

**CARDUS FORECAST:
A CANADIAN ADDENDUM
TO DAVOS AND MCKINSEY**

MARCH 2021

Cardus Briefing Memo

To: Cardus Stakeholders
From: Ray Pennings, Co-founder/ Executive Vice President
Date: March 4, 2021
RE: A Canadian Addendum to Davos and McKinsey

Setting the Context

The primary benefit of forecasting is not to predict the future but to inform our analysis of the present. Discerning patterns in reality around us helps us understand the world in which we live. A broad cultural intelligence, synthesized into a coherent and manageable framework, can assist decision-makers and help institutions, from local businesses, regional and community associations, and various levels of government, make better decisions in their everyday context.

This briefing has three objectives:

1. To provide attendees with a high-level overview of some key 2021 forecasts relevant to Canada;
2. To highlight patterns and key questions that might be kept in mind when assessing forecasts; and
3. To posit some themes to think about from a faith perspective.

The links in the materials below are for those who want more detail. Do keep in mind that our format allows only for top-line presentation, and we acknowledge that for almost every claim made, there is nuance or detail that should be considered. We will begin summarizing a framework derived from the annual Davos conference and supplement it with a few Canadian-specific forecasts. The analysis will contextualize these themes within the framework presented in Cardus's ["Ten Policy Considerations in the Context of a Post-pandemic Reset"](#) released in December and conclude with some "things to think about" that emerge from this exercise.

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Global Forecast

On January 25–29, 2021, fifteen hundred leaders gathered virtually under the theme “A Crucial Year to Build Trust” in the pandemic version of the annual Davos conference organized by the World Economic Forum (WEF). McKinsey & Company is a key research and strategic partner for Davos, and following the event, [they summarized what emerged around eight themes](#). These themes provide a convenient summary.

1. Stakeholder Capitalism: Shifting toward inclusive growth
2. The Race to Net-Zero: A multi-dimensional strategy for government and business to achieve net-zero emissions in the climate-change battle.
3. An Opportunity for Equality: Using the disruption of the pandemic to “build back better” with a “new social contract” that is focused on equality.
4. Digital regulation and responsibility: a need for new legal frameworks for social platforms.
5. Collaboration and the circular economy: Why open markets and supply chains are crucial to success.
6. Multilateralism: The need for global standards to support collaboration.
7. The Ongoing impact of AI and Digital: How innovation and technology will affect the global workforce.
8. Equality of women: Gender parity at the heart of the recovery.

My Take—Three observations came to mind reading the Davos reports.

- (1) The World Economic Forum launched [“The Great Reset”](#) last fall, so it is no surprise to see an emphasis on multilateralism. The very structure of the WEF biases it toward problems and solutions that are global in nature, predisposing it to “bigger” and “centralizing” solutions. Historically this has been focused on the political and economic; this year’s list seems to be even more multi-sphere. Some are threatened by this, but I would point out that multilateral institutions haven’t had an overly successful run of late. The United Nations, defense and economic alliances, and the various conferences producing environmental targets are all falling well short of their stated objectives. That’s not to suggest this is necessarily a good thing—just that a website sponsored by the United Nations isn’t as threatening as some make it out to be.
- (2) There are very strong ethical and ideological overtones to what Davos proposes. Some of it is idealistic virtue signaling, but substantial structural issues are embedded. For example, the [WEF emphasis on stakeholder](#)

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[capitalism](#) is a welcome antidote to the “[short-termism](#)” that unchecked market capitalism can produce. However, anchoring a stakeholder capitalism in a checklist of outcomes without a framework of what constitutes flourishing and the common good has significant limits. Thankfully (along with the many failed central-planning experiments of history) such attempts to measure success by a predefined checklist of results rarely works. The output rather than input focus of most measures runs counter to my impulse to invest in the institutions and make sure they are healthy. If they are healthy, the results will be more favourable than trying to measure success by specific effects.

