

**CIRANO Note based on the book *Maximiser le potentiel économique du Québec* under the direction of Mario Lefebvre with Marcelin Joanis and Luc Godbout, December 2016**

Every year the pace of economic growth declines a little. An industrialized nation that reports an annual growth rate of two per cent in real terms (i.e. adjusted for inflation) can consider itself lucky.

According to the experts, this gradual decline is not likely to be reversed any time soon. In light of the ageing of the population and the acceleration of economic growth observed in emerging economies, in particular China, some economists are predicting that this decline will persist for a while yet. Forecasters are even predicting annual economic growth rates of less than two per cent in the industrialized world—falling as low as 1.5 or even 1 per cent annually over the next 10 or 20 years. Quebec is not immune to these trends. The most pessimistic observers add that, on top of these downward trends, Quebec's level of indebtedness will hamper the government sector's ability to stimulate economic growth in the medium and long term.

In the book *Maximiser le potentiel économique du Québec*, 13 economists, members of the Association des économistes québécois' comité des politiques publiques, tackle the challenge of presenting some concrete proposals for how the Quebec economy can hold its own in the coming years. In particular, they make specific recommendations that are designed to improve Quebec's performance in certain sectors and, ultimately, to stimulate the growth of Quebec's economy. The subjects they address range from immigration to infrastructure, touching on issues like governance, tax policy, and productivity, to mention a few.

Thus, with regard to Quebec's demographics, Pierre Fortin, the author of one of the book's chapters, states that the employment rate needs to be raised. In this matter he underscores the importance of integrating immigrants—a theme that recurs in the chapter written by Thérèse Laflèche. Pierre Fortin goes on to stress the importance of enhancing productivity, especially by stimulating entrepreneurship. These two particular themes of productivity and entrepreneurship are, respectively, addressed by Yves St-Maurice, who emphasizes the importance of thoroughly understanding the nuances embedded in the issue of productivity, and Jean-Claude Cloutier, who proposes a strategy for alleviating the shortage of entrepreneurs he sees in Quebec.

Infrastructure is another recurring issue in this work. Pierre-Paul Proulx encourages the government of Quebec to invest in multi-modal infrastructure for the transportation of goods, services, and persons in order to optimize Quebec's performance in international trade, while Jean-Pierre Lessard addresses transportation from the perspective of arguing for the benefits that a high-speed train would bring to the Quebec economy.

The analysis presented by Marcelin Joanis suggests that the return to government investment cannot be maximized without an institutional transformation as proposed in the recommendations of the Charbonneau Commission.

Tax policy and the manner in which taxes are collected were also explored from several different perspectives. Luc Godbout affirms that, since the tax burden is higher in Quebec than in the rest of Canada and the United States, forms of taxation that are less detrimental to the economy must be prioritized. Mario Lefebvre, who wrote the chapter on the role of economic engine played by our major cities, also addresses the issue of tax policy when he underlines that cities will need a new financial arrangement to reduce their dependence on property taxes if they are to succeed in that role. Still on the subject of tax policy, we note that one of the recommendations in the chapter written by Jean-Michel Cousineau suggests that the government of Quebec reduces the income tax burden on the middle class.

We can also see links between the chapter on governance, written by Jean-Pierre Aubry, and François Delorme's contribution, which encourages the government of Quebec to apply a sustainability and vulnerability framework to government finances in a context in which the Quebec economy would certainly benefit from some budgetary stimulus. Jean-Luc Landry further contributes to the subject of governance by broaching the matter of monopolies and competition.

Finally, several of the authors drive home the point that all of Quebec society has to be enlisted if Quebec is to prosper in the coming years. We should not expect governments to deal with this issue on their own. Both business and individuals have an indispensable contribution to make. All actors in the society need to play a part in Quebec's economic development. Nonetheless, it's an effort worth making, because what's at stake is an increase in the standard of living and quality of life of the generations that will follow us.

This book, published as a part of CIRANO's Québec économique project provided the occasion for two events: its official launch, on May 18, 2016, during the 41<sup>st</sup> annual conference of the Association des économistes québécois and at the [symposium \*Maximiser le potentiel économique du Québec\*](#), held at the premises of CIRANO on November 15, 2016.

For more information, please read the book *Maximiser le potentiel économique du Québec* published by [Presses de l'Université Laval \(PUL\)](#). This is the first offering from a new series Point de mire sur le Québec économique released by PUL under the direction of Marcelin Joanis and Luc Godbout, both of whom are CIRANO fellows.