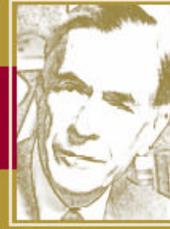




2004 Galbraith Lecture



John Kenneth Galbraith

The John Kenneth Galbraith LECTURESHIP IN PUBLIC POLICY



Jeffrey Simpson, OC

*Health vs. Higher Education:
Must Higher Education Lose Out?*

**D.F. Cook Recital Hall, School of Music
Wednesday, Oct. 20, 2004
8 p.m.**

Your honour, your excellency, your worship, your highness, I'm not sure which is the appropriate title, Mr. President. David, thank you very much for those kind words; and ladies and gentlemen. I'm obviously very honoured to have been invited to deliver this Galbraith lecture, named for one of the most interesting public intellectuals of the post-war era, someone whose books and writings, I think it's fair to say, reached tens of millions of people over a long career, not only in his own country, the United States, but in many others, and whose titles and aphorisms became part of the lexicon of the public policy language. We can only wonder, now that his voice has grown silent, what he would make of the contemporary United States where conservatism has been in the ascendancy. We can only guess at that, but I don't think it would be too hard to imagine. He might, indeed, one could speculate, feel more intellectually and politically comfortable in Canada, his native country, from which he departed after his first degree at the Guelph Veterinary College as it was then called. In any event, it does this university proud to have a lecture named for him and funded by a bequest from him, and it is an honour for me to deliver that lecture.

It is also a pleasure, as always, to be in Newfoundland. I don't say that to carry favour or to flatter you - it happens to be the truth. I can't remember - in fact, I was trying to remember when I was coming here yesterday - what was the occasion of my first visit, and I honestly couldn't remember because it was decades ago. I can't remember the first trip, but there have been many, many since, and from that first visit, I developed a genuine interest in and affection for the place and its people and history, and have had the great fortune, over a long period of time, of knowing a lot of Newfoundlanders. I have often said to my wife Wendy, that I have loved spending time with people in other parts of the country, just getting them to talk about their place and their history and their lives. Normally columnists talk more than they listen, but when you're with

Newfoundlanders, it's good to listen because they're wonderful at talking about their province that they love so much and their place. Not everything that I have written or said about Newfoundland over the years has found universal favour here - I follow the Chancellor of this university (John Crosbie's) practice in being the master of the understatement - but, at least I can console myself in saying that sometimes the local reaction is no different from the local reaction to my offerings regarding other parts of Canada. It is, I guess, the price that one pays for being a kind of journalistic troubadour who moves back and forth across the country, offering opinions, often being in error, but never in doubt. Whether I have been right or wrong about things that I have said concerning Newfoundland, the fact that I have tried to pay attention to the province is the highest compliment that I can offer to it. I care about what happens here, not only for the sake of Newfoundland and Labrador, but also for the national interest, because it is in everybody's interest for Newfoundland and Labrador, like all other parts of Canada, to succeed.

John Kenneth Galbraith, many of whose more popular books I read, as so many of you have, was always interested in the good society. For him, economics, his chosen discipline, was not just a series of mathematical abstractions. In fact, I never had a chance to ask him, but I would like to ask him, if I had the chance, what he thinks of much of contemporary economics which is incomprehensible to those who do not practice mathematical economics. He thought it was a discipline that ought to be directed towards defining and improving the public good. He often wrote about economics and politics, or what used to be called political economy, about which matters of public finance, which brings together economics and politics, are central. It's about one aspect of public finance that I would like to offer some thoughts tonight.

Politics is about choice. It's about choice among different personalities, ideas, doctrines, parties. Those choices most clearly meet, or most evidently intersect, in a government's budget, because

the budget reflects those political choices and the economic policies that flow from those choices. Politicians, governments, budgets, they come and they go. But when, over time, a consistent pattern emerges in those budgets, irrespective of personality and irrespective of party or government, then it is worth pausing to reflect on that pattern and to ask why did it emerge, whether that pattern still remains appropriate, and whether that pattern will continue to provide the ingredients for the good society in the future, as presumably people thought it would in the past.

