

Thank you so much to the [Mowafaghian] Foundation and to SFU for inviting me here, and thanks to the Wosk family who had the foresight to convert this wonderful building into the Dialogue Centre. I think this is my third or fourth time here. It's a great place and I hope we do have lots of dialogue.

Usually when I give a talk at least five percent of the audience is anticipating the *real* Stephen Lewis. So I'm sorry in advance that I'm not whom you might have been expecting. But just to show you that the world is an ironic, karmic place, today, in Saskatoon where I live, the real Stephen Lewis is giving a talk on investing in children's health. So it's a little weird. I feel like I'm being intellectually stalked. [Laughter]

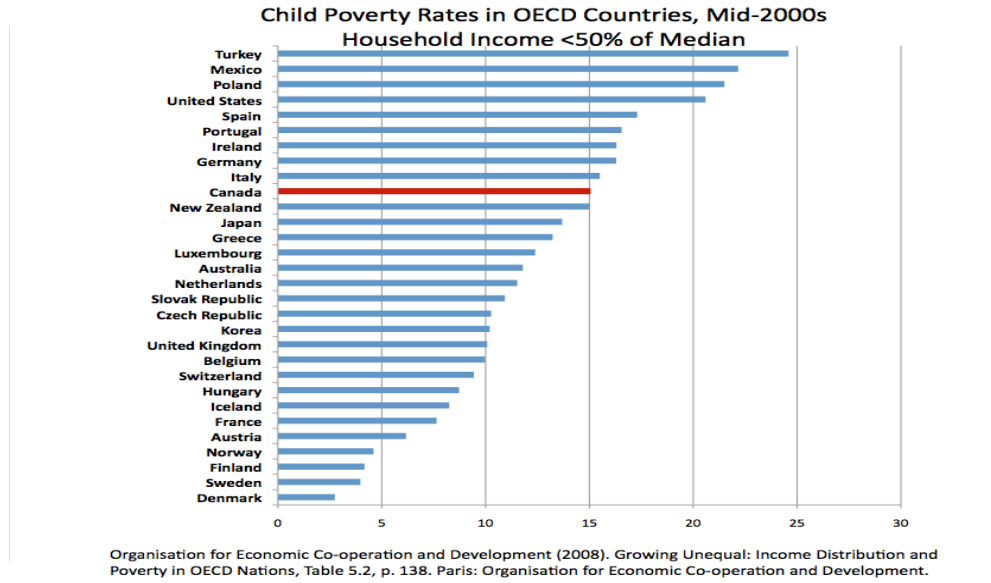
And as you can see from my title, I've lured you here under slightly false pretenses because when I started thinking about today several months ago, I came up with the title that's in the program, which does describe some of what I plan to talk about. But I realized that what I'm talking about is more public policy rather than just health policy; and I'm talking about children's *potential* rather than just children's health.

I'm a health policy consultant and health services researcher by trade, but I'm a political scientist by training and that infuses my perspective. And most of you in this room know more about children's health than I do so there's very little I can do to enlighten you on that score. The parts that I get wrong, [subsequent speaker] Patty Daly will amend later on.

But what I thought I would try to do is start a dialogue on not just children's health *per se*, but also the state of Canadian public policy and how it affects children and youth development. My definition of *children* is pretty expansive; I will go up to almost early adulthood.

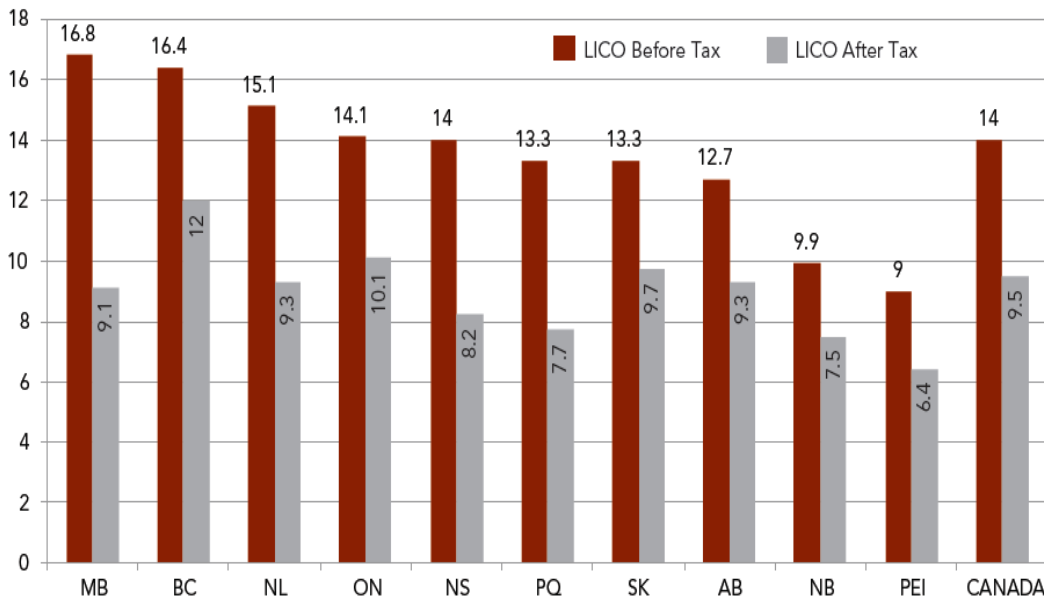
I was looking for an explanation for why we are medium international performers in terms of children's health and development. Is it an accident or is it by design? I lean towards the conclusion that things are as they are for a reason. We need to address the root causes of why we are failing too many children in this country. And, that, I hope will point the way forward for doing better, if society so chooses.

So, let's begin with some facts. How well do we support the development of children in Canada?



As you can see, in terms of child poverty rates, towards the bottom is better; towards the top is worse. And we are among the worst advanced countries in terms of the percentage of children living in poverty. If you look at it by province (this is before and after income support)....

