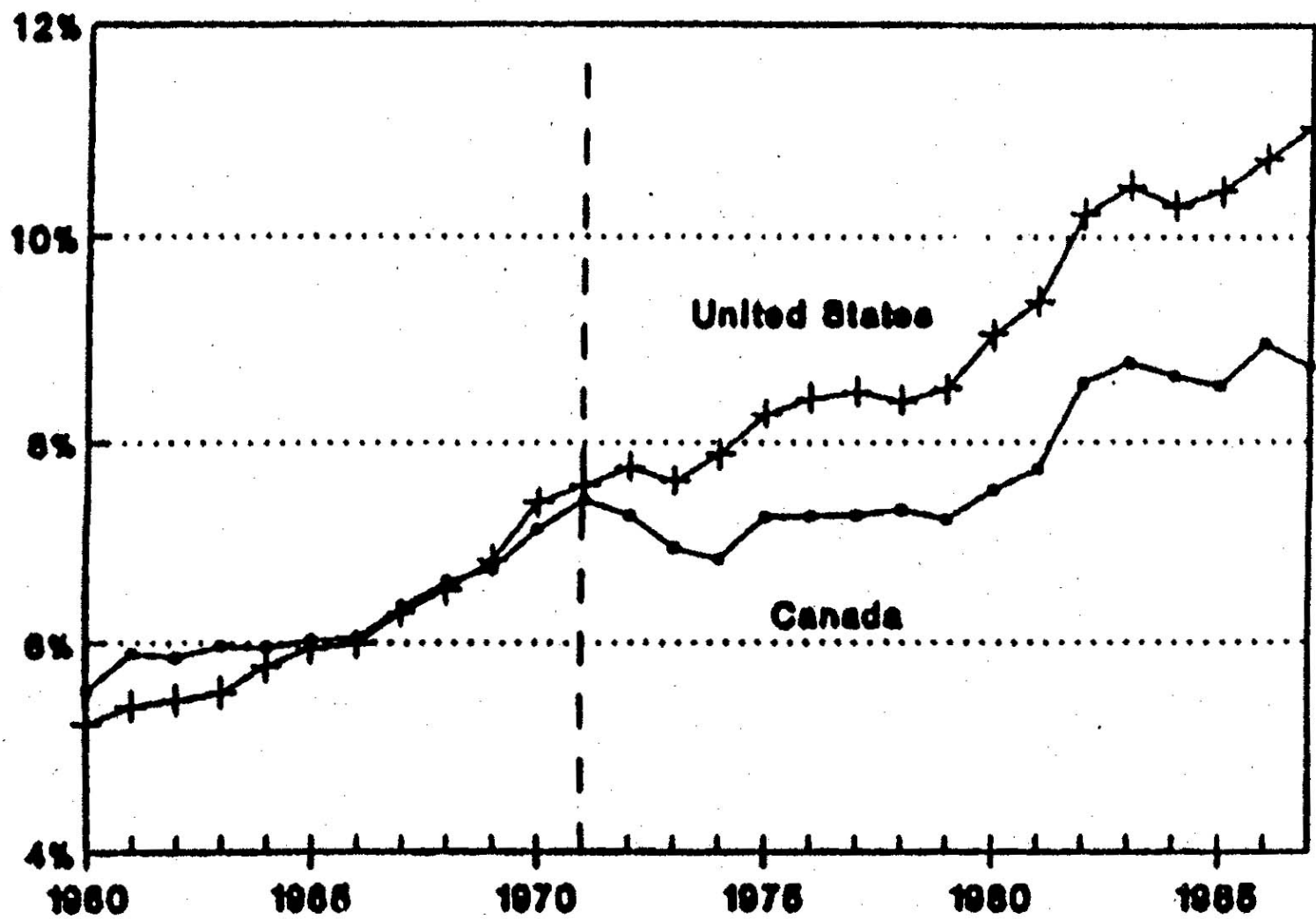


# Lecture 10

Monday, October 9

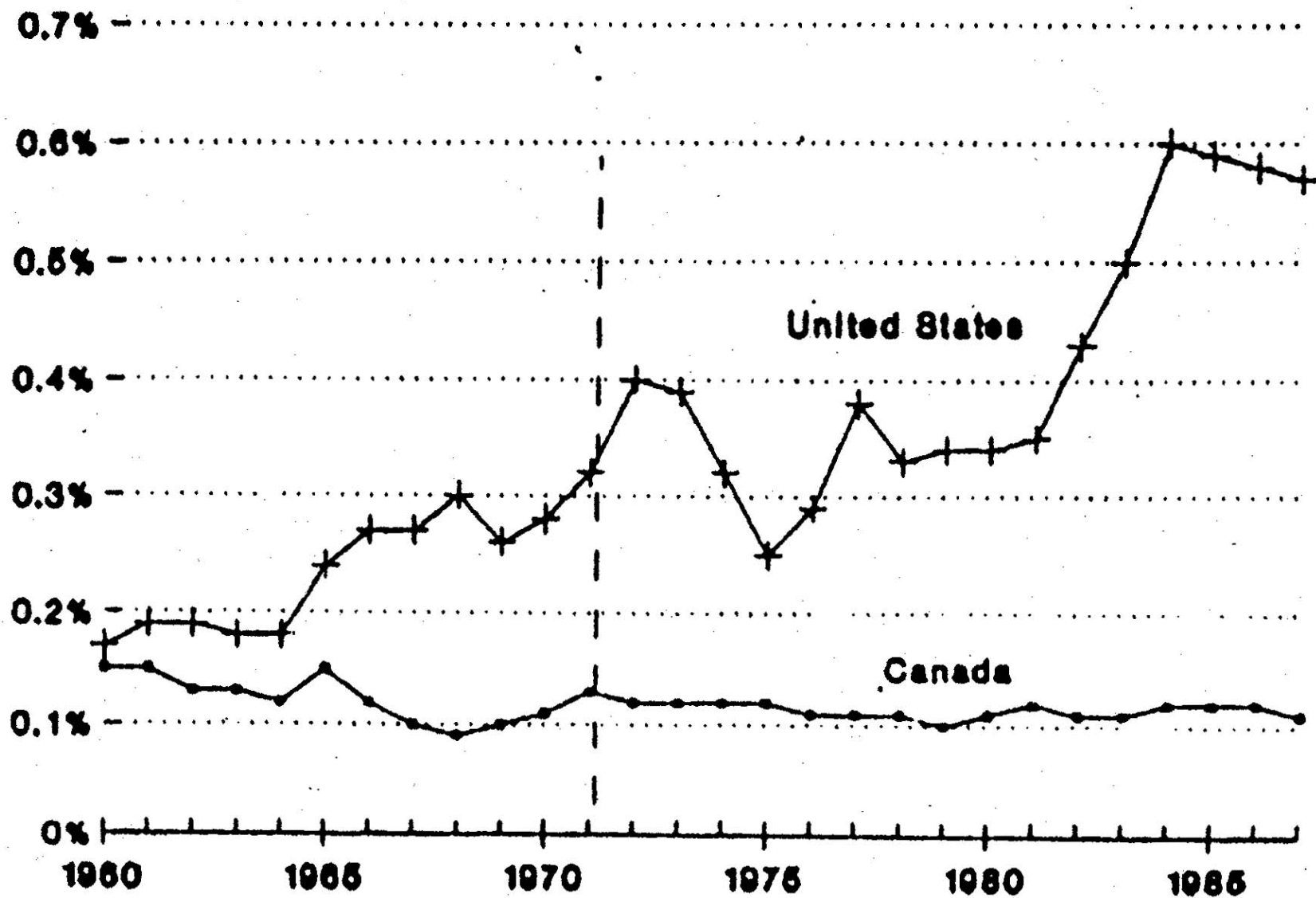
# High Road Capitalism

**Figure 1. Health Expenditures in the United States and Canada as Percent of Gross