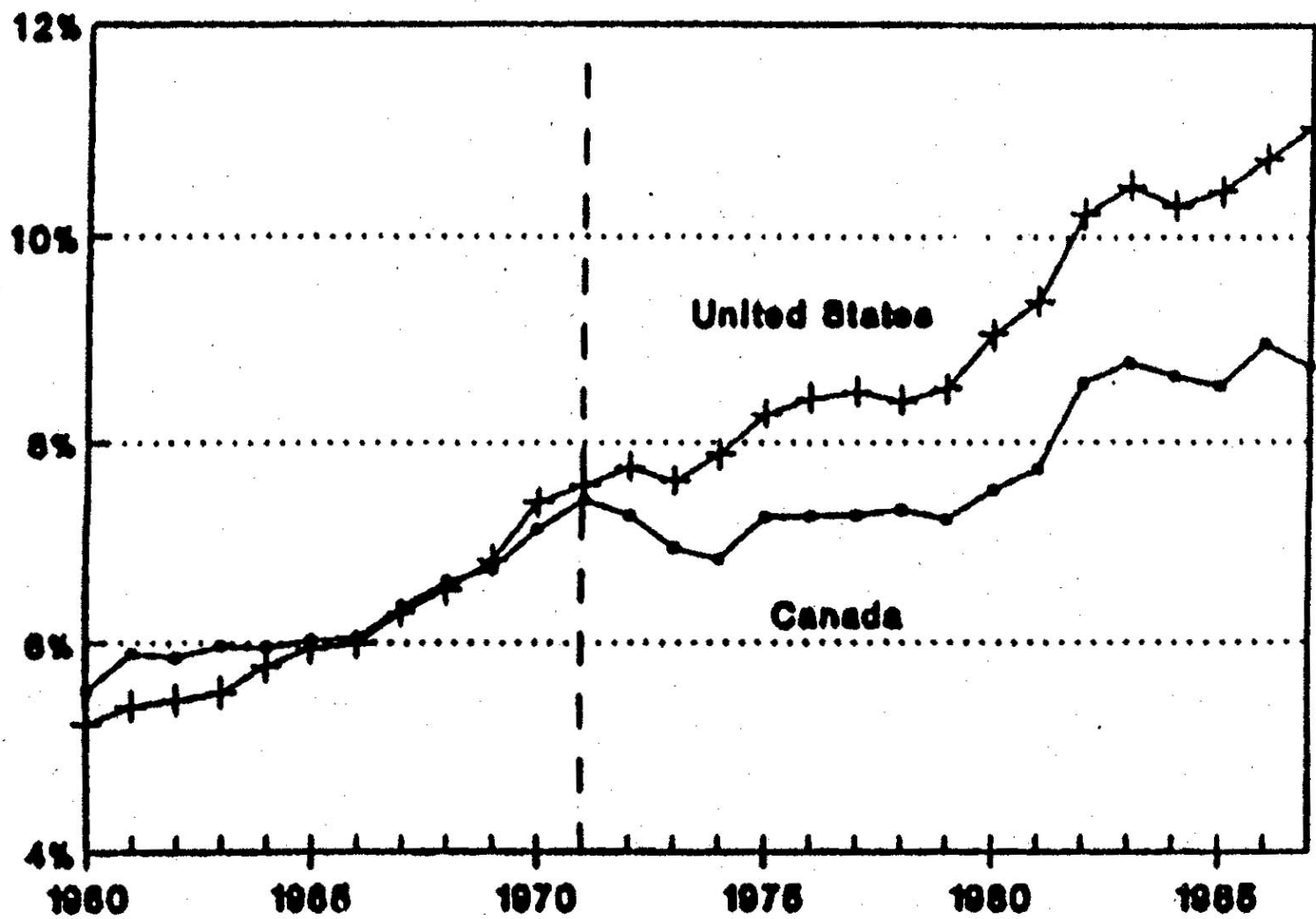


Lecture 10

Monday, October 9

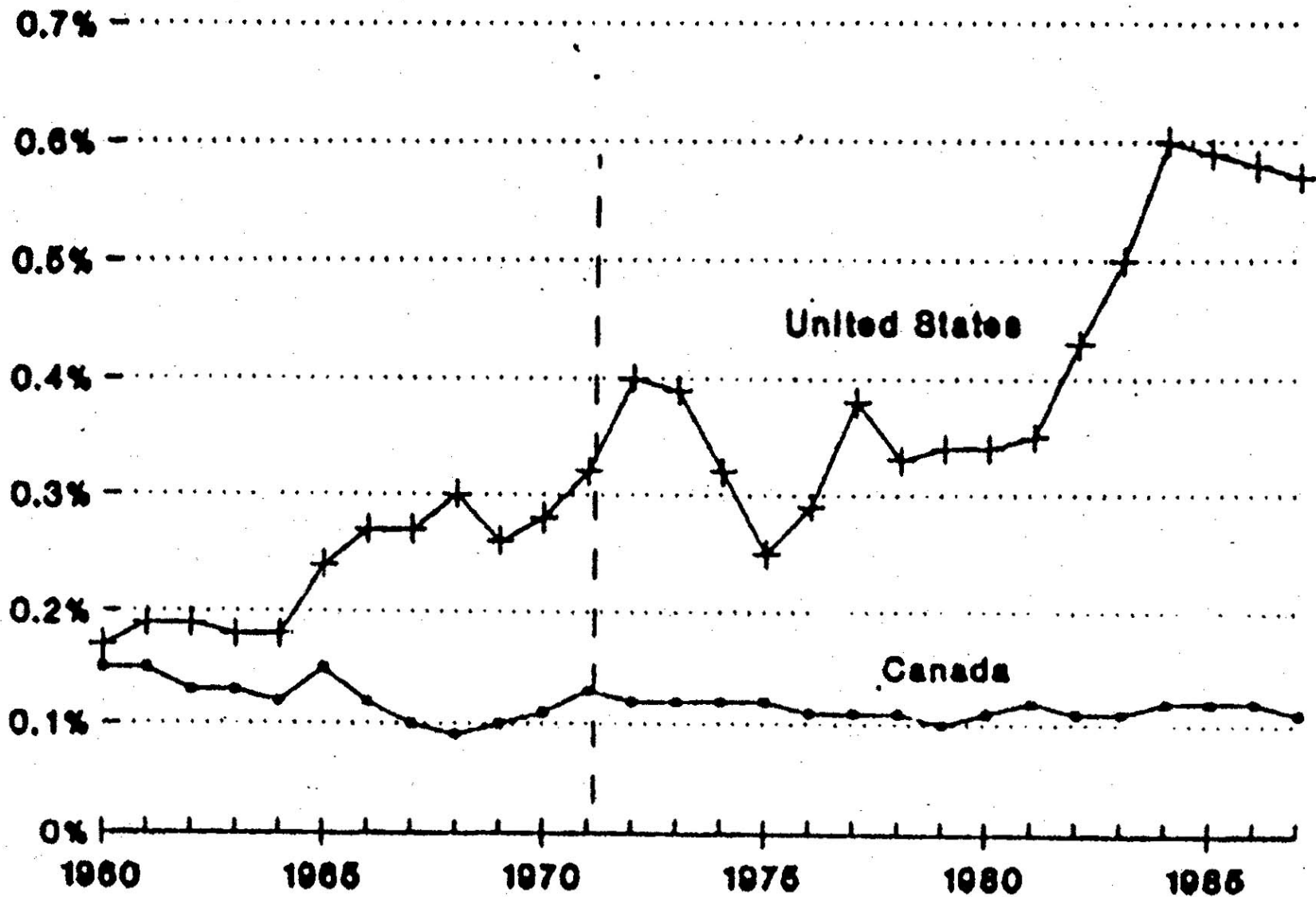
High Road Capitalism

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



