

# A MISSION STATEMENT FOR CANADA



*Later this year, the IRPP will publish IRPP Senior Scholar Thomas J. Courchene's new book A State of Minds: Towards a Human Capital Future for Canadians. In this preview, he describes how the economic imperatives of the "global information revolution" are changing the policy environment, and he provides a mission statement for 21st-century Canada. In his view, all policy should be targeted directly or indirectly at increasing Canadians' human capital and enabling them to deploy it in Canada. While we should maintain many of our traditional policy goals, we should not be afraid to change any policy instrument, not even medicare, if the new policy environment means there are now better ways of achieving these goals.*

Thomas J. Courchene

*L'IRPP va publier cette année un nouvel ouvrage d'un universitaire chevronné, Thomas J. Courchene, intitulé A State of Minds : Towards a Human Capital Future for Canadians. On lira plus bas, en avant-première, un passage où l'auteur explique comment les impératifs économiques de la « révolution mondiale de l'information » sont en train de transformer la donne politique. Il définit la voie à suivre pour le Canada du XXI<sup>e</sup> siècle. Toutes nos politiques, affirme-t-il, devront tendre à l'accroissement de notre capital humain et à son déploiement sur le territoire canadien. Il nous faudra certes garder le cap sur bon nombre de nos objectifs traditionnels, mais nous ne devons reculer devant la transformation d'aucune de nos politiques—fût-ce celles encadrant notre régime de soins de santé-, si l'évolution du contexte révèle des moyens nouveaux et plus efficace d'atteindre ces mêmes objectifs.*

Century 21 is synonymous with the blossoming of the information age. This new era is variously referred to as the new techno-economic paradigm, as the information revolution or, in my preferred (and admittedly clumsy manner), as "GIR," which stands for "Globalization and the Information Revolution." However it may be labelled, the nature of the emerging era is clear: The information revolution will do for human capital what the industrial revolution did for physical capital. Indeed, one can go much further and presume that the ultimate impact of the Internet will be to privilege citizens individually and collectively with a degree of information, influence and power heretofore unimaginable, and one that no government, no matter how powerful, will be able to ignore, let alone suppress.

The combination of this democratization of information, on the one hand, and the rise of knowledge or human capital as the cutting edge of international competitiveness, on the other, means that citizens will emerge both as the dominant socio-political actors on the domestic and international fronts and as the key to excelling on the economic

and competitive fronts. Accordingly, nothing short of bestowing citizens in their information and human capital roles with pride of place on the public policy agenda can ensure that, updating Laurier, the 21st century will also belong to Canada. This implies, in turn, that Canadian public policy has no meaningful alternative except to strive toward the societal goal of remaking Canada into, as the title of my forthcoming IRPP monograph indicates, *A State of Minds*. In what follows, I summarize those aspects of *A State of Minds* that bear on the issues that are central to the challenge of creating Canada's advantage in an information era.

Figure 1 (opposite) embodies what I hope is a useful framework for assessing the implications of GIR first on citizens, markets and governments (the rectangular blocks), and then on the citizen-market, citizen-government and market-government interfaces (the ovals). My purpose here is to focus on the resulting challenges for policy, for institutional design and for governance. Proceeding in terms of the entries in Figure 1, the implications of GIR can be summarized along the following lines:

*GIR and governments*

- Powers are currently being transferred both upwards and downwards from the central governments of nation states, especially federal nation states. The reason is straightforward: Economic space is transcending political space, with the result that countries are transferring power upward to supra-national structures and regulatory bodies (such as NAFTA, EU, the European Central Bank, and so on). At the same time, powers are also being passed downward to markets (through privatization, contracting out, and deregulation), to lower levels of government (in Canada through the transfer of forestry, mining, tourism, and training to the provinces) and to citizens (via the information revolution).
- A convenient description for this process is “glocalization” (the combination of global and localization).

