

Canada's money lives in exile. We're rich abroad, but starved at home

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Amid growing calls for our pension funds to invest more at home, a hard truth must be faced: Canada has become a magnificent place to generate savings, but a difficult one to deploy them. Our capital and talent are conceived here, but perfected abroad.

Benjamin Graham once observed that while markets vote on sentiment in the short run, they weigh substance in the long run. Canada today faces its own weighing-machine moment on its substance – and the verdict is damning. As our federal debt spirals past \$1.4-trillion and infrastructure crumbles, we confront a bitter irony: Canada is now one of the world's great capital exporters precisely when we need that capital most.

The Maple Eight Canadian pension funds hold more than \$2.3-trillion in assets, but only 25 per cent are in Canada. This exodus is rational, not disloyal. Pension funds are duty-



bound to seek the best global returns. With Canada representing less than 3 per cent of global market capitalization, our economy simply lacks the depth to absorb their vast portfolios. The problem isn't our investors; it's our failure to create compelling domestic opportunities.

By the end of 2024, Canadian direct investment abroad outpaced [foreign direct investment](#) in Canada by nearly \$1-trillion. That gap is widening fast: In 2024, our investment abroad grew more than twice as fast as foreign investment here. We are evolving into a sophisticated rentier nation – a country whose expertise is allocating global capital rather than creating domestic value. We manage wealth brilliantly; we create it poorly.

The velocity of this capital flight is breathtaking. In May, investors poured a record \$14.2-billion into U.S. equities. That same month, foreign investors sold off \$11.4-billion in Canadian shares, a massive monthly capital flight from our productive economy.

Ask why, and the answers are consistent. Scale constrains ambition. While Canada creates startups, we fail to grow them. According to the [APEXE Nations Report](#), from 2021 to 2023 we produced 0.81 high-value “unicorn” firms per million people – a fraction of Israel's 5.6 and less than half the U.S. rate. This “scale-up gap” is driven by a lack of domestic growth capital, leading to the premature sale of our most promising firms to foreign buyers.

Worse, a web of regulatory uncertainty actively deters investment. The Organization for Economic Co-operation and Development ranks Canada's framework for foreign investment as the most restrictive in the Group of Seven countries, with a discretionary screening process that creates a wall of uncertainty for global investors who prize predictability above all else.

In a refreshingly frank assessment, [Bank of Montreal](#) chief executive officer Darryl White recently explained why international capital remains on the sidelines. He described global investors who are interested but unwilling to commit: “At the end of the day, capital's not that sophisticated. It'll flow to the point of least resistance.”

The consequence of this capital starvation is a deep and persistent productivity gap. Since the mid-1990s, American labour productivity has grown at roughly twice the Canadian rate.

This crisis extends to human capital. In the first quarter of 2025 alone, a record 29,186 Canadians permanently emigrated. The University of Waterloo's elite software engineering program exemplifies this exodus: In recent years, more than 70 per cent of its graduates have left for the United States, chasing compensation packages often more than double what Canada offers.

We export the capital and the talent that could close our productivity gap. This dynamic risks reinforcing our transformation from a country that creates new wealth to one that primarily manages existing wealth.

History offers a stark warning. Both the Dutch Republic and Great Britain saw their economies shift from dominating global industry to dominating global finance, transforming from dynamic workshops into passive counting houses as their domestic productive engines atrophied. Canada risks completing this same transformation at digital speed.

The solution is not to build walls, but to open doors. A crucial first step is to dismantle our own barriers by reforming our uniquely restrictive foreign investment review process to prioritize speed and predictability. Concurrently, we must create the large-scale domestic opportunities our capital pools can absorb by developing investable, user-pay infrastructure frameworks.

We must also tackle the scale-up gap with policies that foster a domestic venture-capital ecosystem and address the brain drain by ensuring our tax system rewards, not repels, our most productive citizens. Capital will not return out of sentiment. It will return only when the complete domestic ecosystem – of regulation, opportunity and reward – makes staying home the most compelling choice of all.

History's weighing machine is taking our measure. The \$2-trillion question is whether we have the courage to tip the scales – to transform from a nation that exports its capital into one that earns it. Change demands the political will to create a competitive domestic environment that capital – ours and the world's – will choose over exile.