In Search of the Good Life

"Competitiveness" and Well-Being in British Columbia and Washington State

by Donna Vogel

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About the author

Donna Vogel is a researcher with the Canadian Centre for Policy Alternatives—BC Office. Her areas of specialization at the Centre are the public sector and public services in BC. She holds a Ph.D. in sociology from the University of British Columbia.

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The content, opinions, and any errors contained in this report are, of course, solely my responsibility.

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Summary

For years British Columbians and Canadians have been told that government had to "get its fiscal house in order," that we had to "tighten our belts" and "learn to do more with less." But just when it seemed like the days of sacrifice were finally over—deficits have been eliminated, the debt is under control, the federal government has accumulated a massive budgetary surplus—the goalposts have moved. "Competitiveness" has become the new buzzword in the assault on the public sector in British Columbia. We have to cut taxes and regulations, we are told, in order to remain competitive in the "new" economy, especially in key growth industries like high technology.

This study examines the issues of taxes and "competitiveness" in terms of both costs and benefits. Through a comparative analysis of BC and Washington State (WA), it asks whether or not our taxes, levels of public service, and government regulations really place us at a disadvantage with respect to our economic "competitors."

British Columbians now frequently hear Washington State held up as an example to emulate. BC and WA are close neighbours with a great deal in common. Both jurisdictions have historically relied on natural resources for economic development and jobs. Both have experienced the relative decline of these "old" industries and the rapid rise of the "new" high technology sector in recent years. WA is one of our main "competitors" for high tech investment.

But BC and WA also have important differences in their systems of taxation, public service provision, and employment standards that have direct implications for quality of life and for how we understand the issue of "competitiveness."

The major finding—BC has the advantage

The business lobby in BC defines "competitiveness" in a very narrow way, focusing only on tax rates and government regulation of enterprise. Such an approach tells us very little about our society. The business definition of "competitiveness" is also out of step with Canadians' values. Opinion polls and studies consistently find that most people are willing to pay their fair share of taxes in order to maintain a high quality of life.

1. Taxes, public spending and private costs

BC relies primarily on a progressive income tax, and this makes the tax system here much more fair than in Washington, where regressive sales and property taxes provide the bulk of state revenue.

Tax-funded public services and social programs make BC a more attractive place to live and work. BC has higher levels of social spending and lower out-of-pocket expenses than WA.

- An average family in BC pays almost $1,700 more a year in provincial taxes than a WA family pays in state taxes. But WA spends more than $1,000 less per person on public programs, and the effects of "smaller government" are evident in higher out-of-pocket spending by WA families for important goods and services.
- Students in WA pay almost $1,700 a year more in tuition fees for public universities than students in BC.

- Families in WA pay $540 more per year for the water, electricity, and fuel they use in their homes.
- At $763 a year, the difference in private spending on health care alone wipes out much of WA's tax "advantage."
- Families in WA spend $2,300 dollars more per year on life insurance, public and workplace pensions (excluding RRSPs), and unemployment insurance than families in BC.

2. Inequality

Higher private spending in WA contributes to a greater level of social polarization.

- The social safety net is far weaker in WA with respect to the degree of protection offered to people who are unable to earn a living in the job market. Only adults caring for a dependent child are eligible for social assistance in WA—for a maximum of five years over the course of their lifetime. While trying to raise a child on less than $14,000 a year in BC is extremely difficult, attempting to do the same in WA with less than $9,000 is unimaginable.
- More than 900,000 adults and children in WA (almost 16% of the total population) have no health insurance, and the number has been rising over recent years.
- Income inequality is far greater in WA than in BC. While the gap between rich and poor has been growing in both places, it has widened more rapidly in WA than in BC. This after an economic boom in WA and the lowest unemployment rate in 30 years.

3. Working conditions

Workers in WA have far fewer employment benefits than do workers in BC. Many of the employment standards British Columbians take for granted are virtually non-existent in WA.

- In BC, workers are entitled to nine statutory paid holidays a year and at least two weeks annual vacation. In WA, there are no laws providing for either paid holidays or annual vacations. Employees must negotiate time-off as a voluntary employer-provided benefit.
- In BC, women are entitled to 52 weeks of unpaid maternity leave and, if eligible, can collect employment insurance while they are off work. In WA, only women working in the public sector and for private companies with more than 50 employees (just 55% of the workforce) are entitled to a mere 12 weeks of unpaid leave following the birth of a child. No comparable system of unemployment benefits for maternity leave exists.

What are we "competing" for?

Social and economic conditions in WA have been worsening over the past decade, the longest period of economic growth in US history. This is the other side of the tax cutting story.

If "competitiveness" means higher out-of-pocket costs for essential services, more inequality and lower employment standards, it is time to ask "what are we competing for?" A competitive race to the bottom is not winnable. There is mounting evidence in both Canada and the US that economic growth does not necessarily mean improved living standards for people. British Columbians would be better served by a more realistic assessment of our advantages and public policies designed to improve on what we have.

1. Introduction: What Makes Us "Competitive"?

FOR YEARS BRITISH COLUMBIANS AND Canadians have been told that government had to "get its fiscal house in order," that we had to "tighten our belts" and "learn to do more with less." But just when it seemed like the days of sacrifice were finally over—deficits have been eliminated, the debt is under control, the federal government has accumulated a massive budgetary surplus—the goalposts have moved. "Competitiveness" has become the new buzzword in the assault on the public sector in British Columbia.

The argument goes like this. We are losing our so-called "best and brightest" and throwing away lucrative investment opportunities because our taxes are allegedly too high and, by implication, government is still too "big." We have to cut taxes and regulations in order to remain competitive in the "new" economy, especially in key growth industries like high technology.

High tech is BC's fastest growing industry. The high tech sector employed 52,000 people in 1999, almost double the number at the start of the decade. From 1997 to 1999 alone, high tech employment grew by 16%, compared with overall job growth of 2%.[1] Business interests now claim that future growth in the high tech sector is jeopardized by high corporate and personal income taxes, and by onerous labour regulations.

These claims, however, are extremely misleading. What is often missing from anti-tax arguments is any sense of the many benefits we—as individuals and as a society—receive in return for our tax dollars or what we stand to lose through tax cuts and deregulation.

> What is often missing from anti-tax arguments is any sense of the many benefits we—as individuals and as a society—receive in return for our tax dollars or what we stand to lose through tax cuts and deregulation.

It is simply wrong to describe taxes as a "burden." Taxes are the price we pay to ensure that we all have access to essential programs and services like health care, education, social assistance, occupational health and safety standards, and environmental protection. Our tax dollars also help build the energy and transportation systems required by individuals and businesses. And, since most of us could not afford to purchase these services and safeguards on our own, taxes are key to

Comparisons of taxes, public spending, out-of-pocket costs, measures of inequality and working conditions give BC a clear and substantial advantage over WA.

the overall quality of our lives and the kind of society we live in.