I want to explore with you tonight one of those patterns, just one. There are many such patterns: one important one is found in public finance. This pattern first began to take hold in Canada about 30 years ago. It has since become very deeply entrenched and continues to shape - I would even argue to distort - public finance. The least one can say is that this pattern will continue for many years to come. I am speaking of the role that health care spending has played, is playing and will continue to play in the public finances of Canada, and what that spending means for other sectors of Canadian life, especially its colleges and its universities.

What I am going to argue - mainly that post-secondary education has been a consistent loser in the battle for public funds against the competing priority of health care - is deliberately framed, for the purposes of these remarks, as a struggle between two competing choices. But the argument is really wider than that, because so remorseless has been and continues to be the growth in health care spending, that it has squeezed and is squeezing and will continue to squeeze, not just post-secondary education, but many other matters worthy of government attention and support as well.

My great concern, simply put, is that health care is largely about yesterday and today, in the sense that the vast majority of health care expenditures are accumulated in the final years of life, whereas education, and post-secondary education in particular, is about today and especially tomorrow. A well-educated workforce is a key - not the only key, but an important key - to tomorrow's wealth, tomorrow's productivity, and it is on these that depend our national ability, to say nothing of provincial abilities, to sustain social programs such as public health care. I do not want to be, in these remarks, misunderstood. I am not suggesting in any way, shape or form that we scrap Medicare, thereby abandoning publicly financed medicine for the bulk of the population. Health care is an extremely important public service. It is recognized as such by all industrialized countries, although they organize their health care differently. But I would say that we have missed an opportunity. We have sadly missed an opportunity in recent years to re-cast some of our thinking about health care, and especially to put its requirements, which we tended to look at over the last number of years in isolation to everything else, in the wider context of other public policies. In ways that we cannot know precisely, but I think that will likely appear in outline, we are all going to pay a price for having missed that opportunity.

Now, health care or Medicare, if you wish, has become a Canadian icon. It has become not just an important public program, as it obviously is, and as health care properly is, in all advanced industrial countries, but it has become something more in Canada. It has become an expression of our identity, whatever that means. I know of no other country that defines its national identity in terms of its health care system the way Canadians have come to do. In part, because it is a way, I guess, of differentiating ourselves from the United States, and since the United States is way over on one extreme of the spectrum of how health care is organized and financed in industrial countries, and we are over at the other extreme, it kind of helps our sense of "we're different from them" to know this fact. And it is a program that makes the nation proud, as the distinguished

Galbraith lecturer of last year, Mr. Romanow, former Premier of Saskatchewan and the head of the commission into health care, said repeatedly, it's an expression of our "values." Health care, Mr. Romanow argued in his report, was essentially a moral question. It was so moral in his view, indeed, that he wanted to raise health care to the level of what he called a covenant, and covenants, as we know, are above laws. They're above regulations. They're above even treaties. They are the International Covenant on Human Rights. They are the kind of things that certain people in the past have thought that they had with their Almighty. They are either between a people and their God or they are solemn agreements, very solemn agreements, among peoples on the most fundamental issues, such as, as I have just mentioned, the International Covenant on Human Rights.

Fortunately, this particular Romanow invention or idea never took off. But the mere fact that he had it in his report and argued for it illustrates that when serious people talk about health care in Canada, there is a temptation for the debate to rise from the pragmatic to the ethereal.

Now icons are very hard to change, by the very fact that they're icons. Icons are supposed to have a kind of everlasting quality, like the ones that hang in an Orthodox Church. And they are certainly very difficult to attack or even criticize because they are viewed so reverentially by those who believe in the icon that any aspersions cast upon them risk the most furious denunciations. And that was certainly the case with our recent debates across the country about Medicare. Whatever you thought, whatever I thought about those debates that ended at least temporarily with the federal-provincial accord of a few weeks ago, they did not address the question, at least - and here I'm expressing my own opinion - they did not express the question of how to prevent Medicare from continuing to squeeze almost every other area of government spending for the foreseeable future.

Now there are a lot of matters that I could raise about the essence of the health care debate, but that's not the focus of my remarks tonight. I simply observe that the debate was erroneously framed in two major ways.

