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clear-eyed vision  
of **Quebec**

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*With demographic decline and global competition threatening our future,*

*Québec cannot allow itself to be the republic of the status quo*

We are concerned. Concerned for the Québec we love. Concerned for our people, who have weathered many storms but who seem oblivious to the dangers that today threaten its future.

In the past 50 years, Québec's economy has seen unprecedented growth:

- in 1961, the average annual income of French-speaking Quebeckers was only two-thirds that of their English-speaking counterparts; today, there is virtual parity between the two language groups;
- back then, a 25-year-old Quebecker typically had nine years of schooling, compared to 11 years for a young Ontarian; today's young Quebeckers have 15 years of schooling, the same level as in Ontario;
- at the time of writing, Québec's unemployment rate stood at 8.2%, only 1.4 points higher than Ontario's 6.8%, whereas as recently as 1989, there was a spread of nearly 5 points.

Québec has thus succeeded remarkably in catching up with the rest of Canada over the past half-century. We have every reason to be proud of our progress, achieved with a societal model that has served us well, all things considered. And yet, we would be making a serious mistake if we were now to rest on our laurels: first, because there is more work to be done, and second, because today we must measure ourselves against North America and the entire world. As soon as we adopt this broader perspective, we see that Québec's economic catch-up is far from complete. With respect to living standards, Québec still figures among the 25% least prosperous provinces and US states. In financial terms, the Québec government is like a bulky albatross that is unable to take flight, and our per capita public debt is the highest on the continent.

Along with the fact that the Québec economy still has a long way to go, there are two threats of crucial importance to our future. The first: Québec is about to experience the most rapid demographic decline of all industrialized countries, with the exception of Japan. The second: like all developed countries, it is already feeling the heat of fierce competition from Asian countries, led by China and India.

## **Dreaming in technicolour**

We have no doubt that Québec has the resources to catch up economically with the rest of the continent, put its financial house in order, manage its demographic decline and deal successfully with the Asian challenge. We are also convinced that it is not at all necessary to throw out our societal model to address these challenges. Still, the world has changed and we must adapt to new realities. Refusing to do so would be tantamount to using a typewriter to write letters because it's the way we first learned to write.

Moreover, we need to have a clear-sighted vision if we are to acknowledge the scope of the obstacles and challenges that lie before us. We must avoid blaming others for our own problems and assume our responsibilities by making the individual and collective choices that need to be made. And we must spare no effort in making Québec into a stronghold of intellectual and economic freedom in order to open the floodgates of energy, originality and creativity.

We are not the first to attempt to alert our fellow Quebeckers. Unfortunately, most of them continue to deny or ignore the danger, and this is cause for deep concern.

Those who deny there is any danger are blinded by the climate of prosperity that has prevailed in Québec in recent years. It's true we are not in the grip of a deep recession the way we were in 1982 and 1992. That's the peculiarity of the current situation: the danger does not appear imminent but rather as a long slow decline. At first glance, there doesn't seem to be any risk. But once it begins, the downward slide will be inexorable.

Others are ready to recognize some of the problems we have identified—our relative economic weakness in North America, our public indebtedness, our demographic decline, the Asian challenge. But they believe—and attempt to have the public believe—that there are easy solutions to these problems, for example, “correcting the fiscal imbalance.” We agree that this imbalance exists and that the situation must be rectified as quickly as possible. But this will partially resolve only one of the problems cited, that of Québec's public finances. To think otherwise is to dream in technicolour or to be inept at arithmetic. Another solution put forth is the sovereignty of Québec. Some members of our group are in favour of sovereignty, others believe that Québec's future will be better ensured within Canada. Despite these different points of view, we are all certain that whatever choice Quebeckers make, the challenges facing us remain the same.

### **A new context**

What goals should Quebeckers pursue in the decades ahead? The same ones they always have: 1. Québec must continue to develop economically and socially in order to ensure the well-being of its citizens. 2. Québec must remain a distinct society, a beacon of the modern French language and culture in North America. Given the new context we are facing, these two objectives will be even harder to attain in the next few decades than they were in the past century. The formulas of the past will no longer be adequate.

According to projections by the Institut de la statistique du Québec, Québec will have a population of 7.8 million in 2050, an increase of only 300,000 over the current figure. As early as 2012, there will be fewer and fewer people of working age and fewer young people, while the number of seniors continues to swell. This means we will be less dynamic, less creative and less productive. While Québec undergoes this demographic decline, the rest of North America will experience rapid population growth so that in 40 years, these 7.8 million Quebeckers will be engulfed by nearly 1.2 billion people, most of them English and Spanish speakers. This demographic decline comes at the worst possible moment, as Western countries cope with never-before-seen competition from Asian countries, especially China and India. More than a billion new workers began to enter the global economy about 15 years ago with the economic rise of China and other Asian “tigers.” This issue will continue to preoccupy the leaders of our society for many decades to come.