If we understand taxes in terms of both costs *and* benefits, the issue of "competitiveness" becomes much more complex. Do our taxes, levels of public service, and government regulations really place us at a disadvantage compared to our economic "competitors?" This study answers that question through a comparative analysis of British Columbia and Washington State.

British Columbians now frequently hear Washington State (WA) held up as an example to emulate. BC and WA are close neighbours with a great deal in common. Both jurisdictions have historically relied on natural resources for economic development and jobs. Both have experienced the relative decline of these "old" industries and the rapid rise of the "new" high technology sector in recent years. WA is one of our main "competitors" for high tech investment.

But BC and WA also have important differences in their systems of taxation, public service provision, and employment standards that have direct implications for quality of life in the two locations and for how we understand the issue of "competitiveness."

This report makes the case for a more comprehensive and meaningful definition of "competitiveness." Section two takes a closer look at the narrow view presented by business interests and finds that, by focusing only on tax rates and government regulations, this approach tells us very little about the state of society. The evidence also reveals that the business definition of "competitiveness" is out of step with Canadians' values. Opinion polls and studies consistently find that most people are willing to pay their fair share of taxes in order to maintain a high quality of life.

Of course, taxes and other cost factors remain important considerations for businesses and families. Section three examines business costs and personal tax rates in BC and WA. This analysis finds that, contrary to what we often hear, BC fares very well in comparison with other jurisdictions. Business costs in BC are lower than in many American locations, including Washington, and personal taxes are comparable for all but the highest-income earners. More importantly, because BC relies primarily on a progressive income tax, the tax system here is much more fair than in Washington, where regressive sales and property taxes provide the bulk of state revenue.

Section four looks at some of the specific outcomes of the investments people in British Columbia and Washington State make—or do not make—through tax dollars and the government services and protections they sustain. Comparisons of taxes, public spending, out-of-pocket costs, measures of inequality and working conditions give BC a clear and substantial advantage over WA.

The final section of this report returns to the issue of "competitiveness." If "competitiveness" means higher out-of-pocket costs for essential services, more inequality and lower employment standards, it is time to ask "What are we competing for?" A competitive race to the bottom is not winnable. There is mounting evidence in both Canada and the US that economic growth does not necessarily mean improved living standards for most people. British Columbians would be better served by a more realistic assessment of our advantages and public policies designed to improve on what we have.

2. What Do People Really Want?

BUSINESS GROUPS WITH A NARROW focus on tax cuts, deregulation and public sector downsizing have a very different point of view than most people. From the business perspective, only the costs associated with doing business figure into the equation. Speaking at the 2000 BC Business Summit, for example, Andy Smith, President and CEO of Hothouse Foods Inc., argued that "[t]here needs to be an objective and an understanding that if we can establish the lowest possible tax base in BC we will reap tremendous benefits through the attraction of investment and people to this province."[2]

Curiously, this is a line business leaders tend to emphasize—wherever they are. When asked recently about their state's business climate, industry executives in Washington State expressed growing concern with the cost of doing business. Taxes were seen as "one of the more vexing issues facing business, particularly high tech."[3] Ironically, CEO's in Washington are also demanding improvements to the state's crumbling transportation system and more spending on education.

Just looking at tax rates or the amount of government regulations on enterprise actually tells us very little about the state of a society. While taxes and other costs cannot be disregarded, other social and economic factors must also be considered. We need to examine the well-being of the most vulnerable members of our society, the security and satisfaction of work, and our sense of community and citizenship. This kind of analysis would give us a much better starting point for discussing how, and in what ways, we are "competitive," and what pressing social issues we need to address.[4]

Beyond being too narrow, the business definition of "competitiveness" is also out of line with Canadians' values. We have not been asking for tax cuts and public sector downsizing. Rather, Canadians have consistently demanded an end to the cutbacks and a re-investment in universal social programs. There is a great deal of evidence that people prefer to live in places that provide them with social as well as economic benefits. After years of pressure for tax cuts, Canadians still indicate that they favour a re-investment in public programs and services. Even our so-called "best and brightest" place a higher value on a wide range of social amenities, along with challenging work and respect on the job, than they place on the size of their paycheques.

There is a great deal of evidence that people prefer to live in places that provide them with social as well as economic benefits. Even our so-called "best and brightest" place a higher value on a wide range of social amenities, along with challenging work and respect on the job, than they place on the size of their paycheques.

In a poll conducted after the release of the 2000 Federal Budget, Ekos Research asked Canadians what they thought the government's priorities *should* be. At the top of the list was health care (93%), followed by the environment (81%), accountability in public spending (80%) and tax cuts (72%).[5] When asked what they thought the government's priorities actually *were*, 54% of respondents said Ottawa was more focused on economic priorities like tax cuts and economic growth. When asked their *preferences*, 33% said that the government *should* have focused more on economic priorities, while almost twice as many (60%) felt the government *should* have placed more emphasis on social priorities. There were significant gender and class differences in the responses, with women and lower-income respondents (i.e., Canadians who depend the most on public services) much more in favour of a social agenda.[6]

Also revealing were responses to a question about the government's intention at that time to spend roughly one-half of the surplus on reducing taxes and the national debt and the other half on new investments in areas like health, education and children. There was virtual consensus (84%) in support of the 50/50 formula. Of those who did not support the formula, 68% favoured *more* spending for health, education and children. A mere 4% of Canadians favoured altering the 50/50 formula in favour of more tax cuts and debt reduction.

High-income earners also place a strong value on social equality and economic security. As UBC economist Jonathan Kesselman explains, in addition to net income, attractions like personal safety, racial tolerance, security against market risks, the quality of and access to public education, health care and transportation, and air and water quality also play a important role in workers' decisions about where to locate.[7] Of course, whether or not these amenities exist depends to a large degree on taxes, public spending and regulation. Kesselman warns that trying to attract highly skilled workers by "Americanizing" our public policies would eliminate our competitive advantages and actually give these people *less* reason to live and work in Canada.

