# AU COURANT

Economic Council of Canada

Volume 11, No. 1, 1990

## The local development challenge

- Perspective 2000
- The economy and the media
- Education: A question for the 90s

# CONTENTS

Volume 11, No. 1, 1990





Au Courant *est également disponible en français.*

The Economic Council reports featured in *Au Courant* reflect the viewpoint of Council members. Research studies, technical reports, discussion papers, and other background papers are prepared for the use of the Council by members of its staff and others. The findings of these reports are the personal responsibility of the authors.

Neither the original publication of these studies and papers, nor their condensation for the purposes of this magazine, should be taken to imply endorsement of their conclusions and recommendations by the members of the Economic Council.

*Au Courant* is published under the authority of the Chairman of the Economic Council of Canada, who bears final responsibility for the publication of the magazine under the imprint of the Council.



If you have any comments or querries about *Au Courant* please contact the editor.

**Editor: Jean-Guy Bruneau**



ISSN-0226-224X

Judith Maxwell

# Think globally, act locally

"Think globally, act locally," one of the mottos of environmentalists, is an apt caption for the Council's two main publications this spring.

The proceedings of the Perspective 2000 Conference highlight the evolving nature of the global economy. A multipolar world economy is replacing the one where the United States dominated, for example. And the growing complexity of the links between technology, environment, and population means that events in one community can spill over into neighbouring countries or regions. At the same time, these physical linkages could cause discontinuities – abrupt changes in technology or in ecology can produce unexpected reactions which are irreversible.

The Conference (convened to celebrate the 25th Anniversary of the Economic Council of Canada) identified these global forces and then explored their repercussions for Canada, with special emphasis on industrial relations, education, social security, and decision-making institutions.

There is no question that Canadians are exposed to greater pressure due to global competition. Canadians are also in a position to explore new opportunities for trade and investment, and for burden-sharing across nations.

Such remarkable changes on the global scene quite naturally provoke local action. One example is the way in which the Canadian business community is beginning to think globally in its international trade. We are becoming more and more integrated into the world economy – the volume of exports as a proportion of total production in Canada has increased from 27 per cent in 1981 to 33 per cent in 1989, a truly remarkable increase.

As global markets integrate, however, there is clearly a risk that some of the less-developed regions of the country will simply be passed by. It is difficult, for example, for a province like Newfoundland to attract a major manufacturing facility, when it may be competing with skilled but inexpensive workers in countries like Malaysia or Ireland.

Economic development in Canada is very uneven. There are wide expanses of hinterland sprinkled with single-industry towns, large sections of provinces dependent on a single resource base such as the fishery or grain farming. Even many larger cities include pockets of economic stagnation.

For years, economic development policies in Canada have been dominated by three themes:

– building roads and other physical infrastructure, frequently to encourage development of natural resources;
– creating incentives for the transplant of major manufacturing facilities into declining regions; and
– maintaining incomes by transfers to provinces or to individuals.

In its Statement, *From the Bottom Up*, the Council has identified a fourth theme. This theme emerges from an examination of the economic development experience in a variety of communities from Nanaimo in B.C. to the Great Northern Peninsula in Newfoundland. The common thread among these experiences is that local action can work. But it is essential to build a new kind of infrastructure, composed of leadership, management skills, and information networks.

Once that new kind of intangible infrastructure is in place, new energy is released. As the community develops the capacity to use the plethora of information about potential markets and useful technologies, it becomes possible to visualize the economic potential of the community.

Gradually, these communities can show a capacity to create a new dynamic, forming new firms, building new confidence and, most important, creating new job opportunities for the local labour force.

These community development efforts are fragile. They depend on good luck as well as good economic and business skills, but they offer a hopeful avenue for development to many of Canada's smaller communities that could easily go unnoticed in the blur of global trends.

# A promising approach

As we look at regional disparities at the end of the 1980s, the problems do not appear much different from what they were in the 1960s, when the Canadian government first introduced policies designed specifically to reduce economic disparity between the provinces and regions of the country.

Today, the economic decline of small communities, particularly those in "disadvantaged" provinces and "remote" regions, is still a problem in virtually every part of Canada (indeed, it is a problem common to all industrialized countries).

The residents of small isolated communities wrestling with difficult economic conditions face some no less difficult choices if they hope to improve their lot. They can remain in a situation of chronic dependence, they can emigrate, or they can choose the path of development, with all its demands and challenges.

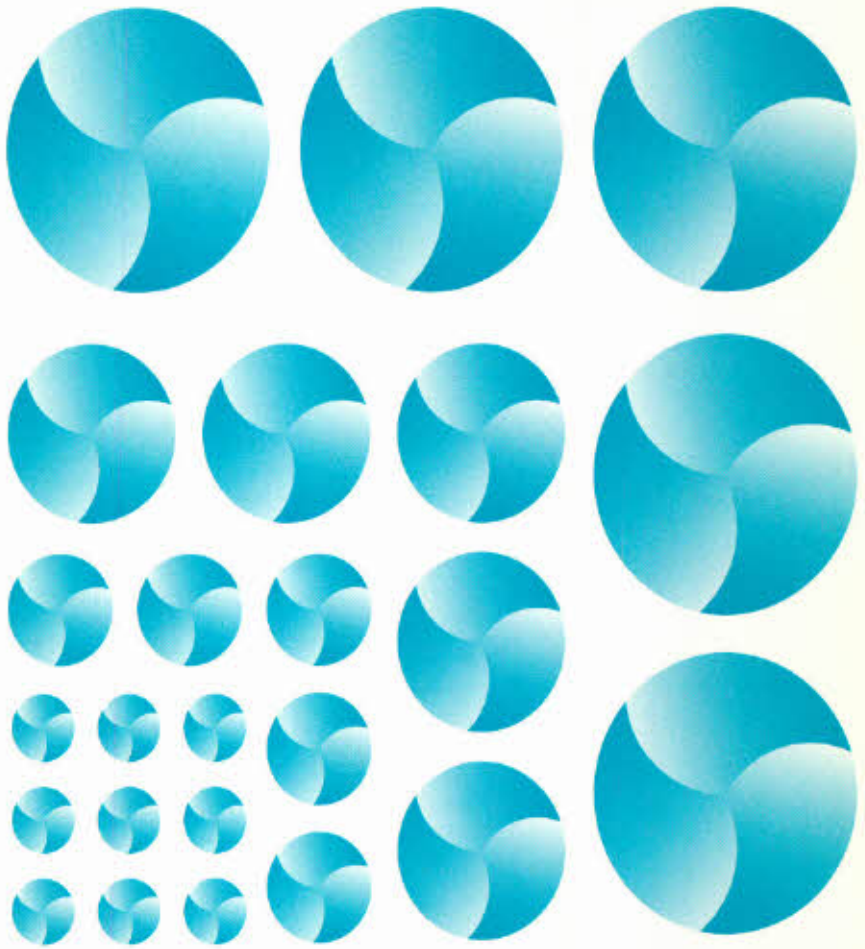
This last alternative is investigated by the Economic Council of Canada in its most recent Statement, which takes a close look at the relatively new approach known as "local development."

Entitled *From the Bottom Up: The Community Economic-Development Approach*, the Statement focuses on the new approach that has appeared in recent years whereby local development organizations (LDOs) act as the primary instruments of economic development.

