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April 17, 2008

NEWS RELEASE

Innovation gap a major threat to economic prosperity

“Science-push” approach to innovation of past 40 years “not only wrong, but backward,” says Donald McFetridge

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Montreal – If Canadian governments are serious about reducing the innovation gap, they will have to implement politically difficult tax reform and market-opening ideas, according to a new study for the Institute for Research on Public Policy.

The study, “Innovation and the Productivity Problem: Any Remedies?,” found that our poor performance on the commercial innovation front is largely due to an absence of opportunities and rewards for entrepreneurship. Author Donald McFetridge argues that while it is generally acknowledged that commercial innovation must be market driven, public policy in Canada has focused instead on encouraging the supply of scientific knowledge. Canada has a great number of programs to encourage research and development, but it does not reap the economic benefits from them. As a result, productivity growth – a fundamental determinant of Canada’s overall prosperity – has lagged in recent years.

After 40 years, the government’s “science-push” approach to federal science policy is clearly not working. It might be the political path of least resistance, but it is doing little to improve the climate of entrepreneurship in Canada. Instead, commercial innovation policy must focus on market incentives for entrepreneurship by reducing taxes on work, savings, investment and risk taking, as well as easing regulations that restrict business competition.

“As far as business innovation is concerned, government policies have been giving with one hand and taking away with the other,” writes McFetridge. “The giving has often been either misdirected or mismanaged and the adverse economic effects of the taking away have seldom been taken into account.”

Innovation and the Productivity Problem: Any Remedies? by Donald G. McFetridge can be downloaded free of charge from www.irpp.org

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