

reduced through de-insurance, and augmented by an advisory panel including

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of them for-profit, which have sprung up in response to the increasing complex-

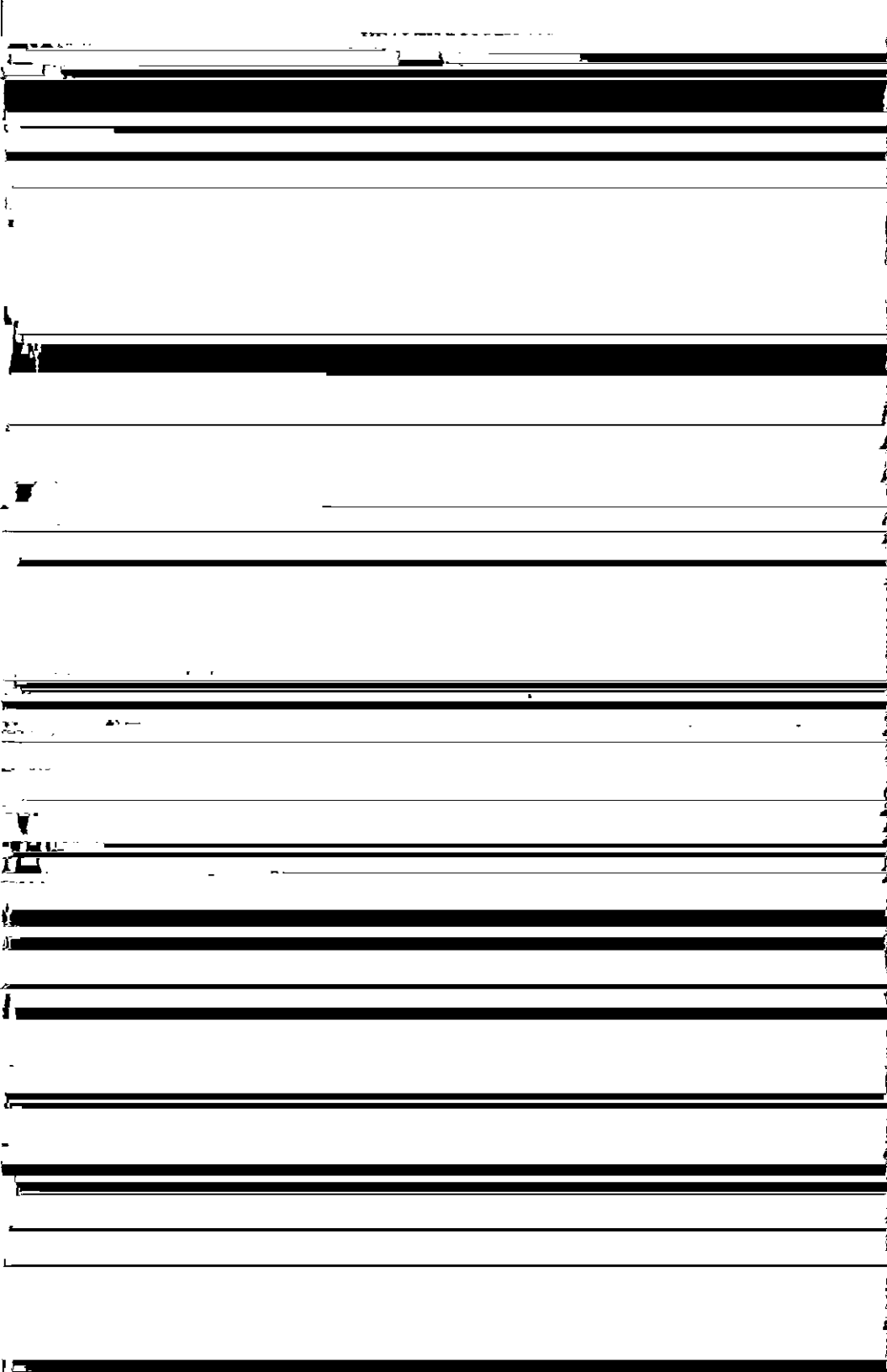
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On one occasion, an era of structural change appears likely. After the period

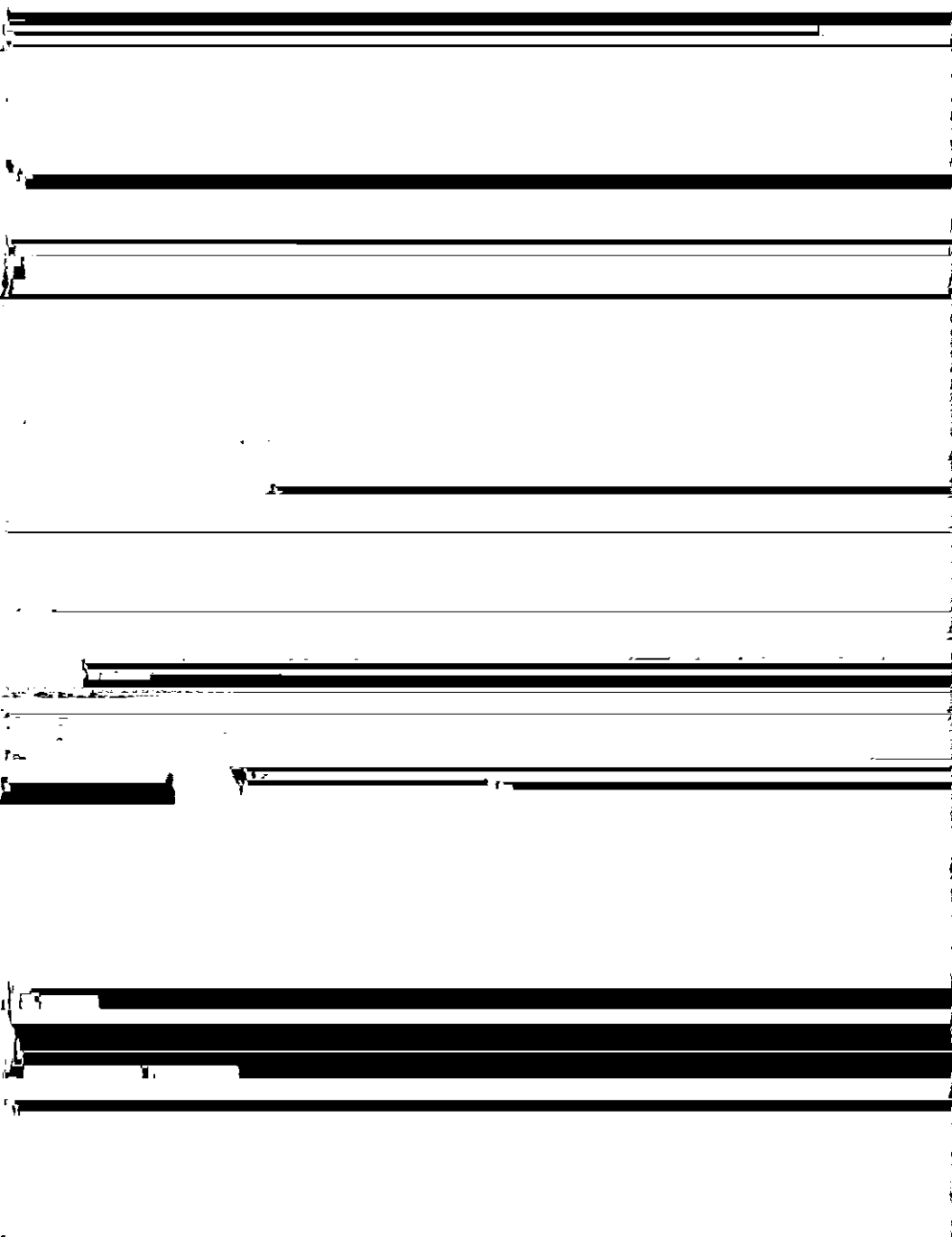
providing universal coverage through a Clinton-style plan, moves somewhat closer to the Canadian model.

This scenario is a real possibility. On balance, however, I believe that it is unlikely that fiscal decentralization in health care will progress as far as the

more, I believe that the fiscal decentralization that does occur (even if it includes the vacation of the field by the federal government) will not likely lead



imaging machines will not be provided unless acquisition of the equipment has been approved by the government. Furthermore, under the hospital global budgeting system, any significant change in the volume of services, including high



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Anderson, David (1973), "The Economics of Health Care: A Survey," *Journal of Health Economics*, 1: 1-27.

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structural change of the type referred to in the paper, it may involve changes in

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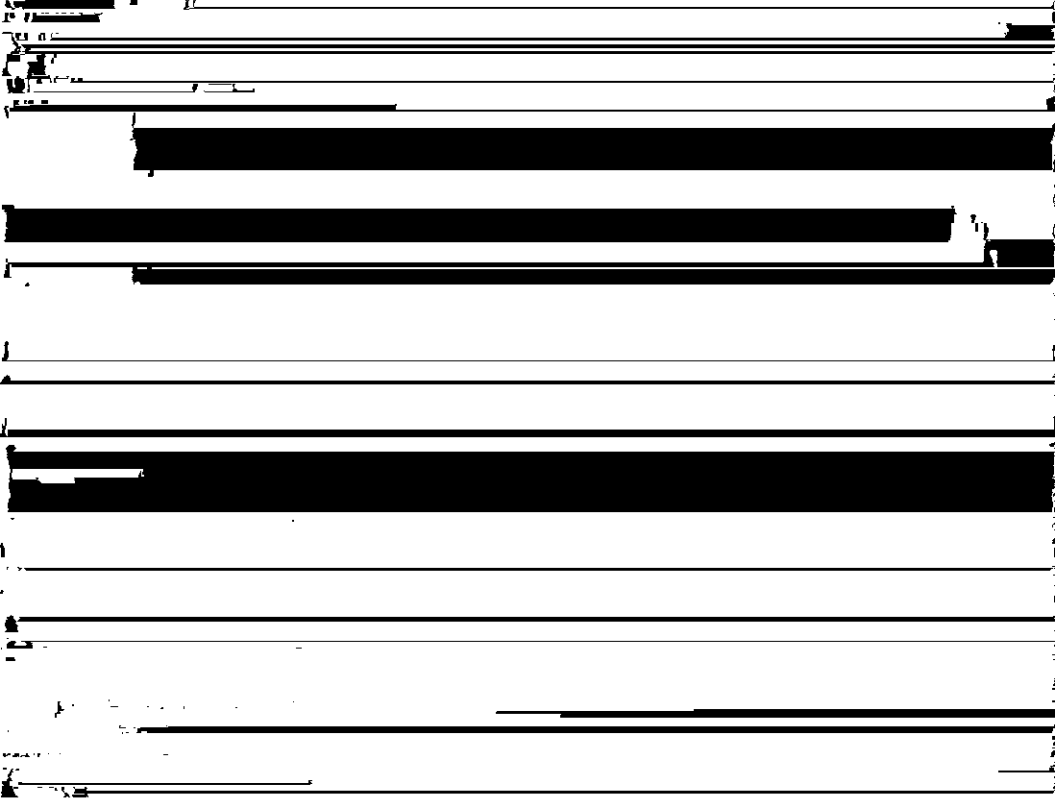
CHAPTER SEVEN

More Carrots, Please: Education, Training, and Fiscal Federalism

Judith Maxwell

INTRODUCTION

My topic is education and training in the context of fiscal federalism. I found that I had to write this



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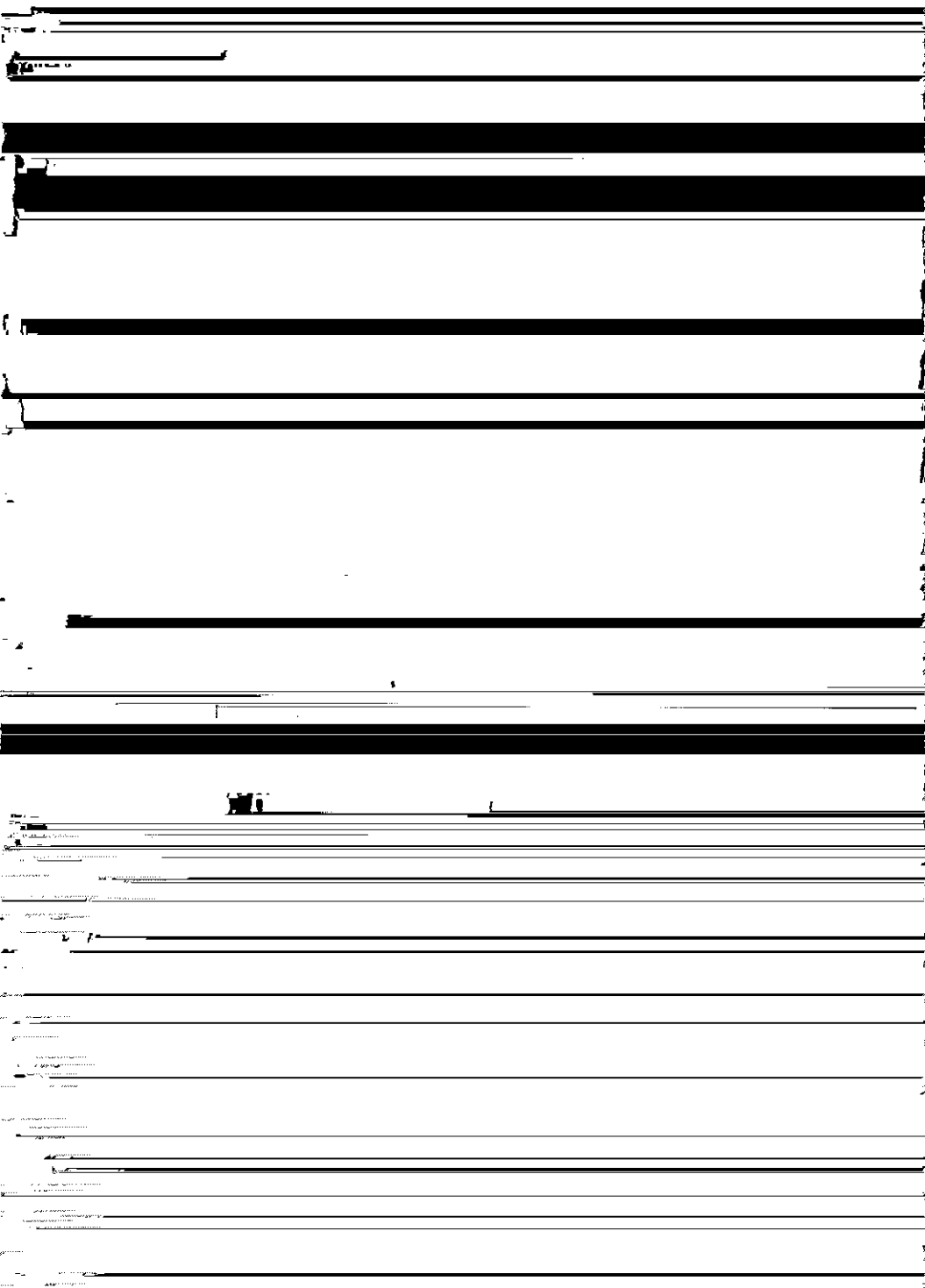
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FIGURE 1. Changes in State and Local Education Expenditures, 1970-1980



