

The 1st Annual Lawrence Distinguished Lecture In Policy and Management

Strengthening The Canadian Advantage:

FOSTERING PRODUCTIVITY THROUGH SOUND PUBLIC POLICY

Dr. Kevin Lynch



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Message from the Chair

THOMAS D'AQUINO

The Lawrence Centre at the Ivey Business School aspires to be at the cutting-edge of thinking about the nexus between public policy and business strategy.

In February of this year, the Centre hosted the inaugural Lawrence Distinguished Lecture in Policy and Management. Delivered by a distinguished personality in the service of the Government of Canada, Kevin Lynch, the lecture addresses issues critical to Canadian competitiveness. Dr. Lynch's presentation sets a high standard for future lectures that will offer fresh and provocative ideas from leaders in the world of politics, business, academe and the media.

The Lawrence lecture series is an important component of the Centre's overall mandate: to advance thinking, research and action in the interdependent domains of public policy and business strategy. In sharing Dr. Lynch's ideas with our readers, we trust that you will be both inspired and motivated to take notice of our work and to support our endeavours.



Thomas d'Aquino is a lawyer, entrepreneur, author and strategist. He is Chief Executive and President of the Canadian Council of Chief Executives (CCCE), a non-partisan, not-for-profit organization composed of the chief executives of Canada's leading 150 enterprises. Mr. d'Aquino's career combines experience in government, business and law. Mr. d'Aquino received his B.A., LL.B, and LL.M degrees from the Universities of British Columbia, Queen's and London (University College and the London School of Economics). He also holds an Honorary Degree of Doctor of Laws from Queen's University and Wilfrid Laurier University. He is the co-author of *Northern Edge: How Canadians Can Triumph in the Global Economy*.

Message from the Director

DIANNE CUNNINGHAM



The Lawrence National Centre for Policy and Management invited Dr. Kevin Lynch of the International Monetary Fund to give the inaugural Lawrence Distinguished Lecture in Policy and Management. Dr. Lynch's lecture, entitled *Strengthening the Canadian Advantage: Fostering Productivity Through Sound Public Policy*, focused on Canada's policymaking processes and highlighted the pressing need for business and government to come together to create dynamic public policy.

Our annual lecture provides an important public forum for the debate of significant issues that affect our country's competitiveness. These lectures are part of the Lawrence Centre's strategy to bring leaders and future leaders together. With demonstrated expertise, well-articulated views and commitment, impressive progress can be made.

Dr. Lynch's thoughtful presentation motivates us to provide all opportunities to engage more fully in public policy-making. As the inaugural lecturer Dr. Lynch provides a significant base upon which future debates and discussions can be built.

Dianne Cunningham brings to Ivey over 30 years of experience in education and government affairs, most recently as Minister of Training, Colleges and Universities and prior to that as Minister of Intergovernmental Affairs, Minister with Responsibility for Women's Issues, Chair of the Council of Ministers of Education – Canada and Member of Provincial Parliament for the riding of London North Centre. Her experience in government and education builds on the Centre's efforts to further public policy research.

The Lawrence Distinguished Lecture in Policy and Management

"This Centre will become a strong advocate for sound policy that will ensure a powerful Canada."

With those words, Jack Lawrence, HBA '56, announced his generous gift to the Richard Ivey School of Business, creating the Lawrence National Centre for Policy and Management, an expansion of the National Centre for Management Research and Development.

The Lawrence Centre is committed to the development of sound public policy by providing a national forum for business, academia, and government to think globally, act strategically, and contribute to the societies in which they operate.

The Lawrence Distinguished Lecture in Policy and Management is an annual event honouring leaders that embody the Lawrence Centre's mission to develop a forum for business and academia to work with government and to actively participate in public policy issues, not only for their own benefit but for the greater good of the entire country as a competitor in a global marketplace.

In the early 1970s, Jack Lawrence began to develop a strong interest in public policy and became active in the Business Council on National Issues (now called the Canadian Council of Chief Executives). Lawrence believes that managers, especially those in the middle ranks, often neglect public policy and government relations, failing to grasp their importance in any business environment. Business schools have a critical role to play in introducing their students to this key component of strategy.



Lawrence believes that business must learn to work in collaboration, rather than in confrontation, with government. This would strengthen the quality of public policy decisions, and ultimately lead to better economic results. "If we could really achieve more cooperation between government and business, we'd see a quantum leap in economic performance and productivity."

The Lawrence Centre realizes Jack Lawrence's vision to see all stakeholders actively engaged in the development of public policy—not only government and business, but also labour, the media and members of the electorate. An academic environment like the Lawrence Centre is the ideal place for them to meet on neutral ground and explore issues of national importance. "If we could just get the great minds from every sector together in a room to address a problem like improving productivity, then we could get some real progress...And there's no more logical place to do it than Ivey."

The Lawrence Centre Advisory Council

Jalynn Bennett, *President,*

Jalynn Bennett and Associates Ltd.

Jalynn has participated in consultative initiatives and strategic planning in both public and private sectors.

Donald W. Campbell, *Group President,*

CAE Corporation

Donald has many years of distinguished service with Canada's Department of Foreign Affairs and International Trade.

Kevin Chan, *Analyst,*

Privy Council Office, Government of Canada

Kevin has worked as an advisor to the Government of Nunavut, Assistant to the Chairman of the Canada Industrial Relations Board and as a management consultant.

W. Edmund Clark, *President and CEO,*

TD Bank Financial Group

Ed has had a distinguished career in business and government, and was appointed President and Chief Executive officer of TD Bank Financial Group in 2002 after holding senior roles at TD and CT Financial Services.