1971: Enactment of Canadian National Health Insurance

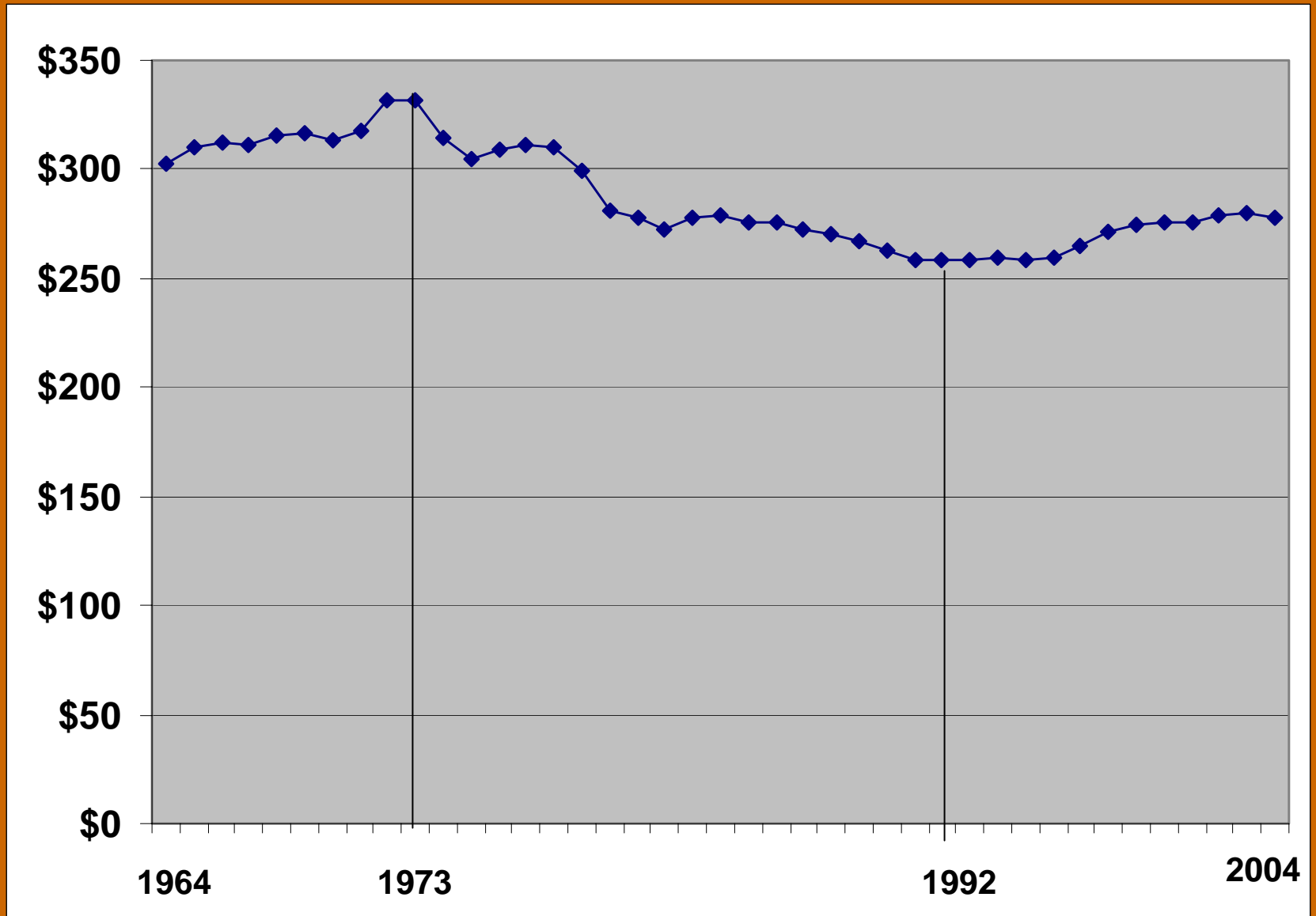
Figure 2. Costs of Health Insurance and Administration as Percent of Gross National Product



