?

Zbigniew Brzezinski, the political strategist who advised U.S. presidents Lyndon Johnson and Jimmy Carter, has said that the world is still making the transition from the Cold War to an international order that continues to rest on the decisive axis of two great powers but is more complex.

The great powers today, of course, are the United States and China, but two significant realities distinguish their competition from that of the West and the Soviet Union: Neither party is excessively ideological, and both recognize that they have to get along—they really need to master mutual accommodation.

In the coming years, the big economic challenge facing China and the big political one facing the Americans will test this view—but Canada has some special qualifications that could make it an important player. Canadians can bring to the discussion both their own capacity for mutual accommodation and the unique relationships they enjoy with the global powers. The connection with the U.S. is a special people-to-people bond much celebrated during the Prime Minister's recent visit to Washington. It is beyond the reach of government. But Canada also has an edge with China, for several reasons:

- Canadian Norman Bethune brought modern medicine to rural China and made such an impression that Chairman Mao wrote a eulogy for him, which for decades Chinese students were required to know by heart.
- Northrop Frye, the great Canadian cultural critic, got more serious attention in China than perhaps any other (non-communist) Western thinker.
- In 1958, the Royal Bank of Canada was the first Western financial institution to open in the People's Republic.
- A year later, *The Globe and Mail* became the first Western newspaper with a bureau there.
- In the early 1960s, Canada sold China wheat it needed badly and could find nowhere else.
- In October 1970, Pierre Trudeau made Canada one of the first Western countries to officially recognize Beijing.

And China does not soon forget a favour. When President Xi Jinping met Justin Trudeau after last fall's election, he produced a photograph of the new Prime Minister's parents. It was taken 43 years ago when Mr. Trudeau's father was making his third visit to China—but it was the first by a sitting Canadian prime minister.

As well, both China and the United States appreciate Canada's natural resources, so Canada has a lot going for it right now; the mainland's most popular foreign TV per-

sonality is a Canadian—Mark Rowswell, the comedian and on-air host better known as Dashan.

But we must be sure to make use of this clout, and to stand back and feel confident in who we are. We have—in fact, the West as a whole has—no choice but to take risks with China, but we must do so with open eyes. Remember what happened when the world failed to find a way to accommodate an ascendant Germany. By the same token, China would be wise to remember that the U.S. can be slow to act, but it brings a lot to bear when it does.

A TROUBLED PEOPLE'S REPUBLIC

And China has issues. David Mulrone, who was Canada's ambassador to Beijing (2009–2012), sees many pressing problems: the unpredictable behaviour of neighbouring North Korea; pollution; uneven development across society; corrosive public criticism of education and health care; concerns about corruption; and uncertainty generated by the Taiwanese and U.S. elections.

The overarching question, Mr. Mulrone says, is President Xi's "vision problem"—his belief that "what's good for the Communist Party is good for China."

At the same time, China has many big positives. The late Deng Xiaoping set his country on the road to economic advancement in 1978, when he made his historic "speech for change." The subsequent speed, scope and scale of the transformation, and the number of people who have benefited, are without precedent.

Unlike the former Soviet Union, which reformed its politics without reforming its economy, China made the practical political choice to improve economic conditions in ways that would be felt quickly by individuals. It avoided the swamps of Western-style democratic politics, in which neither China's leaders nor the public had any experience. As in the United States right now, the economic results are better than the political.

SUCCESS THROUGH CO-OPERATION

Although China and the United States have many shortcomings, they should be seen in the larger context of astonishing achievement and resilience. The task for both countries—one they are up to but may not want to tackle—is to use their strength to co-operate in making an interdependent world work for each of them.

And the challenge for Canada? Find how best to be useful.

Since the Second World War, the external leadership provided by the United States has been unprecedented. There is still no credible or acceptable alternate global order on offer.

But the Chinese achievement at home is no less impressive. In 2010, while in China for a week, I asked myself what I would do if trying to bring 1.4 billion people, peaceably and at high speed, through two centuries of the Industrial Revolution and three or more decades of globalization.

What China has done since 1979 reveals amazing strength. Its accomplishment may seem imperfect to Westerners, who took centuries to get where they are today, so some mind-boggling numbers may help our perspective. In 1989, a

decade after Deng Xiaoping had launched his economic reforms, China's per capita gross domestic product was still a mere \$403, but by 2014 it had topped \$7,000. In 1940, average life expectancy was 36 years, and the literacy rate was 20 per cent. By 2012, people were living to 75, and literacy was over 90 per cent.

This rise is unique in human history—but as huge as China's accomplishment has been, so too is what remains to be done, at home and abroad. Beijing painted itself into a corner by relying excessively on the global system to propel the scale and pace of its development. It must now move beyond these dependencies into more interdependent ways.

Similarly, the United States hobbled itself by the scale of its debt, the weakness of its financial system and the unpreparedness of its voters and its political system to address the inevitable fallout as it withdrew from its international overreach. So, just as China is finding its new economic path harder, the U.S. is experiencing political turmoil.

China needs to understand that American workers carried part of its great leap forward on their backs, and this is part of what is now playing out in U.S. politics.

