

NATIONAL POST

Quebec followed the wrong path

Published Thursday, November 17, 2011

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For a long time, visitors to Montreal and Quebec City have commented upon their European character - a touch of the Danube or the Tiber on the shores of the St. Lawrence. That used to be a good thing. But the sound of rushing water heard now is that of Europe's future swirling down the drain, and regrettably for Quebec, it is the most European part of North America.

The European future is rapidly disappearing, or perhaps it is better to say that the European past has raided the future for so long that there is nothing left for the present. Europe gave up on its future long ago, most fundamentally by not having children, which is the single most enduring tie to the future. A nation that chooses not to replace itself does not intend to stick around. Once the decision is taken to live in the present, why not defer to the future the cost of as much of the present as possible? It was once accepted that one generation should not burden future generations, but that argument is far less persuasive when the future generations comprise fewer and fewer people.

Thus the Mediterranean model was born (pardon the pun for a continent without babies): low birthrate, generous welfare, rampant tax evasion, early retirement, expansive pensions, rigid labour markets and low productivity. How to pay for this? Borrow recklessly. And hope you die before the pillaged future arrives. Alas, sometimes the future arrives sooner than one thinks. The future arrived for Greece last month and Italy last week. It's due to arrive in Spain shortly.

Italy's fall was rather melodramatic, as the dark cloud of their crisis had its own silvered lecher. Silvio Berlusconi has long been an embarrassment, disgracing the Italian people with his buffoonery and economic mismanagement. He became the poster child - or better, teenager - for a nation that refused to live like an adult. His vast wealth was used first to buy power and then to retain it. When caught out by the law, his strategy was to change the law, rather than his behaviour. As he aged he more desperately sought to remain an indulgent adolescent, with cosmetic surgery rendering his skin as tight as his morals were loose. That he kept something of a harem of young hookers was an apt metaphor for Italy's fiscal situation. He wanted what he wanted, without restraint or responsibility, and no amount of money was too much to spend. While Berlusconi's resignation leaves him more time for high-priced bunga-bunga debauchery, Italy is facing a high-priced hangover, financing its debt with bonds at yields north of 6%.

All of which has resulted in Canadians feeling rather complacent. Our public finances are sound, our work ethic admirable, and if a young woman was summoned late at night to our prime minister's residence, it would very likely be a research assistant dropping off a bundle of briefing papers. Yet we ought not be smug.

An important study was released last week by the Institute for Marriage and Family Canada, entitled A Quebec Family Portrait. The economic and social portrait presents some worrying data. While Quebec has seen a modest improvement in its fertility rate, it is still low and Quebec's population is aging faster than the rest of Canada. Marriage - an efficient, private social service institution - is in rough shape in Quebec. Fewer people are marrying, cohabitation rates are high, with the greater instability of those unions, and nearly two-thirds of all Quebec children are born outside of marriage. Quebec taxes are the highest in the country and their entitlement programs, including provincial daycare, are expensive. Using OECD figures, the report has Quebec debt-to-GDP ratio at a staggering 94% - fifth in the world behind Japan, Italy, Greece and Iceland. (Canada's debt ratio is roughly 70%.)

Does this portrait look familiar? Quebec has a rather striking family resemblance to the Mediterranean model - a large state, low fertility, high taxes, staggering debt and a family structure unable to do what the state can no longer do. This week a new political party was launched in Quebec called the Coalition for the Future of Quebec. It's rather late in the game to attend to the future of Quebec. It's coming sooner than we would like.

And as for Canada as a whole? The report authors have bad news: "Quebec's family portrait is not that different from the rest of Canada - only further along the road."