

“What Really Matters”

Higher Education in an Era of Globalization

A Paper Prepared for the Association of Universities and
Colleges of Canada

James R. Mitchell

March, 2000

Copyright © Sussex Circle 2000

The author is a public policy consultant in Ottawa. A former senior official in the Privy Council Office and the Treasury Board Secretariat, he began his career as a lecturer in philosophy at universities in Canada and the United States. Mr. Mitchell is a graduate of UBC and holds a Ph.D in Philosophy from the University of Colorado.

INTRODUCTION

This is an essay about the major forces affecting Canada today and their implications for higher education. The paper tries to capture, for a reading audience of scholars and university administrators, ideas that I have been developing for some years, and that have found recent expression in a series of speeches to government and academic audiences in Canada and Mexico. Each iteration of the central thesis of this paper has benefited from comment and criticism along the way.

Previously, my focus has been on the international dimension of Canada's national policy agenda. In this paper, the emphasis is on the interests and future directions of Canada's institutions of higher learning.

This paper is deductive in its approach, in that it starts with a few premises about what is important in the world around us, and then explores the implications of those premises for higher education. It assumes, and I hope this requires no special argument, that higher education in Canada is no more immune to the major features and forces of the modern world than is any other aspect of our economy or society.

The general thesis of this paper is that the key challenge facing Canadians over the next several decades is that of preserving a distinctive social and cultural space in the northern half of the continent, in the face of inevitable economic integration with the United States and the forces of globalization that are driving that integration.

In this context, the challenge facing higher education in Canada becomes that of competing successfully in a North American environment – competing for market share, for the best students, and for funding from governments and from the private sector. Ultimately, Canada's universities will be challenged to sustain their independence and their intellectual vocation in an environment that is less and less sympathetic to either.

The nexus of issues arising from globalization generally, and North American integration in particular, presents a major problem not only for institutions of higher learning but also, obviously, for provincial governments and for the government of Canada. This paper tries to outline the problem and then to suggest what governments, universities and Canadians in general can do about it.

Four Propositions

To draw out the implications of my thesis, I am going to use the device of setting out a small set of propositions about Canada's future that I think are true and important, and on which the reader is invited to reflect.

1. Integration

My first proposition is that the pace of economic integration in North America is increasing rapidly. Integration between the economies of Canada and the U.S. is an unstoppable trend that will profoundly change Canadians' sense of themselves and their own future.

The facts are compelling – twenty years ago, 70% of Canada's trade was with the U.S.; today the figure is closer to 85%, and much of that is intra-company transfers, mostly motor vehicles.

Our low dollar helps us compete in the U.S. market, but it also makes Canadian companies bargains for cash-rich and acquisition-hungry foreign firms, usually American¹. A few recent cases illustrate the trend.

- In the fall of 1999, MacMillan Bloedel, the paragon of a Canadian natural resources company, was bought by its larger American rival, Weyerhaeuser².
- In 1999, IPSCO, the corporate jewel of Saskatchewan, moved its head office to Chicago to be 'closer to the customer'.
- In the same year, the pride of Alberta, NOVA Corporation, moved to Pittsburgh for similar reasons.
- Nortel, our flagship high-technology firm, does most of its business and most of its research in the U.S., and 80% of its senior management is located in the United States.

The trend line is clear. As Tom d'Aquino and others have observed, we are witnessing today a hollowing-out of the Canadian corporate sector. Is there anyone who believes that, ten years from now there will be more than a handful of large Canadian-controlled or headquartered companies? Will there be any at all? Arguably not, because it will simply not be as easy to grow a company in Canada as it is in the U.S., and long before our companies grow large enough to survive as independent entities, they will be bought.

2. Competition

My second proposition, and it follows from the first, is that economic integration places an urgent obligation on Canadian governments, on firms, on institutions and on individuals, to compete successfully in the new North American marketplace.

If we Canadians cannot compete, we will be condemned to a future on the periphery of the United States, as if we were another Maine or North Dakota – places where people live and work, but where little of significance is created and where nothing happens that matters to anyone outside those jurisdictions. If Canadians are to compete, it is not enough to try to match the Americans, we need to make Canada a more desirable location for capital and for economic activity than is the U.S. Except among a few critics on the left, there is now an emerging consensus that meeting this challenge will require:

- lower taxes on corporations, personal income and capital gains,
- an investment climate that encourages the formation of capital and the launching and growth of new enterprises,
- continued public investments in education, innovation and research,

¹ One major non-U.S. acquisition was announced in February 2000 when Newbridge was bought by the French telecom giant Alcatel.

