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Canadian Priorities Agenda

Efficiency and Equality: Can Canada Have it All?

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The IRPP's *Canadian Priorities Agenda* project is the inspiration for the capstone seminar in the master's in public policy program of the School of Public Policy and Governance at the University of Toronto. The course is offered in an intensive format as a core requirement in the final semester of the two-year program. *A Canadian Priorities Agenda: Policy Choices to Improve Economic and Social Well-Being* is the basic text for the course. It is supplemented by readings chosen by the instructors and guest presenters. The students take the role of judges, and for their final assignment they write a 5,000-word paper modelled on the judges' reports in the original project, in which they have to make the case for an agenda comprising five policies selected from options presented in the course. Every year the instructor selects the best student paper, and the IRPP posts it on its Web site.

EFFICIENCYAND EQUALITY: CAN CANADA HAVE IT ALL?

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Canada is comfortably positioned in the evolving world. It is immensely rich in natural resources, and it has a highly educated and diverse population as well as sound institutions. During the recent global downturn, Canada showed commendable resilience. Relative to its international counterparts, the economic contraction was less severe in Canada, due in part to prudent financial regulation. Yet the road ahead is fraught with uncertainty. The global economy remains unpredictable: there is a continuing risk of global trade decline, and volatile capital flows, and even if global commodity prices are currently buoyant, they are in general decline. The advanced economies have yet to see a genuine upturn; the U.S. recovery is weak, and the EU faces vast debt challenges and speculation about UK withdrawal. With the expected slowdown in emerging markets, it remains unclear who will drive global economic growth in the immediate future.

Canada can do little to minimize uncertainty. Rather, it must pursue internal robustness as a hedge against globally inflicted perils. In the global economy, agility, influence and adaptability are favoured. While the federal government has shown fiscal prudence, this should not conceal the fact that significant risks to Canada's future prosperity. A number of domestic challenges are decreasing Canada's resilience. By resilience, I mean the ability of society to withstand stresses, to adjust to changes, and to preserve its core identity.[1] I contend that inequality is one of Canada's biggest challenges. We will not remain on a satisfactory economic growth trajectory without political intervention to address inequality. Alleviating social inequality and promoting economic growth are intertwined, complementary goals. The evidence is mounting that inequality has significant negative spillover effects on the economy and on the country's overall resilience. Pundits on the left and right contend that higher income inequality is correlated with shorter spells of economic growth and represents a loss of social and economic potential.[2] Whether one's priority is a more robust economy, greater social justice or improved productivity, the way to achieve these ends remains the same: reduce income inequality.

My core argument is that it is possible to combine competitive capitalism with maximal social welfare. I want to break through the stale notion that one has to make a trade-off between efficiency and equality. In a globalized, capitalist world system in which disruption and harsh market influences are the rules of the game, the ability to build resilience, ensure equality and correct for market failures is vital to being globally competitive. The Nordic countries provide a model for how market dynamism can be reconciled with social equality. While most of Europe's economy is sclerotic and America suffers from extreme inequality, the Nordic model has persisted successfully for decades.[3] Economists continue to be puzzled by the fact that economic success is possible with big government. A favourite metaphor of the Nordic economies is that of the bumblebee: with its heavy body, powered only by tiny wings, it should not be able to leave the ground. Yet it flies – better than it has done for decades and despite turbulent weather.

THREE CHALLENGES

I focus here on three broad challenges facing Canada, though it would be easy to expand the list significantly. They are inequality, fiscal sustainability and global competiveness. Each of them is challenging in its own right, but it is the linkages between them that result in the overall policy complexity.

