



POLICY BRIEF

February 2021

IN THIS ISSUE

- 1. QUICK HITS**
PANDEMIC POLITICS...
BUDGET CONSULTATIONS
REST IN PEACE
- 2. COMMENTARY:**
WHAT COMES NEXT... ?
- 3. PRE-BUDGET
CONSULTATIONS**
- 4. CANADA/US RELATIONS:
THE RETURN OF A
KINDER, MORE
PREDICTABLE GORILLA**
- 5. SELECTED READING
LIST**



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1. QUICK HITS

PANDEMIC POLITICS

Lots of anger, fear, confusion and fatigue. It's fair to say that the public emotions towards the ongoing management of the pandemic run the gamut – perhaps even simultaneously or moving quickly between them all. Needless to say, the politics around the pandemic are heating up – with the early support enjoyed by decision makers morphing into a more complex matrix of calculations, responses and strategies. From vaccination expectation [disappointment](#), to enduring [long-term care tragedies](#), to seemingly unnecessary [distractions](#), the politics of the pandemic are challenging. How to be supportive within the overwhelming crisis while simultaneously being engaged and constructively critical is a complex calculus. Some have called for greater [mobilization](#), while others are promoting [change](#) and still others charting more familiar [partisan](#) courses. All of this seems somehow normal and at the same time so extraordinary. Navigating such a context requires insight, critical skills and strong relationships – all while recognizing and empathizing with exhausted and busy [human beings](#).

BUDGET CONSULTATIONS

Budget consultations are underway in [Ottawa](#) and in [Ontario](#) (see below). Ontarians have until February 12th to submit comments while the federal timetable is set for February 19th. Clearly the consultations will be looking for input on the needs and expectations for managing through the pandemic crisis and the rebuild to follow – that is, some version of the survive, rebuild and return to prosperity narrative (see for example the [Jeep Super Bowl ad](#) for, well, WOW) we have seen from governments across the country. Some interesting documents for context include: The Ontario Chamber of Commerce [Economic Report 2021](#); The Brookfield Institute's [Inclusive Industrial Policy](#) paper; and, the C.D Howe Institute's [COVID-19 economic dashboard](#).

REST IN PEACE

Celebrated Canadian actor Christopher Plummer [died recently](#). One of us met the charming actor a few years back at a Festival Theatre event in Stratford Ontario. The man was funny and entertaining – we noted to our dinner companions at the time that notwithstanding his significant [professional portfolio](#) it was his performance as [General Chang](#) in the original Star Trek movies series that put him on the map. The presence of the Stratford Festival in the heart of rural southwestern Ontario remains a testament to the imagination, courage and persistence of an enduring group of people committed to what would otherwise seem an impossibility. While [far from perfect](#), the Festival is a beacon for the kind of mixed economy and community that can emerge from the current pandemic crisis. Something to bear in mind. Rest in peace Mr. Plummer.

“...THE POLITICS AROUND THE PANDEMIC ARE HEATING UP – WITH THE EARLY SUPPORT ENJOYED BY DECISION MAKERS MORPHING INTO A MORE COMPLEX MATRIX OF CALCULATIONS, RESPONSES AND STRATEGIES.”

2. COMMENTARY: WHAT COMES NEXT... ?

“You cannot swim for new horizons until you have courage to lose sight of the shore.”
– William Faulkner

Ontario’s 25th Premier, Kathleen Wynne, recently [penned a personal reflection](#) on the future of long-term care. It is a remarkable piece focused not on recriminations or political point scoring, but rather an inquiry into the question of “what does different look like” and “how can we do different”. These are compelling and critical questions – and perhaps most importantly courageous.

Courageous in that the ideas are unusual in the context of what exists and how long-term care is thought about in today’s status-quo terms. But of course courage, creativity and persistence are the necessary ingredients of change and innovation. Indeed, we’ve been thinking about what’s next for all of us and how are we going to do better; not in the sense of incrementally spending more money or improving this or that program, but fundamentally adjusting to the needs and aspirations of the future.

COVID-19 has been and continues to be a massive disruption moment – but disruption was with us before the pandemic and those forces will continue to radically shape the future. COVID-19 has laid bare the systemic limitations of the physical and policy infrastructure that we have relied on for decades – from obvious challenges like long-term care, to aging infrastructure, to the resilience and equity of our food system and more.

