



Invitation to Attend the CSLS Seminar Series on Living Standards

A Benefit-Cost Analysis of R&D Support Programs in Canada

John Lester
3:00-4:30 PM
Thursday, December 15, 2011
Borden Room, Rideau Club
99 Bank Street, 15th floor
Ottawa, Ontario

(please note that the Rideau Club dress code requires men to wear a jacket)

To attend, please RSVP by December 13, 2011 to andrew.sharpe@csls.ca.

It is widely recognized that Canada's poor productivity performance is linked to an innovation gap, as manifested by our low business R&D intensity. Yet the federal government offers business generous tax credits for R&D, raising the question of the effectiveness of these tax credits. Benefit-cost analysis is an important tool to assess this effectiveness.

In this seminar John Lester will present a benefit-cost analysis of two R&D support programs in Canada: SR&ED and IRAP. The success of an R&D support program is usually evaluated in terms of how much additional R&D it induces or the increase in some other measure of innovation activity. In contrast, the benefit-cost approach focuses on the ultimate objective of government intervention – improved economic performance – and therefore provides a basis for comparing programs. The approach takes into consideration the knowledge spillovers from the R&D induced by the subsidies, the cost of financing the subsidy with distortionary taxes, the cost of shifting resources from their market-determined uses as well as administration and compliance costs.

John Lester spent most of his career with the federal Department of Finance, most recently in the Tax Policy Branch where he managed a group that prepared tax evaluations and research studies. Some of the work produced by his group appeared in *Tax Expenditures and Evaluations*, an annual publication of the Department of Finance, and in working papers. John's last assignment in the federal public service was as Director of Research for the Expert Review Panel on R&D, which released its report *Innovation in Canada: A Call to Action* in October 2011.

The seminar will be immediately followed by the annual CSLS Holiday Reception in the Pearson Room. All participants in the seminar are invited to attend.