Inequality

It is debated whether income inequality is a problem in Canada. Recent reports[4] suggest that income inequality is low and stable, because the Gini coefficient has plateaued since 2000. However, a counterargument is that the Gini coefficient is not sensitive to movements in the tails of the distribution. Arguably, in order to grasp the issue of income inequality, relying on one measure is insufficient. Other evidence shows that income inequality has increased in Canada over the past two decades and is higher than the OECD average, albeit less severe than that in the U.S. In particular, it is clear that incomes at the upper levels are increasing relative to incomes at the lower levels.[5] As well, Canada's taxes and benefits are less effective in reducing inequality than are those of most other OECD countries.[6] Overall, this suggests that Canadian society is doing a mediocre job of ensuring income equality. The problem of inequality is, however, not restricted to income. In terms of educational attainment, Aboriginal people lag seriously behind their non-Aboriginal counterparts.[7] And, contrary to popular belief, Canada's health system produces inequality. Universal health care is a pillar of our welfare state and is a principal channel of redistribution. However, neither long-term care nor outpatient prescription drugs is defined as medically necessary under the *Canada Health Act* (*CHA*).[8] As a result, across Canada there is a wide variety of publicly provided services and eligibility criteria.

Fiscal sustainability

A second major challenge for Canada is its unbalanced fiscal structure. While the federal government has been largely effective in containing costs and is on track to return to balanced budgets by 2015, the provinces are in long-term fiscal trouble. A recent report estimates that if current trends continue, by 2086 the provinces will have accumulated a total government debt-to-GDP ratio of 350 percent.[9] The dire fiscal projections of the provinces are related to Canada's changing demographics. As the population ages, the provinces face the burden of expenditure increases in health care services and other age-related programs. At the same time, the provinces will see a slowing of their per capita tax bases as a result of reduced labour force growth and reduced levels of economic activity. Combined, these two factors constitute the fiscal squeeze.[10] It is important to note, therefore, that Canada's fiscally precarious situation stems from an unsustainable fiscal structure at the provincial level; the federal government is on relatively stable footing. In setting policy priorities, it will be imperative to take the fiscal imbalance into close consideration.

Global competitiveness

In international affairs, Canada's foreign policy defaults largely to Canadian-U.S. relations. The federal government has not purposefully sought a strategic role on other continents. Rather, Canada continues to unimaginatively play at the margins of international affairs. Trade is focused on slow-growing advanced economies, chiefly the U.S., rather than on fast-growing emerging markets. This is happening at a time when is the world ever more globalized, and the U.S. and Europe are in a relative strategic decline. In a matter of two decades, Asia will dominate the world economy. Free trade and increased global presence come with large benefits. Export markets expand, foreign direct investments (FDI) opportunities increase, and productivity improves. Many grand initiatives have been proposed to increase Canada's subpar productivity growth.[11] Yet the one policy option, diversifying trade, which has the potential to really tackle the problem, has not been realized.

STRATEGIC POLICY CHOICES

To enhance the economic and social well-being of Canadians, I recommend a policy agenda that would improve inequality and bolster global competitiveness. These policy objectives are informed by the challenges of inequality, fiscal sustainability and global competitiveness. To address these challenges, it is not just a matter of letting the invisible hand of markets work. Nor will tinkering with current policies suffice.

The problems Canada faces are complex and require bold and creative responses. At the same time, these responses have to take the current fiscal climate into consideration. Therefore, three out of the five policies I have chosen are fiscally neutral. The latter two are to be financed through resource reallocation. My recommended policy agenda is inspired by the Nordic model that combines collective risk-sharing and openness to globalization. The Nordic countries are wedded to globalization, which has been the very basis of the growth in productivity and competitiveness that they have achieved. At the same, globalization requires structural adjustments. Effective social safety nets help people cope with risks associated with global openness. It is this joint model of internal resilience and global extroversion that I believe holds promising potential for Canada. My policy agenda is constituted of the following policies:

Objective 1: Improve inequality

- Social insurance for long-term care
- Address the gap in educational opportunity and attainment by building complementary on- and off-reserve education strategies
- Enhance the amount and reach of the Working Income Tax Benefit to reduce to zero at the minimum wage

Objective 2: Bolster global competitiveness

- Adopt broader Asia strategy
- A carbon tax on all domestic GHG emissions

In the following sections, I will explain the rationale for these policy choices.