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There is no shortage of studies which have declared that the current funding

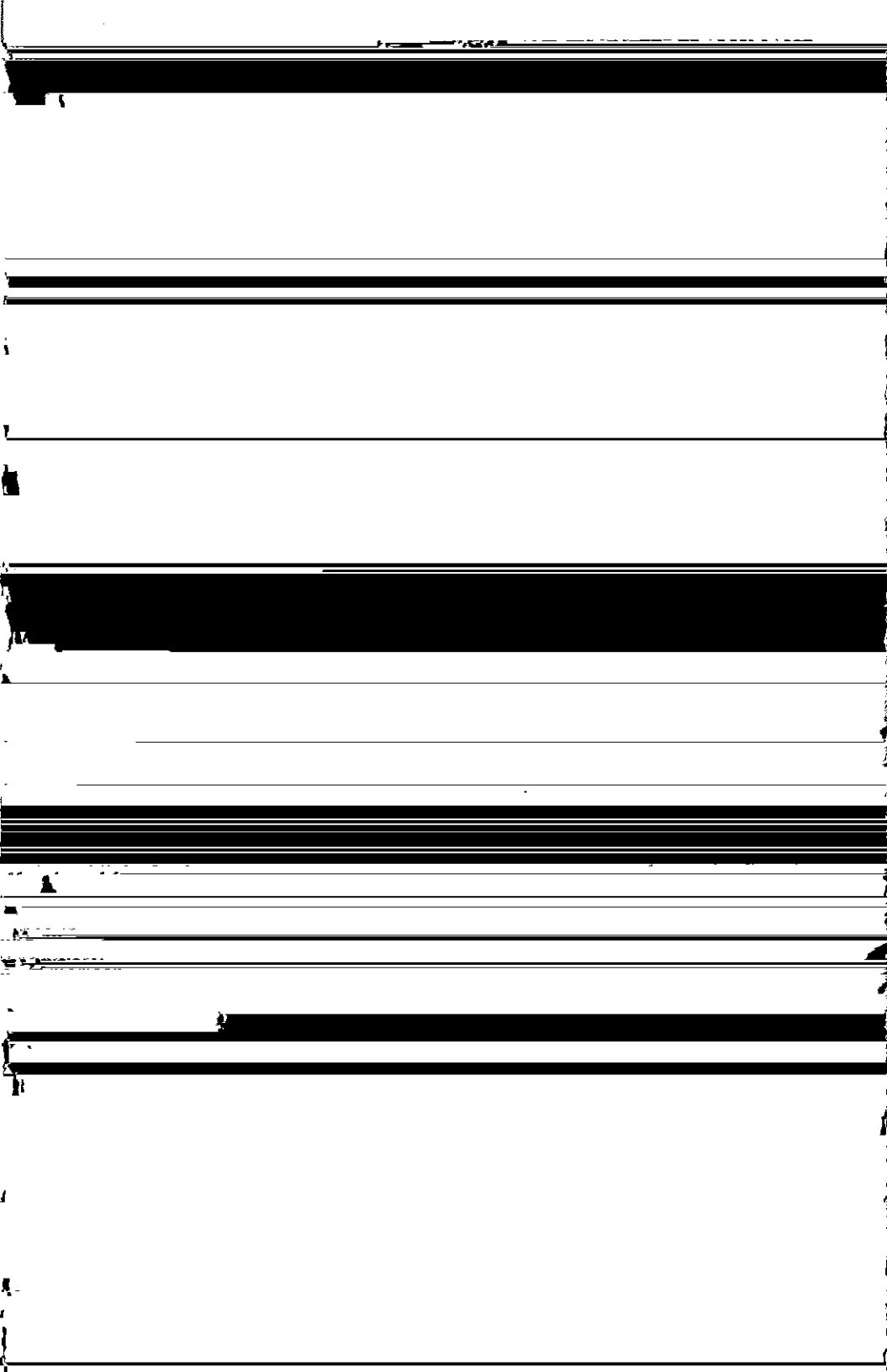
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20 percent in real terms since 1977-78. And most countries have not had

Source: *Author's calculations.*

CONFIDENTIAL

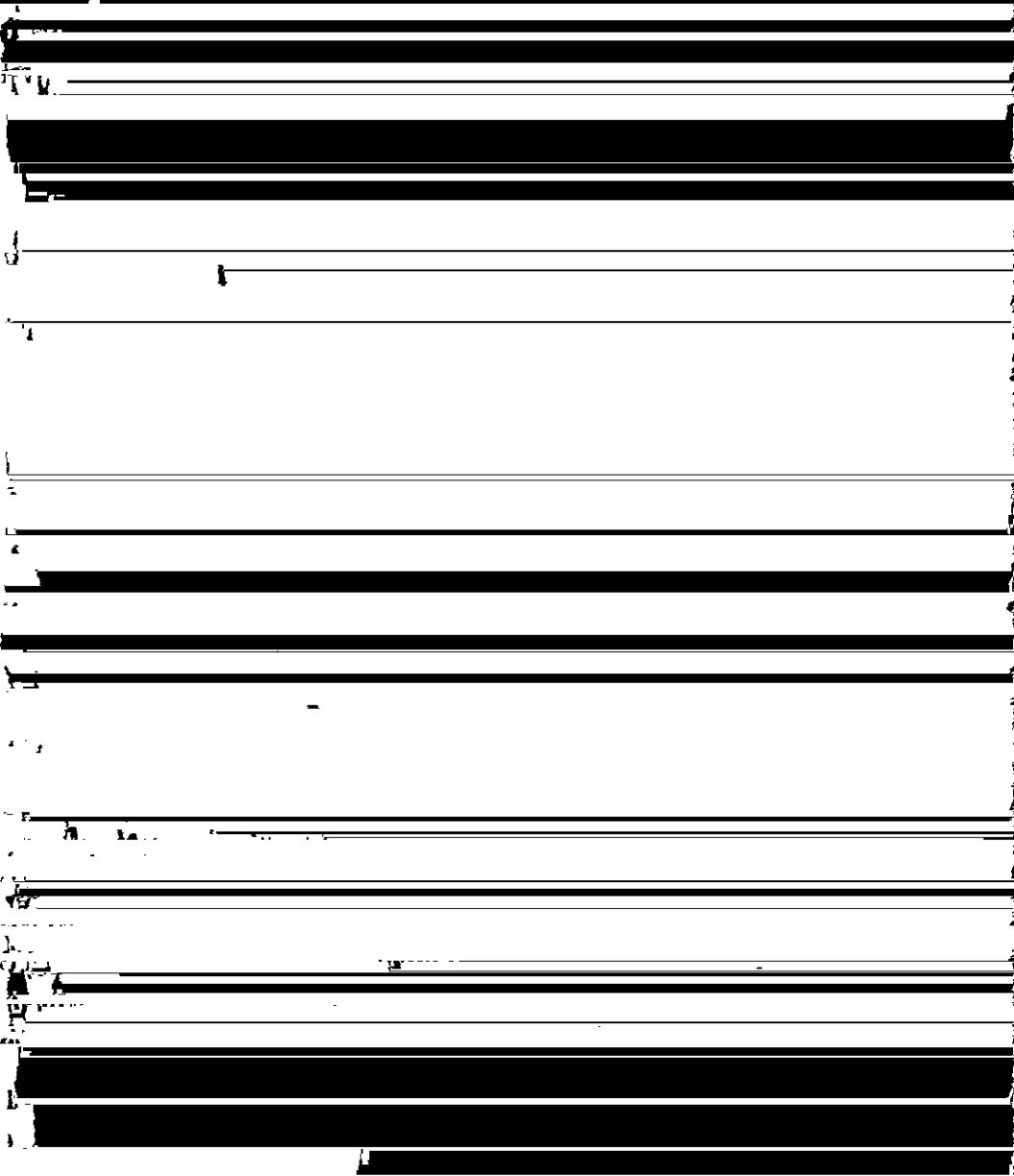
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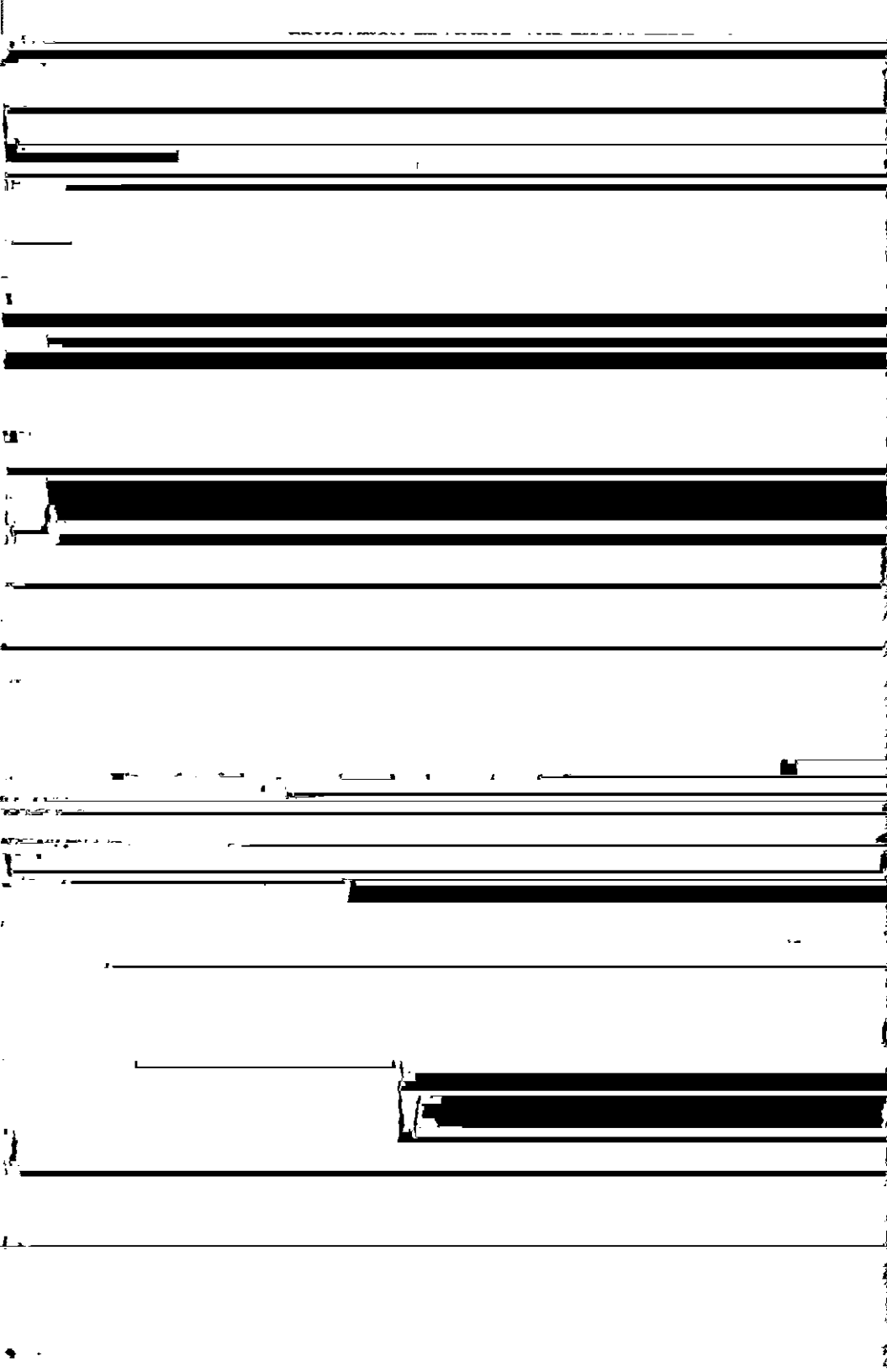


combines strong public support with a diverse funding base. This should strengthen the autonomy of these institutions and make them more responsive to the needs of students.

