

The future we face

By Bill Kilpatrick

As I sit to write this editorial Canada is a mere seven days away from electing a new prime minister and the stakes could not be higher. The winner has to navigate a treacherous future fraught with economic uncertainty the likes of which we have never seen. In his 2022 book *The Next Age of Uncertainty* the former governor of the Bank of Canada, Stephen Poloz, outlines what he sees as five long-term forces that are in motion in the world today: population aging, technological progress, rising inequality, growing debt, and climate change.

Using the analysis of tectonic forces he says, "It is one thing to contemplate the potentially violent interactions between two moving tectonic plates. It is quite another to consider the tectonic forces acting on the global economy, for there are more of them and their interactions are far more complex and unpredictable. This is not just an interesting theory to contemplate, for it may affect your employment security, your savings, or the value of your house." Then when you add to that mix a man who has bankrupted six businesses to the helm of the world's most powerful economy things become not just uncertain, they become unhinged. This is the world that the new prime minister will inherit and needless to say I don't envy them, for the task ahead of them is truly herculean.

We need someone creative at the helm who can steer us through the coming storm because it's going to get rough. Economics, while considered a science by some, is more of an art given all the moving parts and complexities, meaning that to be an economic fundamentalist of any sort, whether communist or capitalist, is to close your eyes to reality and invite disaster.

Let's examine some of Poloz's long-term forces and the economic forecast for Canada and the world. In terms of our aging population there seems to be a number of issues that the baby boom is causing throughout the world. Three of the problems that immediately come to mind are the strain on the government's finances that the boomers are causing from their increased reliance on the health care system and our pension system and a loss of a large chunk of the workforce. How is this playing out in Canada?

Canadians will need to ensure that there are enough tax dollars going into the system to keep pensions and the healthcare system from collapsing, which means replacing people in the work force who pay taxes. But there is a problem, as an article in [wealthprofessional.ca](#) points out "immigration remains the primary driver of population growth, [as Canadian] birth rates continue to decline" adding that "Only 2.7 percent of new residents in 2024 were the result of natural increase." This is not enough to sustain our population let alone replace those leaving the workforce and this is a problem.

Poloz says that "trend economic growth is driven mainly by population growth, whether homegrown or through immigration." In terms of Canada's population growth Poloz says that Canada has around a one per cent population growth due to a "welcoming immigration policy," adding that "[if] Canada remains a preferred destination, it may be able to avoid much of the global deceleration in economic growth."

Currently there is a lot of anti-immigration sentiment in Canadian politics and this could seriously slow down our economy. It appears that less immigrants will actually hurt the economy, not help, much like the reduction in immigrants with study permits has resulted in the closure of education facilities and less higher education options for everyone. Anti-immigration policy, it would seem, is also an anti-economic growth policy.

Climate change adds further pressure to government finances due to the ever increasingly destructive storms and the cost for clean up, not to mention as the planet heats up and many parts of the world become uninhabitable mass migration will certainly ensue. Add to that crop failures and water shortages and things begin to look pretty bleak.

Fear not though, says Poloz, technology will save the day "sort of." He says "While individual countries may be able to postpone the inevitable [world economic slow down] through increased immigration, the world as whole cannot do so. The best way to ensure continued increases in living standards and boost trend economic growth globally is to promote technological progress." Poloz

further points out that as societies have advanced they have become more and more specialized which benefits us all. Specialization in economic activity is what delivers high productivity, societal surplus, and trade makes us all better off than if we did everything ourselves. Poloz argues that in the long-run innovation has eventually created more jobs than it destroyed, but there is a little pain we have to endure first as technological advances tend to be, in his words, highly disruptive.

This is important because currently we sit on the threshold of what has been called the fourth industrial revolution involving digitalization, machine learning, artificial intelligence, and biotechnology. While Poloz seemed optimistic that the fourth industrial revolution might be less disruptive than past transitions, given Canada's low unemployment rate after the third industrial revolution, he points out that this also may not be so and that depressions, financial crisis, joblessness, and recessions big and small could figure prominently in the fourth. Since the economy is struggling to replace workers from the baby boom, less education choices are available, and immigration looks to be slowing down, job losses from the fourth industrial revolution could be devastating. Poloz marks conventional jobs such as fabrication, driving, operating agriculture machinery, financial advising, call centres and customer service jobs to be particularly at risk for replacement by machines.

When we take the above scenarios of joblessness, economic strain on health care, and pension plans, low birth rates, less immigration, and the impacts of the fourth industrial revolution, then add rising inequality and the popular discontent it breeds along with historically high debt levels, and then pile onto this mess the impacts of climate change and an unhinged president of the United States, uncertainty does not seem to accurately describe our current historical moment.

While globalization has caused immense wealth, it has also caused immense wealth inequality, and while I do not believe that protectionism is the answer, as it failed miserably in the 30s and made the great depression worse, I recognize we cannot keep doing business as usual. The neoliberal trickle-down economics, of Milton Friedman, has failed to deliver on its promises of shared wealth. What we have instead, as Poloz points out, is technological progress that has resulted in massive wealth for a few, the concentration of corporate power, the erosion of labour bargaining power, and globalization.

Countries are not isolated islands and are deeply interconnected and we need to find ways to work together to deal with Poloz's five long-term forces, plus one Trump, in ways that mutually benefit each nation. This will be the challenge of the next prime minister and it must be done in an increasingly polarized world fraught with all the difficulties outlined above. It's never been more important to vote, so get out and vote Canada and keep those elbows up, it's going to be a tough four years.