

**Economic Crisis as Opportunity - Late Night Thoughts Listening to Late Night Pundits
(with apologies to Lewis Thomas and Mahler's Ninth Symphony)
Deborah Coyne – January 22, 2009**

The multi-partisan consensus emerging on the need for a massive economic stimulus package, increases in social security payments, and critical financial reforms to ensure adequate credit, can only go so far to address our distress in the short-term.

2008 has now passed into history as a year most people want to forget. 2009 is quickly shaping up as the year most people wish was already over, (or perhaps one that we could live backwards like Benjamin Button).

There is no longer any doubt that the world-wide financial crisis and credit freeze have precipitated the worst economic conditions in decades. Recession has clearly settled in and could get worse, as individuals and businesses begin to lock in longer term spending and investment plans that incorporate seriously reduced expectations.

Pensioners urgently need some hope that their retirement funds will recover sufficiently in their lifetimes; young people need to be confident that the billions of dollars now being spent is in their long-term interest, not a lifelong burden. And the many Canadians in between need inspiration and bold visionary national leadership to help lift the clouds that obscure what is still a bright future.

Canadians know that the economic crisis is not simply the result of greed and insanity on Wall Street that can be cured through a gigantic consumer shopping spree, financial regulatory reforms and more ethical behaviour. We know that we cannot simply spend or regulate our way out of fundamental social and economic change.

The multi-partisan consensus emerging on the need for a massive economic stimulus package, increases in social security payments, and critical financial reforms to ensure adequate credit, can only go so far to address our distress in the short-term.

We must now confront the consequences of our collective myopia over many years of excessive consumption with easy credit. Shopaholic consumers drove our savings rate to zero and sent household debt soaring, while we allowed the planet to overheat, the polar ice caps to melt, and dangerously degraded the quality of our air and water.

And not only did we fail to discharge our responsibility as custodians of the planet. But we also failed to discharge our responsibility to our fellow citizens and future generations.

As the world came to Canada, and we provided a safe haven and a stable base for so many new Canadians, we transformed in a relatively short period of time into the most cosmopolitan and diverse society in human history. And while we often acknowledge that our increasing diversity as a people, our huge pool of human talent, is our greatest strength, we have failed to pay sufficient attention to the increasing inequalities of opportunities and the rising inequalities of income and wealth. Building a fair and compassionate society is not a static destination, but an ongoing journey that demands mutual respect and cooperation on the part of us all. The fight for greater equality and justice can never end. And the measure of a great society and nation will always be how well we collectively take care of and lift up the most disadvantaged members, and how well we preserve the dignity of our neighbour in order to preserve the dignity of us all.

The economic crisis has exposed our collective weakness: that our ability to maintain an open, progressive, compassionate society – through environmentally sound development, excellent health care and public education, and an adequate safety net – is seriously compromised. Too many Canadians lack

the necessary education for the jobs of today and in the future. Too many Canadians go to bed hungry with inadequate shelter. Meanwhile too much valuable political energy has been dissipated on our regional differences over everything from energy, to the environment, to transfer payments. And too many of our politicians have put parochial, petty and divisive concerns ahead of the national interest.

We urgently need bold and visionary national leadership, not just to show us how to deal with the economic crisis in the short term, but also how, in the long term, all Canadians can come together to moderate consumption and our carbon footprint, guarantee equality of opportunity, eliminate poverty and unemployment to the greatest extent possible, and undertake the long overdue social and economic adjustments to the profound changes in the global economy.

We are now poised at the beginning of what may be a decade of serious declines in older Canadian manufacturing industries. Already we face shortages of skilled workers for the new jobs being created, from mechanics, to specialized technicians for sophisticated machine tools and for work in power stations.

To succeed in the global economy and provide meaningful jobs, equality of opportunity and adequate income to all Canadians now requires the Canadian economy to restructure around industries based on innovative technological advances, and around the expansion of the vibrant service sectors in our urban centres.

Our biggest challenge during this transition is the training and education deficit. This is the result of years of underfunding and lack of purpose and direction on the part of both governments and employers.