- (3) One cannot help but notice that technology plays a significant role (themes four and seven). On the one hand, as the COVID-19 vaccine has demonstrated, science has huge capacities to do amazing things in short periods of time. However, as the roll-out of the vaccine is confirming, society has a hard time keeping up with understanding how to utilize science and technology effectively. Speedboats and ships may both be water vessels, but their pace and ability to turn quickly is very different. The WEF list includes things that move at very different paces and is largely silent on how different institutions can and will adjust to expected changes.

Canadian Forecasts

a. Conference Board of Canada

The [Conference Board of Canada's two-year economic outlook](#) is very different in its purpose. It analyzes much more specifically economic data and uses modelling to help those involved in economic life anticipate what might happen in the next twenty-four months. The 2021 forecast presumes a successful rollout of the COVID-19 vaccine during 2021; however, expect a delay in the economic “back-to-normal” due to consumer uncertainty, a bit of time before borders are opened, and an adjustment in the retail sector (with continued movement to online) and in employment (with some stops and starts in figuring out how much of telecommuting will stick). Additional features of this forecast include the following:

- An expected 5.3 percent GDP growth in 2021 (effectively undoing the 2020 contraction).
- A recognition that household finances are in great shape. (During 2020, aggregate household savings grew by over \$180 billion, or around \$5,000 per person—when and on what will this be spent?)

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- Concern regarding the government's fiscal capacity, expecting that they will continue to provide income and business support in the short-term—but before long challenges will result in a rethinking of core programs.
- The reality that overall optimistic fiscal numbers mask the very real challenges that will be faced in particular sectors and regions, with certain sectors facing a likely long road to recovery.

My Take—[Previous US presidents](#) have made famous the slogan “A recession is when your neighbor loses her job; depression is when you lose yours.” Whereas the WEF forecast emphasized big themes that were global in nature, the Conference Board helpfully contrasts this with a recognition that all economies, but especially the Canadian one given the size and diversity of our geography, is very local (understood not simply in its geographic but also in an industry context).

b. Export Development Canada

I find [Export Development Canada's forecast](#) helpful given that Canada is primarily a [trading nation](#). Its modelling contains growth projections slightly more pessimistic than the Conference Board's (4.4 percent growth contrasted with CBC's 5.3 percent). It is premised on vaccinations being mostly available in the second half of 2021, the expectation that consumer demand will drive continued growth, and a series of countervailing pressures that will see borders open in spite of various protectionist trends. The direction of this forecast is similar to CBC (and several others I have reviewed), although EDC is suggesting the pace of economic recovery to be a bit slower and predicts it will lag into 2022.

Peter Hall, EDC's chief economist, concludes his summary this way:

As the proverb goes, hope deferred makes the heart sick. Serial disappointment is weighing on the economy, testing patience, provoking dissent. But the proverb continues: desire fulfilled is a tree of life. Fundamentals still strongly suggest a return to growth—in time to keep hopes from getting snuffed out. It couldn't come soon enough.

My Take—The intertwinement of Canada with the rest of the world is an important factor in understanding Canadian society. Economically we have always been a trading nation, which both insulates us and makes us more vulnerable to global trends (especially when we have as much of our trade in one basket, as we do with the United

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States). On the other hand, the makeup of the Canadian population, a diaspora from countries around the world who have cultural, national, and familial loyalties to many corners of the globe, open us up to a global market intelligence that countries with a more homogeneous population lack. The international situation is complicated, with Brexit, East Asian and Chinese geopolitics, and more rapid growth in emerging economies (6.5 percent predicted in contrast to 4.2 percent predicted for the developed world) among factors to pay attention to. All that said, Canada's economy and politics are quite intertwined, and the challenges will be mitigated assuming that most of our monetary and fiscal policies remain in relative lock-step with the rest of the developed world. This is especially relevant thinking about government's fiscal capacity and how it deals with both government debt and interest rates.

c. Environics Public Opinion

Most forecasts are predictions by professionals, a step or two removed from the front lines of day-to-day life. Public-opinion firms regularly do "deep dives" seeking to parse the core values and expectations of Canadians beyond the headline issues, and I find such a "bottom-up" look at where Canadians are at helpful in framing the issues.

