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## *Monetary policy, productivity and Canadians' well-being: New C.D. Howe Institute book reviews federal economic policy since the 1980s*

**Toronto, September 5, 2002** — A new collection of essays on ways to improve Canada's economic performance proves the value of intellectual cross-fertilization between Canadian government departments and the private and academic worlds, says the C.D. Howe Institute. The volume, *Canadian Conundrums: Views from the Clifford Clark Visiting Economists*, is a collection of essays by outside experts who have served as senior advisers in the federal Department of Finance.

Edited by Robert D. Brown, former chair and chief executive officer of Price Waterhouse, and himself a holder of the Clifford Clark position, the collection includes contributions from six holders of the position from 1987 to 2001. The subjects addressed by the contributors range from monetary policy to taxation, and from the determinants of happiness to the new economy and the Internet. Together, the essays demonstrate both the extraordinary range of issues with which Canada's economic managers must come to grips, as well as the vigorous exchange of ideas that the Clifford Clark position promotes.

Mr. Brown explains in his introductory essay that the volume's purpose was to make the insights of past Clifford Clark Visiting Economists available to a broader audience, bringing together their thoughts on key issues facing Canada and their understanding of the strategic and practical factors affecting economic policy. The views expressed are personal, and aim to stimulate wider debate.

*The Papers*

In his essay, John Helliwell, Professor of Economics at the University of British Columbia, and Clifford Clark Visiting Economist in 1987 and 1988, explores new research in the determinants of subjective well-being: what common factors seem to affect how well off people say they are. His review of this research leads him to conclude that local, community and national institutions and connections still matter, even in an age of globalization. He argues that it is therefore important for countries to preserve and build mutual trust among citizens and between citizens and their governments, and that maintaining a separate sense of Canadian identity has subjective but real advantages for Canadians.

Charles Freedman, Deputy Governor of the Bank of Canada and holder of the Clifford Clark position in 1989 and 1990, outlines the evolution of central bank policy over the years as they have sought the best means of preserving the purchasing power of the currencies they manage. He notes that, while linking one country's currency to that of another may assist in avoiding inflation, the difficulties of "soft fixes" are now becoming clearer. He argues that most countries are gravitating either to floating exchange rates or to fixed pegs and he goes on to discuss how central banks are likely to meet their domestic and international objectives in the years ahead.

Kenneth Norrie, now Provost and Vice-President Academic at McMaster University, and Clifford Clark Visiting Economist in 1990 and 1991, takes a critical look at the proposition that Canada suffers from chronic vertical fiscal imbalance, with the federal government enjoying buoyant revenues and relatively light spending responsibilities, while the provinces have less robust revenue sources and more onerous program costs. Norrie points out that this argument rests on simplistic revenue and spending projections and, more important, fails to explain why provinces do not raise taxes when they need to instead of perennially looking for more transfers from Ottawa. He concludes that fiscal imbalance is not a fundamental characteristic of the division of taxing and spending powers in the Canadian federation, but instead reflects a political choice.

Peter Nicholson, now Special Advisor to the Secretary-General of the Organisation for Economic Cooperation and Development, and holder of the Clifford Clark post in 1994 and 1995, writes about the information revolution and the Internet. He points out that, notwithstanding recent overinvestment and speculative excesses, the Internet continues to evolve, driven by changes in communications and technology, and that its uses are truly open-ended. In considering how Canada should position itself to take advantage of this revolution, he argues in favour of carving out global niches for concentration. The preferred role for government, he concludes, is not to subsidize or direct, but to lead by example in building world-class information systems in areas such as health and education.

Jack Mintz, President and Chief Executive Officer of the C.D. Howe Institute and Clifford Clark Visiting Economist in 1996 and 1997, addresses two challenges to Canadians' economic well-being: an undistinguished record in raising productivity, and demographic change. He argues that poor past fiscal performance has hampered productivity in recent years, with government programs distorting resource allocation and borrowing pushing interest costs up. He points out that high tax burdens on labour and capital are holding back investment, while an aging population threatens to put new strains on the country's fiscal resources. He concludes that Canadians must press for smarter debt management, smarter spending, and

smarter taxes.

