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Canada lags behind Australia on productivity—more business investment key to increased living standards

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For Immediate Release

CALGARY—If Canada followed Australia’s lead in several key policy areas, it could increase productivity growth and raise living standards, finds a new essay released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“The similarities between Australia and Canada, economically and culturally, make it an important comparator country for Canadian policymakers,” said Stephen Kirchner, senior economist at the Business Council of Australia, senior fellow of the Fraser Institute and author of The Canadian-Australian Productivity Gap: Comparative Institutions and Policy Settings.

While most advanced economies recently experienced slower productivity growth (measured by comparing the amount of goods and services produced with the amount of inputs used to produce them), Canada has consistently lagged behind Australia in recent decades due largely to Australia’s higher level of investment. To help close this productivity gap, Canada could learn from the Australian experience and enact key policy reforms including:

• cut red tape and remove impediments to stronger private investment spending (particularly in Canada’s non-housing sectors)
• streamline regulation of the financial system, which would encourage more business lending
• reduce and reform personal income taxes

“Because productivity growth drives living standards, policymakers should work to make Canada a more attractive place to invest and do business,” Kirchner said.

This is the third study in a three-part series of studies comparing the Canadian and Australian economies.

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