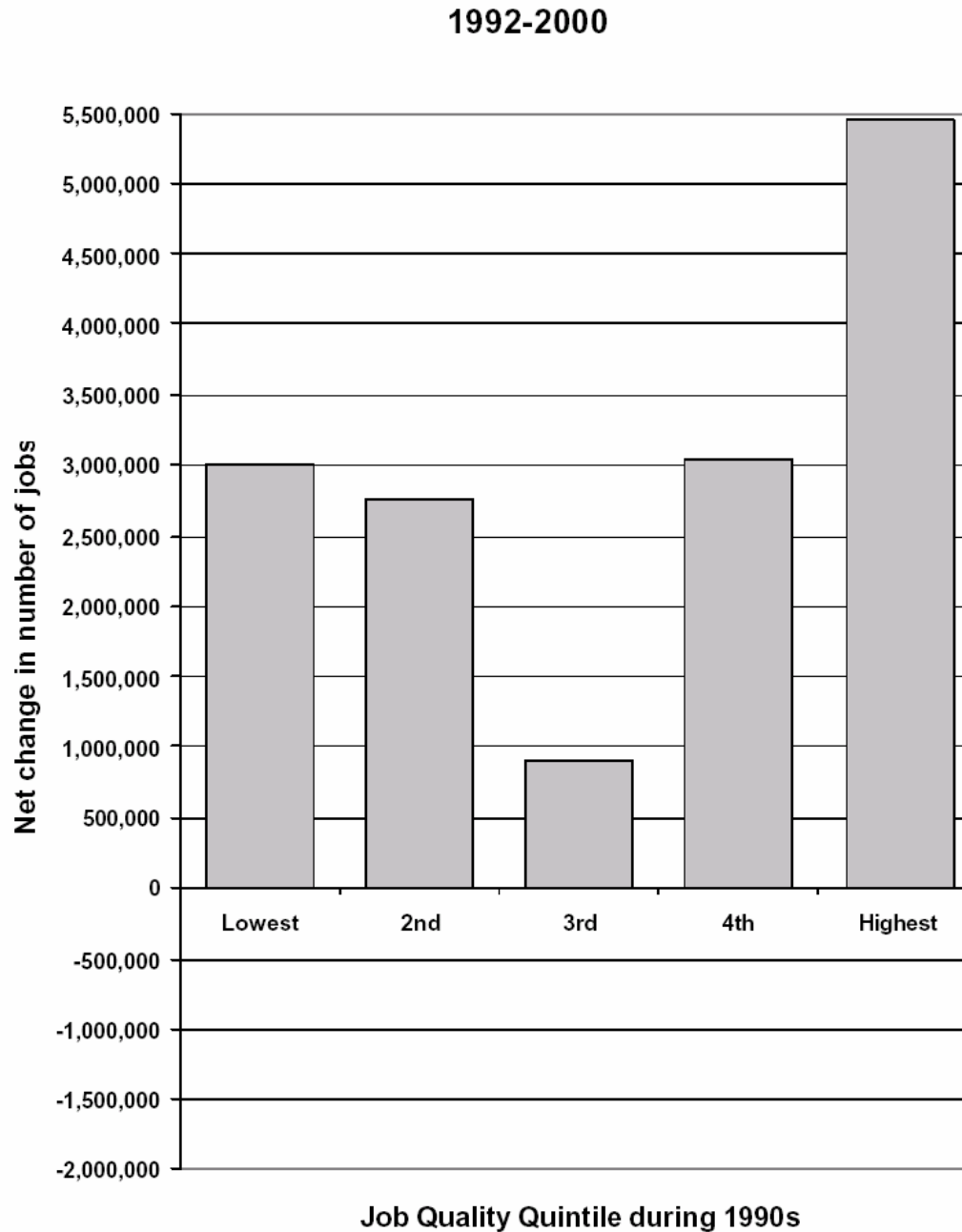
Main Features of the Canadian Health Care System

