



True North in  
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# Commentary

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## New Rhetoric, New Realities, and the Emerging Conflict Between Elites and Ordinary People

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Ladies and gentlemen.

Thank you so much for the invitation to be here. As you know, I was here just a few months ago to speak to you, so that the invitation to come back today is a bit like a second marriage: a triumph of hope over experience.

There is so much we might talk about because I know I am not the only one in the room wrestling to understand what has happened in recent months. As the blurb for this morning's talk says, "There has been a tectonic shift in the political climate throughout the Western world. The Brexit vote last June and the recent election of a populist and anti-establishment American president are perhaps only the opening chapters of a new era of friction and even confrontation between the opinions of the Davos-inspired elites who have been in charge for decades, and those of the man and woman on the street. Open borders, free trade, immigration, NAFTA and NATO, cornerstones of the post-war world, are now being questioned.

We cannot talk about everything, however, and I am mindful of the professional focus of this organisation on commercial development in particular and urban policy in general. I am therefore going to focus on three things: free trade, immigration, and urban policy as elements of the emerging conflict between the elites and

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ordinary people. In looking at each of these examples I am going to challenge the complacent assumption that what we see happening in Britain, the United States, and in other parts of Europe is somehow without analogue in Canada. Unlike *The Economist* magazine, for example, I do not see Canada as fundamentally out of step with the kind of developments that are rocking the Western political world.

## Cross-Party Elite Arrogance

As I start to think through these issues with you this morning, let me begin with a *mea culpa*. People like me have a lot to answer for.

You know who I mean: those glib experts with PhDs who get on television, give Ted talks, or write *Globe* columns extolling the virtues of free trade, immigration, balanced budgets, and higher productivity. But these things come with a cost, and those of us who believe in the virtues of open market- friendly societies have been too cavalier in asserting that economic growth will obviously create new opportunities for the people whose jobs disappear in this brave new world of economic efficiency.

We make our arguments knowing that in the society of the future there will almost certainly be opportunities for us. The blue-collar folks who have seen factories close, oil prices tank, energy prices increase, and imports rise see little reason to be so optimistic. It is now a truism that it is this kind of fear and anxiety that fuelled the election victory of Donald Trump, but there is a lot of self-congratulatory rhetoric here in Canada (egged on by *The Economist* magazine) that we are different and it cannot happen here.

Rubbish. It is easy to spot the kind of cross-party elite arrogance here that was such fertile ground for the populist rebellion south of the border. Two parallel examples drove this home for me recently.

The first was the badly-misjudged plank in the Ontario Tories platform in the last election to eliminate 100,000 public sector jobs. Even though the Conservatives had been tipped to win the election, that promise turned the tide against them. An almost palpable feeling of disbelief swept the province as people digested the idea that, at a time of great economic uncertainty, a party was promising to eliminate 100,000 well-paying jobs distributed among communities across Ontario.

People who had such a job, or had a friend or relative in one, or lived in smaller communities where such jobs are prized, or owned businesses who count such people among their customers, were all spooked. The Liberals easily painted the Tories as out-of-touch and callous.

The second example comes from Prime Minister Justin Trudeau's recent unscripted comment that of course the oilsands would have to be phased out.

Even after the fall in oil prices and the bloodletting in the oilpatch, data suggest that as many as 150,000 Albertans still get their work from the oilsands (CAPP 2017). That's not even counting the many thousands in the rest of the country who get their jobs thanks to the economic activity generated by the industry, including in manufacturing.

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And, like most natural resource economy work, this is well paid and can't be outsourced to Asia because the stuff has to be got out of the ground here. It is also the same industry that was repeatedly given a clean environmental bill of health by the US State Department when it examined the proposal to build the Keystone XL pipeline. Producing petroleum in Canada makes no net contribution to worldwide consumption. The only issue is whether we will get wealthy from our resources or allow others to get wealthy from theirs.

