

## THE NTA AT 100: A PERSPECTIVE FROM CANADA\*

*François Vaillancourt, Université de Montréal*

**T**HIS PAPER WILL PRESENT TWO CANADIAN perspectives that could be of interest to members of the NTA. The first is an examination of the presence of Canadians and, more generally, non-Americans in the NTA activities over the last 100 or 50 or so years. The second is an update of a presentation made 50 years ago on the golden anniversary of the NTA on the state of Canadian public finance.

### CANADIANS AND THE NTA

I examine three indicators of the activities of Canadians and non-Canadians with the NTA, using 5- and 10-year intervals in examining evidence from the relevant documents over either the 1907-1997/2007 or 1957-1997/2007 period. These indicators are:

- Board involvement;
- Membership;
- Participation in the annual conference.

#### Board Involvement

There has been, since the beginning of the NTA, the presence of two honorary Canadian board members. These have been filled historically by nonacademics with the first academic being Richard Bird. Some of the NTA honorary board members were well-known actors on the Canadian public finance scene, such as A. Shortt, A. Eaton, or M. A. Cohen. Intriguingly enough, two Canadian provincial premiers served in that capacity. Since 2004, this special treatment of Canadians has been abolished. Table 1 presents the honorary board members since 1907 using first a 10-year interval (1907-1957) and then a 5-year interval.

#### Membership

Presented in Figure 1 is the non-American membership broken down between Canadian and

non-Canadian membership. The jump in absolute numbers between 1937 and 1947 was due to the creation of the *National Tax Journal*, which created a demand by libraries. The drop between 1987 and 1997 reflected a change in the way libraries were treated in terms of information on the membership place of residence. Before 1987, they were included in the relevant list, but in 1997 the residence data were provided without them. Figure 1 shows that by 1957, non-Canadian foreign members were more numerous than Canadian ones. Where did these non-Canadians reside? Table 2 shows that Asia is the dominant region until 1997 when it is edged out by Europe. Within these regions, there is country lumpiness with, for example, Japan and the Philippines punching above their population weight in Asia.

#### Participation in Annual Conference

We know that the first Canadian presented at an NTA conference in 1908 in Toronto, Ontario, when the conference was held for the second time and for the first time outside the United States. The following conferences in Canada were in 1927, then 1952, and finally in 1973. So the practice of holding a conference outside the United States, which occurred at roughly a 20-year interval, seems to have faded away with no plans to hold a conference outside the United States in the near future. We know that one presentation by a Canadian occurred in 1957 as discussed in the second part of this paper. Table 3 presents information for participation by Canadians and non-Canadians since 1957. What is striking is the lack of foreign participation in NTA meetings. The 1982 foreign participant is from the United Kingdom. The results for 2002 and 2005 can be described as the Birger Nerré effect, since he organized a session each year attracting Europeans. There was a similar attempt in 1998 when a session specific to Canada was organized by Jack Mintz at the Austin meetings. Attendees were mainly the Canadians present at the meeting.

This lack of implication by Canadians (and others) is intriguing since they could contribute both to issues common to their countries and the

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*Table 1*  
**Honorary NTA Board Members, 1907-2002, Selected Years**