Social insurance for long-term care

The Canadian health care system has a financing problem. Concurrently, Canada's health care system is not as equitable as we think, and it is not built to address the future health care needs of an aging population. In the past few decades, health care costs have outpaced growth in tax revenue and GDP. Between 1980 and 2006, the annualized growth in health care expenditures was on average 7.5%, compared with GDP growth over that same period of 6.1%.[12] As a financing policy option, the social insurance model addresses fiscal issues directly, because it increases revenues available for health care by diversifying the public revenue stream.

This option also deals with a major cost pressure on provincial health care systems: hospitals and seniors. The lack of long-term care (LTC) services places immense fiscal pressures on hospitals and, thereby, on provincial treasuries. In Ontario alone, every month an average of 4,000 patients are waiting in acute hospital beds for LTC placement.[13] The median wait time is four months, almost four times longer than in 2005.[14] The costs of treating alternate level of care (ALC)[15] patients, the majority of whom are seniors,[16] in acute beds ranges from $826 to $1,968 per patient per day, compared with LTC care where the cost is ~ $200 per day.[17] The ALC population is expected to grow substantially: in Ontario, the number of ALC patients is projected to increase by 32% over the next decade, as the population ages.[18] Meanwhile, the number of LTC beds per 1,000 seniors has remained unchanged since 2004.[19] There is thus enormous potential for cost reductions by diverting ALC patients away from hospitals into more appropriate LTC settings.

This policy option significantly addresses one of the main inequities remaining in Canadian health care. LTC is not covered by the *CHA*,[20] and, as a result, considerable policy challenges surrounding access, availability, cost effectiveness and the health care principle of equity are left largely unaddressed.[21] Universal, publicly provided health care is a defining feature of Canada, and it is the public service that Canadians value the most.[22] Opinion polls consistently show that when presented with the option of increased public health care spending versus private alternatives, an overwhelming majority of Canadians expresses support for the former.[23] This clearly justifies increasing the government's role in providing LTC. With the 2011 announcement of the revised Canada Health Transfer[24] (CHT), the federal government has effectively curtailed the debate about its role in health care. It is, therefore, most realistic to implement a social insurance scheme at the provincial level, following the example of the proposed Quebec autonomy Insurance.[25] The disadvantage of collecting premiums at the provincial level, however, is that the benefits of economies of scale are missed. This policy option will be politically difficult. Introducing an insurance scheme will likely meet public resistance, because it is perceived as a tax increase.[26] A key advantage of the earmarked contribution system versus tax increases is, however, that there would be a greater willingness to pay on the part of the citizenry because of the clear link between funds collected and benefits received.[27] This was, for instance, the case with the late 1990s changes to Canada Pension Plan, which showed that there was public tolerance for increasing contributions.[28] In terms of mitigating political feasibility risk factors, careful considerations around implementation should be made. A social insurance scheme will require political leadership, real explanations of the options and costs to the public, and accountability. It will be essential to develop a societal consensus that increased taxation will be required if we want to maintain the current health care system and avoid squeezing out other public services.

Address the gap in Aboriginal educational opportunity and attainment

With an aging population, Canada can ill afford to be in a situation in which Aboriginal people do not fully participate in the economy. A recent study suggests that if Aboriginal people achieve the same educational levels as other Canadians, more than $170 billion could be added to the economy by 2026 in terms of increased output and productivity.[29] Education has positive externalities, meaning that the benefits of individually acquired education are not restricted to the individual but spill over into larger macroeconomic advantages. On the basis of economic efficiency, this option thus makes a powerful case. Responsibility for educating Aboriginal people living on-reserve lies with the federal government, while provincial governments are responsible for the off-reserve population. Thus, both levels of government have a role in improving education. Moreover, the gap in Aboriginal educational opportunities is the archetypical case of a market failure; if left uncorrected by government, markets fail to produce enough of a merit good, such as education. Consequently, economic and social welfare are not maximized, leading to a loss of allocative efficiency.

