

**Ontario In the Information Era:
Cohesion and Competitiveness**

by

Thomas J. Courchene*
*Jarislowsky-Deutsch Professor of
Economic and Financial Policy
Queen's University
and
Senior Scholar
Institute for Research on Public Policy
Montreal
courchen@qsilver.queensu.ca*

Paper prepared for the
Role of Government Panel

September, 2002
Comments Invited

I: INTRODUCTION

The purpose of this essay is to articulate a series of policy frameworks appropriate to information-age Ontarians living and working and playing in NAFTA economic space. Toward this end, part II traces the implications for Ontario and Ontarians of the series of inexorable forces that constitute what I shall henceforth refer to interchangeably as the new global order, the new societal order, or the new economic order. The first of these forces is Ontario's dramatic transition from Canada's heartland to its new status as a North American region state. The second is to highlight the implications of the knowledge/information revolution (including the rising economic status of human capital) for citizens, markets and, of course, for governments. The third is derivative of the first two – the combination of a new "space of places" (NAFTA economic space) and the emergence of the all-important "space of flows" (the information age) has catapulted Toronto and the GTA into the role of a global city-region and the key driver of the economic future of 21st century Ontario and indeed Canada.

Part III then attempts to distill the policy challenges for governance generally and for the government of Ontario in particular. The analysis will focus in turn on the variety of creative policies, instruments and institutional frameworks that can be deployed to ensure that globalization and the knowledge/information revolution can work *for* Ontario and Ontarians. An integral part of sorting out this governance challenge will be to isolate the role of Queen's Park in relation to other levels of government – municipalities, its sister provincial governments, and Ottawa – as well as Queen's Park's relationship to the international sector. A brief conclusion completes the paper.

II: ONTARIO IN THE NEW GLOBAL ORDER¹

A. Ontario as a North American Region State

In 1981 Ontario's interprovincial and international exports were both running at or near \$40 billion. By 2000, Ontario's exports of goods and services to other provinces had increased to \$80.5 billion. However, Ontario's international exports soared to \$233 billion, fully four times as large as interprovincial exports. Expressed as a proportion of its GDP, Ontario's international exports increased from 30% to just under 55%, whereas Ontario's interprovincial exports *fell* from 30% in 1981 to under 20% by 2000. Given that over 90% of Ontario's international exports are destined for US markets and that these US exports are at levels in excess of 50% of Ontario's GDP, it is increasingly evident that Ontario's trading and economic future lies in successfully pursuing this north-south trade. Combining this with the observation by Kenichi Ohmae (1993,78) that "on the global economic map the lines that now matters are those defining what may be called *region states*," Colin Telmer and I felt emboldened to entitle our 1998 book on the evolution of Ontario, *From Heartland to North American Region State*.

One obvious key to continuing success as a North American region state is that Ontario constitute an economic powerhouse in the North American market. Evidence accumulated by Telmer and I (1998, Appendix 9A) suggests that Ontario is indeed a formidable NAFTA economic motor. Toronto has the 3rd highest concentration of financial services activities in North America, after New York and San Francisco. The TSE is in the top 10 global exchanges. In the mid-1990's Ontario had 41% of Canadian aerospace sales, half of Canada's industrial chemical production, and 58% of value-added in machinery and equipment, 90 percent of Canada's top advertising agencies, 90% of top accountancy firms, nine of the top 10 investment dealers, all top ten Canadian high-tech

manufacturers and, of course, 96% of materials and supplies used in Canada's motor vehicles and parts industries. And the list goes on.

In terms of another key attribute – strategic location within North America – Ontario's position is likewise enviable: two-thirds of Canada's population and one-half of US population is within one-day's trucking of southern Ontario, with the disposable income in the resulting market (for 1993) in excess of \$2 trillion and with retail sales equalling \$1 trillion. This is a larger one-day's trucking market than that for Boston or Detroit or New York. Ontario has over 20 road, rail and port entries with major US industrial states and Pearson Airport is the fourth largest international gateway to North America and the world's largest originator of traffic to the USA. Finally, but hardly exhaustively, the US component of this Ontario market reach is roughly 17 times larger than the Canadian component, lending further confirmation of the north-south reality, indeed inevitability, of Ontario's economic future.

These strengths notwithstanding, a decentralized and a north-south-trading Ontario does not, on these counts alone, merit the label of a North American region state. Something more is needed, namely a commitment on the part of Queen's Park to privilege Ontario and Ontarians in this new North American or NAFTA economic space by actively engaging in the creation of what Storper (1995) calls "untraded interdependencies," i.e., by creating a set of positive locational externalities for Ontario. Arguably, this is exactly what the *Common Sense Revolution* was all about – making Ontario more competitive in the NAFTA context. And as successive Ontario finance ministers have realized, the tax rates that matter most to Ontario are those in Michigan, Ohio, New York and not those in Newfoundland or British Columbia. In other words, it is less and less appropriate to subsume Ontario's relationship to the USA as part of an overarching *national-national interface* and

progressively more relevant to characterize Ontario as engaging in a *regional-international interface*. In tandem with Ontario's earlier-noted economic and locational advantages, an active policy strategy on the part of Queen's Park to carve out a comparative and competitive advantage for Ontario within NAFTA economic space does serve to qualify the province as a North American region state.

That this shift from an east-west perspective and reality to a north-south axis can generate rather dramatic policy perspectives is captured in Table 1, which presents the comparable "defining features" of the traditional role as Canadian heartland and the new Ontario role as North American region state. Readers wishing more elaboration can consult Courchene and Telmer (1998) or Courchene (2001, 2001a).

Globalization, and in particular North American integration, is one of the forces that is reshaping Ontario. A second pervasive force informing the evolution of Ontario is the blossoming of the knowledge/information revolution and the manner in which this is privileging human capital. In the phraseology popularized by Castells (1989), globalization re-positions Ontario and Ontarians in the "space of places" whereas the information age re-positions them in the "space of flows". I now turn to the implications for Ontario of the information era.

B. Ontario and the Information Era

i) three drivers of the information age

While the implications of the information era are nowhere near as unique to Ontario as those relating to the province's transformation into a region state, they are, if anything, more pervasive and more determining in terms of the challenges they place on governments and governance. By way of prelude to a more detailed analysis of the knowledge/information revolution and its impact on

citizens, markets and governments, it is instructive to focus on three of the propellants of this information age. The first is that, thanks to the interplay of the Internet and computers, the *network* is becoming the dominant and pervasive organizational form of the information age. Not only do networks “proliferate in all domains of the economy and society, outcompeting and outperforming vertically organized corporations and centralized bureaucracies” (Castells, 2001), but they are finally providing real substance to the concept of a global economy – “an economy with the capacity to work as a unit in real time on a planetary scale” (Castells, 1996,92).

The second (and related) driver is that citizens are emerging as the principal beneficiaries of the information era, in large measure because of the dramatically falling cost of computational hardware and software and the resulting *democratization of access* to technology and information. This is clearly the most exciting aspect of the new global order.

The third defining feature of the information age also privileges citizens: knowledge is progressively at the cutting edge of competitiveness, with the result that investment in human capital is the *sine qua non* of success in the new global order. Indeed, the new societal order will privilege human capital in the same manner that the Industrial Revolution privileged physical/financial capital. The exciting and liberating corollary is that promoting investment in human capital in the new societal order is at the same time ideal economic policy *and* ideal social policy. This is the policy key that will unlock for Ontarians the benefits of the information age.

With this as backdrop, I focus briefly, and in turn, on how the information era alters the traditional roles of citizens, markets, and governments.

ii) citizens

The democratization of information and technology clearly enhances individuals in their role as *consumers*, so much so that Ohmae (1990) actually defines globalization as “consumer sovereignty.” While there is little doubt, therefore, that this new societal order enfranchises individuals as consumers, a prevalent view is that it is serving to disenfranchise them as *citizens*. What the proponents of this view typically have in mind is that, in an increasing number of policy areas, issues that affect our daily lives are being determined in supra-national arenas where citizens have no *direct* representation – hence the frequent reference to “democracy deficits”. While there is some truth to this claim,² my view is that it will soon be overwhelmed by the reality that like-minded-citizens, networking within and between nation states, will emerge as increasingly dominant players in domestic and world governance. Information empowerment and the democratization of technology will make this so. As Lawrence Grossman (cited in Friedman, 1999,45), former president of NBC News remarked: “Printing made us all readers. Xeroxing made us all publishers. Television made us all viewers. Digitization makes us all broadcasters.” When this potential is fully harnessed, the result will arguably be the emergence of what I (2001,36) have termed (following Friedman’s reference to the global money market traders as the “Electronic Herd”) the “Electronic Citizen-Democracy Herd.” For example, of the 25,000 NGOs (actually INGOs, where “I” stands for international) listed in the Union of International Organizations, fully 20,000 of them did not exist a decade ago. Thus, these INGOs are the creatures of the democratization of information and technology. Indeed, as Sylvia Ostry (2002) notes, it was the Internet that made the anti-globalization movement possible. Canadians ought to be especially aware of this Electronic Citizen-Democracy Herd since it was Canada’s Maude Barlow who, along with similarly-minded citizens and NGOs

from across the globe, successfully harnessed the potential of this democratized information empowerment to help derail the Multinational Agreement on Investment (MAI). And the “Battle in Seattle,” followed by unrest in Quebec City and Genoa, are more recent manifestations of the growing power and influence of this citizen empowerment.

Intriguingly, now that this electronic citizen-democracy herd realizes that it can stall WTO progress toward further global economic integration it will not take long to also realize that this is not in their interest since the result will be to “privatize” trade and to increase the role of the US in the system. Hence, I predict that the bulk of the NGOs and INGOs will begin to work with, not against, the WTO to build a better trade regime. In any event, just as globalization is eroding the power of some traditional vested interests in the policy process, the information revolution is facilitating citizen power to more than fill this void at both the domestic and international levels (Kymlicka, 1997,316).

In other words, and contrary to popular thinking, we are entering an era that will privilege individuals not only as consumers but also as citizens. This means that, apart from the implications of a “digital divide,” the nature of participation, of accountability, of representation and the like as they relate to the citizen-government nexus will have to be rethought in the information age. Appropriately, the mandate relating to Ontario’s *Role of Government Panel* presumably anticipated as much when it listed as one of the six areas where recommendations were to be offered, “opportunities for citizen engagement given our knowledge-based digital economy that is increasingly connected through new technologies and service delivery channels.”

Now for some sobering news as it relates to individuals. By far the most daunting challenge arising from the new global order is its impact on income distribution. Specifically, the

knowledge/information revolution is enhancing the returns to human capital both in absolute terms and relative to unskilled and low-skilled labour which, in turn, is serving to polarize market incomes. At one extreme are what Robert Reich (1991) refers to as “symbolic analysts,” (or high-level knowledge workers) who are networking internationally, agglomerating in specific geographical areas (Silicon Valley, Route 128) and are effectively *seceding from America*. The late Christopher Lasch (1994,47) refers to this as the “revolt of the elites,” in contrast to José Ortega y Gasset’s 1930 classic, *Revolt of the Masses*.

