

# **A World In Crisis: Time to Rethink What Really Matters**

Speech Outline for Huguette Labelle

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Thank you so much for that generous introduction.

It's an honour to be here today. The Canadian Club has a longstanding commitment to bringing together the inquiring and the influential in order to provide context and perspective on the issues that matter most to Canadians.

Your ability to convene thinkers and doers around the challenges of the day has never been more important. Thank you for having me here.

## ***(Introduction)***

Last month at this forum, Sherry Cooper painted a vivid picture of just how challenging the financial situation has become.

And when I attended the World Economic Forum in Davos two weeks ago, it was clear that everyone – central bank governors, government heads, business executives, and representatives from academia, the media, unions and NGOs – shares similar concerns.

But their perspectives on the causes of the global economic collapse differed widely.

Some investment bankers called the crisis “irrational exuberance” and “system failure”; they blamed the problem on the inability of regulation to keep up with wonderful new financial instruments.

Others suggested that board members and senior officers just didn’t understand the instruments’ systemic implications.

But we also heard from those who faulted investment banking’s out-of-control compensation system.

The excesses in US executive pay and benefits – combined with requests from Merrill Lynch and others for a bail-out by taxpayers – has seriously exacerbated the current confidence crisis.

Salaried employees, minimum-wage-earners, people who’ve been laid off with no golden parachute, are justifiably outraged when they learn that the 25 highest-earning CEOs of major hedge funds were together paid 6 billion dollars in a single year.

President Obama’s initiative last week to cap CEO salaries and restrict profit sharing until public loans have been repaid reflects that outrage.

Boards and senior officers must accept responsibility for this crisis, and governments must protect the public good by designing smart regulations with adequate compliance.

It shouldn't be news that markets cannot be relied on to be the conscience of the world. At Davos, the late, great Canadian economist, John Kenneth Galbraith – who told us this more than half a century ago – was widely quoted.

Clearly what's needed is better balance between the rate of return given to *shareholders*, and the degree of responsibility owed to *stakeholders*.

...Because regardless of the debate over the causes of our financial crisis, it's having a staggering impact on individuals and families.

In Canada alone, we've already seen 213,000 jobs lost since October, and this trend is reflected around the world. The International Labour Organization predicts that 50 million people could lose their jobs this year.

Huge numbers of people will join the ranks of the poor. And inequality will be magnified as the crisis rolls into the developing world.

**Alors que nous sommes ici aux prises avec des pertes de pension et des déficits publics, à l'autre bout du globe, la dévastation est pire encore.**

**Bien sûr, nous pouvons devoir repousser la date de notre retraite, annuler un voyage dans le sud ou encore renoncer à un**

**achat important. Mais au bout du compte, bien peu d'entre nous, sinon personne, ne sera réduit à la famine ou contraint de vivre dans la rue.**

**Beaucoup d'autres n'auront pas cette chance. Et en cherchant des solutions à la crise, nous devons garder à l'esprit la situation de ces personnes.**

**Nous ne pouvons pas continuer de fermer les yeux sur le fossé qui existe entre notre monde d'opulence et celui où d'autres vivent dans une extrême pauvreté.**

**Notre village planétaire rend ce paradoxe de plus en plus visible aux yeux des personnes rendues vulnérables par les problèmes persistants de la faim, de l'eau contaminée, du manque de logements adéquats et des maladies endémiques qui en découlent.**

**Dans beaucoup de pays en développement, les jeunes de moins de 25 ans forment de 50 à 65 % de la population. Et à défaut d'avoir accès à l'éducation ou à un travail rémunéré, ils deviennent encore plus vulnérables aux crises humanitaires et à la dégradation de l'environnement.**

**Cette vulnérabilité tend à se répandre, par la propagation des maladies et l'afflux de réfugiés économiques. L'économiste Mahbub Ul Haq, qui a mis au point l'indice de développement**

**humain, avait l'habitude de dire : « Si nous ne partageons pas notre richesse, les pauvres, eux, vont partager leur pauvreté. »**

**Aujourd'hui, alors que les gouvernements des pays industrialisés et émergents procèdent à des investissements sans précédent pour contrer les effets de la crise financière en cours, il importe plus que jamais de veiller à ce que ces investissements apportent non seulement un secours immédiat, mais des bénéfices à long terme; et pas seulement chez nous, mais dans le monde entier.**