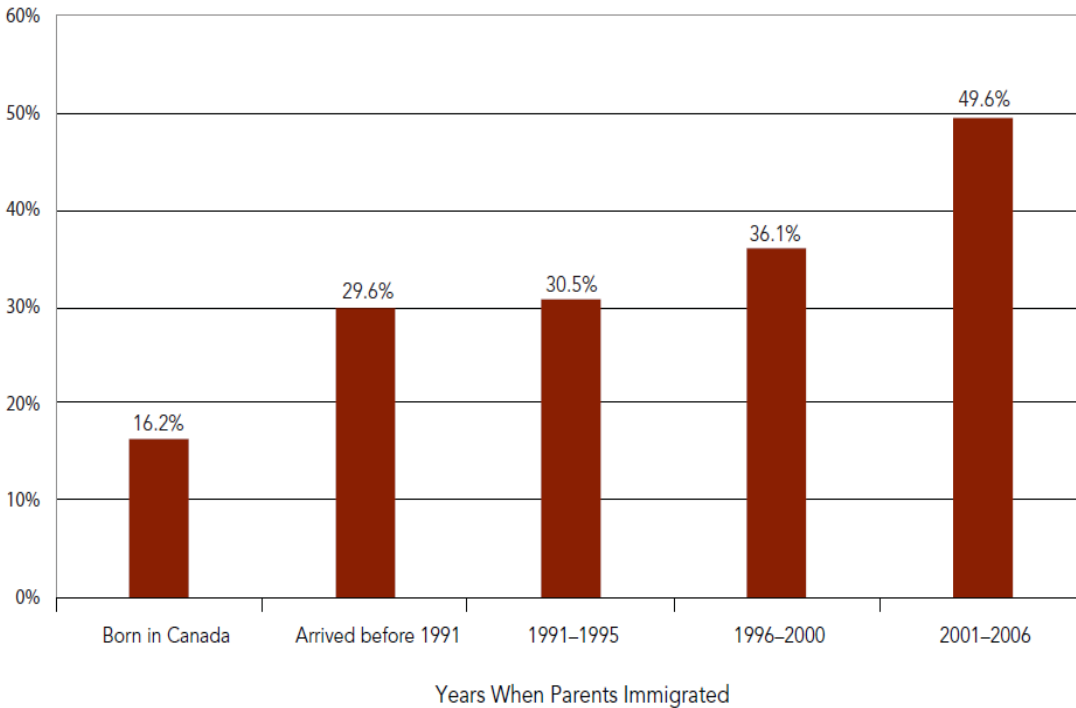
CHILD POVERTY RATES BY PROVINCE, 2009



Source: Statistics Canada, Income in Canada 2009, Table 802, Cat. no. 75-202-X

...you can see that we're hovering in the 10 to 15, and as high as 16 or 17 percent range. British Columbia does rather poorly on this measure, partly attributable to the distribution of wealth in BC (the concentration is quite significant) and, partly due to the high cost of living, especially housing. And then, when you look at who's poor and which kids are poor...

POVERTY RATES BY PERIOD OF IMMIGRATION, BC CHILDREN UNDER 18, 2005

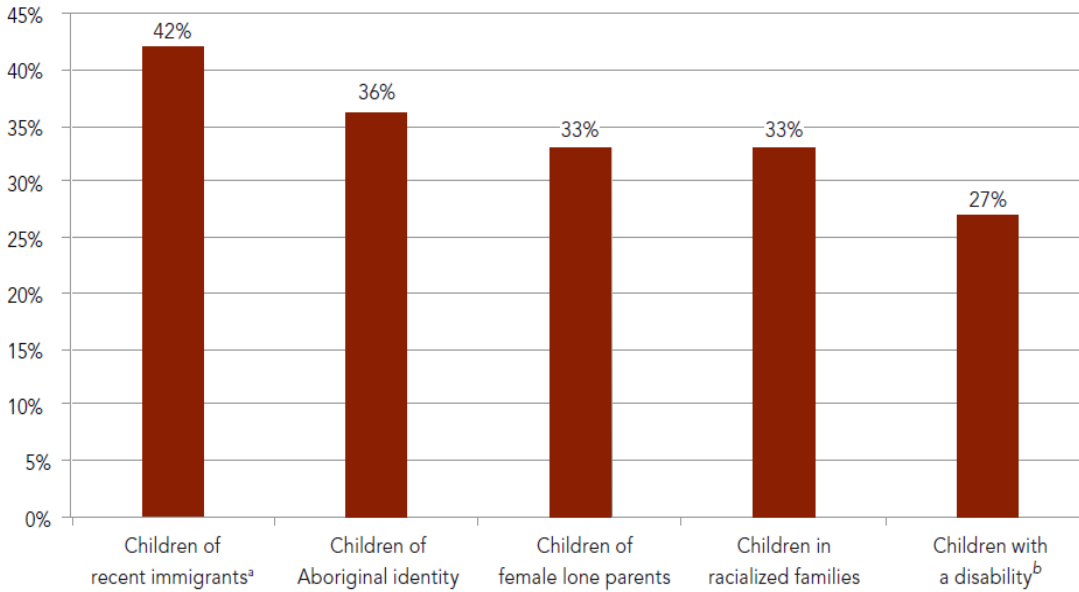


Source: Statistics Canada data supplied by SPARC BC

...if you were born here, or if your family has some history here, you're less likely to be poor. But the more recently you got here—and we are a country and BC is a province that thrives on immigration—the more likely you are to be vulnerable and poor.

The good news is there is still a fair bit of social mobility in Canada compared to some other countries and, with time, life gets better. But in general, while we have a relatively liberal immigration policy compared to some other countries, we still make the transition fairly difficult. And in the developmental phase for children, as you well know, that can create some lifelong vulnerabilities. Then, when you look at the data on high-risk families, which is a composite index...

CHILD POVERTY RATES IN HIGH-RISK FAMILIES, CANADA, 2005



^a The rate for BC children of recent immigrants is even higher at 49.6% (1 in 2).

^b Campaign 2000, 2010 Report Card on Child and Family Poverty in Canada: 1989-2010, p 5.

...we see quite high rates among recent immigrants, children of aboriginal identity, et cetera— as many as 40 percent are vulnerable. Interestingly, though in this country our attention is rightly focused on the plight of aboriginal peoples, for some risk factors recent immigrants are even worse off.

CHANGES IN AVERAGE TOTAL INCOMES BY DECILE GROUP, ALL BC FAMILIES WITH CHILDREN, IN CONSTANT 2009 DOLLARS			
Decile	1989	2009	Difference
1 Poorest Decile	17,987	18,815	828
2 Second Poorest Decile	35,306	35,077	-229
3	50,104	45,580	-4,524
4	60,677	59,283	-1,394
5 Middle Decile	69,424	74,204	4,780
6	78,039	87,718	9,679
7	88,551	100,903	12,352
8	100,518	116,790	16,272
9 Second Richest Decile	115,557	146,968	31,411
10 Richest Decile	164,644	253,762	89,118
Average for Families with Children	78,154	94,082	15,928

Source: Canadian Centre for Policy Alternatives based on Statistics Canada data

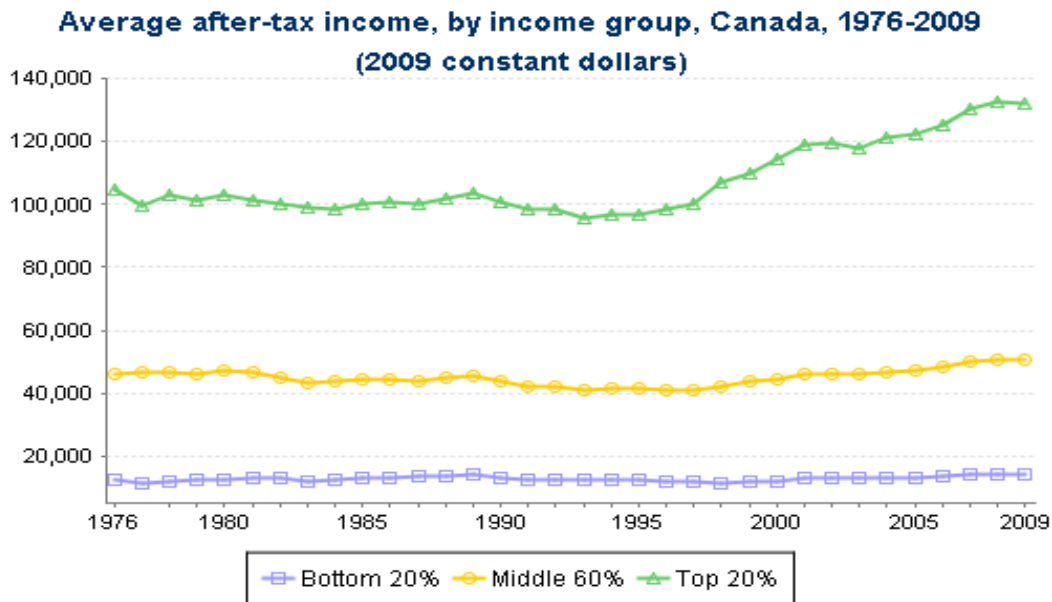
Now, this is what's happened to income over the 20 years ending in 2009, by income decile. If we divide the population into 10 equal groups according to income, each group is a decile, and each decile has an average income level. As you can see, there have been winners and losers in the income distribution game in real terms. What's particularly interesting are the trends within the second, third, and fourth deciles from the bottom.

