

### **Lecture III: Human Capital Policy in Canada After 1995**

- A. Introduction
- B. Reasons for interest in Human Capital Policy in Canada
  - Slowing of productivity increase relative to U.S.
  - Complementarity with research and development
  - Social/income distribution objectives
  - Government spending cuts of 1990s led to increased tuition fees at colleges and universities - - federal government concerned about possible effects
- C. Federal Spending Initiatives
  - Increased funding for research granting councils (NSERC, SSHRC)
  - Increased scholarship funding, e.g. through Millennium Scholarship Foundation
  - Creation of new agencies to fund research
- D. Federal Tax Initiatives
  - Large increase in Education Amount credit
  - Liberalization of tuition credits
  - Reduced progressivity - - encourages human capital investment
  - Interest on student loans made deductible
  - Textbook credit
- E. Economic and Social Effects of Human Capital Investment
  - Will economic benefits exceed social costs?
  - Will income distribution effects be equalizing or disequalizing?
  - Will graduates find jobs?
- F. The Political Economy of Human Capital Policy
  - Attacking distortions politically difficult
  - Spending more on education politically popular
  - Economists have encouraged more spending on human capital
  - GDP *will* rise if labour force more educated - - policy will appear successful whether benefits exceed costs or not
- G. Conclusion
  - Is increased investment in human capital a good thing, in economic and social terms?
  - Has Canada stimulated human capital investment in the best way?