National Product**



**1971: Enactment of Canadian National Health Insurance**

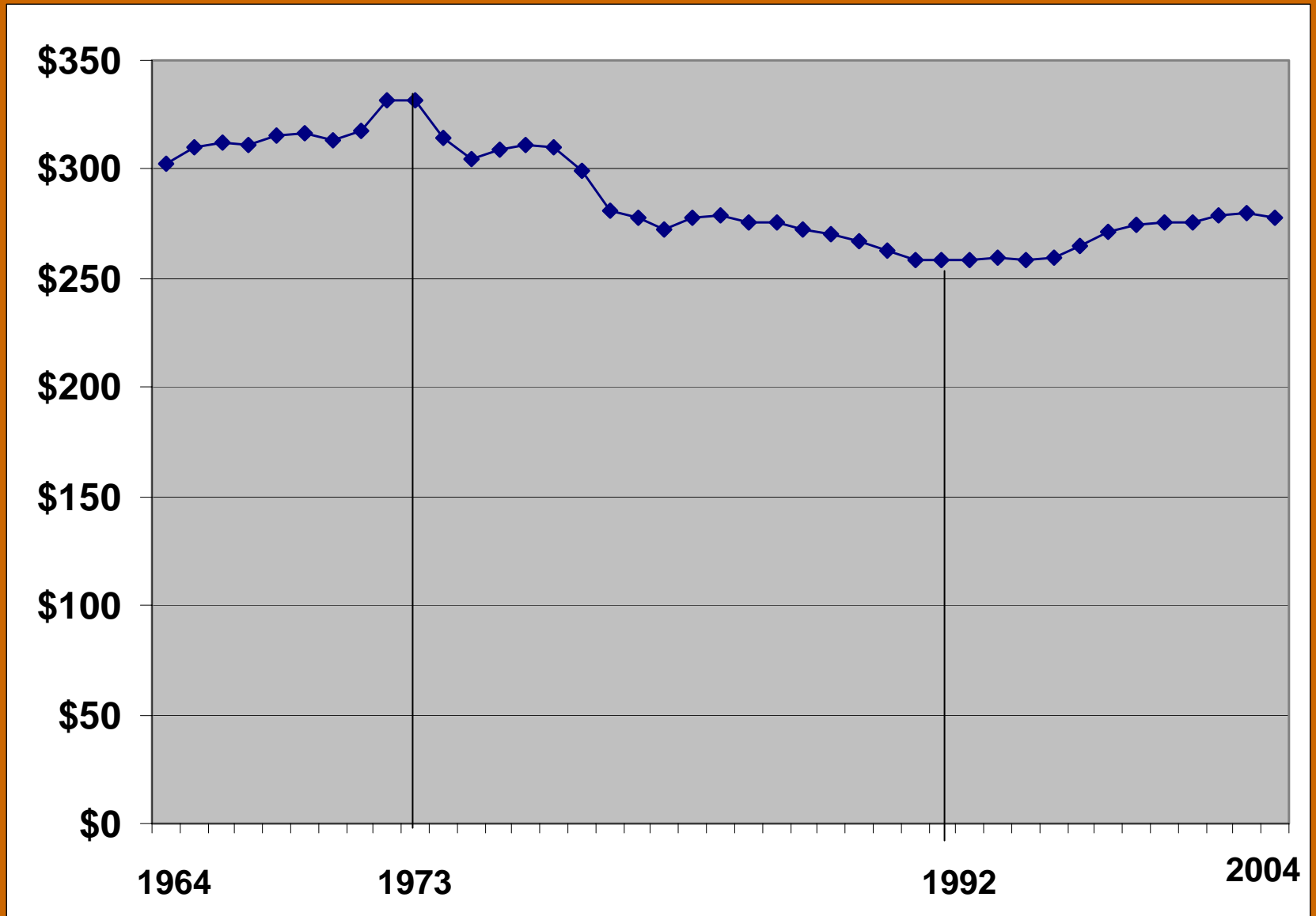
**Figure 2. Costs of Health Insurance and Administration as Percent of Gross National Product**