We typically think of people in the bottom income decile as being particularly at risk. This is true: these people have only half the income of people in the next lowest decile, and a small fraction of the average income in the whole population. Interestingly, the people in the very bottom decile have been trading water in terms of real income (these are inflation adjusted) in that 20-year period. But the people in the second, third, and fourth deciles have actually lost ground. They have become poorer. We normally think of people in the 3rd and 4th lowest income deciles as lower-middle-income, and not especially at risk. Yet for them it's been a tough row to hoe.

When you move up the ladder, things have gotten better in absolute terms. And when you look at the second richest and richest deciles, they've done remarkably well – spectacularly well in the case of the top decile. While overall aggregate income growth has been fairly steadily upward over the long haul, the gains have been increasingly concentrated at the top. The rising economic tide has not lifted all boats, and the yachts have been lifted highest of all.

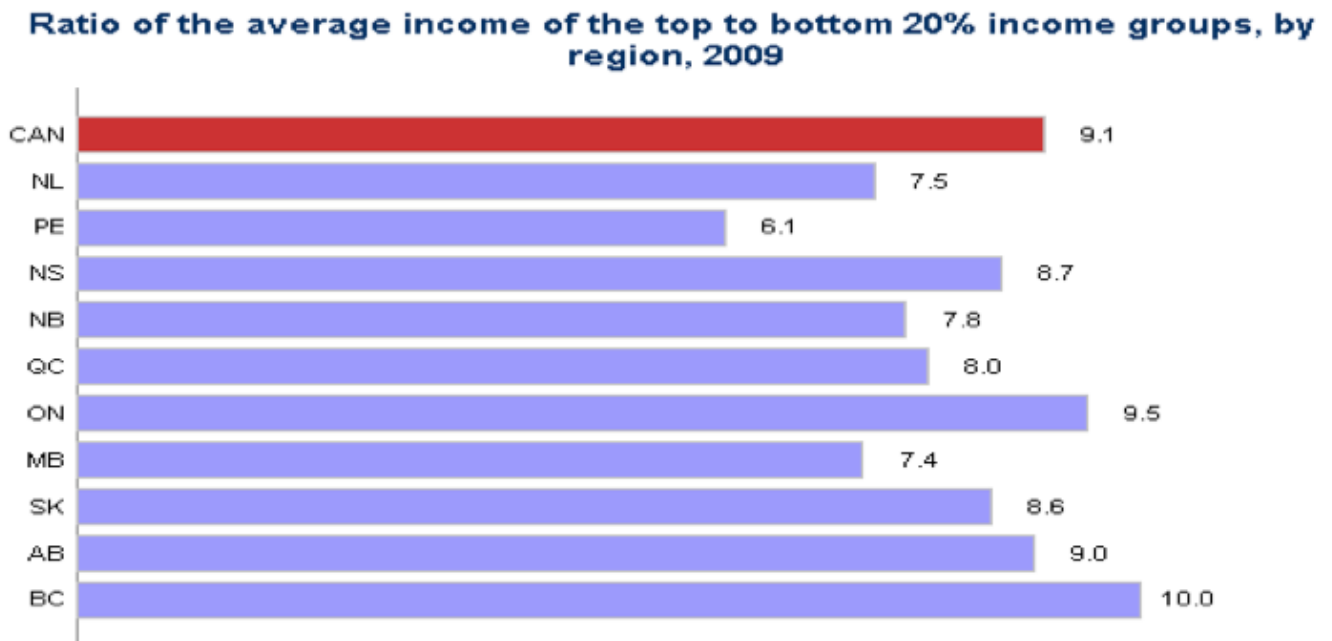
That's income. A similar graph showing wealth concentration would be much, much more skewed. The proportion of Canadian wealth owned by people in the top ten percent is remarkable – on the order of 60%. As much as 30% is held by the top 1%. By contrast, the percentage of Canadian wealth held by the bottom twenty percent is vanishingly small – about 3%. These trends tend to compound over time, resulting in a more unequal society.

Another way of seeing this is through the lens of after-tax income....



For a large part of our post-war history (this graph begins in the mid-1970s), up until the mid 1990s, more or less, everybody (the middle 60 percent, the top 20 percent) was progressing about the same rate, and the income gaps remained fairly constant. But notice how about 15 or 20 years ago, the disparity started growing. While everybody has done a wee bit better, the top 20 percent have gained disproportionately and almost all of the economic well-being increase has been concentrated in those who were already the best off before.

Yet another way of illustrating income disparities is to show the ratio of the average income of the top versus the bottom 20 percent.



Source: HRSDC calculations based on Statistics Canada. *Market, total and after-tax income, by economic family type and after-tax income quintiles, 2009 constant dollars, annual* (CANSIM Table 202-0703). Ottawa: Statistics Canada, 2011. <http://www4.hrsdc.gc.ca/.3ndic.1t.4r@-eng.jsp?iid=22>

The disparity is large, and biggest in BC. So if you're in the top 20 percent, your income is going to be 10 times as large, on average, as someone in the bottom 20 percent.

I could go on and on with these kinds of facts – you get the picture. The heart of what I want to talk about today is: Does all of this matter? Are there consequences, and if so, are the consequences acceptable? There are real debates about these matters. Some argue that if you don't have a certain degree of inequality, you remove the incentive for people to be productive, to take risks, to invest, and to be entrepreneurial. If you subscribe to that theory, you would let the economy run on a free market basis, let market forces distribute income and wealth, and invest minimally in social programs and income support to mitigate the worst effects, but not so much as to take the edge off people's drive and work ethic.

By and large that describes the Chicago School or the Milton Friedman free market economic worldview. The dominant competing theory might be described as a more social democratic

approach, the northern European countries being the international exemplars. Here, aggregate growth is important but distribution is equally important, and the outcome of interest is total social well-being rather than just crude indicators of economic growth. This theory also places an intrinsically higher value on equity.

We can talk about this later as we get into explanations, but I think why it's central to the issue here is because there will be different consequences for children and children's development and well-being under one approach versus the other. Proponents of both theories would argue that their economic approach will produce more motivated children who will become productive citizens. I think that's the central focus of the political argument.

The Chicago School approach has gained favour in North America, and the obvious result has been growing income and asset disparities....

The Immediate Results

- **Growing income and asset disparities**
- **Long-term financial struggle and anxiety for the working poor**
- **Increased displacement and marginalization of poor families in urban areas due to high housing costs**
- **Government restraint exacerbates difficulties for disadvantaged groups**
- **Persistently high child poverty rates compared to other OECD countries**
- **Less universality and subsidization of public goods such as post-secondary education**

Lots of people struggle—the working poor, in particular—to make ends meet, living from paycheck to paycheck, and they cannot withstand any significant economic setback. A \$5,000-dollar repair to the house, for example, could prove financially disastrous for many.

