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## Discussion Following the Remarks of Dr. Van Erden and Professor DeVoretz

Discussion

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## DISCUSSION FOLLOWING THE REMARKS OF DR. VAN ERDEN AND PROFESSOR DeVORETZ

QUESTION, PROFESSOR CHODOSH: I want to start by asking a question about the impact of the virtual workplace. Dr. DeVoretz, if increasingly over time, someone in Canada can work for Bill Gates in Redmond, Washington, but remain in Canada, how does that factor into your calculations of the brain drain problem from a Canadian perspective?

ANSWER, PROFESSOR DeVORETZ: We have the concept of back-room accounting. If you are in New York City, you do not want to pay your accountants for their high rents in downtown Manhattan. So, where do you put them? You put them in New Jersey. That is what Vancouver has become. It has become New Jersey.

COMMENT, PROFESSOR CHODOSH: I am from New Jersey.

COMMENT, PROFESSOR DeVORETZ: You have two types of movement. First, you have the movement of people out at the university level. These are highly trained people who already have a good track record. You have a lot of the simple drone programming work still being carried out in Vancouver; that, in a sense, becomes your virtual back door where you communicate daily. Those people who are left are usually quite young and are looking for jobs elsewhere. I do not see that as being a career-based employment, but rather it is a holding tank until these people can find a job someplace else.

In the second context, in Toronto, they lose a lot of people in the high-tech end of the movie business. Our people crank out the effects for American films in Canada only as long as they are required to do so. When they can get their H-1 visa and move to California, they leave. I do not see it as being a career opportunity for these highly trained people.

COMMENT, DR. VAN ERDEN: I would like to raise the issue of what you mean by asking where work is performed. What does that mean when one has a virtual job? How are we counting, in terms of GNP, the people who are doing work for Bill Gates, but who are across the border in Vancouver? At the same time, people are in Portland, Oregon doing the same job for Bill Gates, who is in Redmond, Washington. It becomes very difficult, I think, to understand where that knowledge and where that value is being created.

COMMENT, PROFESSOR DeVORETZ: It really matters where you work. There is an enormous difference in your rate of pay when you work in Redmond, Washington. In Bangalore, India, they have been back-door programming for years at ten cents on the U.S. or Canadian dollar. When they

move to California, U.S. labor laws say very clearly you cannot pay an Indian who has come here less than his American counterpart, so it makes a huge difference to the companies. Because of this, virtual programming is always preferred. It is very naïve to think this is just a part of technology outsourcing.

QUESTION, MR. WOODS: I have a couple of questions. I think it was last year, or maybe the year before, there was a session here at this conference on emigration over the long term. I think almost every Canadian has somebody in their family, usually somebody pretty close in the family, who has been affected by the so-called "brain drain." It has been a constant in my lifetime. It comes and goes, and the flows back and forth go way back.

If you look at the 1950s, ironically, we got a lot of scientists, people from Britain and Europe. We had projects like the Arrow project that collapsed.<sup>1</sup> I do not know if it is true, but the myth in Canada was that we actually helped put Neil Armstrong on the moon because of all the people who left the Arrow Project in the late 1950s. Fifteen years later, our colleges and universities were the beneficiaries, getting the elites in the United States in response to Vietnam. So, if there is a drain, it does come back the other way. There is a longer-term process at work here. The people about whom you are talking are drawn from the rest of the world. They are highly educated and highly skilled to take those positions, and they are not necessarily represented by this constituency here. They are very, very valued. They are the first people who go out and learn their new country's official language, and they do a really good job. I think that there should not be any subtext that suggests they are not as valuable as the people who leave for the United States. There may be economics involved, but it is very important to speak to that point.

Finally, I would say that, if I were young and in an engineering program or some other high-tech program at the University of Waterloo, and I was told that as part of my going there, there was an implicit or an explicit contract that prevented me from pursuing excellence where I could find it, whether it was getting a man on the moon or something else, I would seriously consider going to a university in the United States, regardless of the cost. I think that you have to see students and where they go after they graduate in context. We have to build from that strength and try to maintain the excellence that hopefully does exist in the colleges in Canada and try to keep the people centered on excellence. I do not think it is just economics.

