



Presentation made by Mike Harris, Premier of Ontario (1995 - 2002), before the Montreal Economic Institute, at the Ritz-Carlton Hotel, in Montreal, on December 4, 2002.

Introduction

Thank you very much for that very kind introduction.

It is a pleasure to be here at the Ritz Carleton Hotel, a fixture of public life here in Montreal for decades. I enjoy spending time here in beautiful 350 year-old city surrounded by so much history.

I want to tell you what honour it is to be invited to spend time with you - the members and guests of the Montreal Economic Institute.

The Institute is truly an emerging force in the intellectual life of Quebec and Canada. It is important because it is bringing a fresh perspective on the issues this province faces, a new way of thinking about Quebec's future. As a Premier of Ontario I came to know the Institute's high quality work and it's reputation for challenging the status quo.

And as a newly appointed Senior Fellow at the Fraser Institute, I've also quickly come to know just how much this organization is doing to bring "common sense" to public policy decision-making in your great province.

Your landmark *Report Card on Quebec's Secondary Schools* is an excellent example of this "common sense" approach.

So I want to express my thanks to Michel Kelly-Gagnon, the Institute's Executive Director and to Adrien Pouliot, the Institute's Chairman for inviting me to be here today.

It's Time for a New Way of Thinking

The Fraser Institute is a sister organization to your own. And in my work with the Fraser Institute, I will be focusing my energy and time on exploring new ways of thinking about Canada's future.

It's not just time - it's long overdue - for a different way to think about this country's future.

We need to take a fresh look at old problems.

We need to look from a new perspective at how our country can compete, and win, to create opportunity, wealth, and a better life for us all.

I am confident about Canada. I'm confident about her people, about her potential and about her future.

I draw the inspiration for that confidence in part from a great Canadian.

Not an Ontarian. Not even a politician traditionally associated with the Conservative Party.

My inspiration for this evening's reflection was a lawyer, a francophone, and a Quebecer. He was also a monarchist, a free trader and proponent of military strength.

I am referring, of course, to Canada's 7th prime minister, Sir Wilfrid Laurier, who is widely credited with predicting that "the 20th century belongs to Canada."

Here's precisely what Laurier said, almost 99 years ago, in a speech that school children still learn about:

"The more I advance in life... the more I thank Providence that my birth took place in this fair land of Canada. Canada has been modest in its history, although its history has been heroic in many ways. But its history, in my estimation, is only commencing. It is commencing in this century. The nineteenth century was the century of the United States. I think we can claim that it is Canada that shall fill the twentieth century."

I believe that Laurier was right. His optimism and enthusiasm and faith in this country were well founded.

He was just off by a hundred years...

Why is that???

One cannot help but agree that the 20th century was kind to Canada. And yet many of us in this room believe that our country could and should have been much stronger today.

It has been far too long since we've been able to fully harness our potential as a nation.

Canadians - as entrepreneurs, as business people, as risk takers, as workers - are equal to or are way ahead, I would argue, of the United States. For example, on average, Canadians are better educated and are healthier than our neighbours to the south.

We possess the resources... the people... the geographic and historical position... the natural and intellectual potential... to lead the world.

So what's our problem - what is holding us back?

Responsibility can be laid at the feet of a century of national leadership that was stuck in old ways of thinking and locked in rigid ways of approaching problems.

It stems from the collective failure of Canada's national leaders - heightened, I believe, over the past ten years. They have allowed us to fall behind as a nation.

We need to think about things from a new and different perspective.

Making Tough Decisions for the Future

Thinking about things from a new and different perspective is never easy.

It takes courage, conviction and the strength to know that in taking a new and innovative course, you are making change for the better.

I learned this through the tough work we did to pull Ontario out of ditch and put it back on track with the Common Sense Revolution.

Back in 1994, when my team and I released our blueprint for change, a full year before a provincial election, the so-called political experts scoffed.

They said our powerful tax cuts wouldn't create jobs...

They said Ontarians would never support the tough decisions necessary to balance the budget and restore Ontario's economic vitality...

They attacked our plan for work-for welfare...

They said we couldn't win.

The list of what the so-called experts said would never work goes on and on.

But it did work. We laid out a clear plan. Ontarians supported us. We did what we said we would do. And we delivered the results we promised:

- 882,700 new jobs...
- 196 tax cuts, including personal, capital and corporate taxes
- Three consecutive balanced budgets...

- 600,000 fewer people on welfare...

Our plan worked and thanks to the hard work and sacrifice of eleven million Ontarians, my home province is back on track.