From an equity perspective, improving Aboriginal education is strongly justifiable. An often-cited reason for educational disparity is that per capita funding of education for on-reserve students falls significantly short of parity with provincial education spending.[30] Aboriginal human capital accumulation will require large up-front investments, and in the short term this poses challenges with regard to affordability. In the 2012 budget, the federal government allocated $275 million over three years to support on-reserve education.[31] This funding, however, falls significantly short of the estimated needs. In Ontario alone, an estimated federal injection of $100 million a year is required to close the gap for Ontario's on-reserve students.[32] To ensure adequate funding, the government could reallocate resources or delay budgetary balance. In the long term, the criterion of fiscal sustainability is likely to be met. With a targeted focus on improving Aboriginal outcomes, the government could potentially see an increase in tax revenues of $3.5 billion by 2026.[33]

Closing the funding gap will not, however, be a panacea to rectify the imbalance in education between Aboriginal and non-Aboriginal people. To improve Aboriginal education, the government should leverage what it has already committed to in the 2012 budget: a First Nations education act (FNEA).[34] The *Indian Act* is deemed inadequate in terms of on-reserve education[35] and a well-crafted FNEA would address current legislative gaps by establishing clear jurisdictional responsibilities, setting out targets for educational outcomes and providing stable funding for Aboriginal schools.[36] Politically, increasing the focus on Aboriginal education and passing a FNEA will face several obstacles. A recent poll found that almost two-thirds of respondents think Aboriginal people get too much support from taxpayers. Furthermore, the Assembly of Fist Nations (AFN) has withdrawn its support for the FNEA, claiming that the government acted unilaterally.[37] Bypassing the AFN in implementing the Act will be a major challenge, given that they represent 630 First Nations communities.[38] However, there are vast differences among communities; each has unique needs and perspectives. One possibility for the government is to engage with individual groups, thereby allowing *willing* communities to opt into educational reform. By doing so, the federal government can potentially circumvent some of the political challenges. The intergovernmental implications of educational reform are significant. In Ontario, because of inadequate federal funding for on-reserve schools, students arrive at provincial schools with acute remedial needs.[39] It therefore makes sense to focus efforts first on the on-reserve schools, and then involve the provincial schools in an educational partnerships agreement.[40] Ottawa has already entered tripartite agreements on education with provinces and First Nations.[41] Building on this model is a sensible way forward to create complementary on-and-off reserve education strategies.

Enhance the Working Income Tax Benefit

It is appropriate for the federal government to play a major role in reducing income inequality and correcting for market imperfections. It is the only government that can ensure the equitable treatment of all citizens across Canada. The effectiveness of government redistribution is evidenced by the past: prior to the mid-1990s, Canada's redistributive policies were as effective as those in Nordic countries in stabilizing inequality.[42] Conventionally, employment is a promising way of tackling inequality. However, a fundamental weakness in the Canadian labour market is that it is a prime driver of low income. Approximately 22% of jobs in Ontario are defined as "precarious", meaning that they combine low rates of pay with highly variable hours of work, and no benefits or pensions.[43] The takers of these jobs make up the "working poor"; they are full participants in the labor market, yet they do not earn enough money to lift them above the poverty line.[44]

While there is no panacea to reduce income inequality, the working income tax benefit (WITB) is a promising instrument. The WITB is an income supplement program that “helps make work pay” by topping up the earnings of low-wage employees through a refundable tax credit. Evaluations of this type of program suggest that it is helpful in reducing income inequality, both as an income improvement and as an incentive to permanent labour force attachment.[45] Additionally, the WITB is a targeted program and thus effective; it is available to the groups that need it the most: the working poor, including low-income singles, and families with children.[46] These are exactly the people who have seen the most increases in their economic insecurity over the last two decades.[47] The WITB represents a laudable advance in income security policy for the federal government. However, the benefits it provides do not match current costs of living, and the WITB is targeted so far down the incomes scale that it excludes many of the working poor.[48] Eligibility for benefits in 2012 ends at net income levels of $17,478 and $26,952, for singles and families, respectively. At those levels, the WITB does not reach the average minimum wage for a full-time employed worker ($20,730),[49] and it is thus in its current form not an optimal instrument for tackling income inequality.[50]