First of all, Canadians were told repeatedly - and this fit their own limited knowledge - that there were only two health care models. There was ours, and there was the American. And that anyone who questioned the icon of Medicare wished to push us down the slippery slope towards two-tiered U.S.-style medicine, where, you will remember Mr. Chretien used to say, "down there, they check your wallet before your pulse." You will remember the televised debate when Stockwell Day was the leader, and he held up "No Two-Tier." But every other country in the world, every single one in the advanced industrial world, that organizes health care differently from the way we do, where we are outliers in the world, was not explained to Canadians. Instead, any change was viewed as 'that slippery slope towards U.S.-style, two-tier, check your wallet before your pulse, 45 million uninsured' health care. I have never wanted the U.S. system. I know some of its strengths. I know some of its weaknesses. It's not the system that I would ever want for Canada. But according to the debate, it was that kind of system or ours. And so the Canadian people feared, understandably I suppose, that any change that might be contemplated would lead them towards a system that they had been conditioned to fear.

Secondly, nowhere - not in Mr. Romanow's volume, nor in Senator Kirby's five volumes, nor in any of the four provincial studies that were done of this, nor in any of the party platforms in the last election - did anybody explain to Canadians how, by massively and systematically increasing spending on health care, we would influence our government's capacity to discharge its other responsibilities. Canadians were really told, in my judgment, the political equivalent of a

fairy tale. They were told that we could massively continue to increase our spending on health care and that we could do so without having to raise additional revenues and without any impact on other government programs. That's what Mr. Romanow said in his Royal Commission to Canadians. That's what the Prime Minister told Canadians, and this is apparently what Canadians believe.

Except that it hasn't been true, it isn't true, and it won't be true for a long time.

Now before explaining that statement, let me say that if Canadians had been made aware of these tradeoffs, and if they had still decided to spend what we have agreed to spend in the past and the present and the future on health care, I would have said: fine. Fine, this is a democracy. The debate was properly framed. The tradeoffs were explained and the people chose, and that's how democracy works, and we move forward. But that's not at all what happened. Until very recently, and even very recently only at the margin, political people of every stripe and at both levels of government were so fearful of the negative political reaction that might accrue if they questioned any of the assumptions of the health care system that they dared not outline these consequences. Even now, the political toll for telling the truth can be very high.

You take my own province, Ontario. There, Premier Dalton McGinty was pilloried for telling a lie. He had promised, with considerable fanfare during the last provincial election campaign, some of you may have read about this, that he would not raise taxes. He even, with much fanfare in front of the cameras, signed something from the Canadian Taxpayers Federation and said "no new taxes if I'm premier." But in his first budget, he imposed health care premiums, which is a form of tax, and he froze the budgets of 14 other departments. So he was accused, not wrongly, of having told an untruth. He said he wouldn't raise taxes, but in his first budget he did. Well, I think

McGinty lied to tell a truth. The truth was that Ontario could not spend another \$2.6 billion dollars on health care, plus more on pre-university education, and at the same time keep taxes steady and have no impact on other government spending. That was the truth. He, in his budget, effectively shot down the Romanow fairy tale, just as that fairy tale had been shot down in Saskatchewan previously, where the sales tax was increased and the budgets of many government departments were frozen in order to keep the health care budget rising beyond the increase in government revenues.

We have been making tradeoffs, whether we know it or not, in favour of health care in every Canadian province for 30 years, we are still making them, and apparently we will continue to do so. When Medicare was fully introduced in Canada in the early 1970s, health care consumed seven percent of the gross national product. In 2003, it consumed ten percent, and it will certainly go higher. Ten percent as a share of GNP puts us at the top of all the countries in the world that have largely public systems. I put the United States to one side. They are over 14 percent.

Let me take you on a quick romp across provincial budgets for 2004 to illustrate how the pattern of the last 30 years is continuing.

In Newfoundland's 2003 budget, the last Liberal budget, the government reported that since 1994-95 or nine years ago, health care spending had increased by 63.6 percent or by about seven percent a year. So the health care budget, over nine years, had been going up in this province by seven percent a year, on average. By contrast, during that nine-year period, according to that same budget, all other program spending had risen by half a percent per year or by less than the inflation rate.

In the 2004 budget, the new Conservative government asked for savings of \$2 million from Memorial University and the College of the North Atlantic, while adding new health care spending in a range of areas, including \$8.6 million for the drug program, \$4.3 million for home care, et cetera. And the government listed, in its budget, "spiralling health costs" as one of the major factors contributing to the province's difficult fiscal situation.

But Newfoundland's government is not alone in shaping its priorities in this fashion.