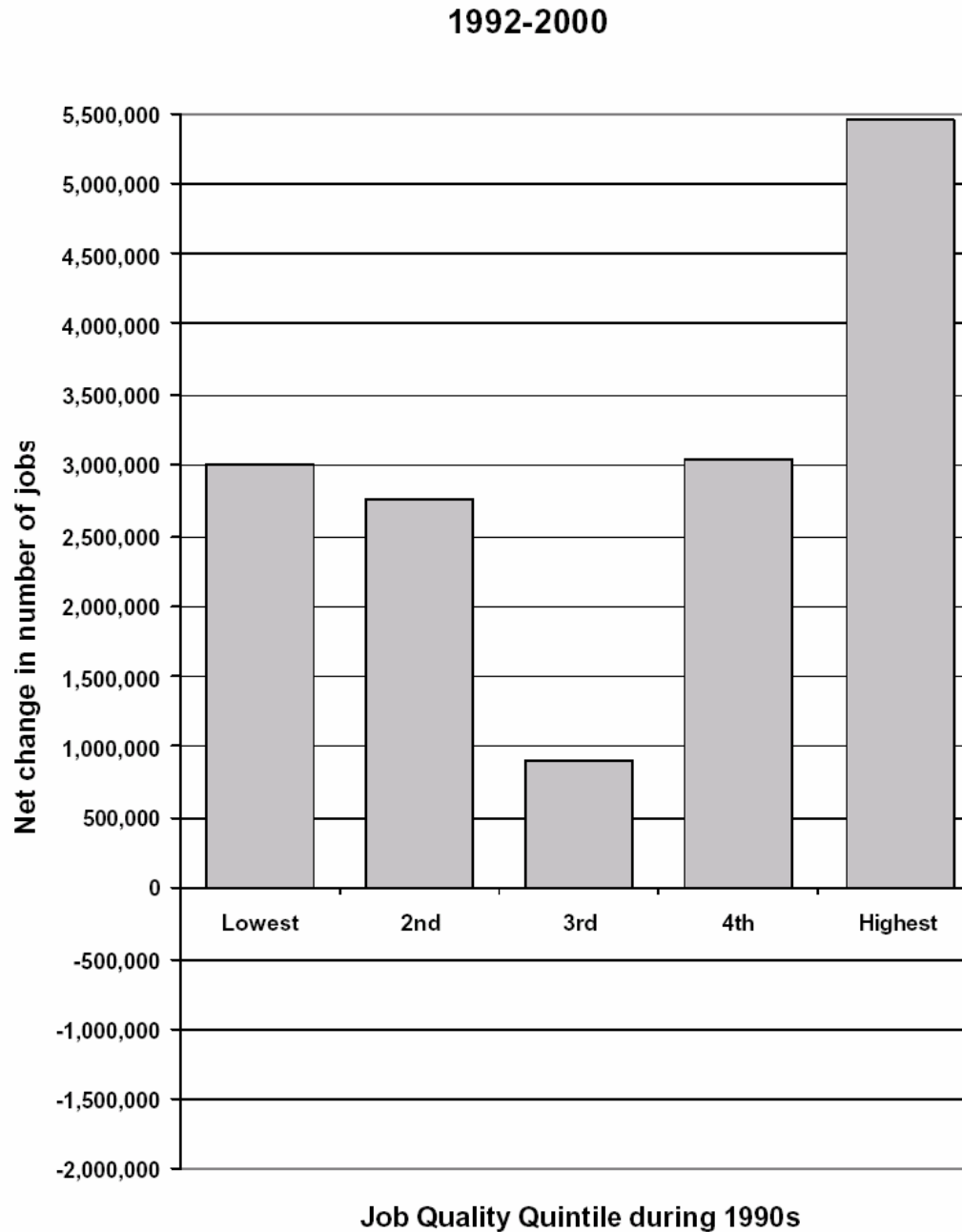
## **Main Features of the Canadian Health Care System**

- **Universal = for all citizens**
- **Comprehensive = covers all necessary medical services**
- **Portable = recognized in other provinces**
- **Accessible = no special limits, no special charges**
- **Publicly administered = no private insurance: A doctor who receives any private fees is barred from receiving any government fees.**