Given the current fiscal climate, it is clear that resources for enhancing the WITB are scarce. Therefore, I propose to focus first on expanding the reach of the WITB, not the benefit level. The government could reallocate resources to fund this option by cancelling other tax credit programs that actually contribute to inequality. One example is the nonrefundable child fitness tax credit that goes to all families, whether they need help or not. This would produce reallocation funds worth $115 million a year. To limit budgetary and upfront liquidity impacts, the government could also choose to phase in the improved WITB gradually. This was the approach taken with the Canada Child Tax Benefit.[51] Enhancing the benefit meets the efficiency criteria well. Compared with other instruments available to reduce inequality, such as targeted early childhood education efforts, the tax credit has immediate effects in reducing inequality. In terms of political feasibility, enhancing the WITB will be difficult. Social policy ranks low on the current government’s priority list. However, public concern about income inequality has not waned. A 2012 poll found that more than 77% of Canadians see the widening income gap as a serious problem. Interestingly, a majority of Conservative voters (59%) were of this opinion.[52] The public concern about inequality could be usefully mobilized by the government to implement changes. Enhancing the WITB, relative to implementing new measures, would also produce political credit, as the current government initiated the program.

Adopt a Broader Asia Strategy

While the U.S. is Canada's largest trading partner and will continue to be such for several years, future opportunities for Canadian economic growth lie across the Pacific in Asia. The economic argument for shifting attention to Asia is compelling. Currently, the 11 member states negotiating the TPP comprise a market of nearly 658 million people and a combined GDP of $20.7 trillion.[53] It is estimated that Canada will gain $10 billion in income in 2025 on the TPP track.[54]

Just as importantly, membership in the TPP would generate several secondary effects for Canada's economy, such as enhanced investor confidence and increased competition leading to productivity growth.[55] Except for government legwork and political vision, facilitating free trade does not involve significant government spending. In this sense, the policy option fully lives up to the criteria of affordability. The sustainability of the Asian economies can reasonably be questioned. Asia faces deep underlying and indeed growing political and security tensions. Nationalism is on the rise, posing new challenges of disintegration. The institutions of the Asian countries are still raw. China, for instance, is grappling with a number of internal challenges, such as corruption, pollution, growing inequality and citizen expectation management.[56] However, projections all point in the same direction: In a matter of two decades or so, Asia will dominate the world economy.[57] With the stalled World Trade Organization Doha round and continuing US and European market uncertainty, the TPP agreement has become even more important.

The government has made only incremental, sporadic attempts to broaden economic ties to Asia.[58] There is an obvious role for the government in positioning Canada strategically in the new Asian century. A national Asia strategy, however, goes beyond trade and also entails engaging the premiers, industries, and universities in a strategic policy pivot to Asia.[59] Bold leadership by Ottawa is required to facilitate state and high-level relationship building. Canada's natural resources sectors are already involved, but a successful multidimensional strategy will also include Canada's expertise within financial services, education and other areas of excellence. Importantly, Canada should position itself high up the value chain in offering highly specialized products, partly to avoid overreliance on commodity exports, but also because China is on a steady shift away from low-end manufacturing to high value-added production.[60] In terms of equity, concluding a comprehensive TPP agreement will bring major gains. Prices for milk and cheese in Canada are approximately 2.5 times higher than in the United States, effectively hurting Canadian consumers.[61]