In sharp contrast to the internationalization of the elites are the potential implications for the immobile unskilled and low-skilled segments of the labour force:

Even without a unified labour market or a global labour force, there is a global labour dependence in the new economy ... The new model of global production and management is tantamount to the *simultaneous integration of work and disintegration of workers as a collective* (Carnoy and Castells, 1996,65, emphasis added).

In other words, while unskilled and low-skilled workers may not be mobile internationally, *their work frequently is!* Carnoy and Castells (1996,92) go on to note that what emerges from this is the vision of “an extraordinarily dynamic, flexible, productive economy together with an unstable, fragile society and an increasingly insecure individual.” While this is admittedly on the provocative side, it certainly highlights the societal challenge to be one of reconnecting citizens to markets and restoring the social cohesion of the heyday of the welfare state. At the more macro or meta level, this is the same challenge isolated by Dani Rodrik (1997,2), namely to ensure that “international economic integration does not lead to domestic social disintegration.” Thus far Canadian and Ontario policy has been more successful than the American counterpart in preventing market polarization of incomes from similarly polarizing after-tax and after-transfer incomes. Over the longer term,

however, the key to addressing these income distribution challenges is to ensure equality of opportunity for all citizens to develop their human capital potential.

iii) markets

Global capital markets and the shift toward freeing multinational corporations from differential host-country regulations (because of the EU's single market or NAFTA's national treatment) have ushered in an era that effectively decouples enterprise from the factor endowments of any single nation. In this borderless world, "nothing is 'overseas' any longer" (Ohmae, 1990,vii). The resulting internationalization of production is wreaking havoc with national welfare states everywhere. The traditional welfare state designed its institutions, policies and incentives to mesh well with its national "production machine." For example, regional development incentives that attempted to reallocate production more evenly across the country may have made some sense in the face of high tariffs but are counter-productive (let alone countervailable) within a free-trade area. Similarly, high minimum wages may well result in outsourcing or off-shoring. And so on. Hence, the challenge now is to rethink the optimal design of the welfare state in an era of internationalized production.

The second point to make in the context of the nexus between markets and the new global order is that the shift from east-west trade to north-south trade applies to virtually all Canadian provinces. Indeed it is progressively appropriate to view Canada less and less as a single national economy and more and more as a series of cross-border economies. Phrased differently, what binds Canada east-west is no longer an economic policy "railway", but rather a transfer and social policy "railway." The challenge facing Canadians on this score is how to reconcile an east-west social

system with a north-south trading system.

By way of a third and final observation with respect to the interplay of markets and the information age, Canada's Internet guru, Donald Tapscott, continually emphasizes that the internet is not only an integral part of the new production economy, for key processes or products it *is* the new production economy. Or in Castells' (2001,27) wordsmithing, the *network is the enterprise*. Castells elaborates by noting that "the new economy, spearheaded by e-business, is not an on-line economy, but an economy powered by information technology, dependent on self-programmable labour, and organized around computer networks" (2001,99). As the e-economy migrates toward open-source networks of cooperation, the typical firm is increasingly becoming a coordinator of subcontractors who do everything from designing products, through manufacturing them, to distributing them (Lipsey, 2002,122). The resulting challenge for information-age economies is the same as it is for individuals – to leapfrog any digital divide and join the information age. Being disconnected, or only superficially connected, to the Internet and the network enterprise as the dominant organization form "is tantamount to marginalization in the global networked system" (Castells, 2001,269).

iv) governments

Powers are being transferred both upwards and downwards from central governments of nation states. The upward transfer is straightforward: economic space is transcending political space with the result that countries are, in countervail fashion, transferring powers to supranational structures and regulatory bodies (WTO, NAFTA, EU, Euro). The downward transfer is to markets (privatization, contracting out, deregulation), to lower levels of government (devolution of powers

in forestry, mining, tourism, training, etc.), and to citizens (via the democratization of information). Indeed, one aspect of this downward transfer of power is that governments have lost their erstwhile monopoly or control over information which has, in turn, resulted in a redrawing of the boundaries between what ought to be public vs. private, central vs. local and federal vs. provincial.

This process of *glocalization* (a combination of *globalization* and *localization*) can also find a rationale in terms of the operation of the “principle of subsidiarity”. In its most general version, the subsidiarity principle states that the locus of decision-making and delivery should be as close to the people affected as is feasible. Clearly, the information revolution component of the new societal order (including the dramatic fall in communication and computation costs) is decentralizing in that it makes more feasible the downward transfer of many more programs/policies. However, there is a corollary to the subsidiarity principle that states that if there are spillovers or externalities associated with locating service delivery at a given level, then these externalities should be “internalized” by transferring the activity up the jurisdictional ladder. Since one of the key determinants of spillovers is the inherent *mobility* of the good or service in question, and since one of the frequently used definitions for globalization is “ultra-mobility,” it is clear that the globalization component of the new social order can serve to transfer powers upward, either from the provincial to the national level, or from the nation to the international arena. Note in this context that a transfer upward from the provinces need not imply a transfer to Ottawa – the externalities could also be internalized by coordinated provincial activity (Courchene, 1996).

While the overall *goals* or objectives for public policy need not change much in the new societal order, it is almost surely the case that we need new and creative *instruments* to achieve these long-standing goals. Creativity in the practice and the art of federalism has long been our forté.

Without altering the written Constitution word we have been able to alter the effective or *de facto* division of powers by changing the nature and magnitude of our intergovernmental transfers, by provisions for opting out, by federal-provincial agreements, and the like. The time has again come to be creative. And we appear to be succeeding: the Social Union Framework Agreement (SUFA) holds the promise for accommodating the reality of decentralization and flexibility on the one hand and the need to embrace a set of pan-Canadian social principles on the other. To be sure, SUFA is politically flawed because Quebec is not a signatory. But at the conceptual level it is representative of an important new set of instruments since it represents a move away from old-style Ottawa-driven or unilateral federalism and toward an EU-type of intergovernmentalism or co-determination with respect to the design and oversight of policy areas falling under provincial jurisdiction.

C. Toronto as a Global City Region and the Municipal Resurgence

The interplay among globalization, North American integration, the information era and the principle of subsidiarity are conspiring, as it were, to catapult cities into the economic and policy limelight. Prior to addressing the overall municipal resurgence, I devote attention to Toronto as a global city region.

The evolution of Ontario toward the status as a North American region-state, for all intents and purposes, is about the evolution of Toronto in the direction of becoming a global city region. Indeed, without Toronto and the Greater Toronto Area (GTA) as an economic engine with an international reach, there would be no Ontario region state. More generally, there is a growing recognition that large urban agglomerations are driving much of what falls under the economic umbrella of globalization. In a recent book, Scott et al (2001,18) note that “global city regions come

to function increasingly as the regional motors of the global economy, that is, as dynamic local networks of economic relationships caught up in the more extended worldwide webs of interregional competition and exchange.” Ohmae’s (2001,33) view is even more sweeping: “the world, economically and in management terms, has become a network of prosperous regions, prosperous city-regions.

That the GTA is a domestic and international economic motor is not in doubt. With its roughly 4.5 million people it constitutes just over 40% of Ontario’s population and 50% of the province’s GDP. In turn, this means that the GTA accounts for roughly 20% of overall Canadian GDP. Beyond the fact that Toronto is far and away Canada’s financial, industrial, services, and (for English Canada) cultural capital, readers can refer to Gertler (2000), Courchene (2001) or the Golden or GTA Task Force Report (1996), for further elaboration on Toronto’s economic pillars or clusters.³ This reference to “clusters” and the earlier reference to “dynamic local networks” are also key to understanding the new role of these city regions: they are the embodiment of dense interactive networks of knowledge, human capital, R and D, telecomputational expertise , etc., essential to spearhead innovation and product development in the information economy.

The critical policy issue with respect to global city-regions is straightforward: Whether Canada can sustain itself as a high-income economy within an integrated North America almost certainly comes down to how our global city regions (arguably Toronto, Montreal, Vancouver, Calgary) will fare in relation to their US counterparts (Harris, 2002). An important aspect of this competitive challenge as it relates to Toronto (which is key to the economic success of both Ontario and Canada) has been aptly stated by Berridge (2000):

Toronto can help keep Canada economically dynamic only through greater integration with

the U.S. economy. To do so, however, it must go head to head with some very substantial cities south of the border that are in the midst of a renaissance spurred on by massive investment ... To maintain our ranking ... in the face of well-capitalized U.S. urban competition will require both a strategy and a scale of public and private financial investment not now evident.

For their part, US global city regions have benefited from very substantial *federal* infrastructure funding. In Canada, such a direct federal-municipal relationship is probably a non-starter politically, since the cities and municipalities are the creations and creatures of the provinces and any federal funding for cities typically has to go *through* the provinces or have the *imprimatur* of the provinces.⁴ In tandem with a broad range of other concerns (e.g., lack of fiscal autonomy) this has led to a range of intriguing initiatives relating to the global-city-region/municipal level. Arguably the most dramatic of these is the proposal for a “Charter” for the GTA, one version of which appears as Table 2. The role of such a Charter is to bring Toronto more fully and more formally into the operations and processes of Canadian federalism. As is apparent from Table 2, the charter provisions relate to the division of powers (exclusive and concurrent), to the assignment of fiscal responsibilities (both expenditures and taxes) and to the development of more formal arrangements with the other orders of government.

More generally, Canada’s cities and municipalities are working with like-minded groups to develop a united voice on a wide range of issues related to their collective future, participants of which include the C5 (the mayors of Toronto, Montreal, Vancouver, Calgary, Winnipeg), the Federation of Canadian Municipalities, the Canadian Urban Institute, the Canada West Foundation, and various city boards of trade, among others. The most recent ally of the cities is TD’s Charles Baillie and the two TD Economics Special Reports on Cities – *A Choice Between Investing in Canada’s Cities or Disinvesting in Canada’s Future* in April of 2002 and *The Greater Toronto Area*

(GTA): Canada's Primary Economic Locomotive in Need of Repairs in the following month. These TD Special Reports carry a similar message, e.g., that cities need access to new and more secure sources of funding. But there is also a novel component, namely a “clarion call” to Canada’s private sector and business leadership to take a greater interest in the future of our cities, in much the same way that US business leadership has become involved in the future of the US cities.