As cities gentrify and housing costs have risen, poor families have become more marginalized and in some cases, physically displaced. All across the country, the cost of housing has gone up hugely since about 2004, which has exacerbated disparities. My city of Saskatoon is a classic example. You could buy a three-bedroom bungalow in Saskatoon for \$100,000 to \$150,000 right up until 2006. Now, you can't get that same house for much less than \$300,000. The economic boom has drastically reduce affordability and housing options for young people, and for the new wave of immigrants who arrive in the city with skills but not necessarily wealth.

We have persistently high child poverty rates compared to the best OECD countries. We do better than some but worse than a large number of others.

And it's also meant that we have less universality and investment in public goods such as post-secondary education (I'll show you bit about that later) and even sacred programs like Medicare.

We tend to think that whatever we may have lost, at least we have public health care. But only 70 percent of it is publicly financed. And if you don't need hospitalization in any given year, Medicare probably pays for well under *half* of your health cost and, for many people, virtually none other than the physician visit.

So we've become a society where we have shrunk the public domain to a certain extent, and witnessed growing income and wealth disparities. Among the consequences has been a growing shortage of skilled labor....

The Long-Term Results

- **A growing shortage of skilled labour**
- **Many kids who are not ready for school and who fall behind rapidly**
- **More segregated neighbourhoods based on housing prices**
- **Ghettoized schools without the advocates or resources to improve performance**
- **Risk of intergenerational disadvantage – you inherit your lot in life**

New pools of skilled labor can only come from three sources. You can retrain people already in, or recently sidelined from the labor force. You can make sure that young people have educational opportunities to become skilled participants in the work force. Or you can poach skilled labor from other countries. Depending on your point of view, Canada's success in attracting skilled workers from other countries has either been an unmitigated success, or a victory at the expense of developing nations from which the talent has been drained.

There are many kids whose school readiness is not what it should be and they fall behind rapidly once they do get into school. Neighborhoods in Canada are becoming more segregated, with enclaves of gentrification and high-wealth concentration, and pools of lower-income people. You could almost call it economic ghettoization. This segregation plays out in the school system. BC has had fierce debates about which schools perform better and why. Schools in poor areas look like they're performing worse but, actually, they're performing heroically well when you consider the disadvantaged circumstances of their students.

There is also a greater risk of intergenerational disadvantage. As income disparities widen and as wealth concentrates in increasingly few, the prospects for social mobility diminish. The deck is increasingly stacked and one of the consequences is that the plight of the parents becomes the

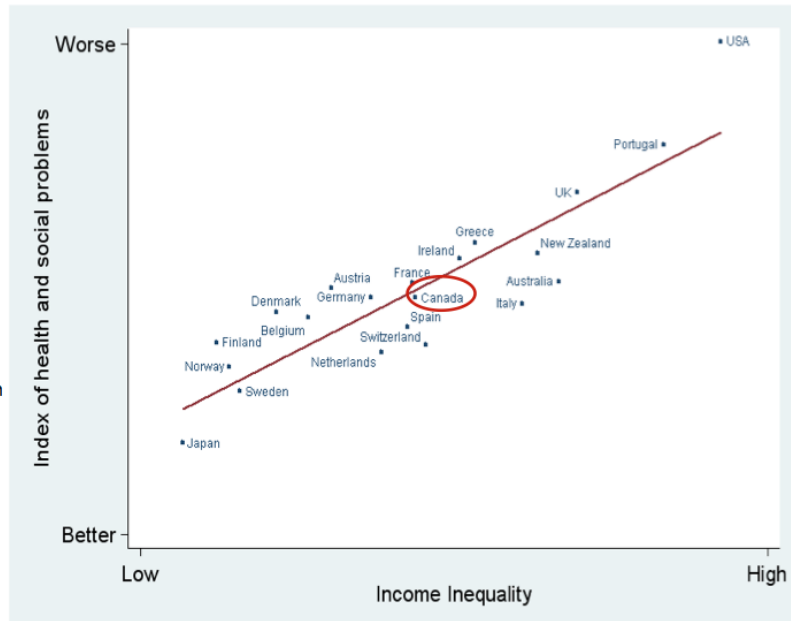
destiny of the children. People inherit rather than create their lot in life, counter to what we would like to believe is the achievable North American dream. I think this phenomenon is going to become even more common the longer these inequalities persist and even grow.

I'm going to show you a series of graphs from Wilkinson and Pickett's book *The Spirit Level*, which is a wonderful read....

Health and Social Problems are Worse in More Unequal Countries

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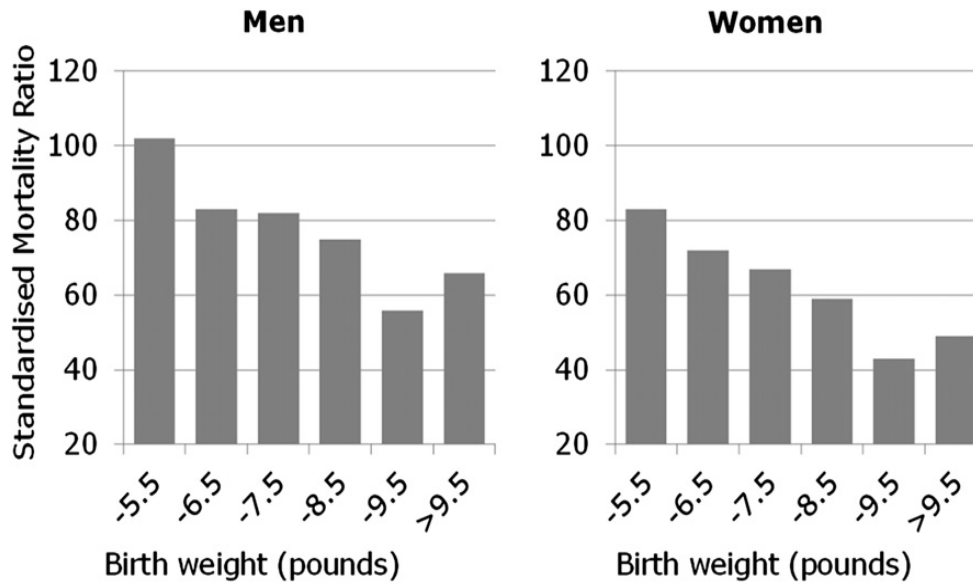
- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – incl. drug & alcohol addiction
- Social mobility



I'm not claiming and I don't think that either careful critics or even Wilkinson and Pickett would claim that they have solved the equation of what makes communities and nations healthy and what increases aggregate well-being.

But they do present some fascinating data (and I'm giving you a smattering of it here) that show the relationships between the degree of inequality in society and the benefits and costs that accrue to its citizens. This graph relates a composite index of health and social problems to income inequality. The more income inequality there is, the higher the index of social problems. And, again, this is independent of the overall level of societal wealth and the average GDP per capita. Canada has the social problems profile that its inequality profile would predict. We do better than some countries, but we certainly don't do as well as the best performing countries in the world.

Very early phenomena may have huge consequences for future health and well-being....