Opposition from Canada's supply-managed companies will be one of the largest barriers to the actualization of a TPP agreement. The 2011 Speech from the Throne left little doubt about the government's priorities in defending supply management.[62] However, even if a considerable number of supply-managed companies will be disadvantaged as a result of downward price pressure, abolishing supply management is in Canada's best interests. In the long term, farmers stand to benefit; the current supply management model does little to increase long-term competitiveness. In the short term, some form of compensation scheme could be implemented to help farmers transition from supply management systems. Ottawa must exert leadership in mitigating resistance. The TPP is a centrepiece of Obama's trade policy, and Canada's strong ties with the U.S. will be key to advancing its interests in Asia. Dawson recommends developing a united North American approach and finding allies within the U.S. Congress.[63] The concept of the U.S. as a *power-multiplier* for Canada;[64] i.e., that Canada can leverage America's assets and abilities to advance its strategic priorities in Asia, will without doubt be vital in a strategic pivot to Asia.

A carbon tax on all domestic greenhouse gas emissions

Canada is currently neglecting a mega trend toward a low-carbon economy. The global clean tech market is a $1 trillion opportunity, expected to reach $3 trillion by 2020.[65] Many of Canada's international competitors have moved aggressively to capture green market opportunities, while Canada myopically continues to focus on its nonrenewable energy sector. Canada will remain a natural resource exporter for years to come. However, reliance on high-carbon exports is problematic in a global economy increasingly focusing on renewable energy. The Jenkins report argues unequivocally that an innovative clean tech sector is one of the few sustainable sources of long-term competiveness.[66] Canada has a growing clean tech sector, and the 2013 Federal budget reconfirms funding for Sustainable Development Technology Canada, a government-funded venture capital firm that invests in clean tech companies. Much bolder measures are, however, needed. To induce the low-carbon sector to reach its full potential, effective incentives have to be in place. A carbon tax, the government tool deemed the most effective in spurring technology innovation[67], would provide clear incentives for developing new technologies as consumers demand cleaner alternatives in response to a pollution price.

Denmark can testify to the economic growth opportunities in clean tech. Denmark is the EU country where energy technology makes up the largest share of total exports. Since 2000, Danish exports of energy technology have increased by 140%.[68] A main driver for Denmark's transition to a low-carbon economy has been the Danish government. Taxation and state subsidized environmental innovation are some of the primary tools employed. Taxes on energy consumption[69] were introduced in the 1970s, and Denmark now has the highest energy taxation level among EU countries.[70] Revenues from energy taxes are, however, not a cash chest for the government. Tax revenues go back to consumers and industries, earmarked to subsidize environmental innovation. Empirical evidence shows that because of this, the country's economy is not put at competitive disadvantage.[71]

I have deliberately framed climate change as an economic growth opportunity. I believe this perspective can play a large role in making a carbon tax more politically digestible. Job creation and economic growth are the cornerstones of Conservative policy-making. At the same time, there are electoral gains to reap. Climate change continues to be an issue that many Canadians see as a priority.[72] A 2012 survey shows that a majority of Canadians (59%) would support the introduction of a B.C. style carbon tax in their own province.[73] A carbon tax must be carefully designed not to negatively impact Canada's largest engine of growth: the oil industry. This can be done through the redirection of revenue back to the industries, tax rebates for energy intensive companies, and allowing for taxes to increase gradually, thus giving companies time to improve energy efficiency.[74] A carbon tax clearly will face federal-provincial challenges, as B.C., Alberta and Quebec will need to be persuaded to give up their individual carbon tax schemes to allow for a federally managed system.