Since 2000, manufacturing production in Asia has increased by 50%, whereas in Canada it has been stagnating. In the past two years, the number of jobs in Québec’s clothing manufacturing industry has dropped by 40%. Competition from Asia can be felt not only in low-paying jobs; outsourcing to India is making life difficult for our highly specialized workers in fields such as IT. Ten to 20 years from now, what products will Québec be manufacturing better than China and India? What will our comparative advantages be? Where will our areas of excellence lie?

### **A Québec that is losing speed**

Far from being abstract and distant, the consequences of demographic decline are becoming tangible: we have just to consider the rapid rise in health-care costs, which our governments have been unable to keep in check and which can be attributed in part to an aging population. We also know that the Québec economy is growing more slowly than that of neighbouring provinces and states; our demographic weakness is one reason for this loss of momentum. This will become increasingly significant in the years ahead, to the point that real growth in Québec’s GDP will be cut in half in the next decade. This will obviously have a dramatic impact on the government’s financial situation: first, the increase in health costs will pick up speed as the older segment of the population expands; then, the government’s revenues will grow more slowly as the number of taxpayers shrinks.

Our demographic weakness will not only affect the economy. There are fears that we will be caught up in a vicious cycle that will have major social and cultural repercussions. Following the past few decades in which Québec was a highly appealing destination for newcomers, an older, less dynamic Québec will find it increasingly difficult to attract immigrants. The demographic decline will be exacerbated and will accentuate the threat to the vitality of our cultural institutions. The French fact in North America—already minuscule—will continue to dwindle away.

There are no simple, painless solutions for demographic decline, increased global competition, or for the economic, social and cultural consequences of these phenomena. But one thing is certain: solutions are based on a clear-sighted vision, responsibility and freedom. If Quebecers want to preserve their standard of living, if they want to continue living in a vibrant French-speaking society, if they want to ensure that their culture and creativity can flourish, they will have to deal with demographic shrinkage and global competition. Unless there is a sudden upturn in the birth rate—which is unlikely—it will take exceptional dynamism for Québec to maintain its place on the continent.

### **Rejecting change**

Unfortunately, at the very moment when we should be radically changing the way they view ourselves and the world around us, the slightest change to the way government functions, a bold project, the most timid call to responsibility or the smallest change to our comfortable habits is met with an angry outcry and objections or, at best, indifference. This outright rejection of change hurts Québec because it runs the risk of turning us into the republic of the status quo, a fossil from the twentieth century.

Social discourse in Québec today is dominated by pressure groups of all kinds, including the big unions, which have monopolized the label “progressive” to better resist any changes imposed by the new order. The labour union movement can be a positive and responsible force, as it has proven many times by promoting the values of sharing, social justice and democracy. Judging by the way some labour leaders behave today, especially in the public sector, is union action not often limited to the shortsighted protection of members’ interests? If the joint action that characterizes our model is to be productive, it must be based on commonly accepted facts, genuine dialogue and a collective assuming of responsibility. Are we to understand by union leaders’ reactions to the Ménard Committee’s report on health care that it will be increasingly difficult to achieve consensus? We hope their reactions were simply the due to the fact that public sector negotiations were under way and that they do not express a deeper culture. Furthermore, the Québec union movement must not move away from the cooperative and responsible model that characterized it in the past two decades. We all recall the openness and leadership shown by union leaders, when, in mutual agreement with the business and political communities, they threw their unwavering support behind the goal of a zero deficit in 1996. Today, as back then, all Quebecers are facing the same challenges. We will not deal with them successfully unless we work together.

Quebeckers put up with this situation of thwarting change because they find it comfortable. They work less than other North Americans; they retire earlier, they benefit from more generous social programs; both individually and collectively, their credit cards are maxed out. This is all only human; we all seek the best life possible. But we must also be realistic. In a few short years, our dreams—or rather, not ours but our children's—will be brutally interrupted by a knock on the door, when the bailiffs come calling!

### **Clarity of vision, responsibility, freedom**

We are speaking out in the hopes of rousing Québec from this torpor before it is too late. A government alone, regardless of which party is in power, will not be able to triumph over resistance and inertia. The alarm bells should be ringing for everyone: politicians, intellectuals, union leaders, business people, all those who love Québec and want a prosperous future in this French-speaking island in North America must speak up. To all these people, we are launching an appeal for clarity of vision, responsibility and freedom.

