



# NEWS RELEASE

## Canada fell to 12<sup>th</sup> position in global innovation rankings over past decade, while U.S. improved to 2<sup>nd</sup>

February 7, 2023  
For immediate release

**VANCOUVER**—Innovation in Canada—a key driver of higher living standards—has declined relative to a peer group of 15 similarly advanced countries in recent years, while at the same time, innovation in the United States is on the rise, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

“Innovation is a crucial ingredient in improved productivity and higher living standards, but unfortunately, Canada’s innovation performance over the past decade has been unimpressive to say the least,” said Steven Globerman, senior fellow at the Fraser Institute and co-author of *Taxes, Innovation, and Productivity Growth*.

The study finds that between 2014 and 2022, Canada’s ranking on the Global Innovation Index declined from 10<sup>th</sup> to 12<sup>th</sup> among the top 15 innovating OECD countries, including, among others, Britain, Germany, Australia, Korea, and the U.S. Over the same period, the U.S. increased its innovation ranking from 6<sup>th</sup> to 2<sup>nd</sup> highest.

The study also notes that higher corporate and personal income taxes act as a deterrent to innovation, since companies and highly skilled workers, like scientists and engineers, are incentivized to seek out lower tax jurisdictions where the rewards for innovation breakthroughs are higher.

On taxes, Canada’s relative ranking on corporate and personal income taxes also worsened significantly from 2014 to 2022. On corporate taxes, Canada declined from 8<sup>th</sup> most favourable out of the 15 in 2014 to 12<sup>th</sup> in 2022. And on personal income taxes, Canada dropped from 11<sup>th</sup> to 13<sup>th</sup>.

Conversely, the U.S. improved its ranking on both corporate (15<sup>th</sup> to 9<sup>th</sup>) and personal income taxes (12<sup>th</sup> to 4<sup>th</sup>).

Crucially, innovation and technological change are key drivers of increases in productivity, which in turn, is the basis for higher standards of living.

“When it comes to promoting innovation, Canada currently has one of the least favourable tax regimes among advanced economies,” Globerman said.

“Policymakers across Canada should review their tax policies with an understanding that high tax rates deter innovation, and ultimately deny Canadians higher living standards.”

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