

April 15, 2009

*The current economic turmoil is certainly a cause for concern, but it also can be a time for opportunity and hope – if we are prepared to take bold action.*

**Toronto.** Despite public concerns about the current economic slowdown, Canadians have an opportunity to build our future prosperity by ensuring we keep a balanced perspective on short-term and long-term challenges. In their Report on Canada, *Opportunity in the turmoil*, the Institute for Competitiveness & Prosperity and the Martin Prosperity Institute call on individuals, business leaders, and governments to look for hope and optimism in the stormy times of the current economic downturn.

“This Report comes at a time of unprecedented economic volatility and uncertainty in Canada and around the world,” said Roger Martin, Chairman of the Institute for Competitiveness & Prosperity and Dean of the University of Toronto’s Joseph L. Rotman School of Management. The Report notes that the financial crises in many countries and the economic slowdown have led to reduced public confidence, wild swings in stock markets, and the return of huge government deficits. In Canada, our manufacturing industries are being challenged by lower demand worldwide; our financial institutions face ever greater uncertainty; weakened commodity prices are hurting our resource industries; and our construction and real estate sectors are under duress.

Martin emphasized, “My colleagues and I are highly sensitive to the economic turmoil and hardship that have beset many of us. But our financial institutions have withstood the gale force of economic headwinds better than perhaps all others in the world. Our governments are less burdened by debt than many other countries.” In a better situation than other countries, Canada can keep the long-term in mind.

The Report argues that this is the time for attitudes of openness and expansion. While other countries, most notably the United States seem to be taking a more insular and protectionist approach, Canada has to be open to foreign investment, global trade, and talented immigrants so that we can approach the eventual economic recovery in a relatively stronger position.

As in its previous Reports, the need for investing in our future prosperity continues to be a key theme. “Canada is among the most prosperous economies in the world,” said Martin, “but, we are productivity and innovation laggards. Some of this is the result of under investing in technology and research by our businesses; some of it is the result of inadequate investment in education and skills by our people and our governments. We need to find ways to ensure that we are not cutting off investment because of short-term pressures.”

The Report sees some bright spots in our tax policies, both federally and provincially. The recent Ontario Budget supported new job creating investments by harmonizing the provincial sales tax with the federal Goods and Services Tax (GST) and by reducing provincial corporate income tax rates. In New Brunswick, recent tax reductions are also a step in the right direction. As Martin observed, “with recent federal and provincial tax measures, Canada will be one of the most attractive places for new business investment in the world.” The Report calls on governments to explore even more innovative tax policies for Canada’s long-term advantage.

Finally, the Report encourages the federal government to adopt the Competition Policy Review Panel’s recommendations, that in the globalizing economy the best defence for our companies is a good offence.

## **EMBARGOED UNTIL 1 AM April 15, 2009**

The Report also draws on some new research that indicates that, while Canadian companies are among the best managed in the world, they have potential for improvement. In an innovative economy, strong management and scientific skills are both necessary.

While Canada is one of the most prosperous jurisdictions in the world, we under achieve our prosperity potential, as defined by the gap in GDP per capita with the United States – even with the most recent reported results. As Martin observed, “Regardless of short-term economic events, we need to keep an eye on our long-term prosperity in our increasingly competitive global economy. And we have some great opportunities to take actions today that will lead to realizing our potential.”

### ***Opportunity in the turmoil: Summary of recommendations***

#### **Attitudes: Keep eye on long-term prosperity potential**

- Prime Minister, Premiers, and business, labour, and community leaders to turn up volume on the importance of prosperity and productivity even in these times of economic uncertainty

#### **Investment: Continue to invest in long-term prosperity**

- Enhance educational opportunities
- Support groups at risk of falling into poverty
- Step up investments in information and communication technology
- Raise our investment in people

#### **Motivations: Adopt bold tax innovations**

- Reduce overall taxes on new business investment, especially in the service sector
- Consider a carbon tax
- Pursue bold new approaches to taxation

#### **Structures: Make Canada a competitive and open economy for the Creative Age**

- Enhance our market structures to build skills and management capabilities, encourage competition, and stimulate innovation at home and abroad
- Continue to draw on creativity-oriented and international skills for our prosperity
- Pursue the reduction of barriers to investment and trade

The complete report can be downloaded directly from:

[http://www.competeprosper.ca/download.php?file=Report\\_on\\_Canada\\_2009.pdf](http://www.competeprosper.ca/download.php?file=Report_on_Canada_2009.pdf)

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### **About the Institute for Competitiveness & Prosperity**

The Institute is an independent not-for-profit organization established in 2001 to serve as the research arm of Ontario’s Task Force on Competitiveness, Productivity, and Economic Progress. The Institute and the Task Force are supported through the Ministry of Economic Development and Trade.

### **About the Martin Prosperity Institute**

The Martin Prosperity Institute at the University of Toronto's Rotman School of Management is the world's leading think-tank on the role of sub-national factors - location, place and city-regions - in global economic prosperity. Led by Academic Director Richard Florida, we take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.