Recent surveys of corporate executives and high tech workers echo Kesselman's conclusion about the importance of a range of non-economic social and environmental conditions. For two years in a row, human resources consulting firm William M. Mercer has ranked Vancouver number one in a global survey of 215 cities. Mercer advises corporate clients on executive compensation issues. The firm calculates pay and benefits packages based on 39 "quality of living criteria," including political, economic and environmental conditions, as well as personal safety, health, education, entertainment, transportation and other public services. The lower a city places in the overall ranking, the higher the mitigating compensation recommended for corporate executives. In the 2000 survey, Vancouver shared first place with Zurich, while Toronto was in 19th place, Calgary 27th, San Francisco 16th and Seattle 33rd.[8]

A 1998 survey of high tech employees by consulting firm KPMG found that the issues most often described as "very important" were a challenging job (82%), exposure to new technology (78%), career opportunity (76%), work environment (74%), and training and development (71%). Only 66% of high tech workers cited salary as "very important."[9] Similarly, PricewaterhouseCoopers' annual survey of what Canadian high tech employees "really want" has consistently found that respect on the job, good management, full health benefits and reimbursement for training expenses were in the top five of 37 factors related to job satisfaction. Salary ranked only 11th in importance in last year's survey, after access to training and the latest technology, and the ability to work on challenging projects workers can take pride in.[10]

Most people are willing to pay their fair share taxes in order to maintain a high quality of life. Most people value the public goods they receive in return for their tax dollars. More important than the amount of money we pay in taxes are questions about what taxes are used for and how fair the tax system is.

> Beyond being too narrow, the business definition of "competitiveness" is also out of line with Canadians' values. We have not been asking for tax cuts and public sector downsizing. Rather, Canadians have consistently demanded an end to the cutbacks and a re-investment in universal social programs.

3. What Have Taxes Got To Do With It?

> The factors contributing to BC's business advantage include lower energy costs, superior tax incentives for research and development, lower wage and salary costs, lower benefit and payroll taxes, and lower construction costs.

OF COURSE, TAXES AND OTHER COST factors are important considerations for businesses and individuals. The key point, however, is that we cannot examine tax rates in isolation from other important social and economic goals. Is the cost of doing business in BC out of line with our competitors? What about personal taxes? How do they measure up?

Contrary to tax cut rhetoric, the evidence shows that BC fares very well with respect to both business costs and personal taxes. BC's taxes are entirely "competitive" by national, North American and international standards. The cost of doing business in British Columbia is lower than in many American locations. Personal taxes in BC are similar to other Canadian provinces and Washington State for all but a very small minority of wealthy individuals and families.

Business Costs

A March 2000 study by KPMG concluded that British Columbia was very well-positioned to compete for both high technology companies and skilled workers. Comparing Vancouver with seven American high tech centres—Seattle, Portland, San Jose, Raleigh, Colorado Springs, Austin and Minneapolis—KPMG found that, in addition to the city's spectacular natural endowment and "laid-back" lifestyle, Vancouver offered lower business costs for high tech firms. Table 1 presents the overall results of KPMG's cost comparison. Vancouver is at the top of each of the four industry sectors examined.[11]

The factors contributing to BC's business advantage include lower energy costs, superior tax incentives for research and development, lower wage and salary costs, lower benefit and payroll taxes, and lower construction costs.[12] Employer-paid benefits are also much lower in BC than in the US cities, largely due to lower health insurance premiums. On average, US employers pay 8.7% of gross payroll for health insurance premiums, compared with just 1.4% in Canada.[13] Employer-paid health premiums are lower in Canada because we have a universal public health care system.

Table 1: Index and ranking of total business costs, four industry sectors

	Overall Ranking	Electronics Index	Telecom Index	Packaged Software Index	Advanced Software Index
Vancouver	1	94.9	97.0	88.9	88.8
Raleigh	2	98.9	99.5	98.7	98.8
Colorado Springs	3	99.5	99.8	99.1	99.3
Austin	4	100.8	100.2	99.4	99.6
Minneapolis	5	101.6	100.4	101.5	101.2
Portland	6	102.4	100.6	101.8	101.3
Seattle	7	102.5	102.1	103.1	102.5
San Jose	8	107.8	103.3	108.6	107.7

Note: The index of 100.0 represents the US average, as defined in the KPMG study, The Competitive Alternatives. Index numbers below 100.0 represent total costs below the US average.
Source: KPMG, March 9 2000, British Columbia – An Analysis of Competitive Issues for High-tech Firms, p. 49.

The KPMG report also found that BC offered business a number of additional advantages over high tech centres in the US. The province has a well-educated and highly-skilled labour force, a good network of advanced education institutions and research centres, and strong industry organizations. BC is also a prime geographical location for international business, with excellent transportation and communications infrastructure, as well as government programs specifically designed to foster the high tech sector.

Personal Taxes

What about the costs of working and living in BC? Are workers and their families suffering under an unbearable tax burden? CCPA economist Marc Lee recently examined the prevailing myths about BC's personal tax rates. He found plenty of reasons to

What do we mean by…

top marginal income tax rate

The percentage of income paid in the highest tax bracket. In BC, this is generally payable only on income over $80,000 (depending on RRSP and other deductions). For example, a person making $100,000 would pay the top rate only on the last $20,000 of income, not on their entire income. Only the top 4% of taxpayers earn enough to be affected by the top rate.

high income

In this paper the term generally refers to the top 10% of taxpayers that make over $60,000 per year and, more specifically, to the 4% that make over $80,000 per year.

a progressive tax system

The principle that the percentage of one's income paid to a tax increases as one's income rises. Income taxes in Canada are generally progressive through higher tax rates that kick in as income rises into higher tax brackets. On the other hand, a sales tax is an example of a regressive tax, meaning lower-income people pay a greater share of their income to the tax than higher-income people.

be sceptical about claims that we are "over-taxed." First, taxes in BC are comparable with those in other industrialized countries, Canadian provinces, and the US. Second, tax cuts are not the economic "miracle cure" they are often made out to be. Third, the kinds of tax cuts that are generally proposed would deliver few benefits to low- and middle-income families, while reducing the government revenue available to fund the important public services that these families rely upon.[14]

As a share of the overall economy (measured by GDP), taxes in Canada are slightly below the average for OECD countries, and much lower than the European Union average.[15] As shown in Table 2, Canada does rely more on income taxes than the other OECD countries, but has lower social security (or payroll taxes), and generally lower property taxes. This is a good thing for most of us. Income tax is collected on the basis of ability to pay—the more money you make, the larger the share you pay in income taxes. Relying more on income tax makes our tax system more progressive, and a progressive tax system plays an important role in off-setting inequalities produced by the market. In contrast, consumption taxes, like property and sales taxes, place a disproportionate burden on people with lower incomes, and magnify inequalities produced in the market.[16]

Overall provincial personal taxes (i.e., personal income tax, sales tax, property tax, health care premiums and other taxes) in BC are the second or third *lowest* in Canada after Alberta and PEI for all but the highest income.[17] In 2001, BC's top marginal income rate (48.7%) is only modestly higher than Alberta's (41.2%) and Ontario's (47.6%), and only applies to the four percent of taxpayers with annual incomes over $80,000. For the vast majority of us, the top marginal tax rate is irrelevant.

