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Better education is the answer to Trump's misguided retro road trip

By BARRIE McKENNA

High-cost, low-skilled work not coming back to the U.S. rust belt or to Ontario, Canada's manufacturing heartland

Donald Trump lifted the lid on a cesspool of anxiety in 2016 among people left behind by globalization, technological change and rising inequality.

Unfortunately, he's got the solution all wrong.

High-cost, low-skilled work is not coming back – not to the U.S. rust belt, and not to Canada's manufacturing heartland of Ontario. Taking the United States on this misguided retro road trip – by closing borders, raising tariffs or punishing global companies – will come at a huge economic price. And it will inevitably fail.

But governments and companies should not ignore the essence of the problem. The key to helping people left behind by wrenching economic upheaval is to help them adapt, and change. Ensuring that the next generation is not lost will require a massive re-commitment to education and training, at all levels.

It will mean encouraging the best and brightest to pursue higher education, while also finding ways to lift up marginalized and disadvantaged groups, including aboriginals, immigrants and the poor.

"Inclusive growth will require increasing the skills of Canadians, especially those who are now in the lower part of the skill distribution," economist Alexander Murray of the Centre for the Study of Living Standards argued in a new report for the federal government. "Policies to promote lifelong learning must ensure equality of access for all segments of society."

Federal Reserve Board chair Janet Yellen took a subtle poke at Mr. Trump's economic remedies with a passionate appeal for better education in a mid-December speech to graduating college students in Baltimore, Md. She said education, and particularly higher education, is the key to helping people adapt to the changing economy.

"Like technological change, globalization has reinforced the shift away from lower-skilled jobs that require less education to higher-skilled jobs that require college and advanced degrees," she told students. "The jobs that globalization creates in the United States, serving a global economy of billions of people, are more likely to be filled by those who ... have secured the advantage of higher education."

But it's not just about cranking out more students with science, technology, engineering and math, or STEM, degrees. As Mr. Murray pointed out in his report, it's about fostering much broader abilities, including basic literacy and numeracy skills, problem-solving, critical thinking, creativity, management skills, entrepreneurship and risk-taking.

"A wide variety of skills and talents play a role in an innovations system," according to the report, prepared for Innovation, Science and Economic Development Canada. "Not everyone has to have a STEM PhD in order to participate in an inclusive innovation system."

Of course, doing all these things better is not a guarantee that some people won't still be left behind. Technology is rapidly working its way up the chain of skills in sometimes unpredictable ways, wiping out entire classes of work and moving into areas once thought unimaginable.

For centuries, the workers unbound by new technology have tended to find more productive pursuits, contributing to higher living standards for everyone. But Mr. Murray says that pattern is getting more difficult to replicate as "technology takes over highly complex tasks, such as driving, medical diagnostics and speech recognition, once thought to be beyond the capabilities of machines."

Central banks may also be unwittingly accelerating the shift from people to machines by cheapening the cost of capital with ultra-low interest rates. Ottawa economist Dan Ciuriak, a former deputy chief economist at Global Affairs Canada, argues that the cheap money policies since the 2008-09 recession have badly distorted the relative cost of capital and labour.

"Simply put, as interest rates go to zero or below, the relative cost of labour goes to infinity," he explained at a recent C.D. Howe Institute event in Ottawa. "No one will hire a worker when they can hire a machine, if the carrying cost of the machine is nil in real, risk-adjusted terms."

This all makes the skills challenge more difficult, and expensive.

But the legacy of Mr. Trump's victory and the Brexit vote should not be more walls.

The takeaway for Canada in 2017 and beyond is that the antidote to the problem of displaced workers is education, not protectionism.

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