Robert Brown, who was Clifford Clark Visiting Economist from 1998 to 2001, closes the volume with an examination of what Canadians get in return for paying taxes that are nine percent of national income higher than those paid by Americans. While taxes that pay for productive and efficiently delivered services can be money well spent, he argues, the bulk of the difference between Canadian and US tax rates appears to result from unfocused expenditures on regional support, business subsidies, and a wide variety of other programs that add little to well-being. Mr. Brown warns that economically burdensome taxes can undermine valued programs, pointing out that although Canada spends a higher share of its GDP on publicly funded education than the United States does, absolute levels of public support per student are higher south of the border. Efficiency and effectiveness, he concludes, are essential if Canadians are to give effect to the collective goals they desire.

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The C.D. Howe Institute is Canada's leading independent, nonpartisan, nonprofit economic policy research institution. Its individual and corporate members are drawn from business, labor, agriculture, universities, and the professions.

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# COMMUNIQUÉ

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***La politique monétaire, la productivité et  
le bien-être de la population canadienne :  
un nouvel ouvrage de l'Institut C.D. Howe passe  
en revue les politiques économiques fédérales  
depuis les années 80***

**Toronto, le 5 septembre 2002** — Un nouveau recueil de mémoires sur les moyens d'améliorer le rendement économique du Canada prouve l'importance du foisonnement des idées entre les ministères du gouvernement fédéral, le secteur privé et le milieu universitaire. C'est du moins ce qui ressort d'un nouveau volume publié par l'Institut C.D. Howe et intitulé *Canadian Conundrums : Views from the Clifford Clark Visiting Economists* (Énigmes canadiennes : opinions émises par les économistes invités Clifford-Clark); il s'agit d'un recueil de mémoires rédigés par des spécialistes indépendants qui ont travaillé à titre de conseillers principaux auprès du ministère fédéral des Finances.

Dirigée par Robert D. Brown, ancien président du conseil et chef de la direction de Price Waterhouse, et lui-même titulaire du poste d'économiste invité Clifford-Clark, la série compte des contributions de six titulaires du poste, de 1987 à 2001. Les sujets abordés par les collaborateurs portent notamment sur la politique monétaire, la fiscalité, les facteurs influant sur le bonheur, la nouvelle économie et Internet. Pris dans leur ensemble, ces mémoires témoignent de l'extraordinaire éventail d'enjeux auxquels doivent s'attaquer les gestionnaires économiques au pays, ainsi que l'échange dynamique d'idées que favorise le poste d'économiste invité Clifford-Clark.

Dans son mémoire d'introduction, M. Brown explique que le recueil avait pour objectif de faire connaître le point de vue d'anciens économistes invités Clifford-Clark à un vaste public, réunissant leurs pensées sur les principaux enjeux auxquels est confronté le Canada et leur compréhension des facteurs stratégiques et pratiques qui influent sur les politiques économiques. Les opinions qui sont exprimées dans l'ouvrage sont personnelles et visent à favoriser un débat élargi.

## Les mémoires

Dans sa dissertation, John Helliwell, professeur de sciences économiques à l'Université de la Colombie-Britannique et économiste invité Clifford-Clark en 1987 et en 1988, aborde de nouvelles recherches sur les facteurs qui déterminent le bien-être subjectif, soit les facteurs communs qui semblent influencer sur le degré de bien-être ressenti par les gens. Cet examen le mène à conclure que les institutions et les liens locaux, communautaires et nationaux importent toujours, même à l'ère de la mondialisation. Il soutient qu'il est donc important pour les pays de préserver et de favoriser la confiance mutuelle que ressentent les citoyens, et celle qu'ils éprouvent envers leur gouvernement, et que le maintien d'un sens distinct de l'identité canadienne comporte des avantages subjectifs mais réels pour les Canadiens.

Charles Freedman, sous-gouverneur de la Banque du Canada et titulaire du poste d'économiste invité Clifford-Clark en 1989 et en 1990, décrit l'évolution des politiques de la banque centrale au cours des années, alors que l'on s'est efforcé de trouver le meilleur moyen de préserver le pouvoir d'achat des devises qu'elle gère. Il souligne que de lier la devise monétaire d'un pays à celle d'un autre aide peut-être à lutter contre l'inflation, mais que les difficultés des " remèdes doux " sont maintenant plus claires. Il soutient que la plupart des pays sont attirés soit par un taux de change flottant, soit par le rattachement à une seule devise, et il aborde ensuite la probabilité qu'ont les banques centrales de réaliser leurs objectifs intérieurs et internationaux dans les années à venir.