Trudeau's spinmeisters can try to walk these comments back any way they like. This was an unscripted and therefore in my view a spontaneously genuine revelation of the prime minister's thinking. An industry that creates such value for Canada, meets perhaps the world's most stringent environmental standards, and employs many tens of thousands of people across the country can be waved away as something to be "phased out" with nary a peep about what might take its place for the Canadians who work there and their children who hope to.

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No party, therefore, has a monopoly on this kind of policy arrogance. Every party has been guilty of assuming that, when they are in power, society somehow belongs to them and that Canadians, their jobs, industries, energy prices, and housing costs are their plaything.

But the legacy of such Olympian policy condescension is bitterness and fear on the part of people with few tools to protect themselves and who feel cast aside and down-trodden. Policy elites may jet off to Davos and the UN to tell each other that it is all for our own good. Make no mistake, however. The feelings of the displaced and those who fear they will be next are facts that must be confronted, not airily dismissed.

## Employment and Labour-Force Participation

So what do we know about the people who Donald Trump turned into such a potent political force in the last

election, for example? Surely with an unemployment rate well below 5 percent (in other words essentially full employment), surely there was no objective basis for the kind of insecurities that drove the “basket of deplorables” to vote for the Republican candidate.

But this is exactly the kind of dismissive thinking – thinking that fails to take seriously the fears and anxieties of ordinary people – that got us to where we are today. Looking at employment rates is not nearly so revealing in understanding where Donald Trump's support came from as one might think.

I would suggest that one of the best places to get insight is NOT the unemployment rate, but rather what the economists call “labour-force participation.” These are the people who have jobs or are actively seeking jobs in the US. In other words it is a pretty good measure of how many people have left the workforce because they are discouraged and feel there are no opportunities for them. This is at least one measure of those feel left behind by change. What do we know about them?

Start with the fact that Trump's election coincides with the US labour-force participation rate hitting its lowest level in more than 30 years (US Bureau of Labor Statistics 2017a). The state-by-state figures (US Bureau of Labor Statistics 2017b) provide even more insight into Donald Trump's political resonance.

Nine out of 10 states with the lowest labour-force participation rates voted for him. Of the five states that went from being Blue (Democratic) to Red (Republican) in 2016, three – Florida, Michigan and Ohio – experienced a drop in their participation rate relative to 2012, and the other two were essentially flat. So in three of those states, fewer people worked and were looking for work compared to four years earlier, while the other two had no increase despite years of modest economic growth during Obama’s second term (Speer 2017). By contrast, the years of Bill Clinton’s presidency coincided with a high labour-force participation rate. This was a time of optimism about free trade, including the North American Free Trade Agreement (NAFTA), and workers were prepared to give Bill “I feel your pain” Clinton the benefit of the doubt about how trade would improve Americans’ standard of living and those harmed would not be left behind. No more. That good will is gone.

New research from political economist Nicholas Eberstadt of the American Enterprise Institute (AEI) shows that millions of American men have left the labour market and are now idle (Eberstadt 2016). The share of men 20 and older without paid work is nearly 32 percent. I am going to repeat that: basically a third of all men in America who are over 20 have no paid employment.

This doesn’t just affect their job prospects. Some very recent research from the National Bureau of Economic Research in the US looked, for example, at the decline of marriage and the rise of single parent households. An important contributor to both trends was found to be the declining labor-market opportunities faced by men, which make them less valuable as marriage partners (Autor et al. 2017).

The researchers looked in particular at the rise of international manufacturing in competition with American manufacturing to test how shifts in the supply of young ‘marriageable’ males affect marriage, fertility, and children’s living circumstances. Trade shocks to manufacturing, like we’ve seen in recent years, were found to be especially harmful to men and their attractiveness and even availability as marriage partners and fathers, diminishing their relative earnings (particularly at the lower end of the income distribution), reducing their physical availability in labor markets most affected by trade, and increasing their participation in risky and damaging behaviors like crime and drugs. The falling marriage-market value of young men appears to be an important contributor to the rising rate of out-of-wedlock childbearing and single-headed childrearing in the United States.

