SETTING THE STAGE
Jeremy Leonard, Christopher Ragan and France St-Hilaire

Since the work of the Macdonald royal commission was concluded over 20 years ago, there have been few occasions for Canadians to engage in a comprehensive discussion of the country's economic and social prospects and which policies we could pursue to improve them. Even in the 2006 federal election campaign, the policy debate focused on a few specific, short-term issues and offered little in the way of competing views on the major policy challenges facing Canada in the years ahead.

The IRPP created the Canadian Priorities Agenda (CPA) to contribute to a broad-based and informed public debate on the economic and social policy choices and priorities for Canada. The central theme of the project is scarcity of resources and the need for choice: the everyday reality for policy-makers is that governments have limited means at their disposal — be it revenue, manpower or political capital — and must therefore choose carefully which policies to pursue and which to leave behind.[1] In making these choices, governments are understandably drawn to what is expedient and popular, but they should also consider the overall costs, benefits and distributional effects of various policies. Policies that offer genuine net benefits to society, even if they are somewhat complex, can be clearly explained to the electorate by a government that is prepared to expend sufficient effort.

Policy-makers also need to think carefully about the time horizons for various policies. Governments, especially minority governments, often appear to have planning horizons no longer than the next election, and this myopia may lead them to implement only those policies that promise quick results. Many worthwhile policies, however, stand to offer large net benefits to society only after incurring upfront costs, and thus are likely to be ignored by a short-sighted government. Throughout the Canadian Priorities Agenda project, our focus has been on the policy challenges and implications over the medium term in an attempt to counter the prevailing policy-making myopia.

The CPA is a three-act play that has been two years in production. In act 1, the lead roles are played by a dozen agenda-setters, whose individual and collective views have a profound influence on what follows. In act 2, 11 analysts take centre stage, proposing and

examining the likely effects of a wide range of specific policies; crucial supporting roles are played by 17 critics. Finally, act 3 highlights the sage choices of 6 judges, who assemble their packages of preferred policies from the large menu set before them. The necessity for policy-makers (and policy advisers) to make difficult choices while constrained by limited resources is the overarching theme that permeates each act of the Canadian Priorities Agenda.

ACT 1: SETTING THE AGENDA

It is one thing to choose a few policies from a list of possible alternatives. But where does such a list come from in the first place? As with any sensible policy-making process, the CPA began with a structured "blue sky" session designed to identify the broad economic and social issues — what we call the "broad policy challenges" — that are likely to matter most to Canada and Canadians over the medium term.

To identify these challenges, the IRPP brought together 12 agenda-setters — a group of academics, analysts and practitioners with wide-ranging expertise in Canadian public policy. In assembling this group, we strove for a balance among people from academia, government and independent research institutions whose views span the political spectrum.

Each agenda-setter was assigned the task of identifying the three broad policy challenges that, in his or her view, are most likely to affect Canada's economic and social prospects over the medium term. They were asked to make their selections based on two general criteria: the relative importance of the challenge, and whether it can be addressed through specific policy initiatives. They were also asked to write a short paper outlining their choices[2] and to defend their selections to the other agenda-setters at a one-day workshop, which took place in Montreal in January 2006.

As can be seen from the complete list of agenda-setters' priorities on page 4, there were considerable overlaps among the broad policy challenges tabled for consideration at the CPA workshop. In some cases, several participants identified nearly identical challenges, such as addressing the implications of an aging population; in others, several challenges had common themes, such as improving human capital, but they were articulated in different contexts and with different emphases. Therefore, the next step for the 12 agenda-setters was to agree on a streamlined list of challenges that did not overlap but nonetheless accurately reflected their divergent views. This required a great deal of discussion, argument and even horse-trading at times, and eventually culminated in a shortened list of 14 broad policy challenges that was deemed to fully reflect the ideas presented by the participants. As a final task, each agenda-setter had

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THE CPA AGENDA-SETTERS

Ken Battle — President of the Caledon Institute

Pierre Fortin — Professor of Economics, Université du Québec à Montréal; policy advisor to René Lévesque

Anne Golden — President of the Conference Board of Canada; former president of the United Way of Greater Toronto

Jane Jenson — Professor of Political Science, Université de Montréal; Fellow, Trudeau Foundation

Tom Kent — Founding Editor of *Policy Options*; policy advisor to Lester B. Pearson

Robert Lacroix — Professor of Economics and Fellow, Center for Interuniversity Research and Analysis on Organizations; former rector, Université de Montréal

Kevin Lynch — Clerk of the Privy Council; former federal deputy minister of finance; former director, International Monetary Fund

Janice MacKinnon — Professor of Public Policy, University of Saskatchewan; IRPP Chair; former finance minister of Saskatchewan