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<sup>1</sup> The Arrow Project was a Canadian effort to design and build a supersonic fighter plane to defend Canada from Soviet attack. After seven years of development and many costly setbacks, the government cancelled the project in 1959. See Emmanuel Gustin, *Interceptor Rex – The Avro CF-105 Arrow* (visited July 22, 1999) <[http://www.totavia.com/arrow/Arrow/written\\_history.html](http://www.totavia.com/arrow/Arrow/written_history.html)>.

Once they graduate, they want to go and be a part of a team that can really create things.

ANSWER, PROFESSOR DeVORETZ: I think, first of all, your comments indicate the other side of the debate in Canada. They are very instructive to the larger group – economics is not the sole issue in this movement. But, I think it is important enough to question individual policies which have accelerated movement since 1989, which is what I did, and to defend the Canadian taxpayer and the issue of why Bangalore should be subsidizing the U.S. taxpayer.

With respect to this point of undervaluing the immigrants who have moved in to replace them, two of the three reasons why they are not nearly as productive as the people who leave – you can look to the census to prove that this is not just an allegation – are kind of nasty reasons. One of them is discrimination, and the second is just the pure inability of firms to recognize credentials. But the third one is very important. There is a lot of money required to retrain them, and, in my book, *Diminishing Returns*,<sup>2</sup> I indicate that there has been a collapse. Traditionally, immigrants in the earlier period outshone Canadian-born graduates in Canada. Why are they not doing that anymore? I agree that it is not all economics, but we do have to face the issue.

QUESTION, MR. DELAY: I am interested in this concept of a contingent loan. How do you collect that when the person who owes the money has gone to the United States, and it has effectively become a tax matter? Secondly, it occurred to me that, in the old Soviet Union, they used to use this same argument as an excuse for keeping their dissidents at home; they had to pay back the state for their educational costs.

ANSWER, PROFESSOR DeVORETZ: You could join in the Canadian debate very well. It was worse than that in the old Soviet Union. The Soviets only applied it to Jews, and, of course, being a Jew was incredibly offensive to them. The alternative to the contingent loan scheme, if you cannot swallow that, is to go to some modified full-cost system, which is being done for the manager category, the MBA category. So, that is a non-issue.

Contingent loan schemes have worked very effectively in Australia, and the model for collection agencies is the U.S. Congress. As you heard, I went to school at the University of Wisconsin and received several loans. When I went to teach at Simon Fraser, I forgot to pay my loan. The U.S. government sold that bad paper to a private collection agency in Los Angeles. That was the scariest thing that has happened to me in twenty years. A guy came up and knocked on my door and said he would try to prosecute the paper in

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<sup>2</sup> DON J. DEVORETZ, *DIMINISHING RETURNS: THE ECONOMICS OF CANADA'S RECENT IMMIGRATION POLICY* (C. D. Howe, Toronto 1995).

Canada. There are transaction costs, but it is a valid document in several cases, and people will collect it at fifty cents on the dollar.

I am more worried about the moral hazard of people strategically picking a career which they never intend to practice in Canada. Perhaps we should look to a modified contingent loan scheme where you pay half the money back, for example. We have found that Canadian loans are virtually uncollectable anyway, so it is a problem.

ANSWER, DR. VAN ERDEN: In the United States, in terms of companies that provide employer-sponsored training, apprenticeship programs, and other programs, if you look back at the 1980s, there was always a contingency program. If the company paid for your training after you came to work for them, you had to commit to work for them for six more years, or you had to pay back your loan. My general sense, in talking to a lot of companies, is that it is a thing of the past. It is gone for two reasons; retention and recruitment. The companies that used to have such programs cannot get anybody they want now. If they had that in place, they would laugh at them and move on. I do not want to get into the middle of this debate, but I just want to re-emphasize the point you made in terms of companies hearing that general process. They do not have the government to follow up and collect on the loans. On the other hand, they have all moved away from that.

QUESTION, PROFESSOR KING: I had a question for Dr. Van Erden. Are you not overly concerned about the obsolescence of the U.S. university system? I think that there are other dimensions, such as pure economic fulfillment. There are cultural dimensions that are important, and we still have a tremendous demand for college graduates.

ANSWER, DR. VAN ERDEN: I think that is an excellent point. My wife, who graduated from the University of Wisconsin, Madison, and I have this debate as we commute daily. You are right. There are a lot of social lessons and other assets that universities provide that are very important. There is another thing that is really important. The kids coming up today who are now communicating via e-mail, using the Web, or using other means to socialize, are going to look upon a university experience differently than the way we looked at it when we were growing up.

