



November 18, 2025

From: John Manley
To: Productivity Watchers
Re: FLOW-THROUGH SHARES COULD IGNITE TECH INNOVATION

Canada is quietly exporting its future prosperity – not through trade deals or natural resources, but through the steady departure of our most promising entrepreneurs.

Only 32.4 percent of Canadian-led, high-potential startups launched in 2024 were headquartered in Canada, according to a recent [survey](#). Between 2015 and 2019, that figure was more than 67 percent. Meanwhile, the United States produced 45 times more of these startups last year.

Our founders are leaving, citing a lack of early-stage capital, excessive red tape, and a policy environment that makes scaling up at home nearly impossible. More than 20 years ago, as Canada's industry minister, I worked to reverse the brain drain and to promote made-in-Canada research and development. The tech revolution was gathering pace, and we had a chance to seize it. I fear we did not capture that opportunity as fully as we could have.

Today, we are again at a decision point that will determine whether Canada remains a serious player in global innovation – or becomes a spectator. This is not a matter of statistics alone. When we lose our founders, we lose the companies they would have built, the jobs they would have created, and the intellectual property that could have anchored new industries here at home.

The good news is that Canada already has a tool that works: Flow-through shares (FTS). These allow a company to “flow” a set of government-approved expenses through to an investor and the investor receives a tax credit of up to 100 percent of the investment. If the company succeeds, the shares can increase in value and be sold by the investor. Risk is still a reality, but by using FTS, risk is greatly reduced and private investors are more likely to invest. For more than 70 years, FTS have fuelled our mining sector, unlocking more than \$1 billion annually in private capital for resource exploration. Without them, much of that industry would not exist.

It's time to apply that same model to technology – the strategic resource of the 21st century. Extending flow-through shares to tech could unlock roughly \$500 million a year in new investment. That capital could help startups cross the early-stage “valley of death,” commercialize university research, and give Canadian innovators a reason to build their companies here rather than abroad.

The precedent is clear – and it began with us. Britain borrowed the Canadian concept and created the Seed Enterprise Investment Scheme and Enterprise Investment Scheme. Together, those programs have raised £30 billion (\$56 billion), created 400,000 jobs, and supported more than 50,000 companies. Canada invented the model. Britain improved it. Now some in the United States are proposing to adapt it again.

Why, then, is Canada sitting still? This is not a call for subsidies or government handouts. It is a call for smart policy – using a proven tax incentive to unlock private investment where it is needed most: In the risky, early-stage ventures that can transform industries. It is also a question of sovereignty. With US tariffs already pressuring our economy and American investors aggressively recruiting Canadian talent, we cannot afford to let our innovation ecosystem migrate south. History offers a warning. The cancellation of the Avro Arrow in the 1950s did not just kill a world-class aircraft – it dismantled an entire industry and scattered Canadian engineering talent across the globe.

Today's stakes are even higher. Artificial intelligence, quantum computing, clean technology, and cybersecurity will shape not only economic strength but national security. If we fail to cultivate those industries here, we risk losing control of both our prosperity and our future.

Extending flow-through shares to technology will not fix every challenge, but it would send a powerful signal: That Canada intends to compete, to keep its talent, and to back its innovators with confidence.

History does not reward hesitation. It rewards courage. The time for Canada to show courage – and act – is now.

John Manley is a senior fellow with the C.D. Howe Institute and former Deputy Prime Minister of Canada. He is now chairman of Jefferies Securities Inc. He is a volunteer for the national campaign Canada Flow-Through Shares.

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