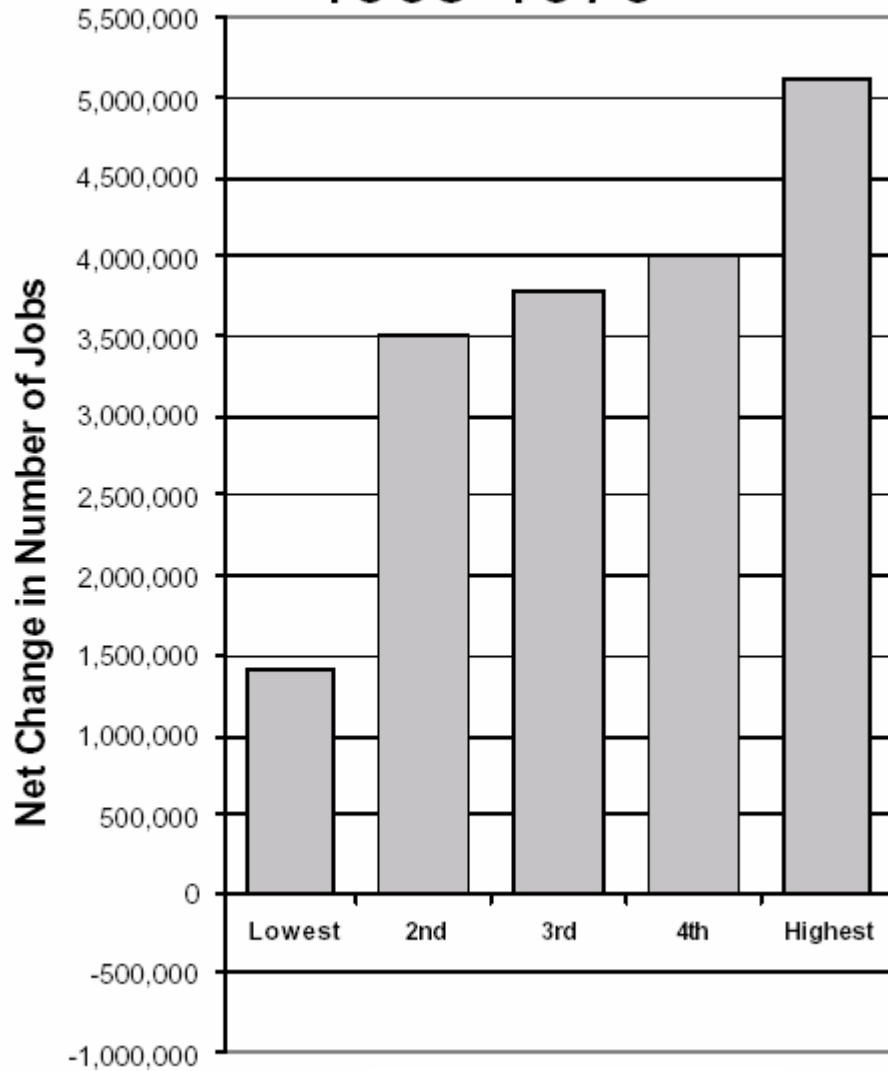
# AVERAGE WEEKLY EARNINGS (IN 1982 dollars, adjusted for inflation)



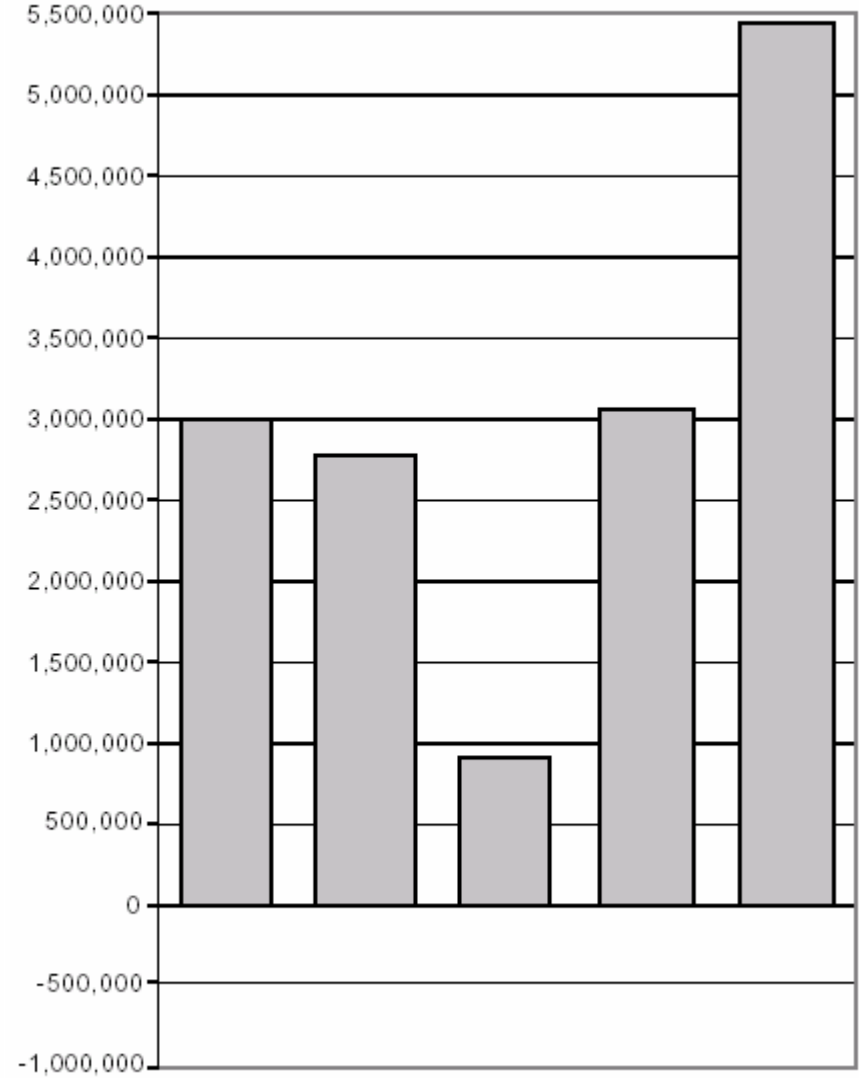
**Patterns of  
Job Growth  
in the US  
1992-2000**



