

Really Learning from the Past: Tax is the Price We Pay for a Civil Society

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Nov. 23, 2011

“We are acting on a new vision of **the role of government ... smaller government ... smarter government.**” [Bold added here for emphasis]

Fraser Institute quotes Paul Martin as saying
in his 1995 Budget Speech

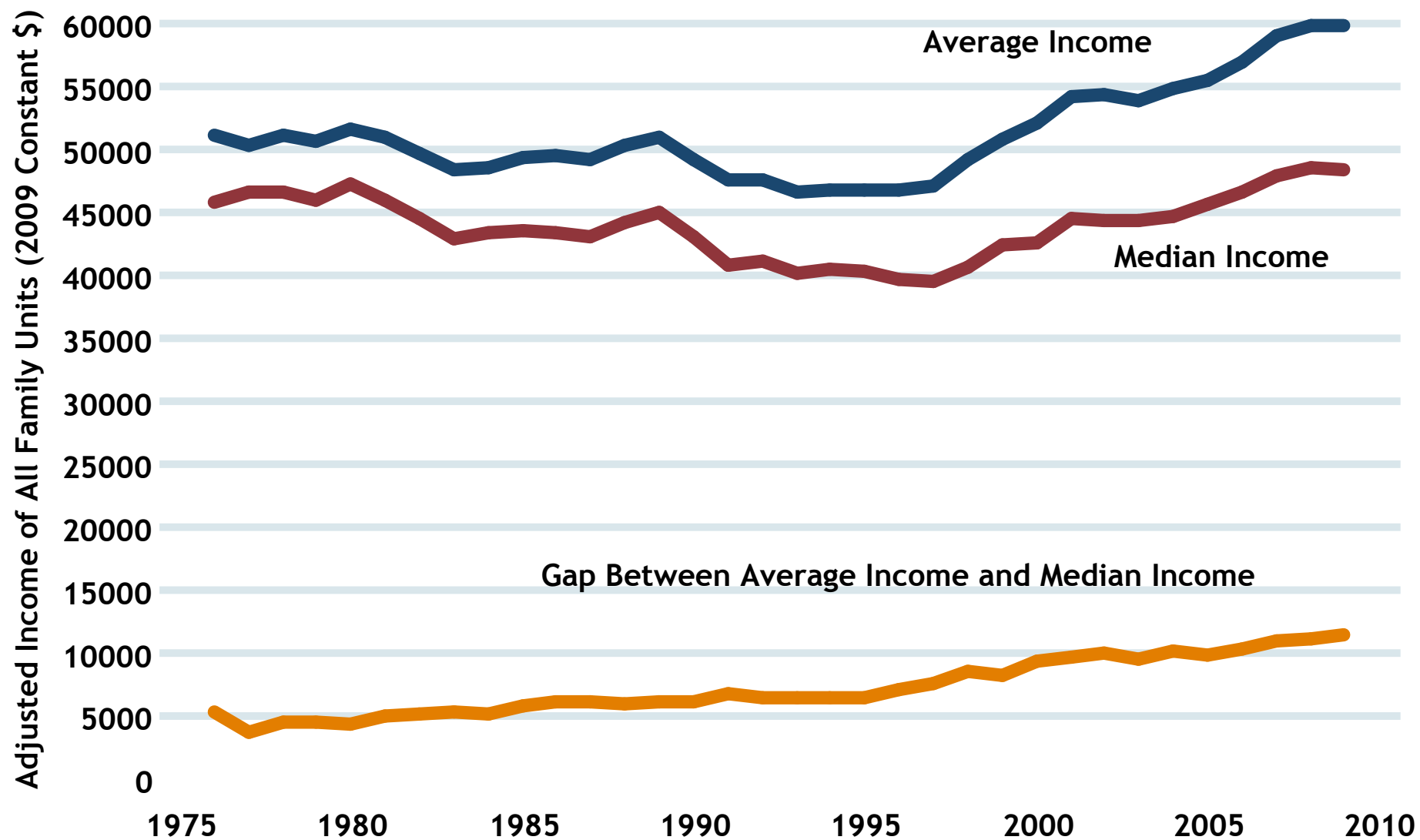
“We are acting on a new vision of the role of government **in the economy. In many cases that means smaller government. In all cases it means smarter government.**” [Bold added here for emphasis]

What Paul Martin actually said
in his 1995 Budget Speech

“The fact is that the free market system works, but **unless governments and people are constantly on the watch out for rampant inequality, unless they understand the need for redistribution programs, unless they understand the need to invest in education and better health care and a better environment, then effectively the free market system will fall on its own accord.**” [Bold added here for emphasis]