One can also come at the need for rethinking the role of cities from perspectives other than economics, e.g., subsidiarity, accountability, participation/democracy and the like. For example, any meaningful embracing of the principle of subsidiarity, (especially in an era where information costs of decentralization and coordination have fallen dramatically) would vest democratic control and accountability for a substantial range of public goods and services with the city/municipal level of government. Moreover, cities are where many of Ottawa’s policies are effectively implemented – social housing, homelessness, services for immigrants and refugees, language training, etc. Many of these services need to be more fully integrated into the myriad of other programs that cities deliver to their citizens, a further rationale for enhancing the responsibility of cities.

However one makes the case, the reality is that in the new global order the economic and political star of cities is rising and this is especially true for global city regions. Indeed, the success of Ontario as a North American region state is dependent on Queen’s Park providing appropriate governance architecture and incentives to facilitate Toronto’s challenging transition from Canada’s economic and financial powerhouse to a dynamic and innovative global city region in NAFTA economic space and even beyond. Part of this governance architecture relates to the geographical “boundaries” of Toronto as well as the nature of its internal politics.

These, then, are three powerful forces – NAFTA integration, the knowledge/information

revolution, and the rising economic star of global city regions – that are driving the economic, political, social and federal evolution of the province of Ontario. The remainder of this policy essay is directed toward isolating the range of policies, programs and instruments that governments, and particularly the Ontario government, need to design and implement in order to “better serve the people of Ontario far into the future.” (Premier Harris, *Press Release on Role of Government Panel*, January 10, 2002).

III: MAKING THE NEW GLOBAL ORDER WORK FOR ONTARIANS

A. Towards a Human Capital Future

Any process of rethinking and reworking Ontario’s governance, infrastructure and policies must be informed by a set of goals or priorities. Presumably, the overarching goal would run along the lines of maximizing Ontarians welfare and well-being, i.e. some appropriately lofty statement that would generate consensus across Ontarians. Arguably, Ontario’s *A Road Map To Prosperity* came close with its “vision” – “Ontario is the best jurisdiction in North America to live, work, invest and raise a family” (Ontario Jobs and Investment Board, 1999,15). At a more tangible level, I simply assert that the operational goals desired by Ontarians (and indeed by all Canadians) are the old chestnuts of “economic competitiveness” and “social cohesion”: we want to combine the dynamism of an America-style economy with the social cohesion of the continental Europeans. What is so exciting and so unique about the new global order is that the pursuit of a human-capital and citizen-privileged future for all Ontarians is also the key to securing *both* a competitive and cohesive future. Table 3, distilled from the writings of Lester Thurow, makes this clear. The first quote speaks to the emergence of knowledge as the bedrock of 21st century wealth creation and competitiveness. The

second highlights the fact that the principal way to address market income inequality and, relatedly, to forge greater social cohesion across society is to ensure that all citizens have an equal opportunity to develop their skills and human capital. And the final quote focusses on skills and human capital as the key to high-wage economy, and, therefore, the key to a high and rising standard of living.

Since a commitment to a human capital future is emerging as the principal avenue by which to achieve both competitiveness and cohesion, I am emboldened by this historically unprecedented window of opportunity to offer the following *mission statement* for Ontarians and Ontario in the 21st century.^{5, 6}

Within the principles and spirit of the Canadian community, design a sustainable, socially inclusive and internationally competitive infrastructure that ensures equal opportunity for all Ontarians to develop, to enhance and to employ in Ontario their skills and human capital, thereby enabling them to become full citizens in the information-era Canadian and global societies.

Addressing the variety of ways in which implementing the mission statement will contribute to both competitiveness and cohesion as well as addressing the required roles of the various government levels will follow after a brief discussion of some of the new policy principles and processes required by the new global order.

B. Framing Policy in An Information Era

i) public sector vs. private sector

In this new global order there appears to be an increasing divide between the private and public sector in terms of the factors driving their respective economic and institutional adjustment. Specifically, the private sector is increasingly international and competitive whereas the public sector (except in its interprovincial or “competitive-federalism” dimension) remains in several key services

delivery areas inherently national and non-competitive, even monopolistic. In turn, this has important implications for the way in which one approaches policy development in the two sectors. For example, in my role as a consumer of market goods and services, I am confident that, five years hence, I will have access to state-of-the-art banking and telecomputational services for example – the internationalization of these markets will ensure that this will be so. Since I cannot be denied access to these services in our progressively borderless world, it becomes patently foolish for Ontario policy toward the private sector not to ensure that, wherever possible, Ontario-based enterprise plays a key role in providing these goods and services. Thus, one principle related to framing policy in an information era is that Ontario continue to operate in region-state fashion in creating *untraded interdependencies*, i.e., in creating positive/attractive locational advantages to ensure that Ontario-based enterprise is *at least* on a level playing field with international competitors.

A second principle follows from the Schumpeterian “creative-destruction” nature of the processes of economic adjustment in the on-going transition from the old to the new paradigm. In order to ensure that the private sector remains dynamic and leading edge, *Ontario should adopt as a principle the presumption that any private-sector initiative is permissible unless it can be demonstrated to be contrary to the public interest.*⁷ On the surface this may seem to be a harmless reworking of the traditional approach to change and innovation, namely that any new innovation be in the public interest. But the critical difference is *where* the burden of proof lies. In the new global order, the status quo, *not the innovators*, must be on the defensive. Admittedly, the ultimate arbitrator on these issues may well be the federal Competition Bureau. This being the case, Ontario must be willing to play a substantive role in the Bureau processes. In particular, the province must press on the Bureau a more forward-looking perspective in terms of assessing the competitive impact

of innovations, mergers, etc. and must insist that any market concentration concerns are adjudicated within a framework that views markets as international.

Unlike policy toward the private sector, where one can replicate “best-practice” elsewhere as a reasonable first approximation to appropriate Ontario policy, the inherent non-tradability of public sector goods and services necessarily implies that there is no direct pressure arising from national practice elsewhere in the world. In other words, unlike the case for banking and telecommunications, I have no guarantee whatsoever that I or my grandchildren will be able to access “state-of-the-art” health or education or training. What emerges from this reality is not so much a principle as a challenge, namely that *the design of Ontario’s social infrastructure is emerging as the most daunting task in the information era*. Succeeding in this challenge is incredibly important since it will be the nature and principles underpinning our social infrastructure, much more than our economic infrastructure, that will define us as a society in the twenty-first century. And it will be a difficult and complex task because we have to do this on our own; we have to fall back on our inherent creativity as a citizenry. We are not without some trump cards, however. Since all provinces share in this challenge, the Canadian federation must, within mutually acceptable parameters, allow scope for the various provinces to experiment with alternative design and delivery systems for these provincial goods and services. This is the enduring virtue of a federal system: it allows for the dynamism of markets to operate in relation to the competitive provision of provincial public goods and services, where demonstrably superior approaches (like Saskatchewan’s approach to health care in the 50s and 60s) can become “best practice” in all provinces.

Nonetheless, adjustment remains difficult in part because there is no effective process of creative destruction at play in the public sector. Indeed, the initial response to proposed policy/

program change is likely to take the form of defensive “rent seeking” or, more appropriately, “rent maintenance”, i.e., the political system is utilized to attempt to convert existing privileges into quasi property rights or, better yet, full blown entitlements. As Sylvia Ostry once proclaimed, while governments may be no better or worse than the private sector when it comes to picking winners, losers are incredibly adept at picking governments! There is no fail-safe way out of this dilemma. It would be of substantial help if new programs avoided creating special-interest or clientele effects. One way to do this is to ensure that similarly situated individuals are treated similarly by any new policy. For example, tilting the benefits to privilege selected subsets of Ontarians (e.g., on the basis of location) is usually a sure-fire way to generate entitlement-type benefits that then become very difficult to change – witness the regional benefits under EI. Allowing the benefits of some programs to be tax exempt (e.g. workers’ compensation benefits) while those of similar programs are taxable (CPP disability payments) is likely to make these types of compensation more highly valued and, as a result, more difficult to fold into more integrated/comprehensive systems for income support and income insurance.

ii) goals vs. Instruments

Beyond the need to recognize the differences between public and private adjustment processes, we also need to be careful in terms of distinguishing between *goals* and *instruments*. Specifically, some instruments have been so successful or have become so enmeshed with our values and/or identity that they have been elevated to the status of goals. In the current time frame, medicare surely falls into this category and, to a degree, so does our flexible exchange rate (i.e. monetary sovereignty). But at base these are *instruments* for delivering ultimate goals – arguably

universally accessible, largely tax-financed health care in the case of medicare and a growing, prosperous and stable economy that enhances the well-being of Canadians in the case of flexible rates or monetary sovereignty. To view these instruments as immutable goals may, in a dynamic socio-economic order, place the ultimate goals in the balance. For example, the 100% public funding for medicare-covered activities and more-or less zero per cent public funding for non-covered items such as pharmaceuticals, (except for the elderly), home care and chronic care may progressively run afoul of the equality of access to essential health services. The European approach – more comprehensive coverage but with income-tested co-payments throughout – may resonate better with the underlying goals, especially as the non-covered components of the Canadian system loom larger in terms of population health and well-being. Likewise, in the face of enhanced trade flows and increasing currency integration elsewhere in the global arena, a fixed-exchange rate or a common currency may become a preferable instrument to achieve the overall goals of monetary policy. I hasten to add that this is not to be interpreted as an argument against either medicare or flexible exchange rates. Rather, it is a reminder that the underlying goals of a society tend to be enduring across paradigms whereas instruments tend to be paradigm- or environment-specific. In effect, instruments are the means toward achieving the underlying ends or goals and we must be willing to rethink instrument choice when the fundamental parameters of the system evolve, as they are currently doing in the transition to the new global order.

With this as backdrop, the remainder of this essay focusses on the policy choices appropriate to Ontario as it endeavours to privilege its citizens in the information era. I shall begin with some brief implications that flow directly from the mission statement.

C: Infrastructure for an Information Era

The infrastructure challenge is rather straightforward: the “ribbons of steel” that linked Canadians from sea to sea must give way to the “filaments of fibre” that will ensure that all Canadians have equality of opportunity to access the knowledge and information needed to develop and enhance their human capital. On the individual front the task is to equalize the opportunity for the “installation of information-processes and knowledge-generation capacity in every one of us – and particularly in every child (Castells, 2001,277), with an equivalent task on the business/market front since not being fully connected to and with the Internet and the network society is, as noted earlier, tantamount to marginalization in the global networked economic system. With SchoolNet and the 10,000 Community Access Portals, Canada was an early leader in becoming the most “wired” nation on the planet. We appear to have surrendered our leadership as of late, with the consequence that there is both scope and need for Ontario and Ottawa to ensure that the information superhighway is ubiquitous and in its “public carrier” aspects operates more as a freeway than a tollway.