Jim Dinning, *Chairman,*

Western Financial Group

Jim has held senior corporate roles in TransAlta Corporation and several key positions during his 11 years as a member of the legislative assembly in Alberta, including his service as provincial treasurer.

Blake Goldring, *Chairman and CEO,*

AGF Management Ltd.

Blake joined AGF in 1987 with responsibility for its Japanese and Asian portfolios. Holding several senior roles, he was named President and CEO in 2000, and in 2001 he was also named Chairman and CEO of AGF Trust.

Thomas Kierans, *Chairman,*

Board of Directors,

Canadian Journalism Foundation

Thomas holds a number of Chairmanship roles that foster cooperation and understanding between leading public and private organizations and the media.

Jack Lawrence, *Chairman and Founder,*

Lawrence & Company

Besides his current position, Jack is a director of a number of public and private companies. His vision and passion for the importance of ongoing public policy discussion in Canada led Jack to make a major donation to Ivey to establish the Lawrence Centre.

Rebecca MacDonald, *Chair and CEO,*

Energy Savings Income Fund

Rebecca is one of the founders and current Chair and CEO of Energy Savings Income Fund and has funded the recently opened Rebecca Macdonald Centre for Arthritis Research at Toronto's Mount Sinai Hospital.

Jeffrey Simpson, *Columnist*

The Globe & Mail

Jeffrey is The Globe & Mail's national affairs Columnist, a multiple winner of Canada's leading literary prizes, and an Officer of the Order of Canada.

Carol Stephenson, *Dean,*

Richard Ivey School of Business

Carol brings more than 30 years of progressive experience in marketing, operations, strategic planning and financial management to her role as Dean of Canada's premier business school.

The 2005 Lawrence Distinguished Lecturer in Policy and Management

DR. KEVIN LYNCH

Dr. Kevin Lynch is currently Executive Director for Canada, Ireland and the Caribbean at the International Monetary Fund. Prior to joining the IMF in 2004, Mr. Lynch was Deputy Minister of Finance in the Government of Canada for five years. Following his Ph.D., he was a research economist with the Bank of Canada. In 1981, he began working for the Department of Finance and worked his way through the ranks, holding a number of senior positions in the department. In 1992, he joined the Department of Industry, and became Deputy Minister in 1995.



Mr. Lynch is known in all his positions as an exceptionally hardworking and dedicated public servant. As Deputy Minister of Finance, Mr. Lynch was involved in a number of the deficit and debt reduction policies that led to the current budget surplus in Canada. Mr. Lynch was an ex officio director of the Bank of Canada Board of Directors and the Canada Deposit Insurance Corporation Board of Directors. He has also chaired and organized various conferences dealing with policy issues ranging from corporate governance, productivity, research and innovation.

Born in Cape Breton, Nova Scotia, Mr. Lynch graduated with a B.A. in economics from Mount Allison University. He received a M.A. in economics from the University of Manchester and holds a Ph.D. in economics from McMaster University. Kevin Lynch is married with two children and resides in Washington.

INTRODUCTION

I would like to begin with a special thanks to Jack Lawrence, Carol Stephenson, and Dianne Cunningham for the invitation to speak tonight to the Advisory Council of the Lawrence National Centre for Policy and Management at the Richard Ivey School of Business.

I would like to focus my remarks on the importance of public policy for our economy

and society; the importance of business voices in the articulation of that public policy; and, the importance of improving the dialogue between government and business in developing Canadian public policy. In any strategy about improving the dialogue between business and government, let us not forget that government is not just federal, but also provincial, increasingly municipal and frequently, international.

CONTEXT

Clearly these are issues that many business leaders “get”, in all their myriad dimensions. As Jack Lawrence stated in *Ivey intouch* (Winter 2004): “If we could really achieve more cooperation between government and business, we’d see a quantum leap in economic performance and productivity”. I wholeheartedly agree, but would argue that enhancing this dialogue is not a uniquely Canadian problem, and indeed, dealing with it well may become a potential advantage.

And, it is equally clear that a number of business leaders are willing to commit their time, drive and energy, experience and resources to help bridge this gap, not just worry about it. The Lawrence National Centre for Policy and Management at the Richard Ivey School of Business is such an example, and has the potential to make a real difference. There is before you a “clear and present opportunity.” Let me start in typical Canadian fashion and focus on the downsides of embarking on the enterprise of bringing business voices more fulsomely into public policy making.

Some in business might argue that putting in

the required effort may be noble but ultimately, a waste of energy: government – politicians and bureaucrats alike – really won’t listen to business. And anyway, there is no common basis for such a dialogue—they’re from Pluto and we’re from Jupiter. And, in true Catch 22 logic, even if we found some better way to dialogue together, how much difference would it make anyway? Finally, everyone would probably wring their hands that this government-business gap is a uniquely Canadian failure.

But these are self-defeating arguments and, I strongly believe, wrong on all accounts. For example, think of the times when Canadian business has come forward with clear and well-articulated views, with demonstrated expertise on specific economic policy issues, and engaged government on a sustained basis: impressive progress was made. These examples include financing the war effort (1941-45); the Auto Pact (1963-65); the Free Trade Agreement (1986-88); NAFTA (1991-93); low inflation/inflation targets (late 1980’s); the deficit (first half of 1990’s); and tax reductions (2000).