### 1963-1970

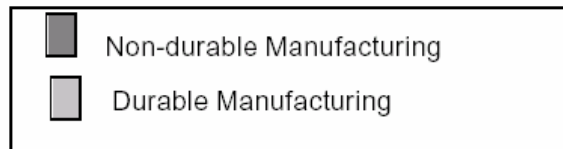
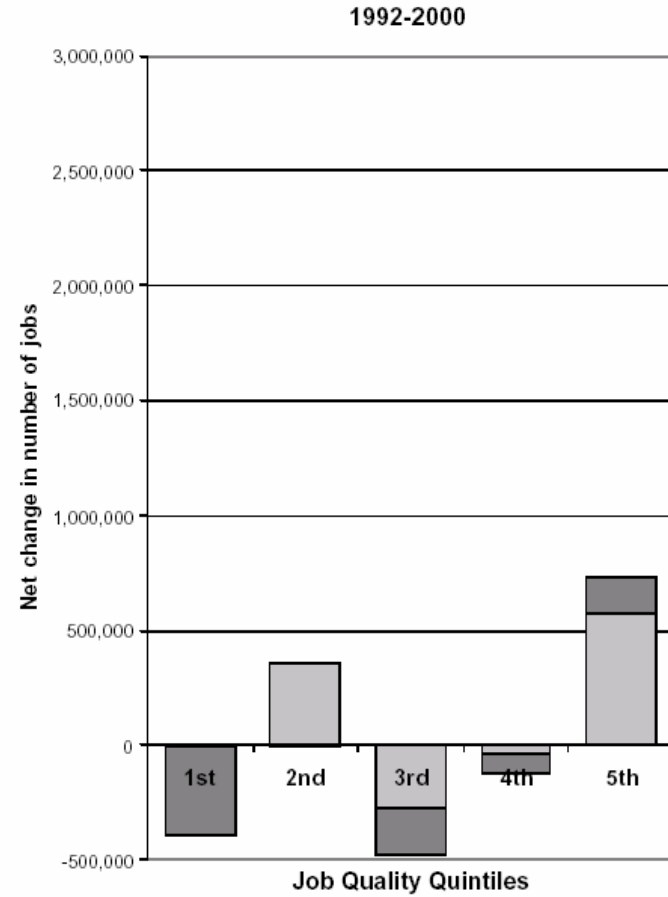
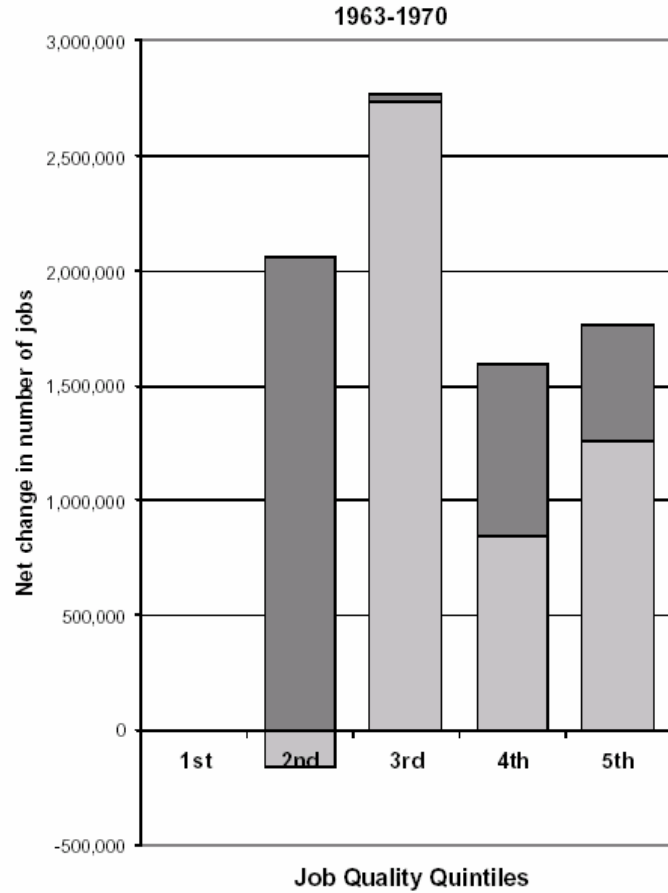