<i>Year</i>	<i>Member 1(alphabetical)</i>	<i>Member 2</i>
1907	Hon. Rutherford, Alexander C. (Vice-Chairman), Premier of Alberta	Shortt, Adam (Member of Tax Commission), Queen's University, Kingston
1917	McGarry, T. W., Provincial Treasurer, Toronto	Shortt, Adam, Chairman Board of Historical Publica- tions, Ottawa
1927	Brassard, E., Legal Advisor, Succession Duty, Montreal	White, J. T., Controller of Revenue, Toronto
1937	Eaton, A. K., Dept. of Finance Canada, Ottawa	McMahon, L. I., Bell Telephone Co. of Canada, Montreal
1947	Eaton, A. K., Dept. of Finance Canada, Ottawa	Garson, Stuart S., Premier, Province of Manitoba
1957	Clark, Philip T., Controller of Revenue, Toronto	Eaton, A. K., Dept. of Finance of Canada, Ottawa
1962	Clark, Philip T., Controller of Revenue, Toronto	Isbister, Claude M., Deputy Minister of Finance, Ottawa
1967	Clark, Philip T., C. A. Toronto	Johnson, Al W., Assistant Deputy Minister of Finance, Ottawa
1972	Brown, J. R., C. A., Montreal	McClellan, D. J., Ontario Ministry of Revenue, Toronto
1977	Cohen, M. A, Assistant Deputy Minister, Dept. of Finance Canada, Ottawa	Weiers, R. J., Director Corporations, Tax Branch, Ontario Ministry of Revenue, Toronto
1982	Bird, Richard M., Professor, University of Toronto, Toronto	McKie, A. B., The Bank of Nova Scotia, Toronto
1987	Bird, Richard M., University of Toronto, Toronto	Sherbaniuk, Douglas J., Director, Canadian Tax Foundation, Toronto
1992	Bird, Richard M., University of Toronto, Toronto	Sherbaniuk, Douglas J., Canadian Tax Foundation, Toronto
1997	Bird, Richard M., University of Toronto, Toronto	Only one Canadian member that year
2002	Mintz, Jack, University of Toronto, Toronto	Vaillancourt, François, Université de Montréal, Montréal

2004 Honorary Board Member category replaced by Advisory Member Category: One Canadian out of five (François Vaillancourt)

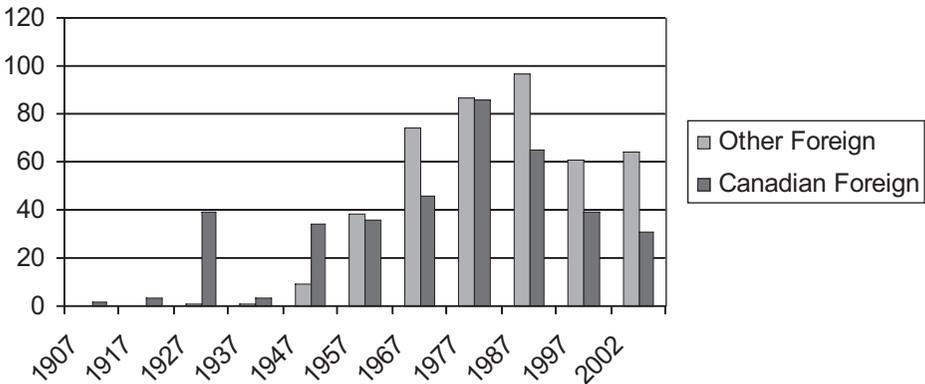
Source: Author

United States, such as revenue forecasting by states and provinces and to issues unique to their country.

Is it worth trying to do something to change this? A first answer is no: the market has spoken and why argue with it. A second answer is that there is imperfect information available to decision makers and, thus, an effort should be made. For example, attempts could be made to get a foreign perspective on key policy issues. I was struck for example by the fact that, at the 2005 Miami meeting, the

discussion of the American tax reform proposals had no input from abroad. One possible tool to achieve this is that a preliminary program could be shared with a few key non-American contacts to solicit their input for two or three key sessions. Note that I say non-American and not Canadian; I see no reason to privilege Canada in this exercise. These non-Americans could number 3-5 individuals, be selected on the basis of their past interest in NTA activities, and changed on a regular basis to insure fresh ideas. They would not be necessarily

Figure 1: Number of Non-American Members (Canadians and Non-Canadians), NTA, 1907-2002



Source: Author

board members; one could call them non-American program advisors.

Should one choose not to do this, what seems to work, in my experience at least over the last 10 years, are either international comparisons with the United States (gaming, equalization, flat taxes), participation in fiscal federalism sessions, which attract more international comparisons, or organizing a complete session with both American and non-Americans. Another point is that it is often easier to justify to funders or oneself attending a conference if one has a role in it other than attendee. Perhaps an attempt should be made to recruit foreign commentators for a few concurrent sessions; this could be one selection criterion for proposed sessions.

