

Intelligence MEMOS



From: Duncan Munn

To: Concerned Canadians

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Re: **THE EVIL OF SHORT-TERMISM BEDEVILS CANADA'S FUTURE**

Canada has long been celebrated for its political stability, economic resilience, and social cohesion. Beneath this seemingly idyllic surface, however, lies a pervasive and destructive force: Short-termism.

It has infiltrated the public and private sector, jeopardizing living standards. As we step back and consider the many challenges Canada faces we see that short termism is the root cause.

Public Finance: Mortgaging the Future

In the realm of public finance, short-termism has long existed. Politicians prioritize immediate political gain over long-term benefits resulting in budget deficits, unsustainable national debt and intergenerational inequity. Federal spending is not making the Bank of Canada's inflation fighting job any easier either. We need credible fiscal anchors and more transparency in the budget process. And at the very least, we need the federal government to take its foot off the pedal while the Bank of Canada has its foot on the economic brake.

Healthcare: Patchwork Solutions Instead of Comprehensive Reforms

Healthcare reform, crucial for the well-being of our citizens, has also fallen victim to short-term thinking. A demographic time bomb has been ticking for decades and we keep turning to easier solutions, which largely consist of doling out more money to prop up the status quo. Over decades, governments of all stripes resort to patchwork solutions rather than implementing comprehensive and forward-thinking reforms, including sorting out the private sector role in spurring innovation, efficiency and improved health outcomes. The result? A system stretched to brink.

Housing: A Crisis of Short-Term Fixes

The housing crisis is another reflection of the corrosive effects of short-termism. Short-term policy responses to rising prices, like market cooling measures and sporadic attempts to increase housing supply, prove inadequate to address the root causes – restrictive land use and easy money fuelling asset prices. Immigration targets set with no regard for housing supply have not helped either. Addressing the housing crisis necessitates a multi-faceted approach. Zoning reform to eliminate restrictive land use regulations is a must, as are tax credits to spur affordable housing construction, and we must align immigration targets with housing supply assessments to ensure everyone has a place to live.

Infrastructure: Neglecting the Backbone of Prosperity

Canada's infrastructure also suffers from short-term thinking. Inadequate investment in maintenance and upgrades have left us vulnerable to disasters and inefficiencies that exact a high toll in the long run. Delaying crucial projects, such as addressing the climate crisis through sustainable transportation or upgrading our aging energy grid, only compounds the challenges. This neglect will cost us far more than immediate action.

Defence: Jeopardizing Sovereignty and Innovation

In the realm of national security and defence, short-termism threatens our sovereignty and global standing. Canada's armed forces, historically neglected and underfunded, struggle to meet contemporary challenges effectively. Politicians overlook the long-term consequences of inadequately protecting our nation and positioning Canada as a free-rider that ducks its NATO commitments to our allies. In an increasingly unstable world, our ability to defend our interests and contribute to international security is compromised, leaving us exposed and unprepared. Additionally, the link between defence spending and national innovation often goes unrecognized while other nations capitalize and move forward.

Managing the Federation: Division over Unity

Short-termism also pervades the management of our diverse federation, where policies sometimes divide rather than unite. Canada's strength lies in its diversity, both culturally and regionally, yet short-term political calculations often prioritize one region over another, sowing resentment and division. This emphasis on regional disparities over national unity is evident in debates over resource development, environmental regulation, taxation and more. Most recently, Alberta is now proposing to exit one of the world's best pensions systems. If it succeeds, expect even more recrimination from the rest of Canada. To counteract this divisive approach, we must prioritize policies that foster unity and collaboration, finding common ground and accommodating diverse viewpoints. Middle positions that are broadly acceptable to more people are in short supply.

Corporate Sector: A Short-Term Perspective

Corporate leaders have long bemoaned investors' fixation on quarterly results, but invariably fall prey to short-termism's allure and too often prioritize immediate profits over long-term investments in efficiency, competitiveness, and growth. Those quarterly reports often dictate decision-making, leading to cost-cutting measures that undermine long-term sustainability. Efficiency gains and innovation require patient capital investment, but many firms hesitate to allocate needed resources. This reluctance to invest in technology, workforce development, and research stifles competitiveness. As labour markets tighten, calls for more temporary foreign workers rise. This is appropriate in many areas and sectors – agriculture comes to mind. Yet for many others, we should be thinking about technology and automation to support growth not resort to short-term labour supply.

A Call for leadership

The consequences of short-termism are far-reaching and destructive. We need to prioritize long-term thinking and responsible decision-making. Whether in public or private sectors, a commitment to investments in efficiency, innovation, and sustainable practices is crucial for long-term success. Canada desperately needs it.

Duncan Munn is President of the C.D. Howe Institute.

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