HUMAN CAPITAL AS A MIND OF STATE
AND
CANADA AS A STATE OF MINDS

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

OISE/TVO
TOWNHALL DEBATE

MORE EDUCATION DOLLARS
OR
RETHINKING HOW TO WORK:
EMPLOYMENT SCENARIOS FOR THE 21ST CENTURY

Opening Session of OISE Conference on

THE FUTURE OF LIFELONG LEARNING AND WORK

June 20, 2005
OISE/UofT Auditorium
I: Introduction

Century 21 is synonymous with the blossoming of the information era and the knowledge-based economy (KBE). And the most remarkable feature of this information era is that it is synonymous with the blossoming of citizens in their economic, political and civic roles as the principal beneficiaries of this new global order. Indeed, the potent combination of information empowerment and the democratization of technology are bestowing upon citizens, individually and collectively, a degree of knowledge, influence and power hitherto unimaginable. This impact of the march of technology on citizens has been aptly captured by Lawrence Grossman, former head of NBC News:\(^1\):

\[
\begin{align*}
\text{Printing made us all readers;} \\
\text{Xeroxing made us all publishers;} \\
\text{Television made us all viewers;} \\
\text{Digitization makes us all broadcasters.}
\end{align*}
\]

Not surprisingly, therefore, like-minded citizens networking within and among nations, often under the umbrella of NGOs/INGOs are emerging as influential players in domestic and world governance. The Internet is clearly the catalyst here since 20,000 of the 25,000 INGOs in year 2000 did not exist a decade earlier. Relatedly, while the third sector or voluntary sector has long existed, its KBE-informed and citizen-empowered variant—civil society—is in ascendency everywhere and has taken its rightful role alongside business and government as the institutional pillars of modern societies.

\(^1\) Cited in Friedman (1999, 45).
While this civic and political ascendancy of citizens in the information era is most exciting and certainly to be celebrated, citizens in their roles of enhancing and creatively applying their skills and human capital are also emerging as centre stage on the economic front. The pre-eminent reality here is that the information revolution is privileging knowledge and human capital in much the same way as the Industrial Revolution privileged physical and financial capital. This means that knowledge and human capital are on the cutting edge not only of competitiveness but progressively as well of innovation and, therefore, productivity. Indeed, social policy as it relates to broadening and deepening of human capital now falls squarely in the domain of KBE economic policy. This, too, is a most exciting development since it means that human capital provides a valuable policy bridge between cohesion and competitiveness or, in terms of the more traditional form of this trade-off, between equity and efficiency.

Accordingly, nothing short of empowering citizens in their knowledge and human capital roles with pride of policy place will, or indeed can, ensure that, updating Laurier, the 21st century will belong to Canada, or rather to Canadians. Unfortunately, the challenge involved herein is that while this is a necessary condition for success in the information era, much more will be needed ensure that it will also be sufficient. Addressing and elaborating on this challenge, especially as it relates to working and learning and the markets for human capital on the one hand and social and economic performance on the other is the focus of most of the ensuing analysis.

In more detail, the first section highlights some of the opportunities and challenges associated with the information era and with globalization (defined here to mean that markets, capital, governments and citizens are now operating on a planetary scale and in real time). Among the disadvantages are the
problematic issues of earnings/income polarization, outsourcing and offshoring, and the overlaying of an east-west transfer system on an increasing north-south trading system. On the opportunities side, the way to move forward on both the competitive and cohesion fronts in this new global order is to simultaneously cultivate wealth creation, rising living standards, and a more equitable income distribution. And the way to successfully address all of these is to foster a human capital environment and future for all Canadians. In order to accentuate the importance of this as the ideal model for Canada, I then offer a human-capital-based mission statement to drive Canadian public policy in the information era. Much of the remainder of this essay is then devoted to wrestling with a series of policy implications and policy requisites associated with implementing the mission statement-- implications and requisites that must necessarily arise in the context of profoundly transforming the upper half of North America from a resource-based society and economy into a human-capital-based society and economy. As the title of my recent monograph (and of this paper) proposes, the societal challenge here is to remake Canada into A State of Minds.
II: The New Global Order: Challenges and Opportunities

Challenges

What has come to be known as the “compromise of embedded liberalism” is surely one of the premier socio-economic achievements of the post-World-War-II era. The genius of embedded liberalism is that it allowed national welfare states to flourish in the very time frame that the international economy became more open and integrated. The nature of the compromise was that this openness/integration was embedded within activist social democracies nationally and within accommodating governing institutions internationally. Indeed, it was the most open economies that arguably developed the most thoroughgoing welfare states (e.g., Sweden and Denmark).