- **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.**

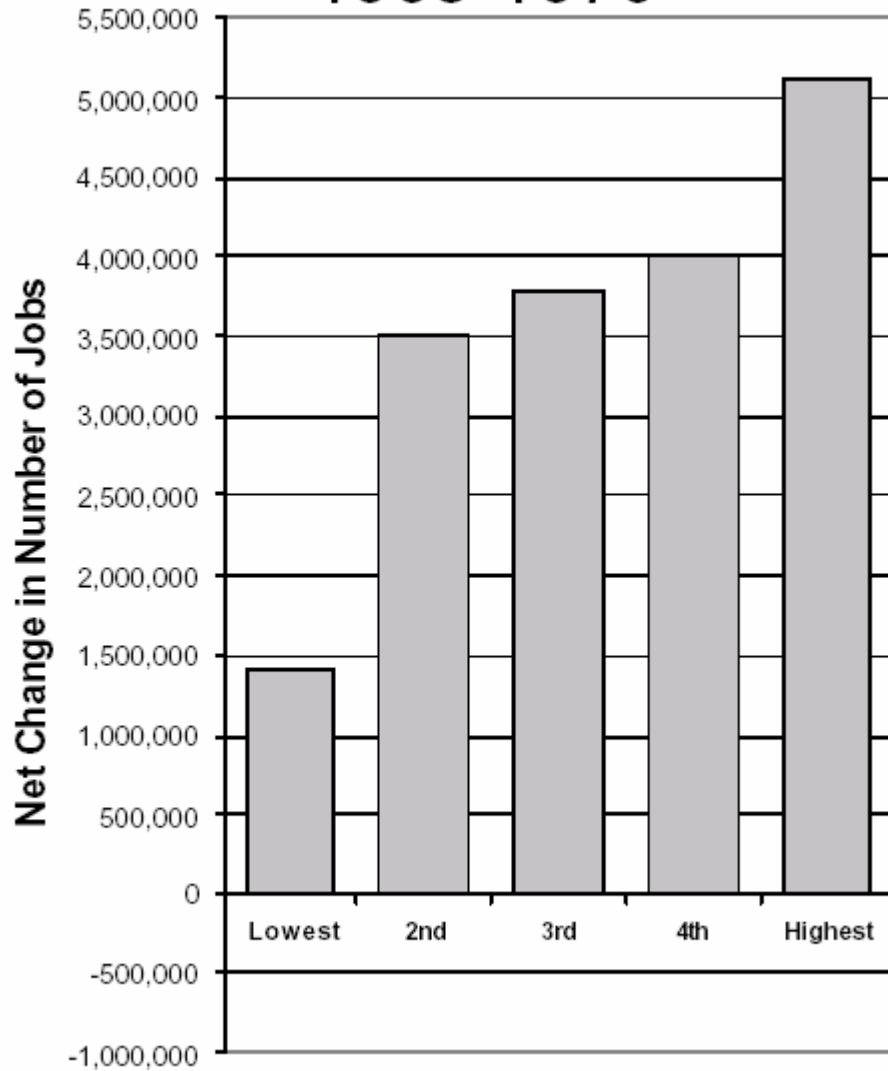
AVERAGE WEEKLY EARNINGS (IN 1982 dollars, adjusted for inflation)



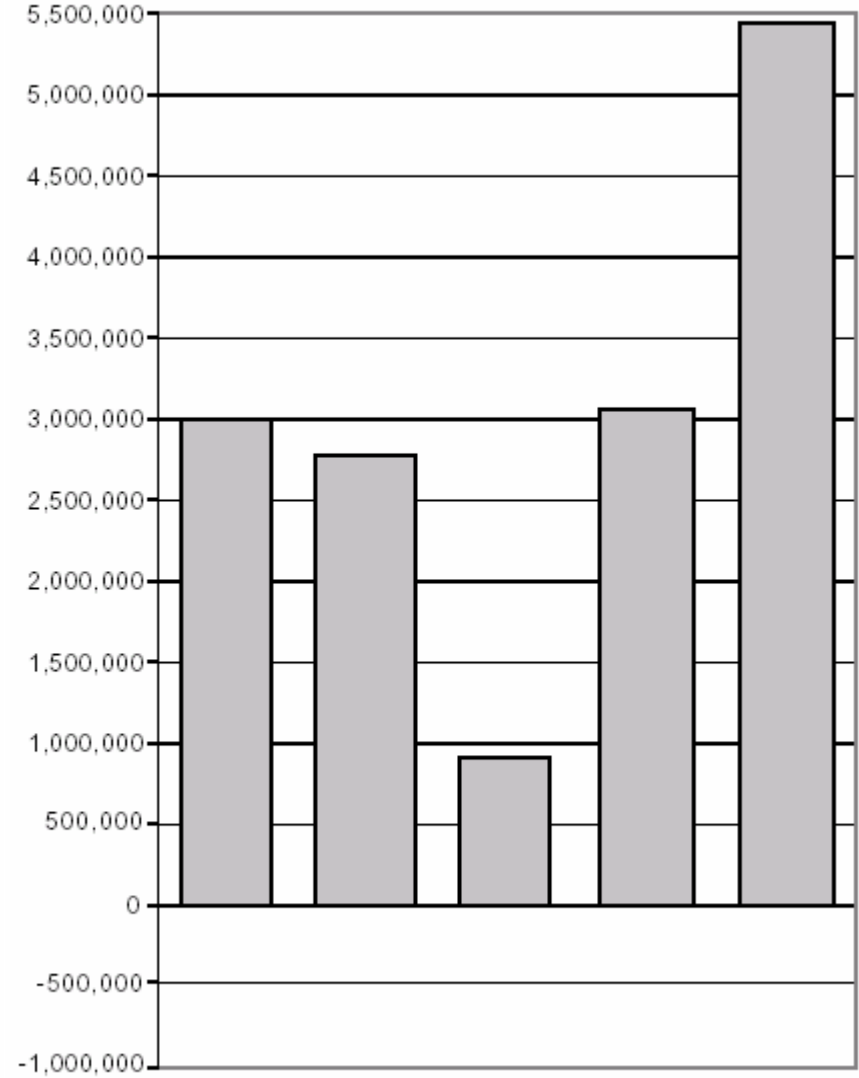
**Patterns of
Job Growth
in the US
1992-2000**



