

The case for an ideas-based economy

By Jim Balsillie

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Over the past 30 years, technological advances and their economic benefits became rooted in the new rule-of-law framework that allowed for innovation to occur and get to the market. That new global economic framework is based on intellectual-property rights (IPR). Today, intellectual property (IP) is the world's most valuable corporate asset and the companies that own the most IP are the most valuable entities in the world. IP began as an incentive for inventors, then shifted to a tradeable commodity and then, most recently, to a business investment protected by investor-state dispute settlement mechanisms.

Countries that saw these shifts happening over the past three decades upgraded their policy tools by focusing on the IP ownership in their firms and by creating a policy infrastructure to facilitate their prosperity in the 21st century. Canada's unfettered reliance on outdated economic theories, and on experts who did not update their understanding of how the knowledge economy works, continues to interfere with creating policy infrastructure strategies for our 21st-century prosperity.

Among Canada's high-growth companies, there is a reckoning that without a strategic IP portfolio, there is no "freedom-to-operate" strategy, which is a requirement for scaling up globally. There is also recognition that IP generated and paid for by Canadian taxpayers should stay in Canada and benefit the Canadian economy rather than the economies of foreign countries.

That the most recent federal budget called for a national IP strategy is a good sign that the government is finally contemplating a break away from the Jurassic-period policy ideas that have stifled our innovation outcomes. Whether Canadian policy and business elites will

recognize the global economy has changed and that the 21st century requires different approaches from the 19th and 20th centuries remains an open question.

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Jim Balsillie explains the difference between traditional manufacturing-based economies of the 19th and 20th centuries and the emerging ideas-based economy of the 21st century

TRADITIONAL ECONOMY Tangible goods	IDEAS ECONOMY Intangible goods
■ Ownership of physical property is a positive right	■ Generating (owning) intellectual property is a negative right
■ Production and sale of physical property to generate revenue	■ Amassing intellectual property and restricting use to collect "rents"
■ The objective in the traditional economy is to move inventory	■ The objective in the innovation economy is to acquire intellectual property
■ Traditional good can only be owned by one person at one time ("rivalrous")	■ IP is globally and simultaneously accessible by unlimited number of people (non-rivalrous)
■ Traditional infrastructure needed to move goods across borders to individual customers	■ IP is impossible to determine where it originates and how it moves across borders
■ Companies access new markets	■ Technology entrepreneurs create new markets
■ Supply chains feature multiple vendors competing with each other based on cost competitiveness	■ Supply chains are based on winner-take-all economics
■ Competition rules prevent monopolies	■ IP is a government-created temporary monopoly
■ Trade liberalization increases competition and reduces prices	■ Stronger IP protections decrease competition and increase prices
■ Traditional trade agreements reduce value of vested interests	■ Asset Enhancement Agreements raise value of vested IP-based interests
■ Currency is a primary trade adjustment mechanism	■ IP ownership drives trade competitiveness

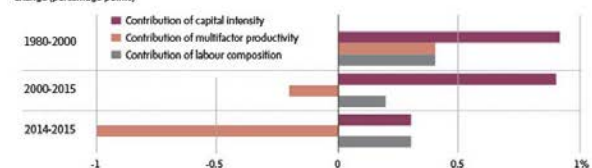
Policy infrastructure for 21st-century economy

21st-century policy infrastructure requires building blocks that enable Canadian firms to gain and defend their freedom to operate (FTO). For today's businesses, an FTO strategy is a precondition to scale-up globally.



Canada's shrinking innovation outputs since 2000

Despite spending billions on innovation inputs, Canada has failed to achieve growth in innovation outputs. Change (percentage points)



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