Governance

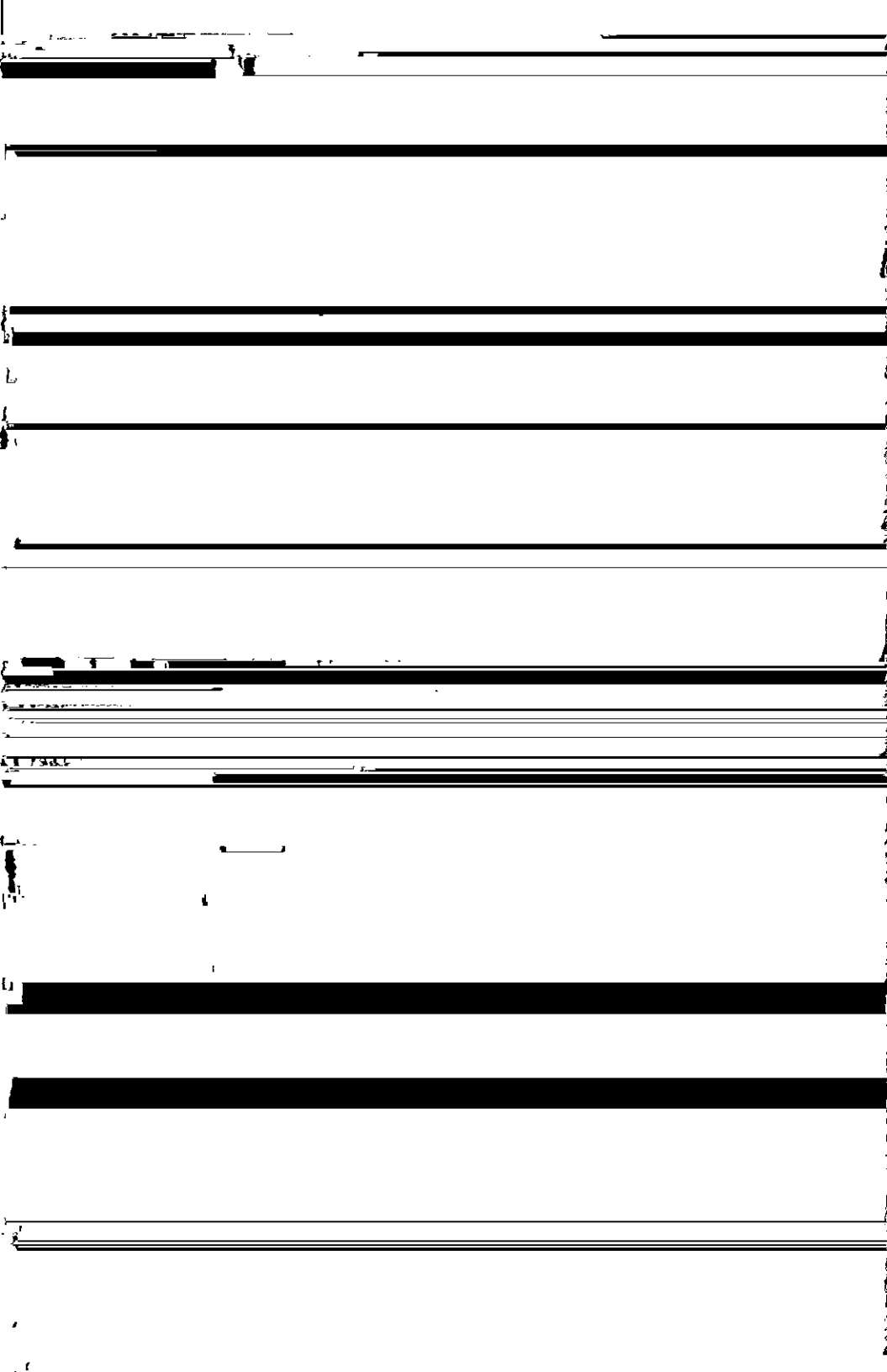
Another major source of weakness is in the





DIRECTIONS FOR CHANGE

It is tempting to make proposals that would completely disentangle the two



Brunswick-Quebec border and the Ontario-Quebec border illustrate the lack of complete separation.

This distinctiveness of the Quebec labour market is due to

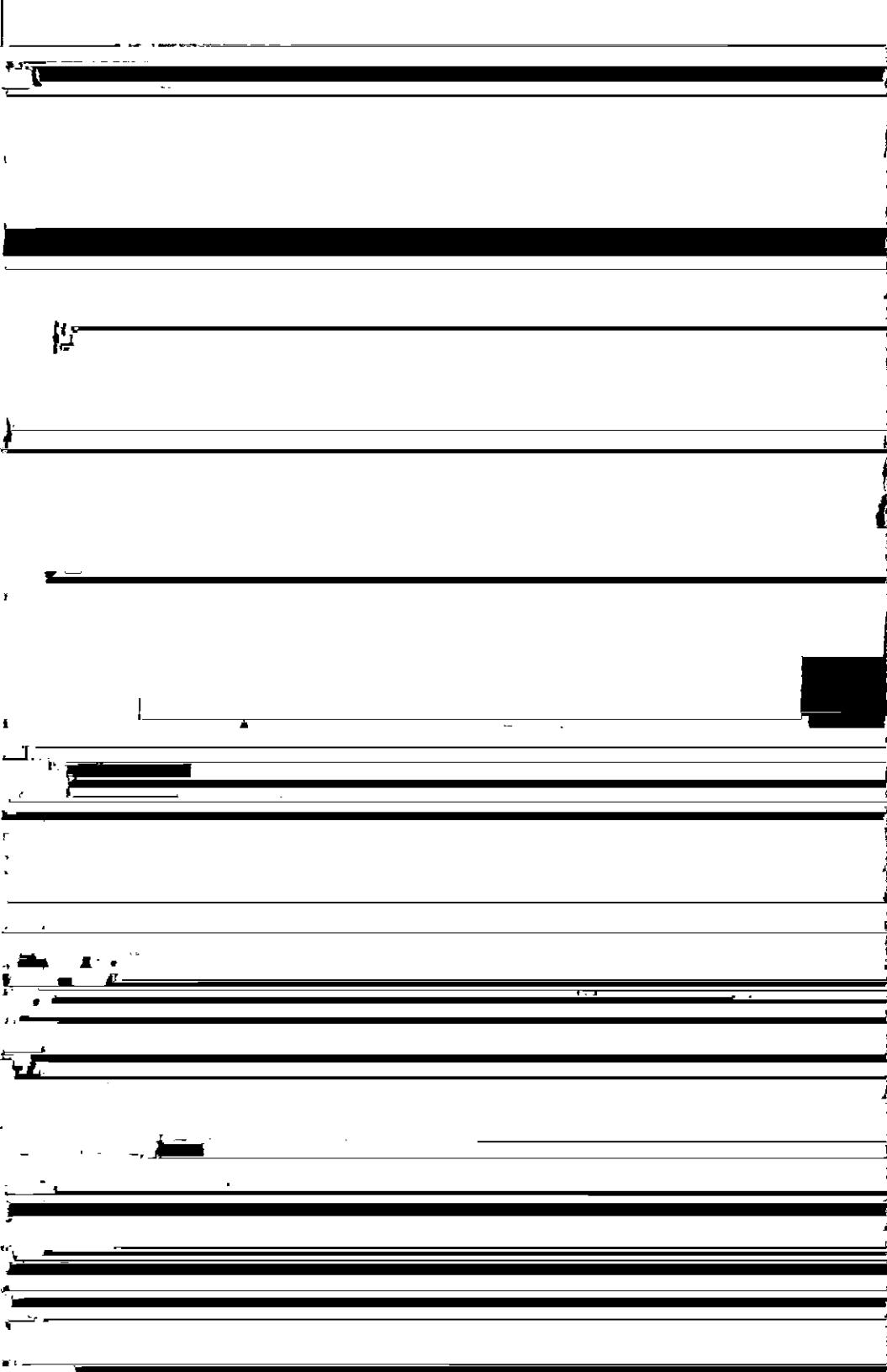
programs and too few training places for the people who want to upgrade their skills.

[The body of the page is almost entirely obscured by thick black horizontal bars, likely representing redacted text or a scanning artifact. Only a few faint lines of text are visible at the bottom of the page.]

Training Needs

Table 3 provides a matrix to help frame the discussion of training needs and service delivery. The current approach to training is to pick a target group and design a program that will include some combination of income support, training courses, and infrastructure. Both federal and provincial governments

Throughout this extraordinarily complex system, there are several common threads. First, all the training occurs in one of four places—the workplace



standards will be an immense task. We probably need standards for 400

occupations. In Canada, the federal government has been successful in

be a problem if the whole system is running on the basis of clearly articulated standards.

The stick would be a commitment to cut funding for all training programs



141

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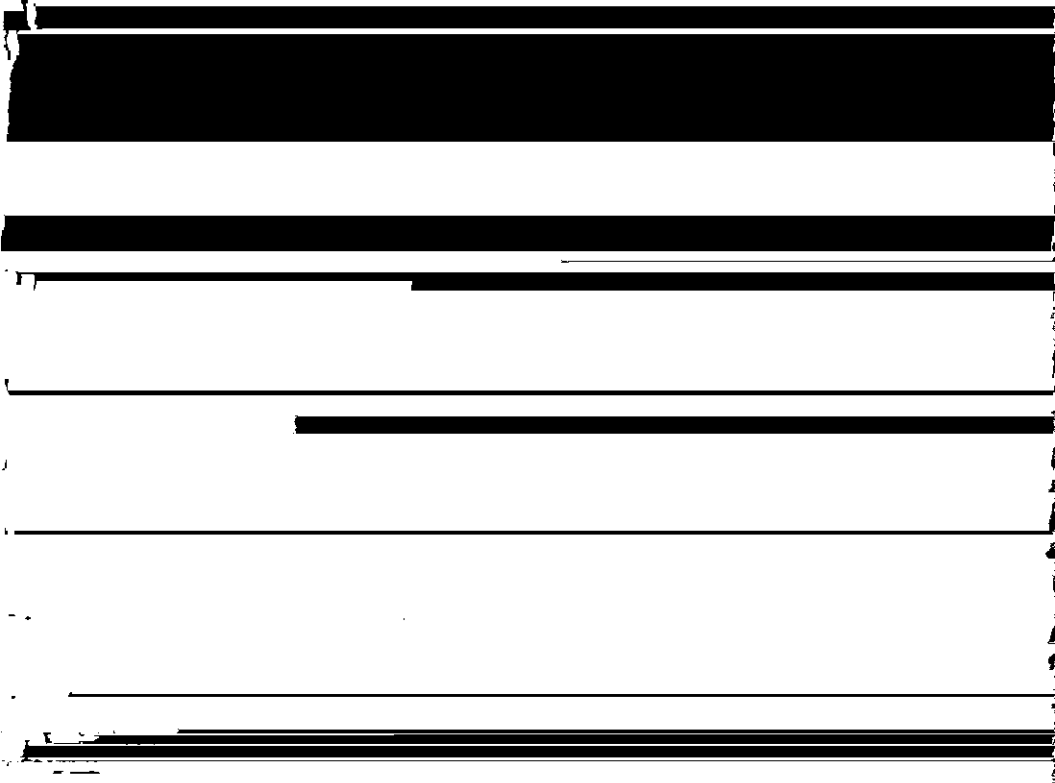
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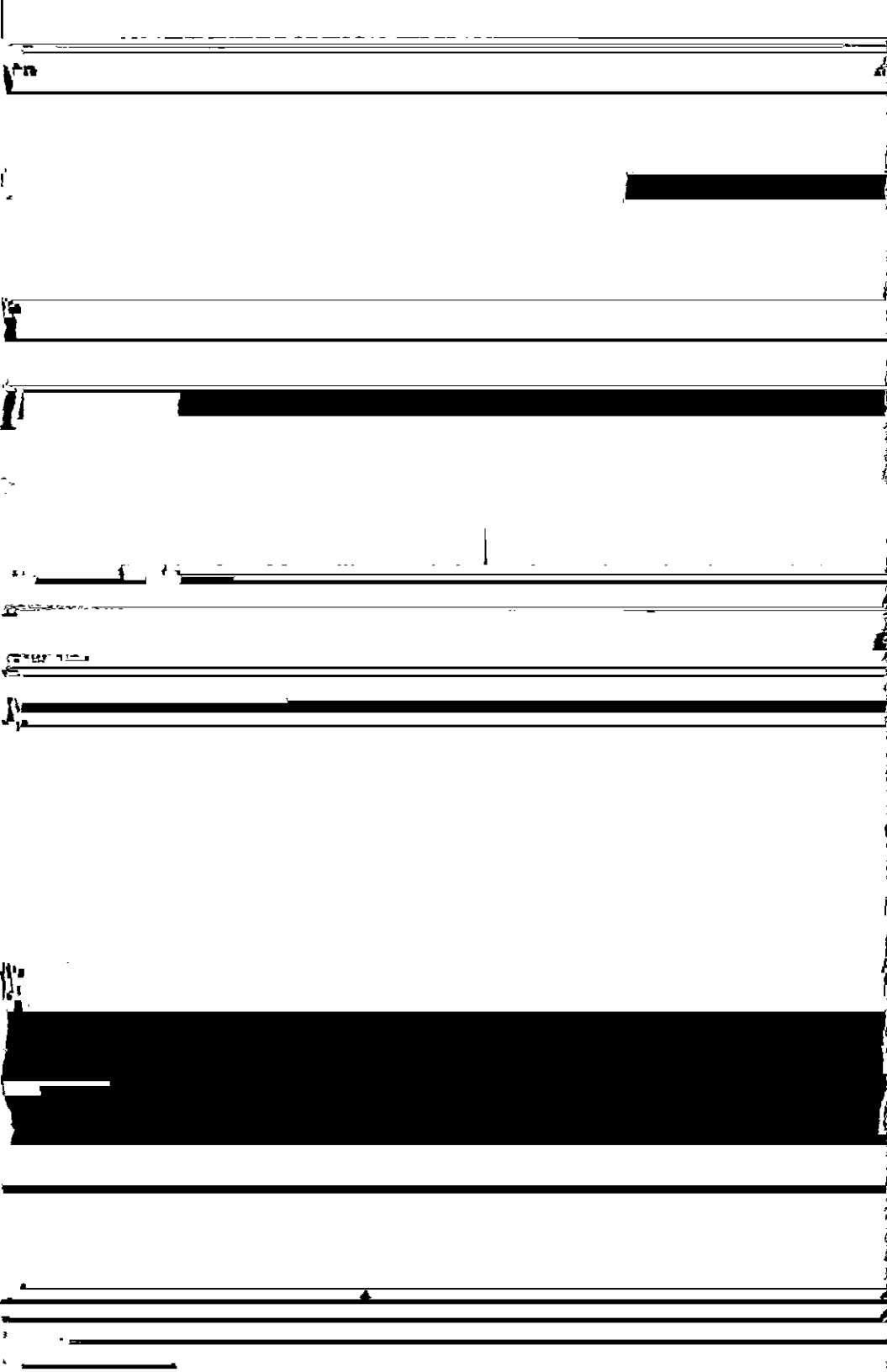
Cohen, Dian and Guy Stanley (1993). *No Small Change: Success in Canada's New*