DECIDING FACTORS

Certain impressions still resonate from my trip to China: memory, hope and energy, alongside overwhelming size and speed. All five will determine the success or failure of China's unprecedented experiment of modernization and participation in the global order. It is impossible to ever see China in its entirety, let alone in a week (or the United States, for that matter). But seven days there was time enough to raise one simple question: can China become an ongoing positive participant in an evolving inclusive global economic order?

Since then, a second question has arisen: Can the United States hang in, or will its internal turmoil lead it to withdraw, leaving the rest of the world more than it can handle? In the past few years, the overall U.S. economy has done well, but the domestic political fallout of the past 25 years has become very challenging. Meanwhile, many outsiders have believed there is no end to the demands that can be placed on the United States. But that era is over—as are the days of the Chinese economy as the great resource and consumer market of the future, as well as the provider of cost-effective outsourcing for the world's suppliers.

The fact that China has vivid memories of the Mao era's extremes (and a deep-seated desire not to return to them) may give its leaders the latitude they need to maintain cohesion. (The U.S. has no recent memory of such extremes to constrain it.)

Hope is less a fundamental for China's current generation than for its children. Like memory, hope stands to last another one or two decades as a source of stability through huge change. These powerful feelings should result in needed patience and realistic expectations. They do not, however, guarantee Chinese political will for needed change.

And then there is energy. The sheer power of the China numbers could yet overwhelm its own positive socio-cultural driving forces and the ability of the global economy to handle

them. The math of huge numbers and compressed time frames will continue to test both Chinese capabilities and those of the global economic order.

NO IMPENDING IMPLOSION

Not long ago, I listened to Mr. Mulroney deliver the annual Bishop White Lecture (which honours the first curator of the Royal Ontario Museum's Chinese collections). He acknowledges China's strengths and achievements and the positive changes within the Communist Party that emerged following the Tiananmen Square crackdown and the collapse of the Soviet Union. He sees a party that has been immensely adaptive but not yet ready to relinquish office. He expects no early Chinese implosion—if ever. Good. If there were such an implosion, it would make the current Middle East mess look minor.

We have to hope that the continued Chinese acceptance of Communist Party rule in exchange for economic prosperity will not become prematurely inadequate politically through some combination of mediocre economic performance and a desire among the younger Chinese for something more than full stomachs. The West should stay out of this difficult challenge on the domestic front, while not letting China forgo its fair role in preserving the global order.

CANADA NEEDS THEM TO SUCCEED

Canada played a special role in the global order that emerged in the late 1940s. It should do so again by helping to shape a more sustainable global economic order. In the Bank of Canada and the Departments of Finance and Foreign Affairs, Ottawa has a group of officials not surpassed for independence, innovative analysis, broad experience, and an ability to work with others to help achieve this new world.

For a decade, Canada lacked responsive political leadership because the former prime minister found it difficult to get along with the two countries most important to Canada and to the world. The new government in Ottawa has a role. Canada needs a sustainable global order. It also needs both the United States and China to succeed. The United States is our most important customer by far. China may no longer drive the demand in the important resource sector, but it is still a significant factor. China's population numbers and multiple strengths mean it will matter, regardless of what happens.

Can China and the United States find the capacity for needed mutual accommodation?

If you doubt that interdependence is the challenge of our time, think again. Take a hard look at the surge in blue-collar support for Donald Trump. Overwhelmingly, it is about trade, which in turn means China. I was part of a small group of senior Canadian businessmen who took that message to Shanghai in 2010. We were five years early.

UNITED STATES

In dealing with Uncle Sam, Canada must be patient and firm

Published Friday, May 20, 2016

In 1993, I was in Tokyo to address a group of businessmen on “Coping with a Changing United States in a Changing World.” It was a year after George H.W. Bush, then U.S. president, had become violently ill at a state dinner with the Japanese prime minister.

The uproar had produced a low point in Japanese-U.S. relations, and the shock had yet to subside. So I repeated for my audience what I’d said at the time to a Japanese journalist, who was unsure of what to make of Americans. Just as American jazz is called the “sound of surprise,” I said, the U.S. is the nation of surprise. Then I made three points:

- First, whatever happens in any given week in no way represents the United States as a whole. Even Americans can’t see their own country whole at one time. There is simply too much energized purpose in their vast, open society—too much action being initiated. No matter the problem, or the opportunity, someone is taking it on.
- Second, just as it’s impossible to overestimate the lack of Americans’ collective foresight, it’s impossible to overestimate the power they bring to bear when they decide they must.
- Finally, after living beside Americans for 150 years, Canadians have learned one key lesson: be firm and patient with them, and you can find a position somewhere between Pearl Harbor and simply handing them the keys.

This is crucial, because no country matters more to Canada—to the world, for that matter—than the United States, and right now it’s in its greatest political turmoil since the Civil War. The war was an existential crisis, and afterward the U.S. faced an identity crisis: What kind of country did it want to be? Today it again faces an identity crisis that is also an existential crisis for the Republican Party.

Even so, it has two very big positives: the U.S. is the only major country on the right economic path, and under President Barack Obama it has largely withdrawn from geopolitical, financial and economic ground it could no longer hold. It’s now stronger, but at risk because of its divisive politics.