We must commit ourselves to nothing less than giving every Canadian the opportunity for the best education and training possible to assure meaningful work and ongoing employment in 21st century industries.

Establishing this fundamental education foundation will involve significant new investments at all levels, from early childhood education, elementary and high schools, to a wide range of post-secondary education. Indeed since virtually all the meaningful jobs of the future will require at least a couple of years of community college, two years of community college should be publicly funded and delivered free of charge for occupations facing critical shortages, as we do elementary and secondary school education. Among other things, easy availability of ongoing community college training for employees in some U.S. states has proven to be a significant attraction to the location and expansion of companies on the leading edge of technological change.

We must dramatically expand accessibility to all forms of post-secondary education to all qualified Canadians through our national network of 94 universities and 132 colleges. We have to start now to train many more teachers and to educate many more scientists and engineers. We must guarantee that the education and training credentials of new Canadians will be expeditiously recognized and/or supplemented. The 40% of immigrants with university degrees who are now in chronic low-income jobs constitutes a tragic waste of human talent that cannot be ignored. And we must guarantee that all education and training credentials will be recognized across Canada and ensure full mobility of workers. (Fortuitously, after years of resistance, the provinces appear to have finally agreed to eliminate all barriers to the full mobility of persons, goods, services and investments within Canada by next year. Astonishingly we may at last have something approximating a real national economic union, 142 years after becoming a nation).

At the same time, we need to make sure that employers as well can embrace the challenges of a knowledge economy. Canada ranks poorly compared to other industrialized countries in on-the-job training. Our productivity growth rate, our ability to work smart, has fallen below that of our competitors.

We need to provide incentives for employers to train their workers and to invest in productivity improvements that can maintain our competitiveness.

Only with a staunch national commitment to a solid education foundation will we be able to find the workers to transform Canada's traditional factory base into, for example, a "hub of green manufacturing" on the leading edge of technological change in a wide range of areas. We can build a world class manufacturing base in renewable energy components spurred on by the massive changes in the global energy sector and the growing public concern with energy conservation and efficiency. Our rural sector can be on the leading edge of "green agriculture" and expanding viable organic food production operations. Our forestry sector can be leaders in eco-efficiency and building pulp and paper mills that reuse mill residue to produce energy, fuels or chemicals. New and upgraded power grids can be constructed, including a long overdue East-West electricity grid for wheeling electricity across provinces. Alberta can become a world leader in clean energy and green technologies. Municipalities can be on the leading edge of developing integrated energy systems involving on-site renewable energy, district energy and combined heat and power. Public transit, high speed trains, broadband networks and even putting medical records online are all promising areas for a vibrant 21st century economy and will be more easily pursued with a well-educated workforce.

Most importantly, substantial financing is needed for basic scientific research that will foster free-ranging scientific innovation subject to open access policies. This will spur everything from medical breakthroughs on cancer and the environmental causes of ill-health, to new discoveries for greater energy efficiency and effectiveness and waste reduction (green chemistry initiatives such as the ability to mix and then separate oil and water, discovered by the 2009 recipient of the prestigious Polanyi research grant), to new batteries that will store electricity for transportation, wind and solar generation, to safer cell phone technology, and to effective action to protect Canadians by eliminating the dangerous toxins in the food we eat, the water we drink, and the air we breathe.

The recent collapse of Nortel put an end to the biggest corporate spender on research and development in the country, and exposed the shallowness of our advanced technology sector, leaving only Research in Motion as a world class Canadian success story. And parts of Nortel may well be sold to Huawei Technologies, a Chinese rival that has been seeking to expand its North American base. There has never been a more urgent time for public investment to play a central role in strengthening our capacity to innovate and lead in technological developments.

The other long-term source of productive employment is the already dominant service sector especially in our vibrant urban centres. Intensifying media, financial and arts and cultural hubs is a natural avenue. We must also employ many more service providers in a national program for child care and early childhood education, in assisting our senior citizens both in their own homes and in retirement homes, and in providing the wide range of community services that are in high demand whether for assistance to new Canadians, for opening schools as community hubs after the school day ends, for services for disabled Canadians.