The expectation that business-as-usual – be it government or the private sector – will be sufficient to manage the challenges and expectations of the future is at best naive. Nor can we claim some moral high ground by simply

criticizing the status-quo – our obligations now demand courageous participation in imagining a better future and persisting against institutional and historical inertia.

Outside the political bubbles on Twitter, more and more people have their passions ignited by calls to justice or they are motivated by ideas and the opportunity to create a more optimistic future. This is not to say that politics doesn’t matter – quite the opposite. But it does mean that the historical antagonisms – left versus right, business versus community – are less and less instructive of intention and action.

Indeed, some of the legacy mistrust between, for example, business and the public sector (such as public health and education) feeds an unnecessary division within our communities that could otherwise create a stronger approach to the management and mitigation of the COVID-19 pandemic.

Many years ago this writer’s aging body betrayed a declining capacity to compete successfully through the youthful strategy of simply wearing the opponent out. Regaining a competitive edge required a willingness to think about the game differently, employing philosophical innovation and tactical creativity (who knew a squash coach would initiate a spiritual journey of enlightenment - take note Patrick Mahomes).

The future emerges from the past but it need not be a hostage to it. The opportunities and obligations to the future require us to be courageous and to innovate with creativity and persistence; such courage requires the wisdom to recognize that we live in motion where neither success nor failure are final – but exist simply as landmarks to give us a bearing on what comes next.

3. PRE-BUDGET CONSULTATIONS

In late January, the Federal Government invited Canadians to provide submissions in advance of a 2021 federal budget. In making the call, Finance Minister and Deputy Prime Minister Chrystia Freeland described the upcoming 2021 budget as “among the most significant of our lifetime.” Which may be especially true for the governing Liberals, since the coming budget has the potential to trigger an election call.

Submissions will be accepted at a dedicated government website, LetsTalkBudget2021.ca, until February 19th. The Department of Finance also plans to host several virtual roundtables. Nearly 800 written submissions from trade, labour, and advocacy groups, as well as individual businesses, have already been received by the House of Commons Finance Committee as part of its own pre-budget consultations.

“Our focus is jobs, jobs, jobs, and growth,” Minister Freeland outlined in January. The consultations will be used to inform government efforts to spend up to \$100 billion on a post-COVID economic recovery plan over the next three years, and create one million jobs – a target announced in last September’s Throne Speech.

The 2021 budget will be the Federal Government’s first since March 2019. In its Fall Economic Statement delivered at the end of November 2020, the Government reported \$269.8 billion total estimated spending on COVID-19 support measures, along with a projected deficit of \$382 billion for F2020-2021. The FES also announced a three-year recovery plan ranging between \$70 to \$100 billion.

The wide range attached to projected stimulus spending was explained as a function of contingent-based conditions, or “fiscal guardrails”, to define program parameters. Rather than being time-bound, federal stimulus spending is to be condition-bound, with progress tracked against data-driven employment indicators.

Some fiscal policy challenges to consider as the government seeks your input:

1. The current level of government spending is unsustainable. Canada is not alone in its decision to embark on a significant deficit spending initiative to weather pending economic storms. The Biden Administration is on track to implement a US\$1.9 trillion proposal, referred to as the American Rescue Plan, to bolster national economic recovery efforts. Governments around the world have largely operated on a *carte blanche* for COVID-19 spending, urged on by the IMF to ward off an otherwise dismal global economic outlook. But this level of government largesse cannot be sustained indefinitely.

2. The off-ramp to a post-pandemic economy is not well defined. The Canadian government is currently focused on keeping the Canadian economy from the throes of recession, and rightly so. But eventually government support will need to marshall transition efforts as opposed to preserving the status quo. Recovery strategies will need to shift from government-backed wages to incentivizing a return to the labour market, possibly to different sectors where others have been decimated.

3. PRE-BUDGET CONSULTATIONS CON'T

Likewise, at some point government supports to business will need to shift focus from shielding companies to incentivizing adaptation to a new business environment. The current expectations of government intervention sustaining the market place and magically bringing back a pre-pandemic economy is unrealistic. Transition is the future. Government can encourage and assist in the process, but the private sector is the driver.