*GIR and citizens*

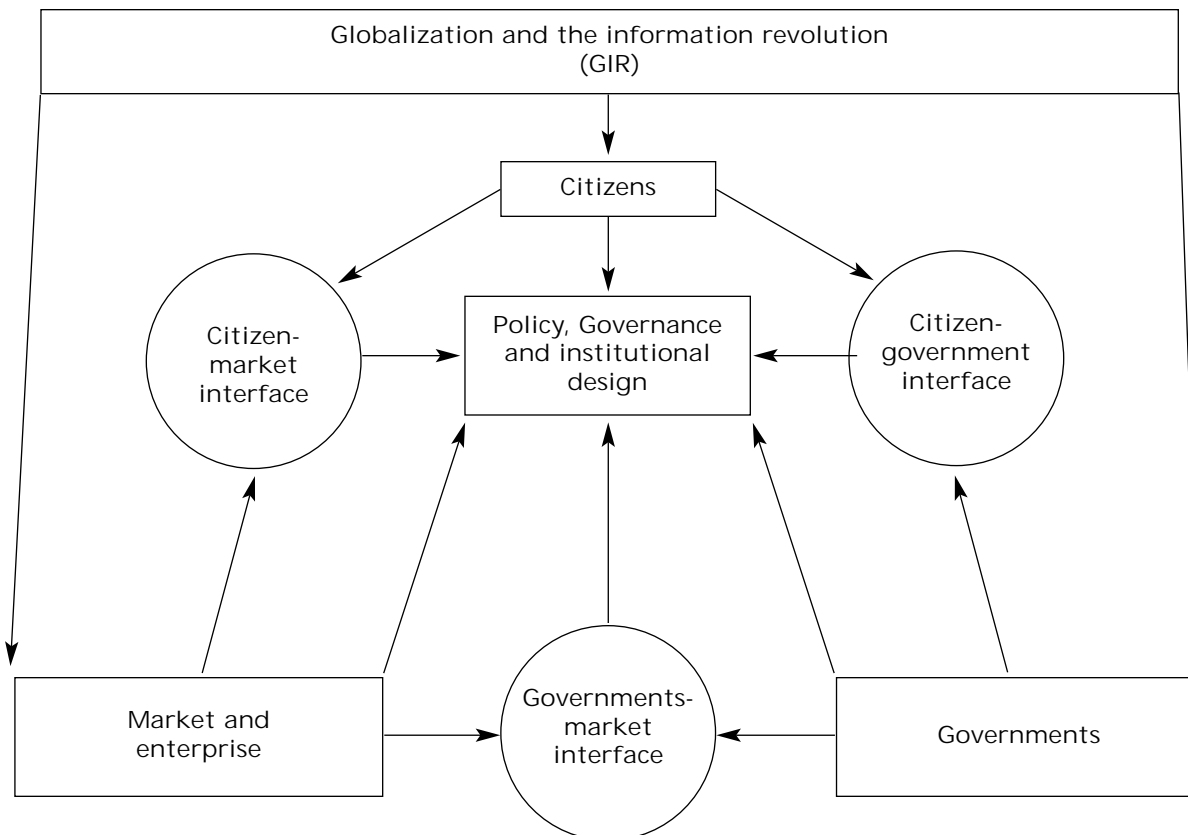
- GIR enfranchises individuals in their capacity as “consumers.” Indeed, business guru Kenichi Ohmae has defined globalization as,

quite simply, “consumer sovereignty.”

- But globalization also tends to disenfranchise individuals in their capacity as “citizens”, in the sense that some key policy decisions increasingly are taken in forums where citizens have no direct representation. Europeans refer to this as the rise of “democracy deficits,” though to put it that way may be evidence of “old-paradigm” thinking: Information-empowered citizens seem likely to expand their power and influence (in such things as the campaign against the MAI and the “Battle in Seattle”) so that over the longer term GIR may actually be democracy-enhancing.
- More relevant for present purposes is that GIR is raising the returns to human capital, which is polarizing market earnings, especially since GIR is also serving to erode last paradigm’s middle class, based as it was (in Canada, at least) on unionized labour and a resource-based economy.
- Immobile factors of production—land and unskilled and low-skilled labour—are bearing the costs of GIR, at least in the first instance.

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Figure 1  
GIR and the Policy Challenge



GIR is enhancing international openness at the expense of societal cohesion. Taxes on mobile factors are falling relative to those on immobile factors, and the post-war era of “embedded liberalism” is becoming unstuck.

