

# Sir Wilfrid Laurier's Unfinished Symphony: The Canadian Century

Brian Lee Crowley, Senior Fellow  
Atlantic Institute for Market Studies  
9 June 2010

Commentary originally published in the *National Post*  
9 June 2010



In the period immediately following World War II Canada and the United States together trod Laurier's path—open societies that welcomed investment, people, goods, and services; that kept the tax burden tolerably light, the public debt on a downward course, and government relatively small; and that encouraged and rewarded work, savings, investment, and entrepreneurship while discouraging dependence.

In the sixties, Canada began a nearly thirty-year love affair with an aggressively expanding state, turning an increasingly deaf ear to the entreaties of those who still hewed to Laurier's line. Taxes may not have risen enormously, but they certainly overtook those in the United States and we lost the competitive tax advantage Laurier thought crucial to our success given the relative strengths of the economies on either side of the border.

But even higher tax rates than those in the US were not enough; our politicians knew that there was little appetite to pay taxes commensurate with those decades' huge rise in social welfare programs,

unemployment insurance, transfers to the provinces, and more. They accordingly took the easy and politically expeditious route of running up the public debt.

In 1960 it took roughly 28 per cent of GDP to pay for the cost of government at all levels. At the peak of the expansion of government and burgeoning public debt in 1992, it was taking 53 per cent of GDP to pay all the government's bills, including interest on the debt, and the *Wall Street Journal* was calling Canada an honorary Third World country. By 1990, borrowed money was the second-largest source of government revenue, second only to the personal income tax and double what was raised from corporate income taxes.

In a paroxysm of nationalist fervour, we threw up barriers to the free flow of capital looking to invest in Canada. The big-government zeitgeist in the Western world embraced our growing unemployment and fear of Quebec nationalism; the offspring of this union was social welfare programs enriched to the point where we were

having major problems with welfare dependency and strong growth in low-performance public employment. Our productivity, the real key to rising standards of living, grew at a much slower rate than in America. In short, we did everything that Sir Wilfrid thought would deny us success. The potential for the Canadian century slumbered quietly within us, always there, frequently visited with dreams of greatness, but never quite awakened.

America trod a different path over these decades, at least to the extent that it never embraced the growth of the state, the rise of taxation, and the growth of dependency on social programs to the degree that we did. They were reluctant; we were enthusiastic. The share of GDP devoted to government at its peak in Canada rose to 53 per cent; America has only just passed the threshold of 40 per cent. But their trend is up, while ours has been down. On current trends, they will overtake us in a few short years.

In fact, therefore, Canada's opportunity to fill the twenty-first century arises from two separate sources. On the one hand, Canada has unwittingly begun to find its way back to Laurier's plan, while on the other hand, America is increasingly losing the script, flubbing its lines at the crucial moments as the plot unfolds. If Canada puts in place all the elements of the Laurier plan, it will propel our population to the forefront of global prosperity and development. If, in addition, America continues on its current course, Canada will find itself without peer in North America as a magnet for investment, for immigrants, for innovation, and for growth.

This is not to suggest that the US economy will stagnate but rather that Canada will become a markedly preferred location for investment, business development, and entrepreneurship within North America due to both its improved business climate as well as its preferential access to every North American market, including the US.

Some of the wealthiest economies in the world, places like Switzerland, Holland, Luxembourg, Taiwan, Singapore and Hong Kong, are often small, nimble, disciplined societies that carefully manage their relationship with a neighbouring behemoth. The opportunity of the Canadian Century does not require that America stagnate; indeed a stagnant America would drag Canada down.

What our opportunity does require is that Canada raise its game above America's, and, thereby reap a disproportionate share of growth in our shared continental economy.

Free trade with the United States and the GST, both the product of Conservative government in Ottawa, began the process of putting us back on the path of virtue defined by Laurier. This was followed by further difficult and historic reforms enacted federally and in many provinces during the 1990s, reforms to which every political party and every region of the country contributed, such as the NDP in Saskatchewan, the Tories in Alberta and Ontario, and the Liberals in Ottawa, British Columbia, and New Brunswick.

This consensus on reform, which breached party divisions, ideological divides, and regional differences, moved Canada toward the smaller, smarter government Paul Martin called for when he unveiled his plans to balance the federal budget. In so doing we ushered in a period of heightened economic prosperity. The combination of spending reductions, balanced budgets, reduced debt, and lower interest costs, coupled with important tax relief, fundamentally changed Canada for the better.

Those reforms continue to benefit the country enormously even as governments, both federally and provincially, have failed to an ever-increasing extent to meet the standard of these core fiscal principles by allowing spending to increase dramatically and beginning to run deficits again. Still, the Canada we look upon today remains in

many ways markedly different than it was prior to the Redemptive Decade of 1988-1997.

This opportunity is further amplified by the near-absolute inability of our neighbours to the south to reform and deal with many of their critical problems. In many ways, the United States sits where Canada did in the early 1990s.

The question for Canadians now is whether our governments have the fortitude and vision to replicate the successful reforms of the Redemptive Decade to solve our current problems and extend the reforms to accomplish Laurier's vision for a Canadian century.

In other words, do we aspire to achieve the type of prosperity and prominence envisioned by Sir Wilfrid when he foresaw a Canada that would be a light unto the world? "For the next seventy-five years, nay the next hundred years, Canada shall be the star towards which all men who love progress and freedom shall come."

We believe and hope Canada is prepared to muster again the fortitude and sense of direction that enabled governments at all levels and of all political persuasions to enact meaningful and in many cases historic reforms in the 1980s and 1990s.

If we succeed in completing the Laurier plan while America continues to founder, our reward will be that we will leave America's shadow and enter into the Canadian century, fulfilling Sir Wilfrid's dream for the country he believed would lead the world.



Atlantic Institute for Market Studies

**2000 Barrington St., Ste. 1302 Cogswell Tower,  
Halifax NS B3J 3K1**

**phone: (902) 429-1143 fax: (902) 425-1393**

**E-Mail: [aims@aims.ca](mailto:aims@aims.ca) <http://www.aims.ca>**