THE DRIVE TO DIVIDE

The United States has a drive for division, but at critical junctures, under the right leaders, it can also do big mutual accommodations. Canada has a drive for mutual accommodation—one that involves overcoming, not aggravating, divisions. The U.S. was founded by force and preserved by force. Canada was founded by the mutual accommodation of the Quebec Act of 1774, which was passed just 15 years after the Plains of Abraham and allowed the vanquished to retain their language, their religion, and the French form of civil law.

The pattern has been repeated, first at Confederation and, more recently, with the notwithstanding clause in the Charter of Rights and Freedoms. Canada has been preserved by words and persuasion, not by arms and force—a contrast that marks the abiding difference between the two countries.

The current wave of U.S. populism, nativism, racism and fearfulness can be attributed to many factors, all of them valid but only partially. What is happening to the United States comes from the beginning—from the driving force of its freedom and individualism. But these strengths can overwhelm mutual accommodation and collective action.

Canada’s mutual accommodation culture is rooted in a different history and geography. Ironically, Canada has become less European than the U.S.—less divided by nationalism, ideology, religion, class and cultural differences.

The world is in its first global moment in history, when the momentum and direction since 1945 have weakened and the counterforces have strengthened. This will require all of the important countries to better understand themselves as well as others. In his insightful book *The Duel: The Eighty-Day Struggle Between Churchill and Hitler* (1990), historian John Lukacs argues that from May 10, 1940, the day Churchill became prime minister, through the Battle of Britain, the war was essentially a two-man struggle—which Mr. Lukacs says Churchill won by understanding Hitler better.

What was apt for leaders then is apt for countries today. Those that do best understand themselves and others, and use that understanding effectively by following the four great better ways mankind has found for going about things: caring and compassion, freedom under the law, science and education, and mutual accommodation.

The world is becoming more horizontal (the opposite of tribal and hierarchical) and less vertical. Freedom has made that happen, and the Internet, along with social and physical mobility, has reinforced it. Nowhere has that happened more than in the United States.

MORAL CRISIS AND FEARFULNESS

The U.S. faces moral crises in many of its major institutions. Examples include a Washington barely able to govern, the hierarchical side of both the Catholic Church (in the Oscar-winning film *Spotlight*, sexual predators are attracted to the church because it offers them, as well as victims, lasting safety) and Wall Street (in *The Big Short*, another Oscar winner, tycoons make profits any way they can, disconnected from the real economy and those who work and invest in it).

Similarly, the current exclusion-style capitalism is also in a moral crisis, initially reflected in Occupy Wall Street and now in the fact that some 40 per cent of U.S. voters are prepared to support delusional (Donald Trump) or pie in the sky (Bernie Sanders).

Historically, waves of fearfulness have come and gone in the United States: the McCarthy-era paranoia about “Reds under the beds,” for instance, or the attitude toward terrorists after 9/11. President Franklin Roosevelt seemed to have sensed this tendency. When speaking of the Depression in

his 1933 inaugural address, he famously said, “The only thing we have to fear is fear itself.” In most countries, leaders do not invoke the idea that the problem is the fearfulness of their own people.

The U.S. election in November may become one of the more dangerous moments of the postwar period. It is hard to imagine what the world could become if the U.S. were to go into some form of craziness—a world of exclusion and no compromises—opposed to what it has always been about.

The raging American democracy and its exceptional ability to manage extremes is under severe stress. Though unlikely, that craziness scenario cannot be ruled out. Even the best possible result will not assure minimum effective politics. The combination of high levels of partisanship, divisiveness, and disaffection will likely make a sunnier, Reagan-like political outcome close to impossible.

The leadership and consensus for a better way forward after November looks unlikely, but a start may be possible. The United States faces an identity crisis about the kind of country it is and what it will stand for in the future. The Republican Party has its own existential crisis. This means that the current danger facing Canada and the world from U.S. politics will not disappear if Mr. Trump becomes president. Hillary Clinton has so much political baggage that it will be hard for her to bring the country back together by moderating its extreme partisanship.

The situation is different in Canada. The federal election last fall saw a young, untested leader and a party that had been in intensive care completely change the feel of Canadian politics. Yet the Conservatives still have the critical mass needed to challenge the Liberals and come back, if voters want them.

BIG-TIME ACCOMMODATION

Americans have usually preferred division, yet they have had two historic mutual accommodation outcomes, and four great mutual accommodation leaders at critical moments.

The United States was launched by war. It was achieved by the mutual accommodation of national and state interests: a president elected by a popular vote (expressed through state electoral college delegates) every four years; elected individual House of Representative constituencies every two years; two senators for every state, no matter its population, and a Bill of Rights that can be changed only with great political difficulty. This complex system, though frustrating at times, has worked most of the time.

Fast-forward 170 years, and the United States led the greatest statecraft achievement in history: It created a post-1945 global order based on broadening the inclusiveness in the world and containing what could not be included. It did so collectively, not unilaterally.

The first U.S. president, George Washington, won not only a war but the peace. He created a new country through mutual accommodation with a fractious group of founders. Abraham Lincoln, by collaborating with his notorious “team of rivals,” could not avoid the Civil War, achieved some accommodation with the slave-holding South, and preserved America’s representative democracy—government

of the people, by the people, for the people. Mr. Roosevelt saved political and economic democracy by overcoming the deep divisions from the Depression and leading the allied victories in the Second World War.

