



# Dian Cohen on the new economy

## Interview by Penny Basset

*Dian Cohen is an economics communication consultant who has written and commented extensively on finance and business issues. She has authored several books and written columns and articles for many newspapers and magazines including the Financial Post and Maclean's. She also has considerable experience as an economics and business commentator on radio and television. Ms. Cohen has held a number of advisory positions and directorships. She has lectured for Ryerson Polytechnical Institute and Concordia University and has received several writing awards.*



This interview explores some of the issues raised by Dian Cohen's latest book *[No Small Change](#)*, co-authored with Guy Stanley and published by Macmillan Canada. *[No Small Change](#)* examines the evolution of Canada's industrial economy into an information economy, which revolves around the processing and distribution of knowledge, rather than natural resources.

It also looks at this country's transition to a global economy. Canadian institutions, like those of other nations, developed around the idea that a national economic region could be controlled. But today's world economy has made this notion obsolete. On average, provinces trade more goods with other countries than with each other. And exports are dependent on a number of external factors over which Canadians have little, if any, control. Canada has recently suffered through two serious recessions, which have been characterized by plant closures, bankruptcies and high unemployment. Despite these problems, however, the author feels that Canada can re-establish itself as a world-leading economy, if it

succeeds in making it through the transition period.

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**Q.** *Dian, it would be useful to our readers if you could summarize what your new book **No Small Change** is about.*

**A.** What we have tried to show with *No Small Change* is how to take a moderately competitive, low-growth, high-cost country and turn it into a world leader. Canada has a tremendous institutional drag. [\(1\)](#) Institutional drag is preventing this nation from being a world leader. It is not impossible for Canada to get a big jump on the rest of the world, because we have a lot of world class intelligence in the country. But we Canadians have to change our mind-set from what my co-author and I call our "culture of refusal" to an "embrace of change." The opportunities for Canadians now are unprecedented. We have never had such an ability to have good, comfortable lives.

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**It's a book about change-the impact of technological changes in the last quarter of the twentieth century, how our values have changed, what today's successful companies and entrepreneurs are doing and how their decisions reflect the new economy and push it forward.**[\(2\)](#)

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**Q.** *In your book you talk about the transition to an information economy. Can you explain what you mean by this?*

**A.** We all grew up in an economy where we created wealth by finding, processing, and distributing physical things. Value was added at every stage of production. The information economy does that with information. Collecting, analyzing, evaluating, manipulating, and distributing information is a wealth-creation process. Even in the manufacture of tangible goods, more and more of the value added is on the information side.

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**Q.** *Can you give me an example of this phenomenon?*

**A.** An easy one to understand is what creates the value of a car. Twenty-five years ago it was the addition of all the physical parts: the steel, the copper, the glass. Now it is the information component in

the design, microchips, and marketing that represents most of the value. That reflects the transition from an industrial economy to an information economy.

In that example, you can see the differences between industrial and information economies, but there are fundamental differences for people as well.

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**Q.** *How will the information economy affect people?*

**A.** To add value to information, people need to know how to process information: how to find it, analyze it, and manipulate it. We need an education system that teaches people how to think creatively. Our society has the concept of lifelong learning, but the institutional setting, the ability to actually do it easily doesn't yet exist.

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**... in a knowledge-based economy, people have again become assets. The more they know, the more valuable they are. When a really valuable employee leaves, the value of the company that loses him measurably declines.**

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**Q.** *Can you elaborate on the impact the information economy is having on work?*

**A.** The several hundred thousand manufacturing jobs that Canada has lost in the last couple of years is one indication of how much the world of work has changed. Those jobs will probably not come back. That is number one.

The second thing is that speed is essential in getting a product out to market. You cannot have huge layers of middle managers. This is what is behind the flattening of the management curve. If you are not adding value, you are out of business. Communicating all the way up a long chain to the CEO before a decision is made cannot be done any more because it takes too long and simply adds to direct costs. And you do not have to do it because a CEO with a computer at his or her desk has access to all kinds of information about the corporation.

We have changed what the blue-collar workers do and how many are needed to do it. We have changed what middle managers are doing and how many are needed to do that. In addition, we are creating a

society where it is much easier to be in business for oneself, because as the big structures become global they shed a lot of tasks they cannot do as efficiently as others. They then have a need for smaller companies to provide them with the services they are no longer performing themselves. And those smaller companies are flexible. It is easier for them to move quickly to fill a demand. What that really means is that we are going to evolve into workers who can no longer be marginalized because everybody will be a professional in the sense that the professional does not need the company he or she works for. You carry your skills with you, and you go where the demand is. More than that, even now, the individual with a computer and a modem has as easy access to information as big government and big corporations.

I was just in Winnipeg, and as I was coming from the airport I saw a huge sign with a picture of a sofa. It said: "Pick your style. Pick your material. 48-hour delivery." This sort of thing is called agile manufacturing. In my book, I quoted the head of Texas Instruments talking about agile manufacturing, which describes the next generation of work. This is what he said:

"Such service will be possible thanks to highly flexible robotic assembly lines that can be swiftly reprogrammed for new tasks. To speed production and aid cooperation, factories will be linked by a broadband communications clearinghouse ... which will enable them to locate suppliers and designers, and to share information, all at a keystroke.

