

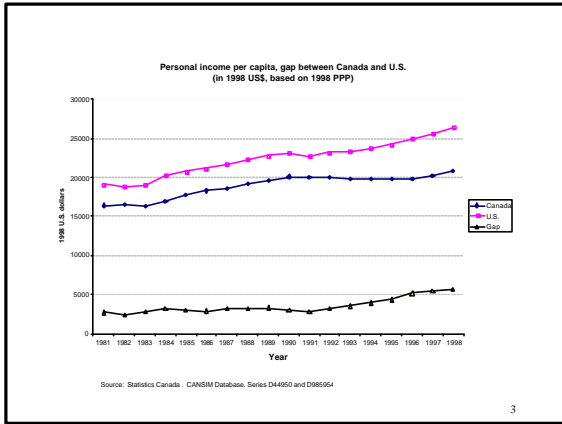
Political, Economic and Demographic Trends in Canada and the United States

Jack M. Mintz
 President and CEO
 C. D. Howe Institute

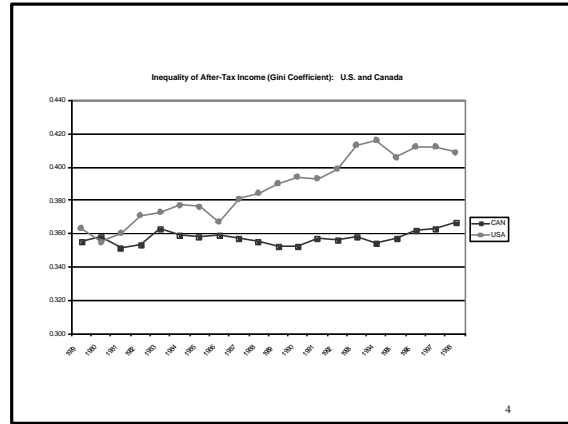
Topics

- Canada-US differences
- Demographic Changes
- The “New” Economy
- Fiscal Issues
- Politics
- A North American Space