Queen's Park... The National Assembly... Parliament Hill... The reality of what people want from their government is the same no matter where you live.

Whether it's in Streetsville Ontario or Lac St. Jean Quebec, ordinary, hard-working law-abiding citizens want governments that stands-up for what they believe in and deal with what they worry about each night when they sit around the kitchen table.

The status quo special interests line their pockets at the expense of the majority. They don't care making things more efficient or productive. They care only about what's best for themselves no matter what the cost may be to ordinary people and the rest of society.

Do you know what happens to politicians who follow the polls and make decisions just to satisfy the special interests?

They end up satisfying no one...

There is an old saying: If you don't know where you are going, any breeze will get you there.

Genuine leaders are the ones who do the right thing. Leaders are the ones who do what they say they are going to do despite the opposition and protests and complaints from the special interests who support the status quo.

That's the leadership that the people of Quebec and the rest of Canada needs and deserves.

The Challenge

I know, that if we look at things very differently and apply Canadian ingenuity to our challenges, that the 21st century can be ours.

For example, we need new thinking about how best to secure economic strength and guarantee prosperity for future generations of Canadians.

Today's Canadian leaders think defensively. Their aim is to "close the gap" with the United States.

It is crucial to our children's future that we stop thinking this way.

Closing the gap means just getting by...

And it sells this country and its people short.

Instead, we should be setting the ambitious goal of leading the world in productivity, wealth creation and standard of living.

Our leadership should be focused on harnessing Canadian innovation and brainpower and building pillars of wealth to support a quality of life and condition like nowhere else on earth.

Not just settling for second, third or fourth or whatever best...

Quite simply, Canadians should settle for nothing less than an economic performance that is first in the world.

My friends, we cannot underestimate the challenge of what years of inaction have done.

Relative not just to the United States but the entire industrialized world, Canada's economic performance is weakening. Widening gaps in income, in productivity, in purchasing power, in innovation and in our standard of living. These are the obstacles in our path - and they are getting harder and harder to overcome.

The Conference Board of Canada estimates that by 2010 our per capita GDP will be \$40,000 (US). In contrast, by 2010 the per capita GDP of the United States will be \$52,000 (US). This is a gap of \$12,000 per-person and double what existed in 2000.

The recent Task Force on Competitiveness, Productivity & Economic Progress Chaired by Dr. Roger Martin shows that in Canadian dollars, even after the powerful tax cuts and economic growth of the past seven years, Ontario's GDP per capita is 14th out of 16 jurisdictions in North America with the same backgrounds, resource endowments and economic mix.

Quebec is in last place at 16th, with a per capita GDP that is \$6,000 less than Ontario.

Here's more proof that we're falling behind. Back in 1980 the State of Georgia had a GDP per capita that was more than \$1,100 less than that of Ontario. In the twenty-years that have passed, Georgia has shot right up the chart past Ontario - the economic engine of Canada - from 12th to 7th spot and a per capita GDP that is \$7,000 higher.

Other proof. Just a few short weeks ago the World Economic Forum dropped Canada from 3rd to 8th in its Growth Competitiveness Index - an index that estimates the underlying prospects for growth in a country over next five to eight years.

Who is ahead of Canada? The United States of course, but also Finland, Taiwan, Singapore, Sweden, Switzerland and Australia...

The debate is over. The facts are in.

It is so easy to see that we can and must do much.

Canada has no choice but to tackle its problems from an entirely new perspective.

Tax Cuts Fuel Prosperity

First, in the fiercely competitive global economy, where the United States and European nations are our main competitors, Canada must aggressively cut taxes so that we are a beacon for investment, economic growth and job creation.

The Rotman School of Business explained in a recent report that while the basic federal corporate tax rate expected to decline by 7 percentage points to 21% by 2004, even with this reduction, Canada's general rate of 36.3% will be higher than the average OECD rate of 34% and won't come close to matching the low tax environments of the US or countries such as Finland, Sweden and Ireland.

Tiny Ireland, in fact, provides a potent lesson for Canada of what tax cuts can accomplish.

In the late 1980s, the Irish government realized that the old way of doing things did not work. Ireland was in trouble and in response they cut taxes from 40 percent of GDP in the late 1980s, to about 32% today.

So what was the result?

Prior to these reforms, Canadian per capita GDP was two-and-a-half times as large as Ireland's. Today, just fifteen years later, Irish per capita GDP is higher than ours - what a turnaround.

The result? Thousands of young Irish citizens who left to pursue their dreams are now returning home because of the unprecedented hope and economic opportunity.

