Canada's Quiet Bargain:
The Benefits of Public Spending

Hugh Mackenzie & Richard Shillington

Over the past 30 years, and particularly since the early 1990s, public debate over broad fiscal issues in Canada has been dominated by tax cuts, without reference to the services for which taxes pay.

The tax and service debate in Canada in the past 15 years has been almost completely one-sided, and has created a political atmosphere in which tax cuts have become the default answer to virtually every political question.

The overall impact of tax cuts – and the cuts in public services that accompany them – has not been addressed in any substantive way.

At the philosophical level, opponents of widespread tax cuts often make arguments that are a variant of the oft-quoted view of former US Supreme Court Justice Oliver Wendell Holmes that "taxes are what we pay for civilized society", although this leaves open the questions of how we define civilized society and how much of civilized society we actually want to buy.

Another approach is to list services that are dependent on revenue from the tax system for their existence. While this serves politically and rhetorically to remind advocates for tax cuts that there is another side to the question, it doesn't actually provide a meaningful measure of the benefits we receive from public services or address directly the trade-off between the taxes that we pay and the benefits we receive from the services those taxes fund. This study, *Canada's Quiet Bargain: The Benefits of Public Spending*, provides answers to these questions.

Using data and analytical tools from Statistics Canada, we estimate that Canadians enjoy an average $17,000 benefit from the public services which our taxes fund – roughly equivalent to the annual earnings of an individual working full-time at the minimum wage.

Lower-income Canadians benefit more from personal transfer payments (most of which are income-related) but middle- and upper-income Canadians benefit fairly equally from all public services. The public services we use and benefit from change as we go through the life cycle. Seniors, for instance, benefit less directly from public education than they do from public health care – but when they were young parents raising children, the opposite was true.

No matter how you cut it, the data in this study shows how powerful a role public spending plays in ensuring the majority of Canadians enjoy a better quality of life.

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For the vast majority of Canada's population, public services are, to put it bluntly, the best deal they are ever going to get. The median Canadian household income (half of Canadians live in households with incomes below that amount; half live in households with incomes above that amount) is approximately $66,000 in a 2.6 person household. That median household realizes a $41,000 benefit from public services. That is equivalent to roughly 63% of that household's private income.

More than two-thirds of Canadians benefit from public services which are worth more than 50% of their household's total earned income.

This study also shows that the vast majority of Canadians would be better off without tax cuts. Our analysis estimates that 80% of Canadians would have been better off if, instead of cutting the GST, the Harper government had transferred the money to local governments to pay for more and better public services.

Compared to the broad-based income tax cuts implemented by provincial governments in the late 1990s and early 2000s, 75% of Canadians would have been better off if their provincial governments had spent the money on health care and education.

And had the federal government invested in improved federal public services instead of cutting capital gains taxation by one third in the early 2000s, 88% of Canadians would have been better off.

In other words, the tax cuts made to sound like free money to middle-income Canadians are anything but. Indeed, the tax cuts implemented in Canada in the last 15 years have had the net effect of reducing the living standards of most Canadians.

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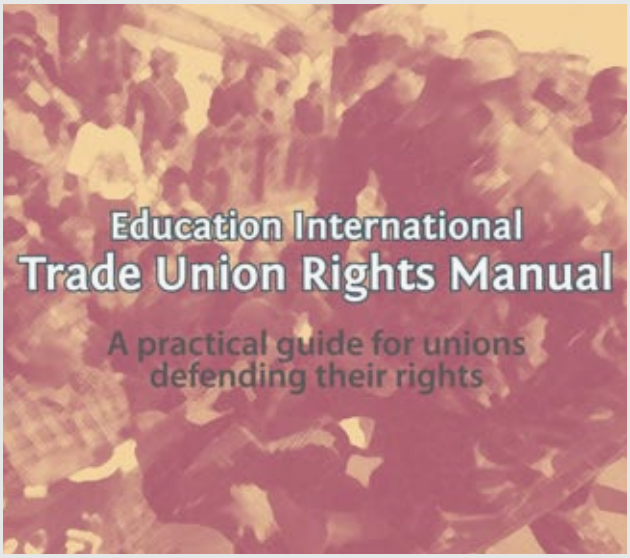
Excerpted with permission from the Introduction to *Canada's Quiet Bargain: The Benefits of Public Spending*, published in April 2009 by the CCPA's Growing Gap Project.

The full study is available online at:
http://growinggap.ca
http://www.policyalternatives.ca



Education International launches Trade Union Rights Manual

Education International is strengthening its support of national unions and workers' rights by publishing its *Trade Union Rights Manual*, a guide for union activists around the world.

The Manual shows how national unions can draw the world's attention to local threats to freedom of association, collective bargaining, and workers' rights. It describes international mechanisms that can be called upon to urge countries to live up to their commitments in support of human rights and trade union rights.

Focusing on issues encountered by teacher organizations, the Manual will be of practical value across the trade union movement.

EI's *Trade Union Rights Manual* shows how unions can take advantage of international reporting mechanisms, both to gain and to contribute information. It gives practical advice on making submissions to relevant bodies: addresses, what to include, how to draft.

The Manual includes in a set of appendices the full text versions of no fewer than 20 international conventions, charters and declarations that articulate and affirm the international legal support for democratic trade unions.

The EI *Trade Union Rights Manual* can be downloaded from: www.ei-ie.org/rights/

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