Mortality from Coronary Heart Disease in 15,726 Men and Women in Hertfordshire

The relationship between birth weight and adult cardiovascular disease mortality rates is certainly not definitively proven by a single graph, but it is not implausible and is worth further exploration at the very least. This is just a simple comparison of birth weights, 5.5 up to greater than 9.5 pounds for males and females, and the mortality rates from coronary heart disease. Isn't it amazing that the more you weigh at birth right up nine and a half pounds, the lower the risk of dying from heart disease later in life? And it's not trivially lower - a little more than half at nine and a half pounds compared to five and a half or fewer pounds, which is quite a remarkable effect size from a one-variable analysis.

Now, again, no one can say this is causal and it could well be that if you adjusted for a whole lot of other factors, the magnitude of the effect would drop off. But it's very interesting that something so simple might have such a profound predictive effect in conjunction with other factors for later in life. The impact in women is even slightly larger than among men.

And this leads to the discussion of health over the life course, and some provocative new thinking about prevention and inevitability....

Coronary heart disease, type 2 diabetes, breast cancer and many other chronic diseases are unnecessary. Their occurrence is not mandated by genes passed down to us through thousands of years of evolution. Chronic diseases are not the inevitable lot of humankind. They are the result of the changing pattern of human development.

Barker DJ. Sir Richard Doll Lecture. Developmental origins of chronic disease. [Public Health](#). 2012 Mar;126(3):185-9. [Epub](#) 2012 Feb 10.

I can't claim to have mastered the literature that would provide more insight on whether the Barker thesis is valid. David Barker, in his Sir Richard Doll lecture, discusses why we get chronic diseases. We have been conditioned to assume that in an aging society, chronic diseases are just a function of time. We're no longer dying of infectious diseases. If we're lucky, we don't die of heart disease or stroke.

So what do we die of? We die of something chronic. Often, it's cancer—those cancers that are now more chronic than fatal—and other chronic diseases. If we don't die from them, we die with them, in a much reduced state of function. Huge numbers of us will get type 2 diabetes, which is a risk factor for cardiovascular disease and renal failure, etc. The diseases pile up, the effects compound, and quality of life descends until it ends.

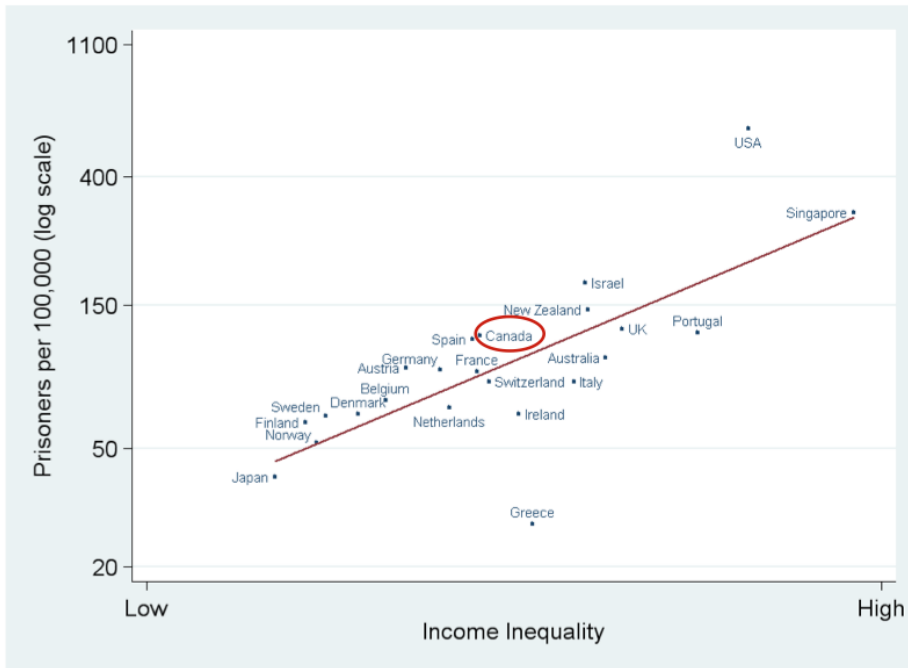
But Barker says that the evidence is beginning to suggest that this scenario is preventable. That is, we are not destined to get chronic diseases, nor are they mandated by our genes; and they have nothing to do with evolution. They're not the inevitable lot of humankind. They are the result of the changing pattern of human development.

So, in his view—again, the hypothesis that will no doubt be debated for decades—chronic diseases are *manufactured* by the way we organize ourselves, by the way we accumulate and distribute wealth and, in general, how we live our lives and how we develop ourselves over a life course.

If that's true, this is a very modifiable, preventable phenomenon. Now, if he's half-right, it's a game changer for how we approach early childhood development and also for how we organize ourselves as polities. And if he's three-quarters to entirely right, don't invest in chronic disease management pharmaceuticals because 50 years out, the market may be non-existent.

This next graph shows rates of imprisonment....

Rates of Imprisonment are Higher in More Unequal Countries



Again, it's the same relationship. Income equality is rising from left to right on the horizontal axis, and prisoners per 100,000 are depicted in a logarithmic scale on the vertical axis. The relationship is pretty tight, and Canada is actually slightly above the line here, meaning we imprison more people than our rate of inequality would predict.

We tend to compare ourselves to the United States, which jails a higher percentage of people than any other advanced country, and think that we're rather benign and gentle in our treatment of people who commit crimes. But we're actually pretty hard-assed compared to other countries in terms of our incarceration rate. Our current federal government thinks we will reduce crime and increase public safety by building more prisons. Others point out that crime rates have been declining, and if we want to reduce the further, the solution is to reduce inequality.

Similarly, children experience more conflict in their lives in more unequal societies...

Children Experience More Conflict in More Unequal Societies



11, 13 & 15 yr olds fighting, bullying, and finding peers not kind & helpful

Unfortunately, Canada is once more punching above its weight – the amount of conflict is higher than the inequality level would predict.

Finally, the relationship between inequality and innovation has occasioned an enormous amount of backlash and debate....

More equal societies are more innovative



It's a terrible simplification. And, as you can see, the statistical relationship is not quite so tight here.

I wouldn't read much into this one, but it is quite fascinating that there is any relationship at all between income, inequality and innovation. We often hear that a fair bit of income inequality is the price one pays in order to reward the innovators. It may be too bad that a bunch of kids destined are for a less happy life, but everyone's boat is going to rise on the tide of innovation generated by concentrating wealth and opportunity in the hands of the brilliant few.

Well, if that's the case, something has gone horribly wrong in Canada given where we are on the innovation scale. But, again, these numbers portray only patents. If you think patenting is a perfect proxy for innovation, this graph should frighten you. But if you think there are other, non-patentable forms of innovation, like improving communication in primary care with the chronically ill frail elderly, you would be skeptical that this graph tells you very much about anything.

So, I wouldn't go to the bank, literally or figuratively, on this kind of relationship but it's kind of interesting that when you view it in the context of all of the other graphs, at the very least there's reason to question whether you need to have either the prospect of great wealth or the bracing prospect of destitution as an incentive either to innovate or protect intellectual property.

If you do think patents are a reasonably proxy for innovation, note that the highest number of patents per capita occurs in Finland, Sweden, and Norway, those social-democratic, northern European countries often derided as low-growth staid backwaters of stifling egalitarianism.

I think this is the kind of graph that you'd want to show on a tour of the United States. [Laughter]

So, that's all very well, but why are things as they are? This is what I really want to talk about.