D. Social Cohesion Imperatives

Among the frameworks and policies that Ontario should consider in terms of advancing the human capital future of its citizens are:

- *a children’s human capital bill of rights.* While a set of rights/principles need not be justiciable, some such vision has to be at the core of any meaningful attempt to along these lines provide equal opportunity for all Ontarians to develop their human capital;
- *viewing the family as the locus for human capital production and decision making.* The incentives in the many transfers to children, families, students, etc. should be consistent with conceiving families (however defined) as the centers of learning and production and not only

as consumption units;

- *reorganizing the bureaucratic structure so that Ontario can become a “knowledge and information state”*. The structure of government should reflect the information era reality that knowledge and human capital are key to achieving competitiveness and cohesion. There must be an overarching vision that serves to make the transition from the old “industrial” approach to the bureaucracy to one that is structured more in line with the human capital and knowledge future of the province.

By way of elaborating this last point, our approach to social policy in the post-war period was to ensure that the magnitude of, and incentives within, the social policy envelope were consistent with the maintenance of our international competitiveness. Arguably, this perspective is even more important in the new societal order. However, what is radically different is that this is now a two-way street, since social policy in the form of human capital development is essentially identical to traditional economic policy and since knowledge is progressively the key to international competitiveness. Therefore, it is now also the case that where there are degrees of freedom in (or alternative approaches to) the pursuit of economic policy, the options chosen should be those most consistent with the needs and desires of Ontarians in terms of human capital development. For this symbiotic relationship between cohesion and competitiveness to be possible, both must be informed by a knowledge/human-capital perspective. And in turn this requires an information-era-consistent bureaucratic structure.

E. Economic Competitiveness Imperatives

The “employ in Ontario” tenet of the mission statement requires that Ontario become a more attractive place to innovate, to undertake R and D, to grow new enterprises, and to locate head offices for North American production. The Golden Report on the GTA (1996,9) phrased this

imperative as follows: “Our report is premised on a vision for Greater Toronto *as the place where people and businesses that can choose to be anywhere, choose to be.*” Integral to succeeding in this endeavour is the need to ensure that the combined Ontario-Canada marginal income tax rates on mobile factors (physical, financial and human capital) are at least as low as those in the US. Both Ontario and Canada have lowered their corporate income taxes to levels competitive with Ontario’s cross-border trading partners/ competitors. However, neither has reduced the top marginal tax rates for personal income taxation, i.e. neither has appropriately realized that the new reality is that knowledge workers are highly mobile. In specific terms:

- Ontario needs to decrease its top marginal tax rate for personal income taxation and it must lobby Ottawa to do the same;
- If this leaves the province short of revenues, then Ontario should increase its provincial sales tax (subject to the fourth bullet below);
- The more general point is that the new global order requires that taxes shift from income to consumption;
- Ontario must convert its PST into a value-added tax (GST) in order to make the former sales tax both export and import neutral. This integration is long overdue and the delay is progressively harming Ontario’s international competitiveness;
- I would endorse Jack Mintz’s recommendation(1999) that since we will eventually have to follow the Americans in terms of the taxation of mobile factors, we ought to move quickly and sharply in order to give Ontario and Canada a *first-mover advantage*.

While the politics of reducing top marginal rates will be difficult, it is important to remember that, in the context of the mission statement, the income-distributional counter to these tax reductions directed toward the rich comes in the form of directing the expenditure side toward increasing the skills and human capital of the traditionally unskilled and low-skilled components of the labour force.

E: Foreign Direct Investment: Paradigm Shifts⁸

To conclude this section on the competitiveness and cohesion implications of the Ontario mission statement, it is instructive to focus on the dramatically altered role of foreign direct investment (FDI) under the old and new paradigms.

The traditional FDI story is that its role was to “jump the tariff wall,” as it were, and to establish Canadian plants to sell to Canadians. Hence, the market it was serving was the domestic Canadian market, and often *only* the domestic market since its parent company would typically serve the US and foreign markets. Canadian wages, whether in Canadian or FDI companies, could be generous because they were producing behind a tariff wall. The result, at least in terms of Ontario, was the so-called “branch-plant economy,” the very opposite of a “head-office” economy that is increasingly important for employing high-level human capital.

In the new global order, all of this has effectively been turned on its head. FDI motivated to serve the Canadian market is largely a non-starter: the Ontario/Canadian economy can be served from *anywhere* in NAFTA. Rather, the role of inward FDI to Canada is to produce for the NAFTA market and beyond. Unlike the old FDI which was encouraged by high tariffs, new-economy FDI must find Ontario an attractive place to do business, indeed more attractive than other locations in North America. In turn, this means competitive tax rates (or better) on mobile factors, a qualified labour force, and a quality environment in terms of schooling, health care, tolerance, security etc.

An equivalent way to approach this issue is to recognize that the NAFTA demand for an Ontario firm is roughly 30 times the Ontario demand. Moreover the potential number of firms that could make Ontario their home base is uncountably large. Hence, the key to succeeding as a North American region state is to make Ontario the most attractive location in North America. This is

exactly what the Irish did within the EU: they embarked on an industrial policy the components of which were human capital excellence on the one hand and attractive tax rates on the other. The country has been rewarded with one of the highest per capita GDPs in Europe (surpassing that of the UK). Moreover, with corporate tax rates barely a third of Canada's rates, Ireland has attracted sufficient industry to generate a higher ratio of corporation taxes as a percent of GDP than Canada has.

Phrased differently, Ontario must become the Ireland of NAFTA. And the contention running through the analysis in this section (and in the remainder of the essay) is that this will follow rather naturally if Ontario views itself first and foremost as in the business of developing, enhancing and employing in Ontario the human capital of its citizens.

Most of the implications in the above analysis follow rather directly from the mission statement itself. However, a human capital perspective can infuse a much wider range of policy areas. By way of example, the following section addresses three of these – education, health and the choice of exchange-rate regime.

IV: EDUCATION, HEALTH, CURRENCIES AND HUMAN CAPITAL

A. Education

The education subsystem (daycare, K-12, post-secondary, training/apprenticeship) is obviously a critical component of a knowledge-intensive society. Appropriately, this subsystem has been singled out for detailed attention as part of the research agenda of the Role of Government Panel. What follows here are a series of bullet observations/recommendations that are consistent with the dictates of a human capital perspective:

- Ontario needs to ensure that daycare/childcare entitlements or vouchers are tied to the children themselves (e.g., as part of the human capital bill of rights for kids) and not in the first instance linked to the work vs. home preferences of the adults.
- Grade 8 students in Ontario have made very considerable progress in terms of the TIMSS rankings – from significantly (in a statistical sense) below the Canadian average and even the international average in 1995 to above the international average and equal to the Canadian average in the 1999 survey. However, there is lots of room for improvement, since Ontario still lags behind Alberta and Quebec. In passing, one might note that Alberta and especially Quebec have more choice/options in terms of types of elementary schools, the competition among which may lead to a “race to the top,” so that this may be one avenue for Ontario to pursue.
- An alarming number of our young people, especially males, do not make a successful transition from school to work, or school to higher education. This is obviously worthy of attention in its own right. Relatedly, given that we endow each post-secondary-education (PSE) student with a significant “investment voucher” since tuition fees are well short of full cost, why do we not also endow those that do not go to university with an equivalent “investment voucher” that would help buy their way into the labour market as an apprentice or a trainee? Concerns with respect to equity/cohesion would certainly argue in favour of such initiatives. (More proposals can be found in Courchene, 2001, Chapter 13).
- Now that much of the training function has been downloaded to the province, Ontario needs to have the ability to mount comprehensive training programs and, more generally, programs relating to the transition from welfare/EI to work. In turn, this means that Ontario needs to have more control over aspects of EI in order to integrate it more fully into the training subsystem.
- At the PSE level, universities and community colleges still exist largely as two solitudes. Along California lines they need to be integrated into a larger system and this implies either formal and transparent transition procedures from colleges to universities, or allowing colleges to offer B.A.’s (along the lines of British Columbia’s “university colleges”). Presumably the new Ontario University for Information Technology will be a step in this direction.
- Following Shapiro and Shapiro (1996), one can make a case that the Canadian and Ontario university system is too homogeneous, i.e, we have two few world class universities. For Ontario to be on the forefront of knowledge-intensive economic activity, it needs Toronto (and perhaps Queen’s/Ottawa and Western/Waterloo/McMaster) to be great research universities. With its billion-dollar-plus endowment, Toronto is leading the way here and in the process contributing significantly to the “competitive cluster” essential to ensuring that the GTA succeeds as a global city region.

- Rising tuition fees may be creating an “access” issue. However, deregulation of tuition fees would be less of a problem in a system with clearer distinctions between teaching-intensive universities and research-intensive universities. Second, Ontario needs to create at least one private university to generate much needed competition in the sector. Third, in order to encourage access, first-year tuition should be kept low. If students wish to continue they will then be faced with higher fees (hopefully in the context of income-contingent student loans), but they will be making this choice with full knowledge of what a university degree offers them. Finally, where rising fees are inevitable the approach should be “access/admission based on merit, financial assistance based on family income”.

Ontario is in a position to become a world leader in education because it is building on an excellent base.

B. A Human Capital Perspective on Health Care

A human capital perspective of medicare (and more generally the health-care sector) lends a fresh approach to the on-going reform process. The starting point of this perspective is that in the knowledge/information era, health is emerging as one of the leading sectors for research, innovation, economic growth and exports. Moreover, it ranks as one of the premier employers of high level human capital. Among the promising industrial subsectors associated with health, one would include information technology, health care delivery services, health care management, knowledge management systems (including data collection and software development) and imaging systems, among others. And of course there is the whole biotechnology industry which Industry Canada expects to be worth \$60 billion domestically in 2005. However, there is much more at stake here than merely missing out on a major export platform in the information area: Failure to be in the forefront of these remarkable diagnostic, treatment and service delivery innovations will mean we will be at a disadvantage in maintaining state-of-the-art health care, let alone ensuring access to the system.

From a human capital perspective, the underlying problem is straightforward. We tend to view the health care system as falling almost entirely within the “social” envelope. Moreover, our collective approach to health care is to emphasize cost containment, subject to some national concept of an “acceptable” or appropriate standard of services (which we appear willing to have decline over time). Yet the reality is quite the opposite: in a human capital and information era, the health care sector needs a massive infusion of physical, intellectual and financial capital to enable it to become a dynamic engine of economic growth with multitudes of spin-offs in other new technology sectors. Viewing the health sector solely as a social policy sector will guarantee that it will never receive this requisite infusion of capital.

An example is in order. One can be fairly confident that the future on the health front will be characterized by a rapid growth of specialized diagnostic and treatment centers which will be cost-effective, innovative and separate from, although possibly linked to, the hospital sector. One can also be confident that the private sector will lead the way here. Hence, the real challenge here is not how to keep the private sector out of the health sector. Rather, it is how to cast the Medicare umbrella wide enough to incorporate these private clinics.

