

CanadaWatch

PRACTICAL AND AUTHORITATIVE ANALYSIS OF KEY NATIONAL ISSUES

SPECIAL DOUBLE ISSUE ON CANADA–U.S. RELATIONS IN THE NEW MILLENNIUM

Convergence or divergence?

*Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler . . .*

—from “The Road Not Taken,” by Robert Frost

HOW SIMILAR OR DIFFERENT?

The question is whether Canada and the United States are converging or diverging in important respects concerning society and economy. In Canada, a presumption may exist that long after having completed its gradual shift away from “the Empire” and British values and customs, Canada now is veering toward a more “American” way of doing things. In the United States, the opposite view is likely to hold—namely, that although set against a world scale of national comparison, Americans per-

ceive Canadians to be quite similar to themselves in preferences, appearance, and behaviour, but they do not observe or expect additional convergence.

Ascertaining whether Canada and the United States are converging or diverging appears a quite simple exercise. Observe whether the U.S. and Canadian economies, or social policies, or political institutions are becoming more similar. Plenty of casual evidence exists

Convergence or divergence? page 73

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Canada–U.S. relations at the dawn of the new millennium

How public policies designed to strengthen a nation might end up destroying it

One of the major consequences of the development of the global economy is that, while the *raison d'être* for much of Canada's traditional industrial policies may still be present, the ability of any government to continue such policies is over. As a result convergence between Canada and the United States will be much greater in the 21st century than it was in the 20th—not because of external threats, but rather because of internal indifference.

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INDUSTRIAL POLICY: A PRIMER

Canada's economic prosperity is largely based on international trade.

The new millennium, page 79

FEATURES

Convergence or divergence?

Charles F. Doran, page 61

Canada–U.S. relations at the dawn of the new millennium

James Gilles, page 61

From the editor Daniel Drache, page 62

Integration without convergence?

The North American model of integration
Daniel Drache, page 63

Canadian and American social values

Michael Adams, page 66

Welfare repeal: How low can we go?

Andrea Calver, page 68

Are Canadian and U.S. social policies

converging? R. Kent Weaver, page 71

Social policy: U.S.–Canada convergence or divergence?

Michael Mendelson, page 75

Fact and fiction: The medicare “crisis”

seen from the United States
T.R. Marmor, page 77

Big differences matter: Canadian and

American health care finance
Terry Sullivan, page 82

Making Canadian culture in the 21st

century: An oxymoron?
Joyce Zemans, page 84

Child care in Canada and the United States

Linda A. White, page 87

Labour market policy in Canada and

the United States: Beyond “flexibility”
Jim Stanford, page 90

Accounting for a widening U.S.–Canada

income gap Benjamin Tal, page 93

The Canada–U.S. income gap

Andrew Sharpe, page 97

Do we have to harmonize down? Canadian

tax policy in a continental context
Andrew Jackson, page 100

Corporate Canada and foreign ownership

Stephen Blank, page 102

Foreign investment in the new millennium:

A view from the Canadian side of the border
Bernard M. Wolf, page 104

Canada: The best of times and the most

challenging of times
John McCallum, page 106



to explain the more conservative thrust of U.S. welfare policies. Similarly, a greater role for free-market conservatives explains Republican rejection of collective investment of social security funds in equities markets. Evidence of cross-national lesson drawing in social policy is limited in both directions.

Politicians in both countries have cited the other country's health care

system primarily as something to be avoided. But the impact of U.S. work requirements in Canadian welfare policy remains modest.

In short, Canadian and U.S. social policies remain distinct—reflecting different societal pressures, different institutions, and different policy legacies. Most of these differences, in particular Canada's more generous and redistri-

butive welfare state, are likely to remain for the foreseeable future. These differences are sustainable so long as Canadians are willing to pay higher taxes for them, and see themselves as benefiting from the welfare state. Thus far, those commitments show little sign of ebbing, and the political forces that would move away from those commitments remain weak and divided. ❁

Convergence or divergence? continued from page 61

for comparisons and contrasts. Political commentators in Canada often suggest that the Canadian *Charter of Rights and Freedoms* corresponds to the American *Bill of Rights* and hence will make Canada more litigious and individualistic. Americans frequently are taken aback by what they perceive as “anti-Americanism” in Canada, which would make Canadians quite different from Americans.

Such unsystematic observations, singular experiences, and casual or reflexive judgments, however, provide a very weak base for generalization about whether entire societies are changing in a consistent and meaningful way.

OPERATIONALIZING CONVERGENCE

First, convergence/divergence must be correctly “operationalized.” What is converging or diverging? Is the subject of change the economy, the legal system, political values and preferences, social policies, or folkloric customs?

Second, only a thorough and reliable analysis can lend “authority” to the conclusions. Ideally, the “research design” would parallel the “analysis of variance.” Compare regions within Canada with regions in the United States on a set of measures. If the means (averages) are sufficiently different, and are becoming more different (similar) over time, the countries are diverging (converging). While a formal analysis of variance may never be carried out, the “logic” of the design governs all the comparisons, regardless of framework or data employed.