Judith Maxwell — Senior Fellow and former president of Canadian Policy Research Networks; former chair of the Economic Council of Canada

Nancy Olewiler — Professor of Economics and Director of the Public Policy Program, Simon Fraser University

Lars Osberg — McCulloch Professor of Economics, Dalhousie University

Jim Stanford — Economist, Canadian Auto Workers; columnist for the *Globe and Mail*

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to select a subset of 8 challenges from the shortened list. Thus, not only was each agenda-setter forced to make tough choices early in act 1 by selecting three policy priorities from a nearly infinite range of possibilities, but each was also required to choose his or her top 8 from the winnowed list of 14. The results of this vote are shown on page 5: the figure in the right-hand column indicates the number of agenda-setters who selected the policy challenge named in the left-hand column.[3]

Given the range of expertise and perspectives around the table, we were not surprised that the agenda-setters held strong and often divergent views on the most important policy challenges facing the country. Yet a number of overarching themes emerged. The concept of capital was raised often, and the importance of protecting Canada's natural capital and developing its human capital was emphasized by many. Equity was also a key consideration for most of the agenda-setters — in terms of young and old, rich and poor, and current and future generations — as indicated by widely shared concerns over the impact of economic insecurity and population aging on social cohesion. Of course, health care was also the focus of much discussion, and

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CANADA'S ECONOMIC AND SOCIAL POLICY CHALLENGES: THE AGENDA-SETTERS' TOP THREE

Ken Battle
1. Reform adult benefits to improve assistance to the unemployed and the working poor
2. Enhance the economic security of families with children
3. Increase the availability and quality of early learning and child care

Pierre Fortin
1. Improve education by focusing on the acquisition of basic skills
2. Address the intergenerational and fiscal implications of an aging population
3. Rebuild national cohesion and strengthen Canadians' sense of national identity

Anne Golden
1. Improve Canada's global competitiveness
2. Address the labour force and fiscal implications of an aging population
3. Develop a climate change strategy and improve management of natural resources

Jane Jenson
1. Increase the availability of good-quality nonparental child care
2. Enable parents with young children to make full use of their education/skills
3. Enhance intergovernmental cooperation to better address policy challenges

Tom Kent
1. Establish a youth charter to improve the health, education and living standards of children
2. Encourage smarter work to improve Canadian productivity
3. Enhance equality of opportunity and ensure fairer rewards

Robert Lacroix
1. Increase investment in post-secondary education and university research
2. Redesign the equalization system and review other aspects of fiscal federalism
3. Fulfill Canada's Kyoto commitments while minimizing the associated distributional effects

Kevin Lynch
1. Increase Canadian productivity growth to close the gap vis-à-vis the United States
2. Improve human capital through education and training
3. Improve Canada's global reach (attract foreign direct investment and deepen trade links)

Janice MacKinnon
1. Reduce the growth rate of health care spending and invest in the long-term determinants of health
2. Promote innovation and increase productivity
3. Address the labour force and fiscal implications of an aging population

Judith Maxwell
1. Establish a social care system for seniors
2. Improve services and child care choices for families with young children
3. Provide alternative pathways from school to work for young adults

Nancy Olewiler
1. Ensure the sustainability of Canada's natural capital stock
2. Address insufficient and ineffective education and skills development
3. Improve Canada-US relations and economic cooperation

Lars Osberg
1. Reduce poverty and social exclusion to maintain social cohesion
2. Improve Canadians' sense of personal security over their economic futures
3. Enhance a sense of common citizenship among all Canadians

Jim Stanford
1. Reduce the concentration and depth of poverty to prevent social exclusion
2. Reduce greenhouse gas emissions to stabilize global climate change
3. Manage trade liberalization with emerging markets to sustain Canadian jobs

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THE AGENDA-SETTERS' POLICY CHALLENGE SELECTIONS	
Enhance learning in Canada and the conditions under which investments in skills and learning pay off, from early childhood through adulthood	12
Improve the economic and environmental sustainability of Canada's natural capital in the global environment	10
Achieve effective intergovernmental relations within the federation	10
Address the economic and social implications of an aging population	8
Improve labour market opportunity and economic security for working-age adults	7
Improve economic security for families with children	7
Improve the health outcomes of the Canadian population	7
Improve Canada's absolute and relative productivity performance	6
Maximize the net benefits of Canada's active engagement in the global economy	6
Enhance Canada's capacity to create, transfer, commercialize and use knowledge	6
Improve the performance and sustainability of the health care system	5
Reduce poverty and social exclusion	5
Reduce economic disruptions from growing trade imbalances with emerging economies	4
Enhance Canadians' sense of common citizenship	3

familiar concerns about the sustainability of the current system were raised. Ultimately, a greater number of participants chose improving the health outcomes of Canadians as the more important challenge. Enhanced productivity performance was another strong theme — not surprisingly, since many other policy challenges become easier to address when overall long-term living standards are improved. Indeed, the same argument applies to another top-of-mind issue: Canada's ability to position itself amid rapidly changing trade and investment patterns in the global economy.