We need to do that here.

New Solutions for Public Investment Needs

Canada must also find the new and innovative ways of investing in the tools of national economic growth.

Modern highways...

Schools, colleges and universities that are temples of learning...

State-of-the art health care...

This infrastructure will only be possible if we confront the conventional wisdom that government has to fund and provide for everything. These tools of economic growth will only be possible with significant involvement by the private sector.

In Ontario our government allowed the University Health Network - the largest hospital in the country - to finance a massive capital expansion making it the crown jewel of Canadian health care through a bond issue and private sector involvement in financing.

Not only did this allow the project to proceed but the University Health Centre, in Toronto can now compete for the very best health care professionals across the globe.

And you know what? All this new construction and equipment came at no additional cost to the taxpayer.

So much for outdated thinking...

Canada needs leadership with the maturity and foresight to realize that profit and private sector delivery are not dirty words - "substandard services" and "decaying infrastructure" are the dirty words.

Competitiveness also requires that high quality public services, including health care, be open to new methods of delivery and novel ways of doing business. We must ... because the status quo is neither cost-effective nor satisfactory to patients.

Break Down Canada's Own Barriers to Growth

Second, we must fix our nation's troubled internal economies.

We have free trade with the US and Mexico and yet we do not have free trade within Canada. That is ridiculous.

But rather than develop genuine solutions to regional economic hardship, governments actually encourage the cycle of dependency because of politics, and the fact that it is the way things have always been done.

This isn't government for the people. And it's holding Canada and Canadians back from realizing its full potential.

In a world where borders are shrinking and Canada is on a knife's edge competing with economic giants, how is it that free trade does not exist within our own country?

Troubled internal economies exist in all disadvantaged regions of the country. I should know; Northern Ontario, where I'm from, is one of them.

We need to fix Canada's broken and discredited system of regional economic development. Too often we look at one part of the country and say that everything that Toronto or Calgary or Montreal has should be available in every town in Canada, instead of developing and helping enhance the unique strengths of various parts of the country, and ensuring that in those unique areas they can compete globally.

Some days it seems like the entire Department of Human Resources Canada is devoted to finding news ways to spend the taxpayer's money to achieve this dubious goal.

The simple truth is that lowering taxes and cutting red tape and allowing these areas to showcase their talents and potential will bring prosperity. Regional subsidies and pork barrel grants from Ottawa won't.

Immigration That Fuels Economic Growth

Third, we must start to appreciate that immigration is an essential tool for economic growth and competition.

Immigration is a source of energy and optimism, of creativity and potential, of the skills, talents and abilities needed to power our economy and drive Canada forward.

In the modern, high performance international economy, Canada must understand that every talented and skilled professional and potential newcomer is a potential asset in boosting the prospects for our nation's future.

Canada must seek out and attract the very best. Let us make a strategic decision and design immigration policy that makes Canada the destination of choice for those with the energy, drive and ambition to push this country forward. Let's welcome professionals to Canada with open-arms and give them the direct incentive to invest, work hard and reap the economic rewards for their efforts.

Liberalize Our Markets

Fourth, our economic success will be tied to our ability to create a truly level playing field, on which enterprise thrives based on efficiency, ingenuity and merit.

100 years after his time, Laurier would be shocked by the number of markets insulated from competition and protected from the "imperative of productivity."

No doubt he would tell us that the result is higher prices, higher taxes and poorer service. And he'd be absolutely right.

Air travel, banking, communications and media are four markets whose liberalization would benefit consumers, taxpayers and Canadians generally.

This is without mentioning the potential benefit to Canada from liberalizing another type of market - the labour market - too.

And a level playing field also requires the elimination of business subsidies and other forms of corporate welfare. Our economic success depends on tax and fiscal policies that are fair to everyone, not on the futile attempt to pick winners and losers.

End the Low Dollar Dependency

Fifth, we must end our short-sighted and crippling dependency on a low-dollar.

Some people argue that a low dollar is essential to stimulating exports. While this may be true in the short-term, the truth is that the benefits of a low dollar are fleeting - that using a devalued currency as a crutch - prevents us from improving our productivity where it counts - on the true bottom line of the cost of doing business in Canada.

The fact of the matter is that the value of our dollar is the verdict of world markets in the soundness of the fundamentals of the Canadian economy. And the verdict is obviously not positive.

One of the key reasons for our weakened currency is because of our history of political uncertainty. It is a simple fact that a nation that has had two referenda on the future of its political system in fifteen years is considered a greater risk for investment than other countries where this risk does not exist.