Kenneth Norrie, maintenant doyen et vice-recteur à l'enseignement à l'Université McMaster, et économiste invité Clifford-Clark en 1990 et en 1991, jette un regard critique sur l'hypothèse voulant que le Canada souffre d'un déséquilibre fiscal vertical chronique, car le gouvernement fédéral tire profit de recettes soutenues et de responsabilités relativement légères au plan des dépenses, tandis que les provinces ont des sources de recettes moins solides et des frais de programmes plus onéreux. M. Norrie soutient que cet argument repose sur des projections de recettes et de dépenses simplistes, et ce qui est plus important, qu'il n'explique pas pourquoi les provinces n'augmentent pas les impôts quand elles en ont besoin, au lieu de réclamer continuellement davantage de transferts d'Ottawa. En conclusion, il affirme que le déséquilibre fiscal n'est pas une caractéristique fondamentale de la division des pouvoirs d'imposition et de dépenses au sein de la fédération canadienne, mais témoigne plutôt d'un choix politique.

Peter Nicholson, maintenant conseiller spécial du secrétaire général de l'Organisation de coopération et de développement économiques, et titulaire du poste d'économiste invité Clifford-Clark en 1994 et en 1995, se penche sur la révolution de l'information et Internet. En dépit d'un récent surinvestissement et d'excès spéculatifs, il souligne qu'Internet poursuit son évolution, soutenu par les changements qui se produisent dans le secteur des communications et de la technologie, et que ses utilisations sont véritablement illimitées. En examinant comment le Canada devrait se positionner pour tirer profit de cette révolution, il appuie l'exploitation de créneaux mondiaux qui favorisent une concentration. Selon lui, le meilleur rôle du gouvernement n'est pas de subventionner ni de diriger, mais plutôt de donner l'exemple en bâtissant des systèmes d'information de niveau international dans des secteurs comme ceux de la santé et de l'éducation.

Jack Mintz, président-directeur général de l'Institut C.D. Howe et économiste invité Clifford-Clark en 1996 et en 1997, aborde deux défis au bien-être économique des Canadiens : un succès plutôt médiocre pour ce qui est de la hausse de la productivité, et le changement démographique. Il soutient que le piètre rendement financier dans le passé a entravé la productivité au cours des dernières années, car les programmes gouvernementaux faussent l'affectation des ressources et les emprunts exercent des tendances haussières sur les frais d'intérêt. Il affirme que le fardeau fiscal élevé de la main-d'œuvre et du capital freinent les investissements, tandis qu'une population vieillissante menace d'exercer de nouvelles pressions sur les ressources fiscales du pays. En conclusion, il estime que les Canadiens devraient réclamer une gestion plus judicieuse de la dette, des dépenses plus intelligentes et des impôts mieux pensés.

Robert Brown, qui a occupé le poste d'économiste invité Clifford-Clark de 1998 à 2001, termine le recueil par un examen de ce que reçoivent les Canadiens en échange des impôts qu'ils versent, dont la part exprimée en tant que pourcentage du revenu national est supérieure de 9 % à ce que versent les Américains. Bien que les impôts qui assurent des services productifs et fournis de manière efficiente peuvent être de l'argent bien dépensé, il soutient que le plus gros de la différence entre les taux d'imposition canadiens et américains provient de dépenses non ciblées consacrées au soutien régional, aux subsides commerciaux et à un large éventail d'autres programmes qui contribuent bien peu au bien-être. M. Brown signale que les impôts accablants au plan économique peuvent miner des programmes importants, en soulignant que bien que le Canada consacre une part plus élevée de son PIB à l'éducation subventionnée par l'État que ne le font les États-Unis, le niveau absolu d'appui public par étudiant est plus élevé de l'autre côté de la frontière. L'efficacité et l'efficacités, conclut-il, sont essentiels pour que les Canadiens puissent concrétiser les objectifs collectifs qu'ils recherchent.

\* \* \* \* \*

L'Institut C.D. Howe est un organisme indépendant, non-partisan et à but non lucratif, qui joue un rôle prépondérant au Canada en matière de recherche sur la politique économique. Ses membres, individuels et sociétaires, proviennent du milieu des affaires, syndical, agricole, universitaire et professionnel.

