

NATIONAL AND GLOBAL
PERSPECTIVES
NATIONALES ET MONDIALES

Canadian Business Leaders Speak
Les chefs d'entreprises du Canada s'expriment

INTRODUCTION

I am pleased to introduce to you National and Global Perspectives: Canadian Business Leaders Speak. This periodic publication of the Business Council on National Issues draws from the public statements of Council members on a wide variety of contemporary issues.

Prepared by Council Vice President, Jock A. Finlayson, this publication is available to the members of the Business Council and to interested individuals in Canada and abroad. It serves to communicate the views of the business leaders quoted, and hopefully to stimulate thinking and dialogue on the subjects covered.



Thomas P. d'Aquino
President and Chief Executive Officer
July 19, 1990

FOREWORD

This issue of **National and Global Perspectives: Canadian Business Leaders Speak** touches on several topics that are important to public policy makers and business decision-makers in Canada today. The challenges facing our education system are addressed in speeches delivered recently by three Business Council members. **Norman Kissick** deplures weaknesses in science and mathematics education in primary and secondary schools, and pleads for greater involvement by business people in local school boards. **John Thompson** laments the high drop-out rate plaguing Canadian schools, and warns that those without a solid education face increasingly bleak prospects in today's more knowledge-intensive labour market. **Thomas d'Aquino** underlines the links between education reform and improved competitiveness.

Canada's deteriorating economy is the subject of three contributions. **Bertin Nadeau** gives five reasons why he believes the federal government's deficit problem has now reached crisis proportions. **Roger Phillips** criticizes the inconsistencies and contradictions undermining the federal government's strategy for managing the economy. And **Peter Bentley** points out that Ottawa's fiscal and monetary policies seem to be working at cross-purposes.

The environment continues to command the attention of an impressive number of Canadian business leaders. In this issue, **Jon Grant** applauds the arrival of a new, and broadly-based, environmental consciousness. **David Morton** argues for explicit recognition of the tradeoffs that are inherent in the move toward tougher environmental laws and standards.

Lastly, **Donald Fullerton** outlines a flexible approach to corporate planning that is suited to our turbulent times, while **David McCamus** argues that ethics must play a vital role in all areas of business decision-making.



Jock A. Finlayson
Editor
July 19, 1990

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"NATIONAL AND GLOBAL PERSPECTIVES: CANADIAN BUSINESS LEADERS SPEAK"

W. NORMAN KISSICK . . . on business's role in improving the education system

(Address to The Conference Board of Canada's National Conference on Business-Education Partnerships, Toronto, April 18, 1990)

I am a chemical engineer; so I'm especially interested in how we are preparing our young people in science and math. In this regard, the recent Second International Mathematics Study -- SIMS -- furrowed many brows, mine included. As you may know, SIMS compared secondary school achievement in about 20 countries. In applied mathematics, Canadian and American students placed well below their counterparts from major competing countries in Europe and Asia.

This is disturbing because, in the new global marketplace, the merely average will fall behind. But, not only do we need to do much better in science and math, we also need to have many more qualified people in this field -- technically-oriented professionals: scientists, engineers and technologists. . . .

In general in Canada, we have done away with universal testing, and local schools or boards evaluate their students against their own standards. Some Canadian educators claim that international testing is not necessarily a fair indication of the efficiency of our educational process. Political direction to our educators has stressed universality of access and breadth of curriculum. Certain jurisdictions place their emphasis on streaming

according to demonstrated potential and encouragement of excellence in a narrower field of study. All of these objectives are important, but I believe the pendulum has swung too far away from the pursuit of excellence and that the system needs to be balanced. Let me stress that I am not advocating restriction of access. I very much believe that all Canadian children deserve opportunity to the limit of their capability and ambition.

From all of this evidence, I think we can conclude that we won't solve our problems simply by throwing more money at them. So what action should we take?

I think that, in light of current developments in the world economy, we must look closely at determination of national goals and standards and periodic measurement of achievement against those standards. And we should be working harder to achieve the degree of specialization and excellence in our education institutions that will help to put us in the same league as our European and Asian counterparts. . . .

