Intelligence MEMOS

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To: Political and Economic Observers

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Re: **Canada Needs a National Growth Strategy**

As Canadians prepare to head to the polls, the policies coming out of this snap federal election ought to focus on the long-term.

To be sure, the threats posed by a second Trump administration – from protectionist tariffs to an attack on Canada's sovereignty – are serious.

It will be tempting for platforms to focus on campaign promises that appeal to Canadians' urgent sense of nationalist pride and can be implemented relatively quickly, including retaliatory tariffs and an assortment of handouts to industries, workers, and special interest groups.

However, Canada's political leaders must not lose sight of a more fundamental issue: Our long-standing failure to develop and implement a coherent, long-term economic growth strategy. Even if we can successfully negotiate a fragile truce with the United States, there is no returning to business as usual. The Canada-US relationship is now defined by uncertainty, and Canada must be prepared to chart its own economic future with a renewed sense of purpose.

Canada's economy has long been facing significant headwinds that have been exacerbated by policy inertia at all three levels of government. GDP per capita has declined for two consecutive years, private sector investment as a share of GDP has fallen to its lowest levels since the Second World War, and the latest national income survey shows median incomes dropped by 3.4 percent in 2022. Inflation is a global challenge, but these metrics paint a uniquely challenging picture for Canadian living standards. Without a long-term economic growth strategy, we risk falling further behind and becoming even more vulnerable to the whims of an unreliable neighbour.

The Prime Minister's recent meeting with Canada's premiers featured discussions around internal trade, infrastructure development, and private investments in energy and critical minerals. Now is the time for a united approach that prioritizes building consensus across political parties and levels of government around those fundamentals.

The drags on the economy are well documented. Outdated legislation and regulations. An inefficient and overly complex tax system. Protectionism in the telecommunications, transportation and grocery industries.

That said, consensus is easier said than done. Byzantine rules exist in this country because political will has not been strong enough to overcome the reality that those barriers protect some groups at the expense of all others. Similarly, big infrastructure projects are often infamously slow because government and interested parties lack incentives to compromise in the interest of getting things built. This requires clever approaches to overcoming resistance and entrenched interests, along with a healthy dose of political courage.

If we are committed to accelerating housing and large-scale energy projects, we need to have a serious debate about which trade-offs Canadians are willing to accept and then redesign environmental assessments and municipal controls accordingly. An important **solution** would be to introduce outcomes-based performance incentives for policymakers and bureaucrats at the individual and department level, so every decision – from big legislation to specific procurements – reflects the country's priorities rather than short-term costs or political considerations.

If we value innovation and productivity, we need to encourage competition even when it erodes the long-held advantages of incumbents. Open banking, liberalizing alcohol sales across provinces, and competition in the wireless services market all stand to benefit Canada's economy.

These decisions require strong leadership, clear objectives, and a commitment to long-term gains over short-term political wins. Federal and provincial leaders will need to have difficult, honest conversations with Canadians about national priorities, and consensus and compromise will be necessary to overcome the inertia. These conversations must begin with decision-makers openly discussing trade-offs, and focusing proposals on compensation and transition supports where there are known short-term losses.

Many of the solutions will take longer than a four-year election cycle to materialize. Individual policy commitments must be part of a broader economic vision focused on outcomes. For too long, Canada has relied on fragmented policymaking rather than a unified growth agenda.

The upcoming federal election presents an opportunity for political parties to articulate their visions for Canada's economic future. Canada's political leaders must seize this moment to establish a long-term approach that transcends electoral cycles.

Economic growth should not be a partisan issue – it must be a national priority.

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