

history of the European Free Trade Association (EFTA) offered in Mr. Sharp's paper. Even the slightest knowledge of the history of EFTA would show that what such an association discovers is that tariffs are not the only obstacle to trade, and that fair free-trade competition requires attention to the other barriers and Canada's own experience with Commonwealth preferences (not quite the same thing as a free-trade area, but the same in economic principle) shows no tendency whatever for the members of the system to move "toward a full customs and economic union as a matter of internal logic".

It is also instructive to compare Mitchell Sharp's arguments on this score, which stress the alleged political disadvantage of Canada-U.S. economic integration as an overwhelming offset to the economic advantage, with the British arguments for joining the European Economic Community, which stress the political advantages in terms of international power as an overwhelming offset to the absolutely certain economic disadvantage.

If Canadians wish to be independent of the United States, the best way to do it is to secure the maximum possible participation in American affluence and dynamism. Although for dynamism the Japanese, Germans and Italians have the Americans beat by miles — another instance of Canadians accepting American mythology without question) and to spend the resulting profits their own way; and the richer Canadians are, the less likely they are to want to let an American majority decide how to spend their money for them.

#### Canada's course

The first option — proceed more or less along present policy lines — is not what Canada could or should do, but what in fact it will do. Canadian policy towards the United States, ever since the start of Mitchell Sharp's "Phase Three", has been a mixture of truculence reined in by opportunism as soon as it began to hurt any important short-run economic Canadian interests. If Canadians really wanted "distinctiveness" to the extent of being willing to pay a price for it, they should welcome any American policy that treated Canada just like any other country outside the United States, instead of always rushing to Washington to ask for exemption under the rubric of the "special relationship". But since the Canadian government always does the latter, and since the Canadian electorate is smart enough to save itself from centralized coercion either by insisting on provincial rights or by voting federally so as to make

a coalition government necessary, short-run opportunism (Option One) and not long-run national policy determination (either Option Two or Option Three) is the best that we can expect of Canadian policy towards the United States — and it may be the best of the options offered by Mitchell Sharp.

In conclusion, some comments should be made on two themes that run through Mitchell Sharp's essay: "the continental pull" and "Canadian vulnerability". The "continental pull", in economic terms, is simply the dawning recognition that a former daughter colony of a now aged and declining mother country will gain by transferring its interest from supporting mother to courting with a young, virile and rich young man. In cultural terms, it represents a recognition that very rich people can teach comfortably rich people how to spend their money wisely better than poor people can. The United States is the mentor for the whole world in the exploration and dissemination of styles of living for an affluent mass (not class) society; it is only Canadian parochialism that prevents Canadians from noticing that what is regarded in Canada as "Americanization" is accepted in other countries both east and west of the "iron curtain", albeit reluctantly, as the modernization and democratization of society. The complaint about the "continental pull", from another point of view, represents the unwillingness of the archaic British élite of Canadian society to be dragged kicking and screaming into the modern world.

"Canadian vulnerability" is another ambiguous phrase. Economically, it refers to the fact that, because of the high degree of interdependence between the Canadian and U.S. economies, the effects of either U.S. depression or inflation on U.S. balance-of-payments policy actions can have a potentially large impact on the Canadian economy. But these effects can be largely offset by Canadian use of a floating exchange-rate against the U.S. dollar — a policy instrument that the options paper nowhere mentions, though it is crucial to the whole management of Canada-U.S. relations — by adroit use of Canadian fiscal and monetary policy, and by the automatic adaptive flexibility of the Canadian economy. One suspects that Mr. Sharp's view of the seriousness of Canadian vulnerability is based on the stridency of the immediate complaints of Canadian business about changes in U.S. policy, not on *ex post facto* analysis of how much real resource cost these changes imposed on the Canadian economy. Cultur-

*Can make use of fiscal, monetary policies to offset 'vulnerability' to U.S. actions*