[T]he Canadian health care delivery system is far better than the anxious patient realizes. During structural change, in the haze of political punch and counterpunch, misperception can become as real as perception.

Third, a number of important further questions arise with regard to convergence or divergence in the North American context.

OTHER POSSIBILITIES

Parallelism: Perhaps the present degree of convergence/divergence in Canada–U.S. relations will be perpetuated, as sociologist Seymour Martin argued eloquently and with a marshalling of support in *Continental Divide*. Lipset believes that Canadian and U.S. values, and the historical origins of these values, are very different and will keep the two countries on this course of parallel difference (but not divergence) into the future.

Convergence and Divergence: Both convergence and divergence may be occurring simultaneously, cancelling each other's effect. Canadian health care gives companies operating in Canada, such as the automakers, a cost advantage over operating in the United States; yet productivity in the auto sector

is about the same in both countries because other factors equalize the health care edge in Canada.

Perceived Change vs. Real Change: Ted Marmor has argued that the Canadian health care delivery system is far better than the anxious patient realizes. During structural change, in the haze of political punch and counterpunch, misperception can become as real as perception.

Direction of Change: Who is converging toward whom? The usual assumption is that Canada is converging toward the much larger United States. Standards applied would be the U.S. mean, not some intermediate value. The central question is whether convergence will be asymmetric. When Canadian energy policy collapsed after the 1982 recession and the drop in world oil prices, its market-oriented solution looked very much like the original U.S.-based energy proposal that eventually

Convergence or divergence? page 74

Convergence or divergence? continued from page 73

became part of the Canada-U.S. Free Trade Agreement.

What this posited asymmetrical convergence neglects is that Canada as “first mover” and more focused player may adopt a policy before the United States does. Canada recognized China before the United States did. The Canadian move to provide health insurance universally is a stimulus to the United States, at least among health experts, to rethink its own stand on universality.

Neither Convergence nor Divergence as Conscious Policy: To correctly analyze whether a country initiates convergence or divergence, the analyst must “control for” a multitude of background variables.

THE IMPACT OF GLOBALIZATION AND OTHER FACTORS

Industrialization is sometimes confused with U.S. influence or presence. Worried about the influx of fast-food restaurants, critics wrongly associated this phase of food processing and delivery as American. *Regionalism* may overwhelm bilateral Canada-U.S. influence. The garment industry in Montreal or New York City cannot afford to ignore Mexico City today. *Democratization* creates changes that appear North American. Worldwide movement toward relaxed social and business dress codes, as in Japan, reflects the rise of popular sovereignty in these matters across many of the democratic, market-oriented states.

Globalization is transforming modes of ownership, distribution, and production. That many companies in Canada/America have been taken over by foreign management has much to do with the mobility of capital worldwide and the flexibility of exchange rates without which the global trading and financial markets could not operate. That Canadian investors choose to place their money in a variety of foreign stocks rather than keep that money at home in the ownership of Canadian companies reflects the efficiency of world capital

NAFTA created a “North American integration scare” about huge unemployment and a great migration of firms to some other allegedly more attractive country. Underlying this fear of unremitting catastrophes, so much in contrast to attitudes in Europe regarding the European Union, are concerns about sovereignty.

markets in which Canadians participate actively and fully.

Each of these external influences can easily be mistaken for bilateral sources of influence by either country, especially the larger. Likewise, the task of actually identifying these separate influences and then attempting to hold the influence “constant” is subject to error and other difficulties.

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Canadians and Americans want the fruits of greater economic integration (access to economies of scale and scope). Each wants the benefits of greater efficiency in terms of enhanced economic growth, higher personal incomes, more and better jobs, and cheaper consumer goods. But neither wants to give up any sovereignty in terms of cultural preferences, social policies, or political institutions. They want the benefits of greater economic integration without having to forgo perceived “social costs.” To date, very few

social costs have arisen on either side of the border as a result of the Canada-U.S. Free Trade Agreement or NAFTA.

THE NEW BOTTOM LINE

Whether Canada and the United States are converging or diverging may never be ascertained in any encompassing or definitive sense. Yet, intuitively, Canadians and Americans know that even divergent roads are part of the same forest, and that they can take the same road without forsaking treasured or “core” values. Experience with integration reduces the fear that the countries will become political facsimiles. A North American in this sense can “travel both [roads]/ And be one traveler.” The two countries can choose the path of economic interdependence without fear of loss because of the “path not taken.”

On the horizon is an effort to eliminate many of the problems at the border for movement of both people and commerce. To accomplish this, North Americans will need to consider a more explicit customs union. The question is open. For citizens caught in customs lines at the border, or for frustrated truckers attempting to get their produce to market on time, the new bottom line of interdependence beckons. 