So looking solely at the unemployment rate causes us to lose sight entirely of a major part of the population. This segment is not just constituted of men left behind by economic change. It also includes their parents, friends, and colleagues, who see these men they care about left on the shelf and are angered that opportunities for them seem so few and far between. And it includes the potential marriage partners who cannot find eligible mates, and the children whose life prospects are less promising than they could have been. This starts to be a significant part of the population.

It is no answer to say that these people have misdiagnosed their plight when they follow Trump in seeing trade and immigration as the cause of their problems. Yes, it is correct to say that the problem is far more down to automation and other productivity-enhancing changes to manufacturing, meaning that manufacturing requires

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fewer and fewer poorly-educated, relatively low-skilled workers. Yes, Trump is wrong when he says that America doesn't make things any more and needs to return to this economic vocation. The truth is that America has never made more things than it does today. It just doesn't require many workers to do so.

A recent Ball State University study, for instance, finds that productivity gains – not increased trade with other countries – are responsible for 88 percent of American manufacturing job losses since 2000. As the study's authors write: "Had we kept 2000-levels of productivity and applied them to 2010-levels of production we would have required 20.9 million manufacturing workers. Instead, we employed only 12.1 million" (Hicks and Devaraj 2015).

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But the fact that the diagnosis is incorrect misses the key point about Trump's voters – they vote for him chiefly because they feel he is the only political leader who doesn't simply dismiss their fears and anxieties as misguided and ill-informed and doesn't tell them condescendingly that their problems will disappear if only they get a university degree or if the government institutes a guaranteed annual income and basically writes them off as productive contributing members of society.

A pervasive feeling has taken hold in many parts of American (and British) society that ordinary people are being made to pay the price of the ideals of the elites. Free trade is one such ideal, one in which I fervently believe, but also one whose destructive effects are just as undeniable as its beneficial ones and frequently easier to identify. That is why free trade can only be sustained when the winners use the extra wealth created to compensate the losers – something that I would argue we have often failed to do. And this shows up not only in the participation rates but also in the share of national prosperity going to workers.

After having been relatively stable for most of the 20th century, the share of national income going to labour has started being squeezed quite noticeably in the 21st. Thus, although the economy is growing, workers are getting a smaller share of that growth than the historical norm.

This is true in the United States (US Bureau of Labor Statistics 2017c). But it is equally true in the rest of the G20 countries (ILO and OECD 2015), including Canada. I'll come back to Canada in a moment.

## Immigration

For now let's turn our attention to the contribution of immigration to the populist revolt against the elites, given that immigration was without doubt a key contributor to the victory of Brexit as well as of Donald Trump. But I think it is very important to situate this in the correct context.

This is a little hard to do for Canadians, not least because of the rather common Canadian disposition to despise America from a great height of moral superiority. The immigration debate is a common pretext for just such smug condescension. I can't tell you how many Canadians I have heard say how horrible the Trump view is on immigration and that Canada does this much better and is a kinder gentler place.

Perhaps. What I do know is that Canada has an extremely tight immigration policy and we are fairly confident that the immigrants who are here have been admitted to Canada by the Canadian authorities. The US has something like 12-14 million \*illegal\* immigrants – people who were not admitted by US officials but, on the contrary, simply admitted themselves in defiance of the law by jumping the queue in which law-abiding potential immigrants wait. What clearly outrages many of the people who voted for Donald Trump is that this seems to them to be yet another example of elites (who benefit from the low cost services of illegal nannies, gardeners, and casual construction workers) putting the interests of non-Americans ahead of American citizens, leaping to the defence of people who broke the law while handing the bill on to those who try to play by the rules and want others to do the same.

I think I can say with some confidence that if we had anything like a comparable level of illegal immigration in Canada, let's say 1.5 million (using the usual ration of 10-1 when comparing the US and Canada), it would be a national scandal that could easily cause the fall of governments. Canadians' support of a fairly open immigration system is, in my view, predicated on a sense that it is Canadians controlling access to the country and the system is therefore both fair and orderly.