Comment: The Promise of Procurement Federalism

J. Stefan Dupré

At its core, I consider that Judith Maxwell's chapter is a plea for asymmetric federal-provincial relations in matters of training and education. If the

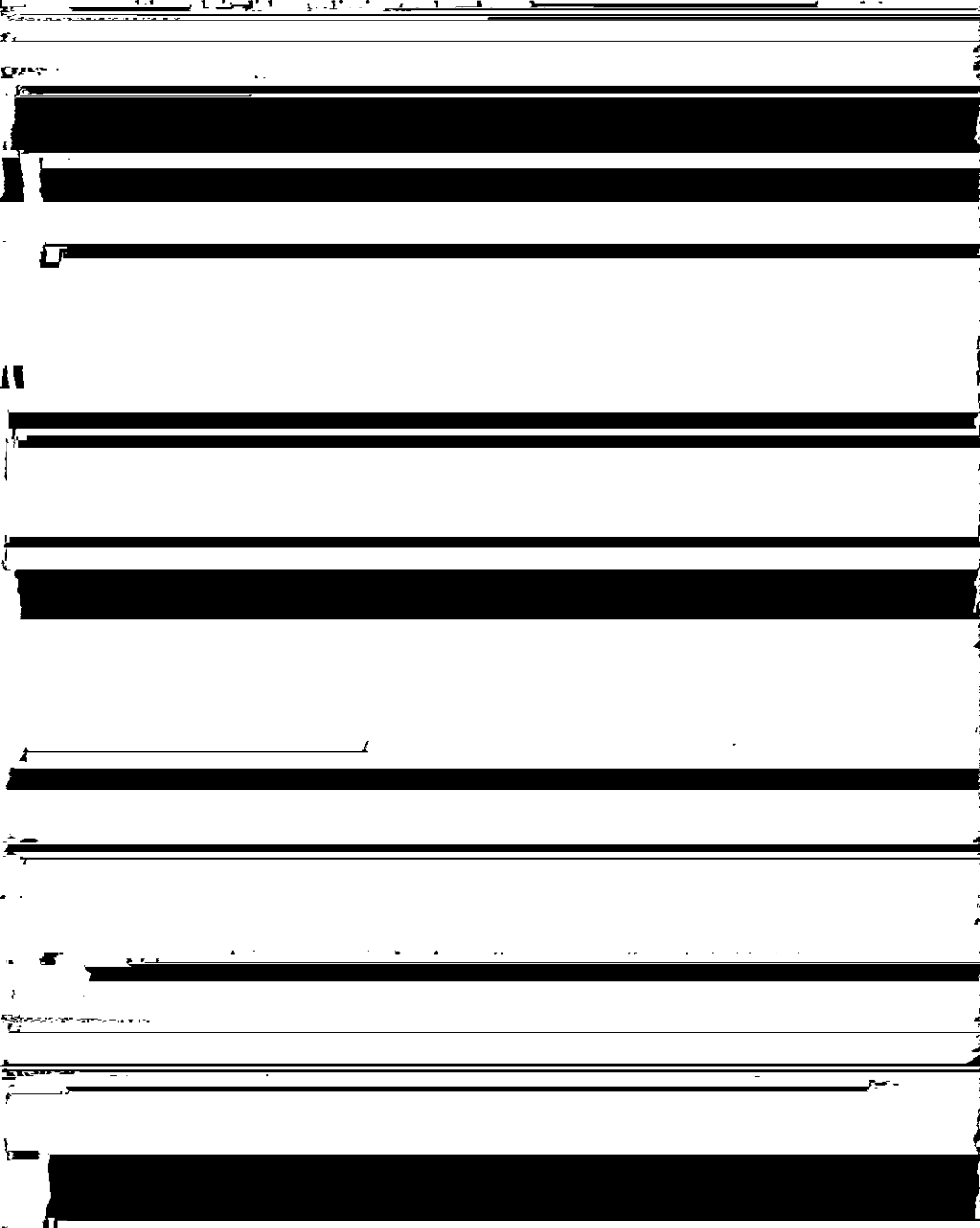




when I see that yesterday's man can receive the resounding electoral mandate that has just propelled him to the prime ministership, I make no apologies for

officials responsible for their well-being as a direct threat to the planned development of province-wide community college networks.

By the 1980s, these networks had matured as planned. This mitigated,



sectors require them with what mix of skills and in what numbers? More labour

CHAPTER EIGHT

Income Distribution, Income Security, and Fiscal Federalism

Faint, illegible text, possibly a page number or author name.



TABLE 1: Evolution of Real Income in Canada, Various Incomes, 1950-51 to 1990-91

<i>Income Concept</i>	<i>Year</i>				
	<i>1950</i>	<i>1960</i>	<i>1970</i>	<i>1980</i>	<i>1990</i>

The body of the table is mostly obscured by heavy black redaction bars. Only a few faint horizontal lines are visible, suggesting the presence of multiple rows of data corresponding to the 'Income Concept' categories listed in the header.

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		0.396
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9, p. 14).

the first to the last quintile and that post-transfer Gini coefficients are smaller

CANADIAN INCOME DISTRIBUTION PROGRAMS:
EXCLUSION AND IMPROVEMENT

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y in order to reach 65 in 1970.

The Importance of the Programs

While Table 5 and Figure 1 allow us to trace the evolution through time of the income support system in Canada, they do not allow us to assess the relative importance of these programs individually and as a whole. The most striking

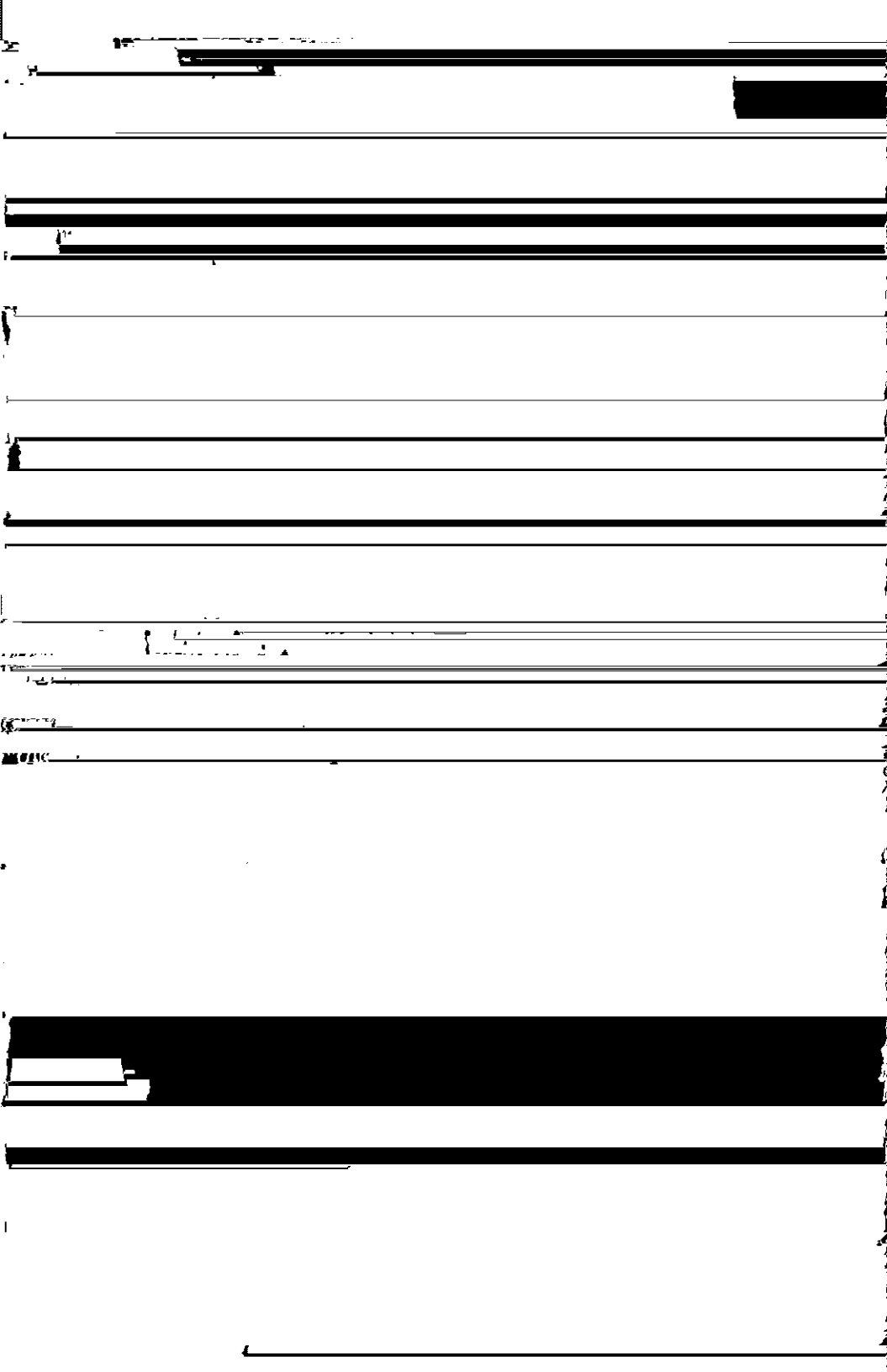
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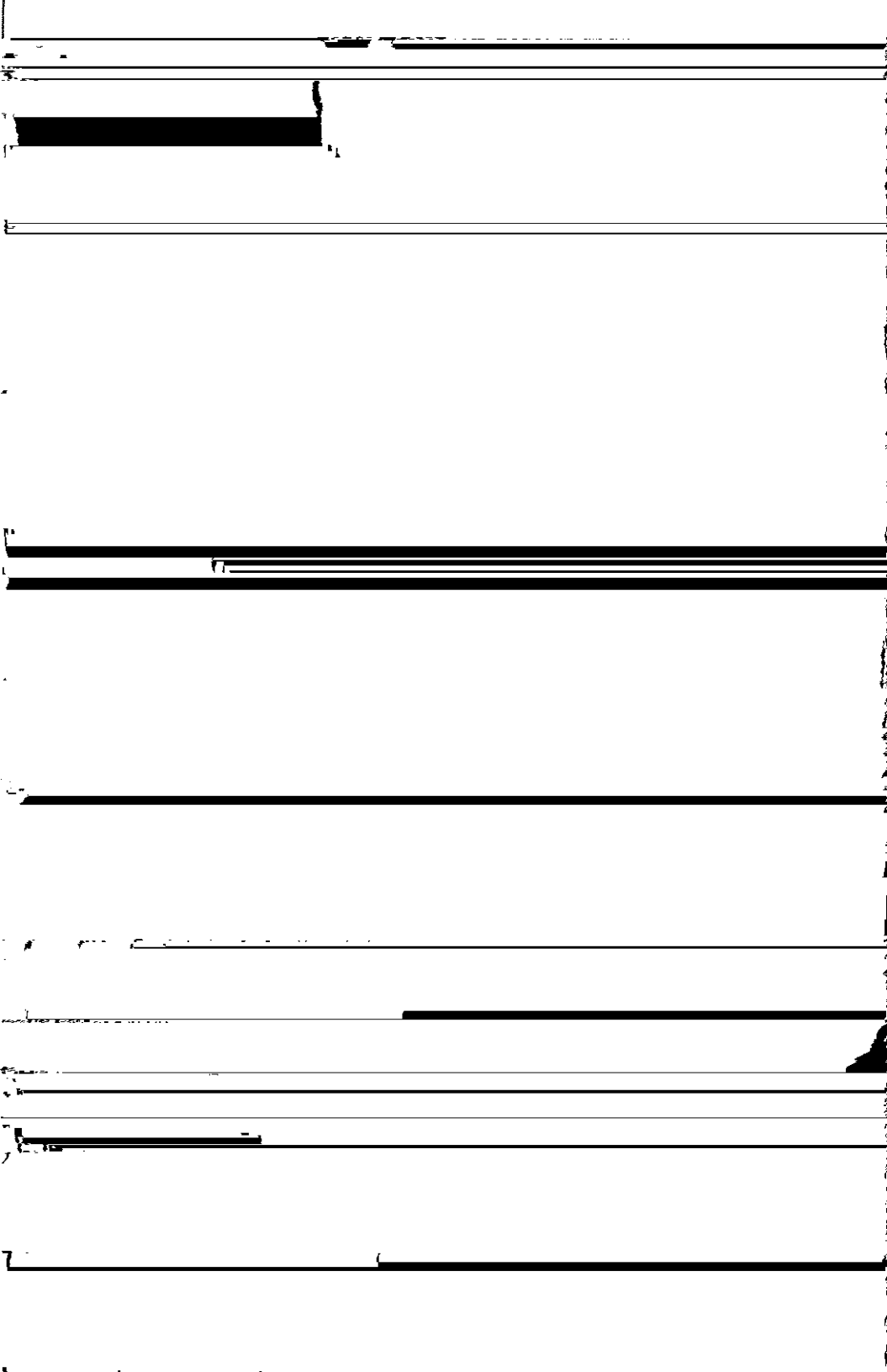
corresponds to the

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REASONS FOR STATE INTERVENTION IN
INCOME DISTRIBUTION AND INCOME SECURITY

THE





... *Socio-demographic challenges*. There are three dimensions to this challenge:

1. *Ageing*

(a) *Population*

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years to relocate within one's province (and after five within Canada, if a federal jurisdiction is in place). Benefits would be set for individuals with a sharing reduction for couples. Children would receive supplementary allowances. The allowable earnings while receiving benefits should be substantial and the tax-back rate should be significantly less than 100 percent to encourage employment. Such a scheme could approximate a guaranteed annual income.