I feel we also have to achieve a rationalization of our post-secondary education facilities. There may be too many business schools in Ontario, but not enough

that are of world calibre. The same may be true for other professional schools -- law, engineering, medicine. Too many universities offer curricula that cover too wide a spectrum to allow for achievement of excellent results in any discipline. We would do better to create "centres of excellence" -- universities that specialize in the fields in which they have particular strengths.

At present, our universities are underfunded and desperately overcrowded. Four to five hundred students at a lecture is simply not acceptable. Since government funding is fixed on a per-capita basis, the objective seems to be to fill the place with as many "capitas" as it will hold. My answer would be to lift the government ceiling on the fees universities can charge. Today, a student pays 12% to 14% of the total cost of his or her education. The percentage should be much higher. Most families can afford to pay more than that. If universities were allowed to charge the fees they considered appropriate, they could upgrade the quality of their staff and their facilities. It would give them a chance to develop the concept of "excellence in education" that we so urgently require. Naturally, no one would argue that people with inadequate resources should not be allowed to achieve their potential. Some of the money from those higher fees could be funnelled to the people who are unable to pay. . . .

We also need to create much more effective interfaces between education and business, starting at the grass-roots level of our primary and secondary schools. . . . Throughout the first half of this century, many of the members of school boards and boards of education were business or professional people. As a result, there was a direct business influence on curricula and standards.

All that has changed in more recent times, when the number of public schools has increased drastically and new players have come onto the scene -- organized parent and community groups, for example, and the more pervasive involvement of governments. Consequently, in the 1960s and 70s, business shifted its focus to the universities.

It has become painfully obvious, though, that Canada is not producing enough people who can read, write, compute, solve problems and make decisions at a world-class level -- and that the problem begins well before college or university. Consequently, in the last several years, business had begun to re-evaluate its role as a partner in education. And it has begun to re-establish its relationships with public education at the elementary level. Now we need to intensify these efforts and pick up the pace. I hope one result of this is the enthusiastic participation of business people on boards of education once again.

JON K. GRANT . . . on the new environmental consciousness

(Address to the Globe '90 Conference, Global Opportunities for Business and the Environment, Vancouver, March 22, 1990)

I believe that there's a new environmental game in town that has the prospect of standing business on its ear. And it's this: consumers in the 1990s aren't just looking at what you produce, but how you go about producing it.

They're not just looking at the cost of your product in dollar terms, but in environmental terms as well. And what this means is that consumers in the 1990s will make their buying decisions not only on the basis of the environmental friendliness of the product, but also on the environmental credibility of the company. And - - to put this plainly -- that measure of corporate environmental credibility will become a far more significant determinant of consumer preference than brand association.

Let me give you a recent example of what I mean. Last fall, we sent our recruiters to Queen's University in Kingston, Ontario. Like others, Quaker seeks out the best and the brightest. This time, the students introduced a new twist to the ritual and what they told us turned some heads. The top three MBA's asked us direct and pointed questions about what our firm was doing about environmental protection. About our codes of environmental conduct. About our responsibility to mother earth and future

generations.

Were we up to the standards of the environmental class of 1990? Well, consider for a moment the cultural and consumer influences that gave shape and meaning to their generation. The flush of prosperity of the post war period in the western world brought about a modern day revolution in consumerism that many of us in this room will remember. It featured an enormous explosion in the variety of consumer products available to meet the needs of families who were redefining both the demographics and the culture of their generation.

Above all else, this revolution featured packaging. Colours, lights, bells and whistles. Convenience. The new and improved. Next year's model. And it helped to create the ethic of the disposable and the obsolescent. But it made production lines hum, and it fed the machine of economic expansion. A side effect was that it also influenced a new generation that would give rise to an environmental movement of world-wide significance. And an evolving ethic of preservation and conservation. . . .

And so it was that the proponents of economic growth and environmental protection each

found walls to back up against; each steely-eyed in their uncertainty and suspicion of the other. And many of us took sides.