**En ce qui a trait à la lutte contre la pauvreté mondiale, j'ai déjà mentionné à quel point il est crucial que nous respections nos engagements internationaux à cet égard. Nous ne pouvons pas manquer à notre devoir. Car promouvoir un monde plus prospère et plus équitable n'est pas seulement la bonne chose à faire; c'est aussi la meilleure façon d'assurer la paix et la stabilité à l'échelle internationale. C'est donc chacun et chacune d'entre nous qui est concerné.**

Our quality of life and that of our families and communities require a whole set of integrated factors starting with health and ending with employment and culture.

But while much is required to deal with the plight of those becoming unemployed, those threatened with the loss of their homes, and those

who no longer have access to credit, today I would like to focus on three areas which I believe are critical to whatever we do.

They include:

- climate change and the environment;
- education and knowledge infrastructure; and
- governance.

### ***(1. Climate change and the environment)***

Let me start with the undeniable vulnerability of our shared environment. Climate change, the loss of biodiversity, and the end of the era of cheap oil has led to an emerging global consensus about the need to create a post-fossil fuel economy.

My perspective on these issues has been informed by my work with the International Union for the Conservation of Nature.

As Vice President of the IUCN's global network, I am inspired by the dedication of 11,000 volunteer scientists in more than 160 countries. Together, they are seeking pragmatic solutions to the world's most pressing environmental and development challenges.

The two are inextricably linked. The sustainability of our planet can no longer be treated as one factor competing for consideration among many in our collective decisions; it must be central to *all* of the choices we make.

As part of the IUCN's work in promoting responsible policy and best practices, it has recently published a short, compelling book called *Transition to Sustainability: Towards a Humane and Diverse World*.

In it, scientists Bill Anderson and Sally Jeanrenaud address the central question of how we move beyond our perpetual growth and consumption-dependent economy to a new paradigm.

Acknowledging the challenges inherent in a contraction-based society, they set out the central dilemma we face: How do we realize more, while consuming less?

More pointedly, how do rich countries maintain our quality of life while shedding the habits and structures that have cornered an unfair share of the world's resources and damaged the biosphere?

How do we support poor countries in growing and developing to meet the needs of their people, while avoiding a duplication of our excesses?

Anderson and Jeanrenaud argue that one means to these ends is to generate value through services, not objects. They identify promising experiments in energy-efficient construction and housing, and they summarize a host of measures that individuals, corporations and governments can take to reduce carbon emissions.

From phasing out coal plants to building more natural gas-powered facilities... From doubling nuclear, wind and solar capacities to creating biomass plantations... From doubling the fuel efficiency of cars to reducing the number of miles we travel...

It's discomfiting to be speaking of the pressing need for a revolution in transportation having just suffered through a crippling and protracted transit strike here in Ottawa.

...As is the notion that we should make massive investments in the auto industry or elsewhere to support "more of the same."

Regardless of which sector of the economy we're talking about, "business as usual" is no longer an option.

Any funding invested must have conditions attached that support the kind of technological research and development that will help us move forward, not back... That will reduce, not entrench, our dependency on fossil fuels... That will expand our capacity, while minimizing our consumption.

The twin threats of economic recession and climate change make the stakes higher than they've ever been.

We simply can't afford *not* to invest in environmental innovation and sustainable technologies.

And for those companies and governments willing to act with vision and creativity, the challenges become opportunities.

This brings me to my second point: the critical importance of education and knowledge infrastructure...

## ***(2. Education and Knowledge infrastructure)***

**Depuis l'éducation primaire jusqu'aux programmes de recherche postdoctoraux, le secteur du savoir est un moteur essentiel de toute économie moderne.**

**Cela dit, le Canada a un certain retard à rattraper pour atteindre les normes d'enseignement primaire que se sont fixées de nombreux pays européens.**

**Et pour exploiter pleinement notre potentiel de savoir, nous devons investir davantage dans nos institutions d'enseignement postsecondaire.**

**Les universités canadiennes représentent un immense réservoir d'innovation et de recherche; elle emploient des milliers de personnes dans des emplois « verts » qui sont cruciaux pour notre avenir commun.**

**Ces ressources, indispensables à notre époque, exercent une profonde influence économique, sociale et culturelle sur notre vie à tous.**