Clarity of vision means that we must stop harbouring illusions. Québec is a privileged society, but our prosperity is threatened. In continuing to heed those who tell us that all is well, who offer us short-term solutions, we are doomed to a decline that we will no longer be able to turn around. The time is coming—and it will be here sooner than we realize—when there will be too few of us. We won't be wealthy enough and we will be too entrenched in our old ways of thinking to uphold the social solidarity we cherish and to promote our culture, without which we are no longer Quebeckers.

Responsibility demands that we each put our shoulder to the wheel. Every person, group and leader must resist the first reflex, which is ubiquitous in Québec today: protecting their interests and appealing to the government to intervene. On the contrary: everyone must ask what they can do, in their field and as a citizen, in order to give Québec the momentum it needs to tackle the challenges of the future.

Freedom presupposes first and foremost that it is possible to question the status quo without immediately being hauled before the court of public opinion. In other words, freedom begins with the freedom to think and to say something other than what has been thought and said in the past 40 years. Freedom is predicated on respect for those who dare, who choose the road less travelled, who take risks. It also requires—and this is an essential corollary—respect for those who succeed, instead of envy, unfounded accusations and suspicion.

Quebeckers have taken years to emerge from the “Grande Noirceur” and to make up for lost time resulting from their closed society and excessive attachment to tradition. And now we are threatened by these same failings. We must not allow Québec to slip once more into the shadows of a longing for the past.

## **What are the solutions?**

Our goal is first of all to make Quebeckers aware of the challenges they face. We have no program sell; we are more interested in the change in attitude needed to tackle our problems.

Through our discussions, we have identified a few avenues that must be given urgent attention. The list is obviously far from exhaustive. The demographic problem is so complex and so broad in scope that there are no miracle solutions. We know, however, that it would be greatly worsened by declining immigration and growing emigration. It is what could happen if Québec does not undergo extraordinary development in the near future.

The ideas we are proposing here are aimed specifically at accelerating the pace of Québec's development. There are certain priorities that must be addressed, since Québec has so little room to manoeuvre. One of these is alleviating the burden of public debt. The Québec government currently devotes 16% of its spending to servicing the debt, a much higher percentage than that borne by other provincial governments. This 16% represents \$7 billion per year, equal to the budgets of 12 of the province's 21 ministries. If we do not reduce this burden, the government's precarious financial situation will worsen quickly once interest rates begin to rise. It's just a question of doing the math: for a debt of \$120 billion, with each point that interest rates rise, an additional \$1.2 billion will go to servicing the debt. The government will find itself forced to reduce its spending by as much, even in essential areas. On the contrary, if the government manages to lower its debt, it will have the leeway it needs to meet the growing health expenses resulting from an aging population.

Freed from part of the burden of debt, the Québec government could take action in an area that is essential to a prosperous future: massive investments in education and training. A small nation will only be able to make its mark by the quality of its labour force, its high level of cultural and scientific development and its creativity. It is therefore of fundamental importance to give priority to these fields and to invest the lion's share of our resources here. In particular, we must take steps to lower the school drop-out rate and ensure that more and more of our young people pursue post-secondary studies at high-calibre institutions.

The level of investment required to attain these objectives exceeds the Québec government's capacities. For this reason, a clear-sighted vision and a sense of responsibility will lead to lifting the freeze on tuition fees, a policy that flies in the face of common sense and all studies conducted on the question. In the past 10 years, the freeze has deprived Québec's universities of more than \$3 billion in financial resources that they would have had if tuition had been allowed to increase at the same rate as elsewhere in Canada. As a consequence, our universities, when compared to those in other provinces, will face a shortfall of \$375 million this year. The first victims of this situation are the students themselves. They face the deteriorating quality of university teaching and research.

Lifting the freeze on tuition fees and should be accompanied by the introduction of a student loan repayment plan that is proportional to income. Once they enter the workforce, graduates would be required to repay their student loans only as their financial resources allow.

In addition, with the globalization of the economy, mastery of several languages is crucial. It is obvious that Québec must therefore ensure that its citizens write and speak correct French, which is not only our heritage and our common language, but also one of the world's main languages. The Government must also make far greater effort to ensure that all Quebecers speak and write English, as well as a third language. In today's world, it is no longer acceptable that most young French-speaking Quebecers graduating from our educational institutions cannot speak or write correct English. Québec's culture and geographic location make it particularly conducive to learning languages; we should capitalize on this to the fullest.

