

What Obama can learn from us

Feb 18, 2009 04:30 AM

[David Olive](#)

BUSINESS COLUMNIST

Ahead of his brief Ottawa visit tomorrow, Barack Obama is getting the message from influential U.S. voices that Canada – and Toronto in particular – are models for the American social and economic renaissance the new U.S. president is pledged to bring about.

"If President Obama is looking for smart government, there is much he, and all of us, could learn from our quiet – okay, sometimes boring – neighbour to the north," writes Fareed Zakaria, bestselling author (*The Post-American World*) and chief international columnist for *Newsweek*.

Zakaria notes that, in the industrialized world, only Canada has experienced no bank failures or government bailouts.

Canada's Big Five banks made a combined profit of \$8.2 billion (U.S.) last year, while the top five U.S. banks lost a total of \$8.3 billion.

"One of the things that I think has been striking about Canada is that in the midst of this enormous economic crisis," Obama told the CBC yesterday, "Canada has shown itself to be a pretty good manager of the financial system in the economy in ways that we haven't always been here in the United States.

"And I think that's important for us to take note of, that it's possible for us to have a vibrant banking sector, for example, without taking some of the wild risks that have resulted in so much trouble on Wall Street."

For 2008, the World Economic Forum ranked Canada's banking system the healthiest in the world. The U.S. ranked 40th, and Britain 44th.

In advance of the next Group of 20 summit, in April in London, a G20 working group headed by Tiff Macklem and Rakesh Mohan has been asked to devise a blueprint for more robust regulatory supervision and greater transparency to prevent future global banking crises.

The selection of these two co-chairs is telling. Macklem is Canada's associate deputy minister of finance. Mohan is deputy governor of the Reserve Bank of India, another

nation whose banks did not load up on subprime, or junk, mortgages; collateralized debt obligations (CDOs); and other "toxic waste" now crippling world banks.

The record-sized U.S. housing bubble that burst in 2007 originated with Bush-era policies intended to help people realize the American Dream of home ownership. Regulatory laxity earlier this decade gave rise to a proliferation of subprime mortgage lending. U.S. homeowners also benefit from the longstanding U.S. policy of tax deductibility of mortgage interest, a middle-class entitlement program in everything but name that costs the U.S. government about \$100 billion (U.S.) a year. As a result, 68 per cent of Americans own their homes, but that figure predates the millions of home foreclosures anticipated this year and next. In Canada, without those inducements, the home-ownership rate is 68.4 per cent.

But Zakaria points to many other things the Great White North is getting right. A more open-door immigration policy than its "brain-dead" U.S. counterpart that welcomes rather than shuns skilled émigrés. A reformed national pension system now in robust fiscal health compared with a near-insolvent U.S. Social Security system.

And "Canada has been remarkably responsible over the past decade or so," Zakaria notes, citing 12 years of federal budget surpluses. Which means Ottawa "can now spend money to fuel a recovery from a strong position." The U.S., by contrast, braced for a \$1 trillion (U.S.) federal deficit even before Obama yesterday signed into law a \$787 billion (U.S.) economic stimulus package.

Looking further ahead, Richard Florida, the urban economics guru, sees Toronto angling for the same global heft as Chicago and Tokyo. "I sense we are in great shape to move up in the global ranks," says Florida, now based at the University of Toronto's Rotman School of Management. Florida followed the example of his mentor, the late urbanologist Jane Jacobs, in relocating two years ago to Canada from his native U.S.

Like New York and London, Toronto is a finance, media and entertainment centre, forecast to be among the fastest-growing business sectors over the next generation. Unlike those cities, Toronto also has an abundance of technological research, and more social stability and ethnic diversity. And in recent years the city's cultural amenities have expanded considerably.

Florida readily concedes that stubborn problems like income inequality and a deteriorating basic-industry sector have yet to be tackled. But in a cover-story essay in the current *Atlantic* magazine, the venerable U.S. public issues journal, Florida identifies Toronto among fast-growing "mega-regions" most ideally suited to rapid growth. *Atlantic* gave Florida's article four covers, showing the skylines of North American cities with the best prospects for sustained prosperity – Toronto, New York, Chicago and San Francisco.

Yet Florida discourages U.S. comparisons. "Stop looking south for models," says Florida, based for 17 years at Pittsburgh's Carnegie Mellon University. "They ain't there. The U.S. is in very deep crisis. It's time for Toronto to break out and lead."

For Zakaria, health care is likely Canada's high card.

"Canada's health-care system is cheaper than America's by far (accounting for 9.7 per cent of GDP, versus 15.2 per cent here)," Zakaria writes, "and yet does better on all major indexes."

Obama once said if he was designing a U.S. health-care system from scratch, it would be modelled on Canada's universal single-payer formula. But that model is too easily demonized in the U.S. as "socialized medicine" to be politically viable.

So Obama is instead pushing a clumsy public-private hybrid designed to at least provide coverage for the 46 million Americans without health insurance.

Still, Obama finds the "socialized-medicine" bogeyman risible. In an interview in the liberal U.S. journal *Nation* three years ago, the then-U.S. senator from Illinois was asked if the single-payer option "is revolutionary or reformist."

"Anything that Canada does can't be entirely revolutionary, it's Canada" Obama laughed. "When I drive through Toronto, it doesn't look like a bunch of Maoists."

David Olive writes on politics and business. He can be reached at dolive@thestar.ca.