[This Policy Options summary](#) by Andrew Parkin from Environics draws from various surveys to highlight ten leading trends.

1. The world is a less friendly place toward Canada. In other words, Canadians have the sense that we have fewer friends and more enemies.
2. Confidence in business is declining. In 1992, confidence in business leaders was 43 percent higher than confidence in political leaders. Today, there is an 8 percent gap (44-36 percent).
3. There is growing concern for the less well-off. Support for a guaranteed income has increased almost 20 pt. in two decades.
4. Canada has a racism problem, with concerns highest about anti-black, anti-Chinese, and anti-Indigenous attitudes.
5. There is slow progress toward reconciliation with Indigenous peoples with a slight increase in Canadian support for governments to be doing more.
6. Although a significant number of Canadians have had their employment prospects reduced, it has not affected attitudes toward immigration, with most Canadians viewing immigration favourably, also as it relates to its impact on the economy.
7. The supposed consensus regarding laïcité cited by Quebec leaders is misleading, as there are significant generational divides, with 65 percent

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- of those over fifty-five supporting Quebec's secularism laws and only 37 percent of those under forty supporting those laws.
8. British Columbia is comparatively much less alienated from the rest of Canada; however, this may reflect as much a growing disconnect between BC and the prairie provinces as it does a growing support for the federation.
 9. Canada is divided on climate change and energy-related issues. Although the numbers are starkest in Alberta (where 45 percent would prioritize the environment over 47 percent prioritizing jobs), the pan-Canadians numbers (at 52-38) are not as different as many might expect.
 10. Federalism: show it some love. Those agreeing that "Canadian federalism has more advantages than disadvantages" for their province has fallen by 15 percent since 2000. The falls are across the country (recognizing that they likely started in very different places), with Atlantic provinces falling 25 percent and Quebec at the lowest level, at 40 percent (although every region except Ontario is at similar levels considering standard margins of error).

My take—The bottom-up temperature check suggests that there is a growing sense of dissatisfaction within Canada and concerns about not belonging. Digging into the data shows significant generational divides within Canadian society, and especially outside of Ontario there is a growing sense of resentment and concern on a variety of files.

In the Context of Big Picture Themes

Analysis requires a framework, and the following eight themes help us ask important questions of the data before us.

- 1. Reframing Common Good.** Embedded within some of the forecasts is a new morality: prioritizing identity, equality, and environment. Modern liberalism and market economics has evolved incrementally, with data and debate driving the collective priorities. The respective forecasts suggest a growing divide between the alienation and dissatisfaction that can be measured at a more local level and the centralizing forces seeking a prescribed outcome. Data suggests that most of the population does not have a well-articulated set of foundational principles or that there is a clear consensus of what flourishing looks like. How and where will these different ideas clash, and how will those debates be resolved? What happens in a society where antagonism is so strong that subjective decisions regarding hiring or neighbourhood result in people avoiding those of a different political stripe or religion? When matters

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that once were the subject of discussion and debate are now “settled” with different subsets of the population believing their own answers, how is civil discourse recovered?

- 2. Who Does What?** Given the increasing reliance on more global objectives and standards, is the local becoming less important? Some of the big questions (dealing with a global pandemic; responding to the power of global technology companies and intellectual property and privacy which do not respect borders; addressing global climate issues) tend toward “bigger” solutions, but the various global institutions all seem to have their challenges. Is the historic urban-rural divide being reframed as [“superstar cities” decline](#) and smaller, “more livable” cities grow in an era of super-commuting?
- 3. Reframing Debt.** How long can continued low interest and a global reliance on government stimulus continue: (a) who breaks the pattern first and to what advantage, and (b) who ends up paying the bill?
- 4. Reframing Work.** How will the combination of technology and income support change the expectations of the place paid employment has in regular lives? What are the implications of this beyond the economic sphere?
- 5. Reframing Workplaces.** Will technology, health, and the cost of urbanization (relative to earning potential) change where people want to live? Will the impact be on the divide between rural and urban or rather between small cities and large cities?
- 6. Refreshing Institutions.** When the calculus regarding existing institutions (advantages/disadvantages) seems to change (as evidence would suggest is happening in context of federal state, workplace, marriage), how will these institutions transform? Are institutions more resilient than they are given credit for, and in the challenges that emerge, will renewed forms of institutions that were thought to be dying emerge?
- 7. Performative Polarization.** In a shrinking media environment where everyone is narrowcasting to their own echo chambers, what reliable media will emerge? Will the polarization that is a product of talking to only like-minded people result in other sorts of fragmentation?