Since there will be fewer of us in future, we will have to be more productive. In addition to a high-quality workforce, we will need a workplace environment that encourages performance and innovation. Québec must invest more extensively in research and development in those areas where it is already a world leader. We must also be innovative in how we organize work, even if this means revisiting established ways of doing things. Global competition being what it is, it would be suicidal for us to refuse to eliminate the inflexibility that undermines our competitiveness.

A clear-eyed vision should also lead us to reviewing our collective attitude toward electricity rates. Québec is fortunate to have a resource that is every bit as valuable as oil. If Alberta is able to generate considerable revenue with its petroleum resources, why does Québec deny itself part of the financial potential of its hydroelectric power? Hydro-Québec's current rate policy is just one way that Quebecers can benefit from this resource; it is neither the most productive nor the most efficient. Contrary to a widely held belief, low rates are more advantageous for people with higher incomes (who have the means to pay more) than for those who are less well off (who could be protected against rate hikes). Alban D'Amours, president of Mouvement Desjardins, has already proposed that hydro rates be increased and that a portion of Hydro-Québec's profits be used to repay the Québec government's debt. We endorse this proposal, with the proviso that the increase in electricity rates be both substantial and progressive.

In the context of the debate we hope to launch, other avenues deserve to be explored, for example, major tax reforms. Countries that invest heavily in social programs generally prefer to tax consumption rather than income. Québec does exactly the opposite. This has the effect of making work less attractive and encourages taxpayers to focus more on their leisure time. Changing the balance between taxation sources could increase our offering of workers and capital, two elements vital to growth. Contrary to a widely held notion, taxing consumption does not necessarily mean turning to a less progressive system of taxation; there are all kinds of ways to tax consumption in a progressive manner and thereby encouraging both work and savings.

Québec could also consider creating a guaranteed minimum income plan. This plan would make direct transfers to each citizen and would replace several existing programs for redistributing income, such as low electricity rates and the freeze on tuition fees mentioned above. Such a system would have the advantage of reducing the cumbersome bureaucracy required to administer multiple, complex programs. The Québec model is founded on the ideal of social solidarity that we espouse with conviction. We are also convinced that if it is to be put into practice, this solidarity must be efficient.

### **An end to intolerance and suspicion**

Others have made similar proposals in recent years. They were quickly pilloried and falsely accused, without anyone ever taking the time to study their ideas objectively. This intolerant attitude must be eliminated if we want Québec to continue to prosper, while preserving and even improving the social safety net that is the hallmark of a caring society.

Another element that must be eliminated is the unhealthy suspicion of private business that has developed in some sectors. The emergence of this type of attitude is something of a paradox. For years, people deplored the fact that the Québec economy was run by English-speaking business people; today, French-speaking business people control our economy and they are roundly criticized, to the point where their motives are questioned if they contribute time and money to philanthropy. In so doing, we are again depriving ourselves of invaluable resources, especially for the funding of infrastructures. Why do we accuse large Québec corporations of every possible evil if they want to invest here—in a private-public partnership, for example—while at the same time taking pride in their international successes? If a country as socially democratic as France turns to the private sector to build its infrastructures, we do not understand by what logic Québec would deny itself the same.

Opening the door to the private sector in some areas does not mean abandoning the Québec model. The State must, of course, retain its regulatory powers. These powers must be strengthened in areas such as the financial sector, where various scandals have recently come to light. It is simply a question of finding a happy medium in order to be able to channel all of our energies into keeping Québec prosperous.

### **A new spirit**

Not everyone will agree with the solutions we propose. Two elements should, however, find consensus: the scope of the challenges we face and the need to debate them thoroughly and then to tackle them with a new spirit. The challenges of the 1960s brought about the Quiet Revolution, which transformed not only our institutions but also the way we see things and our culture. The same holds true today. This new spirit will embody a clear-eyed vision, responsibility and freedom. It will openly welcome original ideas, rather than immediately shunning those who propose them. Fuelled by this new spirit, Quebeckers will confront their problems rather than blaming others and being satisfied with diversions.

We invite all those who realize the urgent need for a transformation to step forward. Our efforts will be in vain if they do not resonate throughout Québec society. While it is comfortable to remain silent, the dangers facing us mean we have a duty to speak out. The more of us that try to rouse our fellow citizens, the better the chances that they heed our call. And like so many times since they first arrived in North America, Quebeckers will take their destiny in hand and they will succeed.