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Canada vs. the U.S.

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Have the Canadians found a better balance between the public and private sectors? If you listen to many in the news media and many liberal Democrats, Canada is portrayed as a more ideal society than the U.S. It is viewed as peaceful, prosperous, honest and humane, and a country the U.S. should try to emulate.

These critics in the U.S. say they do not want a European-type socialist economy but would like a relatively bigger government that provides more services than the U.S. government (and lower drug prices and free medical care) -- in short, Canada.

Is it true Canada works better than the U.S.? Let's look at the facts. Historically, Canada had been a bit poorer than the U.S. But in the 1950s, '60s and '70s Canada grew faster than the U.S. By 1976, the Canadian dollar was equal to the U.S. dollar, and real per capita incomes in the two countries and the relative size of the governments were about the same.

However, beginning in the early 1980s, Canada and the U.S. began following different economic models. Under President Reagan, the U.S. stopped the growth in the relative size of government and sharply reduced tax rates, and pursued a policy of price stability and regulatory restraint. The Canadians continued to increase their relative size of government in terms of taxing, spending, and regulation.

The result is the Canadians now have a government that spends about 40 percent of its GDP (at the federal, provincial, and local levels), while the U.S. spends about 30 percent of its GDP (at the combined federal, state, and local levels). Canada is also much more economically regulated than is the U.S. There are substantial variations in taxing and spending between the Canadian provinces as there are between the U.S. states; hence, the above numbers are rough national averages, which vary from province to province and state to state. Again, the Canadians have achieved a level of government many American Democrats say they would like.

Once the U.S. adopted Reaganomics, it began growing faster than Canada. Now, two decades later, according to the World Bank, the U. S. has a GDP per capita that is more than a third higher than Canadian per capita GDP (\$34,280 for the U.S., \$26,530 for Canada). These higher real incomes for U.S. citizens translate into better housing, more automobile ownership, and much higher levels of discretionary income and economic

opportunity. The U. S. has also enjoyed a consistent lower level of unemployment than Canada since the mid-1980s.

Canada's leading economic think tank, the Fraser Institute, has just published two very provocative studies that detail the relative failure of the Canadian vs. U.S. model.

The first study is "Economic Freedom in North America" (jointly prepared with the U.S. think tank, the National Center for Policy Analysis). The statistical results of the study persuasively confirm "economic freedom is a powerful driver of growth and prosperity and those provinces and states that have low levels of economic freedom continue to leave their citizens poorer than they need or should be."

Unfortunately for Canada, all U.S. states, except for West Virginia, have higher levels of economic freedom than the Canadian provinces, with the exception of Alberta and Ontario. As a result, the richest Canadian provinces have incomes that approximate the poorest U.S. states.

"Government Failure in Canada, 1997-2004: A Survey of Reports from the Auditor General," again by the Fraser Institute, details extensive waste, misrepresentation, red tape, incompetence, program failure, self-service and self-dealing in the Canadian government. The report concludes that: "The main lesson from the facts as assembled by the Auditor General is that governments are not very effective vehicles for accomplishing outcomes. ... Public purposes ... can be accomplished as well, or better, by contracting, privatizing or ceding the activity to the private sector."

Those on the left who want a Canadian style health care system fail to acknowledge it has resulted in extensive waiting times, limitations on treatments, and massive shortages, all of which have forced tens of thousands of Canadians each year to go to the U.S. for needed medical treatment.

And finally, as crime rates have risen in Canada and fallen in the U.S., people are less likely to be victims of crime in New York than in many Canadian cities (despite Canada's oppressive gun control laws).

For those who say they want bigger government and more economic regulation, the results of the experiment are in. The evidence from Canada clearly shows if the U.S. had followed the liberal Democrat model it would have higher levels of unemployment, lower real incomes and less freedom.

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