*GIR and markets/enterprise*

- Production is now internationalized. Among many other things, this implies that incentives within national welfare systems have to be re-thought since they were typically geared to a national approach to production.
- The informatics revolution is a) altering firm structure as a result of falling transactions costs, making firms more horizontal and less hierarchical; b) redefining “industries” (for example, digitization is integrating cable, television, and computers); c) generating dramatic excess capacity (which helps explain the merger mania); and d) ushering in pervasive production and organization technologies (the Internet is not only an integral part of this new technoeconomic paradigm: In several key areas, it is the new technoeconomic paradigm).
- The increasing north-south integration of economic activity represents both an opportunity and a challenge. In terms of opportunity, the market value of Ontario shipments to the US is now of the order of 45 per cent of Ontario’s GDP, nearly three times its shipments to the rest of Canada. At last observation, only two of Canada’s provinces (Nova Scotia and PEI) now export less internationally than interprovincially.
- In terms of the accompanying challenge, Canada is less and less a single national (east-west) economy and more and more a series of cross-border regional economies. Phrased differently, Canada is no longer an “economic policy railway”, but rather a “transfer and social policy railway.” The challenge this poses is how to reconcile an east-west social and transfer system with our north-south trading system. (See my article on this problem in *Policy Options*, July-August 1999.)

While these implications relating to citizens, markets and governments will have a direct influence on the appropriate evolution of policy in an information era, the interaction among and between these three societal building blocks adds further dimensions—and complications—to the challenges facing Canadian governance.

*GIR and the citizen-market interface*

- GIR is triggering both an integration of work globally and a potential disintegration of workers as a collective domestically. What emerges, as Martin Carnoy and

Manuel Castells have written, is the vision of an “extraordinarily dynamic, flexible, and productive economy with an unstable, fragile society and an increasingly insecure individual.”

- Among the results are the rise of self-employment and non-standard work; the elimination of traditional “career ladders”—largely because there are precious few “careers” in the new order; and the erosion of the traditional middle class (since national unions are no match for mobile international capital and production).
- While not all of these developments are necessarily harmful, they do signal a dramatic change in the citizen-market nexus. Century 21 must find policies and instruments to reconnect citizens to markets and to reconstitute the social cohesion or “civil society” of the “Fordist” era.

*GIR and the market-government interface*

- GIR is enhancing international openness at the expense of societal cohesion. Taxes on mobile factors are falling relative to those on immobile factors, and the post-war era of “embedded liberalism” (where the welfare state grew apace with increased integration) is becoming unstuck. As Dani Rodrik has noted, the challenge is to ensure that further international economic integration does not lead to domestic social disintegration. Thus, the challenge domestically is to develop new policies that allow us to “embed GIR,” as it were.
- This challenge is complicated by the fact that social policy issues are becoming enmeshed in international trade arrangements (e.g. “social dumping” in the EU and the labour and environmental “riders” in NAFTA).
- In order to attract mobile capital, governments are under pressure to favour their winning sectors. One result of this is the changing region-centre relationship in Canada, where the emphasis is shifting (appropriately, in my view) from “place prosperity” to “people prosperity,” leaving the former to the provinces.
- A greater problem still is the fact that, with rapidly increasing north-south trade, much of our east-west economic infrastructure is becoming, in the language of finance, a “stranded asset.” The recent bank merger issue was all about re-orienting our east-west banking system toward a more north-south

axis. Ottawa said “no” to these merger proposals, but the pervasiveness of GIR means the underlying issue will not go away.

- More generally, the integrating global economy is occurring side-by-side with a splintering global polity. This is the “unbundling” of nation and state. It is progressively easier for subnational governments to latch on to the new supra-national infrastructures (for example, the EU and the Euro) and to attempt to pursue a more autonomous or “distinct-society” future, thereby by-passing their central governments. This is what Scotland and Catalonia and Quebec are all about and, on the economic front, what “region state” Ontario is after.

### *GIR and the citizen-government interface*

- Program spending as a per cent of GDP is falling quite dramatically—from 36 per cent in 1994 to a forecast 26 per cent by the end of the current fiscal year. The federal share has dropped from 17 per cent of GDP to just 11 per cent, while the provincial share has fallen from 18 per cent to 15 per cent. Although some of this decline is a result of privatization and although with the advent of surpluses some of this spending has been restored, a decline this large is clearly a significant development, the implications of which have not as yet filtered down fully to individuals.
- Along with this general decline in program spending, key aspects of the Canadian identity (particularly health and social programs) are being devolved to the provincial level. The new *Social Union Framework Agreement* is a creative response to this challenge. Nonetheless the old citizen-government (and especially citizen-Ottawa relationship) is changing significantly.
- Finally, we are witnessing a “revolt of the elites.” As Robert Reich observed in *The Work of Nations*, the “symbolic analysts” are networking internationally, agglomerating in specific geographical areas (Silicon Valley and Route 128) and effectively “seceding from America.” This is also occurring in Canada, as is reflected in part in the recent proposals emanating from the Business Council on National Issues. Societal cohesion will be in the balance unless we find creative ways to re-forge common bonds across this growing income-distributional divide.

