

Tax cuts and the "fiscal imbalance" ^[1]

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AVAILABILITY

Report in pdf (see pg. 8) ^[2]

Excerpts from the report:

Solving the "fiscal imbalance" runs the risk of becoming a downsizing exercise for the federal government. Some prominent and influential commentators, including a Quebec government commission, the C.D. Howe Institute, and the Canadian Council of Chief Executives, are calling for radical change: massive federal tax cuts, paid for by eliminating the major transfers to the provinces for social programs, the Canada Health Transfer (CHT), and the Canada Social Transfer (CST). The provinces, it is argued, would simply take over the "tax room" the feds give up, and nothing would change from the perspective of the average citizen, except for greater lines of accountability over how public funds are spent.

In the wake of large tax cuts at the provincial level over the past decade, there is little reason to believe that provincial governments will behave this way. Decentralization means that the fight for tax cuts (also known as the fight against social programs) can be won in numerous smaller battles, where provinces are pitted against one another to be the most "competitive." Thus, further decentralization of powers is a good guard against a new national child care program, and is a good way of accelerating the growth of private health care.

Region: Canada ^[3]

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