In both Britain under the European Union and in the US in recent decades, this was not true. In fact, I would argue that in both cases the Brits and the Americans voted for a system far more like Canada's than what they have now.

## Urban Policy

The final thing I wanted to talk about is urban policy, which is the third factor behind the rise of the populist uprising against elite rule.

What I have in mind here is related to what I discussed in my last talk here a few months ago, namely that the economic future of humanity lies in cities because of the diversity of jobs available there, the level of specialisation they make possible, and the concentration of capital investment and infrastructure they represent. Additionally, in the West, cities represent concentrations of home ownership, which is without doubt one of the key stepping stones to membership in the middle class and to wealth accumulation.

But the same elites who promoted free trade while failing to ensure its benefits were sufficiently widespread, and who promoted openness to immigration to a point where communities felt they were losing control over deciding who would be allowed in and the criteria by which they would be chosen, have also been among the most fervent supporters of a set of urban policies that has strangled urban growth and priced people at the lower end of the income scale out of the housing market and therefore out of the jobs market in the most economically dynamic part of the economy.

Burdensome land-use regulations (or zoning laws) are part and parcel of the anti-sprawl agenda that constitutes the major supply-side impediment to greater homeownership and urban development more generally, driving

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up the cost of homes in many cities. And the impact is greatest for the least expensive homes, making housing affordability for those trying to break into the market a huge challenge.

As I explained last time I was here, in a series of papers, Harvard economist Edward Glaeser and his co-authors have demonstrated that such regulations are a critical determinant of housing prices (Speer and Crowley 2016). By affecting how intensively land can be used, strict zoning regulations create a wedge between construction costs (which tend to be similar across the market) and housing prices.

The nexus between the basis of support for Donald Trump and housing policy is quite interesting. Remember how I linked that support among other things to labour-force participation – those people whom economic opportunity has forgotten. You may think that has nothing to do with housing and urban policy, but you'd be wrong, because one of the classic mechanisms by which people have traditionally improved their economic prospects has been moving from places with low opportunity levels to places with more jobs. But increasingly that conveyor belt of prosperity has had its works gummed up by urban policy that puts obstacles in the path of increasing housing supply and therefore keeping it affordable in high growth markets. If people cannot afford to move to where the jobs are, they get stuck where they aren't. As one Harvard study argued:

The steep rise in housing costs in places like New York City, Boston, and San Francisco has had a direct impact on migration patterns and, hence, on convergence of economic growth rates between regions. Even though highly skilled workers in fields like finance or high tech have continued to move to these cities, low-skilled workers no longer have an incentive to do so because the higher cost of living now outweighs the likely income gains. Instead of poorer people moving to New York, pushing down wages there, while bidding up wages in poor areas, and the availability of skills becoming more balanced across places, “What you now get is skill sorting. High-skilled people continue to move in, while poor people start moving out.” (Petus 2013)

“The US is facing a critical housing shortage in its most vibrant job centers. The result is soaring rents, growing income inequality, and sputtering economic growth nationwide.”

If you don't believe me that this has become a major issue in Donald Trump's America, especially for the kind of people Donald Trump appeals to, you might believe Jason Furman, the chairman of President Obama's Council of Economic Advisors. Furman has written that zoning restrictions have produced a scenario whereby “only high-income workers can afford to relocate to those high-productivity cities that have tighter land-use regulations” (Timiraos 2015). As he also noted: “When unnecessary barriers restrict the supply of housing and costs increase, then workers, particularly lower-income workers who would benefit the most, are less able to move to high-productivity cities. All told, this means slower economic growth” (Woellert 2016).

Furman was instrumental in getting President Obama to urge states and cities across America to liberalise their zoning and other restrictions on development. The US is facing a critical housing shortage in its most vibrant job centers. The result is soaring rents, growing income inequality, and sputtering economic growth nationwide. By one estimate, barriers to development in major cities have shaved as much as \$1.95 trillion a year off US economic growth (Hsieh and Moretti 2015).

## Comparing Canada and America

So are things so very different in Canada compared to Donald Trump's America?