While they vary from state to state, overall personal taxes in US states are generally lower than in Canadian provinces, but only significantly so for the wealthy. Seven states, including Washington, have no state income tax at all, relying instead on a combination of sales and property taxes.[18] A 1999 Conference Board of Canada study compared total income, sales, property and payroll taxes in six cities in each of Canada and the US for single individuals earning $50,000 or more (the top 12% of Canadian taxpayers).[19] The study found that a Canadian earning $50,000 (Canadian dollars for Canada, US dollars for the US) would pay 34.7% of their income in total taxes. In the US, total taxes amounted to 28.1% of

As a share of the overall economy, taxes in Canada are slightly below the average for OECD countries, and much lower than the European Union average. Canada does rely more on income taxes than the other OECD countries, but has lower social security (or payroll taxes), and generally lower property taxes.

Table 2: Tax revenues by source (as a percentage of GDP), 1996

	Personal Income Tax	Corporate Income Tax	Social Security	Taxes on Goods and Services	Other Taxes	Total Tax Revenue
Canada	13.9	3.3	5.9	9.1	4.6	36.8
United States	10.7	2.7	6.7	4.9	3.5	28.5
European Union	11.0	3.2	11.2	13.3	3.7	42.4
OECD Average	10.1	3.1	8.4	12.3	3.8	37.7

Source: OECD Revenue Statistics, 1965-1997.

earnings, just 6.6 percentage points below the Canadian figure.

American taxes are only substantially lower at the highest income levels. It is interesting to note that average weekly earnings for high tech workers in BC are $870 ($45,000 a year), far below the level at which the US tax "advantage" for high-income earners kicks in.[20]

A comparison of BC and Washington State by KPMG for the *Vancouver Sun* newspaper came to the same conclusion. Personal taxes are only significantly lower in Washington for people at the very top of the income ladder.[21] According to KPMG, for a two-income family of three earning a combined income of $107,700 (Canadian dollars for Canada, US dollars for the US), total tax paid in BC was $22,845 or 21.2% of total income. In Washington, the comparative amount was $20,950 or 19.5%. The difference would be even smaller if the Canadian family made the maximum RRSP contribution.

Even more important than the percentage of income paid is how taxes are levied. Washington's tax system is highly regressive—the most regressive of all US states.[22] WA collects a much larger share of the incomes of low- and middle-income families than of high-income families. Table 3 shows WA Department of Revenue estimates of state and local taxes for families of four across broad income classes. A family at the top of the income scale ($150,000) pays just 5.6% of their annual income in total state and local taxes. A family at the bottom ($15,000) pays 15.5%, almost three times as much.

In contrast, BC collects approximately equal shares from families at different income levels. As shown in Table 4, a two-income family of four earning $90,000 a year pays 10.5% of their total income in provincial and local taxes, while a family earning $55,000 pays 10.6% in total provincial and

Table 3: WA state and local taxes as % of income, 1998

Household Income	Retail Sales Tax	Property Tax	Misc.	Total
$15,000	5.7	6.1	3.7	15.5
$25,000	4.5	4.0	2.6	11.1
$35,000	3.9	3.2	2.1	9.2
$45,000	3.6	2.9	1.8	8.3
$55,000	3.4	2.7	1.7	7.7
$65,000	3.2	2.6	1.5	7.3
$75,000	3.1	2.4	1.4	6.8
$100,000	2.9	2.1	1.2	6.1
$125,000	2.7	2.1	1.0	5.8
$150,000	2.6	2.1	0.9	5.6

Note: Household income for two-income family of four.
Source: WA Research Council. 1998. "Special Report: Understanding Washington State Taxes." Seattle Washington, p. 17.

Table 4: BC provincial and local taxes as % of income, 2000

Household Income	Income Tax	Property Tax	Sales Tax	Total
30,000	1.0	3.9	1.6	9.3
55,000	5.3	2.1	1.3	10.6
90,000	6.9	1.3	1.1	10.5

Note: Household income for two-income family of four.
Source: BC Budget 2000.

Even more important than the percentage of income paid is how taxes are levied. Washington's tax system is highly regressive—the most regressive of all US states. WA collects a much larger share of the incomes of low- and middle-income families than of high-income families.

local taxes, and a family earning $25, 000 pays slightly less at 9.3% of total income in provincial and local taxes.

The two tax systems have different effects because BC and WA collect different kinds of taxes. Table 5 shows that, in BC, income tax made up one-third of total tax revenue in 1999/00, the largest source of tax revenue in the province. The income tax in BC is progressive, with a family of four earning $90,000 a year paying 6.9% ($6,234) in income tax, a family earning $55,000 paying 5.3% ($2,901), and a family of four earning $25,000 paying 1% ($268) in income tax in 2000 (Table 5 above). The second largest component of provincial tax revenue (19.1%) comes from the sales tax, followed by natural resource revenue at 13.8% of total tax revenue (the benefit of public ownership—WA's natural resources are primarily

Table 5: BC Government Revenue by Source (1999/00)

	$ million	% of total
Personal income	5,754	33.0%
Corporation income	939	5.4%
Corporation capital	441	2.5%
Provincial sales tax	3,325	19.1%
Property taxes	1,570	9.0%
Fuel	456	2.6%
Tobacco	468	2.7%
Other tax revenue	242	1.4%
Natural resource revenue	2,412	13.8%
MSP premiums	880	5.0%
Motor vehicle licenses	334	1.9%
Other fees and licenses	624	3.6%
Total	**17,445**	**100.0%**

Note: This table is based only on provincial government revenue sources that are direct or indirect taxes paid by people or corporations in BC, plus natural resource royalties, and fee and license revenues. Contributions by Crown Corporations, the federal government and revenues that are dedicated to specific purposes (e.g., payroll taxes dedicated for worker's compensation programs and contributions for pensions of public employees) are not included.
Source: BC Budget 2000.

Table 6: WA Government Revenue by Source, 1999/00 General Fund

	$ million	% of total
Retail sales, use and excise taxes	6,353	57.5%
Business and Occupation tax	1,838	16.6%
Property taxes	1,333	12.0%
Misc. taxes	878	7.9%
Licenses	131	1.2%
Interest income	107	1.0%
Timber sales	73	0.7%
Fines and forfeitures	68	0.6%
Other contracts and grants	264	2.4%
Total	**11,045**	**100.0%**

Note: This table is based only on "general" government revenue sources that are direct or indirect taxes paid by people and corporations in WA, plus natural resource revenues, and fee and license revenues. It does not include revenues that are dedicated to specific purposes (e.g., payroll taxes dedicated for worker's compensation programs and contributions for pensions of public employees).
Source: WA Office of Financial Management, Comprehensive Annual Financial Report, 2000.

privately-owned).

Washington, in contrast, relies very heavily on consumption taxes. Table 6 indicates that by far the largest share of state tax revenue is raised by the retail sales and use taxes. These accounted for 57.5% of total general revenue in 1999/00. Sales taxes place a disproportionate burden on low-income families, largely because they must spend most or all of their income, while higher-income families do not pay sales tax on portions of their incomes that are saved or invested.