The network will also facilitate the rapid formation of "virtual companies"-joint ventures among multiple corporate units working cooperatively to seize a market opportunity. Management will be decentralized-"self-managed work teams" will be the rule, not the exception ... and information will flow freely among R&D, shop floor and boardroom." (3)

All I am doing is projecting that concept into the future. Will it work? Sure it will work. People are creative and they will learn how to do what they have to do.

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**Q.** *What are the responsibilities of labour and management during this adjustment period?*

**A.** Labour unions in the industrial economy protected workers against companies that were becoming bigger and bigger. But that whole concept is inappropriate now because in changing the structure of work and the organization of work we now have work teams; we have people able to do a lot of different jobs. We want to encourage flexibility-not narrow specialization. People are going to want a lot of career options, and want to know how to do a lot of things. How do you deal with the job descriptions, job titles and constraints that labour unions have spent a lifetime protecting?

On the side of management, I do not think our business elites have served us well. They certainly do not put the sort of money into training that our global competitors do. They are less than transparent about

how their businesses are being run. I do not think our business elite have been very visionary.

The animosity that is felt on both sides of that bargaining table is caused by both sides. We need a team effort to change these things. There are some examples of that team effort in the steel sector and in the western forest-products sector. Management and labour together have understood the nature of the problem. Together they have said, "We have a relationship around the bargaining table, but we have a problem that is bigger than the bargaining table. Let's form another association so that we can deal with our mutual problems." In fact what they did was form one organization that, for management, dealt with the trade problem and, for labour, dealt with the downsizing problem.

They approached the government together and said: "The old institutions are not serving our purposes. We need a new structure. Can we do something experimental in our area?" Government agreed, once it was faced with both sides, instead of labour alone or management alone. Government provided money for them to evaluate skills, make suggestions for job training, put training in place, and find other outlets for their workers. I believe governments respond to demands. The demands are slow in coming because people think they are on different sides of the fence, and because a lot of these things become politicized when they should not be.

In addition, we all, labour and management, have to encourage a mindset of entrepreneurialism. The only secure job is one which adds value-so everyone, even employees, have to think of themselves as business people.

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**... our investment patterns will have to change to take into account the changing global environment. We overinvest in natural resources. We underinvest in people and ideas, especially in skills upgrading and technology.**

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**Q.** *Would you say the North American Free Trade Agreement is going to have an impact on the movement towards the information economy?*

**A.** Absolutely yes, but I would also say that the NAFTA, the FTA, all of these things are catch-up. These agreements are facilitators. Putting in place new rules is something that has happened almost after the fact that we already have free trade-in goods anyway. Information and capital flow around the world without having to stop at borders. All of these things are happening now. But these agreements are facilitating the movement.

We can already see that a lot of the heavy manufacturing jobs are being exported. This is an indication of how much Canada needs to move into knowledge-based industries. The idea that we are competing against people who make a dollar an hour is ludicrous. It is productivity that is important, and the productivity of people in some countries is really low. What we want to do is create a higher value-added product, which we are able to do because we have more of the infrastructure than less advanced regions.

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**... we're witnessing a shift from manufacture to services-but services that have information imbedded in them and allow them to behave like goods. They can be manufactured, stored, shipped, traded-except that the cost of duplication is trivial, and economies of scope are more important than the economies of scale.**

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How can we change things? If we had some agreements in place that dealt with intellectual property and with technology transfer, these would be much more inclusive than trade agreements have been in the past. We have concentrated on trading goods because that was dominant in the industrial economy; it is not dominant any more. Ten times more money is flowing around the world than is accounted for by goods. But we do not have any rules in place to deal with that.

And none of these agreements take into account environmental degradation. We are exporting manufacturing activities into countries that do not have the infrastructure and the legislation to look after the environment. What we should be doing is ensuring that a lot of the dirty stuff stays in areas where it can be managed properly, and letting the Third World have a lot of the clean, knowledge-based industries. That is an intellectual property problem and a technology transfer problem.

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**Q.** *How do you think Statistics Canada should be changing to meet the needs of the new information economy?*

**A.** I am mindful of the fact that Stats Can is among the best in the world. But I worry about the numbers and the indicators and the use to which they are put. The numbers collected are framed in Keynesian terms, and what advantage is this if it is true that there are no longer national economies? What are we doing in terms of understanding global movements? We need to begin by understanding what an information economy is, and how numbers should be collected for that. I also think there is a need for some sustainable development measures. I would like Stats Can to rethink its mandate, and its data collection priorities.

## Notes

### *Note 1*

Institutional drag refers to institutions, customs and rules that have their origins in an industrial age and the values of a bygone era. The authors feel that this "drag" is limiting our choices as we move into an information economy and global society.

### *Note 2*

This and subsequent excerpts were taken from the book *No Small Change* ([Cohen and Stanley, 1993](#)). See Preface and pp. 61, 64 and 100, respectively.

### *Note 3*

See Cohen and Stanley (1993), p. 201.

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## Acknowledgements

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## Reference

- Cohen, D. and G. Stanley. *No small change: success in Canada's new economy*, Toronto: Macmillan Canada, 1993.
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