Today, our sides are less easily defined. Some of those stumbling blocks have turned into stepping stones. MBA students care about the environmental credibility of their potential employers. Consumers care about the

environmental behaviour of the firms that create the goods and services they purchase.

It seems to me that we've all come a bit closer to Margaret Mead's dictum that the destruction of the environment is in itself the destruction of society. I am convinced that this is the reality that all of us will be forced to face in the decade ahead.

R. DONALD FULLERTON . . . on the challenge of corporate planning

(Address to the Planning Forum, Toronto, April 12, 1990)

Is planning obsolete? Obviously, that is a rhetorical question, one that would appear to have an equally obvious answer. As Chairman of the CIBC, I am, of course, responsible for the strategic direction of my organization. It would therefore seem only logical that I would answer my own question with a hearty "no", then move on to an enthusiastic endorsement of the corporate strategic planning process. Well, I am not going to do that.

As recent events in Eastern Europe have shown, it is impossible to predict the most dramatic political and social changes even a few months in advance. How can we hope to draw up a plan that will remain valid for years? Certainly Detroit in the '60s did not plan for the arrival of quality Japanese cars on North American shores in the next

decade. Ferdinand Marcos' long-term plan as president of the Philippines is unlikely to have included forced retirement in Hawaii. Nicolai Ceausescu probably expected to be spending today supervising construction of his presidential palace in Bucharest. And, was it only . . . months ago that we were reading learned articles declaring that it would be impossible for East and West Germany to achieve unification in the foreseeable future?

The problem with the planning process, of course, is that it cannot predict the unpredictable. Unfortunately, the unpredictable can include some rather significant events: natural disasters, economic upheaval, massive political reform, the emergence of charismatic political leaders, and so forth. In many cases, these are the only events that really count.

It is fair to say, I think, that Kremlinologists in the year prior to the appointment of Mikhail Gorbachev as general secretary of the Communist party would not likely have predicted the glasnost and perestroika reforms which are sweeping the Russian empire. It is equally unlikely that they would have predicted the outbreak of ethnic unrest that is occurring throughout the Soviet Union. . . .

Yet, I am sure that all of these organizations that I have mentioned have, somewhere in their filing cabinets, folders containing strategic plans based on carefully drawn forecasts of where they would be one, five, ten and perhaps even twenty years into the future.

At CIBC, we didn't do any better at the forecasting game. At the moment, for example, I cannot look back over a decade of healthy profits achieved as a result of our imaginative lending practices in the Third World. Things just did not go according to plan. And five years ago, I am sure that my colleagues at Wood Gundy would never have predicted that today they would be working

in a subsidiary of a major chartered bank. . . .

Does this mean that planning is obsolete? In a certain sense, it does. I think we can lay to rest forever the notion that any individual, government or corporation can draw up an accurate long-term forecast of what is going to happen, and then use it to develop a plan that has any chance of being realized. This kind of planning is doomed at the outset.

But there is a kind of planning that can work: that is, planning which recognizes that many of the most important events in business life occur unplanned. In other words, the planning process should not be viewed as a mechanism through which long lists of predictions and objectives are prepared for the edification and amusement of senior management and board of directors. Instead, planning should be viewed as a means of continuously reorienting and restructuring an organization so that it can meet change and opportunity -- both the foreseen and unforeseeable -- with flexibility and precision.

ROGER PHILLIPS . . . on the interest rates - inflation nexus

(Notes for a speech to a luncheon in aid of Symphony Nova Scotia, Halifax, April 11, 1990)

Why didn't high interest rates reduce inflation? First, Canada has a very structurally rigid

economy. Classic economic theory tells us that when prices go up people will buy less, demand will

drop, and a new equilibrium will develop. It also tells us that if relative prices change people will readjust their buying habits, for example purchasing less beef and more chicken.

Canada chooses, as its popular measure of inflation, to use Statistics Canada's consumer price index (CPI). This index has no way of taking into account short term changes in buying habits. Further it goes up when mortgage rates, driven by higher interest rates, increase. It also goes up indirectly as the result of interest rate increases inasmuch as many administered and regulated prices take the level of interest rates into their calculations. . . .