In closing this first part of the paper, it is interesting to briefly compare the Canadian Tax Foundation (CTF) (which was founded in 1945) with the National Tax Association. Main similarities are that both organize an annual conference<sup>1</sup> in the fall and both publish a learned journal. They differ as follows:

- The CTF was created by the Canadian Bar Association and the Canadian Institute of Chartered Accountants, who nominate the Board members for annual election. Thus economists are not present in the management of the Foundation.
- The CTF was deliberately instructed not to pursue policy reform when it was created. *The purpose of the Foundation is to provide both the tax-paying public and the governments of Canada with the benefit of expert, impartial research into current problems of taxation and government finance.*<sup>2</sup> This is different from the initial purpose of the NTA.<sup>3</sup>
- The CTF organizes four annual regional conferences (Atlantic, Ontario, Prairies, and British Columbia). One will note that it does not do so in Québec—where a strong French language association with the *Association de Planification Fiscale et Financière*, created in 1976, is dominant. Hence it faces a language-based competitor.

Table 2

Geographic Breakdown of Non-American or Canadian members, NTA, Selected Years, 1957-1997

	Total Non-Canadians	Europe	Americas	Asia	Africa/Middle East
1957	38	9	9	13	7
1967	74	15	6	44	9
1977	87	31	13	37	6
1987	97	33	5	44	15
1997	61	28	2	26	5

Note: 1997 data excludes libraries previously included

Source: Author

*Table 3*  
**Presentation by Canadians, NTA, 1962-2005**

<i>Year</i>	<i>Canadians presenting at the NTA conference</i>	<i>Others presenting at the NTA conference</i>
1957	1	0
1962	0	0
1967	1	0
1972	0	0
1977	0	0
1982	0	1
1987	1	2
1992	0	1
1997	0	0
2002	1	10
2005	1	5

- The CTF has an extensive tax library in Toronto and, since 1987, a Montreal office (opened to counter in part the APFF growing strength). It also has an endowment fund that it uses to finance various research projects that lead to the publication of a monograph.
- Economists participate little, if at all, in its annual conference that is a venue for lawyers and accountants. An interesting feature is a Q&A session with Revenue Canada officials.

I now turn to the second part of this paper.

### CANADIAN PUBLIC FINANCE

In his 1957 paper, Clark<sup>4</sup> presented information on federal and provincial finance for 1913 and 1955, respectively—the first year for which data was available and the last year for which it was available at the time of writing the paper. We present anew the results for 1913 and 1955 and add those for 2005 in a similar format and then discuss them. We should note that Clark used a rather unusual approach: (1) he calculated the share of transfers to other levels of governments over total revenues of a given level of government; then added that share to 100 percent; (2) he calculated the share of each source of revenue over total revenues-transfers. We also calculate the share of each revenue source over total revenues; we thus assume that the same share of each tax source (transfers to other governments/total revenues) is used to finance transfers.

Since 1955, the key changes in the Canadian tax system have been:

- A ceding of tax room by the federal government to provinces in both the personal (PIT) and corporate (CIT) income tax fields (Bird and Vaillancourt, 2006). This is reflected in the change in the overall importance of own revenues collected by both levels of government reported in Table 4. Also in 1955, provincially collected PIT accounted for 2.5 percent of all PIT revenues in Canada; while in 2005, this was up to 37 percent.<sup>5</sup> For the CIT, the percents are 5 percent and 35 percent, respectively;
- The accompanying creation of an equalization system in 1957 that made it acceptable for poorer provinces to accept tax room in lieu of federal transfers. This system first encompassed the PIT, the CIT, and succession duties. It now covers 33 revenue sources and is constitutionally protected since 1982<sup>6</sup>;
- The continuation of federal collection of the provincial PIT in nine provinces (Quebec is the exception) and of the provincial CIT in seven and now eight (Ontario<sup>7</sup>) provinces;
- The broadening of taxable personal income in 1972 with amongst other changes the inclusion of (50 percent) capital gains following the recommendation of the Carter commission report of 1966;
- The legalization of gambling activities when carried out by governments and a payment by provinces to the federal government in exchange for their sole occupancy of this field of revenues after a few years of joint occupancy (Vaillancourt and Roy, 2000);
- The abolition of federal succession duties in 1972; this led to the disappearance of provincial succession duties in quick order with the last one abolished in Quebec in 1985 (Bird, 1978);
- The reduction of the top marginal personal income tax rates (federal + provincial) to less than 50 percent and the introduction by Alberta of a flat personal income tax of 10 percent;