The biggest challenge that a carbon tax policy option faces is that of the close U.S.-Canada trade relationship. Arguably, Canada's own actions on climate change will need to mirror those of the U.S., so as not to incur a major competitive disadvantage. Energy-intensive industry exemptions and slow tax phase-ins could go a long way in mitigating competitiveness concerns. A promising window for introducing a carbon tax is opening up. With President Barack Obama decreeing that climate change is a priority, changes in U.S. energy policies may be underway. Obama vetoed the original plan for the Keystone XL pipeline, citing environmental concerns. Even if the State Department's review states that the pipeline would have no negative impact on the environment,[75] Obama has a large green electoral base that he cannot ignore. In a recent New York Times interview, Obama said that approval of the Keystone pipeline ultimately hinges on climate change considerations.[76] The price of Keystone approval could be a U.S. carbon tax, serving to placate both environmentalists and the free-market electorate.[77] Interestingly, China recently announced that it will implement a carbon tax. [78] While details are still scarce, it is a development that pressures North America to act. China has long been used as a part of the excuse for Canada's inaction on climate change, but as the rest of the world monetizes carbon, Canada will be under increased pressure to follow suit.[79]

CONCLUSION

My policy package is ambitious. I have assigned government an active role to address underinvestment in areas with wider social benefits, even as the Conservative government prefers market-based measures over government intervention. Yet, I believe that careful framing and the occurrence of political windows of opportunities can make today's implausible policies feasible tomorrow. Canada has much room to increase its redistributive efforts, in relation to income, education and health care. If economic gains from growth continue to accrue in a lopsided fashion, public support for pro-growth policies such as the Economic Action Plan is likely to wane. Prioritized investment in Aboriginal education is as much part of Canada's economic agenda as it is a part of the country's social agenda. Similarly, a national social insurance scheme targeting LTC can lessen the pressure of an aging population, benefit the economy and bring efficiency in an equitable manner.

As a small, open economy, Canada's basis of economic growth is globalization. Being part of the TPP is essential to augment productivity and competitiveness, and in turn socio-economic prosperity. With changes in U.S. energy policies, Canada now has an opportunity to make a significant leap in the clean tech market. A carbon tax could drive technological innovation. Canada could start an innovative dialogue with President Obama about a continental carbon tax regime. It would give the Canada-U.S. relationship new international relevance and be an effective way of incentivizing green innovation in Canada. Canada's relatively robust performance during the global economic downturn is a source of pride, but cannot be an excuse for complacency. Some of the biggest challenges Canada faces are internal, and decreasing resilience will make it hard for Canada to cope with global risks. The policies I have chosen are a joint package of building internal resilience by improving inequality and bolstering competitiveness through global extroversion. By understanding the mutually reinforcing linkages between global openness and internal resilience, Canada can confidently rise to the challenges in this period of rapid global transformation. It does not face an invidious choice between efficiency and equitable wealth: Canada can have it all.

ENDNOTES

[1] Inspired greatly by Carolyn Tuohy's definition of resilience in Tuohy, Carolyn Hughes. 2010. *Is Canada a Resilient Society?* Presentation to "Across and Beyond the Horizon - A Policy Retreat for Public Safety Canada" February 18-19, 2010, Government Conference Centre, Ottawa ON.

[2] See for example: Berg, Andrew G. & Jonathan D. Ostry. 2011.*Equality and Efficiency.* Finance and Development. September. The International Monetary Fund. http://www.imf.org/external/pubs/ft/fandd/2011/09/pdf/berg.pdf ; Conference Board of Canada. 2013. *Canada Failing to Close the Income Inequality Gap.* February 4. http://www.conferenceboard.ca/press/newsrelease/13-02 04/canada_failing_to_close_the_income_inequality_gap.aspx; and Wilkinson, R. and K. Pickett. (2010). *The Spirit Level: Why Equality Is Better for Everyone*. London: Penguin Books.

[3] See for example *The Economist*. 2013. "*The Nordic Countries – The Next Supermodel."*February 2.

[4] See for example The Fraser Institute. *Measuring Income Mobility in Canada* By Charles Lammam, Amela Karabegović and Niels Veldhuis. November 2012 and TD Economics. 2012. *Income and Income Inequality – A Tale of Two Countries.* December 11.