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# Canadian Conundrums

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*Views from the Clifford Clark  
Visiting Economists*

edited by  
***Robert D. Brown***

Observation 43

***C.D. Howe Institute***

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## Foreword

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**T**he post of Clifford Clark Visiting Economist at the Department of Finance is an outstanding example of something many observers feel is all too rare in Canada. It provides an opportunity for a leading expert in economic and fiscal policy matters from outside the regular structure of the federal government to participate at the highest level in the Department of Finance's deliberations — a cross-fertilization of ideas that improves the understanding of the department and the outside world of each other's preoccupations and priorities and contributes to the making of better public policy in this country.

From the perspective of those who are interested in the development of public policy in Canada, the passage of time and of a number of people through the Clifford Clark position also provides a useful opportunity. The challenges that have preoccupied federal fiscal policy have changed over time, and the techniques of economic analysis have evolved as well. A survey of the views of Clifford Clark Visiting Economists over some two decades provides a unique high-level view of these changes, and throws light not only on past challenges, but also on the present-day policy issues that are their descendants.

We are delighted that Robert Brown agreed to serve as editor of this volume. The topics the contributors address vary from monetary policy through taxation, fiscal federalism, and the new economy. But the quality of the essays is uniformly high, a tribute not only to the contributors, but also to the Department of Finance for its consistent selection of outstanding holders of the Clifford Clark position.

The volume was copy edited by Lenore d'Anjou and prepared for publication by Marie Hubbs and Barry A. Norris. As with all C.D. Howe Institute publications, the analysis and opinions presented here are the responsibility of the authors and do not necessarily represent the views of the Institute's members or Board of

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Directors. We commend them, however, to all those who are interested in the development of Canadian public policy in the past, and who hope for its continued improvement in the future.

William B.P. Robson  
Vice-President and  
Director of Research

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## Introduction

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**I**t was Jack Mintz, the indefatigable President and Chief Executive Officer of the C.D. Howe Institute and himself a former Clifford Clark Visiting Economist with the Department of Finance, who conceived the idea that a publication containing short essays by Clifford Clark alumni would be a worthwhile and welcome addition to the discussion of public policy issues in Canada. It would also mark the contribution that the position — and those who have occupied it — have made to policy development and the dialogue between the public and private sectors.

### *The Position and the Book*

The Department of Finance established the position of Clifford Clark Visiting Economist in 1983 to provide senior policy input from outside the government into the department's planning and studies. Marshall Cohen, then deputy minister, wanted an opportunity for the department's leadership, up to and including the minister, to interact with an individual who was not part of the federal bureaucracy but who had the experience, the background, and the energy to bring fresh views and opinions into the policymaking process.

The new position was named after Clifford Clark, who was the deputy finance minister from 1932 through 1952 and who might be called the father of the modern department and of its strong influence on federal programs and policies. The choice of name

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As one of the Clifford Clark alumni, I was delighted to have the opportunity of putting this volume together, but I must acknowledge the strong collaboration and editorial genius of the C.D. Howe Institute's Bill Robson, as well as the helpful suggestions of Jack Mintz and the support of Shay Aba. I also thank Lenore d'Anjou for her copy-editing skills, which helped to focus the writing, and Barry Norris and Marie Hubbs, who shepherded the volume through publication.

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was particularly appropriate, as Clifford Clark's career had included stints in the academic and business worlds as well as the civil service. And throughout his distinguished service in government he drew on input and ideas from broad sources in his effort to practice what has been called *applied economics*. (A short biography of Clifford Clark follows this Introduction.)

From the beginning, the duties that the Clifford Clark Visiting Economist has undertaken have been flexible and eclectic, depending on the experience and interests of the individual and the exigencies of the moment. A unique feature of the position is that the appointee can generally select what he wishes to concentrate on and largely set the responsibilities. Some holders of the position have worked mainly on specific projects (Jack Mintz, for example, concentrated on the issue of business taxation and completing the Report of the Technical Committee, which he headed), while others have covered a range of issues and projects. In all cases, however, the appointee has been granted senior status within the department, receiving copies of all research papers and classified documents and participating fully in policy-setting meetings with the minister and the deputy minister. The appointment is generally for a two-year period, although there have been exceptions.

The individuals occupying the position have brought enthusiasm and imagination to their task, enjoying the open debate with the minister and senior department officials. Each gained a new respect for both the complexity of policy setting in a world of conflicting objectives and the dedication of the senior people with whom they worked. And each hoped that he was able to contribute some fresh insights to the policy formulation process.

