



Public Services Far More Beneficial to Canadians Than Tax Cuts

Bernie Froese-Germain

Taxes – what passes for debate on this subject can be a dreary affair, rarely moving beyond the monotonous refrain of Canadians are overtaxed. Rather than framing taxes as a burden, proponents of fair taxation sometimes evoke Oliver Wendell Holmes' idea that taxes are the price we pay for civilized society; or they make the logical connection between our tax system and the impressive list of public goods and services including public schools we receive in return; or they point to the critical redistributive function of taxation to reduce income disparity and promote social equality.

Chandra Pasma, a policy analyst for Citizens for Public Justice, notes that “without taxes, we could not create and maintain anything collectively In fact, there are many things that we could not do if we didn't do them collectively. And there are many people who could not do much at all, if we didn't do things collectively Collectively, we can support one another in a way that a few extra dollars in individual pockets from tax cuts could never do.”

[www.cpj.ca/en/content/taxes-are-common-good]

As a university student I remember hearing tax expert Neil Brooks make all of these points, speaking passionately about – who knew? – the benefits of public taxation.

A good way to illustrate these benefits is with health care, intimately bound up with our identity as a country. How often have you heard someone muse about moving south of the border, only to decide that our health care system is just too good a bargain to give up – access to quality public health care can tip the balance in favour of staying in Canada.

Or, compare the cost of post-secondary education in Canada versus the U.S. The recession is causing many young Americans to consider pursuing their higher education here.

Another way to think about the benefits of taxation is to ask: if we didn't have medicare or public schools and universities, what would we miss? And who would miss it most?

A new study by the Canadian Centre for Policy Alternatives, *Canada's Quiet Bargain: The Benefits of Public Spending*, authored by Hugh Mackenzie and Richard Shillington, adds a new layer of sophistication to the debate by quantifying the value of tax-funded public services [see their article in this issue of *PD Perspectives*]. Noting that public debate over the past 30 years – and especially since the early 1990s – has been dominated by tax cuts, the study's authors, using Statistics Canada data sets and analytical tools, argue that far from being “free money”, tax cuts reduce both our capacity to fund existing vital public services and to create new services and programs (child care comes to mind as does tackling poverty), with a subsequent erosion of our living standards and quality of life.



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They estimate that the average per capita benefit from public services in Canada in 2006 was just under \$17,000, mainly in the areas of health care and education and personal transfer payments. Middle-income Canadian families receive public services worth about \$41,000 (or 63% of their private income), and wealthier households, those earning \$80,000-\$90,000 per year, receive public services equivalent to about half of their private income.

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To illustrate the political trade-offs between tax cuts and public spending made over the past decade, they found that most Canadians would have been better off without tax cuts (to income taxes, capital gains taxes, the GST) if governments had invested instead in public services. Indeed, citing a 2007 study of tax incidence in Canada by economist Marc Lee, Mackenzie and Shillington state that,

taken together, tax changes at all levels of government in Canada since the early-1990s have delivered virtually no benefit to most Canadians. They have delivered substantial benefits to those Canadians at the top of the income scale. And they have transformed a mildly progressive tax system into a regressive one. Thanks to the tax cuts of the 1990s, the tax system is now no longer alleviating relative market income inequality in Canada – it is exacerbating inequality.

As a member of the project steering committee, the Canadian Teachers' Federation had input into the study and also provided some financial assistance for the project.

So this is a good news story, amidst the constant negative news we hear about taxes. There's little doubt that the benefits of public spending are a bargain, one that should be more widely acknowledged. One hopes this study will contribute to shifting the tone and thrust of the debate by emphasizing not only what our taxes do, but by also putting a number on the value of tax-funded public services.

In addition to the article by Mackenzie and Shillington, this issue of *PD Perspectives* contains articles on a variety of issues and topics – Sheena Hanley on gender equity in the teaching profession and the importance of supporting young women activists; Martha Friendly on child care and early childhood education; J-C Couture on the education accountability agenda; a recent Statistics Canada report on the school experiences of Aboriginal children; a Canadian Council on Learning study on inclusive education; and some practical and timely curriculum resources on cyberbullying from the Media Awareness Network.

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