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8. Humans and Rights. The loss of a common anthropology (historically in Western civilization rooted in the imago Dei, which separates humans from the rest of creation and provides the basis for dignity and rights) has implications for science (artificial intelligence, aspiring to perfect human beings), agency (what does each individual get to decide; what do we decide for others), ethical and medical issues, gender and identity issues, and so on. We cannot escape the implications of different anthropologies, and if a shared understanding of what it means to be human isn't going to frame how we deal with our differences, what will?

Some Principled Considerations

1. Solidarity

[“Am I my brother’s keeper?”](#) is one of the first questions asked in the pages of the Scriptures. Millennia later, Jesus’s followers were still confused [regarding who was their neighbour](#). While grand themes of equality and inclusiveness are inspiring concepts, their power is realized when expressed in day-to-day life. Most often, this occurs in the context of institutions and relationships—families, businesses, neighborhood groups, social clubs, and so on. Institutions (at least those not directly implicated in government and the market) are conspicuous by their absence in most of these forecasts. The day-to-day experience of most people will help them recognize that there are other things to invest in that can have a tangible effect on their lives and enable them to build the relationships with others that people, who are social creatures, need to flourish.

[The COVID-19 pandemic has provided a valuable case study](#) on how institutions can contribute to relationships and care for others. Consider the family as an example. In contrast to the prevalent understanding of marriage as a “me-first” institution, the pandemic has for many demonstrated itself an effective “family-first” institution. Family has provided more effective supports for many than could any other institution.

2. Subsidiarity

There is a directional tension within these various analyses. Some trends suggesting more multilateralism, a reliance on broader and more global institutions, and an aspiration for global standards. On the other hand, there is a sense among the population of greater alienation and isolation of few friends and more enemies, and of a lack of trust. The principle of subsidiarity

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pushes decisions down to the lowest possible level, relying on relationships and trust that is cultivated more locally and recognizing that the consequence might be different solutions being arrived at in different locales, and being okay with that. Most of the proposed frameworks proceed from the premise that economics and politics drive almost everything. A subsidiarity approach that pushes decisions down creating diversity and choice provides an alternative framework.

3. Limits

When considering forecasts, it is as important to ask what is missing as it is to analyze what is there. Conspicuous by their absence from the various forecasts is consideration of how aging and marginalized populations will be dealt with after the COVID-19 pandemic. (The argument for lockdown was premised on care for the vulnerable, especially in the long-term-care sector. Certainly in Canada, it has failed significantly in this regard.) Also missing from these analyses is any serious change regarding how we might deal with Indigenous issues (remember that when the pandemic hit, our economy was being significantly affected by protests and economic disruption around that issue) and faith issues (the presumption is that faith is an optional extra for most, even though the global evidence is overwhelming regarding how faith motivations shape all sorts of behaviours, both positive and negative).

4. Hope

One might summarize the themes that emerge from Davos and the other forecasts as “an ordering of our fears”: trying to sort out how the competing challenges of pandemic, inequality, unsustainability, and alienation might be overcome. The blessing of working from a Christian framework is that while we do not know the future (and there is good reason to expect much of it will be difficult), we can proceed with confidence that there is purpose, meaning, and hope to life. This should not be a pious bookmark to demark our identity as being faithful nor an excuse for not doing the hard work of dealing with real challenges. However, it is a posture of confidence that shapes our perspectives and analyses.

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