The justification for a volume of essays by those who have occupied the position of Clifford Clark Visiting Economist does not rest on any claim of superior wisdom or insight, although I note that — myself aside — they form a remarkably distinguished group. Still less is the book based on any attempt to make the essays form an integrated commentary on even a few of the main economic policy issues of the moment. Rather, the C.D. Howe Institute sought to set out a cross-section of views on current questions from a recognized group of scholars and others with some common experience. And each author selected his topic with an eye on the notion

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behind the Clifford Clark position itself: aiming to raise new insights and comments on an important current issue.

The fact that all the writers are Clifford Clark alumni means that they all have a background in both public policy formulation and the nongovernmental sector. Their experience in working on the cross-pollination of these solitudes means that they can claim some understanding of the strategic and practical factors involved with some current fiscal, monetary, and economic developments.

The essays in this volume cover a wide variety of topics, and the writers display a corresponding diversity of views and approaches. The articles are not written in a strictly academic style; rather, each author, working from his own background and approach, concentrates on informing and stimulating the broad debate on public policy issues in Canada.

### *The Visiting Economists*

A total of eight men have served as Clifford Clark Visiting Economists since 1983, and a ninth will take up office soon. The initial holder of the position was Douglas Peters, who served from 1983 to 1985 and subsequently went on to a career in politics. Douglas Purvis, the second appointee (1985–86), was a respected and warmly liked figure in policymaking and academic circles, but is no longer with us.

We are delighted that the next six appointees agreed to contribute to this collection.

John F. Helliwell, 1987–88

The first essay is by John Helliwell, whose tenure in 1987 and 1988 punctuated a distinguished career in economics. Helliwell, whose interests are wide ranging, here explores some new paths in considering the determinants of subjective well-being: what influences people in deciding how well off they think they are.

To comment on how people value economic and social outcomes, Helliwell refers to empirical studies of self-perceived well-being.

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His basic argument is that local, community, and national institutions and connections still matter, even in an age of globalization. He argues that it is therefore important for countries to have social and institutional fabrics that preserve and build mutual trust among citizens and between citizens and their governments. On this basis, he believes that we must consider limitations and costs in dealing with current trends to internationalization, both globally and in North America, and he cites some examples based on current issues. He concludes that maintaining a separate sense of Canadian identity has subjective but real advantages.

Charles Freedman, 1989–90

Charles Freedman served as Clifford Clark Visiting Economist in 1989 and 1990 and is now deputy governor of the Bank of Canada. Freedman begins his essay with a review of the principal objective of monetary policy — maintaining a stable price level. He then outlines how the instruments central banks use to determine their policies to meet this objective have changed over the years. They have now settled fairly firmly on the direct maintenance of inflation targets.

Freedman offers some thoughtful comments on how the linkages of one country's currency to that of another may assist in avoiding inflation but he notes that the difficulties of a “soft fix” or adjustable peg in foreign exchange markets are now becoming clearer. He argues that most countries are gravitating either to floating exchange rates or to fixed pegs, and he goes on to discuss how central banks are likely to meet their domestic and international objectives in the years ahead.

Kenneth Norrie, 1990–91

After his tenure in the Clifford Clark position in 1990 and 1991, Kenneth Norrie served as dean of arts and professor of economics at the University of Alberta. At the start of 2002, he became provost and vice-president academic at McMaster University.

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In his essay, Norrie deals with the perennial Canadian issue of vertical fiscal imbalance — the argument that the distribution of fiscal resources in the Canadian federation is out of line with spending responsibilities. He points out that such an imbalance can occur when different levels of government do not have equal access to all significant revenue sources but he notes that both the provinces and the federal government have full rights in all major tax fields.

Norrie reviews recent communiqués from the provincial and territorial governments, based on simple projections of revenue growth in response to expected changes in gross domestic product (GDP) and price levels, and on changes in spending predicated on demographic and other trends. The federal government usually shows more favourable fiscal results in such projections, in good part because it has the larger share of the personal tax field, a relatively elastic source of revenue. But this situation does not explain why the provinces do not simply raise their own taxes to cover the perceived imbalance, instead of perennially looking for more transfers from Ottawa. And, Norrie points out, such simplistic revenue and spending projections are frequently flawed guides to future budgetary positions and, therefore, the fiscal imbalance arguments do not seem fully supportable. Fiscal balance is not a fundamental characteristic of intergovernment fiscal structure; rather, it is a political choice.

After a brief review of the history of federal transfer payments to the provinces, Norrie concludes by noting that Ottawa has given up matching transfers to provincial spending; instead, it has adopted the maintenance of national standards as the primary purpose of the existing transfers.