The essential lesson for Ontario is that maintaining state-of-the-art health care for Ontarians in the 21st century requires that we view the health sector as a dynamic economic motor and an employer of high-level Canadian talent as well as an essential social institution. Ontario should not allow last paradigm’s conception of Medicare to prevent the health sector from emerging as a pivotal player and employer in the information economy. It may well be that Medicare is also the first-best instrument for information-era health care. But if so, this should be because it has demonstrated its continued appropriateness and *not* because we view Medicare as the goal of our health-care system.

It is not a goal.

C. Exchange Rate Regimes

Like Medicare, flexible exchange rates have tended to become elevated to the position of a policy goal. Not only is this not the case, but the combination of increased economic integration and a human capital perspective suggest that flexible rates will progressively fall short as an appropriate monetary policy instrument. The human capital perspective goes as follows. With knowledge increasingly at the edge of competitiveness and with human capital increasingly mobile, information-era industries are more footloose than was previously the case. For Canada as a small open economy to hold its own, cost structures need to be more predictable. (Note that this may not be true for, say, an energy-based economy, since no matter how volatile exchange rates are the oil/gas is still in Alberta, i.e. it is not footloose). Indeed, volatile exchange rates will likely have a deleterious effect on optimal resource allocation. As Courchene and Harris (1999,10) note:

The dynamics of the response to a particular [exchange rate] misalignment vary significantly with the human capital intensity of the sector in question. In the case of over-valuation, firm exit (or relocation) is the ultimate response. With a serious undervaluation, ... , the process works quite differently. The immediate effect of the depreciation is to shift income in Canada from wages to profits. With real wages in the United States rising relative to those in Canada, skilled labour begins to migrate. Many firms will resist raising wages in the short run and would rather use the depreciation to cut prices and build market share. If the low exchange rate persists, most firms will ultimately come to realize that the situation is unsustainable in the longer term: they will either have to raise real wages for their skilled workers or follow them to the United States ...

The net impact is that firms may exit in periods of overvaluation, and workers may exit in periods of undervaluation. For a smaller country, building comparative advantage in human-capital-intensive industries becomes quite difficult if both firms and highly skilled labour are mobile between the two countries. The irony is that repeated periods of exchange rate misalignment are likely to result in the shift of Canadian comparative advantage toward industries that are resource and/or capital intensive, and in an employment base that is both

less diversified and less human capital intensive than would be the case with exchange rate stability.

I hasten to note that the view that exchange-rate fixity or a North American common currency would enhance Ontario and Canadian productivity is not widely held, in spite of some recent theoretical developments that support this view (Harris, 2002a). It is also worth noting that this exchange-rate analysis raises an important issue that has heretofore largely been ignored, namely that what is best for Ontario may not be best for all of the other provinces. This observation provides a convenient bridge to the final section of this paper – the intergovernmental or federal implications of Ontario’s pursuit of a human capital future.

V: FEDERALISM, INTERGOVERNMENTALISM AND QUEEN’S PARK

Scratch the surface of any Canadian policy area and up will pop the federal-provincial or division-of-powers issue. Ontario’s pursuit of a human capital future is no exception. Accordingly, the analysis will begin with the Ontario-Ottawa relationship, followed by a brief discussion of the interprovincial and Ontario-Toronto (or Ontario-municipal) challenge with a concluding comment on Ontario’s international relationships.

A. Queen’s Park and Ottawa

Coincident with the emergence of the information era has been a related shift in the *de facto* federal-provincial distribution of powers. Given that knowledge and human capital are on the cutting edge of international competitiveness, this automatically attracts the federal government. So does the fact that citizen issues (education, health, welfare) have become the new electoral currency

in the Western world. Moreover, some of the old paradigm favourites like resources and energy are no longer the stuff of nation building. In tandem, this has led Ottawa not only to download to the provinces aspects of energy and resources but more importantly to embark on major spending in these citizen-related areas by by-passing the provinces and dealing directly with citizens – millennium fellowships, research chairs, the child tax benefit, and the like.

Intriguingly, this should not be all bad news to the provinces, or at least to Ontario. This is so because it is in the very nature of region states to be more concerned with allocative/efficiency issues or with wealth creation than with income distribution. As Newhouse (1997,72-3) has noted, this is certainly the case for European region states. And the more that Ottawa takes up the cause of income distribution, the more that Ontario will feel free to play its policy hand as wealth creator. Indeed, a new *de facto* division of powers is developing – Ottawa progressively looks after income support for the kids and the elderly and the provinces are then free to design programs for adults – education, training, transitions from school to work and welfare to work, etc. Nonetheless, Ontario maintains a key distributional role by ensuring equality of citizen access to education, health, and (as argued above) to human capital formation and development especially for children.

In other policy areas, the traditional Ontario-Ottawa tug-of-war (Courchene and Telmer, 1998) is almost certain to persist. With near certainty one can predict that concerns over provincial vertical imbalance will come to the fore, especially with Ottawa slated to run healthy surpluses over the next few years while most of the provincial budgets will be in the red. Admittedly with some degree of oversimplification, the federal government was able to achieve balance by fiscal year 1997-98 thanks in part to the sharp reduction in CHST transfers to the provinces. For their part, the majority of the provinces were able to balance their books in 2000-01. Since this was the peak of

a substantial boom, this has made them much more vulnerable than Ottawa to any revenue slowdown.

While the federal transfer cuts to the provinces were viewed as relating to health, the fact that health care has such a powerful citizen constituency and lobby effectively meant that the expenditure restraints occurred everywhere but in health – in education, welfare, the environment, municipal infrastructure etc. Hence, there are increasing demands for funding for these areas and only the federal government has the fiscal flexibility able to satisfy them, the upshot of which is that Canadians are welcoming federal spending intrusions in what arguably are areas of provincial jurisdiction. This will not sit well with Ontario, and, among other avenues, Ontario will press for additional tax point transfers in general and, in particular, the same 16.5 additional personal income tax points that Quebec has had since the 1960s.

Indeed, the shared PIT may again become a federal-provincial battleground. It was Premier Ernie Eves in his earlier incarnation as Ontario's Finance Minister who, in his 1997 Ontario Budget, credibly threatened to withdraw from the Tax Collection Agreements unless Ottawa rectified selected aspects of the shared federal-provincial personal income tax (PIT) system. Ottawa's response was dramatic – to allow the provinces full rate and bracket flexibility under the PIT as of calendar year 2001. While this gives substantial additional PIT flexibility to Ontario, it does not allow the province to alter the definitions of what constitutes income for tax purposes. In particular, Ontario has argued for much reduced taxation of capital gains as a strategy for attracting more firms to Canada (or, in terms of the mission statement, to help “employ in Ontario” the province's human capital). In its 2000 federal budget, Ottawa did in fact go along with Ontario's capital gains recommendation. But this is a story in progress, since Ontario has not publicly given up on the

possibility of mounting its own separate PIT. How this plays out is intimately bound up with the larger “vertical fiscal balance” question and certain to be influenced by the outcome of the Kirby and Romanow committees on the future of medicare and its financing.

Beyond this fiscal issue, Ontario was surely pleased with Ottawa’s overall monetary/exchange-rate stance in the 1990s which delivered low inflation and an undervalued exchange rate. Nonetheless, along the lines of analysis articulated above, my guess is that Ontario business and, therefore, Ontario will come to the realization that exchange rate fixity in general and a common Canada-US (or NAFTA) currency in particular is the preferred exchange-rate regime for information-era Ontario operating in NAFTA economic space.

A potential dilemma for Ontario is that Ottawa (in respect of both the departments of finance and industry) will also latch on to the human capital mission statement as a goal for all Canadians. Should this occur, the Ontario response should be to exuberantly congratulate the federal government and then to suggest that they work together to further the human capital future for all Canadians with reliance on the principle of subsidiarity to play the key role in determining what each level of government should do.

Finally, and serving as a bridge to the next section on interprovincial relations, from the Bob Rae government (1990-95) onward Ontario has made a case for “fair-shares” federalism, namely that Ontario wants its fair share of federal funding directed to programs such as training, funding for integration of immigrants, EI benefits, among other programs. Ontario’s argument here (correct, in my view) is that there are certain national policies that ought to treat all similarly situated Canadians similarly. The corollary is that if this leaves citizens of certain provinces disadvantaged, then serious consideration should be given to introducing accommodation into the equalization program rather

than (as now) to build a regional component into each and every allocative programs. Failure to observe this principle is likely to erode Canadians' support for Canada's overall redistributive system.

B. Queen's Park and Intergovernmentalism/Co-determination

One of the truly remarkable developments over the last five years of the 1990s was the emergence of a "pan-Canadianism" on the part of the provinces triggered in turn by the revitalization of the Annual Premiers' Conferences (APCs). The impressive catalyst here was the *Report To Premiers*, prepared for the APC by the Ministerial Council on Social Policy Renewal and Reform. Beyond the articulation of a set of pan-Canadian principles to underpin social Canada, the *Report To Premiers* was designed to recommend alternative processes and structures – some interprovincial, some federal-provincial – that would underpin the design and delivery of social policy. Adopted at the 1996 APC at Jasper, and refined in the 1997 APC at Saint John and in 1998 at Saskatoon, the provinces, acting collectively, had clearly articulated a vision and a design of social policy that began to appeal to Canadians. Not surprisingly, perhaps, this brought Ottawa into the picture, the first result of which was for the federal government to adopt one of the recommendations of the *Report To Premiers*, namely "the possible consolidation of income support for children into a single national program, jointly managed by both levels of government with options for either federal or provincial/territorial delivery of benefits" (p.14).

The result was the Canadian Child Tax Benefit introduced in the 1997 federal budget. This is easily among the most creative programs ever devised at the intergovernmental level, involving as it does the exercise of the federal spending power conditioned by substantial freedom of

implementation on the provinces' part. Indeed, this was the prototype that led to the February, 1999, social union framework agreement (SUFA) which essentially converted "federal unilateralism" on the social policy front to a version of intergovernmentalism. To be sure, SUFA's detractors appear to be legion, even beyond the concern that Quebec refused to become a signatory of SUFA. However, along the lines of the CCTB, SUFA will eventually be viewed as one of the more creative instrumentalities of Canadian federalism. Essentially, it enhances aspects of provincial program flexibility, but within the context of articulating a set of pan-Canadian social policy principles that all provinces will adhere to. In other words it is an institutional innovation that has as its (implicit) goal to manage in a pan-Canadian way the interaction between the north-south trading axis and the east-west transfer and social union axis.