The concern is that this post-war compromise is now becoming unstuck: the further heightening of global openness appears to be coinciding with an erosion or a turning inward of domestic welfare states. This is exacerbated by the reality that the shallow integration of GATT (e.g., the reduction of tariffs) is giving way to the deep integration of the WTO (e.g., internationally aligning domestic policies) which is much more intrusive of national autonomy. Harvard’s Dani Rodrik (1997) has appropriately crystallized this challenge: How do we ensure that international economic integration does not lead to domestic social disintegration?

This overarching challenge manifests itself in a myriad of societally-troublesome ways. I shall limit myself to only three. The first is that while workers may not be mobile across national boundaries,
work is! This leads to outsourcing and offshoring². One of the societal issues here is that the brunt of the costs of globalization are visited on the immobile and unskilled amongst us.

The second is that market incomes in the new global order are polarizing. More so than is the case in the US, Canada’s policies have ameliorated some of these income disparities, post-tax and post-transfer. Nonetheless, the problem remains serious, socially and economically. However, there is a silver lining in all of this: Part of the income polarization comes about because the economic returns to investment in skills and human capital are increasing. Indeed, herein lies the essence of the proposed solution, as elaborated below.

² Friedman (2005, 114-15) defines these terms as follows:

“Outsourcing means taking some specific, but limited, function that your company was doing in-house — such as research, call centers or accounts receivable — and having another company perform that exact same function for you and then reintegrating their work back into your overall operation. Offshoring, by contrast, is when a company takes one of its factories that it is operating in Canton, Ohio and moves the whole factory offshore to Canton, China. There it produces the very same product in the very same way, only with cheaper labor, lower taxes, subsidized energy, and lower health-care costs. Just as Y2K took India and the world to a whole new level of outsourcing, China’s joining the WTO took Beijing and the world to a whole new level of offshoring — with more countries shifting production offshore and then integrating it into their global supply chains.”
A third drawback is that the tandem of globalization and the information revolution are creating what might be termed a “citizen-market disconnect” for too many Canadians. Carnoy and Castells (1996) describe this disconnect in the following two ways:

The new model of global production is tantamount to the simultaneous integration of work and the disintegration of workers as a collective. (1996, 15)

... What emerges is the vision of an extraordinarily dynamic, flexible and productive economy alongside an unstable fragile society, and an increasingly insecure individual. (ibid, 92)

Although this goes farther than I believe reality warrants, it does capture the essence of a key aspect of the Rodrik challenge.

One response to these challenges is to opt for “business as usual.” After all, the percentage of Canadians holding jobs is at an historical high–63% for 2004. Likewise, participation rates are at an all time high of 78% (74% for women), and the unemployment rate is 6.8%, the lowest it has been over the last quarter century. What, then, is the problem? Apart from the issues aired above, Canada has been slipping in the international pecking order of nations in terms of competitiveness, productivity, livability and the like. In tandem with the perception, if not the reality, that we are losing confidence in our ability to prosper in the new global order, this suggest that embracing the status quo is not the solution.

A second approach would be to enact policies to counter or curtail selected new economy trends such as outsourcing and offshoring. But this would be tantamount to turning inward and protecting low-skilled and labour-intensive jobs at the expense of productivity and competitiveness in
the knowledge era. More importantly, as Thomas Friedman (2005) cogently argues, it is much too late to contemplate such strategies, since the world is already “flat”– we are already all playing on the same globally-leveled playing field! Thus, this risks having the fruits of the information revolution pass us by. CNN’s Lou Dobbs notwithstanding, this is wholly inappropriate for superpower USA, let alone for a small, open economy like Canada.