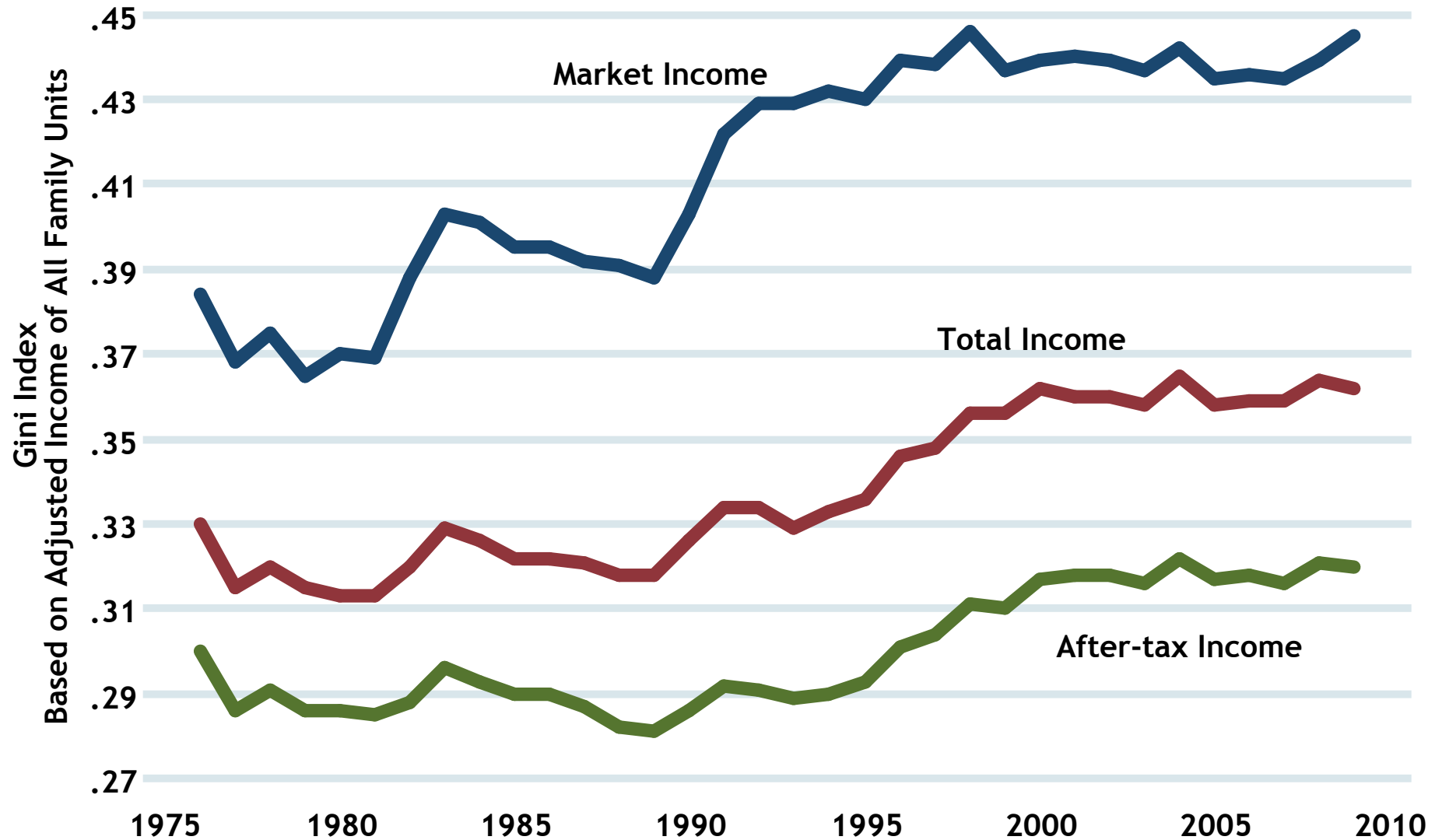
Paul Martin
Huffington Post, Nov. 18, 2011