² This announcement was welcomed by the socialist government of B.C. and confirmed by shareholders at the end of October 1999. Twenty years before, the Social Credit government of Bill Bennett had announced that M&B was not for sale even to Canadian interests.

- a regulatory regime that is even more closely harmonized with that of the U.S. , and
- a less interventionist role for governments in the economy³.

Ironically, our policies since the signing of the NAFTA have created a situation in Canada that is in many respects highly favourable for American business, and really quite unfavourable for individuals, especially Canadians. That is to say, there is essentially free movement of goods, capital and many services within the NAFTA framework, but there is labour mobility only for the top slice of the work force. And where are these people moving? Younger talent is heading south of the 49th parallel, while a few senior people are heading north.

Increasingly, top talent – in all fields – is grown in the US, not in Canada. Note that the CEO who headed MacMillan Bloedel before its sale was an American, selected because no Canadian of his ability could be found. Note that the present and past two CEOs of Air Canada have been Americans. And who believes that the next head of CN, our great railway success story, will be a Canadian?

Does citizenship, whether personal or corporate, matter? Does it matter whether the editors of our national newspapers are Canadian or British? Does it matter who takes decisions affecting plant location, investment, research or collaboration with governments? Only an ideologue would say it does not. Certainly the Americans and the Japanese believe it matters.

If Canadians do not act now to ensure Canadian success on this new North American playing field, we all will lose. There will be jobs for Canadians, but we will not be leaders and decision-makers in the North American economic space.

3. Migration

My third proposition – again a proposition rooted in the globalization of our economy and the disappearance of national borders – is that the brain drain is real, and it should be a matter of serious concern to Canadians and to their governments.

In a North America that is increasingly integrated socially as well as economically, the migration of talent and energy from Canada to the U.S. is almost a natural law of human geography. It is prompted by the same forces that, for hundreds of years and in all societies, have drawn people from rural areas to the cities – largely the forces of economic opportunity.

Until very recently, Canadian governments appear to have been basing their policies on the notion that Canadians are, in effect, stuck in this country. This is only partly true – actually, it is the most talented people who are mobile, and those with lower skills and less education who are not. Ironically, as we upgrade our work force, we increase its mobility, and today that means mobility within North America.

Today, many of the best young graduates in Canada aspire not to a job in Toronto, Montreal or Ottawa but to a job in New York or London. Many Canadian parents are proud that their son or daughter has landed a low-pay, high pressure job with Goldman Sachs, or a high-pay job with an international law firm in New York. Many of our top scientists and academics are heading south for higher salaries and more research money, to say nothing of lower taxes. After all,

³ The federal government is clearly moving in this direction, as is evidenced by the tax cuts and general tenor of the most recent Budget.

those jobs lead to brilliant careers, careers that will not be spent in Canada. The New York firms don't want all the Canadian graduates – just the best 5%. And they are getting them. Is this what Canadians want their public policy to encourage?

This is perhaps the most insidious consequence of globalization for Canada. Our elites are becoming “North Americanized” (or “de-Canadianized”) as a result of three convergent phenomena:

- The first is the *integration* of the Canadian economy into the U.S. that is discussed above. This trend offers powerful incentives to Canadians in many sectors of our economy to think in terms of success in the U.S. rather than in Canada.
- The second is the well-known *Americanization* of Canadian culture caused originally by our proximity to the U.S. and accelerated in recent years by the revolution in information technology and the global spread of U.S. culture.
- And the third is the phenomenon of *de-culturization* that is a separate consequence of the information age in which we live. It has often been observed that the information society makes both geography and history increasingly irrelevant to the consciousness of individuals. Today's instant, digital culture breaks traditional links between urban and rural, between contemporary awareness and our collective past, and generally makes established concepts of citizenship and society rather tenuous. Nowhere is this more evident than in Canada.

What “society” do today's money traders and the information capitalists inhabit? Can it still be defined in national terms? Or, as many argue today, does it transcend them?

So what can Canadians do to secure our collective future in the face of the forces described above? As noted, there is increasing consensus around Canada's economic agenda – fiscal responsibility, lower taxes, paying down the debt. It is too soon to talk about a consensus on social policy – witness the current debate over health care funding. But even social policy issues are being affected by powerful forces from outside our borders.