Opportunities

Thankfully, there is another option, one that views the information era not as a threat but as an extraordinary opportunity for Canada and Canadians alike. This is the human capital option outlined in A State of Minds and elaborated below. Friedman, in his bestseller The World is Flat, provides a comforting confirmation:

So if the flattening of the world is largely (but not entirely) unstoppable, and holds out the potential to be as beneficial to Americans society as a whole as past market evolutions have been, how does an individual get the best out of it? What do we tell our kids? There is only one message: You have to constantly upgrade your skills. There will be plenty of good jobs out there in the flat world for people with the knowledge and ideas to seize them.

(2005, 237)

If this is the message for Americans, it is even more imperative for Canadians and Canada. If we develop and lever off our human capital, we can then also convert the information era challenges into opportunities. Friedman elaborates along these lines on what most consider the largest current challenge– China– in the context of his interview with globalization guru, Kenichi Ohmae:
“China is a threat, China is a customer, and China is an opportunity,” Ohmae remarked to me one day in Tokyo. “You have to internalize China to succeed. You cannot ignore it.” Instead of competing with China as an enemy, argues Ohmae, you break down your business and think about which part of the business you would like to do in China, which part you would like to sell to China, and which part you want to buy from China (2005, 117).

For good measure, Friedman (ibid, 233) also reminds us that “the Indians and the Chinese are not racing us to the bottom: they are racing us to the top.” And given their enormous potential in terms of human capital, if they manage to surround their human capital with the requisite societal “software” they may well sprint past us in several areas. But to the extent that this occurs, they will also become among the most important markets for Canada and Canadian human capital.

Hence, the way forward in the face of these challenges is to latch on the new opportunities that have arisen so as to ensure that the new global order will work for, rather than against, us. Phrased differently, we need to latch on to the forward looking vision of our philosopher of winter, Wayne Gretzky, who asserted. “I skate to where the puck is going to be, not to where it’s been.” And the fundamental message of this essay is that the information-era puck is going to be in the human-capital corner.

In more detail, and drawing from A State of Minds, the information era presents us with a truly historic window of opportunity, since a commitment to a human capital future for Canadians is emerging as the principal avenue by which to preserve and promote both economic competitiveness and social cohesion. To see this, it is instructive to refer to Tableau I, adapted from the writings of MIT’s Lester Thurow. The first quotation relates to the primacy of knowledge and human capital as the wellspring of competitiveness, innovation, productivity and, ultimately, wealth creation. The second speaks to the
importance of equality of access to human capital and skills development as a key to promoting greater income equality and advancing social cohesion. The third reminds us that with capital borrowable, with raw materials buyable and with technology copyable, skills and human capital are all that one can fall back upon to achieve a high-wage economy.

A similar overview of the multiple roles of human capital in the information era appears in Tableau 2, drawn from a recent presentation by Treusch (2005).

In order to drive home the importance of this human-capital window of opportunity, *A State of Minds* takes the (perhaps unusual) step of embedding it in a societal mission statement for 21st century Canada, which the following section replicates.

**III: A Human Capital Mission Statement for Canada**

Canada excelled within the former paradigm: the United Nations survey of the most liveable nations on earth annually told us so. Arguably, we achieved these top rankings because we successfully married the dynamism of the US economic model with a continental European social model. To succeed in the new paradigm likewise requires embracing economic competitiveness and social cohesion as our twin societal objectives.

As already noted, the combination of globalization and the information revolution presents us with an historically unprecedented window of opportunity in this context. With knowledge progressively

---

3. This draws heavily from Courchene (2001, Chapter 11)
at the cutting edge of competitiveness and wealth creation, with enhancing skills and education as the key to furthering social cohesion and addressing income inequality, and with information empowerment as the *sine qua non* of meaningful citizenship, a societal commitment to a human capital future for Canadians emerges as the principle avenue to promote both competitiveness and cohesion.

Accordingly, *A State of Minds* (2001, 154) offers the following mission statement for 21st century Canada:

*Design a sustainable, socially inclusive and internationally competitive infrastructure that ensures equality of opportunity for all Canadians, to develop, to enhance, and to employ in Canada their skills and human capital, thereby enabling them to become full citizens in the information-era Canadian and global societies.*

This mission statement provides not only the societal *goal* but, given the emphasis on citizen information-empowerment and human-capital enhancement, also the *means* or *instruments* by which to achieve this goal.

