

The recent report of the independent Steering Group on Prosperity focussed in particular on the urgent need to ensure that our educational and training programmes and culture more adequately reflect the needs of our market place.²⁹ Both the provinces and the private sector must take a hard look at this area. Inter-provincial trade barriers constrain growth prospects. Regulatory shifts related to labour or environmental standards that are perceived as radical (rightly or wrongly) when compared with approaches taken in other, competing jurisdictions will undermine investor confidence, as will provincial fiscal practices that are out-of-step with a low inflation environment and a relatively stable exchange rate. Ontario has been the stated destination of 54% (by value) of intended greenfield investments and acquisitions subject to the Investment Canada Act since 1985 (far outstripping the second most popular destination: Quebec at 17%). Foreign-controlled firms also generated 54% of their 1988 revenue (the latest year available) in Ontario (and about 16% in Quebec).³⁰ Consequently, Ontario has a particularly high profile and central role in underpinning the view of Canada as a whole as an attractive site for doing business.

Canada's overall tax burden, including corporate taxes, as a proportion of national output is generally similar to that of other G-7 countries, but care must be taken to ensure that misalignments do not occur (see Table 8). In this regard, the higher burden of personal income and consumption taxes in Canada compared to the U.S. could become an issue if it encourages high skill labour to migrate in the future. Moreover, the Canadian investment environment has been hurt by the relatively high cost of raising money since the late 1970s, especially when compared with Japan and Germany where the average cost of capital after taxes and inflation has been approximately half that in Canada.³¹ The stunning fall in our inflation rate, if not upset by fiscal laxness by the federal and major provincial governments, should help to improve this record. There is also considerable merit in further review of Canada's tax system (at all levels of government) to ensure greater fiscal coherence, and to identify those areas (perhaps, for example, capital gains tax rates, capital cost

²⁹ Steering Group on Prosperity, "Inventing Our Future: An Action Plan for Canada's Prosperity", (Ottawa, October 1992).

³⁰ Investment Canada, "Foreign Investment in Canada: Measurement and Definitions", Working Paper No.12 (August 1992), p.19; Statistics Canada, "CALURA 1988", p. 69.

³¹ Investment Canada, "International Investment and Competitiveness", Working Paper No.9 (January 1992), pp.55-7; Canada Consulting Group, "Under-funding the Future" (October 1992); Richard G. Lipsey, *Economic Growth: Science and Technology and Institutional Change in a Global Economy*, Canadian Institute for Advanced Research Publication No. 4 (Toronto, June 1991), pp. 127, 169-70.