

Forget 'Blame Canada' – in fiscal mess, U.S. looks north for answers

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There is a new refrain in Washington when it comes to that country to the north: Proclaim Canada.

As policymakers and pundits stew over how to solve America's fiscal pickle, Canada's name keeps turning up – in a good way – in conferences and conversations about how to shrink the scary-sized U.S. federal deficit.

It's a nice switch from the days of President Barack Obama's health-care debate, when the Canadian public system was endlessly maligned by everyone except those on the liberal margins of the Democratic Party and the odd single-payer pusher on MSNBC.

The Tax Policy Center, a joint venture between the left-leaning Urban Institute and the centrist Brookings Institution, is the latest to trumpet Canada's success in taming its deficit beast under Liberal Finance Minister Paul Martin and his Conservative successor Jim Flaherty. The think tank is holding a [panel discussion](#) on Thursday on the topic.

The lunch-hour seminar features Queen's University economist and policy dynamo Thomas Courchene, who wrote a provocative essay earlier this year for the Montreal-based Institute for Research on Public Policy called [Rekindling the American Dream: A Northern Perspective](#).

The other panelists are Chris Edwards, director of tax policy at the libertarian Cato Institute; Rudolph Penner, a fellow at the Urban Institute; and Paul Posner, director of the public administration program at Virginia-based George Mason University.

Indeed, it seems that fiscal experts on both the U.S. right and left are finding plenty to like about Canada these days.

Mr. Edwards, for instance, [touted Canada's success](#) in chopping federal spending in July testimony before the Senate Finance Committee, just as Republicans in Congress were locking horns with Mr. Obama during the brutal showdown to raise the federal debt ceiling.

“In the mid-1990s, for example, Canada faced a debt crisis caused by runaway government spending — similar to our current situation. But the Canadian government changed course and slashed total spending 10 per cent in just two years and then held it roughly flat for another three years,” Mr. Edwards told the committee.

“Total Canadian government spending was cut by more than 10 percentage points of GDP over a decade. The Canadian economy did not sink into a recession as Keynesian economists might fear, but instead was launched on a 15-year economic boom.”

But the senators heard a different take on Canadian experience from Michael Ettlinger, vice-president for economic policy at the left-leaning Center for American Progress.

“If we were to raise taxes to the level of Canada...we would basically solve our deficit problem. That isn't to say that we should solve our deficit problem by raising our taxes to the level of Canada and not address spending, but there is room to raise taxes without putting us at risk,” Mr. Ettlinger told the committee.

Still, most of the praise for Canada these days is coming from the U.S. right. Republican House of Representatives Budget Committee chairman Paul Ryan, perhaps the biggest fiscal hawk in Congress, rarely misses an opportunity to proclaim Canada.

“I just met with the Canadian budget minister, he was just telling me that they are lowering their business tax rate to 15 percent on January the first,” Mr. Ryan [said this month](#) after chatting with Treasury Board President Tony Clement during his visit to the U.S. capital.