These were pivotal policy issues. They were complex, required in-depth research and analysis and called for new thinking: and, business contributed to all of this. There was sustained and focused engagement by all. This engagement was marked much more by the development of a common understanding

of the problematique than any consensus on the right course of action, but acceptance of the diagnostic led to acceptance that the status quo was not tenable and hence widespread agreement that some action/change was needed. And the broad engagement of many voices certainly made a difference.

PUBLIC POLICY MATTERS

Let me use the public policy change in attitudes with respect to the deficit in the mid 1990's as an example of both what is possible and what it takes. In this regard (for example, refer to Appendix 1), you get a sense of the fiscal challenge in 1995 by revisiting The Wall Street Journal editorial of January 1995, which provided a rather vivid description of this challenge.

And, in 1995, the federal government acted, after 27 years of deficit, and in a more substantial and comprehensive manner than most expected. Why? The public debate, the research, the government-business dialogue, and the pressures from global capital markets were all factors that created the requisite conditions for this action, namely the general acceptance that the status quo was untenable. There was not consensus on what precisely should be done but consensus that something significant had to be done.

With the context created, the government led, and business supported the action, as did the public. And not only did it work, it really worked! There was a dramatic improvement in total government sector balances between 1995 and 2004 (Appendix 2), and this

improvement is equally dramatic compared to other G-7 countries.

Equally impressive was the improvement in debt burdens (Appendix 3) because we were willing to hold to the new course on a sustained basis (8 consecutive surpluses). Canada has gone from the fiscal laggard of the G-7 to the fiscal standard-setter of the G-7 in less than a decade. And, this fiscal improvement helped lead to significant economic improvement in Canada (Appendix 4), with the real standard of living of Canadians up 23 percent since 1997. This demonstrates that good fiscal policy is not an end in itself but a means to the end of a better standard of living. This graph helps explain why Canada developed such a strong public consensus to “stay in surplus”.

Finally, improving the underlying fiscal structure contributed to improving Canada's longer-term balance of payments position (Appendix 5), something the U.S. has trouble grasping. As a consequence, our net foreign indebtedness is now the lowest in 50 years—lower than the U.S. for the first time in our history.

The bottom line is public policy choices matter, and broad engagement in their development should lead to a better product and

hence outcome – basic contestable markets theory.

LOOKING AHEAD: ENGAGEMENT IN PUBLIC POLICY PROCESS

Notwithstanding this progress, the challenge before us is forward looking: how to build a high-productivity, globally focused, knowledge-based, economy and society for the 21st century.

To effectively engage in economic policy development dialogue on a sustained basis, business participants need a core paradigm. Anecdotes are not a substitute for analysis; lists of desired policy changes are not a substitute for an underlying policy anchor.

An illustrative economic policy paradigm (Appendix 6) to strengthen Canada's advantage, reflecting key aspects of Canadian public policy since the mid-1990s, would suggest that competitive macroeconomic frameworks are a necessary, but not sufficient condition for success. Countries also need competitive microeconomic frameworks. And, reflecting recent policy research, it suggests that the key microeconomic elements are innovation

(ideas advantage), human capital (people advantage) and international frameworks (global advantage). Furthermore, in a globalized world, the context is not only domestic but international: how does domestic policy relate to what our competitors are doing in terms of developing their economic policies and strategies. As Tom Friedman said in *The Lexus and the Olive Tree*: "If globalization were a sport, it would be the hundred meter dash, over and over and over."

Hopefully this helps provide some context for how the Ivey School of Business and the Lawrence Centre can help get stakeholders, not only government and businesses, but civil society, labour, academe, and media, more actively involved in the development of public policy. The next question to address is what matters in the public policy development process, and how can business and business schools better contribute.

ECONOMIC POLICY DEVELOPMENT: WHAT MATTERS

What are some of the key aspects of the economic policy development process? Do they provide any possible guidance to where the Lawrence Centre might focus its energies? And, buyer beware—in economics you get what you pay for—and this advice is free.

I would start with productivity. To state the obvious: productivity performance matters fundamentally to a country's future. Somewhat less obvious is the fact that productivity performance is as important to a social agenda as it is to an economic agenda because it sets the standard of living of a country.

The evolution of productivity performance in both Canada and the U.S. since 1950 has been a varied one (Appendix 7). Both countries experienced a long-term decline in productivity growth, but the extent of the decline was much greater in Canada, particularly in the 1980s and the first half of the 1990s. In the U.S., productivity growth rebounded throughout the 1990s, and over the last 8 years is effectively back to the levels of productivity growth that drove the U.S. economy in the 1950s and 1960s. In Canada, on the other hand, the productivity rebound came in the second half of the 1990s, along with our improved fiscal performance. However, over the 1997-04 period, improved productivity growth in Canada, while high by E.U. or Japanese standards, was significantly less than the U.S.

What does the economist's concept of productivity mean to individual Canadians? Effectively, it sets their average standard of living, now 5th in the world. Much better than a decade ago when Canada wasn't in the top 10, but still 16 percent behind the U.S., our major trading partner and competitor.

Closing the productivity gap would be good for business, clearly, but also for individual Canadians, both directly and indirectly as it would increase governments' ability to pursue redistribution objectives given the larger tax bases it would provide. As an illustration only, what would it take to close this productivity gap with the U.S. in, say a decade? It would mean that Canadian productivity growth would have to average 2 percent per year higher than the U.S. for 10 years. Assuming the U.S. sustains 2.25 percent trend productivity growth this would require average Canadian productivity growth of 4.25 per-

cent, the highest we've experienced since the 1950s.

