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AMID CUM-COVID: Should We Save the Champions or Feed the Growth Drivers?

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The federal government will announce its recovery strategy on September 23rd and the Quebec government is preparing to do the same very soon.

In many countries, the pandemic and the rise of protectionism have put back on the agenda the industrial development policies that had been abandoned with the rise of globalization in recent decades. Buying local, manufacturing locally, reducing external dependency, repatriating companies, and supporting local and national champions are topics found in the speech of almost all political leaders worldwide.

The return to such approaches is entirely understandable given the extremely unequal effects generated by the recent wave of globalization and exacerbated daily by the digital revolution coupled with the pandemic. These same political leaders are under pressure to quickly reopen their economies as they receive daily requests for support from several sectors. Their challenges are huge and complex because governments are extremely more indebted, the world economy is under strong deflationary pressures, and the entire planet is facing an ecological emergency; in this context, the industrial development policy toolbox is making a strong comeback.

Yet industrial development and the resulting economic growth take time and do not follow easily predictable trajectories. Actual progress made can only be measured after the fact. For example, Quebec City transformation over the past 30 years is phenomenal. The first optical projects were initiated in the 1980s. Today, the national capital and its region boast a large pool of high-level graduates who are working, with their research centres and growing companies, in promising sectors, including optics and photonics, but also biomedical and information technology.

Over the same period, the Greater Montreal area universities have also hosted seasoned researchers in mathematics, operations research and computer engineering. As a result, the area was quickly recognized as a world leader in the field of artificial intelligence. We could list several other sectors and regions of the world that took decades to build the conditions for their “instant success”.

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Through this observation over time, in addition to studies on government industrial development policies, we can also establish that this long road travelled is being made “in and by” sectoral and regional ecosystems that have relied on public infrastructures of all kinds; in these ecosystems, companies are born and grow, but some disappear; some become larger and even very large, while others are acquired by larger ones or disappear due to economic, financial or technological disruptions that seal their fate.

These high-performance ecosystems are true growth drivers. If we review them in more detail, we can see that they include:

- A number of large world-class companies connected to the rest of the world and operating in high value-added sectors;
- A number of public institutions and government agencies;
- A university (or universities) and college and university research centres;
- A community of venture and development capital investors;
- A group of entrepreneurs who have a history of success and failure, and are therefore experienced business people;
- Institutions capable of welcoming and integrating immigrants who will add to the student community, the workforce and local entrepreneurs;
- Quality consulting firms and experts who participate in several local and international expert networks;
- Excellent local and regional suppliers for precision machinery, prototype construction, sophisticated testing, etc.;
- Incubators and a community of start-up companies;
- Quality social, sports and cultural institutions involving leaders from all areas of civil society;
- Sound transportation, communications and internet infrastructures;

- A calendar of events recognizing the success and contribution of individuals and organizations to the development of the sector and/or region.

Recognizing the importance of life cycle and the essential role of ecosystems, successful government policies have tended to be horizontal in nature, intervening at the level of infrastructure and major public policies, and where their interventions have been vertical, they have supported already-performing ecosystems.

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What are the implications of all this for the recovery plans our governments are about to unveil? Where should the priorities be assigned? Where should we invest?

The answer can include 3 steps:

1- First, adopt structuring horizontal policies over time.

Horizontal policies must help society and businesses as well meet the challenges of the threefold digital, ecological and demographic transition while assuming the management of the health crisis. Clearly, governments must assume leadership in the implementation of digital infrastructures (yes, a “Digital James Bay”), set up strategic reserves in case of systemic risks (pandemic, floods, etc.) while "encouraging" all sectors to successfully manage the ecological transition. Digital and ecology are urgent cross-cutting challenges affecting all sectors.

2- Then strengthen already successful ecosystems.

Several Quebec and Canada sectors and regions already have ecosystems, but it would be necessary to better know, evaluate and compare them with those existing in other countries and regions to establish with each of them an adequate reinforcement plan. This plan becomes a basis for discussion to inform a sectoral or regional approach to development and growth by ecosystem stakeholders and governments. The guiding principle: identify key growth drivers and feed them well.

3- Finally, save indeed the champions if they play a key role in successful ecosystems.

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