

Think-Tub Foibles and Maritime Myths

by Silver Donald Cameron

ISLE MADAME, NS –

Shed a tear for Cristian Worthington, president of Worthington Software and author of a recent squib published by the Atlantic Institute for Market Studies, a Halifax think-tub. (A think-tub is like a think-tank, but smaller.) Worthington's essay, "Government 'Help' Batters IT Industry," recycled the familiar free-market wheezes about mud-flows of government money in Atlantic Canada which hamper innovation, protect the incompetent, and greatly increase the general risk of dyspepsia. The proper policies, naturally, include lower wages, lower taxes and other initiatives which would benefit people like Worthington.

Worthington's bold manifesto appeared just as NovaKnowledge issued its 1998 Report Card on Nova Scotia's Knowledge Economy. A non-profit assemblage of 400-odd leaders in industry, government, education and culture, NovaKnowledge is "dedicated to promoting the development of a flourishing, sustainable, knowledge-based economy in Nova Scotia, enabled by information technology." Its annual Report Cards reflect substantial research, often commissioned by NovaKnowledge. This one focussed on Nova Scotia's global competitiveness. Its findings extinguished poor Worthington.

For instance, 92% of Nova Scotians -- like Worthington -- think their province is heavily dependent on federal transfer payments. "This reputation is 20 years out of date," says NovaKnowledge. Federal program spending in Nova Scotia runs about 10% of Gross Domestic Product, the lowest since the 1950s. Since 1992, the province has had Canada's lowest level of federal-provincial business subsidies. Transfers to individuals are down, too; for instance, the province's current EI premiums roughly balance its benefits.

In the past 10 years, Nova Scotia has shucked 8600 public-sector jobs and added 43,000 in the private sector. In 1997-98, it had the nation's highest rate of full-time job creation, equal to Ontario's. The jobs aren't just in Halifax, either. Between 1993 and 1997, despite declines in coal, steel and fishing, Cape Breton added 6000 jobs, according to Statistics Canada and the Atlantic Provinces Economic Council -- a 12.6% expansion. These numbers are echoed across the province.

Why? Costs are low, venture capital is available and the workforce is skilled."A recent KPMG study," says NovaKnowledge, "shows Atlantic Canada to be the most cost-competitive region in the lowest-cost nation for locating and growing knowledge-based businesses." Salaries are reasonable, and the workforce is loyal, industrious and well-qualified. Paradoxically, salaries may actually be too low; the demand for certain skills outstrips the supply.

The quality of Nova Scotian life is also a competitive asset. Crime is low, health and education services are measurably above average, and the cost of living -- taxes included -- is the lowest on the continent. The Maritime Provinces Higher Education Commission reports that more Nova Scotians study at university level than any other Canadians. Nova Scotians also lead in computer communications use, especially in schools and libraries.

The hot industries are software and computer services, film and video, life sciences and consulting engineering. The value of film production, for instance, rose from \$12 million to \$100 million in five years. (Salter Street Films alone has a larger payroll than Sydney Steel.) Venture capital investment has risen even more steeply, from a few thousand dollars in 1994 to nearly \$35 million today. But here, too, the province faces constraints.

"The evidence shows," writes the hapless Worthington, providing no evidence, that venture capitalists "have a difficult time finding companies which are willing to sell equity in exchange for capital and business acumen" -- because government money keeps them afloat. No, says NovaKnowledge: new knowledge firms tend to be too small and too amateurishly managed to attract venture capital. The real weakness is not owners' attitudes but the shortage of seed capital to develop tiny companies until they meet the

investors' criteria.

A major impediment, NovaKnowledge concludes, is that "Nova Scotians' perceptions of our economy are running decades behind reality. It is extremely important to... present an accurate, up-to-date picture of our economy and the opportunities it offers."

Yes, indeed. Think-tubs, stifle your Worthingtons. They're part of the problem.

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