I believe Mr. Obama will come to be seen as a great president and one of America’s foremost mutual accommodation leaders. The post-2008 economic improvement is finally reaching more middle-class Americans, and his approval ratings are approaching 50 per cent. Great leaders make many mistakes, including big ones; but they get the most important things right. President Obama got three: election and re-election as the first black president; keeping the world from a global depression; and bringing the United States back from economic, financial and geopolitical overreach. Ironically, the absence of the victories Donald Trump craves has made the country stronger on every substantive front. Mr. Obama withdrew from overreach. The Republicans’ response was to overreach themselves.

HOW CANADA COPES

Canada has always understood that hockey showed the way for dealing with the United States. When Americans wake up each day, they find it difficult to see beyond themselves. But they are so interconnected with the rest of the world that, by the end of the day, they realize they have to break out of their U.S.-centric perspective and deal with issues beyond their borders.

Canadians understand that, in their relations with the United States, they are always short-handed. To continue the hockey analogy: They have to rag the puck until an opportunity to score emerges. It usually does—but sometimes, as in the case of the St. Lawrence Seaway years ago, only after long delay. Short-handed hockey is punishing, and Americans use punishment as they see fit.

What if the present political turmoil in the United States ends badly? How can Canada best look out for itself? Has it a role to help the world cope?

As I told the businessmen in Tokyo, the U.S. is always capable of surprise—its politics could bounce back. Even so, now is the time for Canadians and their government to start thinking about and discussing these questions:

- Job one is to use the present U.S. economic positives to strengthen the longer-term supply side of Canada’s economy.
- Job two is to build a strong political, economic and socio-cultural intelligence capacity regarding the United States and other relevant countries.
- Job three is to build Canada’s diplomatic relationships and explore its best roles.
- Job four is to reposition Canada’s relationship with the United States to reflect present reality: a world where the dominant power is in turmoil, with an emerging relationship with Canada that is moving away from decades of convergence to one of divergence.

The best way to face any hard challenge is to build on one’s strengths, which Canada’s ambitious new government must do as it focuses on something better suited to tomorrow’s world. It needs more sources initiating action—especially of the economic variety.

UNITY OF PURPOSE

An urgent call for national (economic) unity in Canada

Published Friday, June 10, 2016

All hands on deck—that's what Canada needs right now. Working together is never easy, but provincial premiers and First Nations leaders must join Ottawa in facing a global economic and political situation that is likely to remain unsettled for decades. It is urgent that Canada figure out where it stands on both counts, and what strengths it can bring to bear.

The global balance sheet recession of 2008–09 saw a very big shoe drop, when concern about debt caused a spending dip that threatened to drag the economy to a halt. As a result, the world has been fundamentally altered.

Until around 1980, the U.S. economic locomotive pulled the global economy out of cyclical recessions, with America's current-account surpluses (savings) borrowed by weaker countries to build their productive capacity. But when those surpluses changed to deficits, because easy credit allowed U.S. consumers to live beyond their means, the locomotive ground to a halt, threatening to spark a massive depression.

END OF THE POSTWAR WORLD

The United States will never again play economic engine to such a degree. Monetary policy can no longer mask what is going on. A depression was averted, but huge unfinished business remains:

- Not only do the aftershocks of 2008 continue, but the underlying causes of the crises remain unaddressed.
- The U.S. economy is good but not trouble-free, and it remains vulnerable to the nation's disaffection-driven politics and a generally weak global economy.
- The central role of monetary policy is ending, but its exit poses risks, both from continuing low interest rates and from unconventional tools being used in an attempt to keep it alive.

Avoiding the worst from 2008 was only half the job. The rest will be more challenging, and it calls for painful structural adjustments that, so far, only the U.S. has done much to address.

Plus there is a second big shoe to drop: The world of the U.S. economic locomotive has to be replaced by something, which would be a very big job under the best of circumstances. Current circumstances, however, don't seem conducive to a reasonable outcome.

WRONG MEDICINE

Monetary policy was part of the reason the world avoided a global depression, but it is no longer the right medicine. That particular cure has been maintained for too long at too high a dose and to less and less effect. It must give way to something better, despite the unavoidable risk of withdrawal shock. Our current monetary doctors do not want to admit

defeat, so they are administering the medicine in bizarre, untested new formulations (negative interest rates are the latest), making exits ever more difficult and the longer-term negative effects ever more costly.

Two numbers from Richard Koo, chief economist at Japan's Nomura Research Institute and an expert in balance sheet recessions, make the case:

- The U.S. monetary base has been expanded by the Federal Reserve by 357 per cent since the end of 2008.
- Credit to the private sector has increased only 19 per cent over seven and a half years. An elephant effort for a mouse outcome.

The message for Canada is twofold: We may not have much time to get on the right path. And what we do must rely more on our own strength, rather than the rest of the world's, although that process could take decades.

On the plus side, Canada is possibly the only happy political place among Western countries right now. That is true both federally and provincially, and for politicians and parties in office and not. There are fights over policies (as there should be), but Canada's politics are, for the most part, not very divisive by today's standards—much less is there populism and extremism.