### 1992-2000



**Patterns of Job Growth in the US, 1960s versus 1990s**

# Patterns of Job Growth in the 1960s and 1990s in Durable and Nondurable Manufacturing



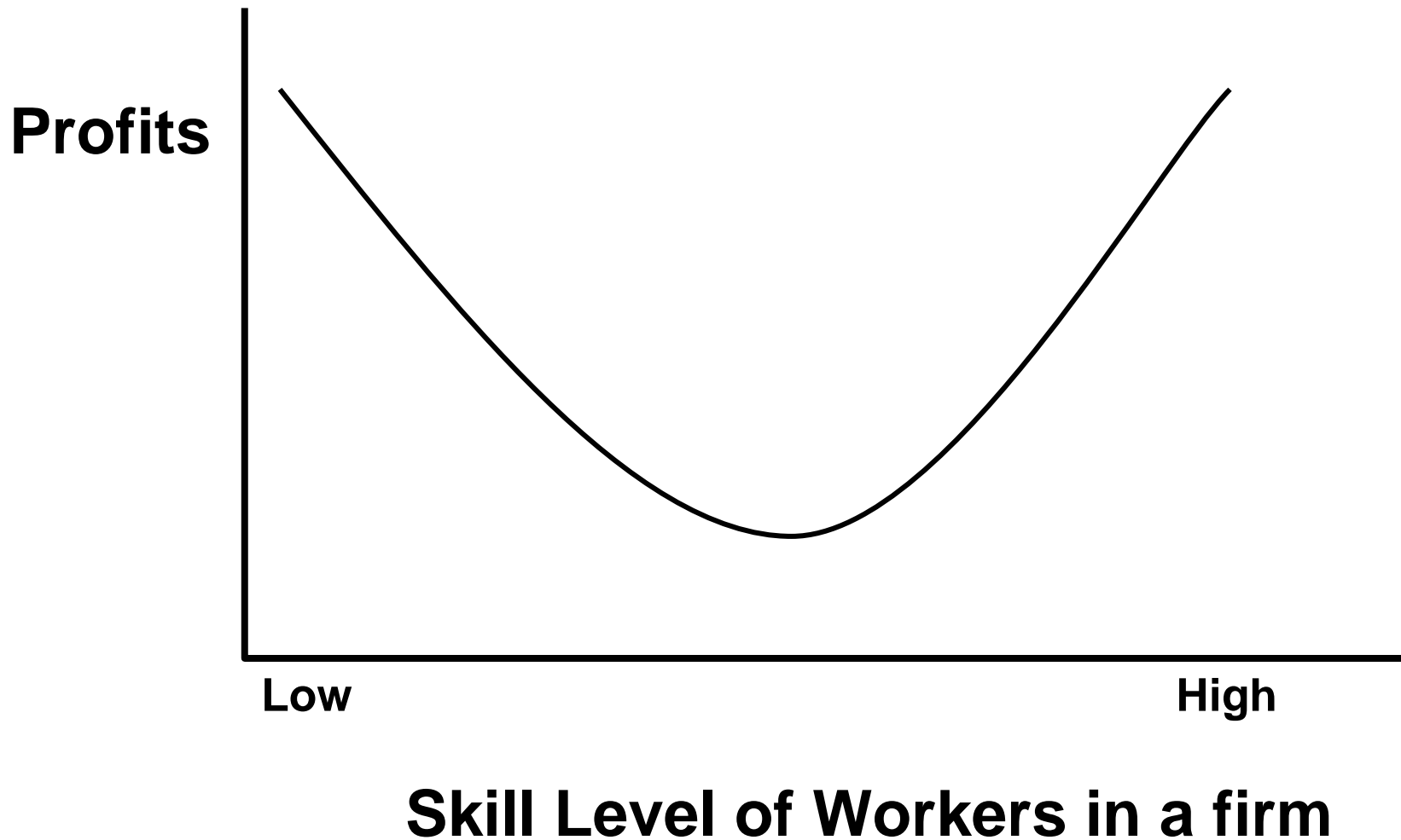
## **What should be done?**

*Close off the low road, pave the high road, and help firms and workers move from the first to the second.*