Washington has no corporate income tax but it does have a Business and Occupations tax, which is a tax on the gross receipts of all firms doing business in the state. At 16.6%, it is about double the US average for corporate taxes. Because it is a tax on gross receipts, it is also higher than BC's corporate income tax of 16.5%, which is a tax on net income only. Property taxes provide the third largest share (12%) of Washington's tax revenue.

Taxes in BC are clearly not out of line with other jurisdictions. Only the highest income earners would pay significantly less tax in WA than in BC. For the majority, the tax system in WA is highly regressive while, as the next section shows, "smaller government" means more out-of-pocket expenses (for those who can afford to pay), more inequality, and poorer working conditions.

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4. BC Has The Advantage

THIS SECTION EXAMINES SOME OF THE concrete outcomes of the investments people in British Columbia and Washington make—or fail to make—through taxes and the public programs and services they sustain. The various measures presented below were selected on the basis of two criteria: they primarily fall under provincial rather than federal jurisdiction; and comparable statistics in BC and WA are available.

Taxes, Public Spending and Private Costs

Our tax dollars come back to us, in one form or another, as public goods. The less we pay in taxes, the less money there is in the public purse, and the more we have to pay privately to purchase services like health care and education. Table 7 provides a comparison of public spending and out-of-pocket costs in BC and WA.

The average family in BC pays $1,663 more per year in provincial taxes than a WA family earning the same income pays in state/local taxes. However, this apparent financial "disadvantage" is more than off-set by public spending per capita in BC and much lower out-of-pocket spending on key services. At just under $5000 a year, BC's per person "social wage"—that is, public program spending—is more than $1,000 higher than in WA.

The effects of "smaller government" are evident in higher out-of-pocket spending by families in WA. That is, while families in Washington may have more after-tax disposable income, they have to spend much more of that income on education, utilities, health care, and private insurance and pensions than do families in British Columbia.

Tuition fees for students in public universities and colleges are substantially higher in WA than in BC. Moreover, the BC advantage is likely to grow even greater in the future, as WA debates a new "flexible tuition fee policy" that would allow public post-secondary institutions to set their own tuition based on market principles. Under the proposal, increases for undergraduate students would be capped at 10% per year and 40% over any six-year period. Tuition increases for graduate and professional programs would not be capped.[23] In contrast, BC has had a tuition-freeze for the past five years and has approved a 5% reduction in tuition fees for the 2001-02 year.

Families in Washington also pay more for the water, electricity and fuel they use in their homes. These are essential household utility costs, and they affect the overall affordability of housing. Because most of the retail electricity service in WA is provided by regulated, consumer-owned utilities, electricity rates for most residential and small business customers have remained relatively stable. However, large industrial customers who opted out of the regulated system to buy power on the open market have experienced sharp rate hikes, and several firms have closed due to high energy prices. Presently, WA's regulated utilities are facing the possibility of having to substantially increase rates and cut residential and industrial consumption due to inadequate electricity supplies.

Families in WA spend $768 more on private health care, including medical services and supplies, drugs and medical insurance. This difference wipes out a large portion of WA's tax "advantage." Beyond placing a substantial burden on family budgets, WA's largely

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Table 7: Taxes, Public Spending and Private Costs in BC and WA

	BC	WA	The BC Advantage
Total provincial and local taxes (two income family of four earning $55,000 CAN at PPP), 1998	$6,518	$4,855	-$1,663
Public program spending per capita, 1998	$4,983	$3,865	$1,118
Average university tuition, undergraduate, 2000	$2,300	$3,950	$1,650
Average college tuition, undergraduate, 2000	$1,700	$1,969	$269
Average expenditure-water, fuel and electricity, 1998	$1,216	$1,756	$540
Average expenditure-health care, 1998	$1,499	$2,267	$768
Average expenditure-personal insurance and pension contributions (including life insurance and social security contributions), 1998	$2,632	$4,937	$2,305

Notes:
1) WA spending for water, fuel and electricity and health care for the West region of the US. All figures are given in Canadian dollars at Purchasing Power Parity 1.3 for 1998 and 1.2 for 2000 (OECD, Main Economic Indicators, "Comparative Price Levels.") PPP is the price in Canadian dollars of the same basket of goods and services in the United States. $78 US dollars spent by an American household in 1998 and $81 in 2000 was equivalent in purchasing power to $100 Canadian dollars spent in Canada. This "purchasing power" is considerably higher than the exchange rate. One reason is that many of the goods and services purchased by Canadians do not cross the border (e.g., recreation, food, drugs) and actually cost less in Canada than they would if they were imported from the US at the official exchange rate. Another reason is that the official exchange rate is influenced by many factors of little direct relevance to consumers, such as world prices for raw materials (Wolfson and Murphy, Summer 2000, p. 30.).
2) Personal insurance payments and pension contributions include nonhealth insurance payments other than for homes and vehicles, and payements for life insurance, annuities, employment insurance, public and private workplace pensions (not RRSPs).

Sources:
BC Budget '98 Reports; Washington Research Council, "Understanding Washington State's Taxes," Aug. 19, 1998, p. 17; BC Budget 2000; WA Office of Financial Management, General Purpose Financial Statements, 2000.); Spending Patterns in Canada, 1998, StatCan, Cat. No. 62-202; Consumer Expenditure Survey, 1998, West Region [US], Bureau of Labour Statistics; BC Ministry ofAdvanced Education, Training and Technology; Washington Research Council, e-Brief, "Flexibility the Key to Rational Tuition Policy." Feb. 12, 2001.

private health care system is also extremely costly in terms of the number of people who can not afford health insurance at all. As discussed in more detail below, Americans pay more—privately *and* publicly—for health care than Canadians, but have among the poorest health outcomes of all Western industrialized nations.[24]

After seven years of tax cuts, unprecedented economic growth and the lowest unemployment rates in three decades, WA is currently facing a major fiscal crisis. For years, WA has cut public spending in order to pay for tax cuts. In the spring of 2001, WA is experiencing its worst revenue shortfall in 20 years.

Families in WA spend $2,300 dollars more per year on a combination of life insurance payments, public and workplace pensions (excluding RRSPs), and unemployment insurance than families in BC. Costs may be higher for each of these items in WA and, in particular, we know that mandatory social security payments (i.e., public pension and unemployment insurance) take a substantially larger portion of American workers' paycheques than they do in Canada. For a two-income family with an annual income of $107,000, for instance, CPP/Social Security payments amounted to $2,226 in BC and $7,950 in WA, a staggering $5,724 difference.[25] Additional voluntary insurance payments may be a consequence of WA's thinner social safety net and the fact that individuals are more responsible for maintaining their own security, if they can afford to do so.

