Size of government and economic performance: What does the evidence say? [1]

Behind the numbers
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Excerpts from the brief:

Proponents of tax cuts argue that tax cuts will improve our economic performance. Tax cuts, it is argued, will "grow the pie" faster, making everyone better off, even if spending cuts are necessary. If smaller government means stronger economic performance, an expansion in the size of government (by, say, bringing in a national child care program) would undermine productivity and GDP growth, thereby weakening economic performance.

But what kind of evidence exists to back claims about the economic benefits of small government? As this brief will show, there is actually very little hard economic evidence in support of this view.

There is no economic reason why Canada could not expand its public sector from about 36% today by a significant margin - if there were compelling reasons to do so. This would not kill the Canadian economy, and in fact could greatly improve the economy if new expenditures went to pro-growth investments, such as a publicly funded early childhood education and care program.
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