Rising tides lift some boats only

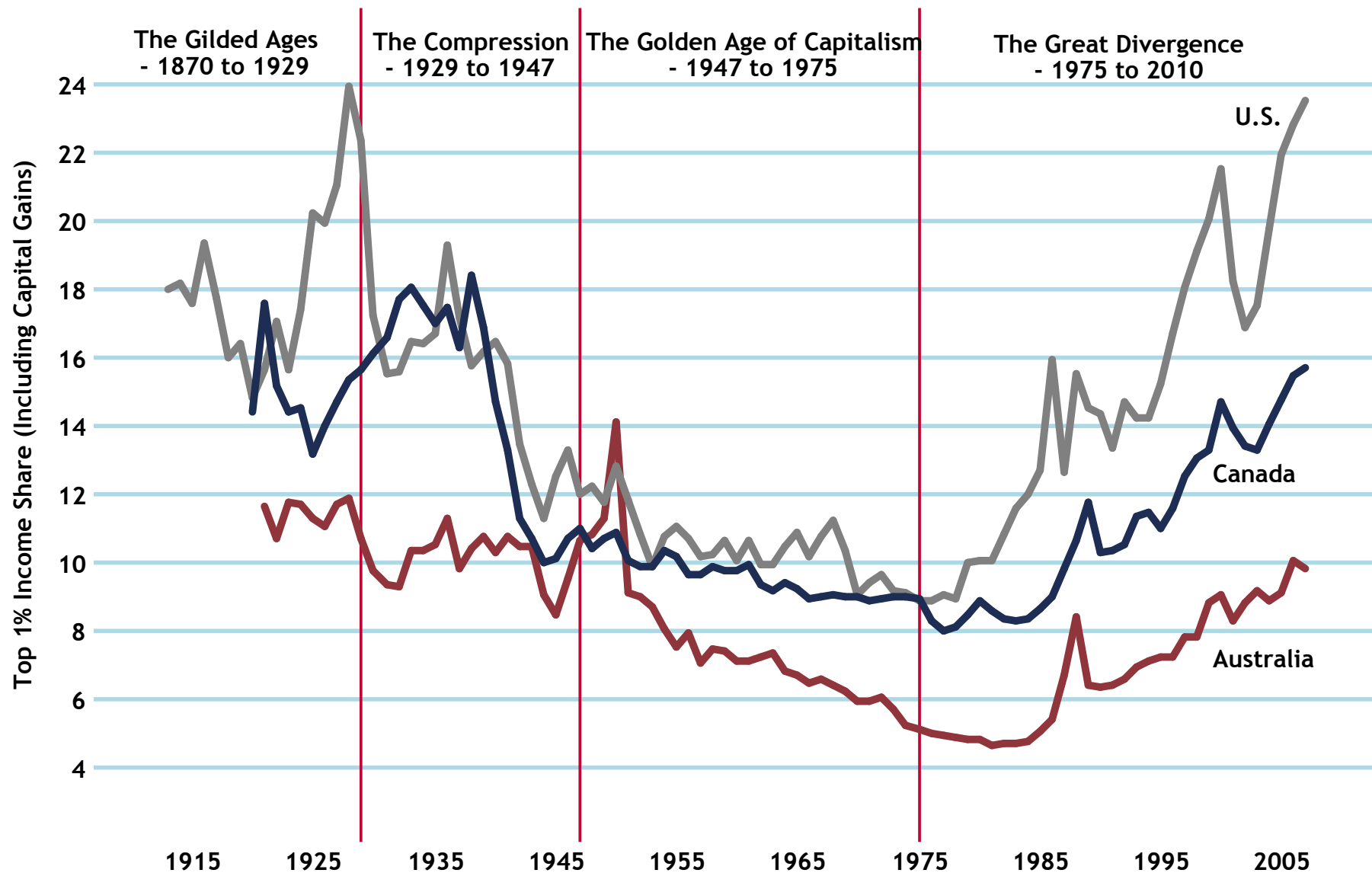


Source: CANSIM

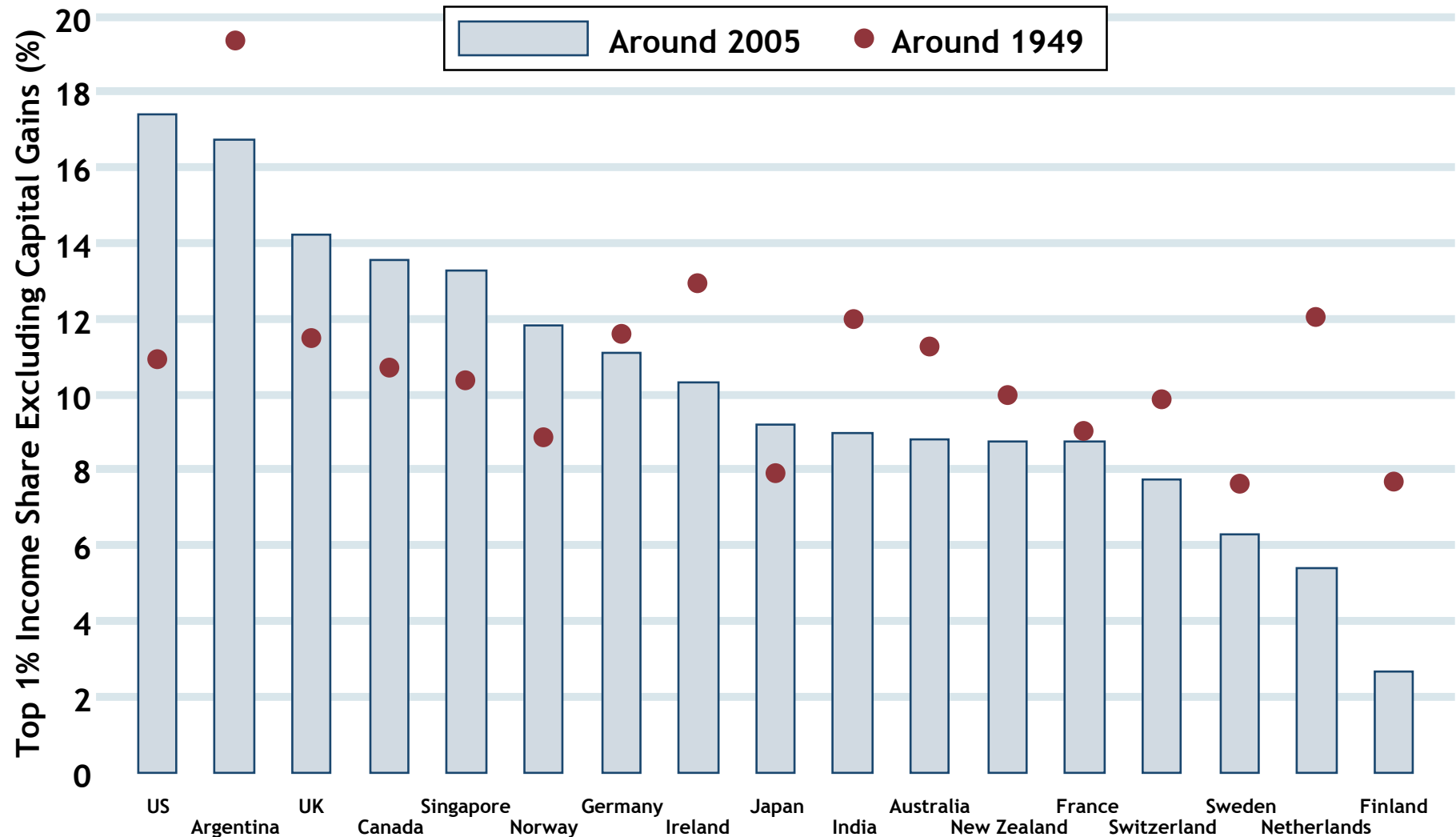
Canada faces rising income inequality



The top 1% income share surges; it wasn't always like this

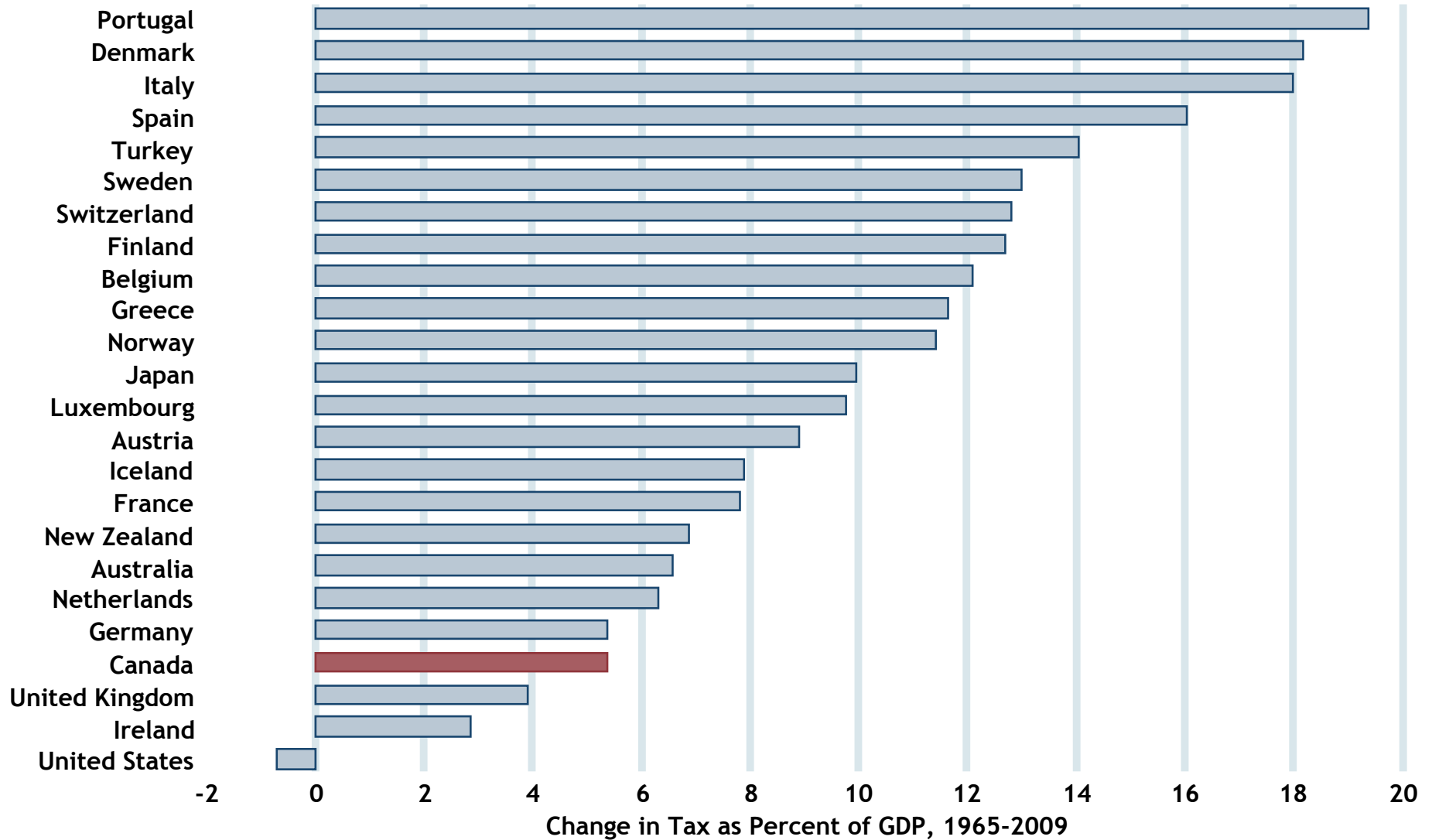