We absolutely must emerge from this crisis with a greener, more sustainable economy, and an educated, more productive and innovative workforce employed in 21st century industries and globally connected around the world. Our national leadership must start now to promote a cultural transformation that redefines wealth as well-being, not well-having. We need leadership to encourage us to live intelligently and frugally, not wastefully. We need to build a Canada where achievement is measured by our commitment and responsibility to our fellow citizens, not by our level of consumption. And most importantly, we need our leaders to encourage Canadians in all parts of the country to listen and respond to the concerns and aspirations of others, and understand the urgency to undertake together the national initiatives and programs that strengthen us as a whole and will benefit future generations.

We are Canadians without borders, with bridges and bonds to many countries, looking forward to an exciting future. We want to embrace our national responsibilities that are integral to our citizenship in this great nation. We are prepared to ask at least as much of ourselves as we ask of our governments. But we need bold and visionary national leadership to guide us out of the current economic morass with a combination of domestic initiatives and international engagement, which can inspire us once again to look over the horizon and leave a better world for our children and grandchildren.

The short-term - Budget 2009 and beyond

There is widespread agreement that in order to promote economic recovery and generate as much employment as possible, Canada must implement an economic stimulus package with sufficient public investment and spending to offset the serious decline in private investment and spending. To the greatest extent possible, all public initiatives should try to reflect our longer-term priorities of investing in a more productive economic base and ensuring that the return to economic prosperity coincides with environmental protection.

Large investments in our essential physical infrastructure such as in public transit, transportation networks, social housing, installing solar panels, retrofitting buildings, fixing our decaying sewers and water mains, will all be crucial components of an effective stimulus package. Related tax measures could include refundable tax credits for home renovations, and for energy efficient buildings and appliances. Provisions could also be made for low-interest loans to renewable energy developers, and for accelerated depreciation on the production of energy efficient goods and services. And a high priority should be attached to doing whatever is necessary to eliminate the unacceptable third world conditions that exist in too many of our aboriginal communities.

In addition to physical infrastructure, we need to invest in our social infrastructure, to ensure the early childhood educators and geriatric home support workers can meet the needs of Canadians. Moreover, since it is likely that most physical infrastructure projects have a disproportionately male workforce, this is a way to ensure that women can also benefit from a stimulus jobs package.

Urgent action is also needed to address the immediate financial distress faced by Canadians, and to put adequate funds in the hands of the most vulnerable Canadians. Fortunately Canada is in a position to rapidly expand/adjust certain components of our social safety net to improve financial security for Canadians. We can enhance Employment Insurance (eligibility requirements, income replacement levels etc), restore a financial contribution by the national government, and recognize that an unemployed person is the same as any other unemployed person in Canada no matter what the regional unemployment rate. We must also expand the use of EI for training, and improve eligibility access to EI programs. Other steps include increasing the child tax benefit, the working income tax benefit and the GST credit, and implementing income tax cuts, but only for those at the lowest end by both lowering the lowest tax rate and raising the basic exemption below which no taxes are payable. (Consideration may have to be given to eventually assisting provinces with their increased welfare costs as more and more of the newly-unemployed exhaust or are unable to access EI).

It is important to be principled with respect to any changes on the tax front. Most experts including economists agree that, unlike direct spending, tax cuts (except at the lower income levels) will not result in a significant stimulus to the national economy. Taxpayers will save the largest proportion of any tax cut, and another chunk will leak out as imports are purchased.

Taxes are indeed “the price we pay for a civilized society”. During the recent U.S. election, Barack Obama responded to the shrieks of Sarah Palin that paying taxes was unpatriotic, by patiently explaining to Joe the Plumber, the contrary: that the extra taxes you may pay as a result of becoming more successful and earning more income, are not transferred to some stranger, but to a version of your former less successful self – a person who now needs the help to get ahead themselves. People who are now

successful should care for the ones left behind, because in most cases they were once left behind themselves. More generally, our embrace of an economic system that can generate so much wealth should be balanced by our promotion of social programs that redress the economic imbalances that the system creates.