The Political and Cultural Context

- **Governments have deliberately reduced their role in the economy**
- **Canada is well below the OECD average for:**
 - **Taxes as % of GDP**
 - **Consumption tax rates**
 - **Environmental tax rates (**
<http://www.oecd.org/dataoecd/9/23/48193734.pdf>**)**
- **Our economic behaviours are more Friedman than Keynes despite stimulus spending**
- **We have shifted from an investment society to a consumption society**
- **We have little patience for spending that does not yield gratification or returns in the short run**

It seems to me that this is the context we are now living in, and this is the fallout from the last 30 to 35 years of worldwide political culture. To oversimplify, you could say ground zero was the Reagan-Thatcher revolution of the 70s and 80s.

Governments have deliberately reduced their role in the economy. The result is that Canada is well below the OECD average for: Taxes as a percentage of the GDP, consumption tax rates and environmental tax rates.

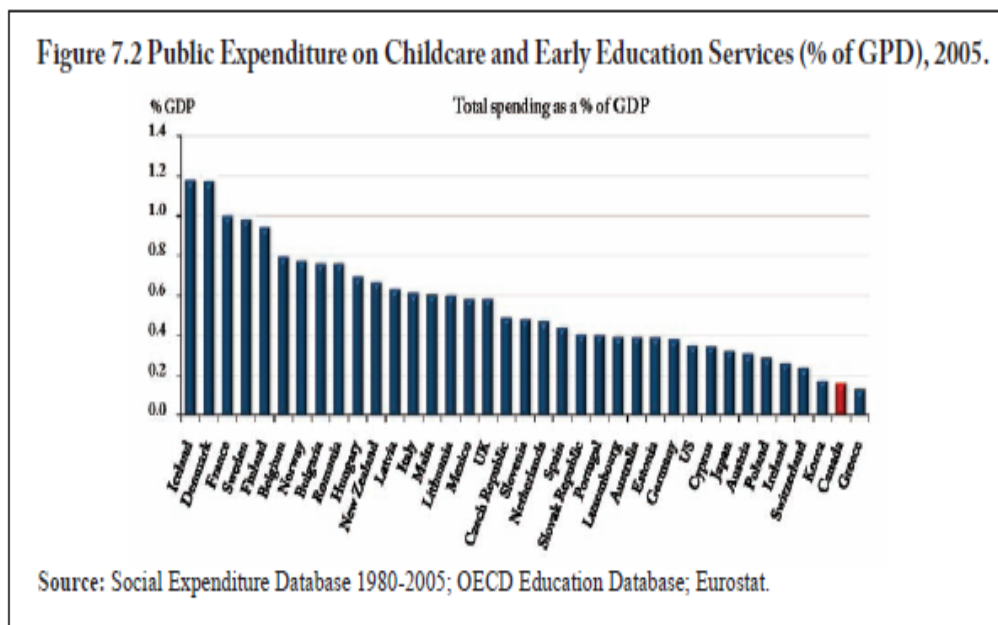
Even though all of the stimulus spending around the world since the 2008 meltdown has created the impression that we're all Keynesians now, it's not true. We've had a Keynesian outburst of self-survival spending that has rescued, among other things, the corporate structure and culture on which our economy is largely based. I'm not saying that was a bad thing; I'm saying that's what occurred. I don't think there was a sea change in government thinking that calls for a more Keynesian approach to the economy and greater reliance on government to intervene on the scale of the Depression in the 1930s and in the post-war era.

I think we still behave a lot more like Friedmanites than we'd like to think. That part of the Reagan-Thatcher revolution has remained largely intact, and the consequences will persist for children well into the future. We've shifted from an investment society to a consumption society. We – or more accurately many of our elected governments – want to keep taxes low so we can spend more on things right now, consistent with our contemporary definition of well-being.

That may partly explain why the GST, never very high in Canada, is now even lower. The GST is a consumption tax, and ours is much lower than most. A lot of countries tax consumption not only because they have configured their income tax plus consumption tax pie a little bit differently, but also because a high consumption tax encourages savings and investment.

When you have a low consumption tax you encourage current consumption which, of course, reduces the amount of money you will have to invest. There is less appetite for long-term public investment compared to when I grew up.

In the 50s, 60s, and 70s, I think we still had a general societal ethos that governments tax us reasonably highly in order to invest in the future in the form of education and health and other social support. We no longer have such confidence in these kinds of long-term investments, and this loss of patience and commitment will have dire consequences for kids.



Here's how this plays out. Consider public expenditure on early education services as a percentage of GDP. The data are from 2005, and I think things have probably gotten worse since. There's the UK, and we tend to think we do a much better job of this than the UK does. There's the U.S., and there's Canada. The data are quite startling. One would think we would, at least, do better than the U.S. on this measure and that we would be in the middle of the OECD pack, like

we are on a lot of the other indicators. But we're really dropping the ball in this area, and it has started to surface in political debates.

In Saskatoon, when the school board is strapped for money, what are they doing? They're laying off teacher's aides. The parents say those aides were the best thing that ever happened to their kids, especially the ones who might need a little extra help. The aides are on the lower rungs of the earning ladder, yet we tend to get rid of them the minute the money gets tight.

Similarly, Canada has failed to implement a sound strategy for giving kids a good start in life: universal high quality childcare. We're likewise near the bottom of the pack in terms of social assistance levels as a percentage of median household income. This is yet another factor that exacerbates risk factors and the vulnerabilities.

It's Not a Law of Nature – It's a Choice

- **\$123 billion municipal infrastructure deficit (FCM, http://www.fcm.ca/Documents/reports/2012_Pre_Budget_Submission_EN.pdf)**
- **Cost of federal prisons rose 85% between 2006-07 and 2011-12 (now \$113,000/yr/inmate)**
- **From 2003 through 2009, corporate taxes on 198/245 companies in the S&P/TSX composite index were \$62 billion lower than if 2000 rates had applied (CCPA citing Globeinvestor.com data)**

To sum up: some people say, "Look, that's just the way things have gone. It's a tough, competitive world out there and you can't be coddling people and creating disincentives to thrive and work hard and be entrepreneurial. We will mitigate the worst consequences with social programs, but leave us alone and let the market go."

All I would suggest is that we not overlook the consequences – all of them. They go far beyond how much poverty we tolerate and what kind of life we make for people who are relatively disadvantaged.

It's no coincidence that we also have a 123 billion-dollar municipal infrastructure deficit – the result of low taxes, the bias towards building new suburbs subsidized by artificially low development fees while aging infrastructure crumbles. . We're very happy to build new things, new buildings, but we don't let our older physical plant fall into disrepair and fail to preserve the quality of life in older neighborhoods and core commercial areas.

We defer repairs and maintenance that would be relatively inexpensive if we did them in a timely fashion, and set ourselves up for massive liabilities in the future because we are a "here and now" consuming society.