In Prince Edward Island, there was, in the last budget, three-quarters of a million dollars more for UPEI and Holland College for a total of \$1.5 million, compared to \$7.2 million for health care. That's a five to one ratio for health care.

In Nova Scotia, health care rose by \$233 million; all education, both pre-university and post-secondary, by \$23 million; about a ten to one ratio.

In New Brunswick, health care was up 5.2 percent. Universities were up by two percent.

In Quebec, health care rose by 5.1 percent. All other program spending was up by .5 percent, similar to the Newfoundland pattern. Although the education budget "rose" by 2.7 percent, they lump all the education together in Quebec. Very little of it went to universities.

In Ontario, the universities' budgets rose by 6.6 percent, but this increase only compensated for a tuition freeze and the addition of 21,000 spaces. In other words, there was no real increase on a per student basis. Indeed, as I said a moment ago, while the government committed to spend \$2.6

billion extra on health care, it froze the budgets of 14 operating departments, including colleges and universities, after giving this money for the increased number of students.

Manitoba is the outlier. Manitoba had health care increases of 3.8 percent; those for colleges and universities were 3.5 percent. So Manitoba is an anomaly. It's a province where spending on health and spending on post-secondary education rose at approximately the same rates.

In Saskatchewan, the increase in the health budget exceeded the entire operating budget of the University of Saskatchewan. In the budget, 72 percent of all new program spending is going to health. Health spending will be up \$165 million. Post-secondary education will be up by \$16 million. There's your ten to one ratio.

In rich Alberta, health care went up 8.4 percent. Education went up by 5.7 percent. Said the budget: "the health care spending path we are on today is simply not sustainable."

Finally, in British Columbia, the government promised a billion for health care over the next three years, compared to \$105 million for universities for increased access.

So the 2004 pattern, with provincial variations, is nevertheless roughly similar across the country, Manitoba excepted, and it is the same pattern that we have observed in Canada for three decades. Health care is rising faster as a share of government spending than both post-secondary education and everything else both in absolute and real terms. With the exception of the four years in the middle part of the 1990s when the federal government successfully conquered the deficit problem that had been building for two decades, health care has been rising faster than the growth in other government programs, faster than the consumer price index adjusted for

population growth, faster than government revenues at the provincial level, faster than the growth in the gross domestic product, or by any other measurement.

The recent federal-provincial agreement on health means, among other things, that this pattern will continue in the long-term. Not only is Ottawa committed to transferring tens of billions of dollars of additional money for health care, these transfers are indexed by six percent per year. More than any other government program, health can expect a guaranteed six percent annual increase for as far as the eye could see. We are committed to spending \$41 billion, as you probably read in the newspapers, in new money and additional money from Ottawa on health care.

It was sometimes said over the last three or four years, prior to that agreement, that our health care system was being "starved" for funds. The facts, as opposed to the rhetoric, were quite the opposite. As I said, Canada - before this recent federal-provincial agreement - already had one of the highest per capita expenditures from public sources on health care in the world. The share of our GNP spent on health care was tied with Germany at ten percent. From 1997 to 2002, Canada spent an additional \$34 billion on health care and the federal government again, prior to the agreement of a few weeks ago, had already pledged to spend billions more. We were quite literally pouring money into health care prior to this agreement, except for that four-year period.

The figures do not lie. In 2000, 2001, 2002, 2003, health care spending increased by 8.5, 8.4, 7 percent and 7.1 percent, according to the estimable Canadian Institute for Health Information. These represented, according to CIHI, as it's called, real rates of increase, i.e. take out the medical inflation rate, which is a little higher than the normal inflation rate, real rates of increase of 4.5 percent in 2002 and 4.6 percent in 2003. But this spending was apparently not enough,

because from every provincial capital and from every federal party came the cry for more money, for lots more money, cries that presumably reflected the political leaders best judgment as to the priorities of the people and definitely reflected at the provincial level the health care spending juggernaut that was flattening spending on just about everything else, while still being unable to shorten waiting times and provide timely service to all citizens.

So now our leaders have agreed that Ottawa should spend another \$41 billion over the next ten years, in the hope that this new infusion, in addition to the other ones, will bring better health care to patients, shorten the time they must wait to gain access to it, and eventually by "buying change" somehow reduce the rate of increase in health care spending from the seven to eight percent range of recent years to something more easily affordable.