Prior to addressing the governance, policy and institutional issues associated with this human-capital mission statement (henceforth HCMS), a few observations relating to the HCMS are in order. The first is that, as articulated, the HCMS is unconstrained. Yet the world is full of constraints – fiscal, political, institutional and the like. This does not detract from the value of HCMS: Indeed, the very existence of a societally accepted common goal or beacon may well serve as a powerful catalyst for overcoming some of the myriad constraints. However, there is a very important sense in which the HCMS *ought to be unconstrained*, namely HCMS as a “mind of state” or as an analytical lens through which to view any and all relevant social and economic policies and programs. A second observation is
that in some areas the appropriate information-era-consistent policy may have little to do with the human
capital imperative. Rather, the design of these areas should flow from the relevant analytical
frameworks or modeled after best practices elsewhere. Even here, however, when there are degrees of
freedom in designing these policies or infrastructures this flexibility should be used to tilt the result in
ways that are consistent with furthering the human capital goals and aspirations of Canadians.

IV. Implementing the HCMS

The role of the remainder of this essay is to rethink and rework our governance, infrastructure and
policies to ensure that achieving a human capital society and economy becomes Canada’s National Policy
for the new century. Attention will be directed initially to the human-capital/social-cohesion nexus. This
will be followed by the economic policy imperatives flowing from the HCMS. Finally, in order to highlight
the far-reaching implications of a comprehensive human-capital framework, I shall focus on one policy area
(medicare) and on one institutional area (cities).

Human Capital and Social Cohesion

At one level, Canada’s post-secondary performance is surely a success story. As the OECD notes
(OECD, 2003, Table A2.3, reproduced on page 109 of the 2004 Federal Budget), Canada tops the
post-secondary education (PSE) attainment rankings among OECD nations, at 41.6% of the 25-64 age
population, followed by 37.3% for second place United States. These PSE percentages include both
universities and community colleges. If focus is only on the former, Canada then ranks 5th at 20.4%, behind
Netherlands, Denmark, Norway and top-place USA (with 28.3%). Noting that learning is the cornerstone of Canada’s economic and social foundation, the 2004 federal budget then adds (2004, 107)

In times of rapid change, learning is the means by which workers adopt their skills and capacities to the new social and economic environments. For society as a whole, ensuring broad access to learning is the key to enhanced equality of opportunity, increased social mobility and greater social stability and cohesion. It also provides the necessary foundation for the active participation of all Canadians in a progressive and democratic society.

Accordingly, the 2004 federal budget (in the section entitled “The Importance Of Learning”) embarked on some creative initiatives designed to encourage more Canadians to obtain a university education, including (193-160):

- supporting early childhood learning;
- introducing a new Canada Learning Bond and enhancing the Canada Education Savings Grant;
- Easing the transition to PSE for first year students from disadvantaged backgrounds;
- Enhancing student loan programs;
- Encouraging lifelong learning.

In terms of enhancing equality of opportunity, the proposals relative to the third of the bullets are especially encouraging, namely an up-front grant of $3,000 available to first year students from low income families, with a similar grant to students with disabilities. Along similar lines relating to equality of opportunity, Friedman (2005, 289-90) muses about having free and mandatory high school carried forward to the PSE level for the information era, a “vision ... to put every American man and women on a campus.” This is obviously very distant from US reality in terms of existing tuition fees. And in recent years Canadian tuition fees have been rising rapidly. In this context, my recommendation (2001, 185) was, on grounds of ensuring access, to keep first-year tuition as low as possible, at both universities and colleges alike. If high
tuition fees are necessary, then they should begin only in second year when the students will have information adequate to decide whether PSE, replete with high fees, is appropriate for them.

Relatedly, PSE needs to operate much more as a system. For example, in the California PSE system (universities, state colleges and community colleges) it is not that uncommon for the gold medal winner at the university level to have entered the PSE system at one of the junior institutions. Transferring this system approach to Canada, two prescriptions would appear to be in order. First, students (especially mature students) need to be able to transfer between, or jointly access, both universities and community colleges. British Columbia already has established “university college” institutions. Any such transfer provisions need to be transparent and fair. Perhaps one might exempt the research universities from these requirements, but in return (and this is the second recommendation) these research-intensive universities should set aside spaces in upper years for transfers from the other universities.