Whatever short term steps are taken on the spending, investment or taxation fronts, we must devise some mechanism to assure Canadians that the investment and spending is indeed furthering our long term interest in building a sustainable, dynamic social economy. We need some sort of national monitoring program that is open, accessible and accountable, and a national registry of projects receiving funds. During the U.S. election, Barack Obama endorsed the idea of a National Infrastructure Bank (or Bank for Infrastructure Development) that could determine the value of each project and its environmental impact, streamline the process of reviewing and signing off on major projects, and perhaps even raise money itself, or in connection with a network of local investment banks, regionally operated, that would invest in the best local organizations. A Bill proposing the creation of the bank is currently working its way through the U.S. Senate, and mandates a bipartisan board of directors, and a CEO to be appointed by the President and confirmed by the Senate. Canada should certainly consider something similar.

The proposed auto bailout illustrates well the need to monitor expenditures objectively and carefully. A bailout of the North American automobile industry should only very reluctantly be undertaken because of the catastrophic results of an immediate collapse. The public investment must carry very strict conditions. For example, supplicant companies must accept, say, a 3 year deadline for the production of a substantial proportion of fuel-efficient vehicles, as well as provide detailed plans to transform some of their factories into research and manufacturing centres for the development of light rail cars and high speed trains. We should not forget that the current corporate leadership of the big three North American auto makers are the ones who have spent millions of dollars fighting tighter emissions standards imposed by California and other states, and who, only a couple of months ago, moaned that their dire plights were not the result of their failure to anticipate the need for smaller more fuel-efficient cars, but the fault of consumers who let them down by first demanding and then abandoning gas-guzzling SUVs. (The Ford slogan of "Everything we do is driven by you" perfectly reflects the abdication of corporate leadership). The astonishing mediocrity of corporate leadership in this and so many other areas, notably financial, should lead us to be severely skeptical of allowing any of those persons responsible for the current crisis to have a serious role in taking us out of it.

One simple first step toward a responsible approach to our public finances and dealing with the projected \$34 billion deficit for 2009-2010 and a possible \$105 billion deficit over the next 5 years, is a firm commitment to ensure that ecological principles are integrated every step of the way into our budget, investment and planning processes. We must also seek out new sources of revenue to help finance the huge investments and spending. One such source could be a financial transactions tax – perhaps a 0.25% levy on the sale or transfer of stocks, bonds and other financial assets. This would be a relatively lucrative and progressive tax, and would go far to ensure that we do not leave an unbearable burden of debt to future generations. Another step could be the harmonization of the GST and provincial sales taxes which would not only help businesses across Canada and solidify the nascent national economic union, but also could be calibrated to restore an appropriate and acceptable level of consumption tax revenue to the national government.

Finally, bold short term action is needed on the financial front to ensure adequate credit for businesses and employers to help boost the economic recovery. We should of course be relieved that Canada has escaped the worst of the banking crisis, thanks in part to our conservative capital requirements requiring banks to maintain a ratio of 7% of their loans and investments, a ratio that is higher than the international requirement of 4%. But credit is very tight in the Canadian economy and businesses of all sizes, even with impeccable credit records, are unable to borrow what they need. The federal government has already bought \$75 billion of mortgages from bank portfolios, offered temporary federal insurance on inter-bank

loans to loosen the flow, invested \$350 million in the Business Development Bank of Canada, and is now considering amendments to the Bank Act to allow it to buy shares in banks. With decidedly mixed results, the Office of the Superintendent of Financial Institutions has loosened the rules for so-called Tier I capital so that banks can count more as capital toward maintaining their minimum capital ratios. But more will have to be done to ensure that banks and non-banks get back in the business of lending again.

On the monetary policy front, with the Bank of Canada key lending rate now at historic lows, the Bank has only limited additional room for controlling the money supply by lowering the price of credit. But there are other avenues open to the Bank to expand credit in the financial system and get more money into the public's hands. For example, the Bank can bypass the banks and buy for the first time a wide range of securities including commercial paper and other loans that are packaged into bonds.

The proposed National Securities Commission could enhance the capacity to raise capital now and for the Canadian businesses of the future, as well as provide much more effective investor protection. A strong regional component to the Commission will be important given the concerns of Alberta and Quebec, and as a way to ensure that the incestuous relationship that developed between Wall Street and the enforcement/oversight side of the U.S. Securities Exchange Commission which allowed the Madoff fraud and others to fester, will not be replicated between Canada's major securities centre, Bay Street, and the Canadian commission.