This approach marks a sharp break with the past, since for more than 25 years development initiatives were centralized and administered by the federal or provincial governments. Unfortunately, such "top-down" programs, directed by higher government authorities, have not had the hoped-for results.

More recently, there has been some interesting "bottom-up" initiatives, i.e., efforts launched by isolated communities themselves, and these have suggested that the earlier remote-controlled, bureaucracy-driven programs are not the most effective and efficient option.

As a first step in its research, the Council commissioned 14 case studies of locally based development initiatives in various isolated areas of Canada. (Most of these studies were published as part of the "Local Development" series and are available from the Publications Division of the Economic Council of Canada.)



*From the Bottom Up*

The Council then tried to answer such questions as the following: What can be reasonably expected from community-based initiatives? What kind of support do they need from the federal and provincial governments?

In short, the Council wanted to find out how such new factors as entrepreneurship and community development could help solve the problem of economic stagnation in certain regions.

## *The current situation*

Despite governments' best efforts, gaps in development opportunities, particularly in more remote regions, have not only persisted but, in many cases, have widened.

Key industries in the primary, secondary, and services sectors are already on the decline or are facing the prospect of plant closures.

A simple comparison of per-capita income in terms of gross provincial product shows dramatic differences between regions. In Atlantic Canada – the most glaring example – per-capita income in the late 1980s was barely 80 per cent of the Canadian average.

Unemployment rates in the Prairies, which had been consistently lower than those in Ontario for nearly 30 years, are now much higher. With the exception of 1981, the gap between the rates for British Columbia and Ontario has persisted.

Pockets of very high unemployment tend to concentrate in regions that are dependent on fishing, farming, mining, and forestry. Most of these depressed areas have been fighting a losing battle to maintain their economies in the face of declining relative commodity prices.

In short, Canada's unemployment problem is, at least to some extent,

centred in smaller and more remote communities whose resource base is depleted or diminished by weak prices.

The Council notes, however, that such cases of underdevelopment do not necessarily indicate the absence of development potential in the communities concerned, but rather a need for new mechanisms. The reason that many local economies are not performing well may be that their human and physical resources are not being fully exploited.

If they are to survive and offer employment opportunities for their citizens, these communities need to mobilize new resources and diversify their economic base.

*"... such cases of underdevelopment do not necessarily indicate the absence of development potential in the communities concerned but a need for new mechanisms."*

## *The new approach – local development*

While recognizing that the concept of local development as a tool for economic development is still experimental, the Council believes that this approach can revitalize the economies of small and isolated communities.

The Council feels that communities can take their own development in hand through local development initiatives aimed at fostering entrepreneurship and increasing the community's ability to respond to market opportunities.

One caveat: this development strategy cannot be a panacea for the problems of *every* community faced with economic adversity.

One aspect that is a subject of considerable debate among development experts is financing – how much and how to allocate it.

The Council stresses that communities must commit their own resources to the process and, in order to maintain local control, must not rely exclusively on public-sector funding. Community support for local development initiatives also serves to enhance their credibility. Community commitment, says the Council, should even become a prerequisite for government support.

At the same time, public-sector assistance must be applied in ways that do not stifle the enthusiasm and innovativeness of local development organizations and do not interfere with the local control that is the essence of the community-based approach to economic development. In other words, arrangements should be as flexible and unbureaucratic as possible.

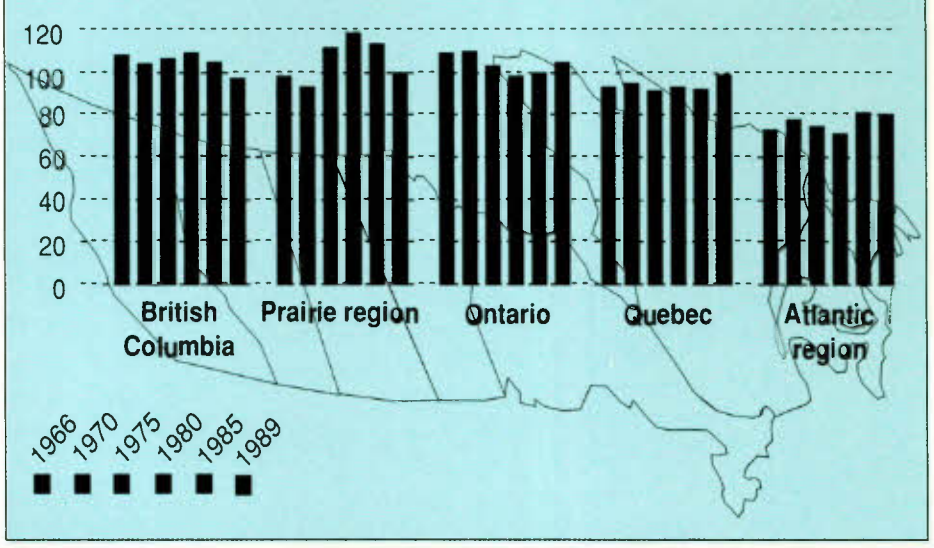
Yet many communities simply do not have the skills needed to launch bottom-up initiatives. Thus development efforts must concentrate on capacity-building.

It is not infrastructure in the traditional, physical sense – water and sewer systems, highways and wharfs – that the Council is referring to here, but the critical need for small communities to have access to as complete information as possible on development possibilities and potential. Thus the Council calls for the creation of local information infrastructures to allow communities to capitalize on market opportunities and to foster entrepreneurship in a wide range of projects.

The Council's studies suggest, in short, that community-based economic development action can, in the right circumstances, be an effective approach. It can improve labour resources; it can be instrumental in introducing new technology; and it can make the community more responsive to external market opportunities.

And, as demonstrated by the Canadian experience, local development organizations can indeed operate commercial enterprises effectively.

**Index of Gross Provincial Product per Employed Person, by Region, 1966-89**



# The constraints of development

In deciding which communities should receive assistance, there are two criteria: the degree of need and the potential of the community concerned.

These criteria automatically exclude two categories of communities: those which are flourishing and do not need assistance; and those in which, with or without assistance, there are no prospects for improvement.

While measuring need is relatively simple, assessing development potential is much more complex.

In fact, there are no generally accepted methods for determining the prospects for growth in a given geographic area.

That is why the Council believes that communities should become involved early in the development process, in fact, at the selection phase itself. The initial estimation of development potential should come from the community and its local development organization (LDO) rather than from the funding agency.

## *Five handicaps*

Before economic development can begin, however, the groundwork has to be laid. In this regard, states the Council, it must be recognized that smaller communities suffer from five important handicaps that must be addressed before these communities can realize their full economic potential.

And, as the Council's survey of various Canadian initiatives has shown, all five of these difficulties are more amenable to local-community remedies than to correction orchestrated from afar.

These five handicaps are as follows:

– very high unemployment: In some cases, half of the working-age population is out of work. This is both a consequence of underdevelopment and an obstacle to the community's future economic growth. High unemployment erodes skills and entrepreneurial vigour, provokes migration of younger, better-educated people, and may lead to decay in social amenities. All of these factors make the community a less attractive place for business.