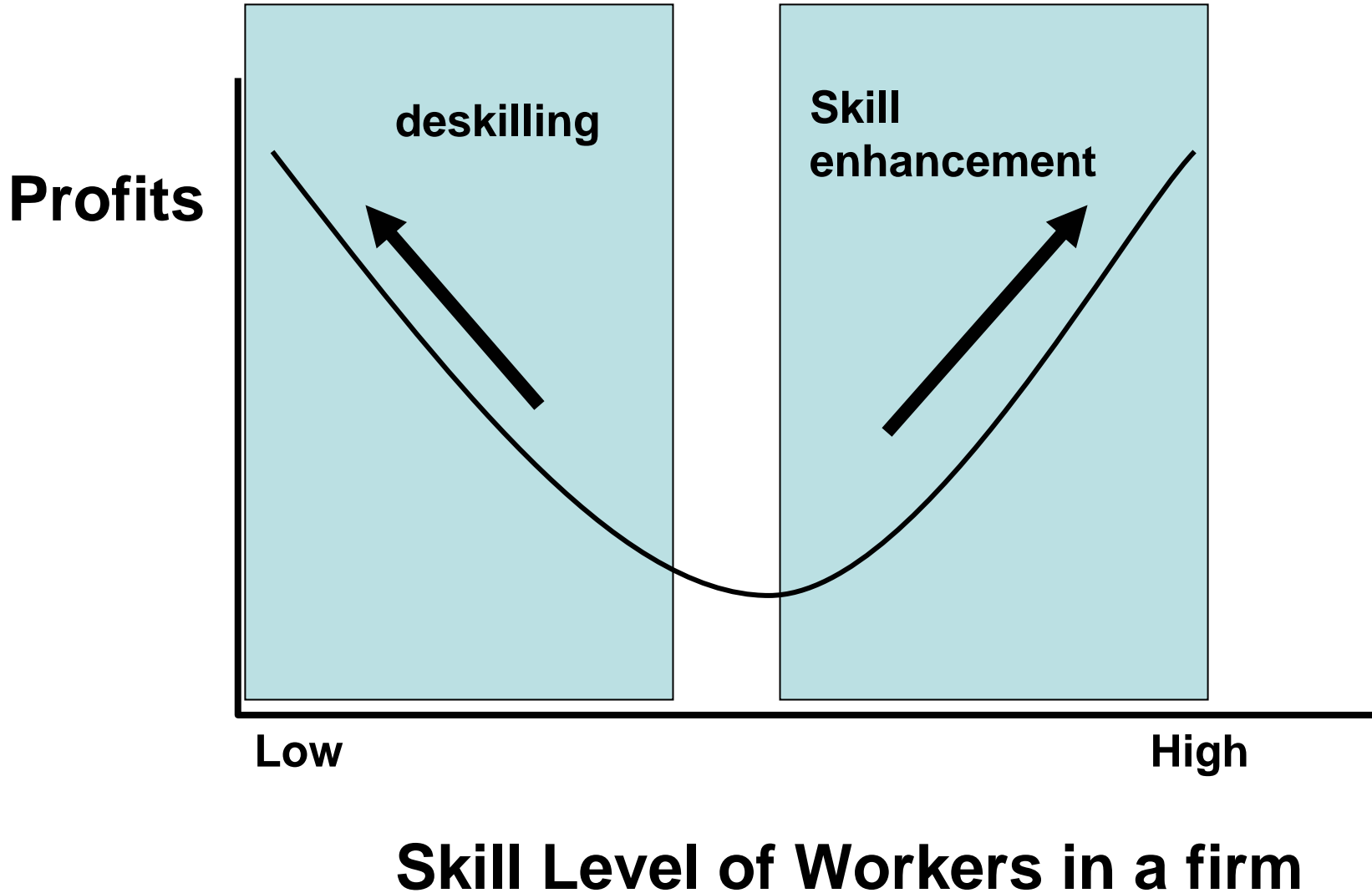
# High Road versus Low Road Capitalism

	<b>“Low Road”</b>	<b>“High Road”</b>
<b>Basis of firm competition</b>	Primarily price	Primarily quality
<b>Nature of product market</b>	Mass goods, homogeneous products	Specialized/customized goods
<b>Typical jobs</b>	very specialized	multitask
<b>skills</b>	low skill: “trained gorilla”	high skill
<b>training</b>	job specific & concrete skills	meta skills transferable across jobs
<b>Training process</b>	short job training provided by employers	life-time training and retraining provided by employers and public institutions
<b>Job autonomy</b>	Low	high
<b>hierarchy</b>	rigid differentiation of managers and workers with many managerial layers	low differentiation of managers and workers with few layers
<b>wages</b>	relatively low wages	relative high wages

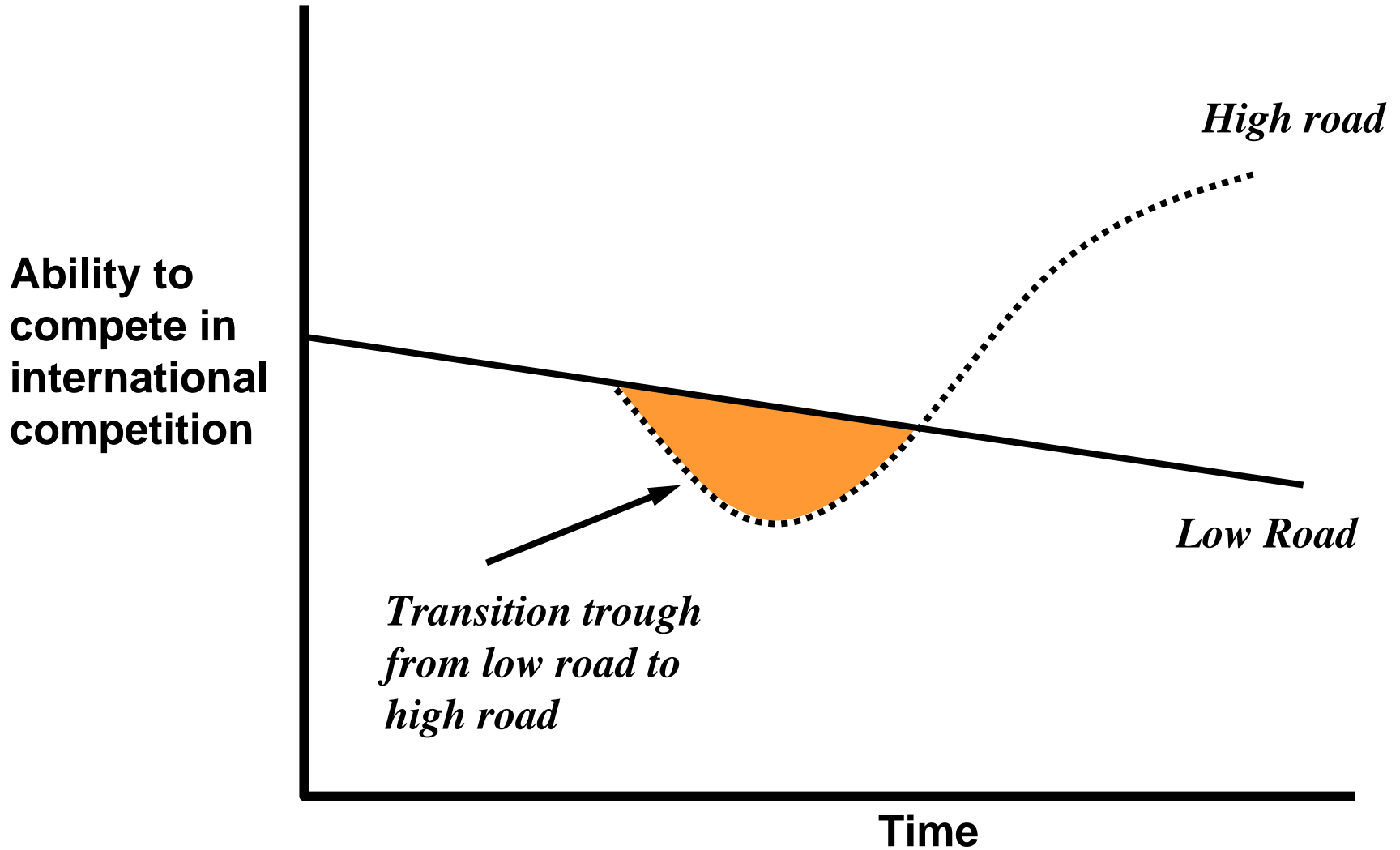
# The Relation of skill levels of workers to profits of firms



