

Federal finance and fiscal federalism: the two worlds of Canadian public finance

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Abstract

Abstract: Canadians are all too aware of such effects of “federal finance” as the impact of federal deficit-cutting on provincial and local governments. Economists have a well-developed theory of “fiscal federalism” that they commonly use to analyse problems of multilevel finance. Are “federal finance” and “fiscal federalism” just different names for the same thing? This paper argues that the two concepts differ in some important key respects and illustrate our argument in terms of marked contrasts in developments at the federal-provincial and provincial-municipal levels with respect to taxes, transfers and borrowing.

Sommaire: Les Canadiens ne connaissent que trop bien certaines réalités de la fiscalité fédérale telles que les effets de lutte anti-déficit du fédéral sur les gouvernements provinciaux et locaux. Les économistes ont une théorie bien développée du fédéralisme fiscal qu'ils utilisent couramment pour analyser les problèmes des finances multi-paliers. En réalité, est-ce que finances fédérales et fédéralisme fiscal ne sont que des noms différents pour désigner la même chose? Nous avançons dans cet article que les deux concepts diffèrent fortement sur certains points importants; nous défendons notre argument en contrastant ce qui se passe au paliers fédéral-provincial et provincial-municipal en ce qui concerne les impôts, les paiements de transfert et l'emprunt.

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