The agenda-setters' workshop concluded act 1 of the Canadian Priorities Agenda, but it was the starting point for act 2. The agenda-setters exit stage left, while the analysts and critics enter stage right.

ACT 2: CONDUCTING THE POLICY ANALYSIS

Mindful of the need to make choices and establish priorities, we decided to restrict the scope of our project to the detailed examination of eight of the broad

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policy challenges identified by the agenda-setters. We did so by following their prefer-
ences, starting at the top of their selected list and working our way down. We also mod-
ified the list in three ways. First, we recognized that the environmental challenge really
contains two quite distinct issues — protecting Canada's natural capital and dealing
with global climate change — and that a serious analysis of both would be beyond the
scope of a single paper. For this reason, we split that challenge into two. Second, we
omitted the third challenge (achieving effective intergovernmental relations), because
such governance and institutional issues, as important as they are, actually pertain to the
political environment within which all of the other policy challenges are to be
addressed. It would therefore be difficult, if not impossible, to compare specific policies
related to this challenge with those related to the other challenges. Put slightly differ-
ently, we judged that the CPA project would have a sharper and more useful focus if we
restricted our attention to specific economic and social policies, taking as given
Canada's existing governance structure.[4] Finally, since the fourth and fifth broad policy
challenges both focus on economic security, and there was likely to be significant over-
lap in the specific policies proposed to address them, we combined them into one.

Armed with this final list of eight broad policy challenges, our next step was
to find a cast of analysts capable of digging deeper and carefully examining and com-
paring policies to address each of them. Since we knew that we would need detailed
analyses of specific policy alternatives, we searched for people who possess a combi-
nation of solid analytical skills, considerable policy savvy and expertise in the particu-
lar policy area. Moreover, since the task would involve identifying the overall costs and
benefits of each policy proposed, it was clear to us that we needed economists, whose
training encourages them to think precisely in these terms.

THE CPA POLICY CHALLENGES AND ANALYSTS

Human capital — W. Craig Riddell, University of British Columbia

Climate change — Mark Jaccard and Nic Rivers, Simon Fraser University

Natural capital — Nancy Olewiler, Simon Fraser University

Population aging — David K. Foot, University of Toronto

Economic security — Jean-Yves Duclos, Université Laval

Health outcomes — Robert Evans, Clyde Hertzman and Steve Morgan, University of British Columbia

Productivity — Andrew Sharpe, Centre for the Study of Living Standards

Trade and globalization — Michael Hart, Carleton University

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We assigned all the analysts the same tasks: first, they had to present their perspectives on the broad policy challenge and articulate its importance to Canadians' economic and social well-being; second, they had to identify three policies that would be most effective in addressing the challenge; third, and most important, they had to analyze the effects of each policy — costs, benefits, distributional aspects — as precisely as possible and consider other relevant factors, such as the policy's political feasibility. In short, we asked them to make the best evidence-based case they could for their three chosen policies, almost as if they were trying to convince a skeptical prime minister or cabinet why the policies should be implemented.

The first part of this book contains the analysts' papers on the eight policy challenges and their policy proposals. It also includes the critics' assessments of the proposals (two for each challenge). Since we had intentionally solicited analyses from economists, we tried to counterbalance this bias by choosing several critics from a different background. But, in all cases, we chose academics or practitioners with considerable experience in either the design or the implementation of Canadian policy and with expertise in the particular area.

ACT 3: MAKING DIFFICULT CHOICES

If the analysts did their job well, then all 24 of the policies they selected would appeal to an ambitious government wishing to reach out to various voter constituencies. But resource constraints force any government to narrow its policy priorities. To capture this important aspect of real-world policy implementation, the third and final phase of the CPA project entailed a process of selection among the 24 policies recommended by the analysts.

In an ideal world, such choices — whether from among policies aimed at quite different challenges or policies aimed at the same challenge — would be made by experienced individuals who had wisdom acquired over years of observing which policies succeeded and which failed, and why. Such individuals could objectively assess the available evidence and, if that evidence was sufficiently compelling, alter their beliefs accordingly. They would also have the breadth of vision to predict how various policies might interact, and thus understand how the case for a specific policy in isolation could be altered by the simultaneous consideration of other policies.