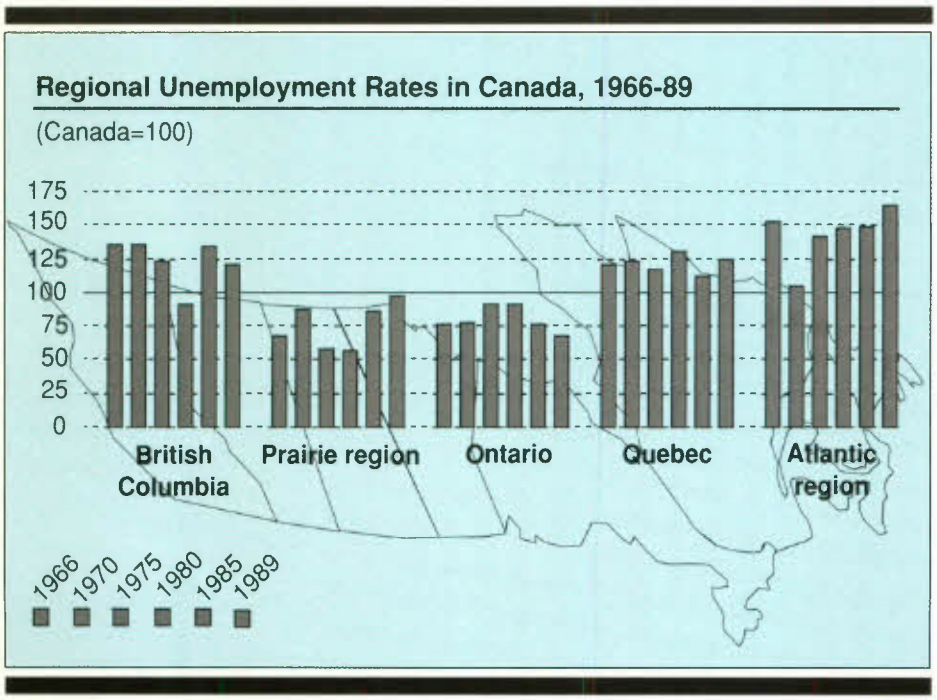
– shortage of information: This is a major handicap for smaller communities. Information is the most basic building block of modern economic development. The larger urban centres, for example, possess financial institutions, market research organizations, colleges, universities, and so on. An LDO, however, can create to some extent the small-town counterpart of the internal information networks that serve urban businesses.

– lack of basic social services: Many smaller communities do not enjoy the same basic social services (health care, housing, education and training) that most large urban centres take for granted.

– inadequate access to capital: This is the typical chicken-and-egg syndrome. Potential entrepreneurs in small communities find it difficult to borrow at terms comparable with those available to urban businesses. As a result, entrepreneurs depart for greener pastures and the vicious circle of stagnation is perpetuated.

– cost disadvantages: In small and remote communities, production may suffer in comparison with urban-based production because of locational factors (distance to markets, transportation costs, etc.), lack of economies of scope and scale, and generally higher costs.

These five major handicaps, states the Council, must be addressed at the local level.




## *The Canadian experience*

The Council's study of several locally based economic-development initiatives in Canada shows that they involve a wide range of activities. They can be divided into two broad categories. The first consists of supply-side measures – the steps that communities take to enhance or expand local resources in an effort to improve their capacity for development. The other side of the coin is demand-oriented measures that communities may take in response to market opportunities.

The measures undertaken to achieve local-community development on the supply side involve three basic kinds of activities:

– utilizing idle human and physical resources;

– expanding the community's resource base; and

– increasing the productivity of local resources.

One common goal of local economic-development efforts is to mobilize and more fully utilize human resources. Job creation for unemployed people is usually an objective (at least implicitly), although it is sometimes combined with other goals such as training and worker motivation.

The Council's research uncovered several examples of communities that have turned idle resources to productive use.

LDOs have also expanded the financial resources available to their communities in various ways. Some communities have shown that they can strengthen the local capital base by pooling government funds and local capital. By extending loans to local businesses, the latter are able to tap into different sources of capital that would otherwise be out of reach.

*"Some communities have shown that they can strengthen the local capital base by pooling government funds and local capital."*

Finally, LDOs can improve the economic productivity of local resources, including human resources, in a variety of ways. This enhances their ability to compete in external markets.

Some communities have set up training and development programs to improve labour productivity. The adoption of better management techniques and newer technology has also been an important source of productivity gains.

It is equally important, says the Council, to examine the role of the LDO on the "demand" side of local economic development – specifically, its role in responding to market forces. When the spur to community-based action is economic hardship, one of the first requirements is usually mobilizing the community to the common cause of revitalization. An important aspect of work in this phase is inculcating realistic expectations in the community about the status quo and the future through analysis and information dissemination.

## *LDO business ventures*

Community organizations that operate business ventures are often referred to as "community-development corporations" (CDCs).

In many respects, a CDC functions like a privately owned business: it plans and implements investment strategies; it manages day-to-day operations; it determines production and employment levels; and it monitors its own productivity.

CDCs usually have two purposes. They provide the community with a lever for implementation of its economic-development strategy, and they earn revenues for the parent LDO and thus make it more financially independent.

Community groups going into business are as much involved in innovation and risk-taking as private organizations, and they are as much subject to failure. In many cases, though, they enjoy a competitive edge based on their intimate knowledge of the locality and the region.

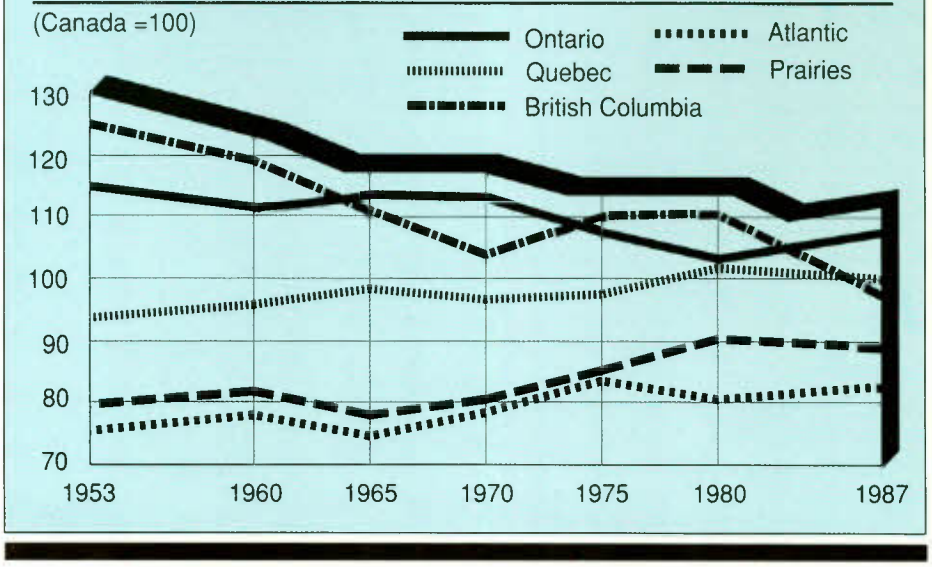
The track record of CDCs shows that success is more common among those that have chosen to invest in several sectors rather than in only one or two.

The Council nevertheless believes that the direct commercial ventures of LDOs should not be funded through the medium of government programs designed to support local-community economic development, but should draw upon existing business assistance programs.