Now, to pursue this illustration, if improving long term productivity growth is a key "outcome objective", then public policies matter, at all levels of government, and not just the public policies and corporate strategies we set here in Canada. This is a complex challenge, very much in need of the collaborative approach between all sectors (government, business, academe, labour, media) that Jack Lawrence set for the Lawrence Centre when he envisaged it as "the ideal place for [them] to meet on neutral ground and explore issues of national importance."

Today, on the basis of international collaborative research led by the OECD and IMF (Appendix 8), we know a lot more today about what drives growth (i.e. human capital; physical capital; R&D; trade exposure; tax burdens; and inflation) across a broad range of national economies and systems than we did a decade ago. But, this research is typically aggregate in scope, and economic in nature, and much more micro analysis of what drives competitiveness at the firm and sectoral levels is needed—and business schools can contribute much more to this endeavour. A couple of possible areas (Appendices 9 and 10) for greater business school research and business collaborative engagement are innovation and education.

In the new knowledge economy, ideas matter. And many countries and business sectors continually invest in R&D and technology and capital. An illustration of why it matters: at the turn of the last century the average market lifespan of a new product innovation was 18 years, today it is less than a year.

But, if R&D really matters, why is Canada lagging, particularly Canadian business sector R&D investment? In 1997, helped by collaborative interactions between government and academe, Canada made huge re-investments in post-secondary research. We went from out of the top 10 to 4th in public sector R&D as a proportion of GDP through innovative new investments like the CFI, Canada Research Chairs, CIHR, Genome Canada, Canada Graduate scholarships, the Indirect Cost program and new monies for the Granting Councils.

This progress in public R&D, unfortunately, has not been matched by progress in private sector R&D. This is a complex and critical issue worthy of business school analysis and business leader insights.

A second major area for greater collaborative work is education. In the labour force of the 21st century, knowledge-workers are the key “natural resource” of the new global knowledge economy; again, a very complex micro-economic issue where diverse analysis, perspectives, and ideas can help create a sustained Canadian advantage. A couple of illustrative statistics merely to demonstrate the richness of the issues involved (Appendix 10) are worth noting. A Canadian strength is that 43 percent of the population has a post-secondary education—the highest in the OECD. But, in a knowledge world, is less than 50 percent adequate? And, our rate of university education is less than a number of our competitors, particularly the U.S.—is this something that we should be concerned about? Furthermore, quantitative measures aside, should we be more focused on quality? Here, there is a surprisingly large range of educational attainment scores within Canada. As

well, should we be concerned with our relatively low orientation towards the sciences?

Thirdly, to state the obvious, the world matters, and matters greatly for Canada. Whether it is international trade rules-of-the-game at the WTO, international financial architecture at the IMF and BIS, international surveillance at the IMF and OECD, international development at the World Bank and MDBs, international policy coordination at the G7, these fora are important to how Canada progresses economically. It has to be taken into account in any broad based analysis and discussion of public policy.

I would flag two issues among many (Appendix 11), one indicating the huge costs of financial crises to national economies and the international system, and why global crisis prevention and preventing spillovers is so important in the globalized world of today. And the second shows the rapid expansion of Foreign Direct Investment (FDI) flows in the 1990s—part of the globalization process. It also shows that Canada did not increase its stock of inward FDI as a percentage of GDP in the 1990s, unlike most OECD countries, and this fact deserves further consideration.

Fourthly, and this is more on the “soft side of policy”, branding matters. How are we perceived as an economy? As entrepreneurs? As innovators? etc.? These perceptions (and Appendix 12 provides some, hopefully dated, U.S. perceptions) can influence positively, or negatively, our ability to attract capital, FDI and people. Countries that have been very aggressive in the U.S. at establishing new brands are Singapore, Ireland, Israel and Spain. And part of branding is networking, and here we need to ask ourselves whether

we are adequately networking with the new political-business-academic elite in the U.S. who are increasingly located south of the Mason-Dixon line and west of the Mississippi? (Appendix 13 provides a modest example of rebranding.)

Fifth, nimbleness matters more than size (Appendix 14). As Tom Friedman pointed out in *The Lexus and the Olive Tree*: “With globalization, the big don’t eat the small, the fast eat the slow.” But, are we designing corporate strategies and public policies to take advantage of Canada’s relative smallness? U.S. business strategies and policies are not necessarily optimal for a country one-tenth their size. Do we too often bemoan their greater size without focusing on the advantages of speed and flexibility that our smaller scale could give us?

And sixth, attitudes matter (Appendix 15). Based on work by Roger Martin at the Rotman School of Business, the basic question is simply: are we aiming for excellence in public policies and business strategies, or are we satisfied with “pretty good”? What are the tradeoffs between being satisfied with a bronze medal versus striving hard for gold medals? Isn’t the incremental effort required to strive for excellence more than offset by the nonlinear return from achieving excellence?

CONCLUSION

So, where does all this take us? Simply put: That public policy matters. That business sector engagement and advice matter. That business schools can play a greater role, particularly in the emerging microeconomic policy debates. That we need to think more globally, but do so rooted in our Canadian values and economic strengths. We need to be focused, to seize opportunity and be relevant.

And, that there is a pressing need for the greater engagement of more diverse voices. That is the timely vision of the Ivey School of Business and its Lawrence National Centre for Policy and Management (Appendix 16).

Thank you, and good luck.

Public policy has come a long way since the mid-1990s... the nature of the challenge

“Turn around and check out Canada, which has now become an honorary member of the Third World in the unmanageability of its debt problem.”