- For example, until recently it has been taken for granted that Canadians consume medical services in Canada, and that governments have the power to determine who can provide those services and how, in general terms, they will be paid for. But the combination of geography, urbanization, the information revolution and an aging population has suddenly brought home the fact that perhaps 70% of Canadians (i.e., all those living in urban centers) have relatively easy access to medical services and facilities in the United States! If they find it impossible to obtain the services they need in Canada, or to obtain them in a timely fashion, they (or their insurance company) will pay to get treatment across the border. We already have a form of two-tier medicine for those with the private insurance to afford it; the only issue is how long it will take before supplementary insurance covering treatment in the U.S. becomes a standard feature of benefit packages for unionized workers and management alike.
- Similar forces play on higher education. It was reported recently, for example, that there are 17 applications pending with the Ontario government for the accreditation of private, degree-granting institutions in that province. Most of these institutions are

American; most occupy specialized niches oriented to training people for jobs; most are 'virtual' in the sense that they do not propose to create physical campuses competing with Queen's or Trent but rather to deliver programs via one or another form of distance education. It would be wrong to describe these institutions as a threat to the established order, but they do present a challenge and they are impossible to stop⁴. Canadians can buy access to their services without leaving the country.

Bottom line – even the most fundamental debates about social policy in Canada must be cast within a North American context.

Against this backdrop, let me focus on one critical area where public policy choices and investments can make a difference to Canada's success in this globalized environment.

4. Education

My fourth proposition is that that if Canada is to succeed in North America and the world, then governments – both federal and provincial – must take seriously their obligation to invest in higher education as an essential underpinning of a modern economy.

Unless Canadians have access to their own world-class universities, colleges and technical institutes, they will look south of the border. This is already happening, and it will get worse before it gets better, for reasons that derive from the factors discussed above:

- Canadians want good jobs in a wider-than-Canada context. They have known for a long time that access to those jobs is affected by the quality of education⁵. If Wall Street is the goal, and an Ivy league degree improves access to Wall Street, then young Canadians will want Ivy League degrees, and more and more of them have the money – or are prepared to borrow the money – to pay for it.
- As the socio-cultural context of young Canadians widens to North American scope, they are more inclined to look south of the border because, increasingly, that is where their economic and cultural reference points are.
- As the information age makes geography less of a barrier to access, universities – including the best American universities – are beginning to provide their services electronically. This gives Canadian students choices they never had before, and it means Canadian universities, like Canadian health care providers, will have to take seriously the fact of competition from the U.S. Why should one pay for a degree from a smaller Canadian university when a more prestigious degree can be earned online from the United States?

We cannot say 'good riddance' to those who leave. We cannot accept the idea that Canada is home to the second best, the place where you stay if you cannot really make it in the new,

⁴ For example, a successful WTO challenge on educational services could make it impossible for provincial governments to stop the physical entry of these foreign institutions, or to deny students access to loans and grants to attend them.

⁵ This is reflected in the fact that, for some years, Canada has had the highest rate of participation in post-secondary education in the world.

internationalized economy. We should not take comfort in the fact that we continue to be a magnet for qualified immigrants if our own sons and daughters see no future in the country in which they were born.

To repeat – we must compete with the Americans if we are to preserve the society and the culture and the values that we have created here in Canada.

There is an obvious agenda here for Canada's universities. But they cannot achieve their goals if governments, both provincial and federal, do not provide the necessary support and the large investments required for competitive success in the future.

What should governments do?

After some reluctance, governments are now accepting the need to cut taxes and to restore Canada's competitiveness as a destination for investment and a home for talent. And they are beginning to accept the need to make new investments in higher education. The province of Ontario, to take one example, has just announced major investments in post-secondary institutions to help prepare for the expected growth in student populations in the province⁶.

But despite Canada's investment over many years in PSE, and despite our traditionally high participation rates, there is still insufficient recognition among federal and provincial politicians, of whatever party, that the quality of Canada's post-secondary institutions is a key to our national future. Nor is there adequate recognition that those institutions need substantial public investments if at least some of them are to compete on a North American scale. The universities are still seen as places where young people go to get the training they need to get a job locally. They are not regarded as critical pieces of provincial and national infrastructure⁷.

What should universities do?

This is a difficult subject to broach in an essay aimed at university administrators and senior academics, but a few obvious points present themselves. Perhaps the first thing to point out, and this is perhaps simply to reinforce what university leaders already know, they must not only survive – they must *succeed* in a competitive North American context. To do this, Canada's institutions of higher learning must acknowledge more explicitly than they have in the past that their interests differ widely and their strategies for success must differ as well.

