

**ECONOMIC STRENGTH AND POLITICAL STABILITY
INSEPARABLE IMPERATIVES**

A Statement

by

The Policy Committee

Business Council on National Issues

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The beginning of a new year and of a new decade provides an excellent opportunity to reassess national priorities essential to our progress and well-being as a people. Canada is a remarkable country -- unique in the world in our combination of basic strengths: our vast geography, our economic potential, our evolved sense of social justice, and our high level of political stability.

Cognizant of these advantages and achievements, we can approach the challenges of the coming year and decade with a justifiably high level of confidence, and with the knowledge that if Canadians choose to work together, no task will be too difficult, no obstacle will be insurmountable. Highest on Canada's list of priorities for the 1990s must be four fundamental goals:

- o the continued building of a globally competitive, technologically advanced economy;
- o the improvement of the knowledge base and skills of our citizens through higher educational standards and training;
- o the pursuit of national and international environmental goals consistent with sustainable development; and
- o the strengthening of Canadian nationhood through the resolution of outstanding constitutional issues, and by building support in all of Canada for a strong, national identity.

Two of these priorities -- the economy and how we govern ourselves -- today are uppermost on the national agenda and are the subject of this statement. In fact, they are closely intertwined. Economic growth and political stability, after all, go hand in hand. It is difficult to have one without the other.

THE ECONOMIC CHALLENGE

The seriousness of the economic challenge is best understood by reminding ourselves of a few simple facts. During the past six years, Canada's average growth has surpassed that of the leading industrial nations with the exception of Japan. The country's job creation record has been remarkable, exceeding that of all our major trading partners. But despite these accomplishments, Canadians continue to be plagued by large public sector deficits, soaring debt, rising inflationary pressures, high real rates of interest, and most recently, by a deteriorating trade posture. Adding to these concerns is the significant slow-down in overall economic growth in recent months.

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These economic ills signal that our approach as a people to economic fundamentals is not what it should be. In short, we have been taking more out of the economy than we have been putting into it; we have been living beyond our means; and we have been falling behind in the quest for global competitiveness.

The solutions to these ills are not easy ones. As Business Council members and individuals with responsibility for the country's largest enterprises, we are acutely aware of the challenges facing us: for example, the need to adjust more rapidly to the global environment; to reach for excellence in our products and services; to forge an even stronger community of effort with those we employ; to expand our research and development activities; and to strive more aggressively for new markets wherever we can find them.

But our efforts and those of other Canadians will have little impact in the absence of constructive public policies. At the heart of these policies must be sound fiscal management -- ensuring, in other words, that public spending and the sources of this spending, namely deficits and taxation, are kept under control. As we enter this new decade, Canada's large public sector deficits, and the huge debt that they have spawned, are eating up more and more tax dollars that should be dedicated to vital social and economic objectives instead. These deficits are contributing to high levels of interest and are undermining investor confidence.

Federal government initiatives to curtail the size of year-over-year deficits have helped the situation, but the problem remains a very serious one. The simple truth is that the deficit must fall more rapidly, and that spending cuts must provide the bulk of the deficit reduction effort. This will require sacrifices on the part of all of us -- save for those Canadians on low incomes who cannot afford to do with less.

As the seriousness of the Canadian fiscal dilemma becomes more apparent, governments will be tempted to resort increasingly to higher levels of taxation as a way to sustain ever-growing spending. This is an alarming trend, and if it continues, not only will it lead to the further reduction of the disposable income of Canadian consumers -- but more dangerous, it will stifle investment and entrepreneurship; it will cause more and more talented Canadians to seek opportunities outside of Canada.

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The administration of taxation policy is important too, and here we strongly endorse the federal government's initiative to replace the badly flawed manufacturer's sales tax with the proposed Goods and Services Tax. This reform will contribute to the competitiveness of Canadian export industries and will form the basis of a more efficient and equitable tax. The Business Council would have preferred, of course, that the Goods and Services Tax have fewer exceptions, and most importantly, that it should take the form of a national sales tax thus integrating all existing provincial sales tax regimes. The Council appeals to all First Ministers to begin negotiations on an urgent basis with the goal of establishing a single, national sales tax at an early date.

THE POLITICAL CHALLENGE

Tackling these economic challenges should occupy the lion's share of our energies as a people -- at the local, provincial, and national level. To be able to do so, however, Canadians must count on political stability, on intergovernmental co-operation, and on the certainty that our political institutions will facilitate rather than impede the attainment of our economic goals. As we enter the new year, one paramount issue stands unresolved -- federal-provincial constitutional relations are in disarray and the 1987 Constitutional Accord is in danger of collapsing.

The Business Council will not offer judgment on the details of the Accord at this time. But we do wish to emphasize a number of points. First, the Accord in 1987 was the result of a remarkable and rare consensus on the part of the eleven First Ministers who signed it, and the three federal political parties that endorsed it. And secondly, despite the opposition to the Accord today on the part of three provincial Premiers who were not signatories, an impressive number of constitutional authorities in Canada believe that the Accord will strengthen Canadian federalism. These same authorities reject the criticism that the Accord will lead to a serious diminution of federal power, that it confers special status on the province of Quebec, that it will undermine the Canadian Charter of Rights and Freedoms, or that it places Canada's constitutional affairs in a straightjacket.

This convincing combination of political will and constitutional authority suggests to us that the Accord is deserving of support. We respect the concerns of the Premiers of Manitoba, New Brunswick and Newfoundland and of the significant number of Canadian citizens who fear that the Accord will somehow damage Canada. Surely there is a way to deal with many of these concerns through points of clarification, or, as some are suggesting, through the negotiation of a parallel accord.

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Why do we believe that there is a particular urgency in reconciling the divisions over the Constitutional Accord? Because the abandonment of the Accord, in our view, will exacerbate the growing divisions within Canada resulting from the debate and will block any reasonable prospects for future constitutional renewal. Even worse, the resulting environment will be one characterized by intergovernmental conflict, and by lingering bitterness.

Is this what Canadians want or need? To this question there can be only one answer, and it is obvious. The vast majority of Canadians want Canada to stay together and they want it to work. They want jobs and economic prosperity. They want their political leaders to act sensibly and responsibly to ensure that these ends are achieved. We appeal to all First Ministers, therefore, to resolve the current constitutional impasse and to spare no effort in the search for solutions in the national interest.

In this statement, the Council has identified four key priorities that in our view deserve the attention of legislators and citizens alike. Paramount among these is the need to strengthen our economic prospects and to ensure that the political fabric of the nation together with its central institutions remain strong. The Business Council on National Issues will work hard to advance these goals. We invite all Canadians to do the same.

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