Pension reforms are also necessary to ensure Canadians greater security from the vagaries of the stock market and ill-advised investment strategies. Already the federal government has loosened regulations to permit private pension plans to cover shortfalls in 10 years instead of 5, and most provinces which in fact have jurisdiction over 90% of the private pension plans, are moving in the same direction. The federal government is also considering new types of pensions – permitting multiple employers to jointly sponsor pension plans, and a hybrid plan to permit employees to help share the cost of a shortfall especially in defined contribution plans. But given the magnitude of the underfunding difficulties now emerging in private pension plans as companies go bankrupt and are relieved of their pension funding obligations, it may be advisable over the long term, to enhance the Canadian/Quebec Pension Plan, still the largest and most efficient pension arrangement in the country, covering all Canadians.

One case study in poor corporate leadership that merits close scrutiny involves Canada's largest pension fund - the Caisse de dépôt et placement de Québec. The Caisse was in large measure responsible for Canada's version of the sub-prime market mess. Fortunately, the \$30 billion Asset-Backed Commercial Paper (ABCP) crisis has now been contained through the efforts of two men – the legendary fixer Purdy Crawford and the new Bank of Canada governor, Mark Carney – only in Canada, eh? But this was no thanks to the Caisse which is now in the process of writing down some \$13 billion of ABCP to the detriment of its clients, after precipitating, to save itself and the other major ABCP investors, the freeze in the ABCP market that has been in effect since August 2007 and that has adversely affected the legitimate commercial paper market.

We most certainly need new financial regulations and oversight, and more competent corporate leadership, to ensure that these kind of risky securities never see the light of day again, together with the alphabet soup of so-called synthetic derivatives on which too many of our best and brightest misguidedly wasted their energy and talents. And investors need to realize that if an investment return seems too good to be true, it probably is.

International Engagement

As Canada joined the other members of the newly recognized Group of 20 at George Bush's emergency summit last November, one could not fail to note how Canada's relative global position has weakened particularly vis-à-vis the emerging markets, at least according to the traditional indices of national and global economic power. Fortunately Canada is well-positioned to recover a preeminent position in the

21st century for two reasons. National power and global influence will increasingly depend on a nation's social stability, access to safe, clean sources of energy, clean air and water, a good health care system and adequate preparedness to withstand a pandemic. National power and global influence will also increasingly depend on a nation's growing diversity of population, its ability to absorb new people and cultures and create a huge pool of human talent, which is firmly networked into the international community. Canada starts out reasonably well on both counts, although we need to improve our social safety net and our anemic environmental record.

More and more Canadians are global citizens – Canadians without borders – exploring the world or staying connected to our countries of origins more instantly, more easily, and more inexpensively than ever before. A recent study shows that three quarters of Canadians have traveled outside the country, and one half is closely connected with one or more foreign countries and is following international events closely. Canada provides a safe haven, and a stable base that permits more and more Canadians to build business and commercial links to their home countries and nurture global networks that are enormously valuable economically, socially and politically. We should encourage these networks and the associated employment opportunities for all Canadians, possibly using tax incentives and subsidies to assist new Canadians who create businesses based on their links to their home countries.

With the unlamented and widely ignored collapse of the most recent round of multilateral trade talks (Doha Round) after its drift into irrelevance as food prices soared and no progress was made on agricultural tariffs, we should explore how to strengthen our global networks through “New Economy relationships” with other countries around the world, going beyond the classic free trade agreement approach. For example, trade between Canada and India is still relatively small and our exports are predominantly minerals and agricultural and forest products. A senior advisor to the Asia-Pacific Foundation of Canada, Paul Evans, suggests sensibly that we should expand the economic ties between our two countries in different directions, through increasing science and technology cooperation, including university exchanges, and measures to address barriers to investment.

As we thoroughly integrate into the economic, social and political global networks of the 21st century, it is very important for Canada to play a significant and creative role shaping the structure and rules of global governance.