*The Wall Street Journal
January 12, 1995.*

...From...

1995: the challenge of crisis

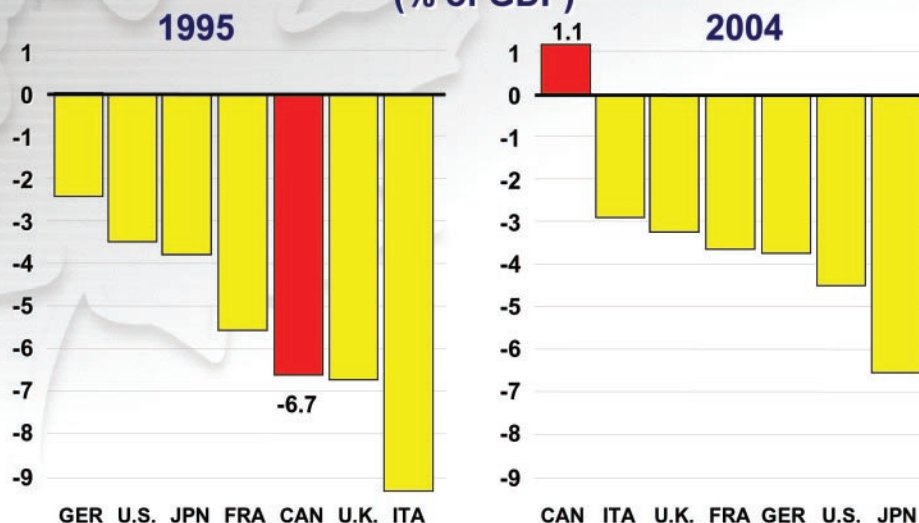
...To...

APPENDIX

1

Public policy has come a long way since the mid-1990s... from fiscal deficit to fiscal surplus

Total Government Fiscal Balances: G-7 (% of GDP)



Source: OECD Economic Outlook, No. 76, December 2004.
* Includes all levels of government.

APPENDIX

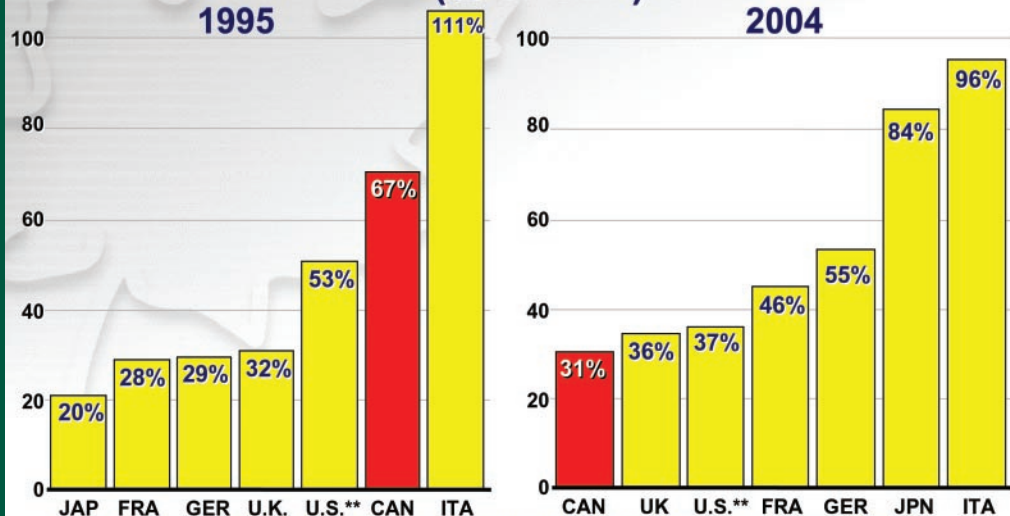
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APPENDIX

3

*Public policy has come a long way since the mid-1990s...
from rising debt burdens ...to falling debt burdens*

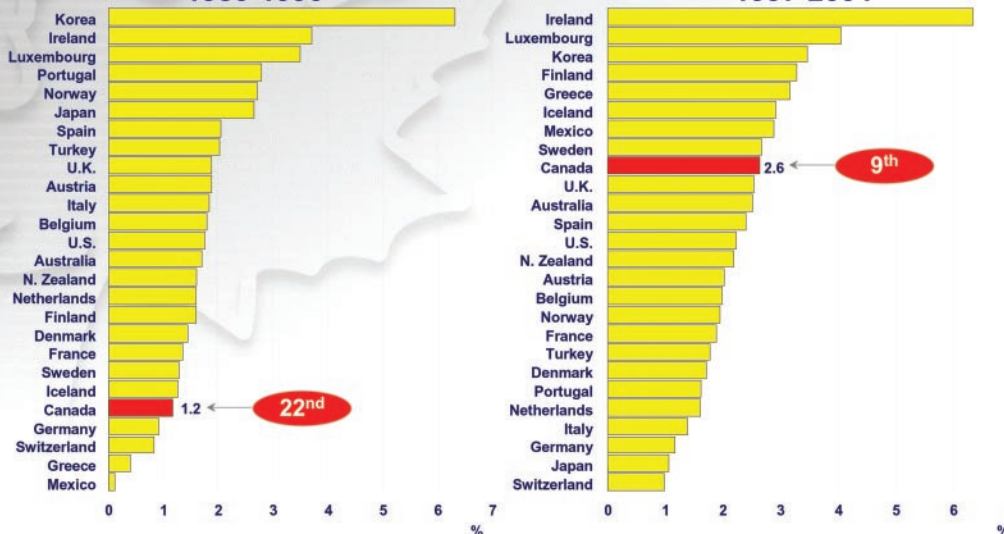
Total Government* Debt Burden: G-7 Countries (% of GDP)



* Includes all levels of government, ** Adjusted to exclude certain government employee pension liabilities to improve comparability with other countries' debt measures.
Sources: OECD Economic Outlook, No. 76 (December 2004); Department of Finance Canada calculations.

