

For Canada, a Strong Economy and Healthy Environment Can Co-exist

Christopher Ragan
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Every decade or so, Canadians come together to embark on a major policy project that changes the direction of their economy. Though there are many debates along the way, and ongoing problems to solve, Canadians have shown themselves to be pretty good at developing sound public policy. What will be our next big project?

In the 1950 and 1960s, Canadians across the country decided to create a public health-care system, following Saskatchewan's pioneering reforms in the late 1940s. These changes were very controversial at the time, with many doctors opposing the "socialization" of services previously provided mostly on a private, for-profit basis. A half-century later, despite the many problems that plague our health-care system, the vast majority of us believe that universal access to publicly provided health care is the right thing for Canada.

In the 1980s, we pursued free trade with the United States and later with Mexico. Many still remember the federal election of 1988, when Prime Minister Brian Mulroney put his job on the line to win acceptance of his free-trade vision. That election was particularly heated and divisive. Yet 25 years later, Canadians instinctively recognize the benefits of freer trade, and agree that improved access to foreign markets is crucial to our continued prosperity. No political party would now contemplate reversing our existing trade agreements.

In the mid 1990s, after a decade of debating the problems of high government budget deficits, Canadians finally realized that enough was enough and that we had come too close to the "debt wall". Many sacrifices and difficult choices were made, and provincial and federal budget deficits soon tumbled. Canadians now have an international reputation as prudent fiscal managers and, along with their politicians, accept the case for ongoing fiscal responsibility.

Over the years, Canadians have confronted their economic challenges through discussion and debate and, ultimately, by making sensible policy decisions. Though our political debates are often highly polarizing, we have been remarkably successful – at least for the big issues – at preventing that polarization from getting in the way of good public policy. We are privileged to live in such a country.

So, what's next on our policy agenda? I think the next big challenge, and one that needs to be confronted soon, is coming to grips with the close relationship between a strong economy and a healthy environment. And we need to think carefully about the kinds of policy actions necessary for improving both. But doing so will involve a major change in our thinking.

For too long we have viewed the economy and the environment as competing objectives, and it is easy to see why. If your income is earned in the forestry sector, cutting trees adds to current income and protecting them clearly lowers it. If you are in mining or

chemicals or metals production, policies that force you to reduce your toxic waste increase your costs and reduce your current profits.

But this view of a trade-off between the economy and the environment only makes sense in the extreme short term. The same short-run logic would suggest that investment in better machinery should be avoided because it is bad for current profits, or that costly R&D activities are similarly bad for business. The truth, of course, is that investment and R&D get done because firms take a longer-run view; their costly investment today is sensible because it permits them to make greater profits in the future.

Now consider how a clean environment benefits us all. Many of us earn income by producing goods and services that rely directly on a healthy environment, such as forestry products, fisheries, agriculture, and tourism. All of us benefit from our enjoyment of nature, whether it is by biking, hiking, canoeing, or countless other outdoor activities.

Environmental policies implemented today need to be seen as investments in our future – investments that yield both a cleaner environment and a stronger economy. Keeping our air more breathable reduces the future costs of our public health-care system, and frees up resources for other things. Better protection of our forests and rivers improves our future potential for a wide range of industries that rely on these natural assets.

Accepting that a strong economy and a healthy environment ultimately go hand in hand is the first step in what could be Canada's next major economic project. The second step is to explore the kinds of policies we could use to improve both. I'll address that issue in my next column.

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