Families in WA pay less in taxes than British Columbians but they also have to pay much more out of their own pockets for many important programs and services. There are strong indications that private costs are set to climb even higher. After seven years of tax cuts, unprecedented economic growth and the lowest unemployment rates in three decades, WA is currently facing a major fiscal crisis. For years, WA has cut public spending in order to pay for tax cuts. In the spring of 2001, WA is experiencing its worst revenue shortfall in 20 years. Public sector workers are on strike for a long-overdue wage increase. Voter initiatives have mandated a reduction in class sizes for the K-12 education system and a boost to teachers' salaries to counter the effects of inflation and to retain qualified teachers in the public system.[26] Under the stranglehold of tax cuts, legislators in WA are proposing to cut the state's already inadequate public health care system in order to meet new spending demands. As discussed in the inequality section below, the impact on low income people in WA will be devastating.

Measuring Inequality

Like regressive taxes, higher out-of-pocket costs make the inequalities produced by the market even worse. This is because low-income people pay a larger share of their incomes on these essential goods and services. Many people cannot afford to pay these costs at all, which leaves them out in the cold. Both consequences lead to greater inequality.

Table 8 compares BC and WA on several measures of social inequality. Washington is unquestionably a far more polarized society than British Columbia. The social safety net is also far weaker in WA with respect to the degree of protection available to people who are unable to earn a living in the job market.

Table 8 shows the annual social assistance income in BC and WA for a single-parent family with one child—one indicator of how the two societies care for their most vulnerable citizens. While trying to try to raise a child on less than $14,000 a year in BC is extremely difficult—if not harmful—for both parent and child, attempting to do the same in WA with less than $9,000 is unimaginable. And, again, we need to keep in mind the relatively low levels of public spending and high private costs in WA. These constitute a substantially larger burden for poor families who are already trying to make do with less income.

Social assistance in BC is woefully inadequate by any standard. Under the "BC Benefits" reforms of the mid-1990s, welfare rates for singles and couples without children were cut dramatically, while youth between the ages of 18 and 24 were forced to meet job search, training and work experience requirements, and to take any job deemed “suitable” by the Ministry. People who quit or were fired from a job were no longer eligible for benefits, and all “employable” adults and parents whose children are over age six were forced to work or participate in employment-related programs. These changes have caused unnecessary and unjustifiable hardship for people who need assistance and they did little, if anything, to address the causes of poverty in BC.[27]

As meagre as BC’s welfare system is, however, Washington’s is far worse. WA’s welfare system also underwent a major overhaul in the 1990s. In 1996, the US federal government abolished social assistance as an entitlement, replacing it with a program called Temporary Assistance for Needy Families (TANF). Eligibility for assistance under TANF is restricted to adults caring for a dependent child—for a maximum of five years over the course of their lifetime.

In 1997, Washington reformed its welfare system to comply with the new federal regulations. For people deemed fit to work (i.e., excluding people who have long-term disabilities and the elderly), WA’s support system is extremely thin. TANF recipients must participate in job training and work-search programs, and are expected to take any available job. Parents are required to look for work once their child reaches the age of 30 months. Individuals without children, those who have been convicted of drug-related offences other than simple possession, and all adults who have exceeded the five-year maximum are ineligible for any benefits other than food stamps (valued at approximately US$150 per month).

Washington’s welfare system is phenomenally punitive and unforgiving. Welfare caseloads did fall in the late 1990s, but this had much to do with the booming economy. Now, with an economic slowdown and an August 2002 date to start terminating benefits for WA families who have reached the five-year limit, fears are being raised that people will be thrown into absolute poverty and degradation.[28]

Many families in WA also live without health insurance. Health insurance is essential to people’s physical and economic well-being. Canada has a universal system of public health insurance that covers everyone for all medically-necessary services provided in physician’s offices and hospitals. In the

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Table 8: Measures of Inequality

	BC	WA
Annual social assistance income for single parent family with one child (WA in $CAN at PPP), 2001	$13,660	$8,500
Number of individuals without health insurance, 1999	none	910,000 (15.8% of total population)
Ratio of total family income, top 20% to bottom 20%, 1998	6.2 to 1	9.2 to 1
Ratio of total family income, top 20% to bottom 20%, 1989	5.2 to 1	7.0 to 1
Infant mortality per 1,000 births, 1998.	4.03	5.7

Sources: Social assistance-BC Ministry of Social Development and Economic Security, WA Department of Social and Health Services ; Health insurance-Health Insurance Coverage by State: 1997-1999, US Census Bureau. Quintiles ratio-Statistics Canada, Income in Canada 1998, Table 7.2, Bernstein et al. January 2000, "Pulling Apart: A State-by-State Analysis of Income Trends." Center on Budget Priorities and Economic Policy Institute. BC figures are after taxes and transfers, WA are after transfers but before taxes (given the regressive tax system in WA, the comparable gap would be even wider). Infant mortality-BC Vital Statistics Agency, The State of Washington's Children, Spring 2000.

More than 900,000 people— almost 16% of the population of WA—have no health insurance coverage, and the number has been increasing in recent years. In 1999, Washington held the dubious honour of being at the top of the list of 16 US states in which the number of uninsured grew from 1997 to 1999.

US, in contrast, health care is insured and delivered by a patchwork of mostly private providers that not only costs more per capita than Canada's public system, but also leaves about 44 million working Americans (at least half of whom are children) with no health insurance at all.

British Columbia is one of only two Canadian provinces to charge additional premiums for our universal health insurance system. However, as the legality of these premiums is questionable under the Canada Health Act, no citizen of BC can be denied access to physician and hospital care because they have not paid the premium. In other words, we enjoy 100% health insurance coverage for medically-necessary services. The situation WA is vastly different. More than 900,000 people, almost 16% of the population of WA, have no health insurance coverage, and the number has been increasing in recent years. In 1999, Washington held the dubious honour of being at the top of the list of 16 US states in which the number of uninsured grew from 1997 to 1999.[29]

The growing number of people without health insurance is largely the result of employers backing away from their role in providing health insurance. This is especially the case for low- and moderate-income workers. As an employee benefit, health insurance coverage has always been provided on a voluntary basis (i.e., negotiated, not state mandated). According to the WA-based Economic Opportunity Institute, seven out of 10 of the uninsured are members of working families. The proportion of private employers with 100 or more employees providing health benefits dropped from 97% in 1980 to 76% in 1997. Increasingly, employers are replacing permanent staff with temporary workers in order to avoid responsibility for providing health insurance and other benefits.[30]

Facing a revenue shortfall this year, Washington's Legislators have proposed a budget that would cut health funding. The number of people receiving state subsidies for basic health insurance would be reduced from 133,000 to 100,000 over the next two years. Federal funds that were supposed to go to hospitals that treat the uninsured in their emergency rooms would be diverted to other purposes.[31]

The income gap between rich and poor is another measure of inequality. In Washington, income inequality is far greater than in BC and, while the gap has been growing in both places, it has widened more rapidly in WA. In the 1990s, poverty and inequality grew throughout the United States, at the same time as the American economy experienced an unprecedented boom. According to analysis by the American Centre on Budget Priorities and the Economic Policy Institute, income disparities in most states were significantly greater in the late 1990s than they were in the late 1980s.[32] Washington ranks among the top ten states where income inequality grew the most over the past decade.

