

# Ottawa, we have a problem: Is Canada's economy heading toward disaster?

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Prime Minister Justin Trudeau and Deputy Prime Minister and Minister of Finance Chrystia Freeland arrive to deliver the federal budget in the House of Commons on Parliament Hill in Ottawa, on March 28.

JUSTIN TANG/THE CANADIAN PRESS

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Canada has relied a lot on its natural resources to fuel growth. But look at how Argentina and South Africa, which also have an abundance of natural resources,

ended up. Those two countries were the subjects of recent long reads in this newspaper and are very good examples for Canadian politicians of what not to do.

Yet Canada's politicians seem to be making the same mistakes politicians in Argentina and South Africa did. They behaved as if their countries' wealth was endless, and look where they are now.

Here are some critical mistakes that parallel those made by the aforementioned countries: The Canadian government has made it clear that it wants corporations to become benevolent organizations that put workers before shareholders. It favours taxing corporations and the rich and adding regulatory impediments to corporate activity. It is a big supporter of income redistribution at the expense of making the pie larger for everyone by investing in the expansion of productive capacity. It wants to regulate the economy and nudge corporations to submit to its social views and economic philosophy. Its policies discourage entrepreneurship and wealth creation and replace them with handouts to every significant lobby and activist group. The government increasingly seems not to understand how people get jobs and how they get by – and how heavily favouring environmental issues stirred up by activists over economic concerns kills jobs.

Meanwhile, Canada has a productivity problem that has gotten worse over the past 10 years. Its GDP per capita has increased at a much slower pace than those of countries such as Australia, New Zealand, Britain and the United States since 1980 and particularly since 2015. GDP per capita grew about 4.8 per cent per annum between 1980 and 2022 in those four countries but only 4.1 per cent in Canada. Since 2015, it has grown about 4.1 per cent in those four and only 3.2 per cent in Canada.

Increasing productivity is the only way to add wealth and create value at the national level. To fuel productivity growth, we need policies that encourage and reward entrepreneurship and risk taking. We need employment growth in productive sectors of the economy.

The federal government has found ways to create jobs, however – just not in the right place. Between 2017 and 2022, it embarked on a hiring boom the likes of which

Canada has never seen before, adding the same number of civil servant jobs as the U.S., a country with 10 times Canada's population. Do we really need a hiring boom in the public sector?

In addition, Canada continues to suffer from overinvestment in another less productive sector of the economy: housing. Housing-related activity is bigger than any other sector of the economy, including manufacturing, mining, oil and gas and so on. Economic strategies that rely on real estate for growth are misplaced and need to be reconsidered. Fundraising and investments have to be channelled to more productivity-enhancing industries, such as robotics, cybersecurity and additive manufacturing, to name a few. And yet, looking at the government's most aggressive pro-immigration policy, one has to realize that this is not going to happen any time soon!

As a country, we need strategies that promote wealth creation and economic prosperity by moving away from the public sector, resources and real estate to other, more productivity-enhancing sectors of the economy and aim for expanding productive capacity as opposed to playing Robin Hood. Could a government that cares more about getting re-elected, follows policies driven by activists and neglects its larger mission and mandate be up to the task?

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