The other side of that is that a lot of leading universities now are clearly beginning to move in that direction. You can get an International MBA from Duke University entirely over the Web. Your classmates are no longer in a room with you. Now, your classmates are in Toronto, London, Zurich, and wherever else. We are increasing bandwidth and the ability to deliver content in a very good way down to the learner, accounting for the difference of socialization with the Generation X-ers who are coming up. I think technologi-

cal change begins to move that dynamic in a different way. The schools that adapt will survive, but there are a lot of schools that will not.

I was at a wonderful retreat in Aspen last November on post-baccalaureate futures with folks from M.I.T., Stanford, and Open University,<sup>3</sup> among others. You can really see the dynamics going on in this post-baccalaureate world between those who are beginning to acknowledge the need to teach in a different way and provide content in a different way and those folks who were saying we are the best in the world, and we are staying that way. The Generation X group who is coming up now is going to think about this differently. The technology is going to be different, and so the model that we all grew up with is subject to an enormous amount of change.

QUESTION, MR. McNIVEN: A quick side comment, and then a question. My comment has to do with what you are saying in terms of universities. I think the two critical elements are the erosion of the monopoly on certification and the credibility of that certification. As those two start to erode, the whole thing starts opening up. Without that, you are really talking about socialization experiences, so that my son will marry your daughter and they will both be rich. Do we really need the taxpayers to pay for that? Of course we do. If you reverse the presentations, what I am hearing is, oh, my God, people are leaving Canada and it is going to get worse. I would like you to comment on that. Your last comment was that the demand for labor is going to continue to outstrip the supply in the United States, and so this is going to get worse.

ANSWER, DR. VAN ERDEN: My point was that the changes that we are seeing, where work is occurring, where learning is occurring, are very dramatic. I think that these will continue to change even more. Now, whether that means you go to Simon Fraser and then move to the United States, or you go to Simon Fraser and work for a U.S. company in Vancouver because that is the way work is done, I do not know. But I think that change, clearly, is going to accelerate.

ANSWER, PROFESSOR DeVORETZ: I want to give you a counterpoint. We can screw you by shutting the tap off. You are not going to grow if you do not get our graduates from Shanghai, from Bangalore; that is how big your shortage is. You have to be careful here. The rest of the world is making active policies to recruit workers here, as we are about to do. We could give tax concessions to Canadians living in the United States, and they would come right back. This is a very explosive issue, and as the demand grows larger, we are going to react. We are not going to just sit there and let you take the people.

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<sup>3</sup> Open University is the world's largest university with a large part of their curriculum on-line.

QUESTION, PROFESSOR SHANKER: I think we can all agree that, unless we educators change how we teach, consistent with the things you mentioned, we will become obsolete. But what about the content? Are you suggesting that we now have to get rid of English teachers who teach literature and world history teachers who teach history? So much of your talk is about technological and scientific things. Is there going to be any room in the universities in your world for the liberal arts that we used to think were central to universities?

ANSWER, DR. VAN ERDEN: I think there is clearly a need to have liberal arts. The Chief Financial Officer (CFO) from Harcourt Brace, which is one of the leading book publishers in the world, was on the board of the National Alliance of Business; an institution that I just left. I was down in Austin last summer talking to him about their market futures, and he said to me, do you know what we have done in the last year? They had acquired twenty-nine new companies. He said that the interesting part about all of it is that all twenty-nine of them reside in Silicon Valley. They now have the ability to deliver content directly to the consumer. Then he paused and asked, why do we need the middleman?

Regarding content, whether it is English literature or any of the other social sciences, our need for those subjects is not going to go away. They are part of the learning environment. You need to understand those subjects to be a well-rounded person. But, are you going to go to a university and sit in a classroom and have someone teach them to you, or are you going to learn that content in a virtual classroom or in a distance learning course? The other part that I think is more important is the ability to learn in a contextual environment, to have the knowledge delivered to you so that you can use it when you need it. People learn much better in that kind of environment. In a traditional four-year college environment, you are getting four full years of material coming at you. But, if you change that dynamic into modules of information, whether it is in English literature or whatever, it teaches you how to learn, and it comes to you when you are ready to do something with it.

Somewhere between that model and the classroom model, there is a very powerful way to educate people over a lifetime, and technology just changes that dynamic. I am not against content or social science at all. I just believe that the delivery mechanism and learning mechanism is fundamentally going to change.