While this may appear to be an irrelevant detour in the context of Ontario's pursuit of a human capital future, nothing would be further from the truth. Not only was Ontario a key player in the *Report To Premiers* and in SUFA, but it continues to play a pivotal role. In this context, among the positions that Ontario should pursue in this interprovincial arena are the following four:

- Ontario should press for all-provinces commitment to abide by the provision of the 1995 federal-provincial Agreement on Internal Trade (AIT).⁹ Even though north-south trade now exceeds east-west trade, the latter remains critical to Ontario and must not become subject to provincial balkanization.
- As part of both the AIT and SUFA, there are provisions for the mutual recognition of other provinces' training certification and accreditation. Elsewhere (1996,2001) I have argued that these mutual recognition provisions ought to be viewed in terms of citizens rights. Specifically, if a Nova Scotian has her occupational certification challenged in Ontario, she should be able to appeal to the SUFA/AIT administration. If she receives no response from SUFA within, say, 6 weeks then her Nova Scotia credentials will be recognized in Ontario. Should the SUFA/AIT board rule against her, this would have to be accompanied by a detailed description of what steps she would have to undertake to make her credentials recognized in Ontario. These recommendations would quickly find their way into Nova Scotia's curriculum. The result of such a process would be that Canadians' human capital

would become fully mobile across the provinces.

- It is clearly in Ontario's interests to work towards the above east-west human-capital or occupational credentials union. In order to jump start its process, Ontario should offer to reciprocally recognize the occupational credentials/licenses of any province that recognizes Ontario's credentials/licenses. My guess is that if the Premier of Ontario negotiated a reciprocal agreement with one or two provinces, then citizen pressure in other provinces would ensure that the arrangements would become pan Canadian. This is exactly what happened in the Australian federation (Courchene, 1996).

- Finally, given that the most recent Annual Premiers' Conferences (APCs) have really been in search of a mission, Ontario should take the lead and propose something similar to the above Mission Statement as the principal focus for the APCs over the medium term. Part of this would be an annual description and assessment of the various ways in which the provinces have innovated in terms of advancing the development and enhancement of Canadians' human capital. Given that the design and delivery of our social infrastructure is, as noted, a far more daunting task than designing our economic infrastructure, there is a need for an all-provinces' clearing house (better yet all-provinces "Socio-Economic Council") to describe, assess and communicate widely the implications of the various provincial approaches in the human capital arena.

C. Cities and the Federation: The Queen's Park Challenge

While cities will likely achieve some of the objectives outlined in the Table 2 version of the Greater Toronto Charter, this will not likely occur via formal constitutional change. The provinces would not accept formal constitutional recognition of the cities. Nor should they. Indeed, in recent years we Canadians have put far too much emphasis on structure (i.e., on the formal division of powers) and far too little on process. Carl Friedrich's (1968) conception of federalism is especially appropriate in this era of increasing jurisdictional interdependence:

Federalism should not be seen only as a static pattern or design, characterized by a particular and precisely fixed division of powers between government levels. Federalism is also and perhaps primarily the process ... of adopting *joint policies* and making *joint decisions on joint problems* (quoted in Bastien 1981:48, emphasis added).

Consider some of the proposals put forward by the TD Economics (2002a) report on the GTA –

creating a federal infrastructure fund of \$1 billion per year targeted mainly at municipalities, revisiting the social housing area; having Ottawa and the provinces lower excise taxes on gasoline and allow the GTA (and other municipalities) to use the tax room. All of these initiatives can be achieved via political/institutional means. And since they would tend to impinge on areas of provincial responsibility, they could be filtered through the Social Union Framework Agreement, which was designed in large measure to accommodate the exercise of the federal spending power in areas of provincial jurisdiction. (Note that Quebec would be able to access any such co-determined programs even though it is not a signatory of SUFA). Ontario is likely to go along with this approach, largely because Ottawa will reject Ontario's preferred solution – a unilateral transfer of greater tax room/transfers to the provinces in recognition of the vertical fiscal imbalance in the federation.

The Queen's Park-GTA relationship poses a special challenge, and one that eventually spells more problems for Queen's Park than for the GTA. This is so because the government of Ontario knows that the economic dynamism of the GTA is key to Ontario's success as a NAFTA region state. Indeed, *The Road To Prosperity* (see Appendix A) admits as much. However, given the sheer size of the GTA – 45% of Ontario's population and 50% of Ontario's GDP, with 18% and 20% the respective percentages of Canada's population and GDP – it has emerged as an increasingly influential power centre within the province and country. Should Queen's Park not cater to the GTA's infrastructure and fiscal needs to maintain competitiveness in North America, the success of the GTA (especially in tandem with other global-city regions) is important enough to all Canadians that Ottawa would likely be receptive (indeed already is receptive) to playing a larger role. This possibility, let alone the potential for the Toronto megacity to attempt to follow the German city

Länder (Berlin, Hamberg, Bremen) to become a Canadian city province, means that Queen's Park will find ways to accommodate the needs of the GTA.

D. Ontario's International Reach

With exports to the US totalling 50% of its GDP, Ontario has an enormous stake in maintaining access to the US markets. The recent moves in the US towards a more protective stance (softwood lumber, steel, the farm bill) as well as the various border and security issues in the wake of 9/11 are evidence enough that this access cannot be taken for granted. Ontario needs to follow Quebec's lead and become more active in promoting Ontario in the US market. The province also needs to ensure that the federal government is playing its appropriate role. For example, as the TD's GTA report (2002a,ii) notes, Ontario needs to press Ottawa to "allocate a good chunk of the C\$600 million border infrastructure program to Ontario, which is home to 8 of Canada's 13 busiest border crossings, where the bulk of the border traffic and congestion occurs." In a similar vein, Ontario and Ottawa along with industry players are finally in the process of assessing the future of Canada's automobile niche in North America. This is long overdue and is testament to the reality that Ontario's region-state rhetoric is not matched by corresponding actions. Indeed, in terms of the auto sector, Ontario and Michigan need to make common cause since they will both lose out if the auto sector migrates to the southern US and Mexico. Beyond this, Ontario needs to take the lead in terms of broadening and deepening NAFTA.

VI: CONCLUSION

Globalization and the knowledge/information revolution are signalling the advent of a new

socio-economic order with profound and pervasive implications for citizens, governments, markets and, therefore, for public policy. Ontario has reacted to the increasing economic integration by appropriately and quickly donning the mantle of a North America region state. However, the province is only beginning to recognize the accompanying information-era imperative, namely that both economic competitiveness and societal cohesion will flow from a commitment to a human capital future for Ontarians. Indeed, nothing short of privileging the human capital of Ontarians with pride of place on the policy agenda will guarantee a successful economic and social transition to the new global order. Accordingly, I articulated a human capital mission statement for Ontario and Ontarians and the ensuing analysis then addressed a variety of ways in which region-state Ontario ought to pursue a human capital future for its citizens.

Endnotes

- * It is a pleasure to thank Michael Trebilcock for comments on an earlier draft.
- 1. Part II, and indeed the rest of the essay as well, draws heavily from Courchene (2001, 2001a) and from Courchene and Telmer (1998).
- 2. However, Kymlicka (2002) argues that in the EU context most citizens actually prefer *indirect* to direct representation, i.e., they prefer to be represented in EU forums by their national governments.
- 3. More recent and more comprehensive is the TD Economics Special Report, *The Greater Toronto Area (GTA) ...* (2002).
- 4. It is clear, however, that the federal government is keenly interested in direct federal-municipal initiatives.
- 5. This mission statement differs from the one I proposed for Canadians in *A State of Minds* in that a) "Ontario" replaces "Canada" in two of the three places in the statement and b) it adds the introductory phrase "within the principles and spirit of the Canadian community". It is important to note that this is not meant to be an "Ontario first" mission statement since, among other things, Ontario remains open to all Canadians as a place to live and work.
- 6. In 1999 Ontario produced its own version of a mission statement: Appendix A summarizes some of its salient features.
- 7. This principle appears in the report of the Ontario Securities Commission (1983) and its origins can, in part at least, be traced to my background paper (1983) prepared for the Commission. Note that society at large would still be assigned the role of defining "the public interests".
- 8. This section elaborates on a comment made by Pierre Fortin in a forthcoming conference volume (Fortin, 2002).
- 9. The 1999 SUFA was an agreement to preserve and promote the social union whereas the earlier AIT was a federal-provincial agreement to preserve and promote the east-west economic union.

Table 1
Heartland vs. Region State Ontario

<p align="center">Panel A Heartland Ontario: Selected defining characteristics</p>	<p align="center">Panel B Region-state Ontario: Selected defining characteristics</p>
<ul style="list-style-type: none"> • Ontario was so prosperous and so diversified economically – and so powerful politically – that Canadian policy had little choice but to be cast in a pro-Ontario light. • Relatedly, the management of the big levers of economic power always kept a close eye on Ontario, e.g., if the Minister of Finance was not a Toronto MP then at least Toronto would be well represented in the key economic portfolios. • Since Ontario could generally count on the federal government to further the province’s interests, Heartland Ontario was in favour of a strong central government. For example, Queen’s Park did not assume the role of economic policy maker that L’Assemblée nationale did for Quebec. There was no need for this since Rideau Street was essentially an extension of Bay Street, and Ottawa delivered – the auto pact, the NEP, nuclear power for Ontario Hydro. • Not surprisingly, therefore, Ontarians tended to direct their attention and loyalties to Ottawa, more so than other provincial residents. • While Ontario obviously desired sufficient influence to defend its own interests, its preference was to block offending legislation of a sister province rather than by acquiring further provincial powers. For example, it did not take up Ottawa’s invitation to opt out of federal programs, as did Quebec. Had it done so, other provinces would surely have followed and this would have served to reduce Ottawa’s influence. • With aspects of the National Policy still in play, Ontario’s interests were more in the direction of freeing up internal trade than in pursuing freer trade with the US. This was especially true in the high-energy-price era where Ontario wanted full access to the energy-related mega-projects of the energy provinces in tandem with a “buy Canadian” preference. • Ontario was not a leader in social policy. Some of this related to the economic diversity of the province and some of it to innate conservatism, but there was also an understanding that social policy leadership by Ontario would trigger regional equality concerns from other provinces, with Ontario ultimately playing a large paymaster role. • In general, Ontario was able to wheel, deal and compromise and to manage its privileged position to ensure that Canada’s interests coincided with Ontario’s interests. 	<ul style="list-style-type: none"> • Ontario is a North American region-state and the province will advance its interests within this larger, and effectively, global environment. Specifically, Ontario will pursue this new (largely) economic role by actively promoting a regional-international interface and, in particular, by attempting to create a favourable set of untraded interdependencies (positive locational externalities) designed to privilege Ontario and Ontarians within North America. • Queen’s Park is evolving and will continue to evolve in the direction of assuming powers and influence sufficient to deliver on this new role. • Ontario remains fully committed to the “Canadian dream.” But this will not be the former Heartland relationship. For example, Ontario will give high marks to Ottawa policy that maintains fiscal integrity, low inflation and an overall competitive environment. • Ontario will become much more involved in issues relating to interprovincial redistribution. It will remain a strong supporter of equalization, but will insist on equal treatment for its citizens from other federal redistributive programs (“fair shares” federalism). • In protecting its own interests, Ontario may still wish to block offending legislation in a sister province (as under Heartland), but it now will have no qualms about acquiring greater powers. This is “provincial rights if necessary but not necessarily provincial rights.” • International free trade is “in.” Nonetheless, Ontario will also attempt to preserve and promote east-west markets. Part of this will be via the pursuit of an effective economic union. Indeed, Ontario will likely attempt to link its commitment to the social union to the commitment by other provinces to the economic union. • As a result of increased decentralization and the likelihood of increased asymmetry as different provinces choose alternative approaches to forge their human capital subsystems, intergovernmentalism or co-determination will emerge as new governance instruments. Ontario will play a leading role here. • To be a successful region-state, Ontario will have to become a leader in policies related to the creation of human capital. With human capital at the cutting edge of competitiveness and with skills and education the key to a high-wage economy, an integrated approach to this subsystem must become a defining characteristic of Ontario a a region-state. Ontario is not yet on track here.