Canada's universities already know they cannot be all things to all people. Even the larger ones cannot provide all programs at an internationally-competitive standard. Already, many have begun to focus their efforts on particular areas of expertise. Our universities must be managed and funded so as to ensure that, across the country, we have programs, faculties and schools are among the ten best in North America.

⁶ It is worth noting, however, that Ontario's recent funding program for selected post-secondary institutions provides capital grants, not increased operating funds to support institutional needs generally.

⁷ The University of British Columbia, for example, is arguably B.C.'s single most important asset in the new economy. There is no other facility or institution in that province that comes close. If B.C. is to succeed, it will be because the Point Grey campus is seen as a world class research institution that attracts the best minds and the best students to Vancouver, and that serves as a magnet for investment, the formation of start-up companies and the creation of knowledge. The University of Saskatchewan plays a similar role in the economy of that province.

Another issue, again a sensitive one, is governance and management. Universities and colleges are among the most difficult institutions in the world to manage. This fact makes it all the harder for them to evolve or to change course in response to new circumstances and new challenges. But there is really no choice. Unless universities can equip themselves with governance and management structures that allow them to adapt programs and priorities, they will not be able to compete with the more dynamic institutions in the U.S. Ultimately, they may not survive in anything like their present form and status.

Finally, to succeed in the new environment universities must become much more active in the public policy debate, because they are themselves key factors in meeting the policy challenges facing the country. Here university leaders, especially the Presidents of major institutions, can play a larger role. They must be seen by Canadians to have a legitimate voice on issues of economic development, the future of urban communities (and, in many cases, of their province) and on social policy generally. They may feel they are doing this already, but there is much more that can be done.

What should Canadians do?

First, and most importantly, Canadians need to wake up to the implications of economic integration. We will need to pressure governments to invest public funds where they are really needed, and not to spend on measures that delay adaptation or foster dependency. Canadians will probably have to forego new social benefits and look critically at some existing ones, notably traditional regional subsidies that have the effect of locking people into the old economy when what are needed are investments to help them succeed in the new world.

Second, Canadians must be prepared to invest in our relationship with the United States. Among other things, this will probably mean entering into new forms of military cooperation in the North American context; it will also mean paying more attention to U.S. concerns about the border and to the threats which they perceive from drugs and illegal immigration. Those investments on our part will generate the political capital on which the Government of Canada can draw when inevitable disputes arise across the border, whether the issue is potatoes or softwood lumber, magazines or movies.

If Canada does not make these investments, our leverage with the U.S. on any bilateral issue will be greatly reduced. It is not enough simply to agree with the United States. We must show that we take our responsibilities seriously, especially where American security interests – as they define them – are indirectly affected.

Third, we need to start thinking about the things that unite us as a people. We cannot continue the present situation in which every province complains about what a poor deal it is getting from Confederation, and every group worries more about its interests than about our collective stake in a healthy and prosperous society. Canadians need to invest in our national institutions, including of course institutions of higher education and research. This is where there is hope for maintaining and affirming a distinctive Canadian cultural space despite the pressures of globalization and North American integration.

Bottom Line

The stage on which public policy is played out today is vastly larger than it was even twenty years ago. Policy decisions are shaped by forces that are at least continental and often global

in their impact⁸. Governments, including the Government of Canada, are much less able than in the past to determine the economic and even social frameworks within which their citizens live.

In this new environment, politics and public policy become more important, not less. Increasingly, it is public policy – and not a ‘national’ economy – that underpins a national cultural space. As we have argued above, the national economy is effectively gone for Canadians.

In this era of globalization, the risk for countries like Canada is that the loss of economic ‘independence’ will mean that we will also lose our politics – our collective sense that what is decided in our country is really relevant to the interests of our citizens. There is still room to act. But if we lose the ground – if Canadians fail to act in the areas where action is required, the areas explored in this essay – our country will to all intents and purposes disappear. This will happen imperceptibly, without conflict or even much debate.

Canadians, and those who care to study Canada, need to have that debate.

James R. Mitchell

⁸ One question that deserves further exploration by scholars and their graduate students is whether the forces described in this paper are affecting the United States in the same ways they are affecting Canada, or whether the United States is *sui generis* because so many of those forces – the information revolution, the globalization of popular culture, the global integration of capital markets – have their origins in America. The answer will have important implications for Canada and for the world.