

Commentary

Globalization – Who will be the guardian of the public interest?

By Judith Maxwell, President

Globalization and new technologies unleash two contradictory forces – prosperity and polarization. Together, they risk creating paralysis in public policy. How can we tame these forces for the public good?

Prosperity

Fortunes are being made by corporations and by some individuals. New knowledge-based businesses are born. Technology stocks are booming. The economic expansion in North America is now into its eighth year and finally gaining real strength in Canada.

At the same time, companies built and sustained by people over many years are now bought, sold, divided and combined like spare parts for a car. The breathtaking speed of change leaves some long-time employees and some communities on the sidelines and slower moving companies in a state of high anxiety.

Polarization

The rising tide is not lifting all boats.

Incomes from employment have been polarizing into good jobs and bad jobs for the past 25 years. Some people are simply not earning enough to support a family. Poverty has increased in the 1990s because it now takes 74 hours of work per week at the minimum wage to push a family above the poverty line.

Even the middle class is polarising into high flyers with good jobs and those left behind. The high flyers are actively involved in the global marketplace. They may live in Canada but their expectations are set elsewhere. They say they need a level playing field – similar tax policies, tax rates, social policies, and regulatory structures to what they encounter in the United States or elsewhere.

Many others in the middle class are not flying so high, however. They are working hard but their incomes have declined in the 1990s. At the same time, they see their access to public services

diminish, even as they pay more taxes. Many other social programs are highly targeted to the poorest Canadians, meaning that this part of the middle class hears about economic boom, but faces diminished well-being.

Countervailing forces

But globalization and new technologies also create countervailing forces: interdependence and a quest for community.

A borderless world creates interdependence. Countries, regions, provinces, and sectors are bound together by shared vulnerability to financial instability, global warming, and virulent new infections.

These are not risks that can be managed by markets or by one government or institution acting alone. Working together, they have a chance. But working together requires trust, rules, standards, money, and highly qualified professional public servants.

Many citizens also experience a sense of helplessness in the face of globalization. They yearn for belonging and identity. They can achieve this in very positive ways by building communities of interest in their neighbourhood or through their professional or faith group. Or, they may opt for negative routes, forming their own gangs, or tightening exclusive community ties and blaming others for their misfortune.

In their quest for community, citizens turn to the public sector to help rebuild community, to protect them against the excesses of polarization, and to defend national symbols of their identity. They expect governments to be sensitive to their quality of life. The polling evidence shows that they want governments to be guardians of the public interest.

But governments are fighting paralysis. They have spent 15 years fighting deficits and debt. Now they are under tremendous pressure to cut taxes, while renewing their commitment to social spending. When they want to take action, they face a society deeply divided on priorities. Their slow-moving decision-making make them look like dinosaurs in a world where markets are transforming rapidly.

To break out of the paralysis, governments must actively take on the challenges of interdependence and community. Intelligent policy-making is needed here, that can:

- Balance short and long term goals such as cutting taxes *and* strengthening social infrastructure, like education, health, and supports for children and families;
- encourage community and business leaders to invest in shared public spaces, citizen participation, and building connections and trust within their communities;
- mobilize all the players in society to invest in economic opportunities for those who are young and those who have been left behind; and
- design regulatory and governance structures (domestic and international) based on shared standards and guidelines.

Our challenge in a globalizing world is to recognize the role of the guardians of the public interest. Governments have acquired a bad name because of some of the excesses of the past 50 years. But it would be hard to think up another institution that can be the guardian of the public interest in the global, high-tech world we expect to see in the decades ahead. Markets do have their limits.

Therefore, we need to define our own bottom line about what determines quality of life, and ensure that we have guardians with the skill and resources to manage the risks that lie ahead. We have to find a way to share this prosperity with all who contribute to it. This includes the ones who work hard, pay their taxes, and do the best they can for their families and their communities, not just the high-flyers.

People elect governments and pay their taxes in order to share risk, to keep the peace, and to represent their interests in the wider world. All these roles will continue to be important in the 21st century. Indeed, some may be more important than they have ever been for the survival and sustainability of life on earth.