

Chancellor Dodge, Vice-Principal Silverman, Chaplain Yealland, Rector Day, Dean Saunders,

On the 15th of October 1954, my father received an honorary degree from Queen's. He was the greatest influence on my life and that I should be here before you today, standing as he once stood, fills me with an emotion I cannot describe.

It also fills me with gratitude to the University and to you the graduates – that you would allow me to share this day with you, as those graduates in 1954 allowed my Dad to share their day with him.

In preparation our gathering here I read my father's convocation address and was immediately struck by two things: first: how much better his speeches were than mine and second: whereas I have been given but 10 minutes to convey my message, Dean Saunders, there was no time limit imposed on him.

I would make three brief points.

First: as business graduates presumably you believe in the free market. Well so do I! Its strength lies in its ability to give free rein to ambition and innovation. The problem is, its weakness is the flip side of its strength, for over time, that same ambition can go a bridge too far, unless that is, there is a strong "ethical base" which restrains it.

Unfortunately – this is not always the case. The US and European banking crisis was not just a failure of risk analysis as some have said. The problem was the gross negligence of too many executives of major financial institutions, people who had a fiduciary responsibility to demonstrate prudent behavior and breached it.

When the President of a major US bank admitted 2 years ago that he didn't understand the underlying weakness of subprime mortgages yet sold them to gullible purchasers, you have to ask what he thought his job was to justify his compensation. Or again, when a financial advisor charged a substantial override for due diligence and then did no due diligence before committing his clients' money to one of Bernie Madoff's funds, was better risk analysis the answer? I don't think so. I think it was a breach of trust every bit as culpable as the original Ponzi scheme.

In fact, I believe a major reason for the US and European bank failures finds much of its genesis in the unconscionable "ethical lapses" of a generation of finance industry players who leveraged other people's money for their own personal gain and in so doing breached their responsibility to their shareholders, their clients and to the wider community.

So, why do I raise this today? I do so simply to make the point, that throughout your lives, you will be confronted with practices that challenge your sense of right or wrong, and you will be told that everybody is doing it and that if you don't follow the crowd – you will miss the boat. Well don't, you believe it.

Of course you should take risks. Of course you should try new things. And sometimes you will lose and many times you will win, that's the free market working as it should. But that's not the issue here!

The issue is – when something doesn't smell right to you – just don't do it! In life, there's no substitute for judgment – not just judgment about what's profitable, but judgment about what's right or wrong and if you are asked to push the envelope past where you believe you should, remember there is no asset you will ever possess that is greater than your own integrity and your reputation.

The best expression of this I ever heard, came from a professor who was teaching economics and at exam time said to his students:

“Ladies and gentlemen, you are about to write an exam on the foundations of economics. The exam will not be monitored. It is on the honour system! Thus you have two exams to pass today, and if you are to fail one of them, I hope it will be the one on economics.”

My second point is also about judgment. It's quite simple: it's don't miss the paradigm shift.

What's a paradigm shift? It's an event that so changes the rules of the game, that it will never be the same again. It's a shift certain to alter the possibilities of your lives: an indebted Europe confronting the emerging economies of Asia as economic growth shifts from West to East is a paradigm shift; climate change is a paradigm shift; the fall of the Berlin Wall, the growth of the Internet were both paradigm shifts, and as a graduate of the U of T – so was Queen's winning the Vanier Cup.

So what's my point. It's not that it's so hard to recognize a paradigm shift. They're not the exception, for the last 100 years in fact they have been the rule. What's difficult, is anticipating their consequences – their intended or unintended consequences. Get that right and the world's your oyster.

The question is how do you do that? Now my answer is going to get me in trouble with some here, but hopefully it's too late to take back my honorary degree.

My answer to how do you anticipate the consequences of a paradigm shift, begins with what you don't do! You don't look for the answer in the mathematical modeling beloved of so many economists and so many business schools. I believe in modeling but those who think that mathematical equations, the result of computer-driven mindboggling calculations will eliminate uncertainty, should think again.

You cannot model the unprecedented, you cannot model the unexpected, you cannot model the ephemeral, and you cannot model a black swan. Quite simply, the myth of mathematical certainty will never override the animal spirits of the free market.

To accurately grasp the consequences of a paradigm shift calls for judgment and intuition and neither will be found in a quadratic equation. They will be found in experience, in a knowledge of history and of cultures, all of the things that too many think aren't important.

Mathematics recognizes chaos, but it seeks certainty. Judgment however recognizes uncertainty, and indeed it thrives on it – and all I would ask is that, when push comes to shove, once again you let your judgment be your guide.

Final point – totally off-topic. I imagine that most of you will be going into business. I would hope however that some of you will think about Public Service. I talked about the importance of anticipating the consequences of a paradigm shift. If doing so is important for a company, imagine how important it is for a country.

I raise this here, because while Queen's has one of the world's great business schools, it has also produced over the years so many of Canada's great public servants. I watched a number of them at work as a young boy at my father's side and I had the opportunity to work with one of them as Minister of Finance.

In my time in government Canada accomplished many things. It is one reason the nation is financially strong today. But none of this would have been possible without the dedication, the institutional memory and the credibility of the then deputy minister of finance who went on to become deputy minister of Health, then Governor of the Bank of Canada and now the Chancellor of Queen's. Canada would be a poorer country in every way without him.

When David Dodge and I worked together, a typical day in finance would blend into many late nights where at some point he and I would go outside so he could smoke his pipe which was literally an instrument of mass destruction and we would talk. We would debate the issues of the day, but we always ended up by agreeing that there was nothing that compared to the implementation of public policy, unless it was developing public policy.

We also both agreed that it was an addiction that no amount of money could replace. It's not for everybody. But let me tell you, if you ever feel its attraction, go for it! You will never regret it!

To conclude, you are graduates of a great university and you are now as well-equipped as you can possibly be. What I've raised here today in terms of both ethics and good judgment are embedded in everything you have been taught and now the opportunity to put all that to work is before you and nothing could be more exciting. From your own experience gained before you even came here, you know the world out there is competitive but it wants you to succeed, and no matter what it is you decide to do you have the skills to do the job.

I don't think there is one person up here, beginning with me, who doesn't envy you.

Good luck!