1963-1970

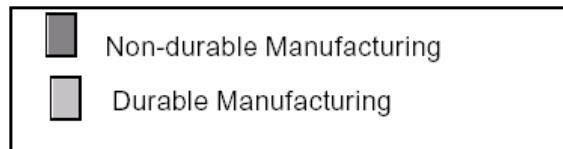
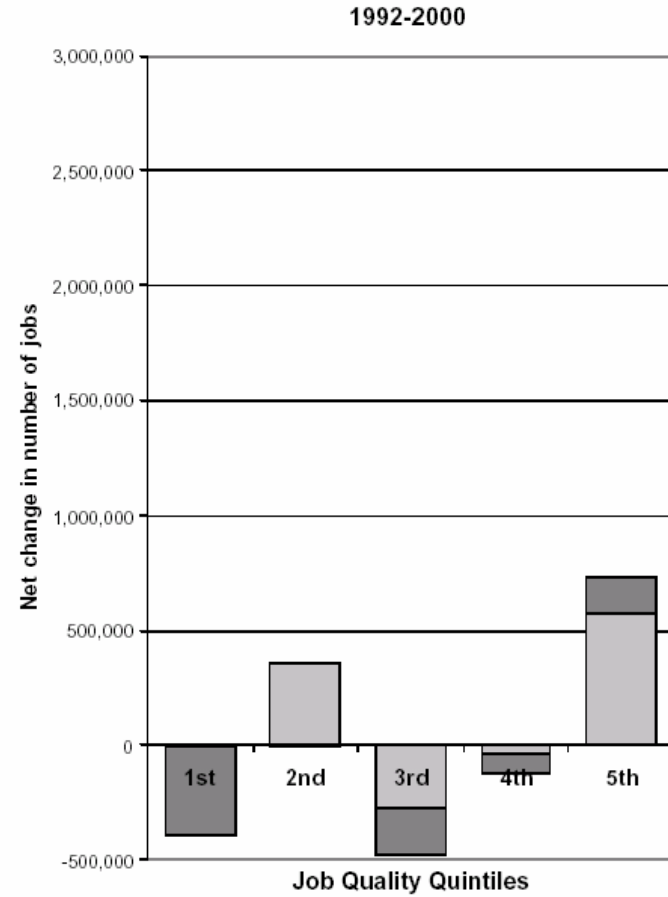
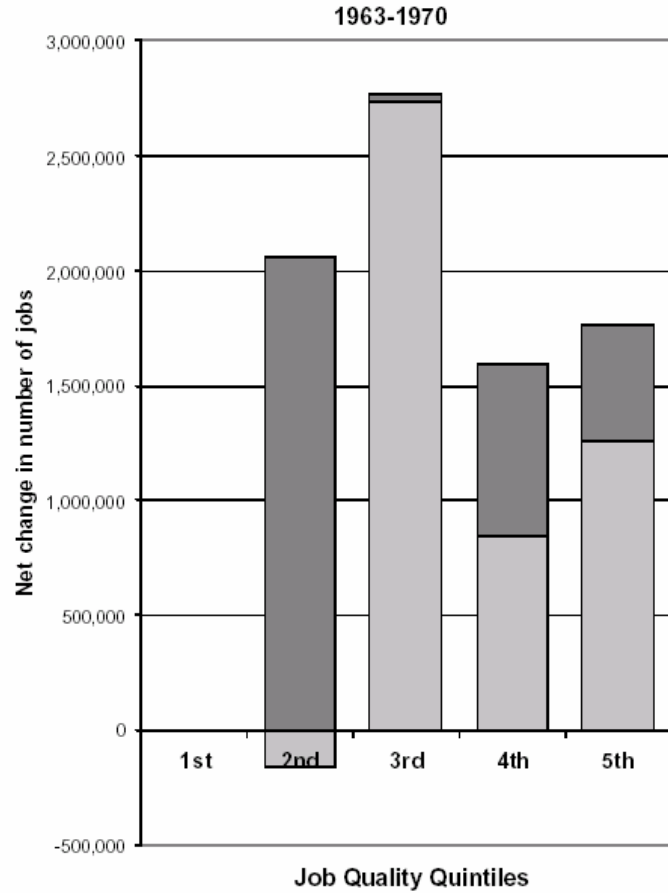