USE IT OR LOSE IT

However, the nation must use its current good politics, or it will lose them. The federal government, the provinces, and the First Nations must collaborate to find as many win-win, non-zero-sum ways of moving forward as possible—a reasonable expectation.

No provincial premier today needs, or stands to benefit from, national politics that are divisive. This was not the case 40 years ago in the era of Pierre Trudeau, René Lévesque, William Davis, and Peter Lougheed, when each benefited from having one (or more) of the others as political foes. Today no leader needs an enemy. In fact, the provinces and First Nations have things they need from each other, and they can gain leverage from what they offer in return. This balance of need and leverage should be the foundation for lasting deals that benefit everyone.

Canada's politics and economics are each strongly regional. What is national are its federal-provincial system (which, arguably, has worked better than any other political system) and its strong mutual accommodation ways. When the various economies are not well balanced (something that is often difficult to achieve), regional tensions tend to rise. Right now, oil and many other commodities have moved from hugely benefiting their regions to putting them at a severe disadvantage.

LOOK TO WHAT'S AHEAD

Effective political leadership must have the ability to look around corners and prepare for what is coming—not just the art of the possible, but of making possible the necessary.

Fifty years ago, our existence was threatened when the Quiet Revolution in Quebec deeply unsettled our society and politics, yet Canada got the far-sighted leadership it

needed. Prime Minister Lester Pearson responded early to the tensions that the rising forces of modernism and Quebec nationalism would bring. He recruited three forward-looking leaders from Quebec (Pierre Trudeau, Jean Marchand and Gérard Pelletier), initiated a distinctive Canadian flag, and appointed the Royal Commission on Bilingualism and Biculturalism to address the future.

Yet, after 1965, his government was a minority, so vulnerable that it was two premiers (neither a fellow Liberal) who called the other premiers to a Confederation of Tomorrow Conference in November 1967. They were Quebec's Daniel Johnson of the Union Nationale, and Ontario Tory John Robarts, who *Globe and Mail* writer Ross H. Munro said "probably more than any other English Canadian helped prevent Quebec from not reaching into a dangerous isolationism." They and the others not only met, but they were able to see ahead of a curve that lasted another half century.

SECURITY THREAT

Today the threat, here as everywhere else, is the economy. If Canada is to survive and prosper, it has an array of needs: risk-reward opportunities, institutions and clusters able to compete with those in the United States despite the huge U.S. advantages of domestic market size, large global corporations and freedom-driven entrepreneurship. Canada's advantage lies in human resources; its long-term political security now rests more on its ability to attract and retain the best people, and less on resources that depend on global markets.

CANADA'S ECONOMY OF TOMORROW

Now the global economy is undergoing irreversible, destabilizing changes. President Obama has done a major service in his measured withdrawal from ground the United States can no longer hold to ground it can better hold. But even if the country escapes the high risk of Donald Trump as president, the forces that produced both him and Democrat populist Bernie Sanders will be back with a vengeance in 2018 and 2020. The crisis will be particularly acute if China and Germany fail to get their current-account surpluses substantially down, and take pressure off both the U.S. and Canada.

In the Pearson era, the premiers of the two largest provinces came together to offset potential federal weakness and meet the burgeoning unity challenge. Now, as I have suggested before, the premiers of the four largest provinces should call the rest of their colleagues to "Canada's economy of tomorrow conference." This would produce a conversation very different from one led by an unavoidably remote Ottawa.

PROVINCES NEED A FEDERAL GROWTH STRATEGY

Above all, every province needs growth for revenues and jobs—requiring a stronger federal policy focus on human resources (as well as on the First Nations). Each can attract good people and has done so. But they should push the federal government, as should the Conservatives and the

NDP in Ottawa. Resources are a huge continuing Canadian asset, but people are Canada's future. The federal people push needs four major elements:

- A strong university research infrastructure as part of larger technology and commercialization clusters;
 - Open immigration, supported by a speedy and efficient system;
 - Encouragement for competitive and collaborative personal initiative. The best people almost always create jobs, not take them, so Canada must offer opportunities that attract the best and keep them here for the long term;
 - A tax regime that takes a capital pool approach to capital gains and thus reflects the reality that building businesses and capital are lifetime, not single-transaction, affairs.
- This approach works everywhere, in every activity, and it provides a doorway to businesses of the future. It also allows the economy to perform much better when it comes to creating capital—essential in a country that borrows more than \$60-billion a year. It would rebrand Canada as the best of both worlds, societally inclusive and economically hard-headed.

The federal government may achieve these goals all by itself, but the provinces have the clout to make sure it does. The federal opposition parties could seal the deal. For the Conservatives, support would show them backing "build the economy" taxation rather than "populism wins election" personal tax cuts (which did not work). For the New Democrats, support would demonstrate that they understand how growth in the private sector can advance social well-being, too.

For over a decade, neither Ottawa nor Ontario has had a government with a real instinct for what drives a successful private sector. Canada needs leadership that does. It requires stronger collaborative self-reliance, boldness and the confidence to raise the excellence bar even higher—all in ways that strengthen what both Canadians and non-Canadians like about our country. All groups are needed. But the provinces have the most at stake—and the most political clout. If they do not use it, the price may come high on the revenue and job fronts.