This then constitutes a summary of selected challenges generated by the pervasive and irreversible forces of GIR for Canada’s social, economic and political environment. No one has captured the essence of this challenge as well as Manuel Castells:

*The global economy emerging from information-based production and competition is characterized by its interdependence, its asymmetry, its regionalization, the increasing diversification within each region, its selective inclusiveness, its exclusionary segmentation and, as a result of these features, an extraordinary variable geometry that tends to dissolve historical economic geography* (emphasis in original).

How do we respond to this challenge? How do we maintain our socio-economic distinctiveness in the upper half of North America? Phrased differently, how do we remain Canadian?

Canada mastered the old paradigm. We really have no choice but to do the same for the new paradigm—globalization and the knowledge/information revolution. What this means, in practice, is that we must as a society maximize the opportunities of the new era at the same time that we minimize, or otherwise compensate for, the obvious downsides of GIR. We need to buy into the wintry wisdom of Wayne Gretzky: “I skate to where the puck is going to be, not to where it’s been.” But where *is* the GIR puck going to be? I think the answer is clear. While the millennium is exciting in its own right, it coincides with a truly remarkable watershed in the annals of socio-economic history—the blossoming of an information era in which citizens, individually and collectively, are emerging as dominant players on the world scene. As the above analysis reveals, this is clear in individuals’ roles as consumers. But it is more evident still in citizens’ roles in the economic sphere: Not only is knowledge now at the cutting edge of competitiveness, but the spectacular market capitalization in new-economy industries is increasingly a reflection of returns to human capital (often via stock options). Finally, information-empowered citizen influence on the political front, although admittedly only in its embryonic stages, promises an exciting evolution in terms of new forms of democracy and accountability in the post-nation-state era. The 21st century will be about people in their role as consumers, capitalists and citizens. That is where the GIR puck is going to be. The solution to the GIR challenge must therefore be to privilege citizens in their information and human capital dimensions.

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## A mission statement for Canada

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

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One can come at all this from another direction. We need to rekindle the post-war achievement of “embedded liberalism.” In terms of the new paradigm, we need to “embed GIR” within a socio-economic-political framework. Operationally, this means we have to ensure that GIR leads both to economic competitiveness and societal cohesion. Because the key to achieving both competitiveness and cohesion lies in citizen information-empowerment and human capital, we have a historically unprecedented window of opportunity.

This being the case, in *A State of Minds*, I take the rather unusual approach (at least for an economist) of articulating a single-sentence mission statement for 21st century Canada. Stripped of its contextual environment, the mission statement reads as follows:

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

I submit that this captures the essence of what being a Canadian must mean in the 21st century.

By their very nature mission statements tend to be articulated in an unconstrained manner. The one I propose certainly is. Yet the real world is full of constraints—fiscal, political, institutional, international. This does not detract from the value of a mission statement: Indeed, a societally-accepted beacon may well help overcome some of the myriad of constraints.

The mission statement proposed here offers a uniquely Canadian vision or version of post-war “embedded liberalism.” Its reference to an “internationally competitive infrastructure” and

its emphasis that human capital be employed in Canada address GIR’s competitive imperatives. Much if not all of the BCNI’s recent proposals would be fully consistent with the economic policy strategy it implies. But there would be one very important difference. In designing this competitiveness infrastructure—for example, in approaching tax reform, rethinking competition and regulatory policy, or seeking further international agreements—policy makers would have to ensure that the various choices they made would also advance the human-capital aspirations of Canadians. For example, the “employ in Canada” component of the mission statement resonates well with the BCNI’s desire both “to make Canada a better place to live and work and do business” and “to create a uniquely attractive home base for competitive and growing global enterprises.” Were we to succeed on this front, we would surely make Canada a more attractive location for our home-grown and home-financed “talent.” Many of the high-value-added opportunities (in, for instance, finance, law, accounting, R&D, advertising, computation and the like) are associated with head offices or with domestic product mandates. Privileging the latter will surely be a major incentive to developing, enhancing and employing our human capital in Canada.

