OPINION

Why does Canada’s industrial policy favour Big Business over Main Street?

WENDY CUKIER AND **MORLEY GUNDERSON**
SPECIAL TO THE GLOBE AND MAIL

PUBLISHED FEBRUARY 10, 2024

Prime Minister Justin Trudeau attends a news conference to announce details on the construction of a gigafactory for electric vehicle battery production by Volkswagen Group's battery company PowerCo SE in St. Thomas, Ont., on April 21, 2023.

CARLOS OSORIO/REUTERS

Wendy Cukier is a professor of entrepreneurship and innovation at the Ted Rogers School of Management at Toronto Metropolitan University and the founder of the Diversity Institute and the Women Entrepreneurship Knowledge Hub.

Morley Gunderson is a professor at the University of Toronto Centre for Industrial Relations and Human Resources and the university’s department of economics.

In many ways, current Canadian industrial policy favours the "too big to fail" over the "too small to see." It's based on a view that larger enterprises and high-tech firms are the best route to producing well-paying jobs, maximizing return on investment and increasing government tax revenues.

Certainly the "captains of industry" that dominate the discourse on everything from job creation to innovation and skills development tend to be from large corporations. For decades, governments have chased large companies focusing on growing or saving jobs in manufacturing and tech, persuaded by the "multiplier effects" linked to investments in "anchor" companies in regional ecosystems.

That's why government investments in job creation and innovation tend to focus on large corporations and why billions of dollars are invested in aging companies that are deemed too large to fail. Certainly, these investments may pay off: The auto sector bailouts in 2008-09 saved thousands of jobs, and the $37-billion recently pledged to the EV battery manufacturing facilities of Volkswagen, Stellantis-LGES and Northvolt is an investment in the transition to net zero, with the aim of sustaining jobs over the long term.

But in Canada, small and medium-sized enterprises (SMEs) are the powerhouse of our economy. Here, unlike in the U.S., private-sector employment and wealth creation is dominated by SMEs. They employ 10.3 million people in Canada – 90 per cent of private-sector employment and 63.8 per cent of our work force – with large businesses accounting for only 10 per cent of jobs. This is in marked contrast to the U.S., where only 50 per cent of private-sector employment is generated by SMEs.

Our SMEs are often key to the supply chains of large corporations, but they are often "too small to see" – particularly those outside the tech sector. Their openings do not usually involve massive provincial or federal government subsidies, a high-profile ribbon-cutting ceremony or media coverage. And while governments do invest in SMEs, the owners of small businesses are seldom at the roundtables and business councils that governments have come to rely on for advice.

The focus on large businesses, especially in technology and manufacturing, is often based on traditional economic theory, which assumes that each new job created in a larger enterprise or high-tech company results in a "multiplier effect," producing roughly five additional jobs in local, less-skilled services in the same region.

That's great, but the spillover impact of those jobs is likely diminished by the cost of paying for imports from external supply chains and the repatriation of profits to the home base of multinationals. New research is proposing a different story: that local entrepreneurial activity has positive spillover impacts on the broader community that may actually outweigh the effects of big investments in larger companies. And overlooking the contributions of these startups devalues the growing role of women in forming, running and scaling up small businesses.

Of course, small businesses create multipliers too, and these come with added benefits for their immediate communities. They stimulate the [economy](#) by buying supplies and services locally and foster strong local business economies that encourage living in towns where people can walk instead of driving to businesses.

According to one study, "on average, 48 per cent of each purchase of a local independent business was recirculated in the local community compared to 14 per cent from franchise chains," and "independent retailers return more than three times more money per dollar of sales than chain competitors." This is critical, because local purchasing is the backbone of community economic development, and more and more consumers are motivated by appeals to "buy local."

Successful SMEs can inspire and nurture an entrepreneurial spirit within their communities. In addition, locally owned and operated businesses are often more flexible and agile, and therefore an important source of innovation, particularly in times of economic downturns or upheaval. As we saw in the pandemic, many were able to adopt different marketing strategies or shift their operations online to survive and thrive in difficult times.

Industrial policy is not a zero-sum choice between big business or SMEs. It takes both to build a vibrant and sustainable economy.

https://www.theglobeandmail.com/business/commentary/article-why-does-canadas-industrial-policy-favour-big-business-over-main/

A saying, Irish I believe: "If you want to know what God thinks of money, look who he gives it to." "Mom and Pop" on Main Street are not warped and bent by greed, corrupted completely by money, like the CEO's, investors, and would-be billionaires the likes of Justin and Pierre P delight in catering to. TJB