This position assumes that LDOs are able to access such programs to secure funding for their business ventures. All too often, unfortunately, communities find it difficult to tap into them. It is important to ensure, states the Council, that LDO-based business ventures enjoy the same access to business assistance programs as private enterprise.

The Council points to statistics indicating that LDOs sometimes failed to make use of some programs simply because they did not realize that they were eligible or because they were intimidated by the red tape or the financial eligibility requirements. All too often, their businesses simply did not even bother to apply.

**Index of Wages and Salaries + Supplementary Labour Income per Employed Person, 1953-87**



# An "information infrastructure"

Local development organizations (LDOs) need to select their targets carefully when drawing up their economic-development plans.

While the Council's studies suggest that community-based action can be an effective formula for certain communities under the right circumstances, it is essential that the objectives established at the outset are the best possible.

As the Council points out in its Statement, LDOs have devoted considerable effort to increase the availability and to lower the costs of the financial capital that their communities need for development. While this approach makes sense in some cases, however, in general the potential effects are limited.

It would be more productive, says the Council, to concentrate on improving the information infrastructure.

Indeed, many local firms fail to find capital because they do not know where the sources are or how to use them. LDOs can overcome this obstacle by providing the necessary information and counselling services.

The range of information that firms can put to productive use – about markets, production, technologies, funding sources, and other matters – is virtually infinite. The challenge is to reach selectively and efficiently into this pool and to extract, sort, and transfer information relevant to the needs of a specific firm in a specific community.

LDOs can meet market information needs either by taking the initiative in supplying information or by responding to specific requests.

The promotion of the community to outside buyers of locally produced goods and services and to potential investors in local businesses is another important focus for local-development efforts. While these promotion activities have traditionally been undertaken by local industrial commissions, LDOs can often do a more effective job.

Consequently, LDOs should give a high priority to building human-resource and information infrastructures. The importance of this aspect of community development, stresses the Council, can hardly be overestimated. This type of infrastructure is as vital to development at the end of the 20th century as railroads were at the end of the last century.

The Council also strongly advises LDOs to respond more actively to market opportunities. Its research shows that some of the most successful local initiatives have been characterized by openness and adaptation towards changes taking place in the marketplace at the local, national, or international level.

A diversified array of projects is another important asset that serves to increase the stability and sustainability of the overall development effort.

LDOs engaged in commercial activities should avoid conflict with the local private sector by looking first for joint-venture opportunities and by concentrating on goods or services that are not being produced in the community. A venture into existing traditional industries (housing, minor repairs, consulting and financial services, and so on) is likely to encounter resentment.

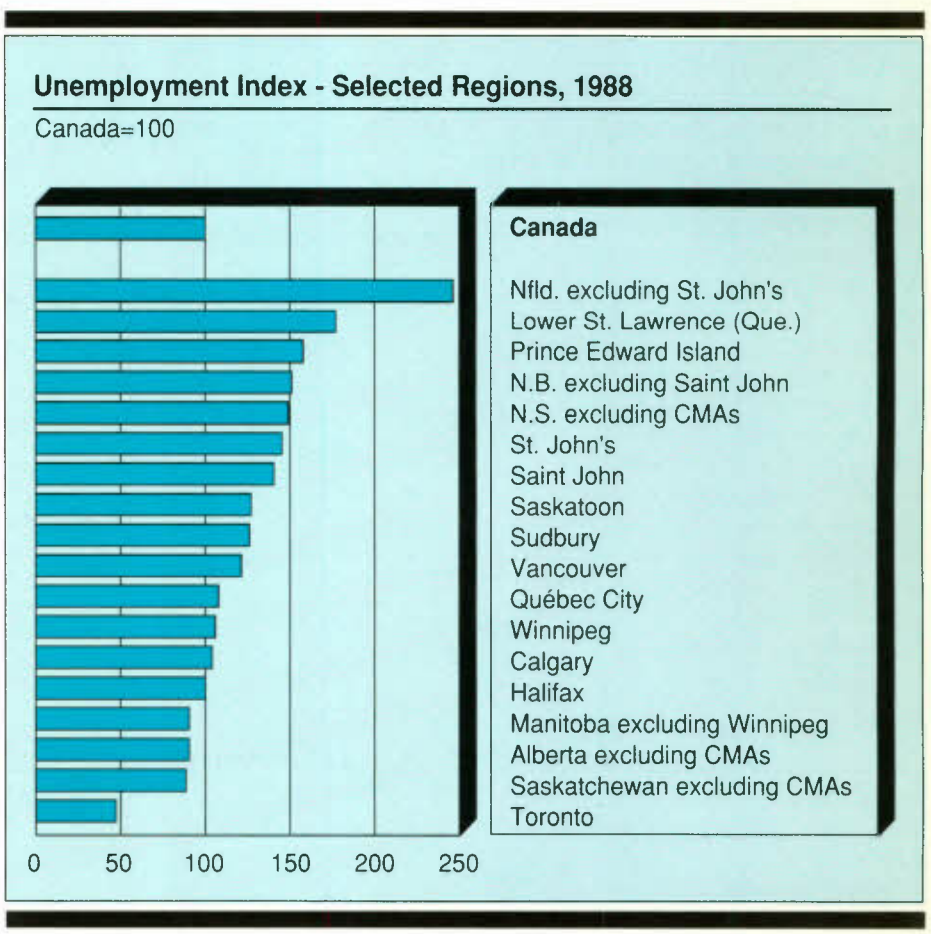
Lastly, it is important to undertake regular evaluations and, as far as possible, to participate in national data-gathering activities. LDOs have every interest in promoting wider knowledge and assessment of their own activities.

## *Some constraints*

The fact that the dynamic and fast-growing service industries tend to concentrate in larger urban areas adds to the problems of smaller communities. This trend was extensively explored in the Economic Council's recent Statement on the services sector (*Good Jobs, Bad Jobs*). If the pattern continues, smaller and more remote communities will not share significantly in the growth of the dynamic services sector.

The migration of younger workers with the best training and education to large urban centres is tending to deplete the human-resource base of smaller communities.

These are only some of the difficulties with which smaller communities must contend.



# The state and public funding

There are many questions connected with public-sector funding and the role of government in local economic development.

The financing problems encountered by LDOs are likely inherent to all communities wrestling with economic stagnation. In this area, economic development strategies find themselves facing a difficult dilemma. The most obvious solution, of course, is to rely on government funding. However, such a course of action runs the risk of compromising local control – one of the main assets of the local-development approach. This becomes an especially important factor when the development goals of the LDO are not completely consistent with the goals of the government program providing the funds.

The solution, says the Council, is to strive for a reasonable balance between local community control and responsible supervision of spending by the funding agency.

First of all, suggests the Council, the community should make a point of not relying exclusively on public-sector funding. A decision to put local money into local development demonstrates the confidence of the community in the prospects for success. And, at the same time, the community's contribution to the economic development project builds credibility with financial institutions and potential private investors.

The community's contribution need not be limited to funding. It can include a varying mix of its resources, including skilled and unskilled labour, buildings and other inputs.

Another way to minimize dependence on outside public funding is for the community to mobilize funding from within – from municipal governments and the local private sector. Local firms and individuals are likely to support the LDO financially in return for a feeling of ownership and shares in development decision making.