Consumption tax increases in the 1989 budget have resulted in an increase in the consumer price index and are thus "inflationary". If on the other hand there had been no such increases the resultant higher federal deficit would have been considered "inflationary". To make matters more confusing, if the same money had been extracted from the economy in the form of income taxes the move would have been termed "deflationary" because consumers would have been deemed by economists to have less disposable income.

These are minor problems compared to the explicit and implicit use of the CPI to adjust wages. The preponderance of "large union" labour agreements in Canada have built-in "COLA" (cost of living adjustment) clauses.

Non-union salaries and wage settlements for unions without COLA tend to follow the COLA patterns. The result is that when prices rise, rather than let economic principles come into play, we insulate the bulk of our consumers from the effects of the price increases, and indeed help feed inflation.

Second, extremely high relative interest rates feed inflation by assuring there is plenty of money available for investment. . . .

Economists usually say that inflation is caused by too much money chasing too little goods. It is here that the Bank of Canada meets itself coming around the corner. The Governor has often stated that the Bank's objective is to "maintain the purchasing value of the Canadian dollar". To keep the dollar from dropping in value he has to keep high domestic interest rates which in turn attract more foreign money. More money in circulation means more inflation. But by dropping interest rates the dollar will drop, inflating the cost of imported goods. This is the Bank of Canada's "Catch - 22".

Third, The Bank of Canada's objectives are indirectly in conflict with government policy, and the latter erodes the effectiveness of Bank policy.

I am not referring here to . . . the lack of fiscal restraint by government. Rather I refer to a more fundamental conflict. In the past 32 months the Canadian

dollar has increased in value from 69 to over 85 cents U.S. or 23 percent. This means that for resources sold in U.S. dollars we are receiving 19 percent less. For wheat exports, for example, a price of \$3.40 U.S. per bushel yields the farmer \$3.95 Canadian, down from \$5.60 Canadian at earlier exchange rates. Now, for the Bank of Canada's aim of zero inflation outside of the Golden Horseshoe. Such deflation would be partially achieved, for instance, by the \$386 million removed from the Western economy because of the lower value of wheat exports expressed in Canadian dollars. But because of Canada's tradition of attempting to even out major regional economic disparities, the federal government paid out \$1.1 billion to Prairie grain farmers in 1988, which was higher by the \$386 million mentioned above than it otherwise could have been with a lower dollar. A similar situation applies to the East Coast fishery. Plagued with a lack of fish, fishermen are also receiving almost 20 percent less on their sales to

the U.S. Any relief planned by Ottawa will have to take this into account.

The . . . two cases I mention cover special aid to regions. Adverse economic conditions of course also trigger automatic increases in transfer payments to deprived regions, also undermining the Bank's attempt to average down inflation. I do not argue that it is wrong for the federal government to pursue a policy of evening out regional economic disparities. I merely point out that such policies detract from Bank of Canada efforts to lessen inflation by creating deflationary pockets to even out Central Canada inflation.

These examples go a long way to explain why the Canadian economy has proven so resistant to inflation control by monetary policy. Mr. Crow's prescription will still work, it just has to be applied hard enough to overcome the counterpressures I have outlined. Applying an even blunter tool increases the chance of a recession.

DAVID R. McCAMUS . . . on ethics in business decision making

(Address to the University of Windsor's Distinguished Speakers' Series, Windsor, November 8, 1989)

Personally, I don't believe that businesses today, on the whole, are more or less ethical than those that preceded us. But what has changed is the social culture in which they operate and

expectations for constant public illustration of ethical behaviour.

These changes in turn have demanded that business take a new approach. No longer can

ethics be viewed simply as honesty. Nor is it simply going about one's business according to the letter of the law. Rather, I believe, it requires a whole new framework for decision-making; one that takes into account the interests of a new set of stakeholders beyond just shareholders.

It demands that ethical concerns be viewed not as the sole domain of the public relations department, or the company's corporate donations program, but rather as the personal concern of every employee and the basic orientation of the entire company.

"But how can this be done?" you may ask. "How can ethics be incorporated into a business's decision-making framework?". . . .