1992-2000



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

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



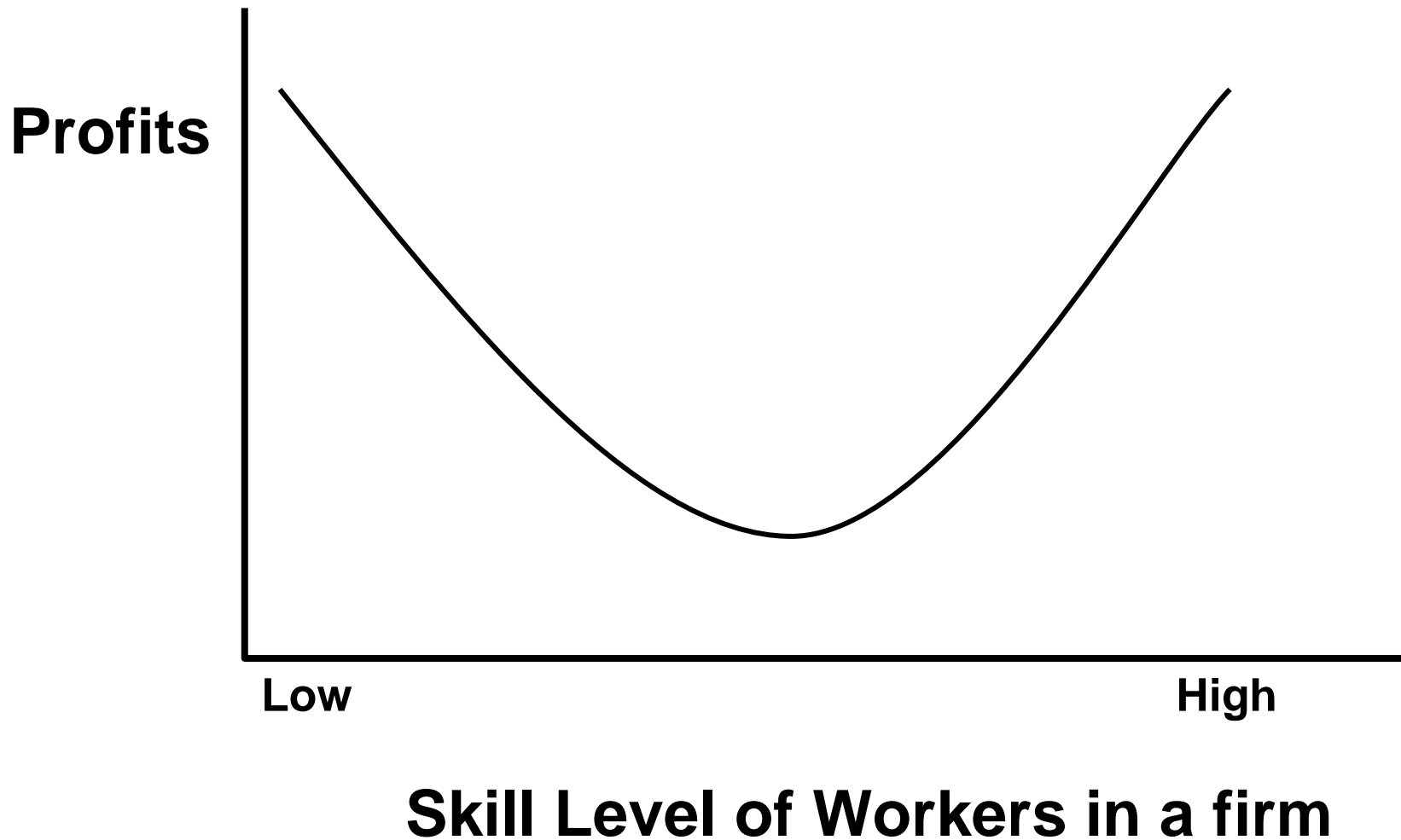
What should be done?