CANADA'S THREE BIG ERAS

Canada has been through three eras of big challenges:

- 1867–1896: Confederation, the CPR and a coast-to-coast Canada;
- 1896–1960: an outlook shift away from Britain and colony to North America and independence; and
- 1960–2015: the centrifugal forces of Quebec separatism and western alienation.

Canada now appears to be entering its fourth big challenging era: figuring out what it needs to navigate a likely long-lasting, deeply unsettled world. As was the case during the past 55 years, it will need early, far-sighted leadership for its next long journey of large change.

Justin Trudeau—or some other bold, far-sighted leader—must respond to the challenge and make Canada a very different kind of great country for a very different kind of world.

BREXIT'S FALLOUT

Important Brexit lessons for an anxious, fraying world

Published Friday, July 15, 2016

For many people in Britain, Europe and the United States, things are changing too fast—life is unfamiliar, and far from what it used to be. They no longer feel at home. While some may be doing well, others are not keeping up. These feelings of discontent and inequality underlie much of the political turmoil in these countries today and lead to three key questions: Is there a way for Britain and Europe to turn the shocking Brexit referendum result around? How long do they have? And will the U.S. avoid its own Brexit moment?

A DANGEROUS TIME

Dangerous moments require higher-than-usual levels of leadership and followership. In his recent story in *The Atlantic*, “How American Politics Went Insane,” Jonathan Rauch argues that the current world (never more connected, yet dangerously disconnected) has left U.S. leaders without the tools to bond with their followers. Britain, Europe and the United States all have great strengths. They would do well to re-establish the model of the U.S.-led postwar approach: Broaden the inclusive order in the world at home and abroad; contain what is not includeable at any one moment; and act collectively, not unilaterally.

This model produced more peace and prosperity for more people than ever before in history. Trump and Brexit seek to undo that model.

The outer challenges in this global world are big, but the biggest come from within. The forces that created today's overreach have been at work for some 35 years. The counterforces they provoked have produced a populist politics with nothing better to offer—and likely very much worse.

STRIKING AT THE POSTWAR FOUNDATIONS

Brexit may not happen, should not happen, but could (maybe in some form is even likely to) happen. If it did, it would strike at the twin foundations of the post-1945 era—globalization and its inclusive world order, as well as a stable and prosperous Europe. It's imperative now to confront the rising centrifugal forces within the Western world.

Brexit must not become our generation's Munich. At Munich, France and Britain failed to confront the rising authoritarianism, racism and expansionism of Germany. Now the West must not fail to confront a different centrifugal political turmoil in Europe, the U.K. and the U.S. Brexit is the biggest wake-up call since Munich, but, unlike Munich, the danger comes from ourselves, not from outsiders. Europe was saved from suicide by the U.S., and Europe's inclusive postwar journey is the foundation for 70 years of relative European peace and prosperity. The world cannot afford to have the U.S., Britain or Europe falter now.

TWO BULLETS TO DODGE

The world needs to dodge two bullets in 2016: Brexit and Donald Trump. Both can be dodged if Mr. Trump does not win the U.S. presidency, or perhaps even if he does. If the leaders of Europe and Britain can delay Brexit, time could favour the Remain side even though 58.1 per cent of the ruling Conservatives voted to leave.

Immigration is the touchy issue. A majority of the older and more numerous Britons are bothered by increasing numbers of newcomers. The young generally hold the opposite view, but they failed to vote in sufficient numbers (36 per cent of those aged 18–24 voted, versus 80 per cent of those over 65).

Like separatism in Quebec, Brexit is largely a family quarrel in the U.K. Quebec separatism was primarily about different visions of Quebec—one inside Canada, one outside—not about Quebec and the rest of Canada. Brexit is primarily about different visions of Britain, not Britain and Europe.

“HE KNEW ME”

On the night U.S. president Franklin Roosevelt died, a man on a subway platform began to cry. “Did you know him?” a bystander asked. “No,” the man replied, “but he knew me.”

The elites know a lot about how to deal with world complexities, but they failed in Britain, Europe and the U.S. to understand how today's world affects people less able to cope with it. Losing our sense of identity, our jobs and our money are powerful forces. Austerity in both Europe and the U.K. has reinforced the sense of loss. In the U.S., the biggest challenge has been the increasing winners/losers, zero-sum, no-compromise approach of its politics.

The best mutual accommodation techniques are objectivity and empathy—or, to use former Canadian prime minister John Turner's phrase, “free enterprise with a heart.” That empathy was missing in the post-Ronald Reagan/Margaret Thatcher dominance of markets and globalization.

WHERE DOES BREXIT STOP?

The biggest question now is whether Brexit stops with Brexit or goes on to reinforce the centrifugal forces in the world. The first task is to contain the forces of Brexit and Trump. The second is to move beyond the creation of credit by central banks to real economic advancement. The third is to abandon fiscal austerity in a world that is short on demand compared with supply. Three people are needed to meet the challenge: Theresa May, the new grown-up U.K. prime minister; Hillary Clinton, internationally experienced and a good listener, and soon to be on the ballot for U.S. president; and Germany's broad-based Angela Merkel at her political best.