Top 1% income share up in some lower-tax countries since 1949



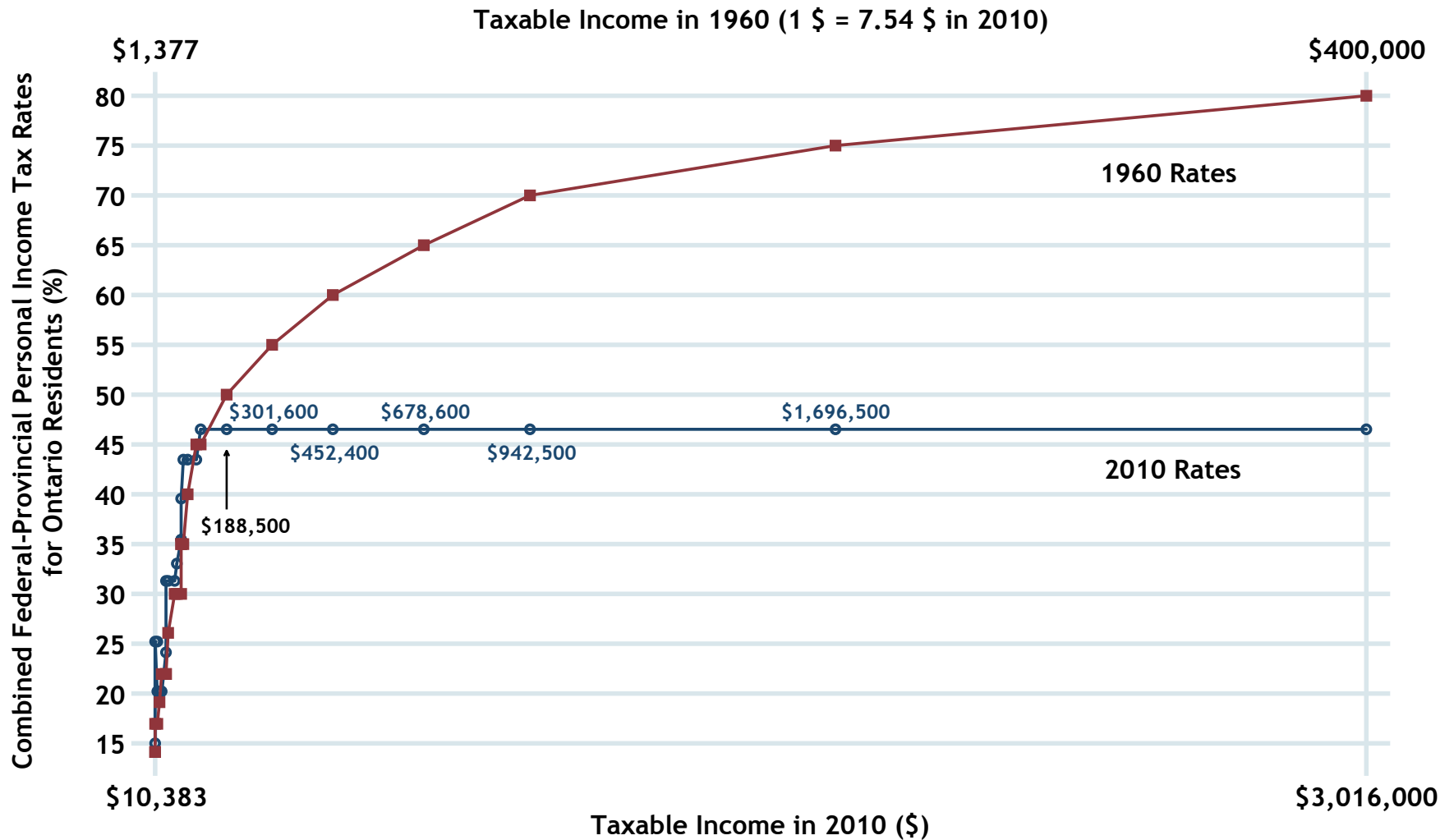
Source: Anthony B. Atkinson, Thomas Piketty, and Emmanuel Saez, "Top Incomes in the Long Run of History," (2011) 49(1) Journal of Economic Literature, 3-71.