**Les universités nourrissent et inspirent des étudiants et étudiantes, repoussent sans cesse les frontières de la connaissance et réalisent des percées technologiques ou autres dans les domaines de la santé et des sciences sociales.**

**Elle contribuent à l'adoption de politiques publiques éclairées dans tous les domaines, qu'il s'agisse des changements climatiques, de l'énergie « verte », des traitement médicaux ou des médias électroniques.**

**Et tout en développant des idées, en appliquant des solutions et en inventant des produits commercialement viables, elles s'attaquent aux problèmes d'aujourd'hui et anticipent ceux de demain.**

**Cependant, la crise économique actuelle frappe durement les universités. En Ontario seulement, les sommes considérables qui ont disparu des fonds de dotation devraient se traduire par des pertes de revenus de l'ordre de 185 millions de dollars cette année.**

At the same time, there is a backlog of deferred maintenance; operating grants have flat-lined; and costs have increased by 270 million dollars.

These are critical issues at a time when economists are predicting that 80 per cent of jobs in the knowledge economy will require a post-secondary education.

We're hearing from industry, government and the social sector alike that we need to produce more highly qualified workers. Fully 94% of university graduates are employed within six months of completing their degrees.

As people lose their jobs and as young graduates from high school, colleges and universities are less likely to find employment, now is the time to use our higher education system as a transition instrument to a greater knowledge society and innovative country.

Jobless people not only personally face a bleak future, they are also a cost to the system, forced to rely on EI and social welfare. Above all, they do not contribute to our revenues through income tax and consumption.

Now is the time to consider a number of solutions:

1. Provide a new mechanism for those losing their jobs that offers a combination of income support and paid tuition.

2. Enhance the financial support to post secondary institutions to ensure that Universities and Colleges can cope with the demand to prepare technicians and professionals to feed our labor and entrepreneurial capacity.

Canada has an excellent system of higher education, but adequate support remains a major problem. We rank 18th out of 27 OECD countries in university attendance. We lag in graduate education, preparing only 60% of the MAs per capita and four-fifths of the PhDs graduating in the US.

Since 1980, US Government per capita funding has risen by 25%. During the same period, Canada's contribution has fallen by 15%.

While Ontario remains at the bottom of provincial funding for post secondary education, Premier's McGuinty has identified training and PSE as the "top priority" of his government.

He committed 6.2 billion dollars over 5 years to improve undergraduate education and expand graduate spaces, and he has championed campus renewal and capital investments. This has been most important.

Federal commitments to research and Science and Technology during the past decade have also been tremendously important. "Mobilizing Science and Technology to Canada's Advantage" has

emphasized investment in people, knowledge, entrepreneurship, research and commercialization.

This is the right agenda, but the modest funding provided in 2008 needs to be improved. Support for student grants is making it possible for tens of thousands of needy students to continue their studies.

And the financing of Research Chairs has not only made it possible to keep our bright scholars in Canada to work on key aspects of our present and future, but they've also been the catalyst to bring *back* Canadians who had left the country because of our previous *lack* of capacity.

In addition, the support to our Research Councils is truly the blood of our research system. Adequate financing of these institutions is vital.

Developed countries and emerging economies around the world – including China, India and South Korea – are clear about the importance of knowledge infrastructure. They are aggressively increasing education funding and expanding access.

Canadians also recognize the critical role of education. A recent Harris Decima poll found that more than 80 per cent of those surveyed believe increased investments in education and training are needed to enhance our competitiveness.

We are very fortunate to have many great universities in Canada. Let me tell you about just some of the pioneering work being done at the University of Ottawa, with which I'm most familiar.

In the area of health science and medical technologies we're part of the province's robust innovation stream: From developing the artificial heart, to conducting corneal reconstruction, to exploring the role of viruses as causative factors for certain cancers... Our scientists are discovering new treatments and leveraging those discoveries into new business opportunities.

With financial support from both public and private sources, for example, they're conducting groundbreaking research on photonics – developing fiber optics for application to new medical devices and alternative energy.

In addition, the University of Ottawa is home to several Centres of Excellence: The Canadian Stroke Network is focused on fighting this major cause of death and disability, that now affects adults *and* children.