*Public policy has come a long way since the mid-1990s...
from stagnant growth in living standards ...to robust (up 23%)*

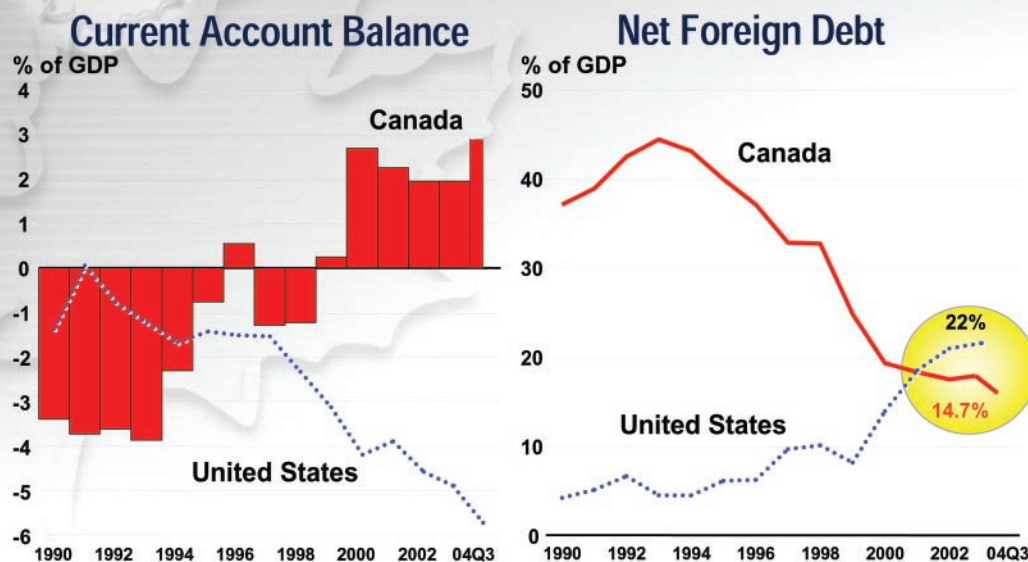
Average annual growth real GDP per capita



APPENDIX

4

Canada's competitiveness has come a long way since the mid-1990s...



APPENDIX

5

In strengthening the Canadian advantage...



APPENDIX

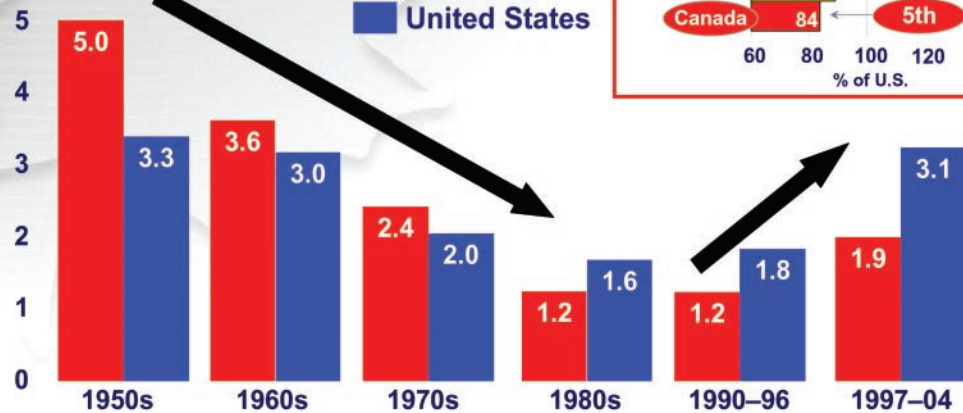
6

Productivity performance matters...

Business Sector Labour Productivity Growth*

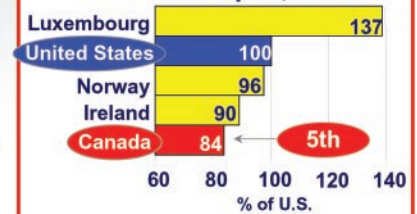
Average annual growth, %

Canada
United States



* Output per hour worked.

Standards of Living GDP Per Capita, 2003



APPENDIX

7

Growth drivers: In developing a micro agenda for productivity growth, the OECD has quantified some key OECD-wide (21 OECD countries over the 1971-1998 period) growth drivers.