In past four decades, Canada's tax ratio rose less than 6%

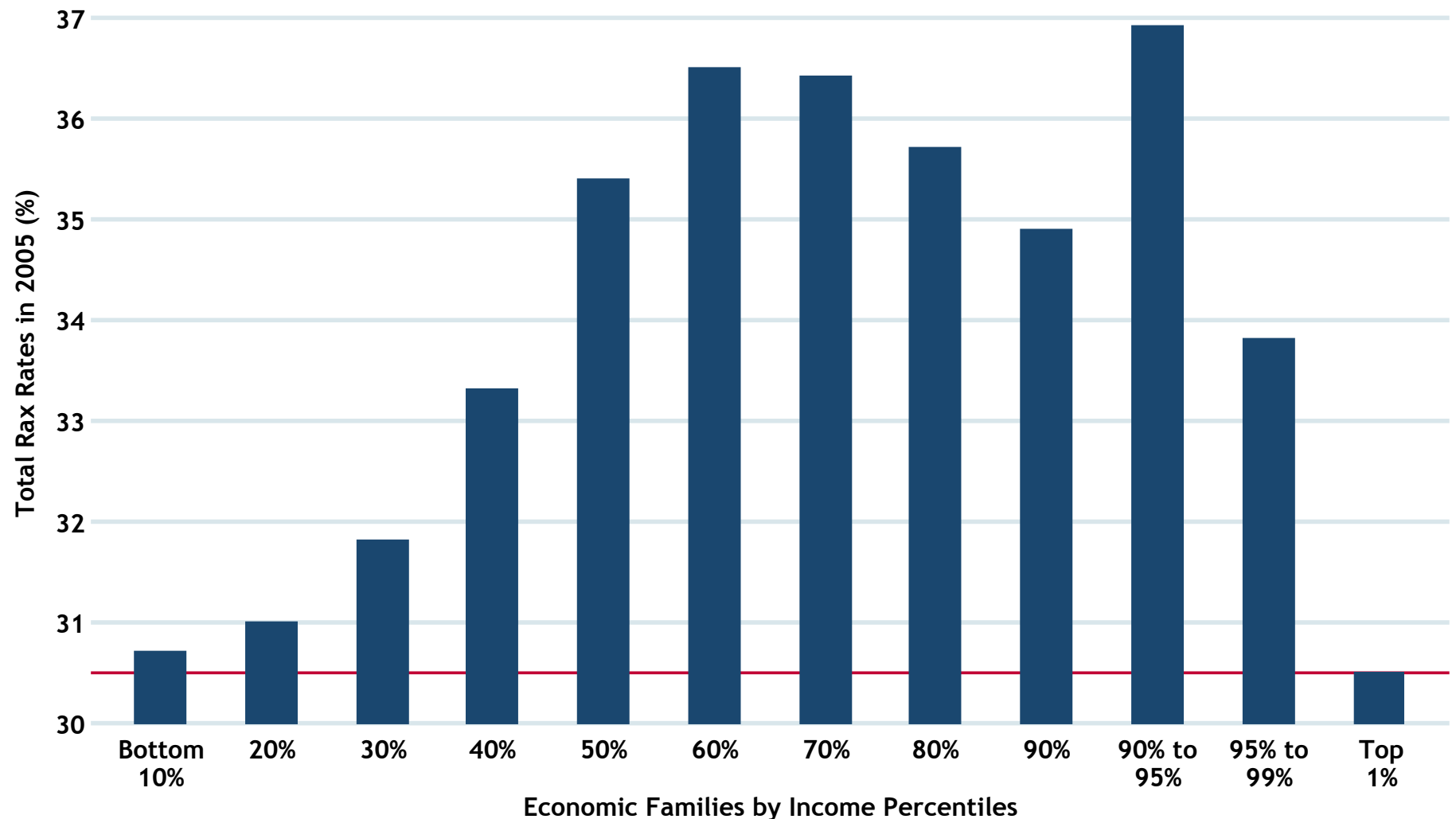


Source: Calculated based on OECD data; 2008 data used for Australia, Japan, Netherlands and Portugal.

