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## **Toward a Common Citizenship: Canada's Social and Economic Choices**

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Citizenship is more than a passport. It defines who "we Canadians" are, and describes the kind of community "we" wish to become. Citizens have rights, they have responsibilities, and they need access to jobs, services, and supports. The balance among these rights and responsibilities changes over time in response to the core values of citizens, their implicit contract with the state, and the economic and political context. This *REFLEXION* focuses on the key economic and social choices that will shape our common citizenship in coming years.

During the post-war years, Canadians forged a common citizenship out of their experiences with the Depression and the Second World War, with the help of a prolonged economic expansion. During that time, standards of living increased, a broad middle class emerged, and social programs such as medicare were established. A strong synergy was created between economic and social policy.

However, this progress was interrupted in the 1970s by a downward shift in the rate of economic growth. As economic problems mounted, new ideas about the roles of the state and of markets took hold. For the past 20 years, Canada has rolled back layers of institutions and protections central to the post-war model of citizenship. Driven by freer trade, fiscal deficits, and new political forces, decisions were made that loosened the anchors of the old citizenship and created new social deficits, while getting the Canadian economic house in better order.

Despite the hardships of the 1990s, Canadians have come to accept the increased role of markets, and many of them relish the challenge of global competition. Now that the economy is in better shape, public finances are in surplus, and the investment boom raises the prospect of stronger productivity growth, Canada has room to choose the common citizenship we want. The terms of that citizenship must be shaped by our history, our values, and the realities of the political, social, and economic context of coming years. Other countries face similar challenges and are making their own choices based on their own history and ways of doing.

Canadians are pulled in conflicting directions - between market and state, between North American integration and independence, and between compassion and self-reliance.

This *REFLEXION* is designed to provoke a broader discussion so that alternatives can be considered and choices made. Part I looks back over the past 50 years, describes how the country has changed, and looks briefly at how Europeans and Americans are reshaping their notions of social protection. Part II maps the challenges and choices we face with respect to four core elements of social and economic policy - tax reform, health care, learning, and social transfers.

The *REFLEXION* argues that our goal should be a new and durable synergy between economic and social policies:

- Federal and provincial governments have reduced their spending significantly in the 1990s, but this smaller role for government is not visible to Canadians because 18 cents of every dollar of taxes is devoted to interest on the public debt. The faster Canada pays down that debt, the more degrees of freedom we will have to set the overall levels of personal taxation and program spending in the future.
- While corporate and business income taxes must be designed to be competitive with other jurisdictions, differences in personal income tax rates and structure are sustainable over time even as economies become more integrated. Personal tax rates for middle- and high-income Canadians in 2001 will be the lowest they have been since the early 1970s.
- Canada has the combination of money, technical expertise, and management skills to deliver the kind of health care citizens want. But current patterns of access, accountability, and governance are not up to that challenge. In particular, we need to talk through ways to extend the principles of universality and accessibility to include home care and pharmaceuticals.
- Learning is fast becoming the centrepiece of citizenship rights in Canada, from early childhood to retirement. But the education system has failed to adapt to a world where lifelong learning is essential. Even worse, Canada has a learning system that actually mirrors the inequalities in the labour market - people with low incomes face greater barriers to learning than do those in higher income brackets.
- Income supports for adults without work - Employment Insurance and social assistance - are still stuck in the old industrial model. What will be the right mix of social protection and incentives to work in the future?
- Income supports for families with children have been adapting to the new social and economic realities since 1998, but much remains to be done to provide families with the support they need to make choices about work and caregiving.
- A further gap is created by the cuts to public services affecting middle- and upper-income groups. These Canadians are asked to contribute a large share of tax revenue while receiving a shrinking share of public services, even as their confidence in the quality of those services is in decline. This in turn erodes the common bonds among citizens.

Canadians want well-functioning markets balanced by a well-functioning state. They want the benefits of North American integration balanced by control over their own lives and over the way their citizenship is defined. They want more than a passport.

We can and should dare to be different from our past and from our trading partners. This does not mean a lurch to the left or to the right. The *REFLEXION* argues for the radical middle. Let's use our hard-won room for action to imagine and then build the Canada we want.

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