Not really. Take our starting point of a moment ago: labour-force participation. Canada's labour-force participation rate has been essentially flat for more than a decade, and has fallen consistently since 2008. The picture is even worse for under-represented groups such as youth, First Nations, new Canadians, and people with disabilities.

While lower labour-force participation rates are partly a function of aging demographics (Department of Finance Canada 2014), it would be wrong to conclude that it shouldn't concern policymakers or that there's nothing they can do. Indeed, the participation rate in Canada has even stagnated for those in their prime working years between ages 25 to 54 (Statistics Canada 2017). So this is not a simple matter of our ageing population. And when I visit community after community in Ontario, Quebec, and British Columbia where they have lost their car plant, their furniture manufacturing facility or their mill or pulp and paper plant, or in Alberta where the oil patch is still hurting from the oil price collapse, or other parts of the country where previously reliable industrial jobs have disappeared, you cannot help but feel that anyone drawing hard and fast distinctions between Canada and the US is missing something vitally important. It is not that the objective conditions for a Trump-style revolt aren't present, but rather that no political leader has emerged who can turn this latent discontent into political action.

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It was into this context that I placed the Ontario Tory leader's promise to eliminate 100,000 jobs and Prime Minister Trudeau's musings about “phasing out” the oilsands (even if he tried to withdraw the comment later).

Remember that a recent report found that more than 40 percent of Canadians are worried about their jobs being lost to automation and other technological advancements (CBC News 2016). The auto industry here opposed the free trade agreement with South Korea on the grounds that it opened our market up too much to Korea and didn't open their market nearly enough to us, exactly the kind of trade-related complaint that ended up fuelling a populist backlash in the US.

As Merrill Lynch reported just a year ago, blue collar jobs are on the decline, suggesting permanent damage to Canada's labor force. The then most recent jobs report was dragged down by declines in natural resources, construction, and manufacturing. Indeed, the male participation rate was down to 70 percent – a figure close enough to US levels, which I had earlier mentioned one-third of men not having paid employment. This reflects the damage to the male-dominated blue-collar sector. In contrast, the female participation rate is up slightly. There is nothing new about a drop in blue-collar jobs. But workers fired from the factory line in the 2000s could find work in the then booming construction or energy fields. Similarly, in the 1990s when commodity prices were falling, job losses in the oil patch were met with opportunities at the assembly line. Today, the oil patch is firing, construction employment is near its saturation point, and factory jobs are flat. The result is a chronic atrophy of skills and employability of workers who are shut out of the labor force for extended periods. This loss of skills is costly for workers and could weigh on Canada's potential growth rate (Babad 2016).

Moreover, the costs of job loss and change fall far more heavily on those least able to pay those costs. To use just one example, lower-paid employees and labourers in Alberta's natural-resources sector have been hit the hardest



from the plunge in oil prices. The loss of jobs among lower-income earners and blue-collar workers is nearly quintuple the losses among the highest-paid workers since the price of oil started cratering a year and a half ago (Younglai 2016).

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As for the impact on families of these powerful economic changes, the Canadian data are fewer and the matter has been less studied than in the US. But there are some things we can say, for example, “marriage rates [in Canada] among the wealthiest ‘remained remarkably stable’ over a 30-year period between 1976 and 2011 and yet fell for low- and middle-income Canadians. New data show the so-called ‘one per cent’ of income earners are 35% more likely to be married than the bottom 50% of earners” (Speer 2016).

In other words, what data exist on Canada are consistent with what we find in the US, such as these findings from the left-leaning Brookings Institution:

In the 1970s, the vast majority of middle-aged men were married, regardless of where they fell in the distribution of income. While marriage rates have declined across the board, the decline is far more pronounced among middle- and lower-income groups.

There is a strong correlation between changes in earnings and changes in marriage: men that experienced the most adverse economic changes also experienced the largest declines in marriage.

