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NEWS RELEASE

Industrial policy need not be taboo, says new paper

Montreal – Canadian governments have a key role to play in advancing economic development through sector-specific interventions. A sector-neutral policy stance may find support in current conventional wisdom, but it is ineffective, as it fails to account for the unique challenges faced by the different sectors of the Canadian economy, argues a new paper from the Institute for Research on Public Policy (IRPP).

The idea that governments should direct policy interventions to specific sectors of the economy is contentious and has long been viewed with skepticism. But the use of policy strategies is being re-evaluated, as governments seek to promote economic growth in light of the apparent success of more interventionist approaches in faster-growing emerging economies like China's.

In [*The Resurgence of Industrial Policy and What It Means for Canada*](#), Dan Ciuriak and John M. Curtis, respectively former chief economist and deputy chief economist at the Foreign Affairs and International Trade Canada, explore global trends in industrial policy and evidence of its role and effectiveness over history and in today's major economies.

The authors find that although industrial policy has long been taboo in advanced Western economies, it is widely practised.

“In fact, an inconvenient truth for those who shun industrial policy as a matter of principle is that developed countries all routinely resorted to industrial policies in order to become developed. Moreover, in recent decades, the countries that fought the hardest to support vital sectors have come to dominate them today. This includes the US, Japan and South Korea in semiconductors; the US and the European Union in large body civil aircraft; and Canada and Brazil in regional aircraft,” said Ciuriak.

“The truth is that Canada and most advanced economies have long histories of using industrial policy, some more successfully and some more openly than others,” say Curtis and Ciuriak. But, despite this history of interventions, Canada lacks a clear industrial strategy.

The authors suggest that “Canadian governments must tailor smart, sector-specific interventions that play to our unique strengths and circumstances, such as our small domestic market, our vast geography, and competition from the United States, our neighbour and the world's largest economy.”

[*The Resurgence of Industrial Policy and What It Means for Canada*](#), by Dan Ciuriak and John M. Curtis, can be downloaded free of charge from the Institute's Web site (www.irpp.org). The paper is the second in the new IRPP Insight series.

-30-

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