"Driving Factor"	Definition of the "driving factor"	Change in the "driving factor" by:	Impact of this change on GDP per capita level in steady state	Typical change over 1980s and 1990s in OECD
Human Capital	Average years of education	+ 1 year	4%-7%	+1.5 years in G-7
Physical Capital	Private non-residential investment (% of GDP)	+ 1% point	1.3%	Variable
Research and Development	Business R&D (% of GDP)	+ 0.1% point	>1.2%	About 0.1% point
Trade Exposure	Avg. of Exports/Imports (% of GDP)	+ 10% points	4%	About 10% points
Tax Burden	Government Revenue (% of GDP)	+ 1% point	(0.6%)-(0.7%)	About 1.5% points
Inflation Level	Final Consumption Deflator	- 1% point	0.4%-0.5%	About 4% points
Inflation Variability	Standard Deviation	- 1% point	2%	About 2/3% points

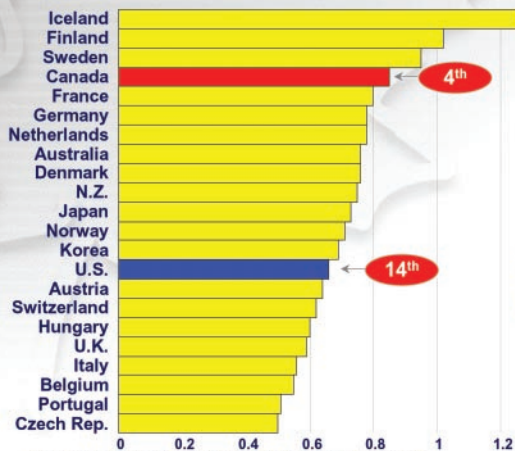
APPENDIX

8

*In the new knowledge economy, ideas MATTER
...and, winning countries and business sectors
continually invest in R&D and technology and capital*

Public Sector* R&D Expenditures (% of GDP)

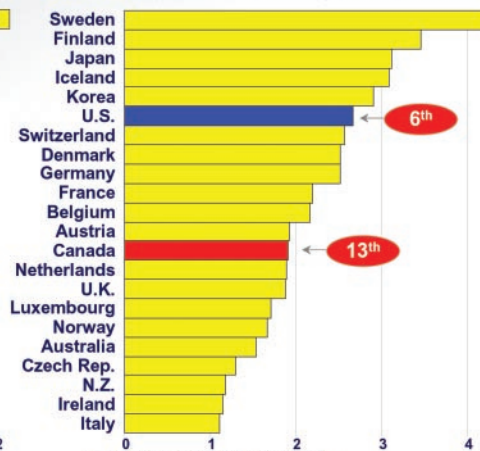
2002, or most recent year available



*Public Sector includes expenditures from government and higher education
Source: OECD Main Science and Technology Statistics 2004,
2002 or most recent year available.

Total* R&D Expenditures (% of GDP)

2002, or most recent year available



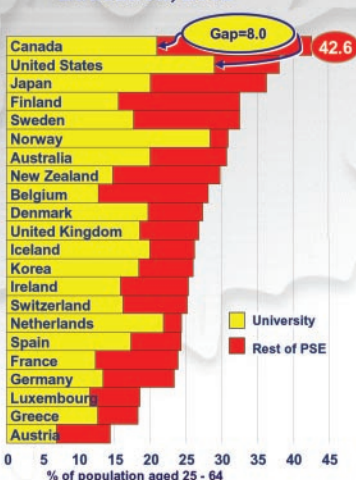
*Total includes expenditures from government, business, higher education and private non-profit

APPENDIX

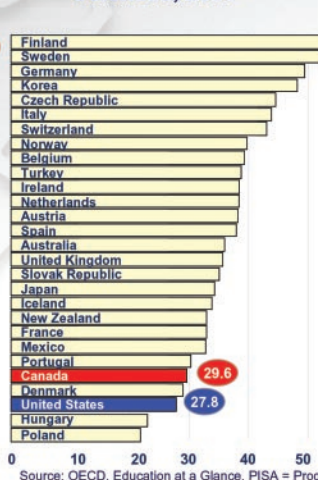
9

*In the labour force of the 21st century, knowledge-workers
are the key 'natural resource' of the new global
knowledge economy*

Proportion of Population With Post-Secondary Education, 2002



Percentage of University Graduates With Degrees in Sciences, 2000*



Source: OECD, Education at a Glance. PISA = Programme of International Student Assessment.

Average Science Score of 15 year-olds, relative to OECD, PISA 2003

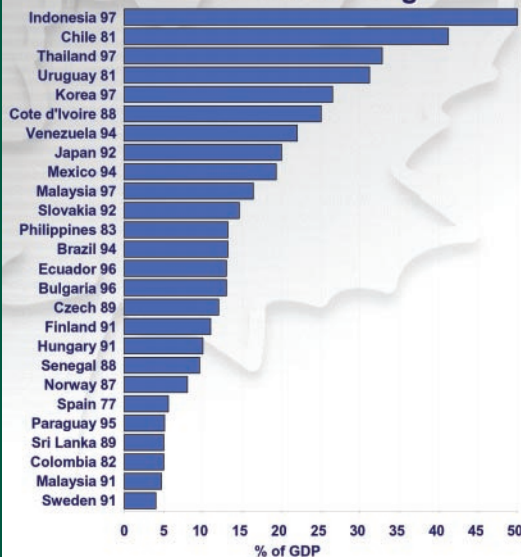


APPENDIX

10

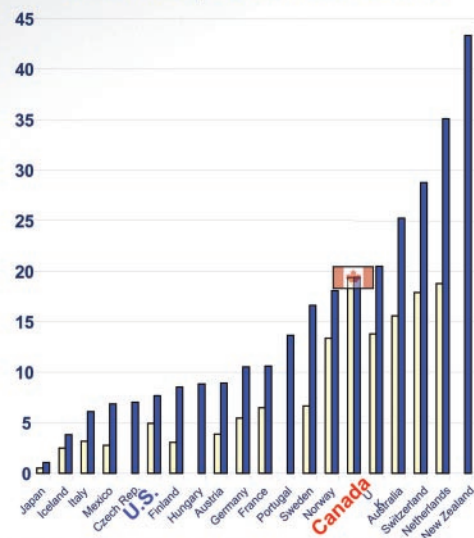
The world matters...