I will not dwell on this issue other than to say one other thing. Over time, the debate over Quebec's future in Canada has crowded out the things that really matter to ordinary Quebecers and Canadians. Things like whether or not they can afford to send their children to university, or whether or not they even have a job when they graduate. It has crowded out healthcare. It has crowded out education.

Without prosperity, none of us as people can achieve the things we want in life for our families. My own sense is that this, and this alone, is what the people of this province want their governments to concentrate their efforts on.

Only by attacking the root causes of our economic position will we ever see a strengthening of our currency. Until then, the health of our economy will continue to be based on a fire sale of our resources and the purchase and takeover of our companies by foreign competitors.

Unfortunately, our current leadership doesn't see it this way. Even the prime minister has been quoted as saying that he doesn't see any problem with a low dollar, even suggesting that a low dollar policy is good for the country.

That might be acceptable to the prime minister, but it should not be acceptable to Canadians. It sells short our potential to compete and win in the global race for wealth creation.

I am unwilling to accept a standard of living and a purchasing power permanently lower than that enjoyed by Americans - unwilling for my own sake, and that of my children and future generations.

Unfortunately, a significant number of our best and brightest youth won't accept it either, and they are prepared to leave Canada behind for the economic freedom and opportunity that other jurisdictions offer.

Canada and its Place in the World

Allow me, in the few minutes that remain, to offer a new way of thinking about Canada's place in the world.

Laurier had deep confidence in Canada and in our ability to be strong and self-assured in our relationships with the rest of the world. It is the reason why he proposed unrestricted reciprocity - free trade - with the United States in 1891, almost a century before Canada actually took this historic step.

In modern times, much of that sense of confidence and self-assuredness has been muzzled.

Canada is generally respected and well regarded in the world. But the simple fact remains that the main reason why anybody would really care to listen to what we have to say - the main reason why our relatively isolated northern nation of just 30 million really matters - is because of our unique relationship with the world's "last remaining superpower."

No other country in the world has so much 'potential' influence with the United States. No other country has such potential strategic advantage.

Yet today, to our everlasting detriment, our government has intentionally squandered this opportunity.

Instead of working with the United States our government quarrels and bickers with them. And sometimes, it's at just the time when they - our friends - need support most.

If anyone ever doubted if the truth of this concern, look no further than the now infamous example of the Prime Minister's communications advisor as case in point.

Can you believe that our national leadership is still scratching their heads at why the Americans don't seem to want to sit down and resolve our trade concerns?

One glaring example was the Canadian response following the attacks on the World Trade Centre on September 11th.

If our Prime Minister had echoed the eloquent words of Tony Blair's...or better still - delivered them first. If we had actually been prepared to work towards protecting our common interest with a North American security perimeter...

Then I think the President of the United States would be more inclined to treat us fairly on crucial trade issues.

He might even answer the phone when we call!

I believe that the dawn of the 21st century must mark a new way of securing Canada's national interest on the international stage.

In the months ahead I plan to talk more on Canada and international matters such as our security and the military.

But today, let's begin by understanding that having a good relationship with the United States is not a weakness - it's actually a source of great strength.

Canada can advance its own international interests by keeping our relationship with the United States healthy and open - and free of the petty rhetoric that marks it today.

We can disagree with the United States on serious and substantive international issues - and they will respect the seriousness of our views - if they genuinely believe and understand that Canada is strong, credible and carrying our international weight.

Think about it. With even just a small gesture, we have so much to gain.

Concluding Comments

Mes amis. I want to thank my colleagues at the Montreal Economic Institute for all their work in organizing this event this afternoon. It has been a privilege to be here with you and I want to thank you for listening to one man's views on what our great country can achieve.

Earlier on I mentioned the Fraser Institute. I want you to know that one of the reasons I am so excited about working with this organization - and the Montreal Economic Institute - is because of the opportunity it allows me to work even further on developing ideas about restoring "common sense" to the way our great country should be governed.

I look forward over the next 12 to 18 months of working with some of the brightest minds in Canada as we develop a comprehensive alternative policy direction for Canada to follow in this exciting century.

I intend to speak as often as I can in the time ahead about ideas for Canada's future, and the vision shared by millions of Canadians like you and me.

The 21st century is still young. Our resources and our people are still strong. We still hold the promise and the potential we did in Laurier's day.

This will be Canada's century.

I invite you all here tonight and Canadians from coast to coast to rise to the challenges for the future of this great country.

Then indeed - this will be Canada's Century.

Merci. Thank you very much.