Table 2

The Greater Toronto Charter

Article One	The Greater Toronto Region form an order of government that is a full partner of the Federal and Provincial Governments of Canada.
Article Two	<p>The Greater Toronto Region, and its municipalities, be empowered to govern and exercise responsibility over a broad range of issues, including:</p> <p><i>child and family services; cultural institutions; economic development and marketing; education; environmental protection; health care; housing; immigrant and refugee settlement; land-use planning; law enforcement and emergency services; recreation; revenue generation, taxation and assessment; transportation; sewage treatment; social assistance; waste and natural resource management; and water supply and quality management.</i></p> <p>with the exception of those matters as are mutually agreed upon with other levels of government that are best assigned to another level.</p>
Article Three	The Greater Toronto Region have the fiscal authority to raise revenues and allocate expenditures with respect to those responsibilities outlined in Article Two.
Article Four	The Greater Toronto Region be governed by accessible, democratic governments, created by their citizens and accountable to them for the exercise of the governments' full duties and responsibilities.
Article Five	The Greater Toronto Region continue to fulfill its obligation to share its wealth, innovation and other assets with the rest of Canada, through appropriate mechanisms developed in concert with other levels of government.

Table 3

**Knowledge and Human Capital:
Implications for Wealth Creation, Income Distribution and Living Standards**

Human Capital And Wealth Creation:

The old foundations of success are gone. For all human history, the source of success has been the control of natural resources – land, gold, oil. Suddenly, the answer is “knowledge.” The world’s wealthiest man, Bill Gates, owns nothing tangible – no land, no gold, no oil, no factories, no industrial processes, no armies. For the first time in history the world’s wealthiest man owns only knowledge. (Thurow 1999:xv)

Human Capital and Income Distribution:

In a global economy where employers arbitrage the world looking for the lowest wages, people’s pay is not based on whether they live in a rich or a poor country but upon their individual skills. The well-educated living in India make something that looks like American wages, while the uneducated living in America make something that looks like Indian wages. If unskilled first world workers don’t want to be in competition with equally unskilled but lower wage third world workers, they will need much better skills. With globalization and a skill-intensive technological shift, much better skills must be delivered to the bottom two-thirds of the labour force in the developed world if their wages are not to fall. (*Ibid.*, 132-3)

Human Capital and Living Standards:

If capital is borrowable, raw materials are buyable and technology is copyable, what are you left with if you want to run a high-wage economy? Only skills, there isn’t anything else. (Thurow 1993:5)

References

- Bastien, Richard (1981) *Federalism and Decentralization: Where Do We Stand?* (Ottawa: Supply and Services Canada).
- Berridge, Joseph (1999) "There's No Need to Sit and Wait for a Handout" in Mary Rowe (ed.) *Toronto: Considering Self Government* (Owen Sound: The Ginger Press).
- Carnoy, Martin and Manuel Castells (1996) "Sustainable Flexibility: Prospective Study on Work, Family and Society in the Information Age", Working Paper No. 11 (University of California, Berkeley: Centre for Western European Studies).
- Castells, Manuel (1989) *The Information City: Information Technology, Economic Restructuring, and the Urban-Regional Process* (Oxford: Blackwell Publishers).
- Castells, Manuel (1996) *The Rise of the Network Society* (Oxford: Blackwell Publishers).
- Castells, Manuel (2001) *The Internet Galaxy: Reflections on the Internet, Business and Society* (Oxford: Oxford University Press).
- Courchene, Thomas J. (1983) "A Really Secure Industry or a Real Securities Industry" (Submission to the Ontario Securities Industry in respect of its review of discount brokerage) mimeo, Department of Economics, University of Western Ontario, London, Canada.
- Courchene, Thomas J. (1996) *ACCESS: A Convention on the Canadian Economic and Social Systems* (Toronto: Ministry of Intergovernmental Affairs) reprinted in *Canadian Business Economics*, vol. 4, No. 4 (Summer, 1998), 3-26.
- Courchene, Thomas J. (1999) "From Heartland to North American Region State: Acceptance Remarks for the 1999 Donner Prize", *Policy Options: Options Politique*, vol. 20, No. 4 (July-August).
- Courchene, Thomas J. (2001) *A State of Minds: Toward A Human Capital Future for Canadians* (Montreal: IRPP).
- Courchene, Thomas J. (2001a) "Ontario As A North American Region-State and Toronto As A Global City-Region: Responding to the NAFTA Challenge" in Allen J. Scott (ed.) *Global City-Regions: Trends, Theory, Policy* (Oxford: Oxford University Press), 158-172.
- Courchene, Thomas J. with Colin R. Telmer (1998) *From Heartland to North American Region State: The Social, Fiscal and Federal Evolution of Ontario* (Toronto: Faculty of Management, University of Toronto).
- Friedman, Thomas (1999) *The Lexus and the Olive Tree: Understanding Globalization* (New York:

- Farrar, Strauss and Giroux).
- Friedrichs, Carl (1968) *Trends in Federalism in Theory and Practice* (New York: Praeger).
- Fortin, Pierre (2002) "Beware of Greeks Bearing Gifts: Reflections on Old Growth and New Economy Cycles" in Thomas J. Courchene and Donald J. Savoie (eds.) *The Art of the State in a World Without Frontiers* (Montreal: IRPP), forthcoming.
- Gertler, Meric (2000) "Self-Determination for Toronto: What are the Economic Conditions and Do They Exist" in Mary Rowe (ed.) *Toronto: Considering Self-Government* (Owen Sound: The Ginger Press).
- Harris, Richard (2002) "Old Growth and New Economy Cycles" in Thomas J. Courchene and Donald J. Savoie (eds.) *The Art of the State: Governance in a World Without Frontiers* (Montreal: IRPP), forthcoming.
- Harris, Richard G. (2002a) "The New Economy and the Exchange Rate" in Thomas J. Courchene (ed.) *Money Markets and Mobility: Celebrating the Ideas of Robert A. Mundell, Nobel Laureate in Economic Sciences* (Queen's University and Montreal: The John Deutsch Institute for the Study of Economic Policy and the IRPP), 59-83.
- Kymlicka, Will (1997) "The Prospects for Citizenship: Domestic and Global" in Thomas J. Courchene (ed.) *The Nation State in a Global/Information Era: Policy Challenges* (Queen's University: The John Deutsch Institute for the Study of Economic Policy), 315-25.
- Lasch, Christopher (1994) "The Revolt of the Elites': Have They Cancelled Their Allegiance to America" *Harpers* (November), 39-50.
- Lipsey, Richard (2002) "The Productivity Paradox: A Case of the Emperor's New Clothes", *SUMA*, vol. 3, No. 1 (Spring), 120-126.
- Ministerial Council on Social Policy Reform and Renewal (1996) *A Report To Premiers*. Available from the Intergovernmental Affairs Department of any provincial government.
- Mintz, Jack (1999) "Why Canada Must Undertake Business Tax Reform Soon," C.D. Howe Backgrounder (Toronto: C.D. Howe), November 4.
- Newhouse, John (1997) "Europe's Rising Regionalism," *Foreign Affairs* vol. 76 (January/February), 67-84.
- Ohmae, Kenichi (1993) "The Rise of the Region State", *Foreign Affairs*, vol. 72 (January/February), 78-87.
- Ohmae, Kenichi (1990) *The Borderless World* (New York: Harper Business).

- Ohmae, Kenichi (2001) "How to Invite Prosperity from the Global Economy into a Region" in Allan J. Scott (ed.) *Global City-Regions: Trends, Theory, Policy* (Oxford: Oxford University Press), 33-43.
- Ontario Jobs and Investment Board (1999) *A Road Map to Prosperity: An Economic Plan for Jobs for the 21st Century* (Queen's Park: OJIB). Available at www.ontario-canada-com/jobgrow.
- Ontario Securities Commission (1983) Report on the Implications for Canadian Capital Markets of the Provision by Financial Institutions of Access to Discount Brokerage Services (Toronto: Data Line). The Report is usually referred to as the Dey Report, after its Chair, Peter Dey.
- Ostry, Sylvia (2002) "Perspectives on the Evolution of the Global Trading System" in Thomas J. Courchene (ed.) *Money Markets and Mobility: Celebrating the Ideas of Robert A. Mundell, Nobel Laureate in Economic Sciences* (Queen's University and Montreal: The John Deutsch Institute for the Study of Economic Policy and the IRPP), 197-223.
- Reich, Robert (1991) *The Work of Nations* (New York: Alfred A. Knopf).
- Report of the GTA Task Force (1996) *Greater Toronto* (Toronto: Queen's Printer for Ontario). This report is often referred to as the Golden Report, after its Chair, Anne Golden.
- Rodrik, Dani (1997) *Has Globalization Gone Too Far?* (Washington: Institute of International Economics).
- Scott, Allen J., John Agnew, Edward W. Soja, and Michael Storper (2001) "Global City Regions: in Allen J. Scott (ed.) *Global City Regions: Trends, Theory, Policy* (Oxford: Oxford University Press), 11-32.
- Shapiro, Bernard J. and Harold T. Shapiro (1996) "Universities in Higher Education: Some Problems and Challenges in a Changing World" in Thomas J. Courchene (ed.) *Policy Frameworks for a Knowledge Economy* (Queen's University: The John Deutsch Institute for the Study of Economic Policy), 81-108.
- Storper, Michael (1995) "The Resurgence of Regional Economics Ten Years Later", *European Urban and Regional Studies*, vol. 2, No. 3, 191-221.
- TD Economics (2002) *The Greater Toronto Area (GTA): Canada's Primary Economic Locomotive in Need of Repairs*, Special Report (Toronto: TD Bank Financial Group), May 22.
- TD Economics (2002a) *A Choice Between Investing in Canada's Cities or Disinvesting in Canada's Future*, Special Report (Toronto: TD Bank Financial Group).
- Thurow, Lester (1993) "Six Revolutions, Six Economic Challenges", *The Toronto Star* (January 28), A.21.

