



Commentary

Strong and Free – For Whom?

By Judith Maxwell and David Hay

The Fraser Institute has issued a prescription for prosperity and well-being. The three key ingredients are personal responsibility, expanding economic freedom of choice, and reducing the role of government. The underlying theory is that competitive markets will work their magic to create the Good Life for Canadians.

Be wary of this “new” prescription. “Personal responsibility” here means that if things go wrong in life it is your fault. If you get sick, you will pay more for health insurance. If you lose your job, you are on your own.

Canadians have moved beyond simplistic ideology to understanding that social investment is essential to a high performance economy. In the age of Enron, they also know the limitations of markets allocating resources. They understand the inefficiencies of current social policies, and argue fiercely for improvements. No one argues for the status quo. But tax cuts and streamlining of governments are crude tools in a sophisticated age. Canadians know better.

The report, *A Canada Strong and Free*, sets out the following steps to freedom:

- Remove the federal government from all health, education and social services (except health research) but increase defence spending;
- Cut federal taxes;
- Raise provincial taxes so provinces can pay for health, education and social services;

- Overall the government sector will shrink from the current 40% of economic activity to 33 % and tax burdens will fall.
- Encourage private delivery of health care services, while the provinces provide universal health insurance, funded in part by health premiums;

This will, we are told, ensure that your waiting times for health services will disappear, you will have more money to spend on the things you want to buy, the economy will grow faster, more jobs paying decent wages will be created, tax revenue will increase, poverty will decline and productivity will increase.

In this vision of the world, the economy is a machine, like a good car. Get the engine and tires rebalanced and the machine will produce miracles. Markets solve all problems.

To be fair, markets are unquestionably efficient in accomplishing many things. But history shows that markets are not perfect. They do not meet all of humanity's needs and when they fail, human beings are discarded like worn out auto parts.

If it were as easy as the Fraser Institute says, why did governments get involved in the first place? Well, they were drawn into all these activities because markets failed: societies were racked by boom and bust cycles, and too many people were abandoned and sent to the junk yard. During the depression after World War I, and again in the 1930s, many people went hungry and suffered from a lack of medical care. Markets failed them.

Even in the past 20 years, as the knowledge-based economy has emerged, we have seen many instances of markets failing:

- The highest percentage of working age Canadians ever is working today, but 2 million of them work for such low wages, they remain poor. Just how do we expect to see more jobs with decent wages?
- When “employable” men and women were pushed off welfare to work – they ended up working for low wages, with no benefits, no access to training – as poor as before and far less secure.
- What is more, they have no affordable access to quality child care, even though both parents are expected to work, so the children are abandoned to indifferent care and a poor chance of success in school.
- When governments stopped financing affordable housing, the market did not build any – no profit in that.
- When provinces do not enforce clean water standards, citizens get sick.
- When governments don't provide recreation facilities or create public parks, markets are no substitute. Well-to-do Canadians will have choices. But many others will not.

Don't worry, the prescription says you will have more money in your pocket and then you, too, will have more choices. Uh-huh. Just take a look at low-wage workers. The lucky ones earn \$10 an hour, or about \$20,000 a year, if the job is full-time. With *all* their taxes eliminated, they might afford a few weeks of child care at market rates (if quality

care is available), or, possibly find a better apartment. Note that those who call most loudly for tax cuts are people who will never be short of grocery money.

All of this is described as a new and better balance between the roles and resources of the public and private sectors. Will corporate tax cuts lead employers to expand their responsibility for their workers and communities in this new world? Will they pay better wages and offer supplementary benefits to all their employees? What would be their incentive?

Will better off Canadians increase their donations and volunteer effort in the community organizations which try to provide supports to people in need? If so, what in this brave new world will compel them to do it?

Our research shows that Canadians acknowledge the virtues of the market in the business world, but they also have a strong sense of collective responsibility. They see families and communities, business and governments as partners who share responsibility for creating a healthy economy, stronger communities and a better society. Society is a complex web, woven together by the ingenuity and effort of many partners. Reducing the role of governments only increases the responsibility burden on others.

So, be careful about this “new” medicine from the Fraser Institute. It works much better in theory than it does in practice. In practice, it takes you back to the turbulent and unequal world your ancestors endured. In theory, they had all kinds of choices, in practice, many of them had almost none. You need money in the bank to have choices.

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