

It's Time to Focus on Canada's Long-Term Problems

Christopher Ragan
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I usually don't make New Year's resolutions, but when writing a regular column, it is helpful to make a plan, and what's a plan if not a resolution?

The topic for a column should satisfy two conditions. First, the topic should be worth discussing, and hopefully one on which the author can add some clarity to the existing views. Second, it usually needs a connection to current events – a “news hook” in the language of the industry.

As an academic, having to satisfy these conditions in roughly 750 words is excellent discipline. But one problem with the second condition is the tendency to write columns about current issues instead of more important longer-run issues. In media, as in politics, focusing on the urgent often means ignoring the important.

So, my New Year's resolution is to write more columns about some of Canada's longer-run economic challenges, all of which are important but most of which get insufficient attention in public discussions. Here is a brief sample of the issues I'll be addressing, with just a hint of my own views.

Tax complexity

Canada's federal tax system was last reformed in the late 1980s. Since then governments have added various bells and whistles, sometimes to solve genuine problems and sometimes just to curry political favour. As we all relearn every spring, the personal tax system is needlessly complicated; the corporate system is no better. The current government likes to talk about simple and efficient taxation, and here is a real opportunity to improve policy. It could begin with reducing “tax expenditures” (special exemptions and other loopholes) by several billion dollars a year.

Insufficient saving

Many Canadians, especially those with lower-middle incomes, do not save enough for retirement, and the Canada Pension Plan is not designed to provide adequate retirement income. There is debate about whether to expand the CPP or instead to provide more mechanisms for Canadians to voluntarily save more. The problem, of course, is that many low-saving Canadians already have the incentive to save through registered retirement savings plans and tax-free savings accounts, but do not do so. Their lack of saving today will be a future problem, both for them and for the government of the day that finds itself pressured to provide assistance. The CPP

is one of Canada's most effective social programs, and its expansion should not be quickly dismissed. More debate is in our future, and should be.

Inadequate literacy and numeracy

A recent report from the Organization for Economic Co-operation and Development shows that, on average, Canadians are mediocre when it comes to literacy and numeracy. The report also shows that Canadian performance has deteriorated over the past decade. It should be obvious that both literacy and numeracy are important for everyone. These skills naturally form the foundation of a productive work force; if we care about long-run productivity, we should also care about increasing literacy and numeracy. A closely connected concept is financial literacy, which at least among many of my students is appalling. How can Canadians be sensible and prudent consumers if they do not understand the basics of compound interest, the mechanics and dangers of debt, the long-run benefits of saving, and the basic logic of home mortgages, RRSPs and credit cards?

Climate change

At the federal level, Canada has a clear objective to reduce greenhouse-gas emissions, but no sensible plan to achieve it. Climate change is obviously not a priority of this government, and given a tepid recovery from the financial crisis and recession, perhaps that's understandable – for now. But as the world and Canadian economies continue their recoveries, attention will once again turn to climate change policies. When that happens, the government should have practical, efficient policies on the drawing board. The issues are sufficiently complex that the work should be well under way. Is it?

Fiscal pressures from population aging

Declining birth rates, increasing longevity and the aging of the baby boomers are conspiring to produce serious fiscal challenges for all governments in Canada. Spending on age-related programs, especially health care, will rise significantly as a share of national income over the next 30 years. This "fiscal squeeze" will force governments to modify their public health care systems, rethink their spending priorities and seriously consider tax increases. The associated debates will not be pleasant, but they will be necessary.

These are just some of Canada's long-run economic problems that I plan to address in my columns this year. Unfortunately, there are others too. Happy New Year.

Christopher Ragan is an associate professor of economics at McGill University and a research fellow at the C.D. Howe Institute.