- *Financing.* The share of individuals should increase from 0 to 50 percent in the financing of WCBs and to 50 percent in the financing of UI. Experience rating should be introduced for UI along the lines of WCB (i.e., to be

Canadian men ... substantially reducing the inequality of annual incomes." (1993, p. 42)

2. An issue that is repeatedly raised is: Who should bear the burden of Social Security? (1993, p. 42)

Kesselman, J.R. (1983), *Financing Canadian Unemployment Insurance*, Toronto: Canadian Tax Foundation.

Lam, N. (1993), "Fully Funded versus Pay-As-You-Go: A Projection of the Canada Pension Plan into the Future" in *Reforming the Public Pension System in Canada*, Toronto: Canadian Tax Foundation.

Comment: Social Dilemma in WWII

Susan D. Phillips

Rethinking and major restructuring, rather than minor tinkering of all of our

the following table. As the data presented by Villaseca et al. illustrate, there has been

The table is almost entirely obscured by heavy black redaction bars. Only a few faint lines and a small portion of text are visible at the top of the page, corresponding to the text above the table.

themselves, not with constitutional jurisdiction over them, and the

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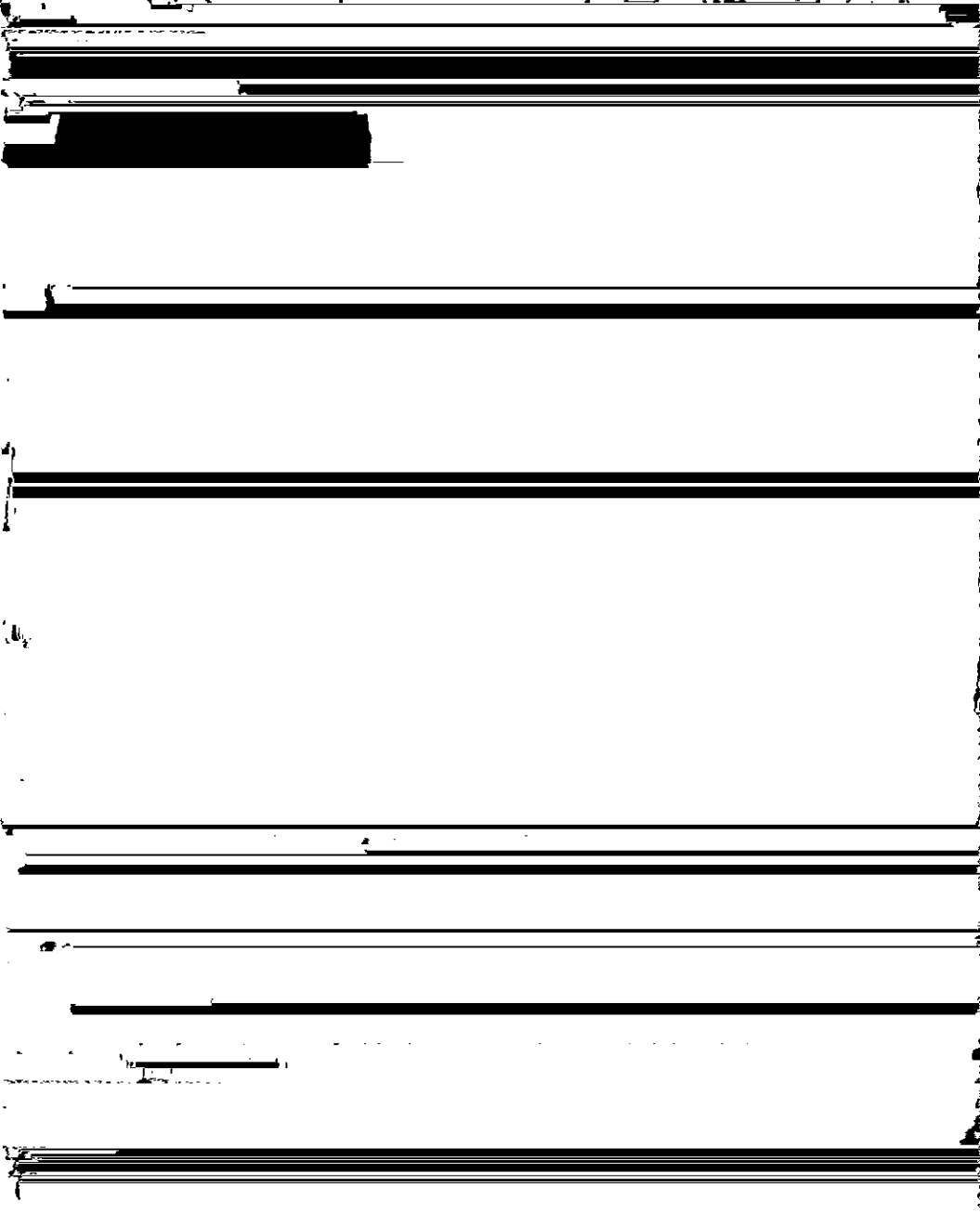
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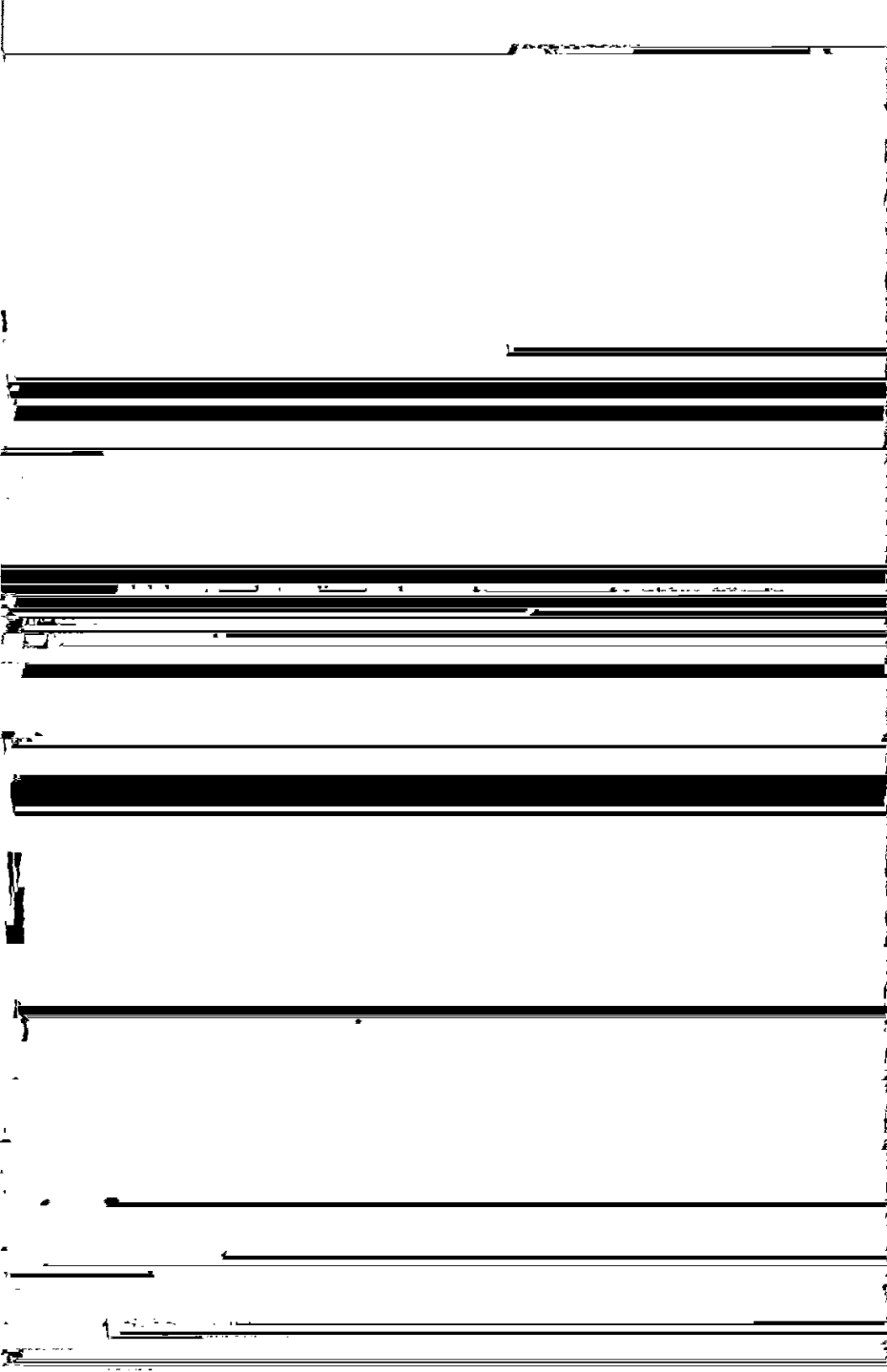
cost-shared programs related to hospitals and postsecondary education were



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geographic mobility and social dislocation borne by metropolitan areas. Increased migration, whether from Somalia or St. John's, tends to lead to Toronto (or Montreal or Vancouver), not Kingston or Kapuskasing. Many scholars



1-6-70 percent of the maximum allowed for general welfare programs as well

PART FOUR

COMPARATIVE VIEWS

CHAPTER NINE

A Comparative Perspective
on Federal Finance

example, that subnational access to source-based taxes should be restricted and that, on the whole, intergovernmental transfers should be conditional (Bird

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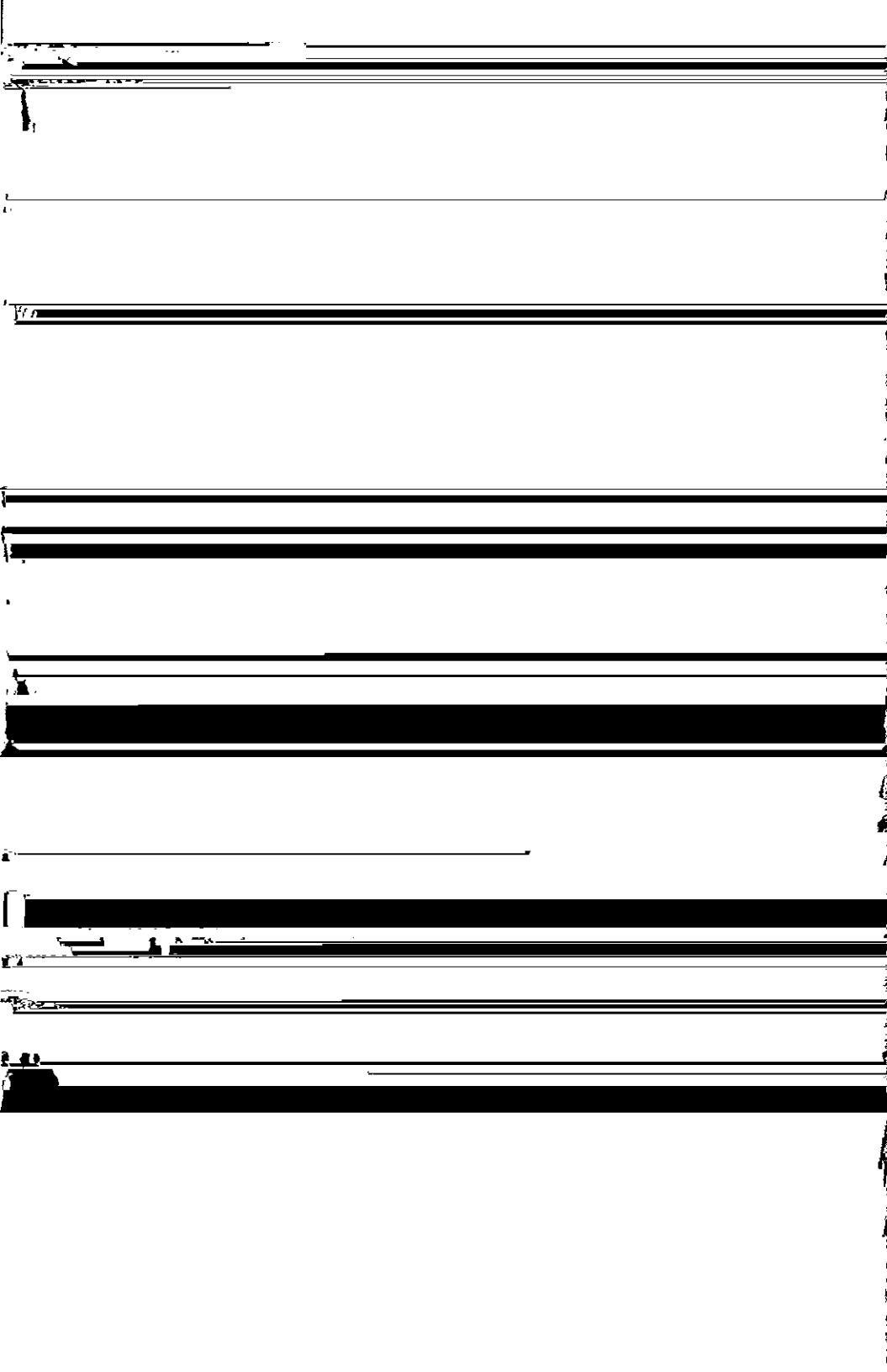
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Even within the small developed country sample there are thus a considerable variety of physical, demographic, political, historical, and economic characteristics.