For men ages 30-50 in the top 10 percent of annual earnings—a group that saw real earnings increases over time—83 percent are married today, down modestly from about 95 percent in 1970. For the median male worker (who experienced a decline in earnings of roughly 28 percent), only 64 percent are married today, down from 91 percent 40 years ago. And at the bottom 25th percentile of earnings, where earnings have fallen by 60 percent, half of men are married, compared with 86 percent in 1970. While the share of men who have been divorced has increased across the earnings distribution, an increase in the share of men who have never been married is the largest contributor to lower marriage rates. (Greenstone and Looney 2012)

And by the way unemployment basically doubles your chances of getting divorced on either side of the border (Pianin 2014)

On the trade file, astonishingly to me for a country so dependent on trade with the US, a June 2016 poll by the Angus Reid Institute found that only one in four Canadians believes that NAFTA has produced a net benefit for the country (Angus Reid Institute 2016).

How about immigration?

In a recent Ipsos poll, 69 percent of Canadian respondents disagreed with the statement, “[My country] would be better off if we let in all the immigrants who wanted to come here” (McCarthy 2016).

In this, Canada outranked the United States in this international survey, where only 57 per cent disagreed that their country would be better off if America let in all the immigrants who wanted to go there (Ferreras 2017).

I think I would want to make the case that Canadians' potential hostility to immigration has been tempered by exactly the fact that we control our immigration inflows effectively under rules made and administered by Canadians. But, as Andrew Coyne (2017) was arguing in his column recently, if we are starting to get noticeable numbers of illegal immigrants walking across the border in the middle of February in frigid temperatures and waist-deep snow, and sometimes losing fingers and toes to frostbite, what is it going to be like in June when they will be able to do so in shorts and a t-shirt?

Another factor that may undermine our ability to contain immigration flows under our own rules is the movement to suspend the "safe third country" provisions, which allow us to turn back refugee claimants at the border if they are coming from a safe country that could also process their refugee claim. In other words, the agreement holds that refugee claimants should make their application in the first suitable country they arrive in.

There is evidence that this agreement with the US is being challenged in Canada on the grounds the US is no longer a safe place (Glowacki 2017), despite the fact the country remains a properly functioning democracy with the rule of law, as evidenced by the fact the courts were able quite effortlessly to block the application of the new president's executive order regarding the admission of citizens of seven Muslim majority countries. If Canada suspended the safe country agreement without far better reasons than this, I think it would be a further challenge to the public acceptability of immigration, insofar as this could significantly increase the flow of self-selected refugee claimants, exactly the kind of entry Canadians have been so leery of to date. It is worth recalling that overall, 47 percent of Canadians in an Angus Reid survey said Canada is taking in the right number of refugees, while only 11 percent said 40,000 is too low and Canada should take in more. But 41 percent said the 2017 target is too high and fewer refugees should be allowed to enter the country (Zimonjic 2017). It would not take much to shift those proportions, and in the past Canadians would shift if they thought they were losing control over access to Canada.

As for the urban and especially the housing policy issues, Canada actually fares far worse than America. At least in the US, a number of dynamic urban job markets and a variety of policies can explain why housing prices can vary so widely across the nation.

Here in Canada, by contrast, the entirety of the nation's net job creation over the past few years has taken place in two urban areas, namely Vancouver and Toronto (Crowley and Speer 2016). And they are precisely the two markets where blue-collar and middle class workers are most likely to find it prohibitively expensive to move, denying them both job opportunities and the home ownership, which is perhaps **the** key to durable membership of the middle class. Simultaneously, it deprives the most economically dynamic parts of the country the new workers that could unlock even more growth and prosperity.

According to TD Economics, "the problem of affordability [in Toronto] has spilled over to residents in higher income levels and to those in homeownership. Higher land costs and restrictive government regulations that have stretched out development project time lines to as much as seven years have made it increasingly difficult

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to supply housing at an affordable cost across the GTA [Greater Toronto Area]. Based on our calculations, in order to finance an average priced single family home (roughly \$740,000) with a 10% down payment would require a well above-average income of \$140,000” (TD Economics 2015).