Let's start by considering traditional approaches to making business decisions. Essentially, this classic reasoning went, "our goal is to return a profit to shareholders, while obeying the law." The object was market share dominance and maximization of profits. Perhaps the most stark, and shortsighted, expression of this philosophy is attributed to Vince Lombardi: "winning is not the most important thing; it's the only thing."

Today, most businesses know the folly of such thinking. They know that the shareholders aren't the only stakeholders -- stakeholders include people crucial to the company's function, such as employees, customers and suppliers. They also include the

community in which the company operates, and the public at large - - whose good-will must be maintained if the business is to continue to exist. . . .

At Xerox Canada, we have developed a code of ethics that identifies customers, employees, shareholders, suppliers, business partners and society in general as our stakeholders.

This code is a statement of our mission and values. In addition to stating our commitment to quality, conscientious service and honesty, it sets out what's important to us as a corporation: integrity, respect for the rights of others, fairness, the creativity of employees, environmental responsibility, commitment to what is right and fair even if it is not mandated by law, energy conservation and active membership in professional, industry and public policy organizations.

Once a company has developed a code of ethics, however, a second challenge emerges. And that is to incorporate these statements of corporate citizenship into the company's day-to-day operations, its decision-making framework.

It is my contention that ethical thinking must be incorporated into every decision a business makes, in every department. This isn't always easy, of course. Many times, a company attempting to operate ethically runs into "grey areas" that the code doesn't specifically cover. Frequently, the interests of one group of

stakeholders run contrary to those of another. And occasionally, the ethical decision seems to be one that will cost the company money or reduce profit. What then?

If you decide today to sacrifice ethics in favour of profits, what does that do for your profits long-term? Not much, if your decision results -- as it could -- in broader regulations, in penalties and fines, in lost sales to disillusioned customers, even in dissolution of

your company. . . .

Today's manager should also foster an environment which promotes ethical decision-making. This is an environment which includes an explicit statement of corporate values and a code of business practice which reflects guidelines and policies rather than rules. Most importantly, though, it's an environment in which the manager illustrates the practice of ethical decision-making on a daily basis.

JOHN M. THOMPSON . . . on the growing "drop-out" problem in our schools

(Address to the Ontario Ministry of Education Spring Conference for Counsellors, Toronto, May 28, 1990)

While Ontario's education system has much to recommend it, it is falling behind that of many of our competitors, including Japan, Hong Kong, Taiwan, and a number of European countries, in terms of preparing people for the workplace of the future. Equally disturbing, the system seems to be failing a significant portion of the student population altogether, at least as measured statistically.

For example, Canada **spends** more on education than any country in the world except Sweden. Yet compared to many of the countries we compete with, our "drop out" rates are higher, with 30 percent not completing high school and 63 percent not completing post-secondary education -- be it university, community college, or

technical institutions.

A high dropout rate is nothing new in Canadian education. In fact, it's historically been higher than it is today. The difference is that while in the past those who quit school could find jobs and many advanced from there, the new economic reality is that there are going to be far fewer jobs for those without basic skills and credentials. . . .

What does this mean for the drop-out? As George Radwanski put it in his 1987 study of Canadian education: "The career ladder has been truncated, and young people who start at the bottom with inadequate education and few skills will at best stay at the bottom. . . in low-paid, dead-end

jobs. More likely, they will increasingly become altogether unemployable, as those marginal jobs steadily dwindle in number."

Looking ahead, it doesn't get any better for those who leave school prematurely. . . by the year 2000, almost half of all new job openings will require a minimum of 17 years education, as compared to only 23

percent today. And demand for advanced degrees will also rise significantly. . . .

The point, I think is clear. The job market has changed, and it is going to continue to change. Employers will be looking for people with more education, and particularly those with a solid base in math and science.

