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POLICY *Paper*

August 4, 2023

Bound by the Laws of Growth? A Long-Term Global Perspective on Canada's Economic Performance

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**JOHNSON
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Policy Paper: CONTEXT

- Growth rate of GDP per person is considered indicator of “progress”
- Advanced economies grow at about the same rate on average
- Countries in the group grow on average neither faster nor slower than their fellow travelers, like a “peloton” or group of bicycle riders
- Ideas, technology, know-how are shared among the group around trade, investment, communications, and people
- To be among the leaders requires an institutional framework that:
 - seeks to enhance the capability of every person;
 - ensures against arbitrary actions that amplify economic risk, and;
 - provides competent, non-corrupt government
- Despite weak innovation by Canadian business, Canada’s economy has grown, on average, at the same rate as the US for 70+ years
- That is due to sound institutions and tight integration with the US economy

Policy Paper: CONSIDERATIONS

- Although GDP growth rates converge, dollar levels of GDP per capita generally do not
- The US has led the pack for more than a century with per capita GDP about 20-25% above most of the rest of its peer group
- It sets the pace of the “peloton”, but cannot halt diffusion of innovation to other economies
- However, others cannot overtake the U.S. because innovation takes time to be adopted
- To achieve and then sustain performance comparable to that of the global leaders requires the support of solid institutions

Policy Paper: DISCUSSION QUESTIONS

- How has Canada been able to maintain its place in the peloton despite weak productivity growth, particularly relative to the US, since the mid-1980s?
- Why is Canadian business a perennially mediocre performer, by peer group standards, on most measures of innovation?
- Is Canada's "low innovation equilibrium" sustainable?
- What should be governments' priorities to help keep Canada in the growth peloton?
- What are the megatrends shaping the global economy?