*Table 4*  
**Comparative Statement of Government Revenues in Canada, 1913, 1955, and 2005**

	<i>1913</i> <i>(Clark #s)</i>	<i>1955</i> <i>(Clark #s)</i>	<i>2005</i> <i>(Clark methodology)</i>	<i>2005</i> <i>(transfers not added on)</i>
<b>Federal government</b>				
Customs duties	71.7	11.9	1.8	1.4
Excise duties	13.7	6.2	-	-
Excise taxes	0	22.7	-	-
GST+Excises			20.8	20.4
Total Indirect	85.5	40.6	22.6	21.8
Personal income tax	0	29.3	59.8	45.4
Corporate income tax	0	25.4	18.4	14.0
Succession duties	0	1.7	0	
Miscellaneous		1.6	2.9	2.2
Total direct taxes	0	58.0	81.1	61.6
<i>Contribution to Social Security</i>	--	--	13.3	10.1
Post office	7.8	3.4		
Miscellaneous	15	6.6		
Total non-tax	22.8	10.0	7.7	6.5
Total	108.2	108.7	119.4	100
Payment to provinces	8.2	8.7	19.4	
<b>Provincial government</b>				
Corporate taxes (income and other)	7.8	5.7	6.9	5.9
Personal income	0.3	2.3	24.0	20.4
Succession duties	8.0	5.6	0	0
Gasoline and motor fuel	0.0	21.0	3.0	2.8
Retail sales		13.3	13.6	11.6
Others (amusement)	4.7	3.7	0.2	0.2
Total taxes	20.8	51.7	47.7	40.9
Federal government subsidies	28.6	27.3	21.8	18.5
Motor vehicle licenses	1.1	8.9	1.3	1.1
Liquor control	5.0	13.4	1.6	1.3
Public domain	24.6	20.0		
Miscellaneous (other licenses)	20.0	4.2		
Total	100	125.5	117.2	100
Grants to local governments		25.5	17.2	-
<b>Local (municipal and school boards)</b>				
Property taxes	81.8	53.2	39.5	39.5
Other taxes	0.8	10.9	-	-
Other revenues	17.4	10.3	20.0	20.0
Total taxes	100.0	74.5	59.5	59.5
Grants from provincial revenues		25.5	40.5	40.5
Total	100.0	100.0	100.0	100.0
Federal	50.1	61.4	43.3	43.3
Provincial	14.5	19.5	45.6	45.6
Municipal	35.4	19.1	11.1	11.1
Total	100.0	100.0	100.0	100.0

Source: Clark (1957) and author using data from CANSIM table 385-0001

- The replacement of the manufacturer's sales tax by a VAT referred to as the Goods and Services Tax (GST), introduced in 1991 at a 7 percent rate (5 as of January 1, 2008).

Examining Table 4, the key points are:

- The quasi disappearance of custom duties as a source of revenues for the federal government. This is explained in part by general rounds of tariff cuts (Uruguay) but also by the creation of CUFTA in 1989, followed by NAFTA in 1993;
- The greatly diminished importance of liquor and motor vehicle related revenues for the provinces;
- The increased importance of grants to local (municipal and school) government, reflecting the increased role of provinces in financing school boards.

## Notes

- <sup>1</sup> See <http://www.ctf.ca>
- <sup>2</sup> Canadian Tax Foundation – History at <http://www.ctf.ca>.
- <sup>3</sup> Thorndike and Mehrotra (2007).
- <sup>4</sup> Clark (1957).
- <sup>5</sup> Percent for 1955 is calculated using data from the table in Clark (1957); percent for 2005 is calculated by the author using data from CANSIM.
- <sup>6</sup> By article 36 of the Constitution that states that *Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of*

*public services at reasonably comparable levels of taxation* (see Department of Justice, Canada).

- <sup>7</sup> As of January 1, 2008, see Department of Justice, Canada, 2008.)

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