DAVID MORTON . . . on industry and the environment

(Presentation to the 88th Annual Meeting of Shareholders of Alcan Aluminium Limited, Montreal, April 26, 1990)

Let me address one important issue which will undoubtedly have an increasing impact during the nineties -- the issue of the environment and the impact of environmental protection on business. Let me repeat here what I have said elsewhere. I believe that the concerns of individuals, translated by environmental groups and the media into societal pressure, resulting in regulatory action by governments, are the marks of a wealthier and more caring society. That is all to the good. It is not only a pressure to which we must respond. It is a direction in which we, as part of industry, should ourselves be leading. But there are trade-offs, and these trade-offs have to be recognized and accepted both by those who demand the change and those who regulate it.

The trade-off is firstly one of cost.

New investment, in all aspects of (our) industry's processes, from bauxite mining to anodizing, that really meets tomorrow's environmental requirements, carries a penalty of up to 20 per cent of the total cost, depending on the process. That cost penalty will ultimately find its way through to the consumer, the price to the individual citizen of a better environment. Our industry's job, every industry's job, is to apply its technological skills and resources to minimizing that cost penalty.

The trade-off also is one of time. The faster the change demanded, the higher the cost, both social and financial. The fastest and most extreme sanction against any alleged environmental culprit is closure, but this penalizes not only the company, but also the employees and the local community. The public and the regulators must accept the need

for a trade-off in time to move from the standards of earlier years, acceptable then but overtaken now by higher expectations, to the standards of today.

This is particularly true when the investment in question has a longer than average economic life.
...

It is not easy to reach understanding and acceptance of these trade-offs in an area of debate that is as emotionally charged as that of the

environment. This is why I believe that the concept of "sustainable development", ensuring economic growth compatible with conserving the environment, and in Canada at least, the growing practice of environment round tables, is a sound and perhaps the only workable approach. Industry, government, labour, environmental groups and consumers will sit together to hammer out first an understanding and then a modus vivendi for making sustainable development a reality.

BERTIN NADEAU . . . on Canada's "deficit emergency"

(Address to the Chambre de Commerce et d'Industrie du Québec métropolitain, Québec, February 20, 1990)

Canada's fiscal policy . . . must address the problem of deficit reduction promptly and vigorously. The Canadian national debt is approaching 55% of our gross domestic product, and a turnaround in the Canadian national debt will require sustained action.

You know as well as I do the consequences of the Canadian budget situation. First, the debt service is so large that it reduces the government's room to manoeuvre. Sooner or later, it will have to make cuts in discretionary expenditures; our social programs are not threatened by a deficit reduction effort, but rather by the ever-increasing proportion of tax revenues that

must be allocated to debt servicing.

In addition, the deficit has harmful effects on the economy: inflationary pressures, rising interest rates, and the crowding out of private investment from Canadian markets, which entails increasing recourse to foreign capital, or the postponement of investment projects or both.

Moreover, since the deficit is not used for financing public investment, but rather for current expenditures and servicing of the debt itself, Canada's public net worth is melting away at a rate that threatens the country's total wealth. At under 3.4 times our GDP, the consolidated net worth

of Canada is less now than it was a decade ago, when it was worth 3.8 times the national production. We are squandering our children's inheritance.

This situation is no longer simply a matter for concern; Canadians must be aware that it represents a genuine state of emergency, for five reasons:

- Number one, the pressing need to restructure our economy requires major investments. The deficit must be reduced so that inflationary pressures are lessened and interest rates lowered.
- Number two, our infrastructures are deteriorating, and the resources required to maintain them must be freed. Our ability to complete depends on these infrastructures, particularly in the area of transportation.
- Number three, it has become obvious that the environment is emerging as the top priority for the 1990s and that it will be necessary to devote major capital expenditures towards its protection. Whether the efforts are channelled through the private sector, the public sector, or a combination of the two, it will be necessary to devote sufficient financial resources to that problem.
- Number four, we must quickly adapt our collective balance sheet to the impact of an aging population. Even with excellent management, demographic pressures alone will cause the cost of health care and social security to rise. And we are all going to be supported by an ever-decreasing number of taxpayers and contributors.
- Number five, at a time when a 5% spread in interest rates is barely able to support our currency against the U.S. dollar, it is no longer frivolous to think of the day when the Canadian government will have to appeal to international lenders of last resort. I don't want to leave my children a northern replica of Argentina, either in one piece or in several.