While attention in the knowledge era tends naturally to be drawn toward PSE achievement, this not where the most pressing skills/human-capital problem is. The key challenge that the far too many Canadians are being left behind in the information era. No matter how effective the PSE system becomes, it is way too late to be the answer to this challenge. Rather, societal effort must be directed toward early childhood development. Canada has recognized this – the combination of the generous Canada Child Tax Benefit and the on-going federal-provincial cooperation on the day care front among other initiatives are both welcome and appropriate. But more is needed – along the “mind-of-state” lines, Canada needs a Charter of human-capital rights for our children. This is not inherently about money or about the courts. It is about symbolism and about identity, since societal recognition that equality of opportunity for the development of our skills
and talent ought to be our individual and collective passport to the information era. If we are unwilling to embrace such a commitment (or some meaningful facsimile), then our equality-of-opportunity efforts to bridge the skilled-unskilled socio-economic gap will be more akin to rhetoric than reality.

To be sure, not all Canadians can or should strive to earn a Ph.D. Nonetheless, all Canadians will benefit from a human capital future. This is so because an increase in a more educated and skilled population will mean a high-wage and high-income economy and this will also carry over to the prices and wages in the non-tradeable sector. In this sense, human capital is like physical capital – it contributes to the productivity and to the earnings of other factors of production. Moreover, a higher-wage and higher-income economy also means higher tax revenues (for a given tax structure) so that there is more fiscal scope for creative employment-enhancing and income-enhancing policies directed to the less skilled.

Finally, lifelong learning is an inherent feature of the information age. Many of the jobs that our children and grandchildren aspire to did not exist when they were young, let alone when we were young (e.g., a search-engine designer for Google). And they will have to prepare their own children for positions that similarly have not been created or even conceived. The good news is that it is easier to learn to learn within a human capital environment. This said, we still need to tailor aspects of our social envelope on this direction. An excellent place to start would be to convert EI to reward long-term (not short-term) labour force attachment and then allow the benefits to accommodate upgrading or re-skilling. Allowing tax-preferred withdrawals from RRSPs for enhancing skills and human capital would also seem appropriate as part of a HCMS implementation scheme.
**Human Capital and Competitiveness**

In order that skills and human capital can play their intended roles of creating a productive, competitive and innovative economy we need, in the words of the HCMS, to “employ in Canada” this human capital. This means, among other things, that Canada must become an attractive location for starting and growing new economy firms, for managing international product mandates and for providing a home base for multinationals. In turn, and here is the politically difficult part, our tax rates on mobile factors (which includes human capital as well as financial/physical capita) need to be competitive internationally which, in the current time frame, means competitive with US rates. We are there on the corporate tax side, provided the proposed reduction of the federal corporate rate to 21% sees the light of legislated day. Even though the Liberals have an impressive record in terms of reducing personal income tax rates (indexing the tax system against inflation and reducing the federal tax rates from 17%, 26% and 29% to 16%, 22% 26%, and 29%), the top marginal rate has remained intact and, when combined with the typical provincial top PIT rate, has remained too high in the NAFTA context. If our tax rates on mobile factors do not fall in line with those of our largest trading partners, then these mobile factors will begin to loom large in terms of our exports to the global economy.

Note that this should not necessarily be construed as a plea for a smaller government sector. Rather, it is a call to shift taxation away from income taxes and toward consumption taxation (e.g. toward the export-import-neutral GST). Nor is it a veiled argument to reduce redistribution, since most of the effective redistribution in modern societies occurs not on the revenue side of the budget but on the
expenditure and tax-expenditure side. Moreover, the measures recommended above that will increase the equality of access to developing skills and human capital clearly fall into the redistributive category.