Top marginal tax rate down to 46% from 80%

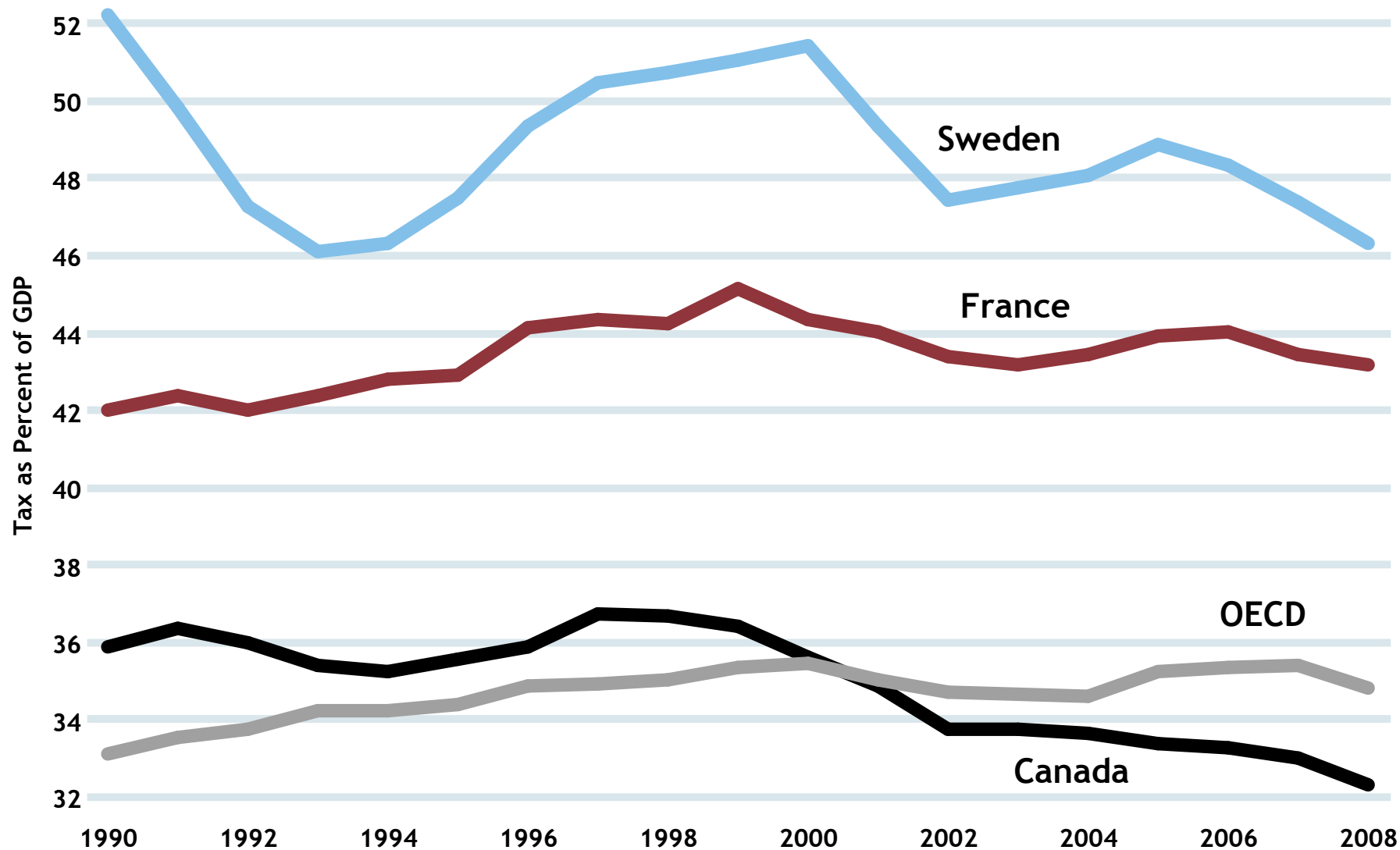


Effective tax rate for top 1% same as bottom 10%

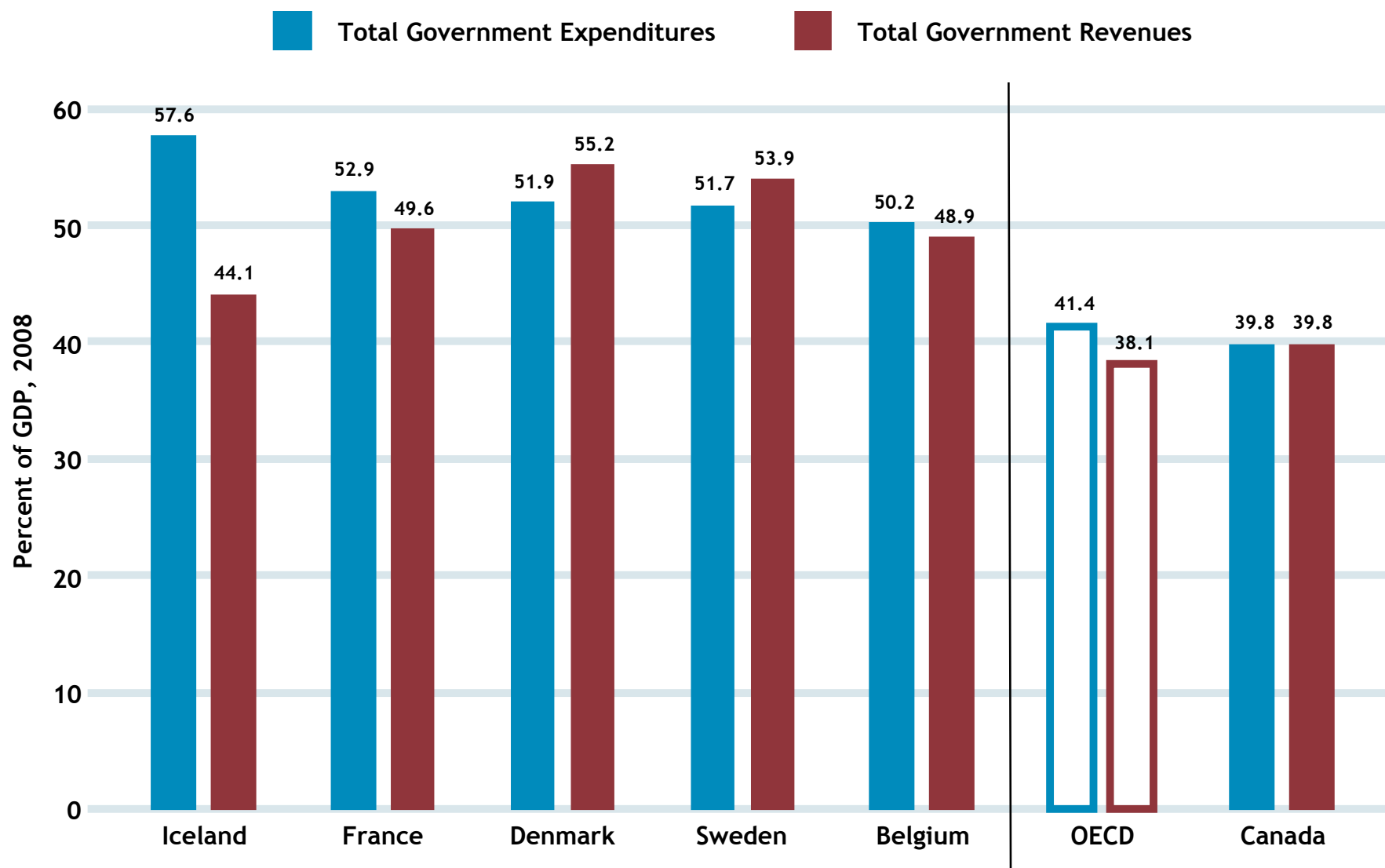


Source: data from Eroding Tax Fairness by Marc Lee in 2007 of Canadian Centre for Policy Alternatives. See <http://www.policyalternatives.ca/publications/reports/eroding-tax-fairness>.