Lockdowns, quarantines, curfews, border closures, all are grudgingly being accepted as necessary tools to fight the pandemic. Government has become bigger to meet big expectations. But we know that at some point in the future there will again be a call for shrinkage – a push back on these now accepted fiscal and regulatory tentacles to ensure that the current level of government interventions do not become permanent.

3. Prepare for the “next” normal. Yes, it is comforting to dream of going back to the way things were. But as with past technological shifts that have upended day-to-day living, the pandemic has brought about some fundamental rethinking on how society functions and how we interact with one another. Health and public safety now defines our work space, our play space, our purchasing habits, our travel, how we navigate our children’s education, care for our parents, and so on.

The pandemic has put a spotlight on the fragility and sensitivities of many sectors (e.g., supply chains, factory manufacture, food processing). Pandemic responses have also called into question the absolute necessity of certain activities we previously took for granted (i.e., office attendance to incite productivity, prison time as the primary tool of criminal justice, etc.).

Over time, some of these response measures will be relaxed, with the expectation that there will be a natural gravitation back to pre-pandemic habits. But also expect some lasting effects, as industries seek to be better prepared for future events and to address and fortify identified weaknesses. This is simply prudent behaviour.

Unsolicited advice in framing budget consultation submissions. Courage, creativity and persistence. Not everyone will have the luxury of thinking short-term gain. Understandably, many businesses are just looking to survive. But if possible, the coming federal and provincial budget should be seen as a call to think longer-term.

JFK pointed out that in Chinese two brush strokes are used to write the word ‘crisis’: *“one brush stroke stands for danger; the other for opportunity – in a crisis, be aware of the danger, but recognize the opportunity.”* Simply put, with crisis comes opportunity.

This is the time to consider the announced intention of government support strategically – from the perspective of transitioning to a next normal as opposed to returning back to the way things were; of attaining fiscal independence knowing that the time will come when government capacities for spending will be significantly reduced. Now is the time to reflect on adaptation... to use the post-pandemic government spending infusions as a means to get from now to then. It is the difference between looking back and lamenting on what was, as opposed to thinking big and considering the possibilities of the future.

4. CANADA/US RELATIONS: THE RETURN OF A KINDER, MORE PREDICTABLE GORILLA

The Biden Inauguration came to pass on January 20th without the spectacle of violence that marred the US Congress just two short Wednesdays earlier. And the new President got down to business immediately, managing to sign fifteen Executive Orders on his first day despite a schedule brimming with (largely virtual) pomp and ceremony. Those orders were the fulfillment of promised reversals of the earlier Trump Administration's reversals of previous Obama Administration policy established to undo Bush Administration policy, and so on. A healthy game of dominoes.

One of these early Executive Orders involved revoking the permit for the Keystone XL Pipeline, a move the new President had campaigned on as part of his climate change platform. This halts the Keystone project, with significant implications for the oil and gas industry in western Canada.

The Keystone decision is telling with respect to broader Canada/US relations going forward, offering insight into Canada's expectations of the Biden Administration, as well as into how the Administration is likely to treat Canada.

HITTING THE GROUND RUNNING.

The new Administration identified four areas of immediate focus — the pandemic, the economy, climate change, and social inequality.

To offer a sense of the preparedness of the Biden transition team to ensure that the Administration hit the ground running, a daily themed schedule of announcements was rolled out since inauguration, beginning with the Administration's plan to tackle the COVID19 pandemic (Thurs / 21st), economic relief (Fri / 22nd), Buy American (Mon / 25th), racial injustice (Tues / 26th), climate change (Wedn / 27th), health care (Thurs / 28th), and immigration (Fri / 29th). February is scheduled to focus on national security matters.

This level of preparation demonstrates both the broad breadth of issues facing the incoming Administration as well as the resolute urgency being placed on putting policy to action. All this to say that any outside (foreign) attempts to hold back or re-route the laboriously planned, intricately detailed Biden policy train is an effort in futility. That train hit maximum velocity at noon on January 20th.

A FULL FOREIGN POLICY PLATE.