Similarly, the two developing country federations considered briefly here

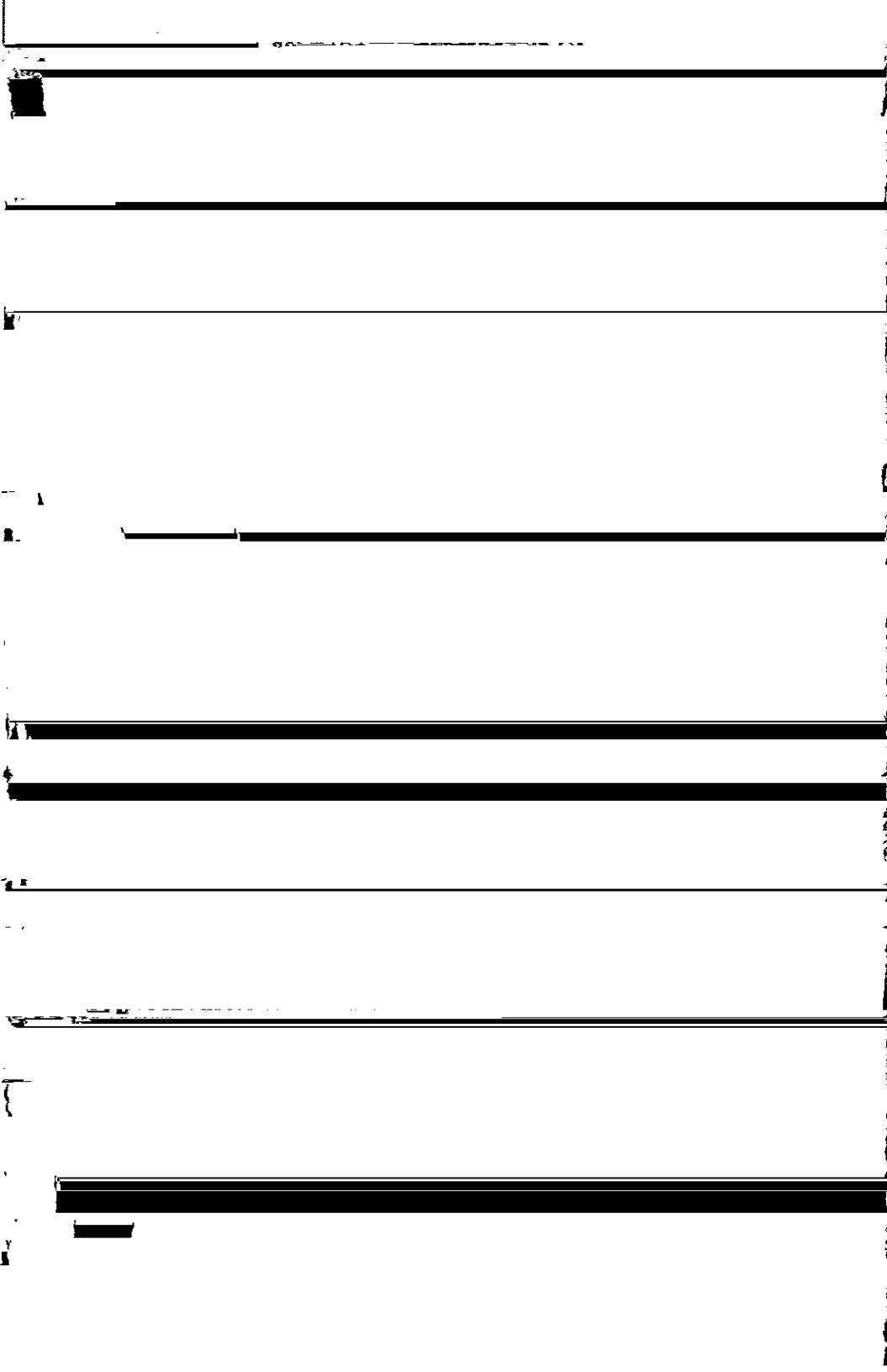


comparisons suggest about some aspects of three of the basic fiscal problems faced in all federations: vertical balance, equalization, and tax coordination.

VERTICAL BALANCE: CLOSING THE FISCAL GAP

Two types of imbalance are frequently distinguished in discussions of federal

In principle, the gap in state finances could also be closed by (a) moving expenditure functions up to the central (richer) government;¹⁸ (b) moving taxes down to the state (poorer) level; or (c) raising existing state taxes or lowering



seems needed to explain why quite large explicit and implicit interregional

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hierarchy of coordination formulas in Australia and the US

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different in different countries with respect to different ... 29 ...

four possible directions of change seem feasible in the dual sales tax countries.

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products in different settings. The same lesson emerges in examining

also. A study of internal barriers to trade within Canada, for example, concluded

basic is the simple historical fact that it was founded as a federation. T. G. ...

In no country, for example, is the importance of constitutional rules more

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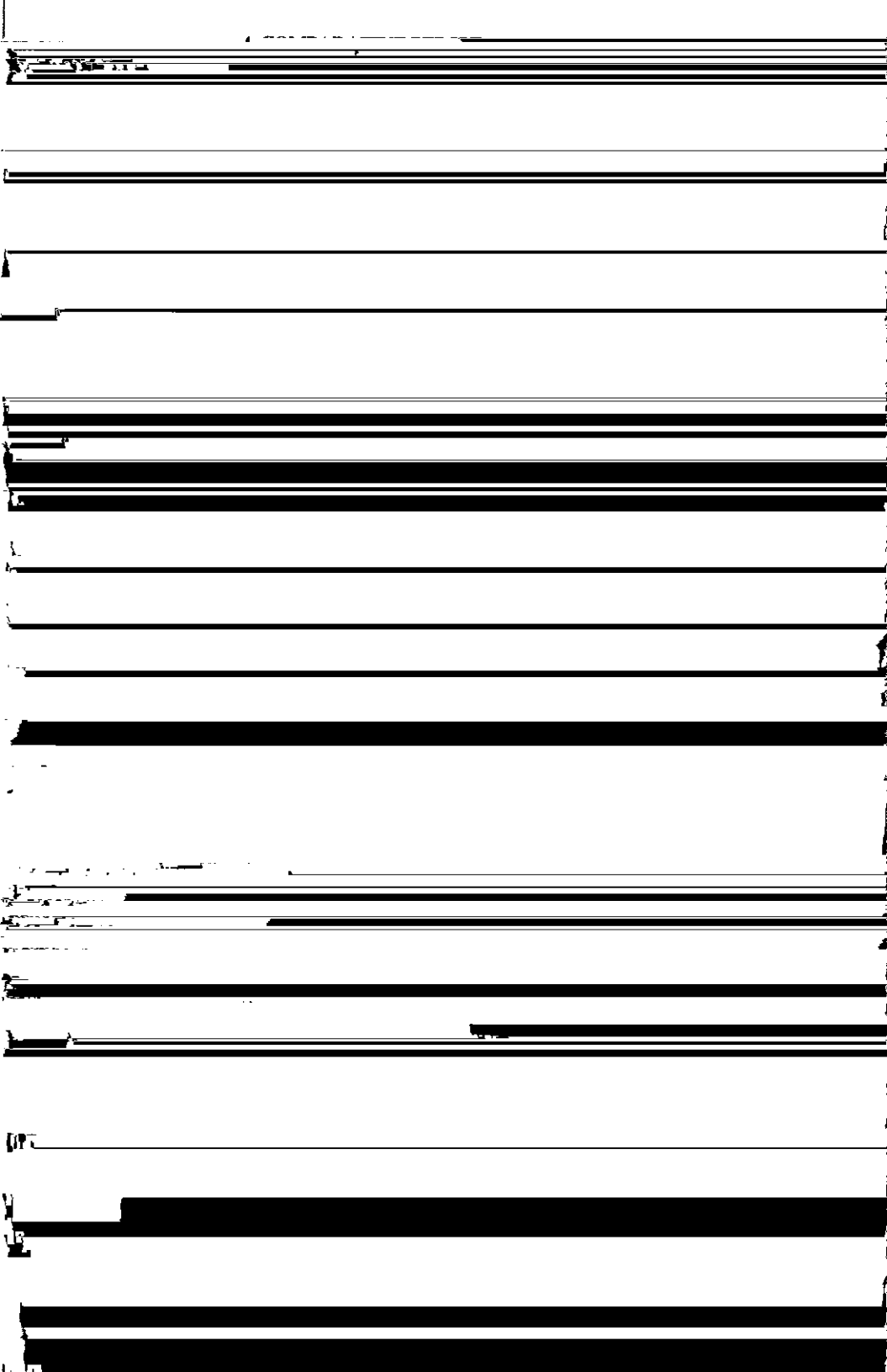
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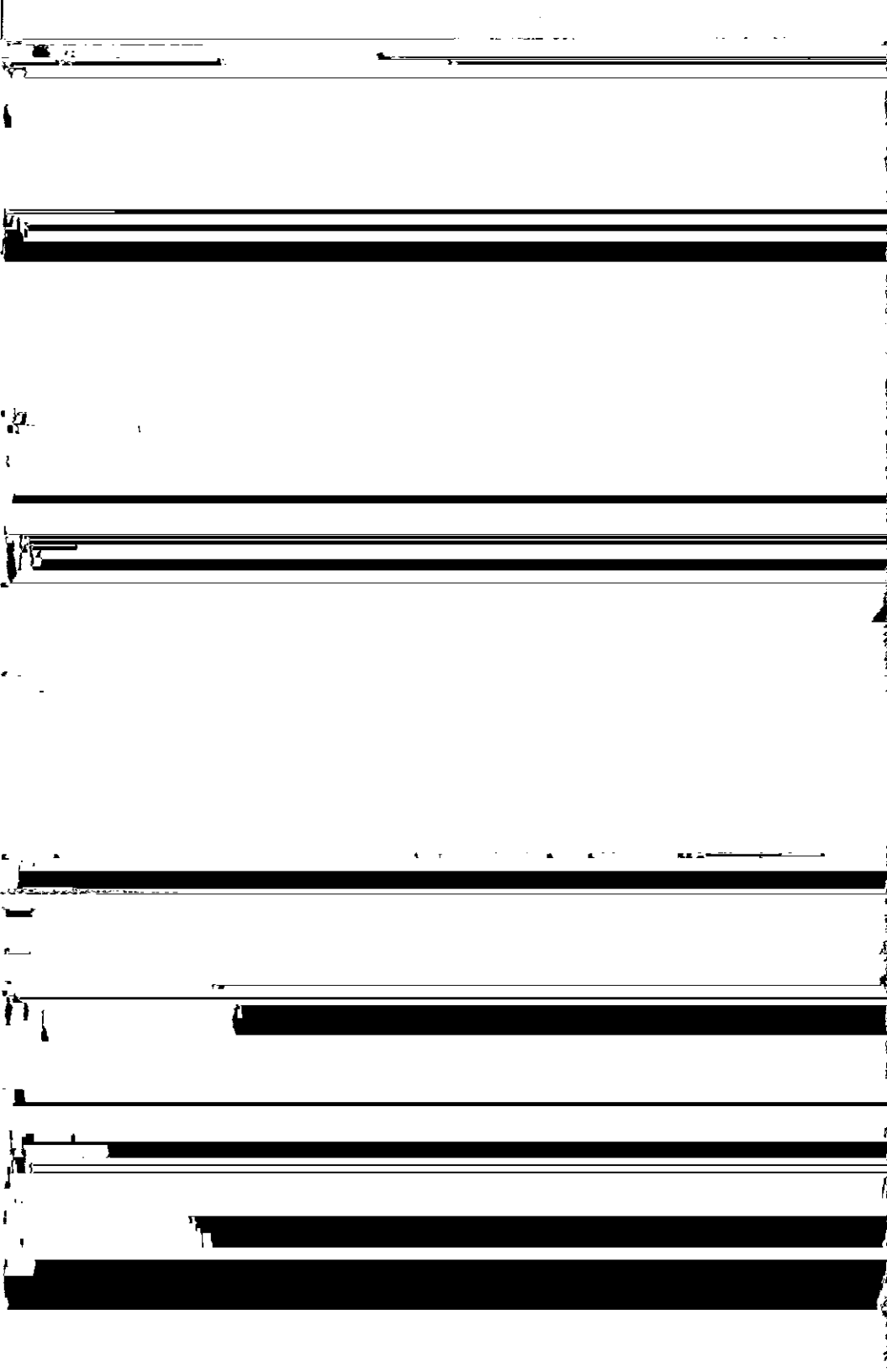
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9. For earlier comparative studies of federal finance from this perspective, see

27 In India, the Constitution requires the government to accept these recommenda-

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Ip, Irene and Jack M. Mintz (1992), *Dividing the Spoils: The Federal-Provincial Allocation of Taxing Powers*, Toronto: C.D. Howe Institute.

James, Denis W. (1992), *Intergovernmental Financial Relations in Australia*, Sydney: Australian Tax Research Foundation.

King, Deaton (1992), *Federalism and Education*, London: Croom Helm.

Oliveira, Joao do Carmo and Raul Velloso (1991), "Intergovernmental Fiscal Relations in Brazil: Trends and Issues," paper prepared for Seminar on Intergovernmental Fiscal Relations and Macroeconomic Management, New Delhi, August.

Poddar, Satya (1990), "Options for a VAT at State Level," in *Value Added Taxation in Developing Countries*. ed. Malcolm Gillis. Carl S. Shoun and Gerardo P. Sicut. Wash-

comparisons with other federations which have a similar

institutions or their socio-cultural and ethnic diversity, may be more relevant to the Canadian political context and needs.

In this letter we mention that we are not sure if we should include this in the book.

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finance facing Canada, and expressed some doubts. Put in the context of the issues raised by Richard Bird's chapter, the question becomes, can experience

federations have attempted to deal with this problem. In the United States, for example, it has been argued that such offloading has in fact led to creative innovations in some states in the provision of social services.