[5] Canada's richest 1% took almost a third (32%) of all growth in incomes in the period 1997 to 2007. Yalnizyan, A. (2010). *The Rise of Canada's Richest 1%.* Ottawa: Canadian Centre for Policy Alternatives, December.

[6] It is important to note that the top federal marginal income tax rates saw a marked decline, falling from 43% in 1981 to 29% in 2010. (Yalnizyan, A. (2010). *The Rise of Canada's Richest 1%.* Ottawa: Canadian Centre for Policy Alternatives, December.)
Organisation for Economic Co-operation and Development. (2011). *Divided We Stand: Why Inequality Keeps Rising.* Paris. December.
http://www.oecd.org/els/socialpoliciesanddata/dividedwestandwhyinequalitykeepsrising.htm

[7] The Conference Board of Canada. Centre for the North. 2012. *Lessons Learned: Achieving Positive Educational Outcomes in Northern Communities.* By Sisco, Ashley Margaret Caron-Vuotari, Carole Stonebridge, Greg Sutherland, and Gilles Rhéaume, p. 3

[8] *Canada Health Act* - R.S.C., 1985, c. C-6 (Section 2)

[9] Office of the Parliamentary Budget Officer. 2012. *Fiscal Sustainability Report 2012*. Ottawa, Canada. September 27, p. 36
http://www.pbo-dpb.gc.ca/files/files/FSR_2012.pdf

[10] Ragan, Christopher. 2009. *From the Fiscal Squeeze to Climate Change: Canada's Coming Economic Challenges. Policy Options.* October, pp. 43-50. http://www.irpp.org/po/archive/oct09/ragan.pdf

[11] As of 2011, output per worker in Canada was only 78.3% of an American worker's. Compared to OECD counterparts, Canada's performance is also bleak. Deloitte. 2012. *The Future of Productivity: Clear Choices for a Competitive Canada*, p.43 http://www.deloitte.com/assets/Dcom-Canada/Local%20Assets/Documents/Insights/ca_en_Future_of%20Productivity_092812.pdf

[12] Canada2020. 2011. *Securing our Health System for the Future*, p. 14. http://canada2020.ca/canada-we-want/wp-content/themes/canada2020/assets/pdf/en/Canada2020_E_Health care-1.pdf

[13] Cancer Care Ontario note http://www.cfhi-fcass.ca/Libraries/Taming_of_the_Queue_English/2012Poster-ALCPatientFlowPoster.sflb.ashx

[14] Health Quality Ontario & Institute for Clinical Evaluative Sciences. 2012. *Quality Monitor. 2012 Report on Ontario's Health System.* Queen's Printer for Ontario, p. 14

[15] When a patient is occupying a bed in a hospital and does not require the intensity of resources/services provided in this care setting, the patient is designated an alternate level of care (ALC) patient. Ontario Ministry of Health and Long-Term Care. *Wait Times.* http://www.health.gov.on.ca/en/pro/programs/waittimes/edrs/alc_definition.aspx

[16] Nearly 85% of all ALC patients are age 65 or older, and many (35%) are age 85 and older. Canadian Institute for Health Information. 2011. *Health Care in Canada. A Focus on Seniors and Aging*, p. 10

[17] Cohen, Marcy. 2012. *Caring for BC's Aging Population – Improving Health Care for All.* Canadian Centre for Policy Alternatives. http://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2012/07/CCPABC-

Caring-BC-Aging-Pop.pdf Please note that estimates are based on a study done in British Columbia. Recent Ontario figures could not be located.

[18] Canadian Institute for Health Information. 2012. *Seniors and Alternate Level of Care: Building on Our Knowledge.* November 2012, p. 2

[19] Canadian Institute for Health Information. 2011. *Health Care in Canada. A Focus on Seniors and Aging*, p. 118

[20] Canada Health Act - R.S.C., 1985, c. C-6 (Section 2)

[21] Canadian Institute for Health Information. *Health Care In Canada, 2011: A Focus on Seniors and Aging*, p. 116

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