

Subject: We are not competitive despite the claim years ago that if we devalued our dollar we will be .

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A MESSAGE FROM ERNIE CRIST

I read a story in the National Post the other day which made my dander jump into the stratosphere. It is a subject which does not affect local government directly but let me assure you that it does so very much indirectly. For what could have a greater effect on local government than that each and every Canadian taxpayer's is effected by economic policy set at the national level.

It appears that a notable number of Canadian economists have now come to the conclusion that even though our dollar is much lower than the US dollar (a deliberate policy pursued by various Canadian governments in the last 20 years ostensibly to make us more competitive) while income for equal work is also less than in the US, things have not turned out as these erstwhile economists, "graduates of second class institutions of learning and members of a lowly paid craft", to quote Sir John Kenneth Galbraith, had predicted when they recommended to do precisely that which they are now deploring. You might say it has finally dawned on them that they have been wrong. Well, all I can say is we told you so and more than once.

It turns out that that which some of us have known as basic economic truths, that the competitiveness of a country's industry is determined not by its supply of cheap labor, low wages or its low rate of currency vis-à-vis other currencies, but almost exclusively by its ability to apply the latest technology and the latest achievements of science and technology plus supply of highly skilled labor.

For example, the US, with a wage standard far higher than that of Canada, is far more competitive than Canada and so is Germany, France, Italy, Britain and, in fact, everybody (except the third world) while Canada has fallen and continues to fall farther and farther behind.

You may recall the fierce arguments that the economic gurus in charge of Canada's economic policies peddled at the time. In order to be competitive they said we must lower our wages and our currency. Well lower our wages we did, relative to the other industrialized countries, and lower the value of the dollar we did also but now it turns out that that is exactly the reason why we have fallen behind.

Why is that ? Well, it is for the same reason that the steam engine was invented in England rather than in the Orient which was actually more advanced. Why would anybody want to invent an engine in China, for instance, when labor was so cheap that the machine could not compete. The Europeans were always unruly even as they emerged from the guild system and demanded a greater share than their docile cousins in the Orient. That is the reason and the only reason why the entrepreneurs had to constantly invent better

machines. It is in the process of building a better machine that they pushed the limits of productivity rather than by importing cheap labor and/or by depressing wages at home as has become our national pastime in Canada for the last 20 years. Needless to say this was not voluntary. But, in the face of pressure from their own workers, the entrepreneurs rose to the occasion and invented ever better machines.

Why indeed would a Canadian entrepreneur apply himself and strain his cerebral cortex if he could access cheap or at least cheaper labor. Why bother applying himself to keep abreast of the latest technology when his own country encouraged him not to do so. What is true for the US is even more true for Germany and other European countries. The wages of German workers today are much higher than those of their Canadian counterparts and yet when it comes to being competitive German industry is beating Canadian industry by a mile and half. The same is true for Sweden, for example. The case of Sweden is of particular interest since our economic geniuses always argued that we don't have enough people in Canada to be truly competitive. The market they said is too small. Well, Sweden is far more competitive than we are today and yet their population is one third of ours.

Now why I am I angry - I am angry because when I exchanged a Canadian Dollar the other day I got 60 cents US. I was angry because I remember when I got \$ 1.05. I am also angry because of other unpleasant things such as the brain drain, from Doctors to Nurses and engineers. Only the Lawyers stick around it seems.

Have a nice weekend - I'll see you on Monday. Maybe the Canadian Dollar by then will have gone up by a tenth of a cent - miracles have happened before, although I must admit that in Canada they are rather rare.

 [Part 1.2](#)

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