A second requisite for a successful HCMS (and one that holds promise for addressing the underemployment issue raised in the previous paragraph) is that Canada become an innovative and entrepreneurial society. This is especially critical in when societies are, as now, undergoing paradigm shifts. In particular, it is difficult to make a successful transition to the new economic order as long as “the old will not exit and the new cannot enter” (Thurow, 1999, 92). Indeed, Thurow goes on to assert that America’s economic strength and dynamism is not so much its ability to open up the new but rather its ability to shut down the old (Ibid, 56). That effecting change in the Canadian context is difficult is all too evident from the popularity of the old saw: governments may be no better or worse than the private sector in terms of picking winners, but losers are incredibly adept at picking governments!

Therefore, in order that we remain open to innovation and that the private sector be encouraged to be dynamic and leading edge, Canadian governments, at all levels, should adopt as a policy principle the presumption that any private-sector initiative is permissible unless it can be demonstrated to be contrary to the public interest. On the surface this may seem to be a harmless reworking of our 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. That is, those embracing the status quo must demonstrate that the new initiative runs contrary to the public interest.
Finally, but hardly exhaustively, Canada has an enviable record as an immigration society. We have welcomed peoples from all nations and all cultures and they have responded by lending a new dynamic to our economy, by expanding our exports to new regions of the world (often their origin regions), by enriching us culturally and by making Canada more open to further change. And for most of our history, immigrants wages tended quickly to exceed that of comparable Canadian-born citizens. Unfortunately, this is no longer true. Indeed, current estimates are that about 60% of employed immigrants work at a lower occupation levels than they did prior to coming to Canada, regardless of their education level (Treusch, 2005,9). (As an important aside, Treusch also notes that to a considerable degree this is also true for the overall workforce since about 40% of low-skilled jobs are held by individuals with post-secondary education.) Part of the problem here is that we need better policies/processes to formally recognize the qualifications and credentials of newcomers to Canada. As Alboim, Finnie and Meng (2005,20) emphasize, recent data on earnings point to the need to address this failure of fully accreditizing immigrants’ qualifications, the result of which has been to contribute to “the growing recognition of the enormous waste of immigrants’ human capital in Canada.” Other aspects of our immigration policy may also need review. For example, even those who have the requisite number of “points” to become economic-class immigrants often find that they cannot secure the type of employment that they had expected to find in Canada. Embarrassingly, but in the present context appropriately so, the New York Times (Krauss, 2005) highlighted Canada’s skilled immigrants’ job problems in this regard. Perhaps it is time to once again allow for a more active role for employers in the immigration selection process in order to ensure that there are indeed jobs available that match the skills/qualifications of the immigrants.
While the above focus on cohesion and competitiveness is at the core of the rationale for the mission statement, a human-capital approach must go beyond this to inform and rework other aspects of Canada’s economy and society. The next section turns the human-capital lens on the health care sector while the final section presents a human-capital perspective as it relates to the role of cities in the information era.

*Human Capital and Health Care*

In the knowledge/information era health care is emerging as one of the leading-edge sectors for research, innovation and exports. Among the industrial subsectors subsumed within health care are: information technology; diagnostic, treatment and delivery services; biotechnology, information management, and imaging systems. In terms of the HCMS, the key message is that information-era health care will be a major employer (in Canada) of high level human capital or talent. But in order for health care to become this dynamic engine of economic growth, replete with spin-offs in new technology sectors, it needs a significant infusion of physical, financial and human capital. Unfortunately, the sector is unlikely to receive this capital infusion as long as it is viewed wholly or largely as a *social policy* endeavour. Phrased differently, failure to be in the forefront of these remarkable diagnostic, treatment and service-delivery innovations will mean that we will also fail not only in ensuring that the health sector achieve its potential as an employer of Canadian talent but, as well, in ensuring that Canadians will continue to have access to state-of-the-art medicare.

In an earlier paper (2003), I argued that the Senate Report (2002), commonly referred to as the Kirby Report after Senate Committee Chair Michael Kirby, provided the information-era consistent and
Canada-Health-Act consistent approach to our health sector, namely to allow competition in the delivery of medical services under the umbrella of the existing single payer system. Hopefully, the recent Supreme Court decision will serve to launch Canada’s health-care system in this direction.