Now for universities, whose plight I'm going to come to in a moment, there are two possible positive outcomes from all of this, although I don't believe either will materialize.

First of all, the universities might hope that all of this additional federal money for health care, when combined with, for some provinces, the additional federal money that's coming for equalization, will so ease their fiscal burden that finally provinces will have enough money to reinvest in real terms in universities. That's a big hope. But in my judgment, it is more likely that health care demands will continue to be so remorseless and the political pressures that accompany these demands so incessant, that the politicians who need to seek re-election will be so frightened that the 30-year pattern of health care will continue, and will thereby soak up marginal government revenues.

Secondly, although - this would be another university hope - these provisions of the federal-provincial agreement are weak, nonetheless, the provinces are supposed to show, after a period of time, how they have accomplished certain objectives, such as reducing waiting times, in return for having taken all this federal money. And therefore, there will be some obligation on them to be seen to be spending the money for the purposes for which it was intended, in order to achieve and report on the agreed upon health care objectives, and maybe the universities could argue, well, that's going to keep the money in health care and it's going to be just that amount of money and there's going to be a reporting pattern, and if they're seen to be shifting other monies into this in order to improve their numbers in reporting, this will be observed, and they'll be caught out. I doubt it.

So I have been speaking about the pattern of health care spending. But what about post-secondary education across the country? (And by post-secondary, I mean colleges and universities). And here's something to consider: between 1980 and 2002, for roughly two decades, government investments in public - now remember, public - four-year universities in the United States rose 25 percent in real terms compared to a decline, again in real terms, of 20 percent in Canada. This is going to be hard to believe for Canadians conditioned to believe that we are such morally pure people, that we care more for public institutions than our hard-hearted American friends. But in this, as in many other areas, that stereotype isn't true.

From the mid 80s to 2003, again a 20-year period, we are looking at patterns here, not aberrations but patterns. Health care, as a share of total provincial spending, rose from 30 to 37 percent. For some provinces, including this one, it is over 40 percent. During the same period, post-secondary education's share of total provincial spending fell from seven and a half to six percent. So to put

matters simply, 20 years ago, the ratio of health care spending to post-secondary education spending was four to one. Twenty years later, it is six to one.

Now there has been, happily, again I'm speaking nationally, a surge in provincial government support in some provinces recently, which has pushed up the aggregate national numbers in the last two years. If you look at the national aggregate numbers for increases in support for post-secondary education, some encouraging things have happened in a couple of provinces in the last few years. However, if you look behind those numbers, you will find that almost all of the increased support has gone into increasing the number of places. This is a public good, a very important public good in and of itself, but the overall effect, in real terms or per student terms, is that support is actually lower per student than it was before the surge.

University enrolment has been growing strongly in recent years, despite tuition increases in most although not all of the provinces. That is worth repeating. University enrolment has been growing strongly, nationally, in recent years, despite tuition increases in a majority of provinces, except for Newfoundland, Manitoba and Ontario, and recently post-McGuinty, for Ontario, where the fees have been frozen for two years. National full-time enrolment figures actually increased 11 percent from 1997 to 2002, according to Statistics Canada.

So where has the money to finance this enrolment surge been coming from? Largely, it has been coming from the students themselves and from the bad old federal government.

Ottawa, during the Jean Chretien years, launched programs to assist Canadian universities that were visionary and were desperately needed. You can quarrel about or quibble about the administration of these programs. I go around to universities and you can get an argument going

about just about anything in a university and, depending on where you are, they say “we got jobs - we didn’t get enough of this, and we should have had more here, and the social sciences didn’t get enough and this region didn’t get enough”. That’s Canada, okay. You can say this or that university is hard done by. You can raise all kinds of objections. But I ask the simple question: are Canada’s universities, as a whole, better off as a consequence of the roughly 13 billion dollars that the federal government, under Mr. Chretien and Finance Minister Martin, spent on them for the Canadian Foundation for Innovation, the Canada Research Chair of Genome Canada, the increases to the granting councils, the National Institute for Health Research? That’s the big picture question, to which I think the answer is resoundingly yes. The only major downside I can see to these federal programs, again in the aggregate, is that the provinces, seeing that the federal government was putting so much money into universities, particularly for research, might well have been encouraged to continue the pattern of the previous 30 years that I described earlier.