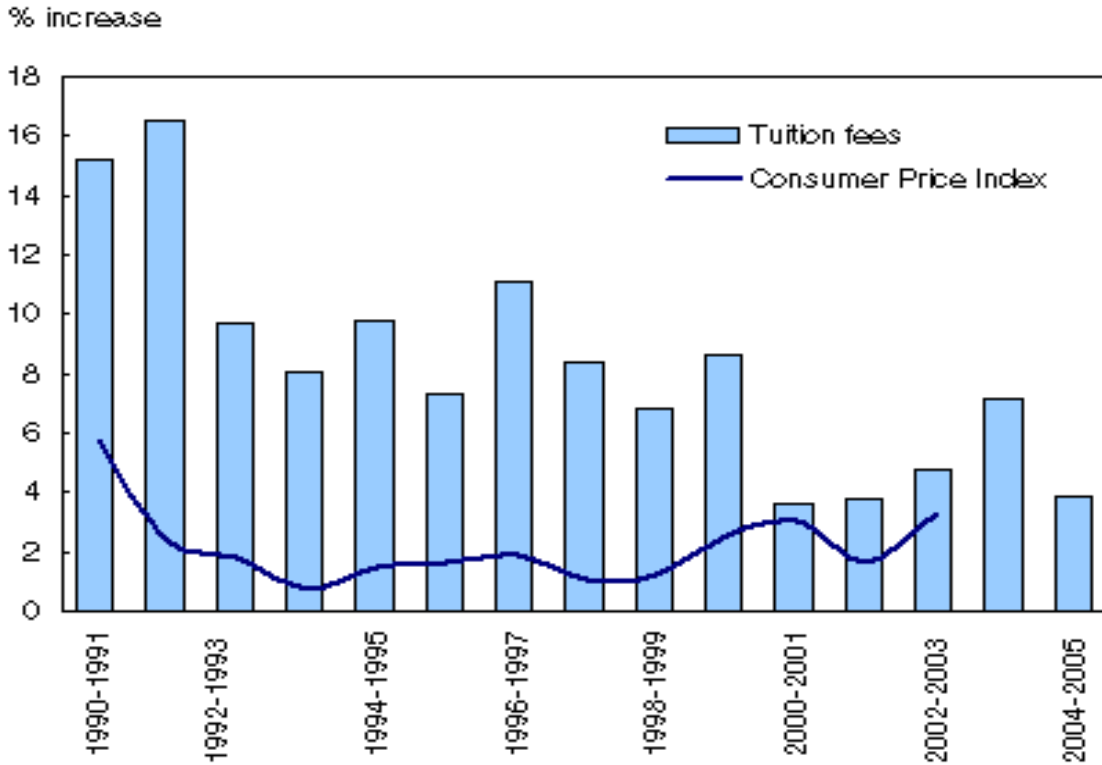
It's no coincidence that the cost of federal prisons is the fastest growing public sector expenditure in Canada by a long shot—up 85 percent in the last 6 years in a tough love society. That's \$113,000 a year per inmate, many of whom are the predictable consequences of a disadvantaged early childhood. And you would certainly have fewer if we had better developmental programs for at-risk children.

One hundred thirteen grand a year—it's twice as much as it costs to keep a frail elderly person in a long-term care facility and infinitely more than what it would cost to invest in a head start program beginning at the age of two or three to help that person make different life choices.

And, of course, there's the euphemism known as *tax expenditures*, which means the government deliberately gives up revenue in order to fuel our low-tax, high-consumption economy.

There are publicly available data on about 80 percent of the S&P/TSX biggest 245 companies. From 2003 to 2009 alone, government tax rate reductions reduced the take from these companies by \$62 billion. And if you add on to that the reduced tax rates for individuals at the top end of the income scale, the reduced cumulative take would almost triple that.

So governments have foregone \$200 billion or so and maybe more in the last decade. That revenue could have shorn up our public services, our early development programs, etc. The important thing is that it was a choice, both political and economic. The choice has had consequences. To cite one example, long ago...

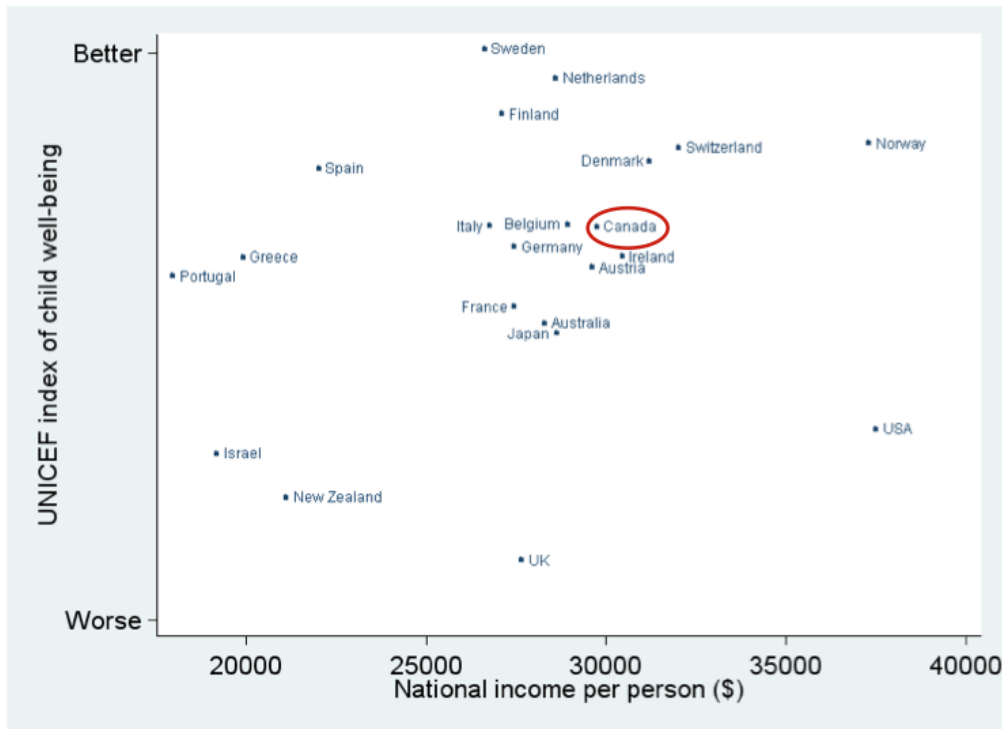


Increases in undergraduate tuition fees, Canada, actual v. CPI

...we started raising tuition fees by factors far exceeding the rate of inflation. The predictable impact has been to saddle graduates with more debt and keep people out of post-secondary institutions because of the financial barriers. Again, that is code for reduced investment in tomorrow's productive citizens.

But, one counters, these tax reductions have stimulated terrific economic growth – Canada has done better than its G7 counterparts. To imply cause and effect here is to concede too much, but I will not debate that here. The point is that the index of child wellbeing has nothing to do with aggregate growth or even per capita GDP in advanced countries.

Child-Wellbeing is Unrelated to Average Incomes in Rich Countries



Now, not everything gets cut.

Some things continue to get funded handsomely.

Privileged Areas of Investment

- Children's hospitals and high-tech medicine
- Prisons and police
- Tax expenditures for middle and upper income groups (TSFAs, RRSPs, physical activity tax rebate)
- Suburban highways, overpasses
- Subsidized infrastructure for big box malls

Again, these are choices. We've chosen how to develop our cities. We've chosen how to distribute our income. We've chosen which public services we think deserve extra money. Among these privileged sectors are children's hospitals and high-tech medicine, which are indeed wonderful, but let's be clear - they mop up failure. Prisons and police also mop up

failure. They are not intrinsic goods; they are expensive ways to deal with bad things we wish to prevent.

So we've decided not to concentrate our resources in building an early intervention kind of society that aspires to prevent problems from occurring in favour of massive outlays on fixing the damage.

To conclude, what do we need to do? Well, needless to say, that's the subject of today's dialogue and I have no magic answers. But the first thing, I think, is we need to find some common ground across society. Let's start by recognizing that there is no free lunch.