PETER J.G. BENTLEY . . . on conflicting fiscal and monetary policies

(Address to the Annual General Meeting of Canfor Corporation, Vancouver, April 30, 1990)

The inflation fighting tactics of the Bank of Canada ironically are hurting the expressed wish of the

federal government to reduce the deficit. The government has pursued that objective, but it has

not been bold and tough enough to implement the cost reductions necessary to achieve it in a meaningful way.

Fighting inflation through high interest rates not only increases the cost of financing the existing and growing deficit, but also props up the value of the Canadian dollar, which significantly erodes profits and, therefore, tax collections, leading to a significant increase in the projected deficit.

We can only hope that the government recognizes this and

will see fit to take strong action to further cut its expenditures during this fiscal year, to offset what would otherwise be a significant increase in the projected deficit.

Unless we can get fiscal and monetary policy synchronized, we will have to face a period of continued higher than necessary interest rates, accompanied by a higher than justified Canadian dollar, thus making life for export industries, including Canfor, more difficult both in our international competitiveness and in our ability to generate satisfactory returns.

THOMAS P. d'AQUINO . . . on the challenge of education reform and its relationship to competitiveness

(Address to the National Convention of Canadian Teachers, Ottawa, May 19, 1990)

Now if Rip Van Winkle had gone to sleep in 1957 and awakened recently, he might well have a sense of déjà vu as he surveyed the present state of concern over education. Indeed, that first post-Sputnik flurry of excitement was a flash in the pan. Whether through complacency or distraction by other social issues, we allowed our education system to deteriorate to the point where once again we are confronting a crisis of confidence. But this time the stakes are higher and the danger more real. Sputnik may have been a mere falling star and the Russian threat to "bury" us economically an empty bluff that collapsed in sullen stagnation. But who will venture

to say the same about our competitors today -- the Japanese who go to school for 240 days a year compared to our 180, and of whom 95% go on to the equivalent of at least two years' college education; the Germans, the Koreans...? We cannot now hide our competitive shortcomings in a continental cocoon and expect to prosper from a hold on proprietary technology or from our reserves of national resources.

We Canadians are now inescapably part of a global economy. Let no one suppose that the Free Trade Agreement with the United States has diminished that fact. The FTA

may give us some breathing space to rationalize our economy, to build on our strengths within the relatively friendly, familiar context of the North American market. But the Americans, as much as we, are now, for good or for ill, part of something much bigger -- a worldwide system of production, services and markets, where the barriers to trade and capital flows are disappearing, where a car is made of components from a dozen lands and where the opinion of investors on the other side of the world can make or break us. Competitiveness is the watchword of the day.

And what is the key determinant of competitiveness? It is not endowment with natural resources, nor is it proximity to markets, nor is it the existence of a mass of unskilled cheap labour. You can all think of countries successful or otherwise that bear out these assertions. We live in what has been called the information age. The ability to receive, understand and apply information or knowledge is becoming the key to success in every field of economic endeavour. Robotics, automated warehousing, computer assisted design and manufacture, characterize the state-of-the-art factory, where one skilled technician can command the output that 50 workers used to

produce -- and at a higher, more uniform quality. Instant and sophisticated communications have revolutionized large parts of the service industry, like banking and investing. Medicine and health care, engineering, even agriculture and food processing are increasingly "high tech". We may, in fact, posit that our very survival in the face of threat of climate change is dependent on advances in knowledge -- for example, in finding new ways of producing energy without pollution or greenhouse gases.

A disturbing fact about the knowledge explosion from a North American viewpoint is that we are generating a decreasing share of it. More patents are now filed each year in Japan than in our continent. A second unsettling feature is the remarkable mobility of knowledge. It can take root and spring up in a startling competitive fashion anywhere in the world where conditions are right. This is now happening in places with people who not only have the needed skills but are willing to work harder for less immediate remuneration than Canadians care to do. And that means that if we are to maintain our standard of living, we must be that much more productive than they.