Potential Gains for Canadians from More Competitive Regulation Settings

Press Release – Ottawa, June 28, 2018

The Centre for the Study of Living Standards (CSLS) today released the Spring 2018 issue of its flagship publication, the International Productivity Monitor. The table of contents of the issue with links to the articles is below.

The issue contains seven articles featuring the most recent research on a wide range of productivity topics. Particularly relevant from a Canadian perspective are the articles on the potential gains from more competitive regulation settings and the role of capital measurement issues in accounting for slower productivity growth in Canada.

In the lead article Aled ab Iorwerth and Carlos Rosell from Finance Canada provide econometric evidence that making Canada’s regulatory framework as competition friendly as that in the United States would produce significant economic dividends for the country. Highlights include:

- In 2013, Canada ranked 16th out of 29 countries in terms of overall Product Market Regulation (PMR) as shown by the OECD, well behind the third place performance of the United States. On the trade and investment component of the PMR, Canada ranked 26th out of 29 countries, or fourth last.
- GDP per capita in Canada could be 2 per cent higher in five years and 5.3 per cent higher after 20 years if Canada's foreign direct investment (FDI) regulations were as competitive as those in the United States.

- There are a range of estimates of the benefits, but even in the lower bound (at the 95 per cent confidence interval), the gains would be 0.7 per cent and 1.8 per cent of GDP per capita for the medium and long term respectively.

**Wulong Gu** from Statistics Canada estimates the contribution of three types of capital that are not currently incorporated into the standard growth accounting framework, namely intangible capital, natural resource capital, and public infrastructure capital, to the productivity slowdown. He also estimates the impact of changes in capacity utilization on the slowdown. The inclusion of natural capital and changes in capacity utilization reduce the MFP slowdown, while the inclusion of intangible capital and public capital in capital input make the slowdown larger.
Can the Kiwi Fly? Achieving Productivity Lift-off in New Zealand
Chiara Criscuolo and Jonathan Timmis
The Changing Structure of Global Value Chains: Are Central Hubs Key for Productivity?
Alexander Murray
What Explains the Post-2004 U.S. Productivity Slowdown?
John Fernald
Cyclical Downturn or Slowing Trend? A Review Article on "Productivity Puzzles across Europe"
Chad Syverson
Review Article on "Capitalism Without Capital: The Rise of the Intangible Economy" by Jonathan Haskel and Stian Westlake

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic well-being in Canada through research.