Another potential source of funding is other private-sector groups on the local scene, including labour unions, credit unions, and other representative organizations with a stake in the community's economic viability.

Lastly, recommends the Council, the government funding agency should make it clear at the outset that funding will not continue indefinitely, but will be phased out as the LDO is able to take on greater responsibility. In the early stages of the process, government support can be used to help the community complete some of the planning groundwork, including the assessment of prospects, the building of capacity, and the planning of strategies to achieve development goals.

Eventually the community's financing needs will grow and the nature of its expenditures change. At this stage, the LDO can begin to draw on public-sector funding programs.

In short, the Council recommends that financial and human-resource commitment by the community be a prerequisite for provincial and federal government support for community development.

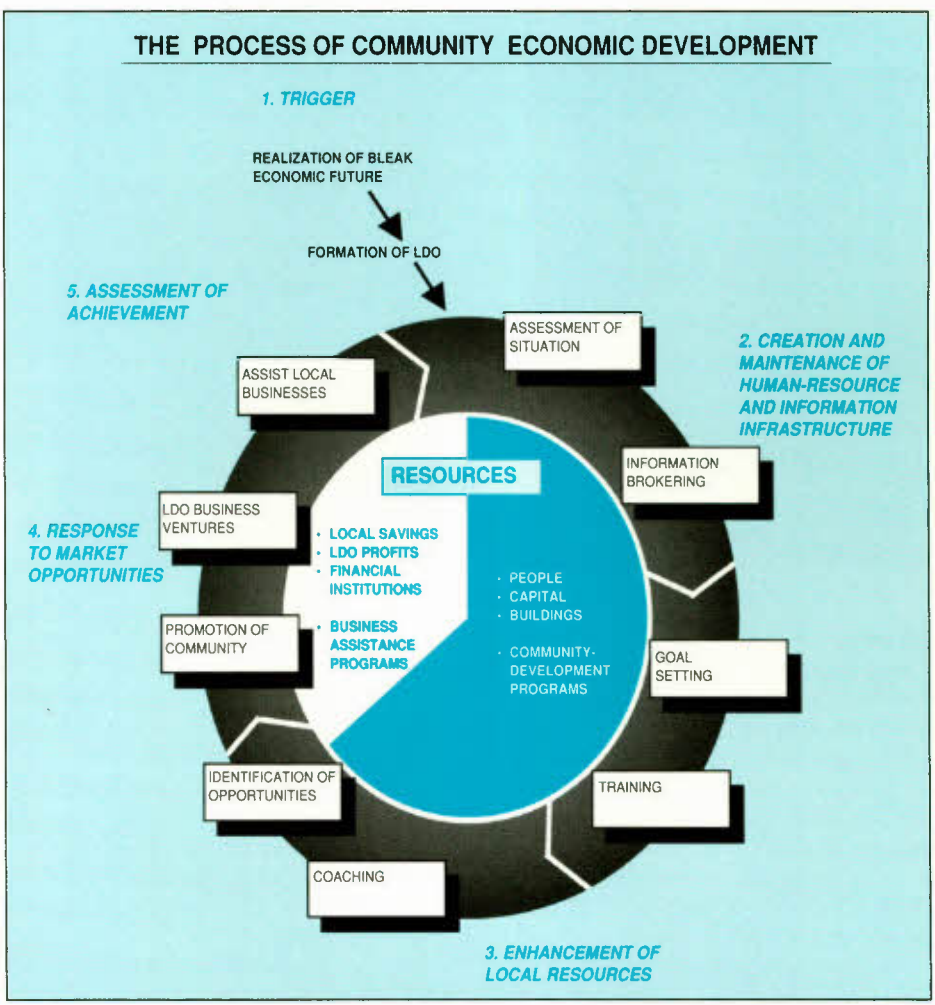
There is some debate among policy-makers about whether or not large urban areas should be eligible for community economic-development programs. While there are underdeveloped areas in many large urban centres, cities are less likely to suffer from the human-resource and information infrastructure gaps that are the designated targets of these programs.

The Council suggests that urban neighbourhoods be considered for support, but that priority be given to the smaller and more remote communities.

## *Roles of government*

The federal and provincial governments have been supporting community-based economic development for several years now.

The Council does not advocate, at least for the time being, any increase in expenditures. Rather, more effective use should be made of the money currently available



by, among other steps, amending the principles and delivery mechanisms of public assistance.

As noted earlier, the focus of government funding assistance should be building up human-resource and information infrastructure.

What is not completely clear is how best to coordinate the efforts of the three levels of government in this area.

Without recommending a specific mechanism for coordination, the Council proposes two broad principles to guide policymakers.

While recognizing that all three levels of government have a role to play in supporting community economic development, the Council suggests that municipal governments should have the most extensive ongoing and direct relationship with LDOs. In fact, the Council believes that the farther removed the concerned level of government is from the local-community level, the less extensive should be its direct involvement in the operation of local-development efforts.

Second, the mechanisms of support should be as free of bureaucratic involvement as possible.

The Council concludes that those communities that display the self-confidence and commitment needed to direct their own development merit public support.

The amounts of money that they need are small and can be found in existing programs.

For the people involved, the potential payoff in human dignity and in the economic vitality of these small communities could be big indeed.

# New Council members

**Donald J. Savoie** is the Executive Director (and founder) of the Canadian Institute for Research on Regional Development. He holds degrees from several prominent universities, including a PhD from Oxford. He has occupied a number of senior positions in government and has frequently served as a consultant to federal and provincial departments. Now a professor at the University of Moncton, he is the author or editor of numerous books and other publications.

**Roger Phillips** is President and Chief Executive Officer of IPSCO Inc., and also a director of the company. A graduate of McGill University, he has held from 1960 to 1981 numerous senior positions for Alcan Aluminum Ltd, such as Vice-President of Technology, Research and Engineering and President of its subsidiary Alcan International Ltd. He is a director or a member of numerous Canadian organizations. He is Director of Royal Trustco Ltd and senior member of the Conference Board.

**Nancy Jackman** is President of a numbered Ontario investment corporation and Vice-President of ARC ROTAR Engine Company. A graduate of Whitworth College in Spokane, Washington, and of York University in Toronto, she has been actively involved in a variety of organizations and associations at the local, provincial, national, and international levels. She is a founding mother of LEAF and the Canadian Women's Foundation.

# A bold look at the future

*On May 31, the Economic Council of Canada published* Perspective 2000 – Proceedings of a Conference, *bringing to a conclusion the project of the same name. This project marked a sharp departure from the Council's usual studies and publications, with strikingly different aims and analytical framework. One of the main figures behind this project, Jean-Pierre Voyer, senior economist with the Council, outlines below the main themes and highlights of the project and the ideas it generated for Canada and the rest of the world as we approach the 21st century.*

The Perspective 2000 project, launched as part of the celebrations surrounding the 25th Anniversary of the Council, sought to identify and explore a wide range of public policy issues that may face Canadian decision makers at the turn of the next century. Rather than following the conventional path of carrying out new research and producing new economic forecasts, the Council set out first of all to draw up a list of themes and major issues most likely to be of general interest on the eve of the year 2000. The Council then solicited the views and predictions of experts on these issues from the points of view of their respective fields of expertise. These scholars prepared papers for us with an international perspective, and 12 other specialists were asked to analyze the material from a specifically Canadian viewpoint. The entire group of experts then delivered their ideas and analyses to more than 80 business executives, senior public officials, labour leaders, and other prominent decision makers at the Perspective 2000 Conference held in Ottawa on November 30 and December 1.