So, Ottawa’s share of total university revenues, across the country, is now 12 percent, compared to 9 percent before these programs started, and the provincial share has dropped to 43 percent, from 45 in 2000 and 58 percent in 1990.

And the gap in provincial contributions between 1990 and today has been largely filled by - again I’m speaking nationally - rising student fees. They rose at an average national rate of eight percent a year since 1990. Eight percent was the increase for student fees across the country. 1.6 percent was the increase for provincial contributions. It’s interesting that in Medicare, in medicine, we have been unwilling to shift any additional burden or, in many cases, any burden at all to the users, but in post-secondary education, we’ve done so massively.

So here is what has happened to the big picture, since 1990, nationally. Ottawa's contributions, the federal contributions to post-secondary education, have risen by 70 percent, student fees by 154 percent, private donations and contracts for research 116 percent, provincial grants by 10 percent. Ten for provincial governments, 70 for Ottawa, 116 for private donations and contracts, 154 percent student fees. That is what has happened nationally since 1990. And it can't be said that faculty members, I'm getting into trouble here I know, but it can't be said that faculty members have been getting too wealthy, since during that same period of 12 years that I have just described, their salaries and benefits, across Canada, rose by 28 percent or by about three percent a year.

Now obviously, as you know, Newfoundland has chosen a different route, and among the tasks of the forthcoming White Paper on post-secondary education will be to decide whether this route, which is increasingly out of step with most of the rest of the country, is wise. Because fees here have declined, as you know, by about 23 percent since 1999 and they are now the second lowest in Canada.

I don't believe there's a right or a wrong number for fees. Societies or provinces can make different choices, as long as the net effect for the institutions is that they receive what they reasonably need - and as I've argued - these institutions have not been receiving for 30 years what they reasonably need, in large part because of the voracious health care budgets that have so distended public finance. Students in receipt of some form of post-secondary education and society as a whole both benefit from the maximization of exposure to post-secondary education. So it strikes me as appropriate for both the students themselves and the public as a whole to finance these institutions. The aggregate national numbers do indicate that higher fees have not deterred more students from entering university. Indeed, Quebec, which has by far the lowest fees

in Canada as they have been frozen for many years, also has among the lowest enrolment rates. It has also been confirmed by numerous studies that the after-tax and after-inflation return of a student's investment in university education is high. Economists would measure it somewhere in the 12 to 20 percent range. So to use a phrase associated with this university's Chancellor when he was Minister of Finance under Mr. Clarke, "short term pain for long term gain."

University and college graduates earn more than others. The majority of new jobs in Canada require some form of advanced education, and the economy of tomorrow will increase those requirements. Just recently, a conference was held in Corner Brook about Newfoundland's economic future. I read some of the papers that were given at that conference and I noted that the Province's own Department of Finance reported that 88 percent of employment gains in Newfoundland from 1997 to 2003 had accrued to those who had completed some form of post-secondary education. Of this, 64 percent was for a certificate or diploma and 24 percent was for a university degree. And, while 88 percent of the employment gains in Newfoundland over that six-year period had accrued to those who had some form of post-secondary education, the number of jobs employing those without a high school diploma dropped by 18 percent. So it's both easier and more remunerative to have a post-secondary education these days, and therefore it strikes me as appropriate that students pay a reasonable share of the upfront costs from which they subsequently derive benefits. And, given where Newfoundland is on the national charts, the time has come to let the province's fees rise to something approximating the national average, with the institutions being allowed to keep the money, subject to allocating a proportion of the additional funds - perhaps in the order of 30 percent - for assistance to students who need it financially.

Now having said that for Newfoundland, we have witnessed such considerable fee increases across the country in most jurisdictions in the last ten years that we can be said to have reached a limit.

But we are in a box. The box is that the cost drivers of health combined with the disinclination of Canadians to pay higher taxes, especially in a higher tax province like this, begs the question of where the additional money for these institutions can be found. Of course, universities can always try to find more money from non-government and non-student sources, and I have given you the numbers above to indicate that they have had considerable success in this area.