The mission statement’s call for a socially-inclusive infrastructure in the context of privileging human capital encompasses much, if not most, of the philosophical underpinnings of our sharing community. Indeed, it goes further in several directions. For example, taking it seriously, one would surely have to follow up on the recent emphasis on early childhood development as an instrument toward ensuring that all Canadians have rough equality of access and opportunity in terms of human capital development. Similarly, the statement’s use of the term

“to enhance” is intended to capture the need for “life-long learning,” as distinct from the “to develop” reference, which is intended to capture K-through-PSE skills and human capital formation. What the mission statement would *not* countenance are social policy initiatives that run counter to Canadians’ ability to enhance their human capital—for example, the perverse tax, work and mobility incentives in our current EI program.

A societal commitment to the vision embedded in this mission statement—that is, a commitment to “embedding GIR” within a larger societal context—would serve to facilitate the difficult changes that GIR is sure to usher in. Phrased differently, it could infuse a sense of social cohesion into the process, for just as the social side should be consistent with addressing our economic prospects, so too should traditional economic policy be designed in ways that enhance the social-policy/human-capital envelope.

Unfortunately, getting the mission statement right does not make the GIR policy challenge all that much easier. We Canadians will still have to face the delicate and difficult trade-offs between social and economic goals, between richer and less-well-off members of society, between domestic and international concerns, and between those perennial rivals—public and private, efficiency and equity, and centralization and decentralization. What I hope the mission statement could accomplish, provided there were a collective and credible commitment to its implementation, is a greater willingness to embrace the turbulent changes that GIR is forcing on all economies and societies. It might help us to better manage the change that is coming, to get on top of the overall process and to nudge it in ways that ensure we can take full advantage of the economic and socio-political opportunities that accompany GIR.

**W**hat kinds of public policies are implied by the mission statement I have proposed? Let’s start at the level of general principle.

These days, the private sector is highly competitive and increasingly international, while the public sector is (except in its interprovincial dimension) inherently national and non-competitive, even monopolistic. In my role as a consumer of goods and services, I have absolute confidence that I will have access to state-of-the-art banking or telecommunications services. The internationalization of financial and telecommu-

nications markets ensures that this is so. What I do not know is whether these services will be imported or domestically produced and, if the latter, whether these producers will be domestically owned or foreign operated.

As a consumer of government services, on the other hand, I have no such guarantee that five years from now I will have access to state-of-the-art public services. I have to consume whatever education or health or EI or welfare is provided by our various governments. There is no meaningful scope for “by-pass” (except, as noted, in federal states). This key difference in the underlying environment—private competition vs. public monopoly—merits attention when it comes to framing policy.

Since I cannot be denied state-of-the-art banking, telecommunications and the like in an increasingly integrated global economy, it is patently foolish for Canadian policy not to attempt to ensure that, wherever possible, Canadian-based enterprise plays a key role in providing these services. This implies a GIR-triggered, paradigmatic shift in the public policy environment as it relates to private sector adjustment. The alternative is to rely on a foreign (likely US) private sector.

Thus, a first principle that should govern public policy toward markets is to engage, region-state like, in creating “untraded interdependencies”—positive and attractive locational advantages to ensure that Canadian enterprise is on a level playing field with its international competition in providing these services to Canadians. I hasten to add that this is not intended to be code for subsidies. Rather, the challenge is, as Thomas Friedland has put it, to provide GIR-consistent “software”—for example, appropriate tax policies and macro management, as well as transparent and accountable regimes for corporate governance and other forms of regulation. But it also means more than this. There are many different ways to generate GIR-compatible “software.” Other things equal, we should always tilt specific policy choices in the direction of accommodating the underlying human-capital imperative that is central to the mission statement.

What does this mean for policy approaches to private sector adjustment? Government 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. On the surface, this seems a harmless reworking of the typical approach, namely: Is the

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new innovation/adjustment in the public interest? Yet the difference is critical because of where it places the burden of proof. Should the innovators have to demonstrate that their activities are not contrary to the public interest, or should those espousing the status quo be required to show that the innovations in question run counter to the public interest? The principle proposed here is that the status quo be on the defensive, not the innovators. Of course, society at large would still be assigned the role of defining “the public interest.” But shifting the burden of proof onto the status quo will lead to a much more flexible and dynamic economy.