By way of a final observation, it should be noted that health-care, at least in its treatment side (i.e., its “sickness” side), is largely about *consumption* whereas education skills/human-capital accumulation is largely about *investment*. Indeed, the fear is that the former will crowd out the latter. This caveat aside, there is also an important investment component to health care, probably best referred to as *wellness*. Under this rubric would come nutrition, obesity, lifestyle issues and, of course, preventative health care. Over the longer term, progress on this health-investment agenda holds the key for improvements in population health. More to the point, not only are these issues positively correlated with human-capital enrichment, but there is arguably mutual causation between the two. Hence, implementing a HCMS will likely lead to improvement on the population health front.

*Human Capital and Global City Regions*

Cities, and particularly what have come to be referred to as global city regions (GCRs), are emerging as the dynamic institutional motors of the information age. To be sure, our major regional cities/GCRs—Vancouver, the Edmonton/Calgary corridor, Winnipeg, Toronto, Montreal, Halifax and perhaps others—were already viewed as the driving forces for their regions’ integration into NAFTA economic space. In this sense, the GCRs played a central role in the traditional “space of places” geography. However, the information era has catapulted the GCRs into the role of key nodes in the new
“space of flows” or network geography. This is so because it is in these GCRs that one finds the dense concentrations of human capital, R & D, high-value-added services and the like that allow them to become the key coordinating and integrating networks in their regional economies on the one hand and the dynamic national nodes in the international networks that drive growth, trade, and innovation in the global information economy on the other.

In his recent best seller, *The Rise of the Creative Class*, Richard Florida (2002) builds on this knowledge-GCR nexus by introducing human creativity, or the “creative class,” as a GCR’s ultimate resource. Specifically, Florida views these GCRs as the key economic and social organizing units of our era, and the cities that will come out on top will be those that fare the best in terms of his 3 Ts—Technology (as measured by innovation and high-tech industry concentration), Talent (as measured by the number of people in creative occupations) and Tolerance (as measured by the amenities afforded and opportunities available for every possible lifestyle). Cities that score well, especially with respect to the tolerance index, will become places where the creative class will cluster. And for their part, companies will then cluster in those same places in order to draw upon the concentrations of the creative class and their ability to power innovation and economic growth. Florida labels this as the “creative capital theory” of urban/regional growth and development, but he just as easily could have called it the “creative human-capital theory” of development.
That the implications of Florida’s approach are wide ranging should be obvious. Elsewhere (Courchene, 2005) I have elaborated on the resulting need for greater tax and expenditure autonomy at the CGR level and also for integrating these CGRs more fully and more formally into the operations of Canadian federalism. Admittedly, enacting policies to privilege Toronto, Montreal, Vancouver, etc., will be tough sledding politically. But the bottom line is that Canadians will really excel in the new era only to the extent that our global city regions fare at least as well as their American counterparts.

The more general message to be drawn from this brief discussion of the linkage between the HCMS and GCRs and also from the earlier relationship between human capital and health care is that implementing a human-capital perspective will have, indeed must have, a major transformative influence on Canadian society.

V: Conclusion

Globalization and the knowledge/information revolution have created an historic window of opportunity for Canada and for Canadians. With knowledge progressively at the cutting edge of competitiveness and wealth creation, with enhancing skills and education as the key to furthering social cohesion and addressing income inequality, and with information empowerment as the *sine qua non* of meaningful citizenship, a societal commitment to a human capital future for all Canadians and, therefore, a societal commitment to remake Canada as a state of minds emerges as an appropriate defining feature of who we individually and collectively aspire to be in the 21st century.
# 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)
Tableau 2

Human Capital – The key to Canada’s economic and social well-being

For the economy
- drives productivity, innovation, investment and growth; vital to competing in KBE

For society
- fosters cohesion by facilitating the integration of marginalized groups and promoting a sense of shared citizenship, leads to civic and community involvement, positive intergenerational effects

For individuals
- learning and skills are key to sustained employment, higher wages, better social and health outcomes and active participation in society, and adapting to technological change

For employers
- knowledge, talent and creativity are the raw materials of innovative and competitive enterprises

[Andrew Treusch, Human Capital in Canada’s Federation, 2005, slide 13]
References


Standing Senate Committee on Social Affairs, Science and Technology (2002) *The Health of Canadians – The Federal Role, Volume Six: Recommendations for Reform*, (Ottawa: Senate of Canada). This is often referred to as the Kirby Report.