The Conference provided a unique opportunity for its participants to reflect on and discuss the many challenges and dilemmas that they will face in the future. One way of describing the event would be to call it an "intellectual feast." Encouraged by the enthusiastic response to the Conference, the Perspective 2000 team undertook to summarize the topics raised at the Conference and to organize a series of regional seminars in order to offer the material presented at the Conference to a wider audience.

What was truly unique about the project, however, was its unusual framework. We targeted three very specific objectives. First of all, we wanted to address long-run public policy issues with a longer-term outlook than is usual for Council research. In this regard, we quickly realized that the more distant the horizon, the greater the possibility of going off entirely on the wrong track. Indeed, hardly had the papers of our experts and commentators been committed to print that the unexpected events in China raised the possibility of that country's political system opening to the principles of western world democracy with all the implications such a development would have for the international economic order. And what about the far-reaching developments in Eastern Europe only a few short months after the Conference, events that no one would have dared to predict? What then do we make of these visions of the future that forecast a gradual, progressive opening of the communist sphere to the rest of the world?

Of course, these are exceptional cases. The majority of the issues identified at the Conference have not changed and are unlikely to change in the next several years: world population growth and its inevitable impact on economic activity and the environment, the expansion of the industrialized world hand-in-hand with the continual impoverishment of the Third World, the creation of regional trading blocks, the pressures exerted on Canadian business and labour by an increasingly interdependent world economy, and so on. Even in the international political arena, our authors' observations have certainly not been overtaken by recent events. It is still worthwhile to try to assess the impact of such factors as rising literacy and educational attainment, greater access to information, and steadily growing respect for human rights. Can these factors hasten the downfall of autocratic regimes or give a boost to the world peace movement? What effect will the weakening of hegemonies and the emergence of a multipolar world have on the reorganization of our international institutions? These and many other factors form the backdrop against which government policy must be evaluated.

Our second objective was to go beyond economics per se to address questions related to geopolitics, demography, the environment, and science and technology. Perhaps most importantly, we also sought to examine the linkages among each of these areas. This objective was achieved for the most part. In fact, one of the points upon which there was general agreement was that, in attempting to map out the nature and goals of future public policies, our methodology must take into account a complex range of interrelated forces . In practical terms, this means that we must adopt a multidisciplinary approach and work to dismantle the barriers between professional disciplines. The Council has already begun to implement this principle by arranging for input from sociologists and political scientists for some current projects.

Jean-Pierre Voyer

In hindsight, it is interesting to note that, while it may have been relatively easy to bring together specialists from the social sciences and create the conditions for a certain osmosis between their world views, the project and the Conference failed to include the very people potentially able to make the critical link between our environmental, demographic, and economic concerns and science and technology – namely, scientists. Thus one lesson of this exercise is that the barrier separating the social sciences from the pure sciences remains a major stumbling block that we must overcome in order to arrive at a coherent view of our planet's evolution.

Finally, our third objective was to examine these issues not only from the Canadian viewpoint, but also in an explicitly global context. We discovered that the factors contributing to modern problems cover a formidable range: destruction of the ozone layer, the greenhouse effect and acid rain, independent multinationals immune from national regulation, the shortcomings of our international institutions, the increasing interdependence of international markets, and so on. More and more, today's problems fall outside the powers of the nation-state to solve.

Unfortunately, we were also forced to acknowledge that Canada is ill-prepared to deal with this new reality. Canada's sense of global awareness is still at an embryonic stage. It is very difficult for a country like ours to develop a global perspective when it is continuously preoccupied, as we are, with internal concerns related to regional equity or language. This penchant for soul-searching represents a considerable hindrance to the development of an outward-looking approach. What is even more discouraging is that our political institutions seem to be biased in favour of the current approach that focuses on federal-provincial relations and our internal divisions.

Curiously enough, although the problems between the levels of government were repeatedly raised during the Conference, the idea that Canada may be dismantled or undergo radical restructuring before the year 2000 never surfaced in the course of the discussions. At that time, no one would have dared to predict that negotiations for ratification of the Meech Lake Accord would take such a dramatic turn.

## *Regional seminar program*

In the interest of reaching a wider audience of decision makers than simply those at the Conference, the Perspective team developed a brief summary presentation based on the major themes and questions raised at the Conference. This material was used in a series of eight seminars and workshops held across the country from May to November 1989. Most workshops were co-sponsored by other public and private organizations: the INRS (Urbanisation) in Montreal, the Atlantic Provinces Economic Council in Halifax, the Ministry of Economic Development and Trade in Edmonton, the Ministry of Regional Development in British Columbia, and the Association des économistes du Québec (ASDEQ).

These seminars provided the opportunity to reach a wide range of decision makers from provincial and municipal governments, the business community and the labour movement. For their part, Council staff members were able to forge new ties with these organizations and to deepen their understanding of the concerns of decision makers working at the regional level. Indeed, it became evident as the seminars proceeded that the visions of and worries about the future were most often simply an extension of current concerns. In the Atlantic provinces, the question of eventual annexation by the United States was frequently raised. The challenges of economic adjustment to a new world in the throes of change were also a prominent concern. We noted a firm desire to make the fishing and forestry industries more effective instead of simply diversifying the economic base. It was also interesting that participants expressed a real desire to free themselves from dependence on assistance programs, such as subsidies for businesses in difficulty and employment insurance, and to opt instead for an approach focusing on more effective management of natural and human resources.

In the West, participants were particularly struck by the demographic trends that foreshadow a most unequal distribution of the world's population over the surface of the globe and promise to have a significant impact on geographically large units such as Canada. It was interesting to note how a degree of tension is already making itself felt, most noticeably in British Columbia, between the achievement of economic and environment objectives. Labour and ecology groups have already clashed over two objectives that frequently find themselves in conflict: job security and the preservation of our natural resources.

The tense atmosphere surrounding labour relations and the need to make changes in order to meet the challenge of a fast-evolving world scene appeared to be of most concern to participants from the Atlantic provinces and from British Columbia. In Montreal and British Columbia, problems related to developing the labour skills needed to meet the requirements of the new labour market were considered paramount. In fact, this issue was a central concern across the nation; everyone agreed that human resource development would be crucial in a world marked by tough competition, growing technological complexity, rapid skill obsolescence, uncertainty, and the advent of various "shocks."

## *Positive spin-offs*

From start to finish, Perspective 2000 was an extraordinarily enriching experience for all those participating, but especially so for the Council staff members directly involved. This project provided an unparalleled opportunity to expand our horizons. The themes and questions raised during this event will unquestionably influence the Council's research agenda for many years to come.

# The economy and the media

One of the most critical factors in decision making is accurate information, and often decision makers go to the news media for a lot of their information. For economic information, the source is often the news media in its more specialized form, such as the business section of the newspaper or news program. But the general public also needs economic information, since economic affairs affect most of the population in one way or another. All of which is to say that accurate information about economic affairs is difficult to communicate, since the topic is often complex and abstract, while the effects are, more often than not, tangible and down to earth. Whether one develops a theoretical understanding of how the economy works, or a practical understanding of what forces shape the course of the economy, one still has to deal daily with economic issues. Recently, an effort was made to bring together some of the sources of economic information and some of the purveyors of economic news.