Second, another issue that is related to that of correcting vertical imbalance

tions in terms of the recognition of intergovernmental interdependence within

PART FIVE

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CHAPTER TEN

Big Bang or Quiet Tinkering:

A DRAFT LETTER TO THE



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Draft Letter

My theme is risk, or coping with risk: as one contemplates the reform of

mix in Canada, and argued for their redesign — and for adapting or recasting

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AGENDA OVERLOAD

A second wave of state legislative committees is being formed in 1991. The new committees will be formed in the following states: Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

The following table lists the new committees and their chairs:

NEW STATE LEGISLATIVE COMMITTEES AND CHAIRS

Alaska: Committee on Governmental Operations, Chair: Rep. [Name]

Arizona: Committee on Governmental Operations, Chair: Rep. [Name]

Arkansas: Committee on Governmental Operations, Chair: Rep. [Name]

California: Committee on Governmental Operations, Chair: Rep. [Name]

Colorado: Committee on Governmental Operations, Chair: Rep. [Name]

Connecticut: Committee on Governmental Operations, Chair: Rep. [Name]

Delaware: Committee on Governmental Operations, Chair: Rep. [Name]

Florida: Committee on Governmental Operations, Chair: Rep. [Name]

Georgia: Committee on Governmental Operations, Chair: Rep. [Name]

Hawaii: Committee on Governmental Operations, Chair: Rep. [Name]

Idaho: Committee on Governmental Operations, Chair: Rep. [Name]

Illinois: Committee on Governmental Operations, Chair: Rep. [Name]

Indiana: Committee on Governmental Operations, Chair: Rep. [Name]

Iowa: Committee on Governmental Operations, Chair: Rep. [Name]

Kansas: Committee on Governmental Operations, Chair: Rep. [Name]

have to include a review of possible responses to demands from the Reform Party and others (including, certainly, within the Liberal Party) that Quebec should be forced into line, or if it refuses, that it should be forced to get out of Canada. I do not know what, in substance, to propose; but I do know — to take a recent case — that failure to develop fallback positions as part of the strategy

accepted; many, for example, in 1980, did not know that "sovereignty

(1)

Delaying the Big Bang

Robert Normand

INTRODUCTION

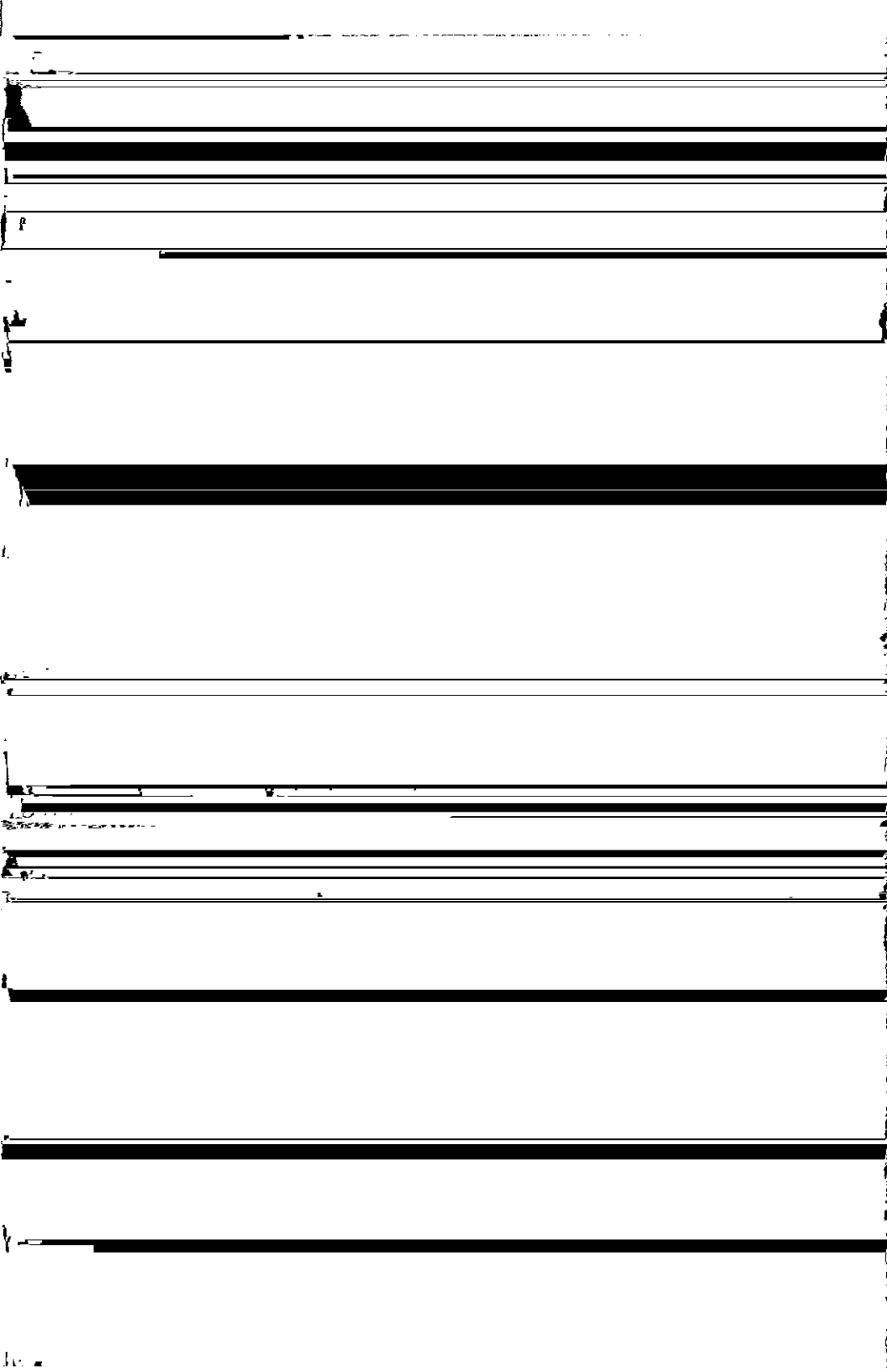
It is very difficult to come up with new ideas on fiscal federalism and I would

First, we have been going through a severe economic crisis for the last three years and we are not out of it yet, no matter what the Conference Board or other

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TABLE 1

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necessity and well explained, the government that decides to change the plan,

Not So Quiet Tinkering

Katherine Swinton

The reform of fiscal federalism in the United States: a round table discussion

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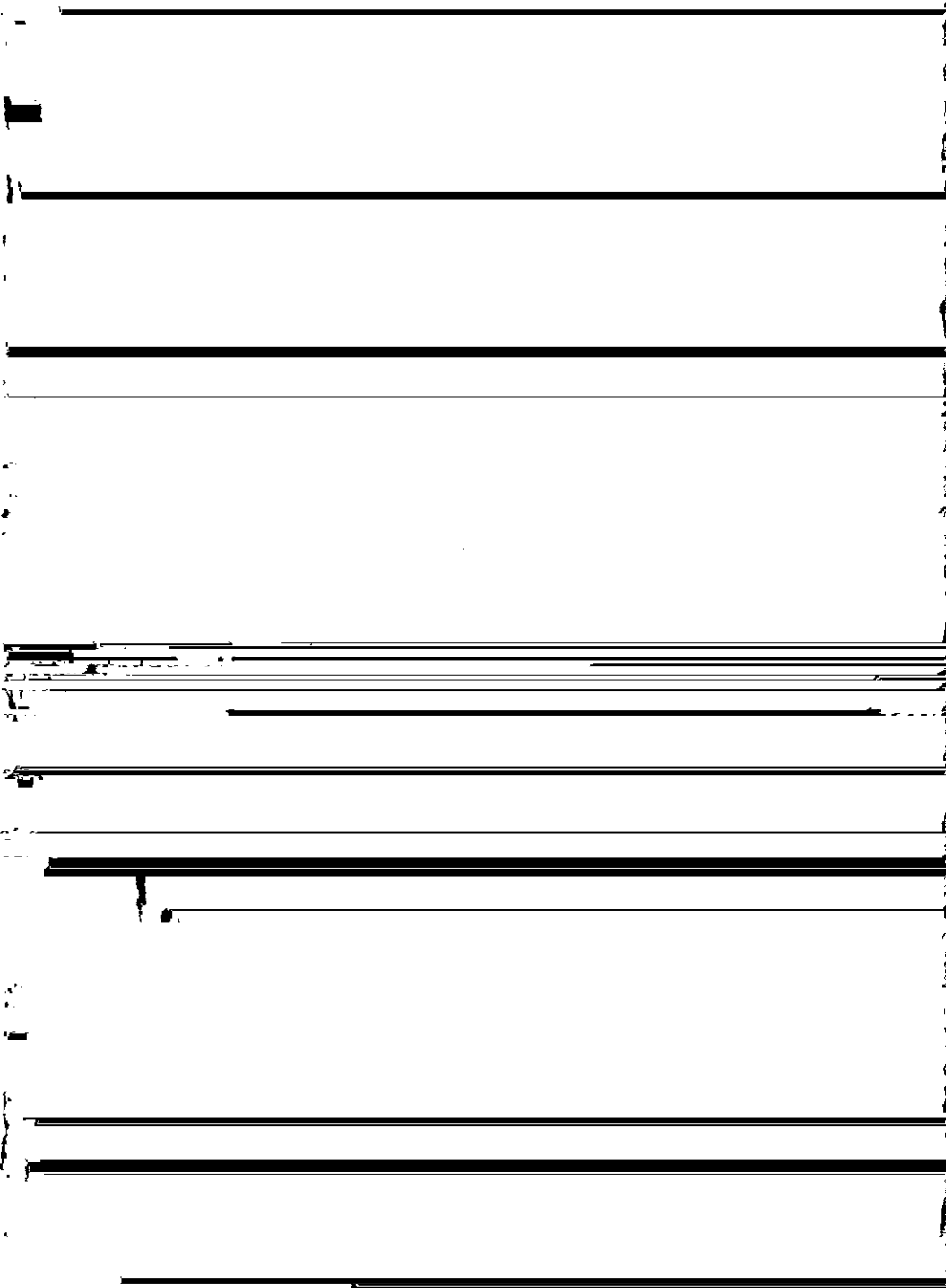
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1967, *Journal of Law and Economics*, 10, 1-24. (C) 1967 by the University of Chicago Press.

[REDACTED]

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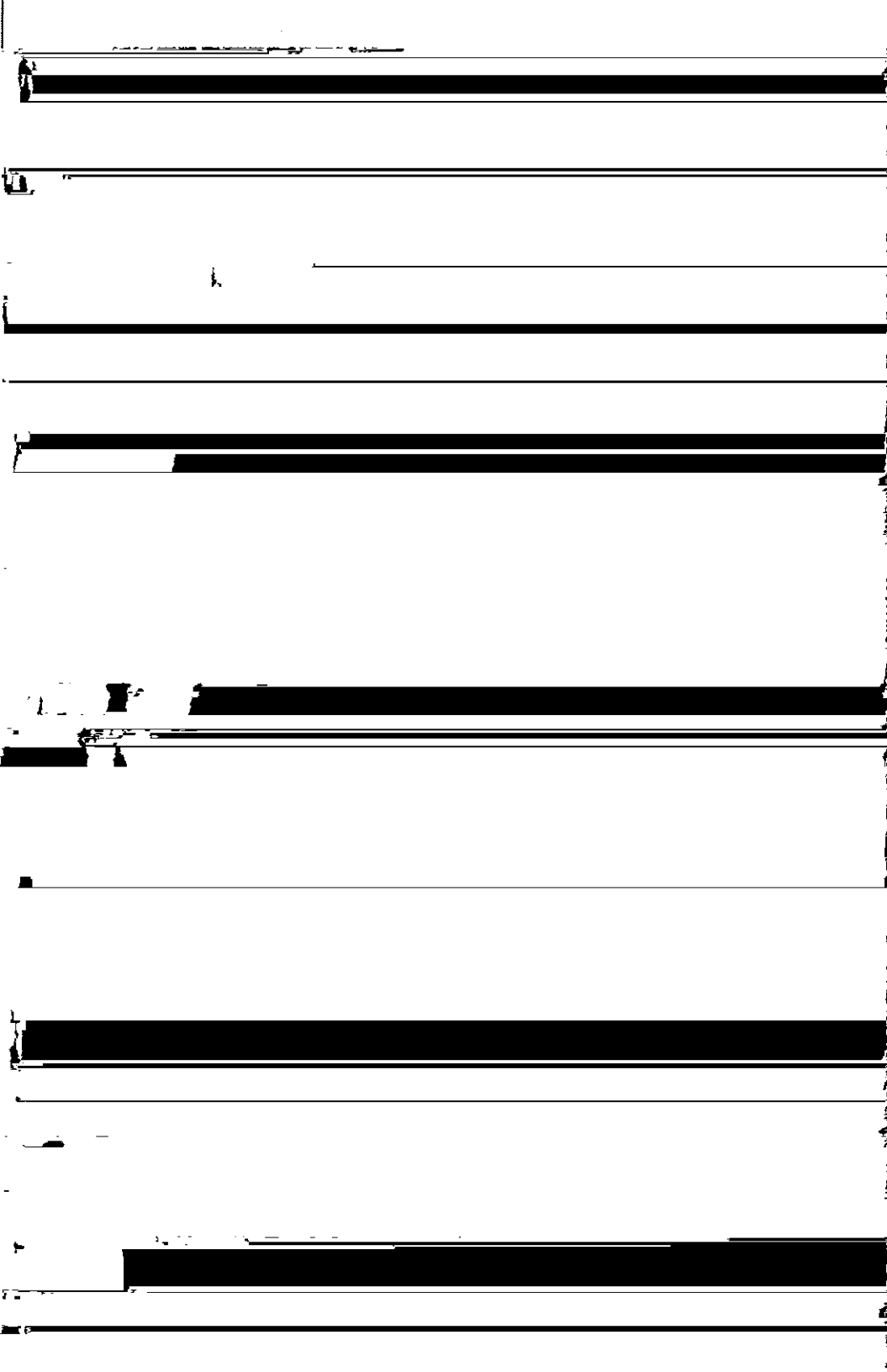
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role in social policy, which may be a political asset to the federal government. Second, if these groups do not feel that their concerns are adequately addressed in the political process, they are likely to resort to litigation. In recent years, the Supreme Court of Canada broadened the rules of public interest standing in