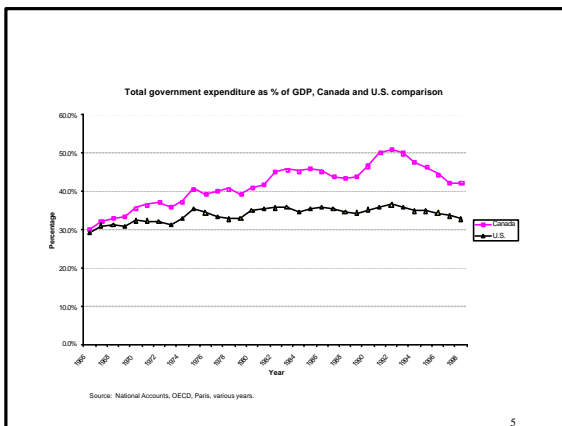
2



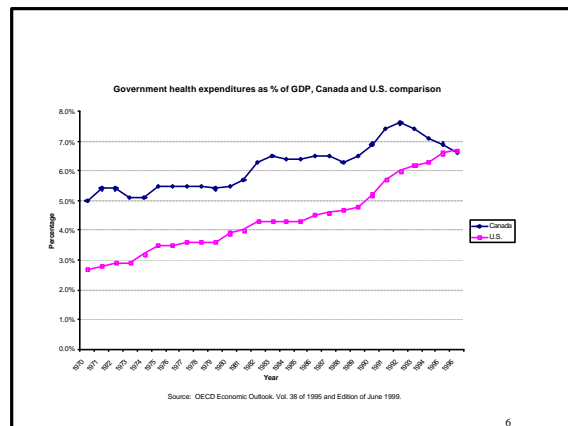
3



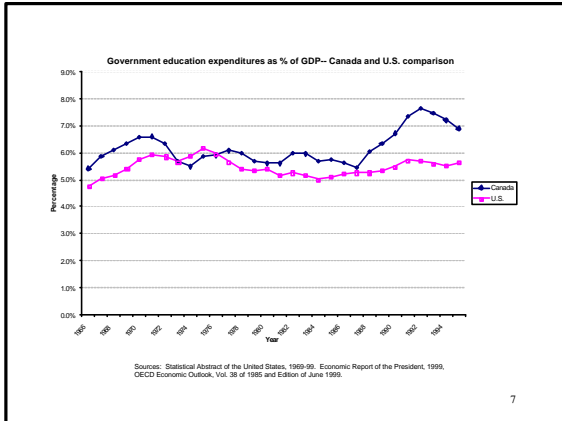
4



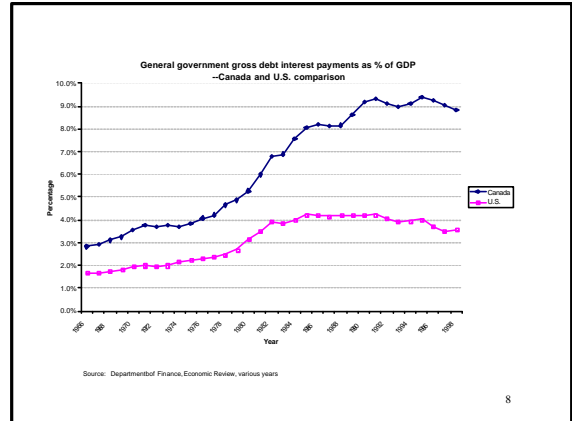
5



6



7



8

Demographic Changes

- Increasing Age Dependency in both US and Canada
- Falling fertility rates
- Longer life expectancy
- Immigration

9

Impact of Demographic Changes

- Rising personal incomes with capital deepening
- Labour shortages most severe in age-related sectors (medical services, long term care)
- International migration will be more pronounced

10

New Economy

- Information technology making it easier to conduct business worldwide
- Greater competition among countries for jobs
- Importance of creating a distinct advantage for local communities

11

Fiscal Issues

- Canada is still a high tax country although making progress on debt and taxes -- problem of competitiveness
- US fiscal balances in better shape
- But both countries will face fiscal pressures in the next half century due to demographic changes.

12

Fiscal Issues

- Old age security expenditures will rise in both countries
- Public-financed health care expenditures will also rise
- Education and child-benefit expenditures will decline
- Taxes as a share of GDP will also decline

13

Fiscal Issues

Impact of Aging Society	Canada		US	
	2000	2050	2000	2050
	% of GDP			
Elderly Benefits	5.1	10.9	4.4	6.2
Health Care	6.3	10.5	6.4	10.8
Education/Child Benefits	6.4	5.3	6.2	5.3
Total Program Spending	29.0	37.2	25.5	30.4
Tax/GDP Ratio	38.7	37.5	29.7	29.4
Change in Primary Balance		9.7		4.2

14

Fiscal Issues

- Demographics
 - Canada will need to take greater action on debt and tax reduction over the coming years
 - Health care reform and old age security reform will be needed in Canada
 - US tax/GDP ratios likely to rise overtime to deal with demographic impacts
 - US Social security reform will be important
 - Aboriginal issues

15

Fiscal Issues

- New Economy
 - increasing income inequality due to technological advance, international competition -- role of government transfers
 - urban/rural issues -- resource vs new economy industries -- regional policies
 - education and training - high school and post-secondary education

16

Politics

- Canada -- one party state at federal level?
- Role of provinces in political decision-making
 - Quebec -- sovereignty less important at this point
 - Alberta fiscal strength
 - Regional fiscal disparity -- has been declining in past twenty years
 - Role of federal government in education, health and welfare

17

Politics

- US -- competitive two party politics
- US federal government has stronger role in important fiscal issues but states play the major role
 - education
 - health
 - welfare
- Shifting balance to the southern states?

18

The North American Space

- Integration
- Critical issues
 - Security
 - Defense
 - Access to markets (trade remedies)
 - Customs union for US and Canada?
- A new Canada-US free trade agreement

19