Short-term stakes matter. But the big stakes are containing the centrifugal forces. China needs—and knows it needs—a stable U.S. and Europe. Russia may not want to know it, but it needs that same stability, too. The whole world must see the high-stakes risk Brexit is as the first big postwar centrifugal force out of the gate in the West.

A DIVIDED COUNTRY AND WEAK POLITICS

The U.K. is a divided country: London, Scotland and Northern Ireland against the rest; and old versus young. Both major political parties are weak, but this could change under Ms. May: Labour is divided between Tony Blair's New Labour and its current hard-left leader, Jeremy Corbyn. The Conservatives are divided between the Leave and Remain factions.

Once Theresa May settles in to her job, there will be new opinion polls and new financial markets and economic developments. Then there will be a new U.S. president. Calm, common sense and patience will be the best approach until more Brexit political and economic fallout emerges.

Former Quebec premier Robert Bourassa privately told me and two senior Toronto business leaders, following the failure of the Meech Lake Accord, that even if Quebec voted to separate it would not be able to do so. Quebec and Canada were too intertwined. The same may apply to Brexit. A more precise referendum defining the realistic choices may at some point become essential.

One thing is for sure: Brussels has been too intrusive. Two decades ago, for instance, an apple grown for centuries in the U.K. was banned; and teenagers who had paper routes were prevented from working weekends at supermarkets. At times, too, there may be small surges of too many migrants from Europe.

Brexit, if it happens, will further unbalance an already beset European Union. Right now, the EU needs less austerity and more flexibility; less bureaucracy and more control over internal migration. It also has to find a way to manage the unending flood of refugees.

These problems have to be worked out, collaboratively. The idea of a new European identity and the institutions of a new European superstate would benefit from rethinking, not just to avoid Brexit, but to better accommodate many of its other European members. Brexit is a British, an EU and a global challenge.

FOR CANADA: RISK AND OPPORTUNITY

Are we looking at the breakdown of the postwar era of peace and prosperity? There are threats from outside — austerity, terrorism and millions of refugees — but the threat comes primarily from the elites and winners within Britain, Europe and the U.S. who are not addressing what globalization has cost too many people inside their own countries. The threats call for a Franklin Roosevelt rather than a Winston Churchill.

Brexit sends many messages to the world — mostly of risk and danger, but also of opportunity for the EU to get on to a more sustainable structural and economic path. It also sends a message of risk and opportunity for Canada — to become the place where those with big aspirations can set up lives and businesses. Brexit could foreclose much of the anticipated future for Britain's younger people. If Canada adopted a lifetime capital pool approach for ventures and investments that succeed, it would brand this country as the world capital of hardheaded economics and mutual accommodation.

Canada knows something about the power of centrifugal forces and the interaction of identity with the economy. In just 55 years, francophone Quebec emerged from pre-modern to postmodern status. Canada knows that a firm competitive stance tempered by flexibility is the ideal. It knows that strong identities can be made stronger if they make room for other identities. It knows that mutual accommodation can take a long time to achieve. The world would be wise to look closely at how Canada got to where it is today.

NO MORE STATUS QUO

Brexit is an extreme response to legitimate concerns. The Leave campaign was based on the false promise that Britain can have its cake and eat it, too. The EU needs to use the Brexit vote to respond to the reality that large numbers of ordinary Europeans do not share the enthusiasm of the successful elites for “a utopia of Europe without nation states,” as a former Polish prime minister recently expressed it. The EU will remain in existential crisis until that problem is faced and until the austerity-based, slow-growth structural economics of the eurozone are replaced by a more strongly and evenly balanced, growing Europe.

The status quo is not an option — that is the message of today's disconnecting populism in the U.S., Britain and Europe. Some big rethinking is crucial before any potentially fateful action is initiated. Following three decades of disintegration, integration may have overreached in the European Union. But acceding to the forces that would pull nations apart is the wrong way forward.

Afterword

Over a span of 75 years or so, from childhood vacations through years of official relationships and intellectual debate, I can reasonably claim acquaintance with Canada. One thing I know is that our countries are quite different in size, in geopolitical aspirations and in some cultural instincts.

I also know that the idea instilled in my youth of a unique and constructive American role in the larger world underlaid all of my education and years in public service.

Now, I regret to say, internal divisiveness, angry ideological differences, huge and growing disparities in wealth, and more visibly eroding infrastructure are undercutting our presumption of a society to be emulated—what has been termed our “soft power.”

For all of our vaunted capacity for innovation, the outlook for strong economic growth and financial order has come into question. We spend enormous amounts on the military and on intelligence, but it’s really hard to know how to bring those resources constructively to bear.

I confess, I look toward Canada with a certain envy these days. Take my own specialty. As you know, I have had for decades a certain responsibility for, and a continuing interest in, American financial performance and regulatory policies. Unfortunately, the truth is that our vaunted system let us down badly, to the point a few years ago of requiring massive public support to fend off deep-seated recession.

From my observation, the Canadian financial world seems to have weathered the international financial crisis with relative equanimity. That hasn’t gone unnoticed—the very idea of a Canadian central banker being invited to take over the Bank of England, the storied mother of all central banks, is eloquent evidence of recognition and respect.

