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June 08, 2010

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The Canadian government puts too much emphasis on invention, and not enough on innovation – even though the latter drives economic prosperity, according to a new report from a competitiveness think-tank.

Roger Martin, chair of Ontario's Institute for Competitiveness and Prosperity, says Canada values invention over innovation.

Toronto Star

Government policy tends to support inventions at the expense of improvements in existing products or processes that would provide value to consumers, says the provincially funded Institute for Competitiveness and Prosperity.

For instance, the latest federal budget increased funding for the research granting councils by $32 billion. Of this increase, $29 billion was directed to sciences and health research, and only $3 billion to social sciences and humanities, which would include business schools and executive management programs.

“Obviously, we need science-based discovery as a foundation for innovation. But our prosperity is the result of business innovation that adds value to our day-to-day lives,” said Roger Martin, chair of the institute.

“Without greater emphasis on true innovation, we will continue to spend billions of dollars funding invention and get little innovation to show for it.”

The report, called Beyond the Recovery, is to be made public Tuesday. It notes that Canada is emerging well from the recession. Among countries with more than 10 million people, this country ranks fourth in terms of GDP per capita.

But compared to the U.S., Canada’s GDP continues to trail significantly, and this “lost prosperity potential” negatively affects Canadians at all income levels.

Lagging productivity and intensity remain the biggest hurdles to closing Canada’s prosperity gap, the institute contends.

Lower urbanization and rates of higher education – particularly at the master’s level – and inadequate investment in machinery, software and equipment are contributing to the prosperity gap.

On the plus side, it says, the current federal government remains committed to cuts in corporate tax rates.

The report argues against government cuts in education as a means to dealing with sky-high deficits. That was the approach Ottawa took in the mid-1990s, and it would be a mistake to do it again, the institute said.

Canada once invested in education at nearly the same per capita rate as the U.S., but has fallen behind by as much as 21 per cent.

“We are concerned that political pressures will again cause governments to place a low priority on education spending as they work to restore fiscal order,” the report said.

“We must continue making investments in education to increase access for all Canadians to post secondary education, to raise the number of master's graduates, and to improve the classroom experience for students."

The report also calls in Canadian government to step up efforts to increase trade with China and the European Union, our next largest trading partners after the U.S.

The institute is an independent, not-for-profit group established in 2001 to serve as the research arm of Ontario's Task Force on Competitiveness, Productivity and Economic Progress.

"We need to look beyond the current turbulence and beyond the recovery, avoiding the temptations and traps of poor economic policy," said Martin, who is also dean of the Rotman School of Management at the University of Toronto.

"We must strive to stay on track to achieve our prosperity potential through positive attitudes, wise investments, excellent tax policy, and structures that encourage innovation."