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

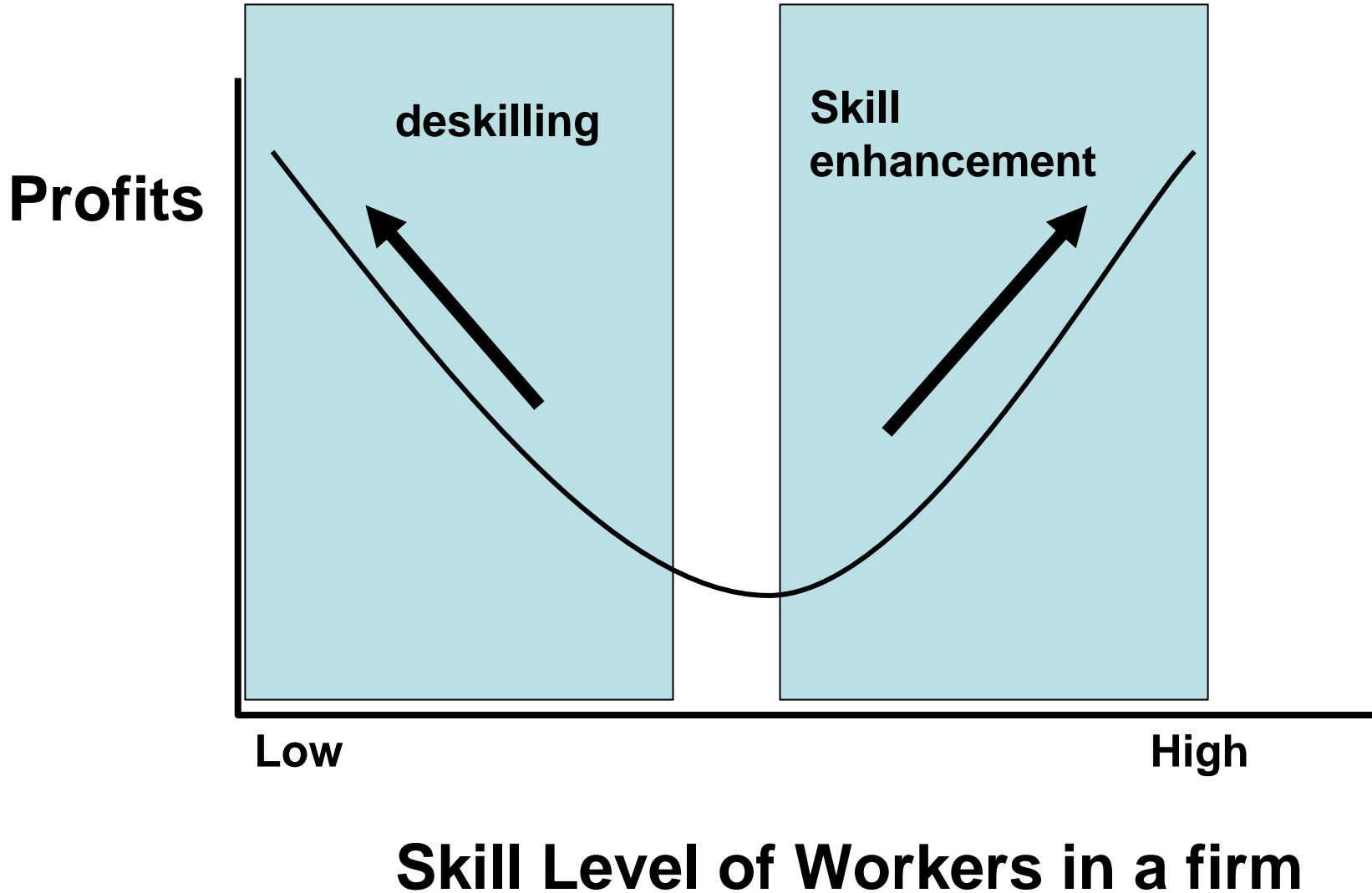
High Road versus Low Road Capitalism

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

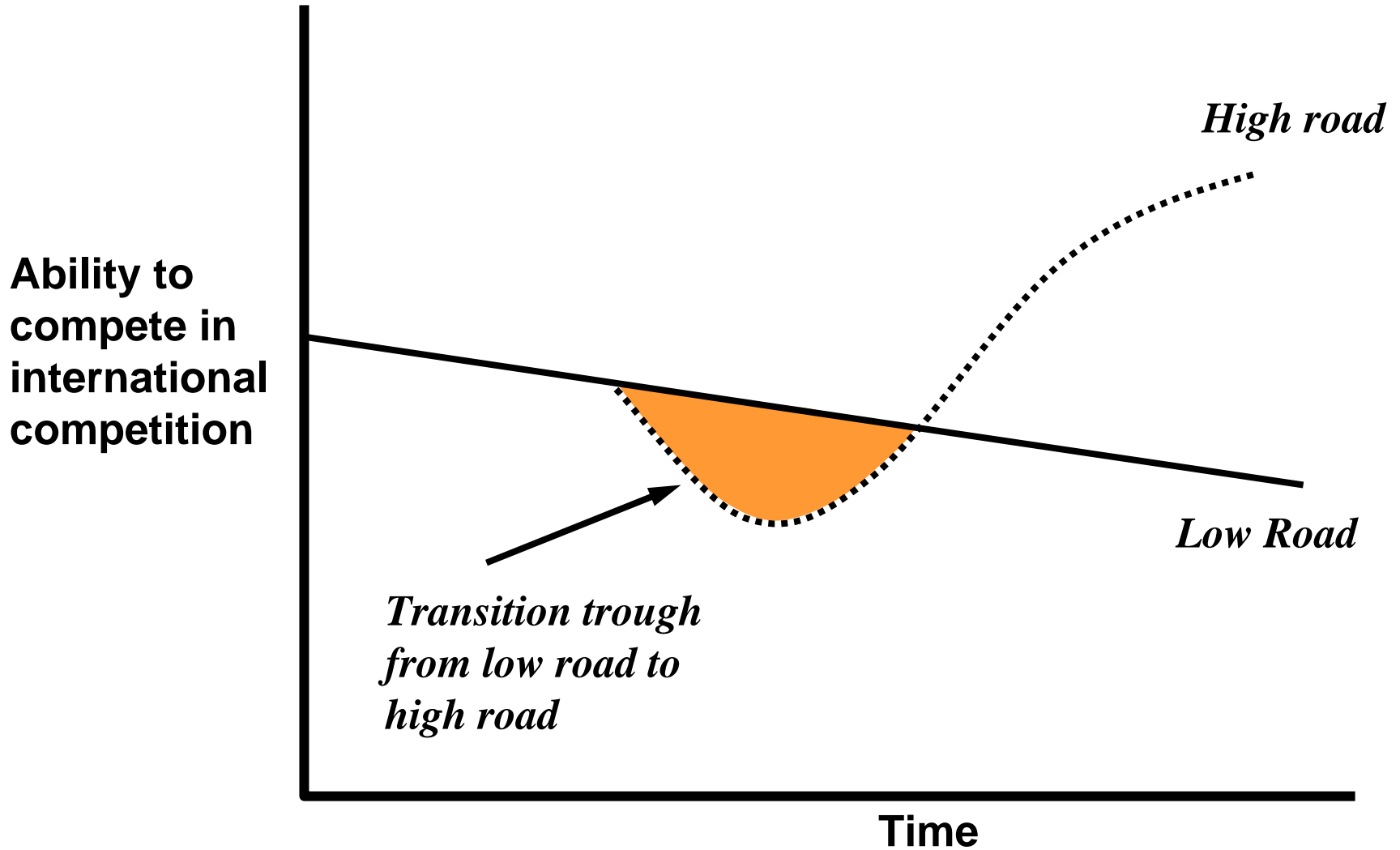
The Relation of skill levels of workers to profits of firms