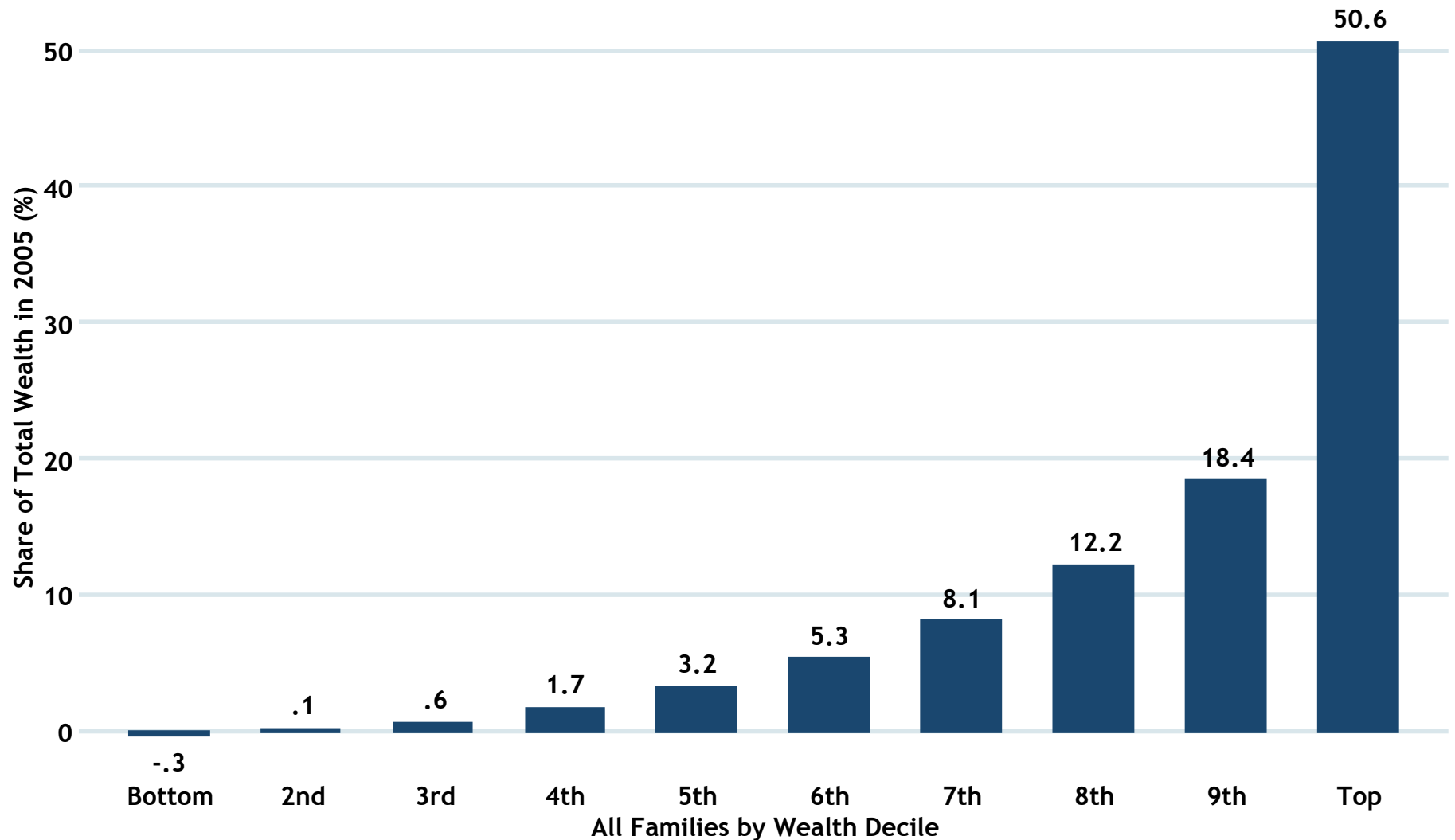
Canada's tax ratio dipping below OECD average