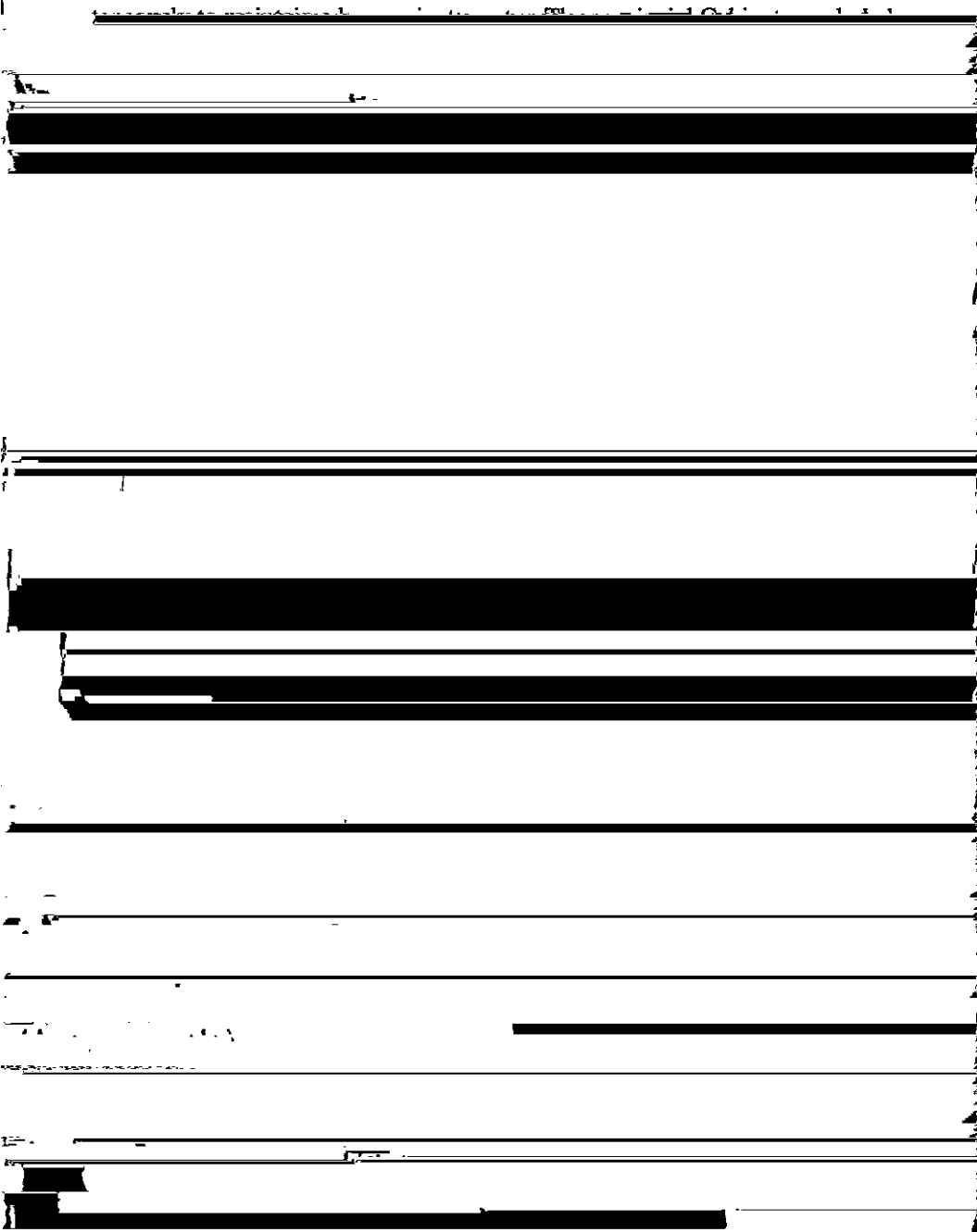
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12.

13. *Journal of Public Economics*, 81(1), 1-15.



A second idea is that the public sector *inescapably* operates under an ill-defined, but nonetheless real, budget constraint because citizens want simul-



spending has been roughly constant during normal economic conditions; it increased during recessions in the early 1980s and 1990s.

[REDACTED]

[REDACTED]

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TABLE 1. THE 17. 1961.02.

THE NEED FOR "CREATIVE DESTRUCTION"
IN THE PUBLIC SECTOR

Social program initiatives over the last three decades have realized important
progresses— notably in improving average Canadian health status and in

The government has been able to accomplish this wrenching, by Canadian

standards. Fiscal adjustment will be a long and painful process, but it is

Hence, while the budget contains no major tax increase, it does intend a modest further increase in the federal tax-GDP ratio. Making one adjustment (decrease in

TABLE 2: General Government Outlays (Percentage of GDP)

	<i>1979</i>	<i>1984</i>	<i>1989</i>	<i>1993</i>
United States	31.6	35.5	35.7	38.7
Japan	31.6	32.9	31.5	34.9
Germany	47.7	48.1	45.5	50.8
France	45.0	52.0	49.1	54.2
Italy	41.7	49.4	51.3	54.8
United Kingdom	42.6	47.2	40.7	47.0
Canada	39.0	46.8	44.9	51.5

Source: OECD (1993, p. 33).

will push that country's public sector above 40 percent by implementing broad

The relevant interest groups in this process can be usefully categorized:

One category of groups is public sector unions/associations of contractors

[REDACTED]

[REDACTED]

[REDACTED]

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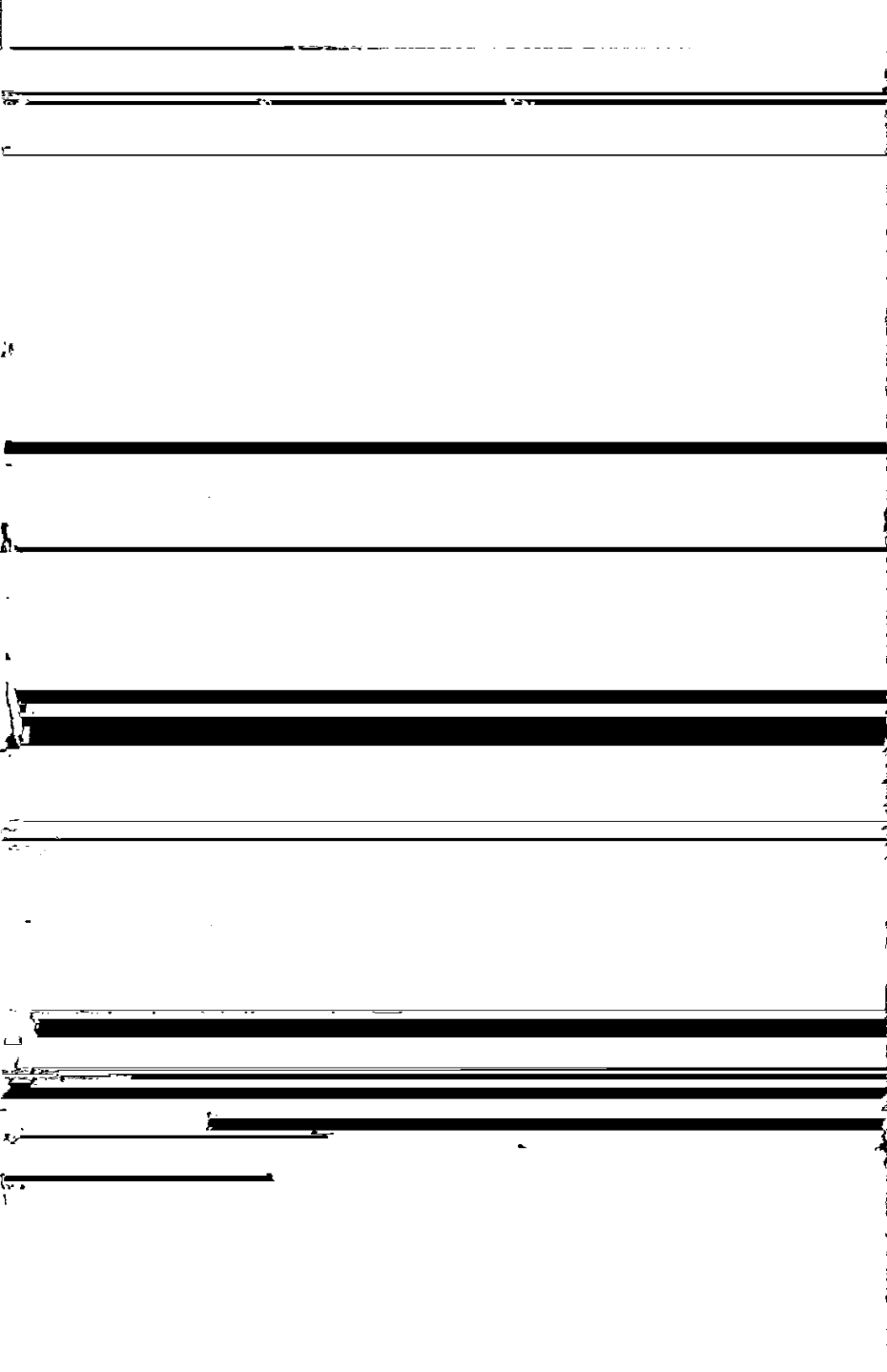
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threatened by change in social policy. These alliances have been a formidable



continues to present a challenge to the federal government.

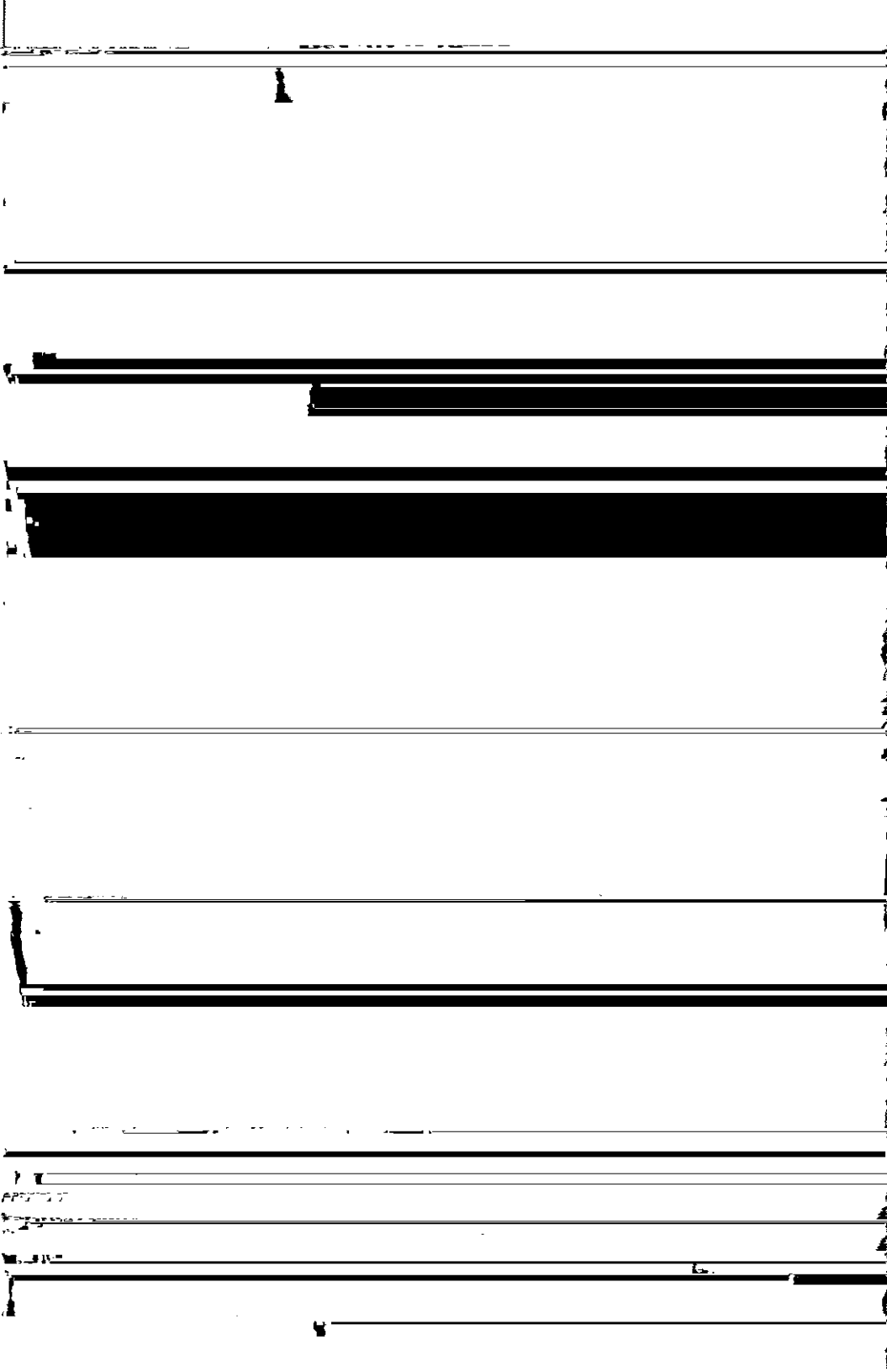
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states is not strictly proportional to aggregate public spending data. Some spend

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[REDACTED]

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[REDACTED]

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