Society as a whole has to understand better what has been happening to these institutions in comparison with other public services and in comparison with what has been happening in the public universities of the United States. I'm not talking about Harvard and Yale and Stanford and Duke. I'm talking about the public university systems in the United States. In the United States, it's an article of faith shared by people in both political parties that post-secondary education is critical as a ladder of social mobility, an economic engine of growth and an institution for the discussion of social justice. I don't know that this is true for the rural states because I haven't lived there but it is certainly true for the big states. They, the Americans, got that big picture right a long time ago for public post-secondary education and we only got it right some of the time.

Everything we know about the keys to mobility and productivity tell us that an education is important and yet the pattern that I described tonight, the fiscal pattern, indicates that we Canadians still have not fully understood it.

It takes a long time to change public attitudes. I've never been in politics, thank God for me and the people, but I have watched and it requires endless efforts in a variety of ways to try to persuade the public to look at things in a certain way, and even then, there's no guarantee whatsoever of success. It seems to me that the colleges and the universities have been far behind the health care world in making the case for these kinds of public investments.

University people have been more reluctant to mix it up in the hurly-burly world of public debates. In some respects, I think the universities have been somewhat reticent to describe the pattern of spending in the way I have tonight. Some senior university personnel run institutions that have medical schools and they are afraid of the internal rows that might ensue if they frame the issue the way I have done, and the last thing they need are more rows inside their own institutions. Many are convinced, and perhaps they're absolutely right, that given health care's iconic grip on the public's imagination, they could not possibly win any public sympathy if they frame the argument as I have. Indeed, they even fear that their institutions might risk a backlash. Perhaps a few of them are, in a province like Ontario, embarrassed because in the last couple of years, the universities' budgets have gone up because of the enrolment and the money they got for the enrolments. A lot of senior administrators and faculty members, et cetera, are busy and they don't consider it part of their mandate to influence or try to influence the "general public." A whole lot of university people, faculty members in particular, just want to be left alone to do their work.

So for these, and undoubtedly lots of other reasons, universities have been completely out-gunned by health care lobbies in the public debate about spending. And in addition, of course, the obvious fact is that health care touches everybody whereas post-secondary education, although it assists everybody in society, is directly used by fewer than half the population. This fact has

meant that politicians have been more influenced by health care than post-secondary education. And it is harder to explain the benefit society gains from a well-educated population than it is to explain why more family doctors are required or why waiting times for a new knee should be reduced from eight weeks to six.

We can take some consolation from understanding that we are not alone, those of us who raise these issues, regarding our institutions of higher education. Great Britain has recently gone through a long, very difficult and acrimonious debate culminating in income related repayment schemes as a result of sharply higher tuitions. That measure passed by only a few handfuls of votes in the British parliament, despite the fact that the Labour government of Prime Minister Blair has a substantial majority. The Germans are deeply alarmed at their university world's sagging international reputation. I just spent last weekend at a German-Canadian conference and I asked a number of Germans about higher education and out came a tremendous litany of woes that would make ours look pretty modest by comparison. And they are trying to articulate responses. They talked about huge classes. By the way, just as a tangent, I was speaking to a member of the Federal Parliament from Saxony who was bemoaning big classes and I said "well, how big are your biggest classes at the university?" She said "about 200." I said "200! My son's first year University of Western Ontario's political science class had 622." She said "Oh my God." You know universities, as a journalist, I'm not going to let them off with nothing but consolation.

This isn't the place to discuss internal university matters, but there is a sense among the public that these places are still too cocooned from what they, the public, would consider to be the real world. The overwhelming emphasis on research, the old syndrome of "publish or perish" convinces me that research remains more valued than teaching, to the detriment of students in too

many cases. I have been in too many universities for too many periods not to be favourably unimpressed when I walk down a hall in which professors list their visiting hours as 10 to 11:30 on Thursday or 2:30 to 4 on Friday or whatever. Tenure is something I think we ought to discuss. I agree with the former president of Middlebury College, John McCartle Jr., who recently wrote this in the *New York Times*: "Tenure is a great solution to the problems of the 1940s when the faculty was mostly male and academic freedom was a genuine risk. Why must institutions make a judgment that has lifetime consequences after a mere six or seven years? Why not a system of contracts," he wrote, "of varying length, including lifetime for the most valuable colleagues that acknowledge the realities of academic life in the 21st century. When most tenure documents were originally adopted, faculty members had little protection. Today, almost every negative tenure decision is appealed. Appeals not held up internally are taken to court." (In fairness, he's talking about the litigious United States). "Few, if any of these appeals have as their basis a denial of academic freedom." You will understand that I'm not speaking of Memorial because I'm not familiar with the situation on a daily basis here, so I speak generically, but you will understand when the public sometimes shakes its head at some of the internal debates in universities, usually led by individuals or groups who, unable to change the world, test their theories on the university and unable to change the university, try them out on their faculties, and unable to change their faculties, try to impose them on their departments. And as C.P. Snow so accurately wrote a long time ago, the politics of a university can be very nasty because the stakes are so small.