The old bromide has it that everybody talks about the weather, or at least complains about it, but nobody ever does anything about it. Be that as it may, there were several economic-oriented groups and institutes that did something for the news media last month, when they held an economic seminar for journalists. Sponsored and organized by the School of Journalism at Carleton University, the Institute for Research in Public Policy, and the Economic Council of Canada, the seminar attracted some 14 journalists to the Government of Canada Conference Centre in downtown Ottawa.

The goal of the exercise was to hold a seminar to provide journalists who cover the economic or business side of the news access to people who analyze the economy in its many facets. The goal was also to provide the news media with the opportunity to exchange with representatives of economic research groups, and use the opportunity either as professional development, or to learn who is doing what kind of research, or to have the chance to interact with each other and with the economists on a more informal basis on specific topics of interest.

In conclusion, it was all sorts of things for different people and was positively evaluated by the participants as worthwhile and useful. The range of presenters was such that the whole gamut of economic institutes, organizations, and councils was clearly on display. There were, of course, some that could not attend the seminar, but there will always be next year and the years following.

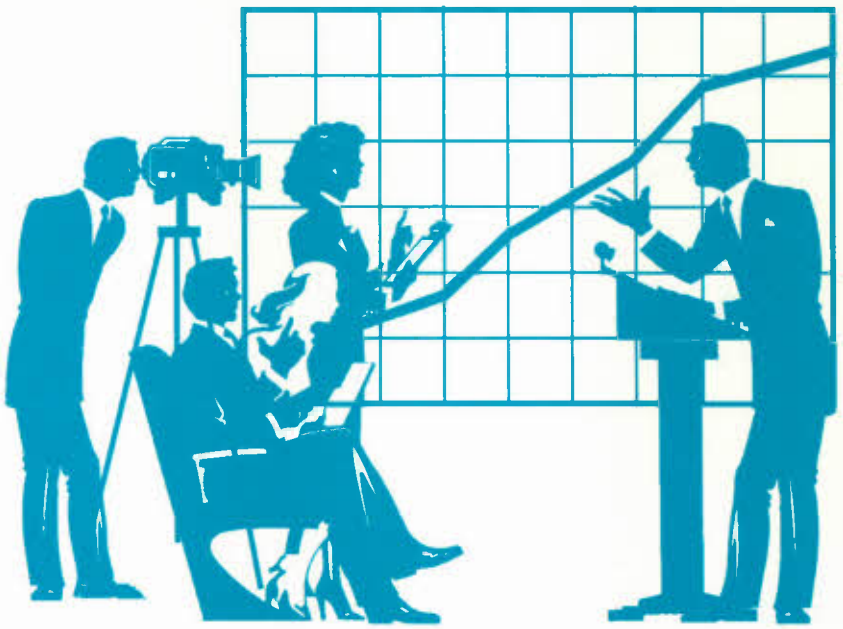
The Chairman of the Economic Council, Judith Maxwell, gave a brief talk at the dinner that followed the first day, where she discussed Canada's role in the evolving international economy from the changing face of Europe to the United States and to the Asian-Pacific developments.

It is hoped that such a seminar will become a mainstay of the Carleton School of Journalism, in collaboration with economic-oriented organizations, and that a variety of information exchanges can be developed over time, so that economic organizations become more aware of the news media and vice versa. If anyone has any suggestions or even a feeling that they would be interested in participating, in either attending or helping to organize next year's seminar, please write to: Director, Public Affairs, Economic Council of Canada, Ottawa, Ontario K1P 5V6.

The program was as follows, along with the list of journalists attending:

**Presenters:**
- C. D. Howe Institute
- Centre de recherche sur les politiques économiques
- Institute for Research on Public Policy
- Economic Council of Canada
- Fraser Institute
- Atlantic Provinces Economic Council
- John Deutsch Institute
- Centre de recherche et de développement en économique

**Media representatives:**
- Thomson Newspapers
- The Ottawa Citizen
- Le Droit
- The Ottawa Sun
- Radio-Canada (television)
- The Gazette
- Le Soleil
- The Toronto Star
- The Financial Post
- CBC Radio
- CBC Television
- Publinet
- The Globe and Mail



# A question for the 90s

"Competitiveness." That is the watchword of experts who are attempting, at the dawn of the 1990s, to gauge Canada's chances of success on an international economic stage where competitors are striving to be bolder, more innovative, more dynamic and, above all, more efficient than their rivals in order to garner larger shares of world markets.

For many, the key to the enigma and the main factor in Canadians' welfare in the run-up to the 21st century is *education*. Clearly, productivity and competitiveness are by no means the only – perhaps not the most important – goals of the education system. A wide range of social and cultural outcomes of the education process are no less worthy, and the pursuit of knowledge is also an end in itself. Nevertheless, the majority of our young people are destined for the work force, and it is therefore critical that their transition to the workplace should be successful, and their subsequent experience rewarding. And because of the rapidly evolving skill and knowledge content of jobs in the "information economy," the question of education has been thrust increasingly into the forefront of concerns. True, education has already been the subject of extensive public debate, but there are still important gaps in our basic knowledge. And filling those gaps is what the Economic Council hopes to accomplish with its new research project on education.

How good is the education received by our children at all levels of the system? What lies behind the high drop-out rates from our high schools? What guidelines should we follow in an era of government belt-tightening? Occupational training seems to have some serious deficiencies, but how can it be improved? How qualified are our educators? How does Canada compare with other industrialized countries?

The challenge is certainly great. The above questions and many others will be investigated by a research team headed by Keith Newton, Senior Research Director at the Council. To find out more, *Au Courant* recently interviewed Mr. Newton.

***Au Courant:*** *What led the Council to undertake such a project?*

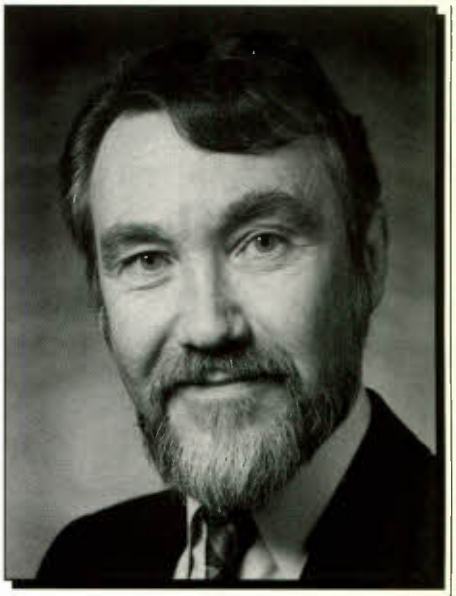
**Newton:** In fact, the Council has a long history of research in the field of human resource development starting with its work on the contribution of education to economic growth back in 1964. The Council has, at various points in time, revisited the question of education and training. I might mention, for example, the Eighth Annual Review of the Council in 1971, which looked at a variety of human resource policies and programs. Then, of course, most recently, our work on new technologies and their impact on the labour market, and the work that we have done on employment in the service economy, had quite a lot to say about the implications of such economic changes for education and training.