A good Canadian friend of mine (I still have some despite hearing complaints up here about the so-called Volcker rule) makes a point of extolling what he sees as the essential point of Canadian history and its governance; he calls it a capacity for “mutual accommodation.”

Those are not exactly thrilling words, stirring the blood, inspiring fervent patriotic hymns or hailing military victories. You haven’t found it necessary to fight a war of independence or a civil war. When tensions arose—your leaders didn’t need to claim manifest destiny or foster delusions that the American way of life was somehow, not only pre-eminent, but a model for the world. For you, the vast expanse of Canada has been challenge enough.

The point is that what has happened here is truly remarkable and has lessons for others. The Canadian nation, built out of different national instincts and cultural traditions,

whether indigenous or from abroad, has in the end held together. The narrow band of population stretched over 3,000 miles of difficult landscape no longer seems so subject to centrifugal force. Remarkably, a large influx of immigrants have not only been absorbed, but seem to have added life and vitality. My own observation is that this city of Toronto has itself become a true international city, in more than size, with all the cultural variety, energy and outlook that implies.

Now listen. I didn’t come here simply to praise you. I’m not about to give up my American citizenship. I don’t doubt the inherent vigor and potential of either the American economy or our constitutional system. I don’t see any alternative capacity to provide a needed element of constructive leadership in a troubled world. But I am also very aware the world of 2015 is not the world in which I grew up, a world in which the capacity of the great democracies to work together with American leadership in a common cause seemed to be well understood.

Today we need some of the Canadian genius of mutual accommodation, of a shared order. The ability of North America—Mexico included—to work together in the common interest has been well demonstrated.

Critically important. Can we not, for instance, extend that degree of harmony and stretch it across the Pacific? Can we reason together deal with the common concerns about climate change? And at the same time, can we work together to make sure that a radicalized Middle East does not become a destructive force economically or politically?

I stand here before a large Faculty of Law. These days, eight centuries after the signing of the Magna Carta, we are reminded that it is indeed dedication to the rule of Law that provides the basis for strong and open democratic societies.

And the Law School is joined here by the much newer Munk School of Global Affairs. Its presence in a simple recognition of the fact that these days lasting success must be global success.

Welcome to the challenge—we need your energy, your professional commitment and that good sense of “mutual accommodation.”

I add only one bit of special pleading. Some of you graduating here today, I feel certain, are from the United States. Come home! We need your perspective, we need your commitment, we need some of that sense of accommodation that has marked Canadian life.

Paul Volcker

Excerpted from a speech delivered at the Convocation of the Faculty of Law and the Munk School of Global Affairs, University of Toronto, June 5, 2015.

Closing thoughts

Building a bold mutual accommodation economy

Canada currently faces three fundamental economic challenges:

- Living within its means (less foreign debt for consumption);
- Improving productivity (higher incomes); and
- Expanding its competitive global supply-side capacity (higher incomes and lower foreign debt).

In other words, Canada must shift away from the emphasis on consumer demand to building a productive and globally competitive economy. The best way forward will require the following initiatives:

- Integrated economic and social advancement
- A balance in natural and human resources
- Both public and private sector strengths
- Large-scale support and infrastructure for transportation and university research
- Lifetime capital pool/capital gains taxation (a potential game/brand changer for Canada)
- Risk/reward opportunities for the best talent in global competitiveness
- A fast track for key performers, both immigrants and residents
- The best possible education for everyone
- Increased socio-cultural navigational ability for a complex, fast-moving world.

The 21st century can belong to Canada

Canada has the best politics of any country and a not-too-bad but still not-good-enough economy. Its superior politics were made possible by the strong and demanding economic policy performance from 1984 to 2004. Canada is the ideal place from which to size up where the United States is heading. It has the space, water, food and natural resources that are essential for prosperity, along with a good and practical balance of strengths in freedom and mutual accommodation. And, despite political turmoil in the United States, it still has the best neighbourhood in the world. Canadians need to be bold again, winners within the limits that mutual accommodation realistically allows. Canada can become the best place in the world in which to build solid and desirable personal lives.

Sir Wilfrid Laurier said over 100 years ago that the 20th century would belong to Canada. In terms of a good and safe life and a decent home for most (but still not all) of its citizens, Laurier was right. Canada can even improve on that quality of life in the 21st century for those who reside here, and also help to make this century a safer and better place for more people everywhere.

Canada's future now depends on two big factors:

- How well Western countries face up to the centrifugal forces that threaten to undermine them from within.
- How well Canada does in becoming the land of opportunity for those anywhere in the world who want to work, save, invest, innovate and build. If Canada can attract only a few more than its fair share of the best people, it will do very well. The middle class in all Western countries has paid a real price for its role in enabling emerging market economies, such as China, to move up the economic ladder. We should remember that lasting political and social stability comes more from the strength and confidence of the middle class than from governments by themselves.

William A. Macdonald

“The creation of the world—said Plato—is the victory of persuasion over force... Civilization is the maintenance of social order, by its own inherent persuasiveness as embodying the nobler alternative. The recourse to force, however unavoidable, is a disclosure of the failure of civilization, either in the general society or in a remnant of individuals.”

“From Force to Persuasion,” an essay in *Adventures of Ideas*, by Alfred North Whitehead, 1923

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