Table 8 shows the ratio of total income for the top 20% to the bottom 20%of families in BC and WA. This ratio captures the relative distribution of market income and government transfers (before taxes) between high-income and low-income families. For example, in 1998 a high-income family in British Columbia earned $6.20 for every $1.00 dollar earned by a low-income family. In Washington, wealthy families earned $9.20 for every $1.00 dollar earned by a poor family.

What these figures demonstrate is that, over the past decade, the benefits of economic growth have gone almost entirely to the wealthiest members of society. This flies in the face of the idea that hard work should pay off and that the people who contribute to economic growth should reap a fair share of the benefits of that growth. The growing gap between rich and poor undermines people's sense of attachment to the broader society, as well as their incentive and ability to participate as active and engaged members of their communities. Research in this area points to declining social cohesion, diminished trust in institutions including government, less participation in democratic processes and, of course, growing prison populations. These trends exact a heavy price over the long term.[33]

In addition, growing social and economic polarization undermines the willingness of the wealthy to contribute to public programs and services through their taxes. As the authors of a report on the growing income gap in the US explain:

> As the divide grows among families at different income levels, there is less contact and familiarity with the problems faced by families in different economic circumstances. For example, it can be difficult for an upper middle-income family living in a suburban neighbourhood to understand the lack of decent housing available to poor families. Similarly, wealthy families with the resources that allow access to private schools for their children can lose sight of the need to support public schools. As a result, support for the taxes necessary to finance government programs declines.[34]

The fact that incomes are falling for families at the very bottom of the income scale is especially troubling. Research has shown that poverty has a substantial effect on children's cognitive and physical development. Children who grow up in poor families have poorer health, higher rates of learning disabilities and developmental delays, and poorer school achievement. They are also far more likely to be unemployed as adults than children who were not poor.[35]

Beyond its long-term negative effects on children who grow up poor, income inequality *in and of itself* is costly. Inequality is strongly linked to higher mortality rates and poorer population health.[36] WA's infant mortality rate is far higher than BC's and has been *rising* in recent years.[37] Inequality is costly for all members of society, now and in the future.

The Conditions of Work

The final set of measures examined in this study relates to the quality of work life in BC and WA. Government standards regarding the conditions of paid work are critical to our overall well-being. The minimum wage, rules governing maternity leave, paid holidays and annual vacations, and so on play an important role in making a society more or less equitable and liveable. Not only do we spend a great deal of time at work, most of us depend on our jobs for income and, in many ways, a sense of personal identity and self-respect. Work—the hours we have to work, how we are treated on the job, the size of our pay cheques, the employment benefits we receive—has a huge impact on all aspects of our lives, especially our family lives.[38]

Basic employment standards—those enshrined in law as entitlements of all workers—set the tone for the overall workforce. Here too, we see that life is far better in BC than in WA. To begin with, BC has a stronger union presence than WA. In BC, almost one third (30.4%) of the labour force belongs to a union, while in WA less than a fifth (18.2%) of workers are unionized. Unions play an important role in regulating both working conditions and the distribution of income. Unions raise standards and wages for the entire workforce—union members as well as unorganized workers. BC's higher union density can explain, at least in part, the more worker-friendly system of employment regulations we enjoy in this province.

Workers in WA have far fewer employment benefits than do workers in BC. Many of the employment standards we take for granted—holidays, vacations, maternity leave and so on—are non-existent in WA.

In British Columbia, workers are entitled by law to nine statutory paid holidays and an annual vacation (or vacation pay) of at least two weeks after one year of employment and three weeks after five years of employment in the same job. In Washington, neither state nor federal law makes any

In BC, workers are entitled by law to nine statutory paid holidays and an annual vacation (or vacation pay) of at least two weeks after one year of employment and three weeks after five years of employment in the same job. In WA, neither state nor federal law makes any provision for paid holidays or annual vacations.

provision for paid holidays or annual vacations. Employees must negotiate time-off as a voluntary employer-provided benefit. Public employees and private sector workers typically receive 10 paid days off and two weeks paid vacation, but this comes solely at their employers' discretion. Many workers, particularly those in low-wage service sector jobs, receive as few as three paid holidays a year and no vacation at all.

Washington is also what is termed an "at will" state. That is, employers are entitled to terminate an employee at any time for any reason—at will. There are no regulations regarding "just dismissal," nor are terminated employees entitled to notice or severance pay. In British Columbia, workers can only be terminated with just cause. If there is no just cause, workers must be given two weeks of notice after a year of employment or given two weeks of pay.

Laws regarding maternity leave also differ greatly between BC and WA. In BC, women are entitled to 52 weeks of unpaid maternity leave and, if eligible, can collect employment insurance while they are off work. In WA, women in workplaces with more than 50 employees—just 55% of the workforce—are entitled to a meagre 12 weeks of unpaid leave following the birth of a child and no comparable system of benefits for maternity leave exists. Those in smaller workplaces (i.e., less than 50 employees) are not entitled to any unpaid leave, meaning that if they take time off after having a child, there is no guarantee that their job will be there when they come back.

The only area where BC comes up short is the minimum wage. Washington's minimum wage is slightly higher than BC's—a significant advantage for workers in the state. However, the value of WA's minimum wage is off-set by the higher out-of-pocket expenses that families have to pay for essential programs and services that are provided to a much greater extent by the public sector in BC.

Those who favour tax cuts typically argue that they will stimulate the economy and improve the quality of life for everyone, but there is little evidence to support this claim. As the figures presented above indicate, there is no direct link between lower taxes and improved standards of living. Indeed, social and economic conditions in WA have been worsening over the past decade, the longest period of economic growth in US history. This is the other side of the tax cutting story.

Table 9: Working Conditions

	BC	WA
Unionization Rate, 2000	30.4%	18.2%
Statutory holidays per year	9	none
Annual vacation required by law	2 weeks after one year; 3 weeks after five years	none
Maternity leave (statutory unpaid leave).	52 weeks	none (private sector with under 50 employees); 12 weeks (public and private sector with 50+ employees)
Hourly minimum wage (WA in $CAN at PPP)	$7.60	$8.00

Sources: Unionization rate-BC Ministry of Labour, Labour Directory 2000, US Bureau of Labour Statistics; Labour standards-BC Ministry of Labour, WA Department of Labour Standards.