So is there anything that can be done about this pattern that I talked about? There, I've said enough to indicate that I'm not going to let you off scot-free. Is there anything that can be done to this pattern that I've tried to describe? If anything, it has to start inside the universities themselves but they will also have to look to a wider public to try to understand and support their mission. It is very hard where people are busy and where they want to get on with their research and teaching

and studying that ultimately their overall fate depends upon the public, not just government elites, although they are important, but the general public. And that means that people in universities must be willing to take their case to the public. About six months ago, I was asked to give a talk to the Ontario Medical Association (OMA), and in preparation for that talk, the president of OMA sent me a speech, a standard speech that he had given the previous three months in 26 Ontario cities, tying the OMA's obvious demands for more health care spending to the municipality's desire for more economic growth. It was self-serving and pretty blatant, but the OMA thought that it was worth the president's time to do that.

Of course, universities have to make their case before the governments and it isn't going to be easy for the reasons that I have tried to explain, notably the health care sponge. But think of matters this way. You all know that one of the largest challenges facing universities in general is the retirement of faculty members due to the age bulge. We are not graduating nationally enough PhDs to replace those who are retiring and the competition for new faculty members will be intense. We spend lots of time worrying about the shortage of doctors. We spend almost no time worrying about the shortage of professors, such is health care's grip. If Ottawa were to take \$500 million, \$500 million from the \$40 billion and ask the provinces to match it, we could create something called the New Researchers of Tomorrow program that would allow universities to hire new faculty, and for \$500 million, we would get much more of a bang for our buck, as a society, than another \$500 million dropped into the drain of the health care system, which takes, as you know, \$120 billion a year. The trouble now is that in Ottawa, after all the excellent work done during the Chretien years for post-secondary education, particularly research, the federal government thinks that its work is now finished. It is busy: 41 billion into health care, cities, equalization, child care. These are the government's priorities, and more troubling still is that the government is committing, pre-committing so much of the money for these programs in the next

five to ten years, God help the next government after the next election, there aren't going to be anything but small pickings left for everything else.

So I regret to say it's going to be an uphill battle. I wish I could be more cheery for you, but it's going to be an uphill battle for the colleges and the universities. There have to be voices making this case for the universities in civil society. I just want to end by making a kind of special plea, not just for Memorial, but for this province and for this region, and I do so as somebody who's occasionally said some unpopular things before and has the scars to prove it, but has developed a thick skin in the process, so here goes. The future of Atlantic Canada does not lie in the fishery or the forests or the mines. These will continue to provide a livelihood for some of the population. Rather, the future lies in better education at all levels, and especially in the region's post-secondary institutions. It is - I don't even know how to describe it - ridiculous, bizarre, indefensible, for example, that Nova Scotia, with its extensive network of colleges and universities, which gives that province, I'm not going to say it's only, I'm going to say one of its potential competitive advantages, but that province finances those institutions so sparsely. Those institutions are that province's future or at least a healthy part of it. I would take a big, big chunk of the ACOA budget and I would reshape it entirely into an innovation budget, a healthy portion of which would be directed towards colleges and universities. I would work very hard with the appropriate government departments as part of this region's overall case for more immigration, to get such special dispensations as might be required for attracting more faculty members from other countries. I would say quite clearly to the people of all four provinces that, whatever improvements are negotiated under equalization, the details of which we will know in a few days the bulk of the increases from equalization should go to colleges and universities and not to health care. And if I were a really courageous political leader, I would tell my people that these health care increases cannot continue, that we are going to have to have what every other country in the

western world save the United States, which is different, has, which is a variety of private deliveries of publicly-regulated medicine, in order to take some pressure off the public purse so that we can attend to other necessary and urgent matters of the public good.

Thank you very much.

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