

Unhappy Republicans Move to Canada? Economics-Wise, Not a Bad Destination.

J.D. Tuccille - Nov. 8, 2012

Among the perennial traditions of American politics are post-results, generally hot-air threats to flee the country if the "wrong" side wins — usually to Canada. *Politico* has a [round-up](#) of tweets by disappointed Republicans threatening to do just that. Leave aside, for now, that Canada [doesn't necessarily leave out the welcome mat](#) for Americans upset over election outcomes. *Politico* writer Patrick Gavin thinks the whole thing — **chuckle**, **chuckle**, **snicker** — "doesn't really make sense given Canada's many socialized elements." Except ... it actually makes more sense than Gavin allows, if you've kept sufficiently up with the times to know that Canada now ranks as more free-market than the United States.

Assuming that the disappointed righties are of the sort that care more about economic freedom than banning abortions, Canada actually looks like a pretty promising destination. There are two big international indices of the relative economic freedom of nations, and Canada ranks rather higher than the United States in both of them.

On the [Index of Economic Freedom](#), created by the Heritage Foundation and the *Wall Street Journal*, Canada is in sixth place, while the United States has fallen to tenth.

About [Canada](#), the Index says:

Canada's economic freedom score is 79.9, making its economy the 6th freest in the 2012 Index. Its overall score is 0.9 point lower than last year, reflecting worsening scores for government size and monetary freedom. Canada continues to be the freest economy in the North America region, though it has dropped just below the cutoff for characterization as a "free" economy.

Granted, that's not a rousing endorsement. But compare that to what the Index says about the [United States](#):

The United States' economic freedom score of 76.3 drops it to 10th place in the 2012 Index. Its score is 1.5 points lower than last year, reflecting deteriorating scores for government spending, freedom

from corruption, and investment freedom. The U.S. is ranked 2nd out of three countries in the North America region, and its overall score remains well above the world and regional averages.

The contrast is even more stark in the *Economic Freedom of the World Report* (PDF), compiled by an international coalition of organizations, including Canada's Fraser Institute and America's own Cato Institute. Here, Canada is ranked fifth, and the United States 18th. The report's [detailed look at North America](#) (PDF) has this to say about the relative rankings of Canada and the United States:

Canada and the United States have pursued very different economic courses through the first decade plus a year of the 21st century. One course, followed by the United States, has led to decreasing economic freedom, especially as the financial crisis struck; the other has led Canada to a stable level of economic freedom with only small declines during the crisis. Canada's course was set in the mid-1990s, when the federal government dramatically reduced government spending. This led in time to a budget surplus, which disappeared during the recent financial crisis but allowed the federal government in Canada, unlike the American government, to avoid going deeply into deficit. The United States changed course in the early years of the new millennium, from fiscal responsibility and controlled spending to significant increases in spending and the creation of a huge budget deficit at the federal level, one that will likely lead to decreases in economic freedom in the future as coming generations will be taxed to pay off the debt created by the deficits.

It's not just about overall government spending, though. Regulation plays a big role, too.

As well as the effects of loosened spending controls, the United States has faced several stock-market scandals, such as that brought on by Enron, and a housing bubble, at least in part caused by a failure of policy, the intervention of federal housing agencies in the housing market. Both developments have led to a spurt of regulatory growth, which has limited economic freedom. In addition, they have brought about numerous criminal prosecutions, which, if some are seen as having an arbitrary nature, may have contributed to a huge drop—from 9.23 in 2000 to 7.30 in 2009—in the United States' score for Area 2: Legal Structure and Property Rights in *Economic Freedom of the World: 2011 Annual Report*. ...

As an aside, it is worth noting that Canada achieved a higher economic-freedom score in credit regulations in the period leading up to the financial crisis—the Canadian regulatory climate was less

restrictive of economic freedom than that in the United States—indicating that the solution to the crisis is not freedom-limiting regulations but rather properly structured regulations and the absence of the type of policy that can spur a bubble.

Oh ... And the accounting firm KPMG says that [Canada's total tax burden is lower, on average, than that in the United States](#) (PDF) — though the details depend on the structure of your finances and where, exactly, you live.

I'm sure that Mr. Gavin would, cleverly, retort, "but ... but ... socialized medicine!" And while it's true that Canada does have a government-dominated healthcare system, the country has been [moving](#), in recent years, toward [embracing private medicine](#). By contrast, many of the GOP-types threatening to flee to Canada may, understandably, assume that Barack Obama's re-election is moving the United States in the opposite direction, toward fully socialized medicine.

Of course, most vows to leave the country because of political disappointment ultimately turn out to be empty. If we couldn't even get Alec Baldwin to live up to his promise to move house to Vancouver, it's unlikely that conservatives will head to the Great White North in any substantial numbers. But it's worth knowing that Canada, far from being some two-dimensional pinko version of government-subsidized paradise, has more economic freedom than the nasty, uber-capitalist United States, in many ways.

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