Fiscal costs of financial crises can be high...



Honohan, Patrick and Daniela Klingebiel, "Controlling Fiscal Costs of Banking Crises", The World Bank.

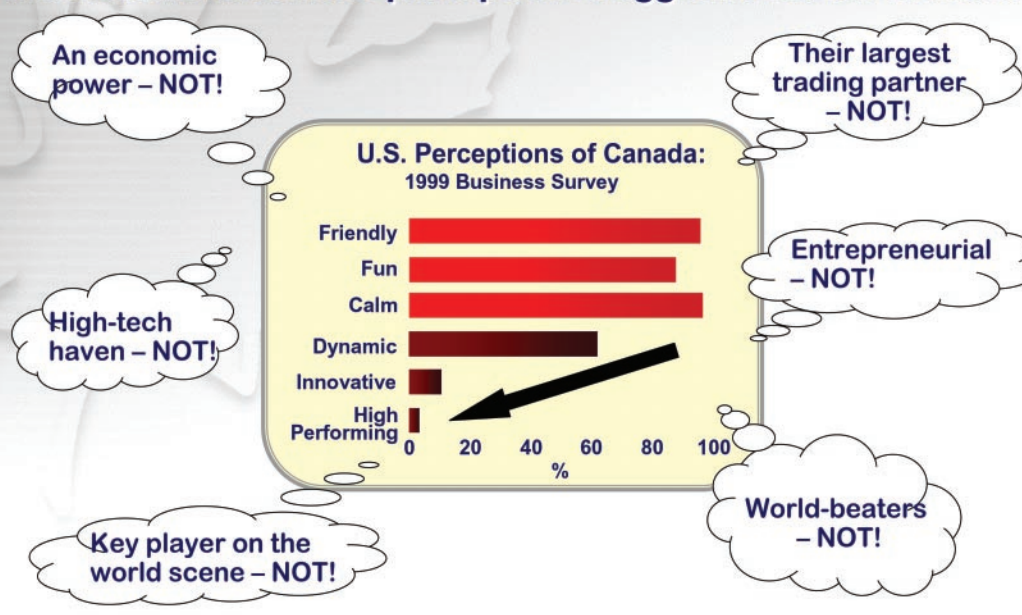
Inward FDI Position (Stock) as a Percentage of GDP, OECD Countries, 1980s and 1990s



Source: OECD, International Direct Investment Statistics yearbook 2001.

Branding matters...

International business perceptions suggest a certain brand...



Branding matters...

...but, impressions can be changed ...



APPENDIX

13

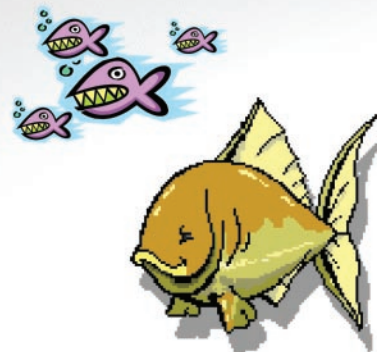
Nimbleness matters more than size...

APPENDIX

14

***"With globalization,
the big don't eat the small,
the fast eat the slow."***

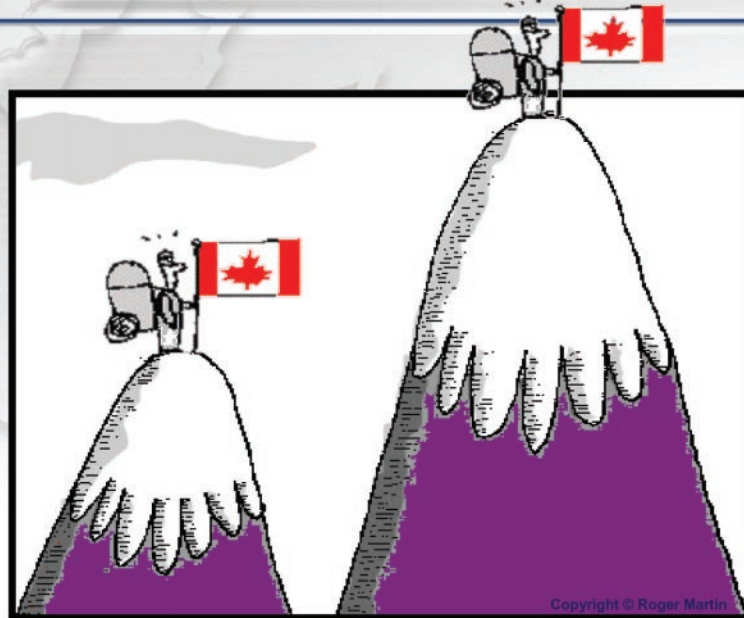
Author, Thomas L. Friedman
The Lexus and the Olive Tree



APPENDIX

15

"Attitudes" matter...aim for excellence



Business sector engagement and advice matters...

***Lawrence National
Centre for Policy and
Management can
contribute to building a
greater understanding
of public policy in the
business community,
and engagement in
providing policy advice***



APPENDIX

16

For further information contact:

**The Lawrence National Centre
for Policy and Management**

Dianne Cunningham, Director

**Richard Ivey School of Business
The University of Western Ontario
1151 Richmond Street
London, ON N6A 3K7**

**Tel: (519) 661-4253
Fax: (519) 661-3495**

Email: dcunningham@ivey.uwo.ca

www.lawrencecentre.ca

Richard Ivey School of Business
The University of Western Ontario

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