“According to the index, one in two Canadians fears that newcomers to the country are ‘damaging our economy and national culture.’”

As my former colleague on the editorial board at the Globe and Mail, Susan Delacourt (2017), was arguing on *iPolitics* the other day, the easy assumption that Canada is somehow a haven of internationalism and globalism – embracing the elite vision seemingly rejected by Britain, America, and others – is unfounded.

A new, international “trust index” released last week showed that Canadians’ trust in government has eroded profoundly since Trudeau took power 15 months ago (Edelman 2017). Edelman, the public-relations firm that compiles the annual index, has put Canada into the *distruster* nation category for the first time in the 17-year history of the global survey. *Distrusters* are nations in which most people express distrust in their civic institutions.

Edelman executives were using words like “remarkable” and “dramatic” at the launch of the 2017 trust index’s results in Toronto. They were also warning that Canada is assembling all the ingredients for the kind of populist eruption that overturned the established order in the United States and Britain last year.

The evidence? According to the index, one in two Canadians fears that newcomers to the country are “damaging our economy and national culture.” A full 80 percent agreed that elites were “out of touch” with regular people and 40 percent agreed that they were being unfairly denied access to the education and opportunities they needed to get ahead.

Nearly two-thirds of respondents – 61 per cent – said they didn’t have confidence in the country’s leaders to address the challenges facing the nation. But it’s the *speed* of the downturn that’s especially remarkable. Trust in government has slipped from 53 percent to 43 percent since last year’s index.

Lisa Kimmel, president and CEO of Edelman Canada, said they had expected to see some erosion of trust in government as Canada moved farther away from the heady 2015 “change” rhetoric — but they “just didn’t anticipate it would be that dramatic” (Star Editorial Board 2017).

## Learning from the Mistakes of Others

But, as I said in my blurb for this talk, it was possible for Canada to learn from the mistakes of others – and I believe that there is still time for us to do so. You will be able to draw your own conclusions from what I have said about what needs to happen if we want to continue enjoying the benefits of free trade and relatively open immigration. For me the keys are the following.

First the current government is on the right track with its concept of inclusive growth, but a redistributionist agenda as a way to move benefits from winners to losers simply won’t cut it. One of the things that I think the elites have completely missed is how the destruction of the kind of jobs the working and lower middle class

used to enjoy has not just left them without an income. It has more importantly damaged their self-respect and self-esteem. They no longer feel able to look after themselves and their family and feel a desperation and humiliation that no transfer can compensate for.

That's why I believe the current fashion of supporting a guaranteed annual income as a way of pensioning off people able and willing to work, just because we don't know what to do with them, is completely wrong-headed. All people want respect and the sense of dignity and fulfillment that comes from work and providing for one's family. I believe that government policy must be focused on removing the barriers to such work, together with generous support for those who suffer job losses and those who want to move to take advantage of better opportunities, including tearing down the barriers to interprovincial commerce and mobility and removing the barriers to housing and other urban development, which will make it possible and affordable to move. One obvious area for attention is the expansion of the Working Income Tax Benefit (WITB) which, unlike a guaranteed annual income, is tied to work and unlike rises in the minimum wage does not upset labour markets or harm low-skilled workers, yet it increases the rewards for working.

We need to rebuild the national consensus in favour of natural resource development and understand that one of Canada's greatest advantages is the natural resources that we possess in abundance, which represent important opportunities for Canadian workers that cannot be offshored. Roads, pipelines, mines, and processing plants of all descriptions face too many obstacles and take too long to approve, driving capital investment and perhaps more importantly good jobs away to other more welcoming places.

Such an agenda will also require us to reach a greater degree of economic reconciliation with Aboriginal people for whom the natural resource economy so often represents the only practical job opportunities within their reach. And we cannot continue burdening business with uneconomic energy costs through poorly designed carbon taxes and emissions-trading schemes. We have let our military atrophy when in the US it has proven an important conduit of economic opportunity and training as well as a major generator of jobs. The Trump presidency will help us here; one of the things that will be required of us if we want, as we should, to preserve NATO, is for us to increase significantly our share of the cost burden it represents. Similarly the Trump taxation reforms will likely require us to reform both personal and corporate taxation in order to remain competitive and not to lose jobs to an America eager to increase employment at home.

