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Discussion Following the Remarks of Mr. Carl Beigie

Discussion

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Discussion Following the Remarks of Mr. Carl Beigie

QUESTION, Professor King: I had a question to start the ball rolling. We have countries, for instance, such as France, that say the U.S. is going to be the great name in electronics or certain other industries. In terms of the world, some countries have said that the U.S. cannot be everywhere; therefore it will focus on certain things. Is this approach feasible for Canada in terms of the world future, or do you find the French approach, with concentration focused on being at the top of certain industries more feasible?

ANSWER, Mr. Beigie: They make sure that they are at the top of the world. You can pick all the winners you want and you can pour money down the tubes in all kinds of ways. My problem is that I am not a big fan of picking winners. I am a fan of supporting winners. The trouble I have in Canada is that we tend to tax the people who do well and subsidize the people who do bad. I'm not so much for picking winners. I'm just not for picking losers, which is really it in a nutshell. To me, Japan is a better example than France and I'll come to Japan in a minute. The trouble is that if it's interesting, one of the big guys is going to pour money into it and they are going to kill us in terms of how much money they have in comparison to what we have.

The issue that is a tough one and which I still haven't figured out is whether or not the Japanese have found some magic solution. In my view, Japan's magic solution is having, for a long period of time, a grossly undervalued currency and rigid control over the flow of capital, which is largely cultural, but institutionally related. Those are the two big things and, quite frankly, the American experience right now is "supply-side" economics. It is the Japanese who supply and the Japanese who also pay for it. That is what is happening. The Japanese are giving the United States fifty billion dollars in terms of a trade surplus, and we say, "whoops." Then what the Japanese do is turn around and put fifty billion dollars into the treasury market of the United States and it's all paid for. Everything is "hunky dory." The problem is that you are getting to sound like Canada in terms of increasing the indebtedness that you have to the rest of the world and not worrying much about it.

QUESTION, Professor King: We talked about the economies of the U.S. and Canada. Is it feasible or is it remote to consider having a joint type of planning, that is, joint planning on the North American continent where Canada and the U.S. have a certain participation in the trade?

ANSWER, Mr. Beigie: We have an integrated approach right now. You decide and we suffer. I'm serious. You decided that you were going

to run a massive trade and a massive budgetary deficit and you decided that your interest rates in real terms were going to go through the roof and we accepted. We had no choice.

The only thing that we could do is close our borders to capital movements and that would be silly. There are joint projects that I think could be quite exciting — transportation, for example. It is kind of silly to have a lack of effective integration on a governmental level, although we have it very effectively at a private sector level; an example is the telecommunications network that exists between the two countries. If Eric or Tom Currens or Simon Reisman were here, under a different hat, there would be a great opportunity to agree on a joint venture for getting water from Canada to the United States. That would really put the cat among the pigeons.

The trouble with that is that Canada would be foolish if it did not ask for a high price for any water that we did sell because there would be serious costs to Canada of becoming a long-term supplier of water. My view is that the price we would ask would be probably one cent below the opportunity cost of desalinating ocean waters for supply in the U.S. and I think the Americans would be ticked off at that. However, if Canada did not do this, I think Canadians would be ticked off at them. Therefore, my own view is let's leave water out of it. Our water flows north, but you want it in the south. I just keep saying we'll tilt the axis and everybody is quiet.

QUESTION, Mr. Wright: I was just wondering, why, on the strategic option, you put the free-trade option as one component and the internal strategy as the other component? That is, why do you see these two things as mutually exclusive?

ANSWER, Mr. Beigie: I don't. My own view is that you need, as a strategic approach, to be in a position where if the United States says no, you can accommodate it quite easily. I am really focusing on an infrastructural approach. This is where I differ from many of the advocates of an industrial strategy. I really feel strongly about Canada doing better what it already does well. For example, I think we should have a goal, as a country, of having the world's best telecommunications network: a first class transportation system for goods and people, a world class health delivery system, and most important, an outstanding education or skill-enhancement system.

I would then optimize the effective use of our arable land — a job which we have done terribly. Next is to maximize the net worth contribution of whatever nonrenewable raw materials we develop and to secure, over time, energy supplies to Canada at prices no higher than the world level. I would build policy on that kind of base and then would tie in things like competition policy and labor market policy.

The trouble is that there is a tendency to say, "Let's have an industrial policy." For an industrial policy, you must think through exactly

what you are trying to achieve. What I'm trying to achieve is from an economist's view; that is, maximize your extra knowledge. The trouble is that as soon as I say, for example, "transportation system," people say we have to have a Canadian car. That's not my view. I think we should buy the product where it is best and cheapest to buy; and if we get those kinds of infrastructural developments sorted out, it's my judgment that the rest will follow. That's a quick answer to a penetrating issue.

COMMENT, Mr. Robinson: You mentioned telecommunications at one or two stages. You mentioned infrastructure. It seems to me that telecommunications, plus information, however you want to define it, is the new infrastructure for trade.

ANSWER, Mr. Beigie: That's right.

QUESTION, Mr. Robinson: I've been seeing, recently, two separate groups comprised of the trade people on the one side and the telecommunications people on the other—and they are not talking to each other. Neither the trade people nor the telecommunication people understand what is happening in regard to where the technology is taking us. Furthermore, the telecommunications people don't have a clue about the nitty gritty of trade. How do we get those two together and get them talking?

ANSWER, Mr. Beigie: We don't have to. Something will, however, because, in effect, telecommunications networks will play essentially the same economic role that railways played in the late nineteenth and most of the twentieth century.

The fact that a way hasn't been figured out to be there first and make the money that is to be made is our problem, but somebody will be there. It will not be long and there will be a realization.

That is why I believe that eventually markets will do these things. If we just had a little bit of sense about these things and sat down for a couple of days and talked about it more clearly, then we would be in a position to be there early, rather than late.

Very briefly, I am doing a very interesting advisory project for the government on the use of hydrogen as a fuel for the future. I don't know when in the future, but for Canada, it gives us a second chance at something that wasn't followed through in the past: electricity.

We were one of the first out there in electricity and look what we have gotten out of the development potential of electricity. Very little. What we have to do, it seems to me, is to take some risks. Rather than spending money to keep the people in business who ought not be in business, we should be putting smaller amounts of money into these businesses so that we could buy with smaller amounts and, thus, insure any promising opportunities. We would not be picking winners, but, instead, making sure potential winners at least got through a threshold level that would enable them to have a chance.

