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## The Way Ahead

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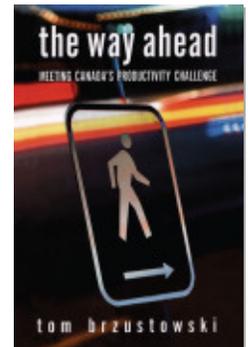
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# Introduction

**T**his book is written to inform and to motivate, as a prod to change. It connects the dots, showing that education, skills, knowledge, R&D, value-added, wealth creation, productivity, innovation, entrepreneurship, commercialization, competitiveness, global trade, and many related issues are all part of the same big picture, the picture of Canada's future prosperity in the making today. It is written for members of the general public who care about our economic future and our quality of life, as well as decision makers in the private and public sectors. This book is not an academic treatise, but its endnotes contain some explanations of complex items and references to the sources of information used.

The subtitle of the book refers to Canada's productivity challenge because the sustainability of our prosperity is intimately tied up with growing productivity. The demographics of Canada's population make increasing our productivity growth imperative. But the productivity challenge can be met. We know what must be done; it really isn't rocket science. Instead, it is just a matter of developing the right national strategy and getting our acts together—many acts. But that needs strong leadership to guide us through the necessary qualitative change.

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For starters, we must be persuaded to abandon two misconceptions that are holding us back. First, there is the idea that a silver bullet might be found, some single brilliant initiative that will catapult us into the secure economic position that is our deserved destiny, and all we need to do is wait for somebody to come up with it. And, second, I think we suffer from a widely held but seldom voiced complacency, the belief that our enormous reservoir of natural riches will always be there to take care of our needs. There will always be a big pie on the table, and our main concern is to divide the pie fairly.

Canada is a very prosperous country, and to a large degree it has been our rich endowment of natural resources that has gotten us here; but now our prosperity needs to grow even greater and become sustainable if we are to maintain our high quality of life in the face of growing pressures.

Demographics provide the most obvious and unavoidable pressure. Our population is steadily growing older, with two effects that add up to a major challenge. First, the aging population needs more and more health care as we live longer and must manage chronic diseases for a longer time. Second, the workforce that provides the resources to pay for that health care will decline in proportion to the population as the baby-boom generation retires. And in addition to health care and the issues of an aging society, we must deal with many other increasingly urgent problems that require large current expenditures, massive capital investments, or both. I mean child poverty, homelessness, and the unacceptably low standard of living of many Aboriginal people. I mean a great range of energy, climate-change and environmental issues, specifically including urban waste management. I mean inadequate, obsolete, or decaying physical infrastructure of all sorts, with too many bottlenecks

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in the transportation of goods. I mean the need to play a meaningful role in helping the developing world to improve the lives of millions of people. And I also mean the growing challenges of maintaining our own sovereignty in the increasingly accessible waters of the Arctic. Solving these and other important problems will require the investment of both public and private wealth on a massive scale and for a long time. And to create the capacity to meet these financial pressures, we must both increase our prosperity and make it sustainable.

Unfortunately, our capacity to create the wealth to pay for solving these problems is not what it should be. Our educational system itself needs major investments so that Canadians might keep up in skills and knowledge with our competitors, and so that Aboriginal youth might have the same prospects for success as all other young people. Our natural resources are still plentiful, but we rely excessively on the export of raw materials. As a result, Canadian producers are hostage to swings in world commodity prices and, in the long term, competition from poorer countries is driving those prices down. Canadians are very good in many areas of manufacturing, but we make too many commodity products, our productivity has been growing too slowly, and our competitiveness has depended for too long on a low dollar. And even when the dollar is high and companies have cash on hand, investments in worker training, and in imported machinery and equipment to raise productivity have been lagging.

Our scientific research has become very strong, but we have still to master using new knowledge to create new wealth. We have very strong engineering education in modern fields and some great technology companies selling to the world, but there are too few of them, and we still import more than we export in

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high-tech products. We are a trading nation, more dependent on trading than almost any other, but we haven't taken advantage of our multicultural society to develop into a world marketing powerhouse. We also seem to have developed the disquieting reputation of being slow to seize economic opportunities that present themselves, even when they are of our own making. The challenge is to assemble our advantages, muster our strengths, and start to use them strategically and effectively to increase Canada's prosperity and make it sustainable at the higher level.

The nine chapters of this book present a strategy for doing that. In the starkest terms, the strategy is to shift Canada from a commodity economy to an innovation economy. That means moving from an excessive dependence on raw materials and undifferentiated products across many sectors to much greater reliance on value-added differentiated products and Canadian innovations across all sectors, taking advantage of our strengths in science and engineering. This change must be made both by revising what is done in existing industries and by creating new ventures to exploit new technologies. And it can't be a short ride up to the next plateau where we can sit back and relish our achievements; it has to be a continuous climb up the down escalator.

Such deep change will not be accomplished by a single act of heroic leadership. On the contrary, what is needed is a sustained, concerted effort by many players on many fronts, building on initiatives that have worked for many enterprising Canadians, removing the internal obstacles to our progress that have already been identified many times, using Canadian markets as the proving ground for our exports, and adapting promising ideas from successful strategies around the world.

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The responsibility for succeeding falls mainly on the private sector, but business cannot succeed unless Canada's governments at all levels provide consistent, predictable, and appropriate supporting frameworks. That requires wise public policy, prompt and effective decision making, consistent and transparent procedures, appropriate procurement practices, as well as effective administration of proper incentives and controls. In general terms, laws and regulations must be treated as instruments more for enabling and channeling than for inhibiting. And to connect those frameworks with the people who actually do the work and create the wealth, public service of high quality must be delivered effectively by dedicated people. Against that background, our public institutions must maintain their valuable arm's-length independence from the vested interests of the day and keep an eye on the long term. Effective leadership will be essential in this process, but it will have to be the leadership of many.

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