And the Stem Cell Network – a collaboration involving 20 other universities – has extraordinary potential for tissue regeneration and the development of cures for some of our most formidable diseases.

These cooperative networks, with their critical mass of scholars, support faster scientific advancement in essential aspects of our

lives. In the process, they drive regional economic growth, spark entire new industries, and give rise to new jobs in emerging fields.

**Ici même à Ottawa, et dans d'autres institutions de tout l'Ontario, des chercheurs travaillent à mettre au point de nouvelles technologies d'utilisation des carburants et à concevoir des véhicules plus compatibles avec l'économie verte à laquelle nous aspirons tant.**

**En fait, quand il s'agit de stimuler l'activité économique, les investissements dans de nouveaux ponts et de meilleures routes sont importants, certes, mais ils ne sont pas suffisants.**

**Les sommes injectées dans l'infrastructure du savoir ont des retombées économiques durables, qui deviennent elles-mêmes des sources de stimulation.**

**Le Japon a tiré de dures leçons de sa débâcle économique, qui a duré toute une décennie. Les recherches menées au Japan Institute for Local Government ont révélé que chaque tranche de 1 billion de yens investie dans des projets d'infrastructure « prêts à démarrer » a fait croître le PIB du pays de 1,37 billions de yens.**

**Par comparaison, les mêmes montants investis dans les écoles et l'éducation produisaient un rendement de presque 30 % supérieur.**

**En un mot, le développement du savoir est, comme Nelson Mandela nous l'a si bien rappelé, « l'arme la plus puissante que nous ayons pour changer le monde ».**

**Enfin, les investissements que nous réalisons en éducation et en partenariats de recherche peuvent profiter non seulement aux Canadiens, mais aussi aux populations des pays en développement.**

**Nous avons donc le devoir d'exploiter pleinement notre potentiel de savoir, pour le bénéfice de toute l'humanité.**

### ***(3. Governance)***

And yet neither education, nor concerted action on climate change will resolve the current crisis unless we also address the pivotal issue of governance... And central to governance is public trust.

At Davos we were reminded by Montek Ahluwalia that confidence grows as slowly as a coconut tree... and it falls as fast as a ripe coconut drops to the ground.

I'm afraid the ground is currently littered with coconuts! Public confidence in both governments and corporate leaders is at an all-time low.

The headlines are full of spectacular crashes – from Bear Stearns to Bernie Madoff – depressing evidence of the capacity of greed to devastate organizations and lives.

And it's clear now that the failure of oversight is shared. Corporations and individuals are responsible for pervasive practices and individual choices, of course, but governments must be there as well.

As the ultimate guardians of our food, water and security systems, they must spurn lobbyists pressing for legislation that will ultimately risk the health and livelihoods of those they govern.

**De par mes fonctions de présidente du conseil d'administration de Transparency International, j'ai été à même de constater à quel point une mauvaise gouvernance peut avoir des effets dévastateurs.**

**Cette mauvaise gouvernance est non seulement à l'origine de la corruption des dirigeants d'entreprise et de la dégradation de l'environnement, mais aussi de graves problèmes sociaux, comme la pauvreté.**

**Même dans les démocraties bien établies, la gouvernance n'est pas sans faille.**

**Nous élisons des politiciens en leur confiant le mandat de gérer le bien public... D'agir avec intégrité dans le meilleur intérêt de**

**la plus vaste majorité... D'éviter les conflits d'intérêts et de gouverner avec le maximum de transparence... Et enfin, de nous rendre régulièrement des comptes sur les progrès accomplis à l'égard de leurs promesses électorales et budgétaires.**

**Dans les rares occasions (espère-t-on) où ils ne peuvent respecter leurs promesses, nous nous attendons à ce qu'ils nous expliquent pourquoi, avec clarté et diligence.**

**Ce sont là des attentes raisonnables que l'on peut avoir à l'égard des représentants élus, tout comme des chefs d'entreprise d'ailleurs.**

**Les actionnaires, les consommateurs et les autres agents économiques croient que les dirigeants d'entreprise doivent eux aussi être responsables de leurs actes, agir dans les limites de la loi, et s'octroyer une rémunération raisonnable en contrepartie des services fournis.**

Many do, of course. The best corporate leaders abide by solid codes of conduct; they support their employees with continuous retraining; and they provide appropriate incentives and deterrents.