The six individuals we asked to play the role of judge for the Canadian Priorities Agenda have contemplated, analyzed, explained and debated policy in the

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THE CPA JUDGES
Wendy Dobson — Professor and Director, Institute for International Business, Rotman School of Management, University of Toronto; former federal deputy minister of finance
Alain Dubuc — Syndicated columnist for *La Presse* (Montreal)
John F. Helliwell — Professor Emeritus, University of British Columbia; Fellow, Canadian Institute for Advanced Research
Richard G. Lipsey — Professor Emeritus, Simon Fraser University; former fellow, Canadian Institute for Advanced Research
Carolyn Hughes Tuohy — Professor Emeritus, University of Toronto; Senior Fellow at the School of Public Policy and Governance at the University of Toronto
William Watson — Associate Professor of Economics and Chair of the Department of Economics, McGill University; columnist for the *National Post* and the *Gazette* (Montreal)

Canadian context for many years. Most have experience either in government or in advising government at the highest levels. Their mandate was to examine the evidence presented by the analysts, weigh the arguments of the analysts' critics and assemble from among the set of 24 policy recommendations their own packages of five pre-ferred policies.

The full cast of players (analysts, critics and judges) came together for a two-day "performance" in Toronto in March 2007. In eight conference sessions, the analysts presented their cases for three specific policies. It was clear from the outset that some had a harder task than others, as their policy recommendations were less familiar to some of the judges. Creative policy recommendations — and many of the CPA policy recommendations are quite creative — are often greeted warily by decision-makers. The judges asked clarifying questions, but held their cards close to their chests.

As the critics rose to present their views, the real disagreements began to appear. Like the analysts, the critics were also specialists in the policy area being dis-cussed, but their perspectives — often those of practitioners or academics with very dif-ferent professional training — sometimes led them to offer contrasting views of the analysts' chosen policies. While these competing views were being aired before the entire group, one could see judges jotting down notes and sorting out their own thoughts.

The judges were then free to question the analysts and raise any concerns they had about what they had heard. Finally, the floor was opened to general discussion and debate among all participants. At this point, many commented on the interaction of indi-vidual policies, and it became clear that the case for any given policy would depend on which other policies were also chosen. Such interaction naturally makes the policy selection process more difficult, and we were glad we had chosen a panel of judges who

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were up to the task. During these discussions, a few of the judges revealed their cards, but surprisingly few, and never a complete hand. Each judge knew that it would take some time to clarify his or her thoughts. Making difficult choices is…well, difficult.

As the CPA conference ended, after an intense but fascinating two days, the real work for the six judges was just beginning. Though they were free to use whatever selection criteria they thought most appropriate, each agreed to write a paper clearly explaining his or her choices and rationale. The second part of this book contains their verdicts, and the reader will not be surprised to find that each judge has strongly held views about many things, including the appropriate role of public policy in a mixed economy; which criteria matter most in setting policy priorities and choosing from among them; and which policies are likely to work and which are likely to fail. In all cases, the judges have taken the time to seriously ponder the choices put before them and to present carefully reasoned policy packages.

In the third and final part of the book, we offer a brief analysis of the six judgments, and point to some overarching themes as well as potential directions for Canadian policy coming out of this unique exercise in policy research and deliberation.

The goal of this IRPP initiative was to bring together some of the best policy minds in the country to examine and discuss Canada's top economic and social policy priorities and choices over the medium term. We are confident that the ideas, insights and analyses generated by this impressive group of experts within the context of the Canadian Priorities Agenda will make a valuable contribution to policy debate in Canada. We hope you agree.

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NOTES

1   We are pleased to acknowledge our intel-
     lectual debt to the Copenhagen
     Consensus, a project designed in a similar
     way to highlight the need for policy choice
     in a world of scarce resources (see
     www.copenhagenconsensus.com). But
     the contexts for the two projects are quite
     different. Whereas the Copenhagen
     Consensus project focuses on how the
     developed world should collectively
     choose and support policies to promote
     better living conditions within the develop-
     ing world (see Lomborg 2004), our focus
     is on how one country (Canada) should
     choose policies to promote better internal
     economic and social well-being.

2   Their essays appear in the April-May 2006
     issue of *Policy Options*.

3   In the April-May 2006 issue of *Policy
     Options*, we provided an interpretation of
     this list based on the workshop discus-
     sions and the views underlying the policy
     priorities, drawing out central themes
     where we thought they had begun to
     emerge. For this reason, in this introduc-
     tion we confine ourselves to only a few
     brief observations.

4   The IRPP has a long-standing interest in
     the evolution of Canadian federalism, con-
     stitutional reform and federal-provincial fis-
     cal arrangements, and it has published
     numerous reports and studies on these
     issues over the years. For more informa-
     tion about the IRPP's research projects
     and publications, see the Web site at
     irpp.org.

REFERENCE

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     Global Solutions*. Copenhagen
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