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 A	\$30,000 B
	NO	-\$10,000 C	\$0 D

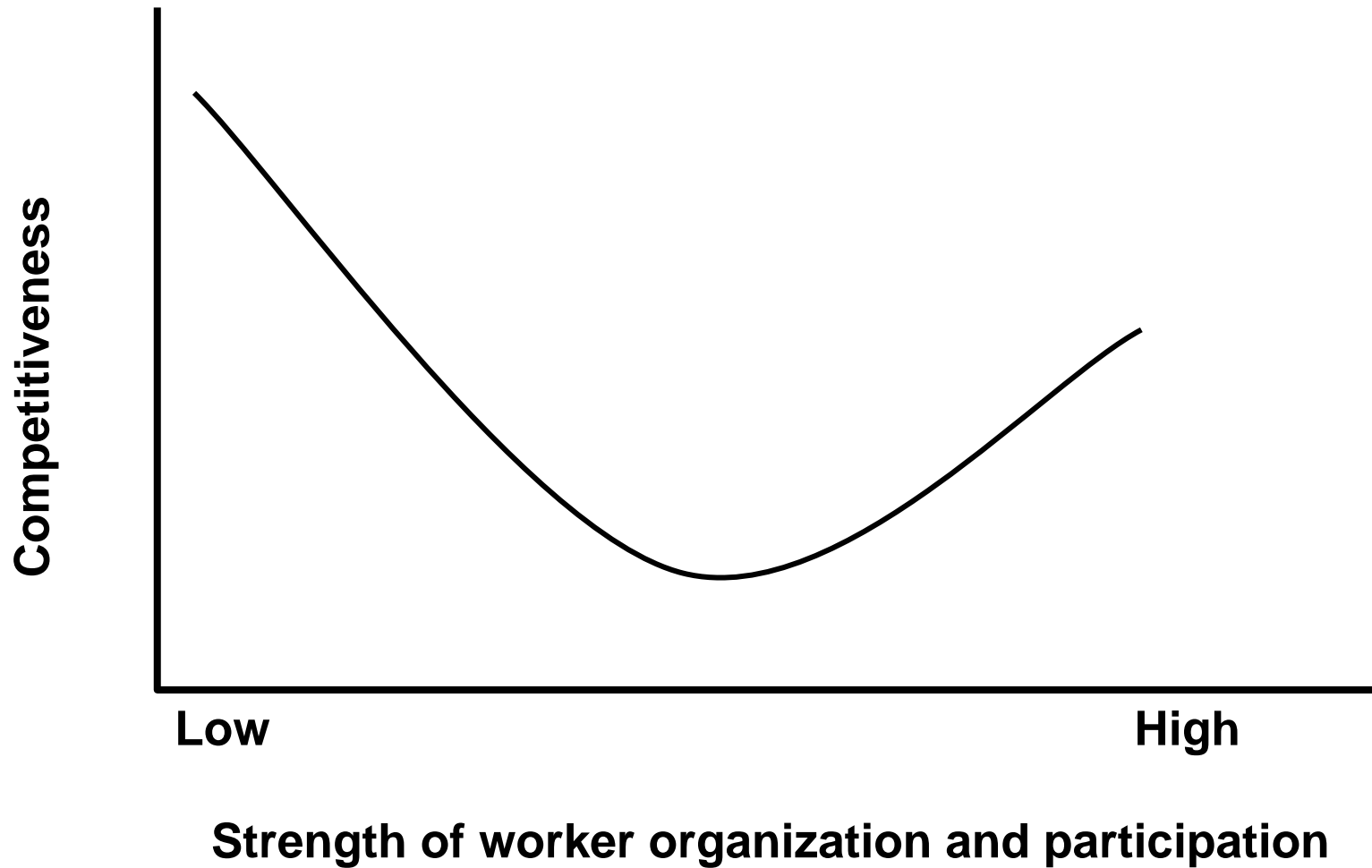
Training costs = \$10,000

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**