On foreign policy, the Biden Administration has identified a host of inherited national security threats. The early hot spots are identified as follows:

4. CANADA/US RELATIONS: THE RETURN OF A KINDER, MORE PREDICTABLE GORILLA CON'T

China — manage bilateral trade issues, address Beijing's recent tightening of control in Hong Kong and Taiwan, countering China's rising influence in the Asia Pacific;

Russia — responding to pro-democracy protests, the encroachment in the Ukraine, US election interference, and salvaging the START nuclear non-proliferation treaty

North Korea — curbing nuclear weapons manufacture where all previous US administrations have failed;

The Middle East — renegotiating a nuclear weapons deal with Iran, and addressing Russian and Iranian forces propping up Syria's Bashar al-Assad, Turkish tensions over US support for Kurd fighters, Saudi Arabia's military campaign against Yemen, and fractious Israeli/Palestinian relations.

For the Biden Administration, any success on these pressing foreign policy issues requires a re-engagement of traditional global alliances and international institutions. This is in stark contrast to the previous Administration's lone wolf, America First strategy. President Biden has pledged to "lead not just with the example of power, but with the power of example."

And so the Biden Administration has been quick to rejoin the WHO, rejoin the Paris Climate Change Accord, re-assure NATO regarding US support, and re-engage at the WTO. President Biden will convene a Climate Leaders' Summit in late April and host a Summit of Democracies later in the year to fight corruption, defend against authoritarianism, and advance human rights abroad. Clearly, the new Administration sees rebuilding America's leadership role internationally as achievable not through isolationism, but rather through international engagement.

WHAT CANADA CAN EXPECT.

Kirsten Hillman, Canadian Ambassador to the US, characterizes the Biden Administration as more predictable, with the two governments likely to share "an enormous amount of policy alignment" on issues including science-based responses to the pandemic, collaboration on cross-border economic recovery, and cooperation on climate policy. With relationships already long developed with the new US President, many of his cabinet nominees, and new Democratic majority leaders and committee chairs in the House and Senate, Canadian officials anticipate a return to more traditional communications between Ottawa and Washington DC.

Tone is not everything, granted, but a friendly foundation for any conversation is a better starting point than a cold call.

4. CANADA/US RELATIONS: THE RETURN OF A KINDER, MORE PREDICTABLE GORILLA CON'T

Much has been made of the fact that President Biden's first foreign diplomatic call (Friday, Jan. 22nd) was to Prime Minister Trudeau. The call offered the Prime Minister an early opportunity to raise perennial bilateral issues such as Keystone, softwood lumber and anticipated US Buy American infrastructure provisions. With respect to the latter, President Biden is reported to have acknowledged the depth of bilateral supply chain connections and committed to ensuring that Canadian officials would be consulted as policy was further developed — but he also added that Canada would not necessarily be satisfied with the outcome. One can safely take the President's remarks as a more general characterization of Washington DC's perspective on Canada/US relations.

OUR ANALYSIS.

Where does an 800 lb. gorilla make its bed?

The previous US Administration was criticized for being overtly “transactional” in its approach to international diplomacy. This is curious, since diplomacy, especially between Canada and its economically superior southern neighbour, has always been transactional. The previous Administration perhaps stood out because the “transaction” in that instance tended to focus more on individual or personal interests at stake — e.g., how does the issue play for the President specifically? What is the President's mood today?

Normally, the diplomatic “transaction” between Canada and the US is guided by the positioning of key US stakeholders, political maneuvering within Congress, and how the issue might play in the coming election. And in the US, there is always an election just around the corner, and it is always critically important.

Consider that the next mid-term elections — with a host of US House and Senate seats up for grabs — is now only 20+ months away. While both chambers currently favour the Democrats, it is by the slimmest of margins. The Obama Administration (initially carrying both chambers) achieved victory on health care early in its first term, but lost the Democrat majority hold in the mid-terms and was hampered by congressional gridlock for the full six years that followed.

Suffice it to say that the US Congress is already in election mode. Everything the Biden Administration does now is with a wary eye towards November 2022... and the stakes are ever so high.

Turning back to Keystone. The internal decision to cancel the project was made long ago, well before the Executive Order was issued on January 20th. It fits the climate change, green energy, and indigenous inclusion narrative of the Democrats. Politics is always local, as they say...and in the US, Canadians don't vote. Most Americans have no clue where Fort McMurray lies, or care an iota.

