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## *Big City Residents Pay More:* *C.D. Howe Institute*

Toronto, June 7 — Residents of Canada's nine major cities generally pay much more in taxes than they receive in government programs and services, according to a *Commentary* released today by the C.D. Howe Institute. In *Following the Money: Federal and Provincial Budget Balances with Canada's Major Cities*, University of Calgary economist Ronald D. Kneebone says this result is neither unusual nor unexpected. The imbalances, he says, reflect the influence of a progressive tax system and the design of government programs that transfer income to the aged and the disadvantaged.

Professor Kneebone's groundbreaking study describes and applies a methodology for allocating reported federal government and provincial spending and revenues in cities. During the period 1986-2002, there were significant differences across cities. In 2002, for example, the average citizen of Calgary paid \$3,082 more in federal taxes than he or she received by way of federal transfers and services. For the average citizen of Toronto, the figure was \$2,113 and for the average citizen of Montreal it was essentially zero.

Canada's nine major cities, the engines of economic growth, account for about half of Canada's population and two-thirds of all net new jobs, he says. Federal and provincial fiscal policies need to take account of this. The study's findings have two important implications:

- Governments should appreciate how tax and spending measures affect the centres of economic activity responsible for generating most of Canada's wealth. If these programs matter for economic growth, and if their impact is detrimental to growth in some regions, then policymakers may need to confront the trade-off between growth and fairness along regional lines.

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- The findings may help explain a government's preference for one fiscal measure over another, because a given choice may have predictable, favourable impacts on a desirable demographic group in a particular city.

The study, *Following the Money: Federal and Provincial Budget Balances with Canada's Major Cities*, is available at [www.cdhowe.org](http://www.cdhowe.org).

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*Following the Money: Federal and Provincial Budget Balances with Canada's Major Cities*. C.D. Howe Institute Commentary No. 249, by Ronald D. Kneebone (June 2007). 31 pp; \$12.00 (prepaid, plus postage & handling and GST — please contact the Institute for details). ISBN 0-88806-715-1.

Copies are available from: Renouf Publishing Company Limited, 5369 Canotek Road, Ottawa, Ontario K1J 9J3; or directly from the C.D. Howe Institute, 67 Yonge St., Suite 300, Toronto, Ontario M5E 1J8. The full text of this publication is also available from the Institute's website at [www.cdhowe.org](http://www.cdhowe.org).