Because in the public sector there are no (or few) avenues for “by-pass” and, therefore, no direct pressures within the system to emulate best practices elsewhere in the world, public sector adjustment is very different. Thus, the design and implementation of our social policy infrastructure—education, training, welfare, EI, the transitions from school-to-work and from welfare-to-work—is emerging as the critical policy area for a GIR era. One reason for this relates to the observation that the nature of our social institutions in the millennium will effectively define who we are and who we want to be as a society in the upper half of North America. Without an appropriate social infrastructure we will fall well short of our potential on the economic front. As Manuel Castells puts it, “national human capital markets are essential for the productivity of economic units located in a national territory.”

A second reason why our public infrastructure is crucial has already been alluded to: It is enormously difficult to effect adjustment in the public sector, which operates in a political market, not an impersonal price system. The powerful Schumpeterian process of “creative destruction”—currently in full evolutionary, if not revolutionary flight in the private sector—does not carry over to public sector adjustment. Rather,

we have to fall back on our creativity as a citizenry to design and implement innovative instruments to forge our social and human capital future. One example of such creativity is the recent *Social Union Framework Agreement (SUFA)*, which serves to provide pan-Canadian principles to oversee east-west social evolution in the context of increasing decentralization, increasing north-south trade and increasing provincial asymmetry.

We also need to be careful to distinguish between goals and instruments. Some instruments have become so enmeshed with our values and/or identity that they become elevated to the status of goals. Medicare surely falls into this category and, to a degree, so does our flexible exchange rate (i.e. monetary sovereignty). But at bottom these are merely instruments

for delivering on ultimate goals: 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, perhaps even on a regional basis, in the case of flexible rates or monetary sovereignty. To view these instruments as sacrosanct and immutable—that is as goals in

and of themselves—may, in a dynamic, changing socio-economic order, place the ultimate goals at risk. For example, providing 100 per cent public funding for medicare-covered activities and more or less zero per cent public funding for non-covered items such as 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 loom larger in terms of population health.

Likewise, in the face of enhanced trade-flows and increasing currency integration elsewhere in the system, a fixed exchange rate or a common currency may become a preferred instrument for



Courchene and the big picture  
Ottawa, 4 May 2000

delivering on the overall goals of monetary policy. This is not an argument against either medicare or flexible exchange rates. Rather, it is a reminder that while the underlying goals of a society tend to endure across paradigms, instruments tend to be paradigm- or environment-specific. We should never lose sight of the fact that instruments are simply the means toward achieving the desired ends. We must be willing to rethink their relevance as the overall parameters of the system evolve.

In *A State of Minds* I provide a good deal of detail on the nature of the policies and instruments required to “embed GIR” in a framework consistent with furthering social cohesion. Here I limit myself to listing some of the key components of the policy package I propose:

- Underpinning any and all mission-statement related policies relating to competitiveness and cohesion is the policy imperative that we become the most “wired” or Internet-connected country on the globe. And we have done well when it comes to Internet access. Facilitated by School Net, all of Canada’s schools and libraries now have (or should have) Internet access, and we are well on our way to establishing 10,000 Community Access Portals to provide Internet access to non-school-age Canadians. The disturbing news is that Canadians lag the US in e-commerce. In this regard, recommendations of the *Report of the Canadian E-Business Opportunities Roundtable* need to be implemented quickly.
- A children’s human capital “bill of rights” is critical to ensuring equality of access by all Canadians to the information and skills dimension of the new global order, and it is at the core of any meaningful implementation of the mission statement.
- We must view the family as the locus for the production of human capital. Without in any way downplaying the other critical roles the family plays in our society, the time has come to also see the family as the principal locus for the production of human capital. Among other things, this means incorporating key aspects of Fraser Mustard’s crusade for policies related to early childhood development. But it must go well beyond this to privilege families in their pursuit of life-long learning. We must assess existing social policies and instruments with an eye to ensuring that they further human capital formation.

- Viewing the state as a “knowledge and information intermediary,” we must shift our bureaucratic organization away from the previous industrial production system and toward a human capital production system. It is not appropriate to tuck concerns relating to the information economy and human capital somewhere under the umbrella of Industry Canada. A policy approach consistent with GIR and social cohesion requires just the reverse: We ought to nestle Industry Canada, and industrial policy initiatives generally, within an overarching human capital and information super-ministry. Without such a conceptual rethinking and restructuring of our policy priorities, we will never make a fully successful transition capable of embracing the challenges and reality of the emerging GIR era, let alone embrace the societal mission statement. Without this accommodating shift in the “mind of state,” we will not make the societal transition to a “state of minds.”