On immigration, I'd say that it is a mistake to shift the policy direction from job-driven, economic-oriented immigration to family reunification and low-skilled immigration.

Just as I am strongly pro-free trade I am strongly pro-immigration and have written extensively about how it benefits the country both economically and socially. But that doesn't mean we should be insensitive to public buy-in. For years, the stated objective of governments of all political stripes has been to bring in immigrants equal to one percent of the population but we almost never hit the target because maintaining a high quality

“On immigration, I'd say that it is a mistake to shift the policy direction from job-driven, economic-oriented immigration to family reunification and low-skilled immigration.”

intake of immigrants of the sort that maintains public confidence in the system is actually not that easy. And even under the existing regime, you might be surprised to learn that Canada only chooses 40 percent of the immigrants who come based on their ability to contribute to Canada (CIC News 2016).

The government's shift in emphasis is the type of thing that risks undermining public confidence in and support for Canada's relatively liberal and large-scale immigration policy. Put more bluntly: the proposal before the government to increase the annual intake to more than 400,000 is a risky proposition that fails to appreciate the delicate balance required to maintain public support.

There is more I could suggest but I think this is a representative sample. As you can see, I no longer believe as I once did that we can just let economic change rip, with the resulting economic growth cleaning up the damage. We must be more strategic and more focused on creating the kind of job opportunities that real people currently being left behind can seize and use to earn a living that allows them self-respect, dignity, and a place in the community.

Making free trade and open societies work for everybody is harder than many of us understood. But I think Donald Trump demonstrates that if we don't get this right, the status quo will falter and be increasingly challenged by a rejectionist movement no longer willing to be fobbed off by platitudes about retraining and university degrees. The damage they can and will do will be far worse and far more costly than taking the kind of actions I have described that can restore some of the social and economic balance we have lost.

# About the Author



**B**rian Lee Crowley has headed up the Macdonald-Laurier Institute (MLI) in Ottawa since its inception in March of 2010, coming to the role after a long and distinguished record in the think tank world. He was the founder of the Atlantic Institute for Market Studies (AIMS) in Halifax, one of the country's leading regional think tanks. He is a former Salvatori Fellow at the Heritage Foundation in Washington, DC and is a Senior Fellow at the Galen Institute in Washington. In addition, he advises several think tanks in Canada, France, and Nigeria.

Crowley has published numerous books, most recently *Northern Light: Lessons for America from Canada's Fiscal Fix*, which he co-authored with Robert P. Murphy and Niels Veldhuis and two bestsellers: *Fearful Symmetry: the fall and rise of Canada's founding values* (2009) and MLI's first book, *The Canadian Century; Moving Out of America's Shadow*, which he co-authored with Jason Clemens and Niels Veldhuis.

Crowley twice won the Sir Antony Fisher Award for excellence in think tank publications for his health care work and in 2011 accepted the award for a third time for MLI's book, *The Canadian Century*.

From 2006-08 Crowley was the Clifford Clark Visiting Economist with the federal Department of Finance. He has also headed the Atlantic Provinces Economic Council (APEC), and has taught politics, economics, and philosophy at various universities in Canada and Europe.

Crowley is a frequent commentator on political and economic issues across all media. He holds degrees from McGill and the London School of Economics, including a doctorate in political economy from the latter.

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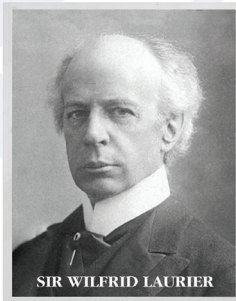
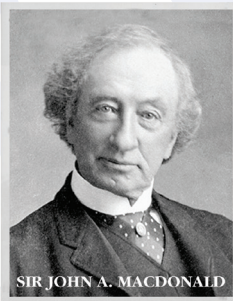
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