Recognize There's No Free Lunch

- **The price of failing children's development includes:**
 - **Mental health services**
 - **Welfare dependency**
 - **Drug and alcohol abuse**
 - **Increased health care costs**
 - **Higher security and incarceration costs**
 - **Slower economic growth**
 - **Increased disparities and diminished social cohesion**
 - **Less solidarity, trust, social mobility**

We're not getting away with anything. We haven't won the economic and societal development lottery by keeping our taxes low and stinting on investment in children and youth.

All of these things end up costing us a ton of money down the road. We have diminished social cohesion. We have lower voter turnout. We have increasingly segregated societies. People are more homogenous in their social contacts. Neighborhoods are less integrated by socio-economic status.

So you have less solidarity, less trust, and less social mobility when you create societies where the disparities are so large that people are uncomfortable having anything to do with each other.

I don't want to overstate the magnitude of the problem, but I think it's real especially in urban Canada and the increasing concentration of people's focus and wealth in housing.

We also have to recognize that this is not a simple issue; it has many dimensions.

Recognize The Complexity of the Issue

- **It's a moral issue – the denial of meaningful opportunity to those who are not responsible for their lot**
- **It's an economic issue – the failure to make preventive and capacity-building investment jeopardizes growth and incurs far greater costs down the road**
- **It's a democratic issue – failure in the formative years makes full, participative citizenship unlikely**
- **It's a segregation issue – a society with large SES disparities and formative experiences will become insulated, tribal, and unable to inhabit common ground**

That creates an opportunity - you can appeal to different constituencies and opinion leaders by using different arguments. For some, it's certainly a moral issue. I think it should be for everybody. But it's also an economic issue.

The business community should be just as worried as social workers about kids who fail in large numbers. Business people have a hunger for skilled labor. If we want Canada to have an edge, we must maximize the contribution of every pair of hands and every brain wherever we can.

It is, as I mentioned, a democratic issue. What are the chances of someone with a disadvantaged childhood and unhappy early adult experience becoming a fully productive and engaged democratic citizen? Even the middle class is less engaged than it used to be.

So we are in danger of losing our democratic vigour. Look at the United States, where it's almost impossible to get a voter turnout of more than 50 percent. When a whole lot of people are thoroughly disengaged from any kind of political process, it's worrisome. At some point, a nation can't claim to be a thriving democracy when the participation and engagement rates are so low.

We also have to account honestly and publicly report it.

Account Honestly and Report Publicly

- **The difference in lifetime costs of providing services for**
 - **Children whose potential is realized compared to**
 - **Children whose development is thwarted**
- **The difference between actual vs. potential economic productivity of future generations**
- **The comparative return on investment generated by different approaches to public policy**

We need to talk and measure: What are the lifetime costs of providing services for children whose potential is realized compared to children whose development is thwarted? It's a huge difference. It can easily be a million-dollar difference for a kid who takes the right turn at the age of 17 or 18. And for every kid that you manage to help overcome the disadvantages of the environment that he or she grew up in, you can make a staggering difference over the life course.

We don't do and report those calculations routinely. They don't show up in the public accounts, in the balance sheet of national assets and liabilities. Every time we doom a kid to failure by not addressing risk factors, we create a national liability that should show up on the books.

And we should also look at the comparative return on investment in various public policies. In my own field of health care, the returns at the margins on our staggering investment are vanishingly small. They might even be negative. We need to show that and compare it to investments elsewhere.

Third, I think we all have to own the problem....

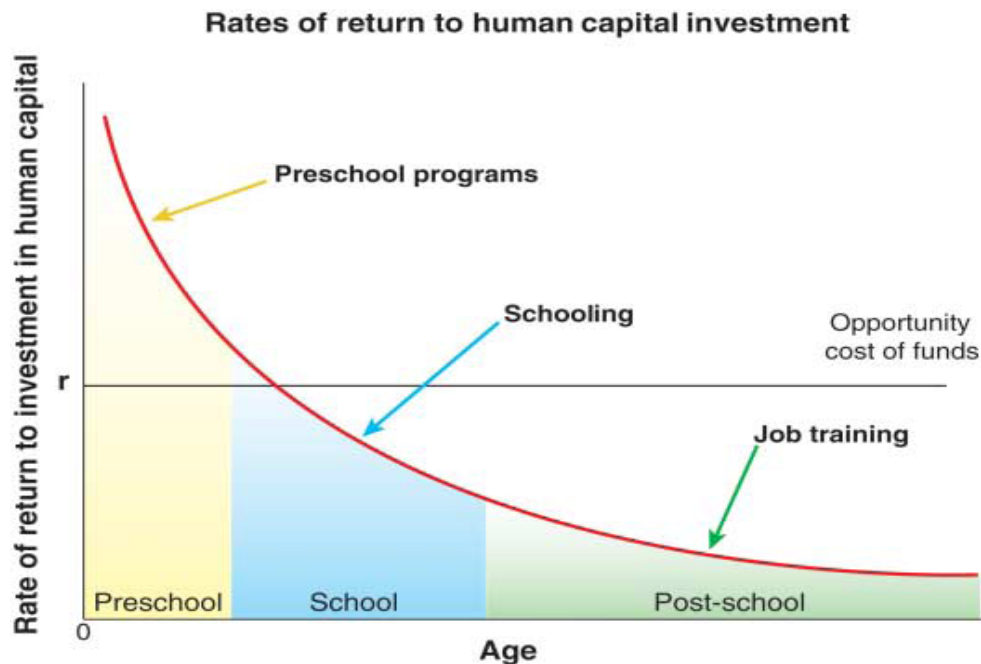
We All Own the Problem

- **No one is exempt from the consequences of unrealized human potential**
- **Human capital development is the fundamental job of societies**
- **There can be no thriving democracy without everyone having the opportunity to participate fully as citizens**
- **It is not just a policy or governmental issue – it permeates how we conduct ourselves in every facet of community life**

Even if we, and our children, are personally at low risk, it is a problem of our society and our polity. Hillary Clinton is right – it does take a village—and we're the village—to succeed.

We have lots of voluntary and policy opportunities to make things better. We can make a difference on a very local basis in how we conduct our lives and where we spend our social capital. It is a huge policy and governmental issue but government alone is not the answer.

"Start early and sustain the support" is pretty obvious. I need not tell you this, and I'll just show you this Nobel Prize winner's graph for what it's worth.



James Heckman suggests that the evidence would tell us that the return on investment is greatest the earlier you make it.

And, finally child well-being even more than child health is the goal.



The evidence points to the conclusion that child well-being improves when you have a little more equity in the society. Finally, collaboration is important.

Collaborating for Success

- **Senior governments through evidence-based social and economic policy**
- **Businesses, by:**
 - **Recognizing that investment in and for the future is incompatible with a race to the bottom on tax rates**
 - **Creating partnerships with NGOs and community groups to give kids life-enhancing work experiences**
 - **Pressing governments to maximize the number of children able to participate in tomorrow's economy**
- **All of us, by recognizing that a low-tax, highly unequal society costs all of us more than it delivers**

Everyone's got to get on board. I wish I could give this talk to a Chamber of Commerce. I think they need it more than you do because you, probably, are mostly inclined to agree with what I've presented, which is why you showed up.

But the last bullet is in essence the punch line. We have to recognize that a low-tax, highly unequal society costs all of us more than it delivers. That's my assertion, but it is really the question for today's debate, and many more that I hope will take place outside this venue.

Thank you for your attention.