

# THE NEXT CANADIAN ECONOMY

Two Montreal economists chart Canada's economic future in a brave new book

Review by Rick Janson



Photo: Michael Scher

**C**AUGHT IN THE transition from an industrial economy to the information age, Canadian business leaders, economists and politicians are finding that traditional economic solutions no longer work.

Scrambling to cope with high unemployment, inflation, high interest rates and slow economic growth, the politics of the 1970's failed to grasp the fundamental changes that were occurring in our economy.

Montreal economists Dian Cohen and Kristin Shannon state in their new book, *The Next Canadian Economy*, that in trying to manipulate the "mood" of the present economy our leaders failed to ask the right questions about the next economy.

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**The Next Canadian Economy**  
by Dian Cohen and Kristin Shannon  
Eden Press  
\$9.95

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Criss-crossing Canada interviewing chief executive officers, labour leaders and government officials, they have put together a concise analysis of our current dilemmas and suggest the options we are faced with in order to survive as a nation.

In the next economy "people are the source of wealth and information is the currency."

Westinghouse chief executive officer Frank Tyaack states in the book: "If our comparative advantage

is intellectual capital, then the thing that we should be investing in like fury is education. And my perception of the education system is that it is shrinking in terms of its support and its facilities. If I had to pick the priority area for government policy to enter, I'd pick that one first. I'll fore-go the tax incentives, the grants, the export aid and so on; if they would shovel all the billions into education, I'd be happier."

The book predicts that with the advent of new technologies and the better use of intellectual capital on the shop floor, the jobless rate will not decline over the next decade.

Fred Pomeroy, president of the Communications Workers of Canada says in the book: "The change is structural; the hardest thing to come to grips with is the jobless growth. We are not going to see increased employment in the next ten years; the new technologies are emphatically not going to bail us out. The 'winners' are downsizing just as fast as the losers. With technology that is on the shelf right now, for example, Bell Canada could, if it chose to, cut its labour force in half."

The authors criticize the fact that Canada has yet to realistically address the question of a permanent income support system for those left unemployed in the transition.

"Our present system of unemployment insurance, welfare, and job retraining evolved as a temporary response to a temporary problem. They were designed to meet the basic needs of a few people at the

margins of an economy for only a short period of time. That was an acceptable model for the last economy, but it is ill-suited to a lengthy transition period of high, structural unemployment among the mainstream of the Canadian middle-class."

As big business streamlines its operations, Cohen and Shannon see most of the new jobs in the transitional economy coming from small business.

The number of Canadians who are self-employed has risen by 30 per cent over the last decade to more than a million people.

Pat Johnston-Lavigne, former executive vice-president of the Canadian Federation for Independent Business, states in the book: "The history of entrepreneurship shows that people often start businesses when they're desperate. We have a lot of desperate people, and they're starting a lot of businesses. But there's a positive thrust as well in that desperation. Maybe it's the legacy of Woodstock to distrust bigness and bureaucracy. A lot of people just don't want to work in big places anymore. They don't want to be just a number. They have a different value system."

Although small-business has traditionally relied on big business for support, many fall into a new category of "stand-alone young companies."

"I think we're moving in the direction of more innovation and design going into the creation of manufacturing companies that are 'stand-alone,' that haven't been reliant on large companies for initial supply contracts," says Johnston-Lavigne. "The movement towards that has to do with a couple of things. First the market is full of things which can be imitated. Second, communications. Third, computer and skill levels."

The authors point out that small business people are adaptive, flexible, and mobile — they can move quickly to take advantage of the rapidly changing times.

While big business, big government and big unions agonize over the changes in our economy, Canadians are becoming more self-reliant and marching to the future in their own personal way.

"Complacency is being replaced by anger and annoyance, and even more shocking, by evidence of a determination to be more self-reliant, less dependent on government. As the authority figures of the past crumble before this onslaught, Canadians are wasting little time on grumbling and have turned to putting their houses in order," state Cohen and Shannon.

They remind us that the real indicator of government support can be found in the compliance of the public to the voluntary income tax system.

"And so the real vote of support for the government is reflected less in the support for a new majority government and more in what Canadians are doing with their taxable income. One thing is crystal clear — we are not willingly handing over hard-earned income to Revenue Canada with either the consistency or the willingness of the past. Some officials estimate that even if there were a recovery tomorrow, Revenue Canada would not receive the same volume of revenues that they might have gained only five years earlier."