Peter J. Nicholson, 1994–95

Peter Nicholson, who served as Clifford Clark Visiting Economist in 1994 and 1995, is now Special Advisor to the Secretary-General of the Organisation for Economic Co-operation and Development in Paris. In his essay, he deals with a subject dear to his heart and interests: the information revolution, particularly the Internet.

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Although we have all heard how the Internet is transforming our society, perhaps few of us appreciate that the rate of change is still accelerating. Nicholson points out that the Internet — a vast network neither owned nor controlled by anyone — is continuing its rapid evolution, driven by fast-paced changes in communications and technology, and that its uses are truly open ended, much like human intelligence itself. Internet-related costs are continuing to fall — perhaps by a factor of a thousand over the next 15 years — opening up the possibility that almost all recorded information, worldwide, will soon be available to more than a billion users.

Like most transformation technologies, the Internet revolution has resulted in overinvestment and speculative excess. But the expansion of the Internet and its related processes continues to boost the percentage of GDP spent on information, with the biggest economic positives coming from the reduction in inventories and the general growth in productivity that this facilitates.

Nicholson goes on to consider Canada's position in this revolution. Our best policy, he says, is to carve out global niches for concentration. In this new world, the preferred role of government is not to subsidize or direct but to lead by example by building world-class information systems in areas such as health and education.

Jack M. Mintz, 1996–97

In addition to his C.D. Howe Institute responsibilities, Jack Mintz, who held the Clifford Clark post in 1996 and 1997, teaches at the Joseph L. Rotman School of Management, University of Toronto, and is a distinguished and frequent commentator on fiscal policy issues.

Mintz concentrates on twin challenges to Canadians' well-being: our mixed and rather undistinguished record on productivity, and our looming demographic time bomb. He focuses first on the interplay of deficits, taxes, and productivity, arguing that Canada's past poor fiscal performance — monster deficits, high debt, high taxes, and waste in ineffective programs — has impaired our productivity performance in recent years. Spending priorities have overemphasized counterproductive employment insurance and other social spending (including regional development), while

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interest on the debt has grown because of past spending excesses. Mintz argues that government priorities are shifting in Canada, but not fast enough. Tax burdens on labour and capital remain high, and Canadians' long-term prosperity is still threatened by inadequate investment.

Mintz further argues that Canada also faces a challenge from its aging population — indeed, Canada's demographics are relatively worse than those of the United States — which promises to put new strains on the country's fiscal resources. He concludes that we need smarter debt management, smarter spending, and smarter taxes.

Robert D. Brown, 1998–2001

I had the privilege of being the Clifford Clark Visiting Economist from 1998 to 2001, following a term as chairman and chief executive officer of Price Waterhouse. I have now fallen to the positions of consultant, corporate director, and sometime commentator.

My essay, the final one in this volume, deals with Canada's perceived high tax burden — from the point of view of exploring just what we get for the extra 9 percent of GDP we pay in taxes relative to our neighbours to the south. I argue that, in themselves, high taxes are not necessarily a negative influence on well-being if they pay for productive and efficiently delivered services and benefits, such as education, income security, and health. But the biggest part of Canada's higher taxes seems to go not to our vaunted social programs but to unfocused expenditures on regional support, business subsidies, economic adjustment programs, and a wide variety of other miscellaneous spending. This spending adds relatively little to our well-being, particularly since we seem to concentrate on inputs (how much we spend), rather than on outputs (the actual results of the spending).

Canada's higher overall spending, with its resulting tax and debt burdens, impairs our productivity and living standards. In the long run, if our productivity and after tax-incomes continue to lag further and further behind those of Americans, our ability and willingness to support Canadian social programs may be undermined. Indeed, the impact of Canadians' lower incomes on social pro-

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grams is already apparent. For example, although Canada spends a slightly higher proportion of its GDP on education than does the United States, Americans spend more in public funds per student than we do because their incomes are higher.

Canadians have choices, and we can maintain policies different from those of the United States if we want to. We need to learn, however, that efficiency and effectiveness are not inconsistent with Canadian values but, rather, a way of making those values real.

*In the End...*

The justification for the position of Clifford Clark Visiting Economist is the benefits that flow from involving an outside expert in the process of public policy research and formulation. The contributors to this volume hope that it illustrates in at least some small way some of those benefits, and stimulates public discussion on issues of importance to all Canadians.

Robert D. Brown

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