4. CANADA/US RELATIONS: THE RETURN OF A KINDER, MORE PREDICTABLE GORILLA CON'T

The Alberta Premier and his staff are very knowledgeable on Canada/US relations, so one can only assume that Kenney's pre- and post-decision criticism regarding Keystone is intended for a domestic audience, and perhaps a precursor to a request for federal mitigation of a \$1.5b provincial government investment gone bad.

The lesson here is unmistakable. While the tone between Ottawa and Washington DC may be warmer than the frosty reception (relatively speaking) of the previous four years, north/south cross-border issues will persist. The difference is that the new Administration is inclined to respect the rule of law more and is prepared to re-engage bilateral and multilateral institutions. The WTO is likely to be functional again, which is good news for Canada.

Getting the attention of the new Administration, to the extent that Canada seeks a change in policy direction, will require familiar ingredients: (1) key US stakeholder support, (2) sustained pressure by those US stakeholders on US congressional representatives, and (3) a strong advocacy strategy targeting state capitols and Capitol Hill using a narrative grounded on the implications for American (not Canadian) jobs. And every so often an issue comes along where the US Administration feels its hands are tied domestically, but welcomes a trade challenge to end a misguided policy direction. Looking at you, US COOL (and [Line 5!](#)?).

Expect Canada to be back to a role it is more accustomed to with respect to bilateral relations with the US – Canada treated as a trusted ally, one deserving of the first foreign capital call of the new President, one respected enough to be consulted on policy decisions that may impact on bilateral relations. But will the outcomes differ as a result of a friendlier tone and courteous overtures?

With a huge advantage in economic weight, with an eye towards reclaiming international leadership in tackling a series of global crises, with the knowledge that America's successes drive Canada's successes, the US gorilla will make its bed wherever and however it wants to.

5. SELECTED READING LIST

[Power in diversity: diversity in the workplace with Kevin Sutton.](#)

Guelph Chamber of Commerce. Power in Diversity video series. December 2020.

[The attack was in Washington. But it means we need change at Toronto city hall.](#)

The insurrection on Jan. 6 is no longer seen as a standard Trump shenanigan, but an event of historic significance.... But their actions crystallized a reality we've known for a long time, Western democracy is in trouble. *By Kofi Hope. The Toronto Star. January 31, 2021.*

[Why COVID-19 messaging should focus on policy successes, not fear](#)

Most messaging throughout the pandemic has focused on fear... Fear makes us vigilant; it makes us sit up and pay attention. The research supports that view pretty strongly. Fear is a good short-term strategy. But fear isn't sustainable.

By Brooke Struck. Global News (Commentary). January 25, 2021

[9 Trends That Will Shape Work in 2021 and Beyond](#)

While 2020 was the most volatile year in modern history, it would be a mistake to think that we're in for smoother sailing this year. In fact, as we move into 2021 and beyond, the rate of disruption will potentially accelerate as the implications from 2020 play out across the next several years.

By Brian Kropp. Harvard Business Review. January 14, 2021

[Bearing fruit: After years of dithering companies are embracing automation](#)

The pandemic has ushered more robots into factories, warehouses and back offices. They are here to stay. *The Economist. January 16, 2021.*

[On the 100th Anniversary of 'Robot,' They're Finally Taking Over](#)

A century after playwright Karel Čapek coined the word 'robot,' we finally have the technology to make the stuff of science fiction a reality—for better and for worse.

By Christopher Mims. The Wall Street Journal. January 23, 2021.

[Appointment mandate letter to Eric S. Lander, Ph.D.](#)

"I believe it is essential that we refresh and reinvigorate our national science and technology strategy to set us on a strong course for the next 75 years, so that our children and grandchildren may inhabit a healthier, safer, more just, peaceful, and prosperous world".

By Joseph R. Biden Jr., January 15, 2021.

[Liner Notes to "J.T."](#)

Justin Townes Earle left this world a little over a mile from where he came in, having seen more of it than most folks in his thirty-eight years before his all too short arc brought him right back to where he started from; Nashville, Tennessee. *By Steve Earle. January 4, 2021*