At the program level, all this requires a reworking of most aspects of our social infrastructure. I shall limit myself to one area—health (or medicare). We Canadians view our health care system as falling entirely within the “social” envelope. This is last-paradigm thinking and it will ultimately result in a system that fails Canadians. In the new global order, health is emerging as one of the leading-edge economic sectors for research, innovation, and exports and for employing high-level human capital and talent. To maintain state-of-the-art technology and services it needs a massive infusion of physical, intellectual and financial capital. It will never receive this under the current policy, which essentially limits expansion and innovation to the spending inclinations of governments. In recent years, governments have typically emphasized cost containment, subject to some national idea of “adequate” service (which we Canadians appear willing to see decline over time). In my view, were we to see our overall health-care system as an essential social and economic sector in the information age, it could become a creative economic engine with multitudes of spin-offs in other new-technology sectors. It could also provide better health-care services for Canadians. As noted, we have tended to view medicare as a goal, not an instrument. It is not a goal. The time has come to rethink this instrument and to allow health care

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to play a pivotal role in our society in line with both the opportunities generated by the new global order and the pressing health care needs of Canadians.

- I mentioned above that *SUFA* is an important new instrument for creating an east-west social union consistent with the exigencies of GIR. And it is. But, like the mid-1990s *Agreement on Internal Trade (AIT)*, it has one critical defect. *SUFA* and *AIT* are agreements among and between governments. But governance in general and federalism in particular must also be about citizens. Neither agreement allows individual citizens to trigger the appeal process—for mobility barriers under the *AIT* or credential recognition under *SUFA*'s mutual agreement relating to accreditation and occupational recognition across provinces. We must change these agreements to become a version of citizens' rights to the east-west Canadian economic and social union.
- While I am an ardent decentralist, the above policy approaches transcend the question of "who does what" in the federation. If the provinces, via the revitalized Annual Premiers' Conference route, are unwilling to embrace these pan-Canadian approaches to social cohesion in the information era, then citizens will surely call on Ottawa to further their infrastructure needs in the emerging global order.
- First and foremost, GIR calls for a shift in taxes away from mobile factors and toward consumption. Admittedly, this is a politically challenging proposition, since it does not square well with our closed economy vision of equity. Paul Martin's 2000 budget, replete with indexation and the reduction of the middle-income tax rate, is a marvellous document for old-paradigm Canada. In GIR terms, however it falls short. Its immediate one per cent reduction in the corporate income tax rate (with further reductions to come much later) as well as the federal government's reluctance to quickly reduce the high-income surcharge are not enough to stem the outflow of jobs, talent and enterprise. Moreover, all of us know that eventually our tax rates on mobile factors will have to fall into line with those of our largest trading partners. By removing these tax discrepancies on "government time," rather than on "Internet time," we are losing a critical first-mover advantage.

- Much the same problem applies to last year's bank merger decision. Surely it is evident that much of our economic infrastructure has to be redeployed consistent with our emerging trading pattern. To be sure, the resulting implications for our east-west economic infrastructure may require creative compensation. Focussing on where the "puck has been" will not solve this inevitable challenge.

What makes these decisions so difficult politically is that there is no societal vision of who we are or where we want to be. This is why the earlier approach and tentative recommendations relating to social cohesion are so important to our collective future. With the mission-state type of vision in place, it would be far easier to make these difficult but, in my view, inevitable economic policy decisions.

My objective in this summary paper has been to outline the pervasive nature of the challenges posed by the new GIR global order and to offer a uniquely Canadian response to these challenges. My fear, and indeed the underlying rationale for *A State of Minds*, is that we will eventually be forced to follow the United States on the economic front. If we do not at the same time address the requisite aspects of social cohesion in a GIR era, we risk becoming nothing more than Northern Americans. Should that happen, we will have only ourselves to blame. While many of our economic policies are likely to be dictated by international imperatives, we do have considerable room to manoeuvre. This being the case, the essence of the mission statement I propose for Canada is that wherever there are degrees of freedom, whether in competition policy, merger policy, regulatory policy, industrial policy or in international agreements, we must use this freedom to advance the overarching goal of increasing Canadians' ability to develop, enhance and employ their human capital in Canada, thereby enabling them to become full citizens in the information-era Canadian and global societies.

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