Yet at the recent G-20 Summit, the Canadian government regrettably took the very backward-looking position of supporting the then lame duck American president, George Bush, in opposing the European-led call for global regulation of the international financial markets. And virtually no thinking appears yet to have gone into a coherent Canadian position on the larger issue of building a new international institutional structure to replace/update the post-World War II international financial and monetary system.

Perhaps most urgently, Canada must be at the front ranks of the G-8 and G-20 in supporting the World Bank president's call for a vulnerability fund to dispense fast and flexible aid to developing countries which cannot afford bailouts and deficits, and which are still suffering from astronomical food prices. The economic crisis has already pushed 100 million people back into poverty, through no fault of their own, and will inevitably provoke dangerous unrest. One option is for countries to commit a certain percentage of their stimulus package to the vulnerability fund - perhaps 0.7% (parallel to the percentage of GDP that Canada and others have committed to and, shamefully, never yet succeeded in providing for international aid.

The 2008 stock market crash and world wide credit freeze has put an end to the post-war American dominance of the international economic order and has undermined the U.S. dollar as the world's reserve currency. For decades no one seriously questioned the value of the American dollar, and the U.S. was able to consume much more than it produced and run enormous current account deficits. For better or for worse, countries like China, India, Russia and the Gulf States were willing to hold huge amounts of U.S.

dollars as reserves, wrongly believing that this would protect them from sudden withdrawals of foreign capital, while it instead fuelled the global credit bubble.

As Niall Ferguson describes well in his latest book, *The Ascent of Money*, China's willingness to hold U.S. dollar securities as payment for the exports from China that allowed the Chinese economy to grow so phenomenally quickly, in turn helped keep interest rates low in the U.S. giving Americans the money to buy shares, flat screen TVs and homes, and then borrow against their homes to the hilt. And thus was created the global asset and credit bubble which finally burst in 2008. The global crisis is therefore as much the result of policy mistakes and a failure to counter the rapid build up of reserves in the emerging markets, as it is the result of greed and insanity on Wall Street. (Note the irony that China is effectively financing the Iraq War, even while protesting the conflict and financing its own highly questionable geopolitical spending in pursuit of resource security, in the Sudan and elsewhere).

Americans have now lost most of their credibility on the international financial stage. As Nobel Laureate Joseph Stiglitz notes acerbically, there is great hypocrisy in how the U.S. used to lecture the rest of the world about getting their economic house in order by imitating the American way – deregulation, privatization, freeing market forces, reducing deficits, lowering taxes. Few countries, especially those that suffered the indignities of the U.S.-inspired and IMF-imposed conditions for financial assistance during the 1990s financial crisis, now consider the American financial system and deregulation to be a model to follow.

Canada should play an active role in encouraging the international community to come together to design a new international regime to reflect the new power realities, and to manage in a more integrated way not just financial issues, but also climate change and trade.

In the IMF, for example, China holds only 3.5% of the voting rights despite the fact that it is the world's third largest economy, while the U.S. has 17% and a veto over all significant IMF decisions. At the very least, a large and dynamic economy like China's must be allocated more voting weight in the IMF, commensurate with a substantial increase in their contribution to the IMF's capital base. And the IMF should expand its operations, reduce its controversial conditionality, and eventually establish a swap line with the central bank of China, as it has done with the European Central Bank and the U.S. Federal Reserve. This will ensure that the IMF will be able to react more quickly in future crises. Only recently have IMF loans finally been extended to Iceland (\$2.1 billion), Hungary (\$25.1 billion), Ukraine (\$16.5 billion), and Pakistan (\$7.6 billion), and a new IMF short-term liquidity facility now grants unconditional three month loans to emerging markets with manageable debts. But the initial delay in the IMF responding, for example, to the Iceland bank meltdown allowed Russia to step in quickly with a substantial contribution that was clearly motivated by its geopolitical aspirations in the Norwegian Sea.