# Two ways to increase profits



# THE TRANSITION TROUGH TRAP



# The Training Deficit Trap: a free riding problem (from lecture 4 & 5)

		You provide training	
		YES	NO
All other firms provide training	YES	\$20,000 <b>A</b>	\$30,000 <b>B</b>
	NO	-\$10,000 <b>C</b>	\$0 <b>D</b>

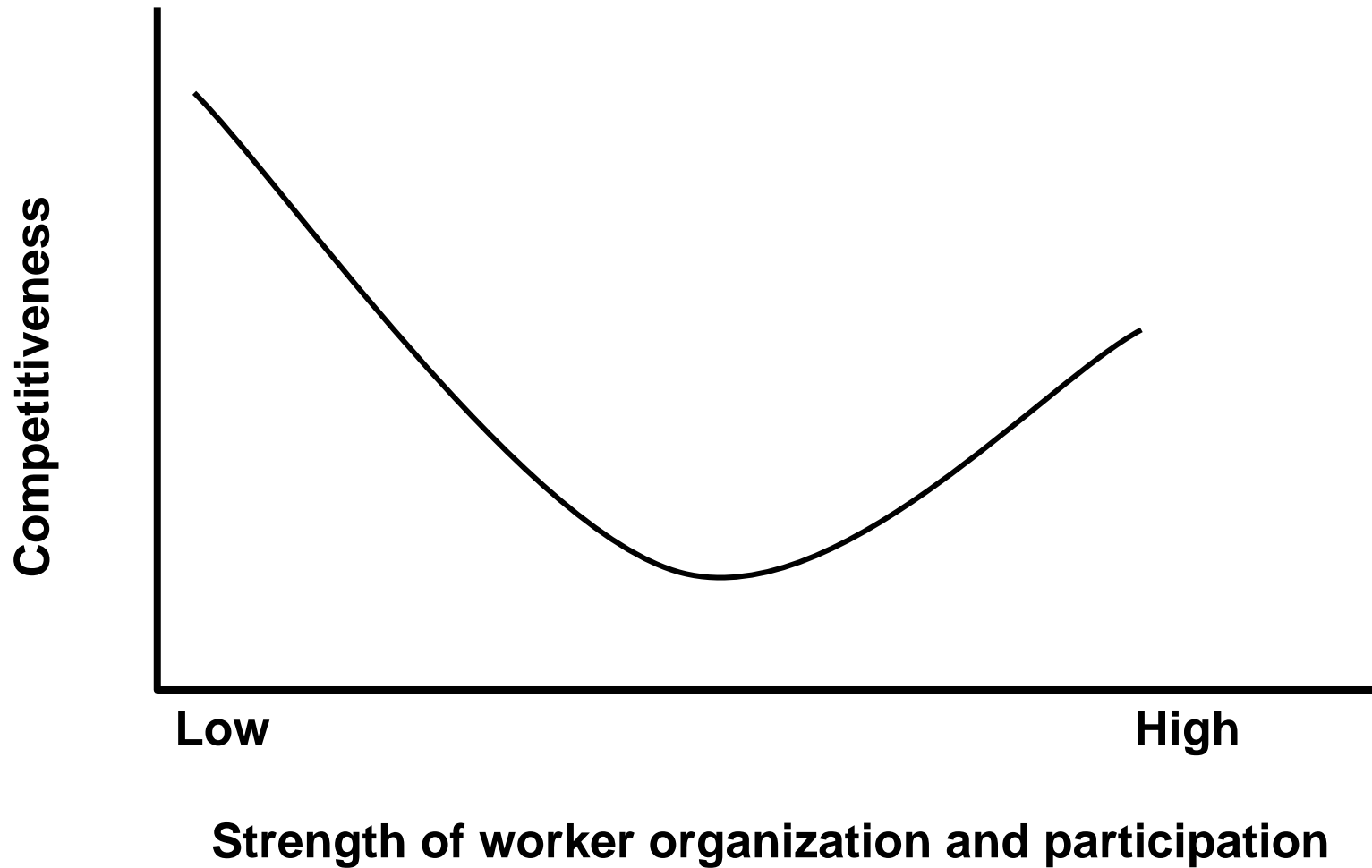
Training costs = \$10,000

Extra Gross Profits with trained workers = \$30,000

Net extra profits if you provide training and keep workers = \$20,000

Net extra profits if you provide training and workers leave = -\$10,000

**The anti-union trap:  
The relationship of union strength to competitiveness of firms**



**The anti-union trap:  
The relationship of union strength to competitiveness of firms**