5. Conclusion:
What Are We Competing For?

INCREASINGLY, THE ATTACK ON government is framed in terms of our supposed need to remain "competitive" in the "new" economy. But the drive for "competitiveness" is really just another attempt to gain tax concessions for business and the wealthy, and more cuts to the public programs and services that most Canadians and British Columbians rely upon and continue to value. We need to resist this misleading argument. As the comparative analysis of BC and Washington State makes clear, we have much to lose by giving in to the demands of the business lobby.

It is true that British Columbians pay more in taxes than people in WA, but our tax dollars contribute to a network of public programs, services and infrastructure that provide us with an enviable quality of life. Tax funded public services and social programs make BC a more attractive place to live and work. BC has higher levels of social spending and lower out-of-pocket expenses than WA. Higher private spending in WA contributes to a greater level of social polarization. WA provides very little help for the state's most vulnerable citizens. Nearly one million people in WA have no health insurance, and the number continues to rise. The gap between rich and poor in WA is greater than in BC, and is widening faster. Workers in WA have far fewer employment benefits than do workers in BC. Many of the employment standards we take for granted—holidays, vacations, maternity leave and so on—are non-existent in WA.

Even if tax cuts did bring faster growth by making us more "competitive" (a doubtful proposition in itself), we would still have to answer a very important question—what are we competing for?[39] We need to ask whether tax cuts generate growth through new investment, or whether they simply pull existing investment from one jurisdiction to another (what economists call a "beggar thy neighbour" policy). This kind of "competition"

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The drive for "competitiveness" is really just another attempt to gain tax concessions for business and the wealthy, and more cuts to the public programs and services that most Canadians and British Columbians rely upon and continue to value.

serves no one but mobile corporations and their shareholders. Some jurisdiction will always underbid us in a race to the bottom. Co-operation and more equality between and within different locations would be much more effective in improving our overall well-being.

The social and environmental costs of "competition" are great. There is a great deal of evidence that economic growth can—and frequently does—co-exist with *falling* standards of living for large segments of the population and *deepening* environmental crises. Measures of quality of life or social well-being have documented a growing gap between economic growth and people's overall standard of living in the US, in Canada and in other nations.

Census Bureau data in the US reveals that income inequality was more severe at the end of the 1990s than at any other point in US history—despite record-breaking economic growth, low unemployment and rising average salaries.[40] The 1999 Fordham Index of Social Health (ISH), which measures a range of socio-economic indicators dealing with issues like health, inequality and access to services, found that the gap between economic growth and social health in the US was at its widest point in two decades. Four indicators—child abuse, access to food stamps, health insurance coverage, and the gap between rich and poor—had reached their worst point in 20 years.[41]

After a decade that saw our social safety net eroded by a succession of cutbacks in public spending and social programs, Canada is looking much more like the US. Program spending by all levels of government in Canada dropped by about 10% of GDP—from 45% to less than 35%—between 1992 and 2000. Income inequality after taxes and government transfers grew considerably in Canada in the 1990s. The bottom 60% of Canadian families saw their incomes fall between 1989 and 1998. Only the top 40% of families experienced any growth in their after-tax income, with the top 20% posting by far the largest gain.[42]

Currently, BC has many advantages over WA, but for how long? Our advantages are the result of decisions we made in the past, not the least of which was the choice we made to pay somewhat more in taxes than our neighbours to the south. We also developed a more progressive system of taxation, with those who earn more contributing a higher share of their incomes. In return, we built a broader, more comprehensive network of public programs and services that not only improves the quality of life in the province, but also counteracts the inequalities produced in the market. BC is a much more equitable and fair society than WA.

Cutting taxes and further downsizing in the public sector will not make us more "competitive." British Columbians would be better off if we engaged in a serious assessment of our advantages and implemented public policies designed to improve on what we have.

Currently, BC has many advantages over WA, but for how long? Our advantages are the result of decisions we made in the past, not the least of which was the choice we made to pay somewhat more in taxes than our neighbours to the south.

Notes

1. BC Stats, 2000; KPMG, December 2000, p. 18.
2. *BC Business Summit 2000*, p. 1.
3. The Washington Alliance for a Competitive Economy, October 2000, p. 16-17.
4. See Miringoff and Miringoff, 1999, for a thought-provoking discussion of the concept of "social health."
5. Ekos Research Associates Inc., March 2000.
6. Ibid.
7. Kesselman, 1999, p. 3.
8. William M. Mercer, 2001.
9. KPMG, March 9, 2000, p. 60.
10. PricewaterhouseCoopers, 2000.
11. KPMG, March 9, 2000.
12. Ibid., pp. 2-3, 98.
13. Ibid., p. 43.
14. Lee, June 2000, p. 1.
15. Ibid., p. 9-10.
16. Ibid., 10.]
17. BC Budget, 2001, p. 131; See Klein and Walshe, 1999 for a comparative analysis of taxes and out-of-pocket spending in BC and Alberta.
18. Ibid., p. 17.
19. Cited in Lee, 2000, p. 17.
20. BC Stats, 2000.
21. Lee, 2000.
22. Citizens for Tax Justice, 1996.
23. WA Research Council, Feb. 12, 2001.
24. The Standing Senate Committee on Social Affairs, Science and Technology, March 2001, p. 108.
25. Lee, 1999.
26. Fiscal Policy Center, Jan. 2000; The Evans School of Public Affairs, Jan. 5, 2001 and Feb. 27, 2001.
27. Gibson, 1999, pp. 4-5.]
28. Institute for Public Policy and Management, 2000, pp. 10-11.
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31. *Seattle Times*, May 1, 2001.
32. Bernstein, et al., January 2000.
33. Jenson, 1998.
34. Bernstein et al., January 2000, p. 4.
35. Bernstein, et al., January 2000, p. 2; Hertzman, 2000.
36. Ross, et al., 2000; Senate Committee on Social Affairs, Science and Technology, March 2001.
37. University of Washington, School of Public Health and Community Medicine, Spring 2000.
38. Note: A comparison of the average hourly wage for non-salaried employees would also have been interesting, but unfortunately this figure is not available for WA. The pay rate for hourly workers is preferable to the average annual earnings for all employees because it better captures polarization in the labour force. US data on hourly wages is limited to the construction, trade and manufacturing industries.
39. See Lee, 2000 for more discussion of tax cut myths.
40. Economic Policy Institute, 2001; Bernstein et al., January 2000.
41. Miringoff and Miringoff, 1999.
42. Robinson, Winter 2001, p. 6-7; see also Brown and Stanford, 2000, for a detailed analysis of the growing gap between economic growth and the quality of people's lives in Canadian provinces.

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