In restructuring the IMF and increasing China's weight and contribution, one can fully expect China to continue to complain about any assessment by the IMF as to whether the Chinese currency is being deliberately undervalued to give China a trade advantage. (China is currently blocking an IMF report in this regard). Yet however true this assessment might be, even if the report is published, the IMF has no enforcement capability. Therefore, any restructuring of the international institutions dealing with trade and finance must reassess the IMF jurisdiction over exchange rates and balance of payments problems and ensure coordination with the jurisdiction of the more recently created World Trade Organization (WTO) that is authorized to take action against illegal export subsidies or import taxes, of which an undervalued currency is the equivalent.

Canada should be very active in all discussions to design a new international regime to manage both climate change and trade at the upcoming United Nations Climate Change Conference in Copenhagen in November 2009. This is the follow-up to the Kyoto meeting which produced the U.N. Framework Convention on Climate Change. Dealing with climate change and the urgent need to reduce our carbon footprint on the planet remains a top priority for most nations despite the economic crisis. The central

objective at Copenhagen must be to involve all major carbon emitters from both developed and developing nations and to move away from trade sanctions against countries that do not adequately support the environment. As Nicholas Stern, the former chief economist of the World Bank, recommends, participation and compliance is better obtained through transfers of finance and technology. China and others will certainly agree with this since they view climate change as a problem caused by the richer industrial nations. Whatever is ultimately achieved at the Copenhagen Summit, the WTO must be involved in a subordinate way to ensure that any “green tariffs” at the national level do not result in damaging trade distortions.

With a new and popular America president who has promised to “reengage” and “work constructively within the UN Framework Convention on Climate Change”, and who intends to be proactive on the environment, the international calculus for the Copenhagen Summit has changed considerably. Indeed perhaps a good sign is that Republican stalwarts like John Bolton are already starting to panic and ring alarm bells about a “disturbing trend” toward support for global governance in the Obama administration, and the possibility that Obama may bring into force certain international treaties such as the Climate Change Convention, with only the support of majorities in both Houses of Congress, rather than the stricter condition of a 2/3rds majority in the Senate.

Finally, Canada must be active with the other G-20 regulators of cross-border financial institutions that were tasked to form “supervisory colleges” of sorts to work out better international financial regulations and coordination. A number of ideas for coordinated international action include:

1. End the official status of rating agencies. Issuers should be banned from paying for ratings. Investors should pay privately, or the service should be publicly provided.
2. Draft an international code of conduct for Sovereign Wealth Funds (SWF) that will focus on transparency and maintaining purely commercial objectives of SWFs. (The IMF completed one such draft in October 2008). Although countries have rules to prevent foreign control of strategic assets, it is reasonable to be concerned about state-based investors especially when most of the trillions of dollars of funds are held by a small group of authoritarian countries – China, Saudi Arabia and Russia. Concentrated ownership by authoritarian governments is a strategic and economic concern to many, and merits a coordinated international response.
3. The Bank for International Settlements (BIS) that has been responsible for establishing international capital requirements for banks is preparing, together with the Financial Stability Forum, to make significant policy changes in the wake of the international credit freeze. A consensus has emerged that the so-called Basel II Accord that required banks to lower their reserves in good times but then increase them in bad times, is in fact the opposite of what is required for the capitalization of banks. Instead reserves must be built up in the good times so that there is a cushion that can be drawn upon during the bad times such as now.
4. Eventually we should consider international coordination with respect to a common approach for stabilizing and recapitalizing banks, and with respect to coordinated interest rate cuts.

Almost every aspect of our daily lives has a global dimension. All the serious challenges we face whether the current economic crisis, climate change, dreadful poverty, wars, sicknesses, nuclear proliferation, terrorism, all require global cooperation and global solutions, but also decisive national leadership at home.

The longer we fail to act coherently and effectively, both nationally and internationally, the narrower our options and the greater the potential for catastrophe.

With so many of us active outside Canada and globally-connected, Canadians must demand a clear and respected Canadian voice on the world stage and in the global corridors of power. Canada and Canadians can and must play a leading role in the pursuit of greater peace and humanity, a narrowing of inequalities

across developed and developing nations, and greater respect for our fragile ecosystems and planetary survival.

There should be no doubt that with clear global vision and decisive national leadership, Canadians are uniquely positioned to be in the front ranks of a world without borders.