

not foresee in 1972 that the energy crisis was about to bring fundamental changes in the world economy, or that inflation was getting out of hand, or that the worst recession in half a century was looming ahead. Further, Sharp retired from the government in 1978 and bears no responsibility for implementing the strategy beyond that time.

The Liberal government, however, did persist with the strategy in the changing circumstances, and thereby made it more difficult to cope with the harsh economic realities of the times. The goals of the National Energy Policy (NEP) introduced in 1980, for example, were not unreasonable, but the timing and the nature of the policies contributed to the flight of capital, the embitterment of opinion in western provinces toward the national government, and the postponement of major energy projects. FIRA and the proposal to extend its powers discouraged foreign investors. It managed even to upset some Canadian businessmen who, for a variety of reasons, were concluding that the climate for enterprise and investment was better in the United States. The outflow of capital drove down the value of the Canadian dollar, forced up prices and interest rates and contributed to the recession.

Pressure from the United States, criticism within Canada and the economic circumstances combined in 1981 to force the government to withdraw the plan to strengthen FIRA and to modify NDP. So from these measures flowing from the Third Option, the gain was little, the loss was great. And the reason fundamentally was that the government was seeking to drive Canada in the wrong direction.

The Real World

The direction of the developed countries in the past decade has been toward the recognition of their economic interdependence and of the need, consequently, to cooperate in the management of the increasingly complex international system. It is a fact also, although not so widely acknowledged, that the democracies have been losing their national identities and coming instead to share a common popular culture. The major cause of this trend toward the integration of societies has been the new technologies of transportation and communication which have shrunk the world and made all countries neighbors. Where democracy prevails and the power of governments to intervene is limited, people, ideas, goods and capital can move swiftly from country to country, continent to continent. Major corporations now organize their business on a continental or even global scale, introducing a new international division of labor. Television joins all the democracies to a vast network of information and entertainment programming, with the rest of the world looking in when it can. Governments recognize that they cannot individually solve the problems of inflation, recession and pollution, and so they seek new ways to cooperate without surrendering their freedom of national action.

On another level of experience, masses of people suffering economic hardship or political oppression at home

have become aware that a better life may be available in the affluent democracies. Pressing against every border, millions have been admitted as immigrants or refugees, or have slipped illegally through the controls. This floodtide of people, coupled with extensive migration among the affluent countries, has changed the appearance and the way of life of many of the great cities in the democracies. The cities are becoming multinational rather than national in character, home not to one nation but to people of many races, colors, languages and cultures.

Your state or mine?

During the 1970s new challenges were posed to the notion that national borders corresponded to distinctive social systems rooted in national cultures. In particular, it became increasingly difficult to sustain the conventional idea that national borders defined independent economies. That is not to say that nation-states withered away. They remained the principal units of political, economic and social organization, and an important source of identity for their citizens. But the democratic societies became increasingly alike and national governments were forced to modify their concepts of sovereignty in face of the reality of interdependence. In his 1972 article, Sharp had glimpsed this future:

The whole conception of distinctness is, of course, changing. There are challenges facing modern society that transcend national boundaries. There are areas of economic activity that can no longer be performed efficiently except on a scale that exceeds national dimensions. There is a whole host of linkages that lend cumulative substance to the reality of interdependence. This is a global trend from which Canada can neither claim nor expect to be exempt.

He argued, however, that Canada was already so closely linked to the United States that further integration would be a threat to its identity, and he wrote:

The third option — a comprehensive strategy to strengthen the Canadian economy and other aspects of our national life — assumes that the continental tide can be stemmed and to some extent contained within bounds that approximate more closely the wider, global thrust of interdependence.

This seemed to say that the strategy was not really expected to reverse the trend toward integration, but merely to slow it until the rest of the world could catch up. So perhaps there was always an ambiguity, or even a contradiction, at the heart of the Third Option. On the one hand it promised to set a direction for Canada away from further integration with the United States, while on the other hand it implied that the long-term trend would be toward integration at a pace in step with the world.

Events, however, overtook any confusion that might have existed in the minds of Sharp and his colleagues. The pace of the international trend toward interdependence and integration accelerated, and so also did the pace of the integration of Canada and the United States. But the trend was not without resistance. Great movements in affairs always produce counter-movements, and there were in most countries significant forces seeking to protect what