***Au Courant:*** *Because education is a vast area, will you focus on certain specific aspects?*

**Newton:** You are right, it is vast, it's complex, it's very contentious, and it's probably one of the most important public policy issues facing this country at the moment. Inevitably, we will have to focus on certain particular dimensions. However, we do want to be as comprehensive as possible, and we are very mindful of the fact that education is a cumulative process; so we will in fact look at a very broad range of educational levels all the way from kindergarten right through to the post-secondary system. In particular, we will be looking at some of the implications of recent structural changes for so-called "continuous learning."

***Au Courant:*** *Do you have specific objectives in mind?*

**Newton:** As a matter of fact, I think that you could probably express our major concerns in terms of two specific themes. First of all, there is the question of quality. One can hardly pick up a newspaper these days without reading that the education system is in a crisis of some kind. And therefore I think it's very important to look at some of the indicators – some of the measurement indicators – of this whole question of quality in order to make a good, solid empirical assessment of the state of Canadian education. But, secondly, I think, given the fact that governments at all levels are facing fiscal constraints, the question of the efficiency of resource allocation in education has to be a very important topic as well.



Keith Newton

***Au Courant:*** *Have you identified the main deficiencies of the system? How do they appear?*

**Newton:** Well I think there are certain deficiencies that are pretty clear to everyone. I want to make the point that it is not all "doom and gloom," but there are certain aspects that give us considerable cause for concern. One of the major examples would have to be the drop-out rate from high schools. We do not have very good data on this particular phenomenon, but many estimates suggest that as many as 30 per cent of our high school students are dropping out before completing their studies. That is certainly one major cause for concern. Secondly, we hear from institutions of higher learning and also from employers that many Canadians are not equipped with basic skills; so there are some very important concerns about literacy and numeracy, for example.

***Au Courant:*** *Are there sufficient funds allocated to education or are the problems mainly structural?*

**Newton:** That is a very difficult one to answer at the moment; it is one that we will be looking at with some care. The debate still rages as to whether we need to allocate more and more funds to what is, after all, a very fruitful investment. However, it may be that there is some scope for more efficient utilization of existing funding levels, and also for the exploration of new alternative funding sources. So we will want to do some very careful empirical analyses to come to grips with this particular question.

***Au Courant:*** *Is the question of the cost of education being examined by your group?*

**Newton:** Yes, I think that that is one of the most important research areas. As I mentioned, governments are under increasing fiscal constraints, and one of the major public policy issues of the day is how to maintain the level and the quality in the provision of social services of various kinds and education in particular.

***Au Courant:*** *Should the education studies spill over into other aspects of the economy such as regional development and poverty?*

**Newton:** It is quite clear that education and training are widely regarded as one of the key elements in general economic competitiveness, productivity, and economic development generally. As to the specific questions that you posed, the regional dimension of education and training performance is something that we will want to examine. For example, we will try to assess the relative performance of various provinces, since it is clear that successful development of Canada's diverse regions will depend critically on the skills and training of their people.

***Au Courant:*** *Will you be looking at training and development in your research studies?*

**Newton:** Training in the workplace has been identified as one of the most important aspects of human resource development generally. While it is pretty well acknowledged, I think, that certain aspects of our education system are regarded as excellent in international comparisons, this is not always true of our training in industry. Many people point out that we do not have a so-called "training culture" in this country, and that is one of the charges that we will examine in some depth.

***Au Courant:*** *Will teacher training and education be a part of your research work?*

**Newton:** You will recall that I mentioned that quality is one of the dominant themes of the whole study, and therefore, part of our research will attempt to identify the determinants of success in the education system. Clearly, the excellence of our teachers is a very important ingredient of that success, and therefore, we will want to examine the preparation of our teachers and the specific needs for their skills in the future.

***Au Courant:*** *Will you be making any comparisons as to how well we fare with other countries?*

**Newton:** As a matter of fact, we have some very interesting and very important work already in train. We have commissioned two studies on international comparisons of educational achievement among high school students in a variety of countries in two areas. First of all, in mathematics and, secondly, in the sciences. Those studies have been completed, they have already been refereed, and we expect to publish them very shortly.

***Au Courant:*** *Will you be assessing the differences in quality levels in education among the different regions within the country?*

**Newton:** Yes, that is another very important aspect of the measurement of performance. We will be looking at data that provides information on educational attainment of Canadian students in a variety of disciplines across different provincial jurisdictions.

***"One can hardly pick up a newspaper these days without reading that the education system is in a crisis of some kind."***

***"Many people point out that we do not have a so-called training culture in this country."***

# PUBLICATIONS

## Council Report

**From the Bottom Up – The Community Economic-Development Approach** (EC22-170/1990E; $4.95 in Canada; US$5.95 outside Canada).

From the Bottom Up examines the experience of community-based economic development initiatives in Canada. It highlights the business orientation adopted by many local development organizations (LDOs) and shows how this can play a positive role in local communities' efforts to break out of situations of economic stagnation and dependency. The report concludes that community economic development merits public support and recommends ways in which this can be best provided.

## Research Studies

**Structural Change and the Adjustment Process: Perspectives on Firm Growth and Worker Turnover**, by John R. Baldwin and Paul K. Gorecki (EC22-166/1990E; $20.95 in Canada; US$25.15 outside Canada).

This new study advances the understanding of the extent, nature, and patterns of adjustment in the Canadian labour market, particularly in the manufacturing sector.

**Two Steps Forward – Human-Resource Management in a High-Tech World**, by Gordon Betcherman, Keith Newton, and Joanne Godin (EC22-169/1990E; $5.95 in Canada; US$7.15 outside Canada).

Innovation is widely regarded as the key to productivity and competitiveness in the global economy of the 21st century. Innovation involves technological advance coupled with imaginative human-resource development. It also means changes in the structure of organizations and the functioning of workplaces. These case studies of Canadian organizations cover a broad spectrum of industries, a variety of technologies, and illustrate different aspects of the human and organizational components of innovation and change.

## Colloquium Proceedings

**Perspective 2000 – Proceedings** (EC22-167/1990E; $32.95 in Canada; US$39.55 outside Canada).

In an attempt to identify some of the public policy issues of the turn of the century and beyond, Perspective 2000 presents the "visions" of experts in a variety of fields.

**Perspective 2000 – A Synopsis** (EC22-168/1990E; $4.95 in Canada, US$5.95 outside Canada).

This slim volume is based on the much more detailed material contained in the Proceedings of the Economic Council of Canada's Perspective 2000 Conference.

## Discussion papers

"Estimation of Canadian human capital stocks and flows: What can be done?," by *Harry H. Postner.*

## *How to order*

Research studies and Council reports are available across Canada from bookstores where government publications are sold. (A list is available from the Council on request.) These publications can also be ordered by mail from the Canadian Government Publishing Centre, Supply and Services Canada, Ottawa, Canada, K1A 0S9. (Please be sure to include a cheque or money order made payable to the Receiver General for Canada.)

Discussion papers, working papers, and the *Annual Report* are available without charge from the Publications Division, Economic Council of Canada, P.O. Box 527, Ottawa, Ontario, K1P 5V6.

## *Are we reaching you?*

If your address has changed, please let us know. Send the address label from this copy, along with your new address to:

*Au Courant*
Publications Division
Economic Council of Canada
P.O. Box 527
Ottawa, Ontario K1P 5V6