A good number have become part of the UN Global Compact: they're adhering to its 10 principles and encouraging industry colleagues to do the same.

But still the World Bank estimates that one *trillion* dollars continue to be lost to corruption every year.

The IMF calculates that a similar amount travels the world as laundered money.

And the OECD believes that between 5 and 7 trillion dollars are held in tax havens or secretive banking jurisdictions globally.

These abusive practices are cancers that must be fought. Left unchecked, they will continue to promote poverty and violence, distort markets, and destabilize countries.

Average salaried citizens who pay their taxes at source are justifiably outraged that some of the wealthiest are evading their responsibilities, and essentially robbing from the public good.

So transparency is key, because, as the expression goes: “What you see is what you get – and what you do not see, gets you!”

Smart regulations – enforced by a sufficient number of highly competent professionals who can ensure compliance – have become the order of the day. It is now painfully clear that governments must act to protect citizens from the vagaries of conscience-free markets.

At the same time, businesses must adopt best practices in terms of self-regulation. Combined efforts from both government and industry are necessary to make an impact.

But we also need to reassess the way we quantify prosperity. GDP as a measure of wealth on its own is totally inadequate to gauge our collective well-being.

As Burmese activist Aung San Suu Kyi so pointedly noted, it does little good to “boast that there is so much percentage of growth per year. Our real concern,” she said, “is how it affects the lives of people, the future of our country.”

This principle is as relevant in Canada as it is in the developing world.

As a measure of production, GDP fails to account for all economic output. Moreover, a country that whittles down its non-renewable resources may record high GDP growth while depleting its wealth.

And in many countries, a disproportionate amount of recorded wealth is in the hands of a very small minority.

I’m not suggesting that we throw GDP aside, but that we develop an equivalent measure to be used in tandem to gauge other critical indicators, including health, education, the availability of housing, and the sustainability of the environment.

Such indicators should be developed with wide public participation in order to reflect what really matters for our population.

As an example, French President Nicholas Sarkozy has created a Commission to report on whether GDP captures what should be his government's goals; with the support of our premier agency, Statistics Canada, we could do the same thing here.

And the current crisis is a critical reminder of the obligation we owe to reviewing our *international* institutions to ensure they, too, have the mandate and means to provide the governance framework required by today's globalized world.

***(Closing)***

Protecting our shared natural environment... Supporting our continuing capacity to generate knowledge-driven solutions... And recapturing our essential trust in those who lead us to do the right thing... These are the issues that matter going forward.

In closing, I'd like to draw on the wisdom of Kenyan biologist, Wangari Maathai.

Dr. Maathai, you'll remember, became known as the Tree Mother of Africa when she was awarded the Nobel prize in 2004.

Years before that, she observed:

“In a few decades, the relationship between the environment, resources and conflict may seem almost as obvious as the connection we see today between human rights, democracy and peace.”

We can't afford to wait a few decades to embrace her point. The financial crisis has made it clear that the clichés are all true:

*We do* live in a global village; *we are* our brothers' and our sisters' keeper; and nothing short of a global perspective and cooperation on a planetary scale is going to save us.

It is time to renew our commitments to a strong program of international cooperation.

The life and wellbeing of people and prosperity depend on the development of our brainpower, the availability of our natural resources, the protection of our physical environment, and the sharing of our wealth. Not just within our nation, but with other nations less endowed.

And not just for today or tomorrow, but for next year and next century.

People around the globe will watch the meeting of the G20 in April with one hope: that world leaders will come to the table with solid proposals to deal with the current crisis in all its complexity, based on

decisions informed by the long-term benefit of citizens, not the short-term re-election prospects of parties.

I have no doubt that this can be done.

With cooperation, vision and creativity, we can go beyond fixing what's broken, to implement genuine transformation...

...Transformation that is made possible *because* of the crisis – because of the doors it opens to recognizing our shared vulnerability and the necessity of solutions that honour our common humanity.

As we embrace the task of making massive investment of a kind that was unthinkable only a few months ago, we have the responsibility to challenge other unquestioned assumptions... to reject “more of the same”... and, in the process, to move to a more truly equitable global society.

History is rife with examples of people coming together in critical times to do the right thing; I have every confidence that we are capable of doing so now.

*(3930 words in total – about 35 minutes)*