Public expenditures – Canada, 40% of GDP; others, 50%

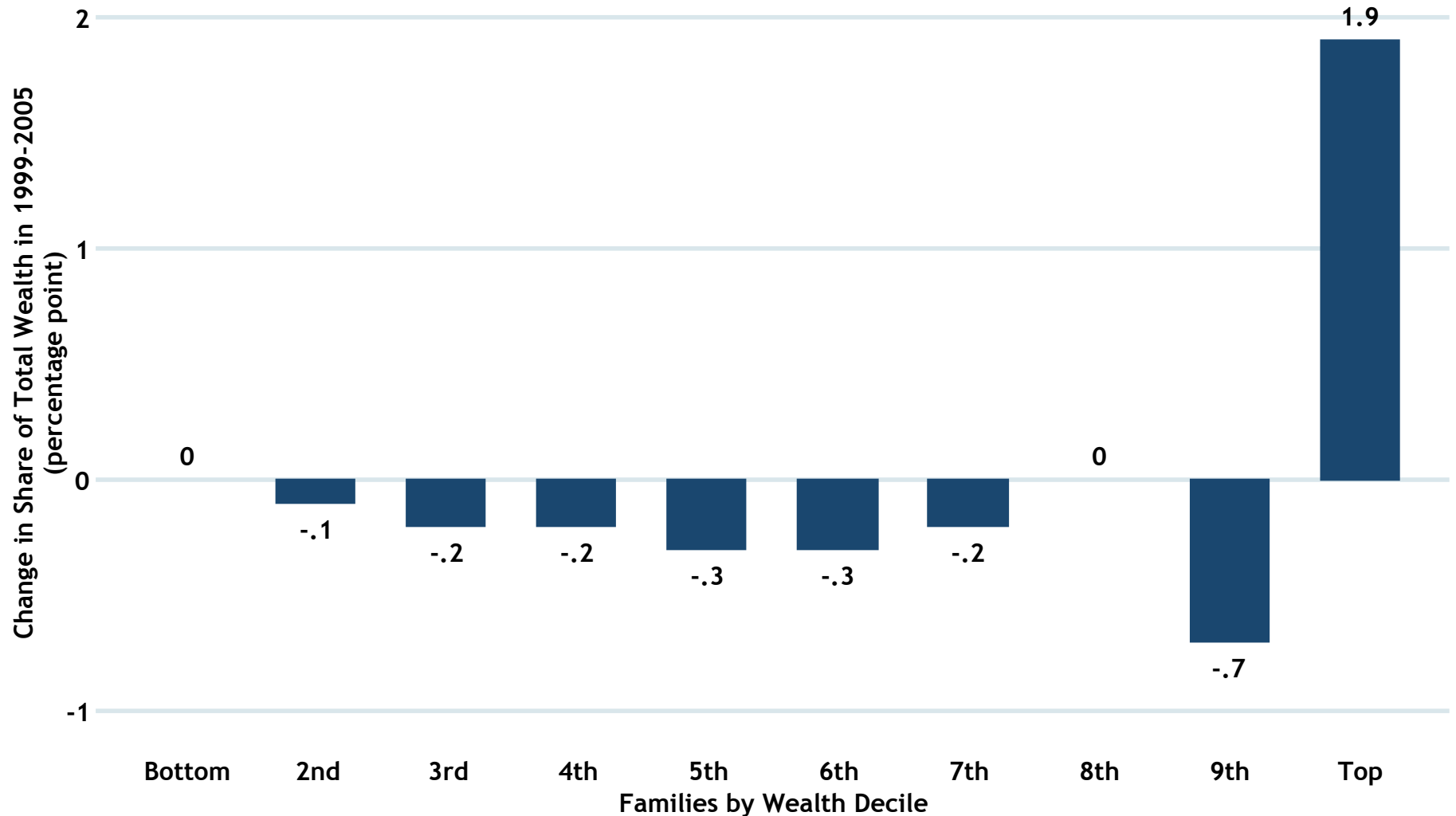


Top 10% owns 50% of wealth in Canada



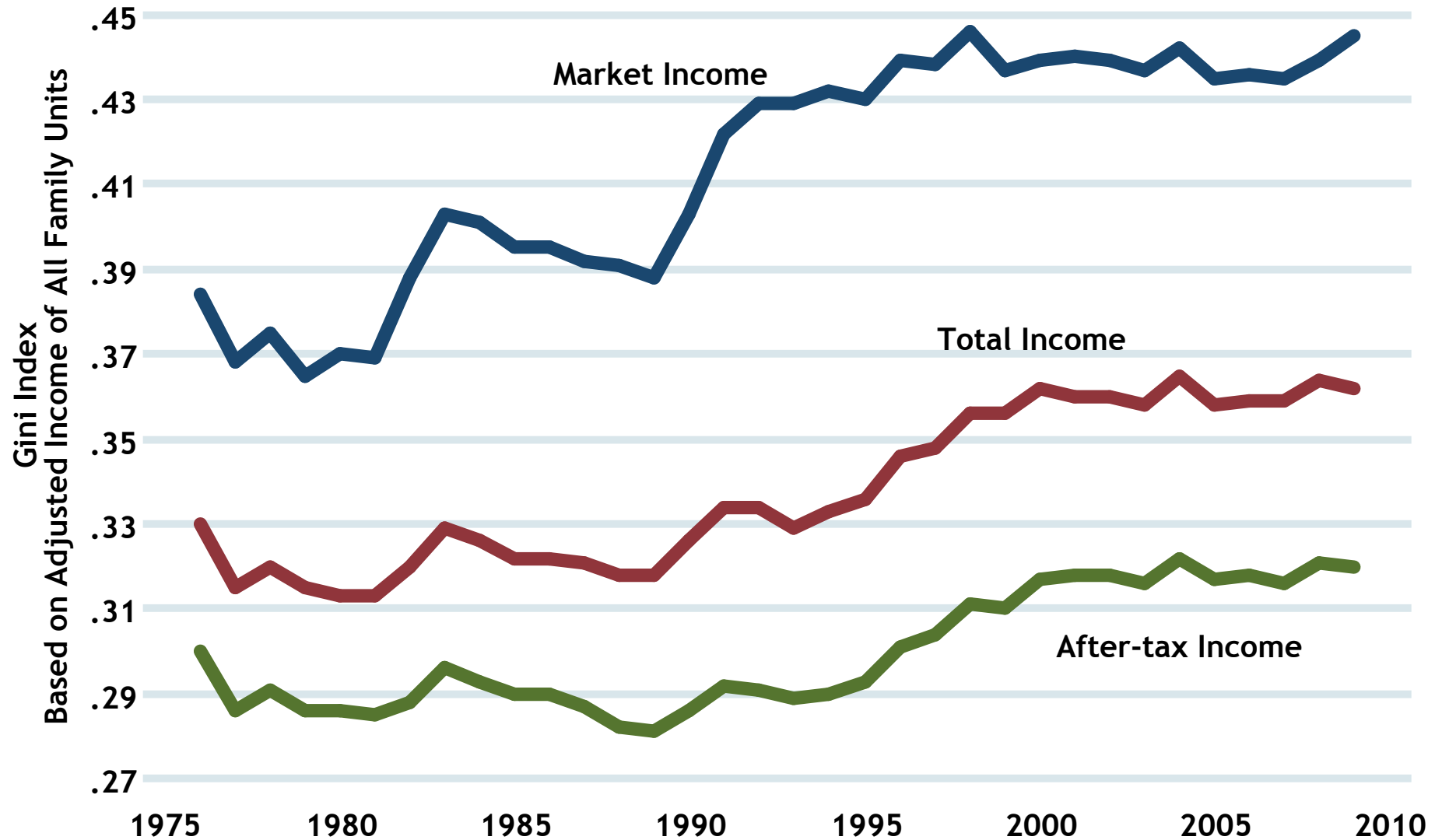
Source: data from Revisiting Wealth Inequality by René Morissette and Xuelin Zhang in December 2006 issue of Perspectives on Labour and Income published by Statistics Canada.

Is the free market system failing?



Source: data from Revisiting Wealth Inequality by René Morissette and Xuelin Zhang in December 2006 issue of Perspectives on Labour and Income published by Statistics Canada.

Canada needs more progressivity, not less



Source: CANSIM