

Intelligence MEMOS



C.D. Howe Institute's second Regent Debate took place last month. Four prominent voices sparred over the following question: Is Canada Facing an Existential Crisis in Competitiveness? Today: the case for from former Ontario finance minister Dwight Duncan.

Canada is unequivocally facing an existential crisis in competitiveness. Frankly, when presented with the question, I asked myself what does that mean? Existential crisis is normally a term I associate with philosophy or human psychology. With a little help from Merriam-Webster and David Dodge I came to understand it. I came to understand that it means that there is compelling evidence that Canada is at a decisive moment and must address the challenges associated with global competitiveness.

The World Economic Forum has identified pillars of competitiveness – the sets of institutions, policies and factors that determine a country's level of productivity and most importantly and ultimately the well-being of all of our citizens.

Since 2004, the forum has analyzed and reported on the competitiveness of close to 98 percent of the world's countries. In its most recent report, Canada placed 12th overall. For the last decade, Canada has essentially moved in a narrow range around that number. There are a variety of other global indices and surveys where Canada scores consistently in the top 10.

These include the UN's Development Index and its World Happiness Report and therein lies part of the challenge that Joe (Oliver) and I have in our arguing affirmative. Canadians are largely a happy people and most of the world perceives us that way. Some Canadians would say twelfth out of 140 isn't all that bad. Janet (Ecker) and Brad (Duguid) will try to convince you that we have problems, but they are manageable and we will do well on some of the measures. Janet's already done that for me. Thank you Janet. Nevertheless, this debate is about competitiveness and 12th is not a podium score – not even close. The overall score masks a series of deeply troubling issues that lay bare the crisis that has existed for some time.

Across the WEF pillars, Canada leads in only two and among the others we fall well below where a country of our size, human and natural abundance should be. Referring to Canada's global competitiveness, Governor Dodge has said there are two issues here: 1. we in Canada have been doing a number of things to shoot ourselves in the foot. 2: the world outside is changing and creating a number of uncertainties for investment in Canada both public and private. Both the public and private sectors have precipitated the crisis.

The problem has persisted for many years including governments of every political stripe. This is why Joe and I (whose political views are very different) can agree publicly that there is a crisis. While we will not always agree on the potential solutions, this debate is not about that. It is about whether there is a problem which speaks volumes in and of itself about what lies ahead for our country.

For the sake of our future competitiveness, I certainly hope that the business leaders here in this room have a much more positive and optimistic view of our place and our potential in the new global economy. Regardless of how this debate goes tonight the business leaders in this room and around the world are voting on Canada's competitiveness every single day with their investments. Don't take my word for it – I'm just a former politician – just look at the facts. It's pretty hard to say that we're in a competitiveness crisis when our unemployment rate just hit a 40-year low. It's pretty hard to say that we're in a competitiveness crisis when the global competitiveness report that our colleagues referred to ranks Canada 12 out of 140 nations in competitiveness. Not where we want to be but certainly it's not a crisis situation.

The best judge of whether your economy is competitive or not is not what politicians say, but what investors do. It's pretty hard to say that Canada is in a competitiveness crisis when the Kearney Foreign Direct Investment Confidence Index ranks Canada Number Two in the world in attracting foreign direct investment.

It's pretty hard to say that Canada's in a competitive crisis when Canada attracted the most FDI flows per capita in the entire G7 from 2008 to 2017. But my optimism doesn't end there. Our world is changing fast – every sector of our economy is in a full-fledged state of technological change and disruption.

Just because we're competing reasonably well today is no guarantee that will be competing well tomorrow.

We can and must do better.

We have great potential to excel and own the new economy. So let us not get wallowed down in negativity and instead work together as government leaders, business leaders, labour leaders, to become even more competitive and confidently prepare ourselves to lead in the new economy.

The Regent Debate series is generously sponsored by Aaron and Heather Regent.

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