Thurow, Lester (1999) *Building Wealth: The New Rules for Individuals, Companies and Nations*
(New York: Harper Business).

Appendix A

A ROAD MAP TO PROSPERITY Ontario's own Vision and Mission of itself in North America

In 1999 the Ontario Jobs and Investment Board (OJIB) released *A Road Map To Prosperity: An Economic Plan for Jobs in the 21st Century*. Involving the input of 2,500 Ontarians and more than 300 organizations, OJIB (1999,67) notes that “never before has a discussion about our collective economic future reached out and engaged so many Ontarians.” In passing, one should note that former Premier Harris was also the Chair of Ontario Jobs and Investment Board and current Premier was a prominent member of the board, given his then role as Deputy Premier and Minister of Finance.

Table A.1 presents the overview of what OJIB refers to as Ontario's economic mission statement. Both the vision (“Ontario is the best jurisdiction in North America to live, work, invest and raise a family”) and the mission (“Ontario will achieve sustainable economic prosperity with the best performing economy and highest quality of life in North America over the next 10 years”) suggest that Ontario it has donned the mantle of a North American region-state. This observation aside, the core of the economic mission is the five-pronged set of goals/strategies: knowledge and skills, innovation culture, strong global orientation, industry and regional strengths, and favourable investment climate. It is clear that these goals and strategies resonate well with the dictates coming from the new global order.

But the economic mission statement goes well beyond this. OJIB then produces a comprehensive matrix outlining the appropriate “roles and responsibilities pursuant to Ontario's economic mission statement.” This is reproduced as Table A.2. The leftmost column of the Table

consists of the five goals/strategies outlined in Table A.1. The topmost row of the matrix contains four societal actors/sectors critical to implementation of the economics mission statement – individuals (citizens), businesses, governments, and institutions (in particular educational institutions). The heart of Table A.2 is the contents of the various “cells”. Reading downward in Table A.2 one can assess the roles and responsibilities of citizens, for example, as they relate to the five strategies. Reading across reveals the role and responsibility of the four societal players in achieving, for example, the row 2 goal of an innovation society. As a final comment on the structure of the table, under the “government” column, OJIB assigns responsibility to the various levels of government M, P, F, and A for Municipal, Provincial, Federal and All Levels, respectively.

I leave to the readers the task of perusing the substantive details of Table A.2, limiting myself to a few overview comments. First, while OJIB explicitly refers to this as an *economic* mission statement it nonetheless embodies important aspects relating to social cohesion and democracy. In particular the human capital imperative is front and centre, even to the degree of incorporating education institutions as one of the four essential “players” in the process. At a personal level, the Table A.2 focus on citizens, markets, governments and educational institutions is remarkably and embarrassingly similar to my approach in *A State of Minds ...* and in the text of the present paper.

Second, given the explicit emphasis on the critical importance of skills and human capital, on Ontario as a North American region state and (from Table A.1 under the “industry and regional strengths” columns) on the importance of the GTA as a global city-region, I am wholly comfortable with the economic vision underlying the OJIB economic mission statement. Admittedly, others may have a different vision for Ontario within Canada and within NAFTA. Nonetheless, even for those who would fill the cells differently, the *framework* itself remains valuable and represents a creative

and novel approach to articulating and designing an overall strategy.

As a final observation, one might note that Alberta is probably in the lead in terms of addressing accountability and transparency issues in its government operations and in articulating “business plans” across departments. Quebec is probably the leader in coordinating its social infrastructure around the primacy of the family. New Brunswick was probably the first to implement a new-paradigm approach (digitization) to its economic future. But it is Ontario’s forward-looking human-capital/economic mission for the 21st century that is probably the most comprehensive and integrated vision of any Canadian province.

Table A.1

Ontario's Economic Mission Statement

<p>Vision Ontario is the best jurisdiction in North America to live, work, invest and raise a family</p>				
<p>Mission Ontario will achieve sustainable economic prosperity with the best performing economy and highest quality of life in North America over the next 10 years</p>				
<p>Implementation Goals and Strategies</p>				
<p>Knowledge and Skills</p> <ol style="list-style-type: none"> 1. Ensure that Ontario's education and training system is high quality and market responsive. 2. Promote strong employment skills and a commitment to lifelong learning. 3. Facilitate smooth school-to-work and job-to-job transitions. 	<p>Innovation Culture</p> <ol style="list-style-type: none"> 1. Build innovation capacity throughout the economy. 2. Provide an appropriate incentive structure to create an innovation culture. 3. Invest in research and development and new ideas. 	<p>Strong Global Orientation</p> <ol style="list-style-type: none"> 1. Aggressively market Ontario internationally as an attractive place to invest. 2. Expand Ontario's trade with the world. 3. Develop world-class infrastructure to connect Ontario to the global marketplace. 4. Promote global citizenship and position Ontario as the preferred home for the world's best and brightest. 	<p>Industry and Regional Strengths</p> <ol style="list-style-type: none"> 1. Encourage more effective local governance to support local economic development leadership. 2. Capitalize on the economic development potential of the GTA and other large urban centres. 3. Build on strengths, capabilities and potential of rural and Northern Ontario. 4. Strengthen industry sectors and economic clusters. 	<p>Favourable Investment Climate</p> <ol style="list-style-type: none"> 1. Ensure sound fiscal management. 2. Provide the right climate for growth and investment and reward. 3. Remove barriers to business activity.

Source: Ontario Jobs and Investment Board (1999), 15.

**Table A.2
Roles and Responsibilities in Achieving the Economic Mission Statement**

Strategic Goals	Individuals	Businesses	Governments*	Educational and Other Institutions
<p>Knowledge for Skills and Prosperity</p>	<ul style="list-style-type: none"> • Commit to life-long learning through continuous upgrading of skills and knowledge. • Make sound, informed decisions about what you need to learn. • Acquire skills you need for employment. • Adopt the entrepreneurial spirit required to achieve your goals. 	<ul style="list-style-type: none"> • Re-invest a greater portion of earnings into workforce skills upgrading and training. • Identify the future skills your business will need. • Invest in equipping your employees with necessary skills. • Provide youth with work experience, career counselling, mentoring, and job opportunities. 	<ul style="list-style-type: none"> • Implement a single, simple to understand, made-in-Ontario employment and training system to eliminate duplication. P/F • Set and enforce high standards for education and training. P • Wisely invest public funds available for education and training. P/F • Ensure education and training remain accessible. P/F 	<ul style="list-style-type: none"> • Strive for excellence. • Foster entrepreneurship and innovation. • Increase market-responsiveness by post-secondary institutions. • Expand education and training partnerships among business and government. • Professional, trade and labour associations representing individuals promote training and life-long learning.
<p>Innovation</p>	<ul style="list-style-type: none"> • Take initiative, be creative, take risks and be confident about doing things in new ways. • Learn to use new technologies and become better at dealing with change. • Acquire teamwork, communication and problem-solving skills. 	<ul style="list-style-type: none"> • Sponsor and champion risk-taking and idea generation. • Examine processes, practices, policies and structures for improvements to strengthen innovation capacity. • Invest in more innovation and productive business concepts and technology applications. • Provide attractive research and career development opportunities to retain and attract people with talent and skills. 	<ul style="list-style-type: none"> • Review current incentive structure so that risk-taking is not penalized. A • Take a forward-looking approach to regulations and standards to ensure positive impacts on competitiveness and new business opportunities are seized. A • Foster an environment in which innovation and entrepreneurship can flourish. A • Be innovative in delivery of services and programs. A 	<ul style="list-style-type: none"> • Strive for excellence. • Adapt more quickly to change and respond to market opportunities. • Engage in more basic and applied research. • Act as catalysts in the development of new and better products, processes and technologies. • Promote the sharing and commercialization of new ideas. • Develop people-based and infrastructure networks.
<p>Strong Global Orientation</p>	<ul style="list-style-type: none"> • Think globally. • Acquire international business and language skills and work experience. • Promote Ontario as a place to live, invest and visit when you travel. 	<ul style="list-style-type: none"> • Adopt globally oriented strategies. • Act as pro-Ontario "ambassadors" to market Ontario. • Invest in retaining and attracting the "best and brightest." 	<ul style="list-style-type: none"> • Ensure Ontario offers a competitive and attractive climate for investment and jobs creation. A • Aggressively market Ontario as a place to live, invest and visit. A • Be fast, flexible and adaptable in order to meet the competitive challenges of a dynamic and ever-changing global economy. A • Promote open and fair markets, domestically and internationally. P/F 	<ul style="list-style-type: none"> • Equip students and our workforce with the skills, global mind set and entrepreneurial spirit to do business in the global marketplace. • Ensure Ontario's educational standards match or exceed the best international benchmarks for academic performance. • Encourage international student exchanges and study programs. • Attract "best and brightest" researchers and educators.
<p>Building on our Industry and Regional Strengths</p>	<ul style="list-style-type: none"> • Actively engage in the economic development in your community. • Be a local "champion" and provide leadership in your community. • Promote your community and region as a place to live, invest and visit. 	<ul style="list-style-type: none"> • Be better and faster at identifying emerging market trends and in bringing new products and solutions to market. • Be more outward looking and export-oriented. • Work with sector or economic cluster partners to identify and act on opportunities to improve competitiveness. • Play an active role in economic development at the local level. 	<ul style="list-style-type: none"> • Invest in building research and development and idea generation capacity. • Support efforts to create accessible mechanisms to connect researchers, entrepreneurs and business to expertise and information on technology transfer, commercialization and intellectual property. A • Create positive climates for business investment. A • Respond quickly to changes in the competitive global economy. A • Develop the infrastructure and common platforms that support economic clusters and industry sectors and enable access to global markets. A 	<ul style="list-style-type: none"> • Strengthen role as catalysts in regional economic development. • Produce graduates with world-leading business, entrepreneurial and technical skills. • Perform leading-edge, commercially viable research. • Foster and participate in private-public partnerships to support economic development.
<p>Favourable Investment Climate</p>	<ul style="list-style-type: none"> • Take advantage of entrepreneurial opportunities. • Celebrate local successes. • Ensure that government and public institutions are accountable. • Be "demanding" consumers and tax-payers. 	<ul style="list-style-type: none"> • Invest in new technology and training to improve productivity. • Work co-operatively with other businesses, labour and communities to build a competitive economy. • Forge partnerships to strengthen industry sectors and clusters. 	<ul style="list-style-type: none"> • Ensure sound fiscal management and competitive taxes. A • Remove barriers to business activities and jobs creation. A • Strategically invest to create competitive advantages. A 	<ul style="list-style-type: none"> • Look outward to find new links to the economy. • Look inward to adapt to the changing demands of the 21st century.

*M - Municipal/ P - Provincial/ F - Federal/ A - All levels
Source: OJTB (1999).