

Are Canadian and U.S. social policies converging?

NOT A SIMPLE ANSWER

Are social policies in Canada and the United States becoming more alike, more divergent, or staying about the same distance from each other as in the past? There are reasons to believe that any of these patterns might occur.

Critics of FTA and NAFTA, for example, argue that convergence is likely to occur as a result of North American economic integration, which compels Canada to “race to the bottom” (that is, become more like the United States) in order to keep its payroll and income tax rates comparable to those in the United States.

Cross-national lesson drawing is another reason to expect some convergence—although with different outcomes than a “race to the bottom.” With two countries sharing a long border, the English language, enormous economic interaction, and many common social problems, we might expect them to learn from each other—although, as Margaret Atwood’s metaphor of the one-way mirror suggests, Canadians are likely to be far more aware of U.S. developments than vice versa.

Parallel pressures in the two countries to bring government expenditures in line with revenues and get their fiscal houses in order for the impending retirement of the baby boom generation might also be expected to produce some convergence. This is so because Canada’s Westminster system of centralized policy making means that when retrenchment is in the air, Ottawa’s Finance Department is likely to be more effective at getting it enacted into law than its U.S. counterpart.

STILL BIG DIFFERENCES

There are equally plausible reasons, however, to expect continued, if not increasing, social policy divergence be-

BY R. KENT WEAVER

R. Kent Weaver is a Senior Fellow in governmental studies at the Brookings Institute, Washington, D.C.

Retrenchment in the contributory Canada Pension Plan has been minimal, because of Canada’s own version of institutionalized stalemate: a requirement that any change to the CPP be approved by a super-majority of the provinces.

tween Canada and the United States. Differing policy choices made long ago can create distinctive “accidental logics” of policy development, as University of Toronto political scientist Carolyn Tuohy has called them. Countries may, therefore, face very different followup choices once they have put initial policies into place. Continuing variations in the values of Canadians and Americans may also lead to continuing policy differences. For example, Canadians continue to place a higher value than Americans on equality, social order, and avoidance

of poverty. While Canadians view their (somewhat tattered) health care system as a matter of national pride and identity, Americans view their (very tattered) health care system primarily in terms of the benefits it provides to them and their families, rather than how it serves the nation as a whole; most feel only a mild discomfort, rather than a sense of national shame, that so many Americans are left uninsured.

The very much higher salience of race in the background of U.S. social policy can also contribute to continued social policy divergence, most notably in welfare policies involving single-parent families. Finally, there are the political constellations involving governing parties. Social conservatives are an important part of the Republican coalition in the United States. In contrast, they were not so important in the Mulroney Conservative coalition. Although they are prominent in the Reform/Alliance party, that party has never held power federally in Ottawa. Thus we might expect that social conservatives in the United States would at least have success in blocking new social policy initiatives that they do not like (for example, child care subsidies that make it more likely that mothers will work outside the home), even if they are not successful at enacting their own agenda.

DISTINCTIVE STORIES: PENSIONS

With so many conflicting forces at work, it should not be a surprise that there is no simple answer to the question whether U.S. and Canadian social policies are converging or diverging. And indeed, different sectors of social policy do tell distinctive stories.

In the public pension sector, for example, long-term distinctions remain

Social policies, page 72

largely intact. Both countries have retained their basic multitiered pension structures (a quasi-universal pension, mandatory contributory pension, minimum income guarantee, and tax-subsidized retirement savings in Canada; only the last three are in the United States). Canada's pension system continues to provide a more generous guarantee for low-income seniors than is the case in the United States.

And when the two countries' contributory pension tiers encountered serious funding difficulties (in the early 1980s in the United States, in the late 1990s in Canada), Canada reacted with a substantial increase in payroll taxes, while these were rejected in the United States. But there have been similarities as well.

In both countries, efforts by conservative governments (Reagan in 1981; Mulroney in 1984-85) to impose across-the-board cuts in public pensions were rebuffed. Both countries have in recent years enacted changes that imposed income testing at the upper end of the income scale, through the old age security clawback in Canada and increased taxation of social security benefits for upper-income seniors in the United States.

However, the current Liberal government backed down on imposing a more severe means test it had originally proposed through a Seniors Benefit. Retrenchment in the contributory Canada Pension Plan has been minimal, because of Canada's own version of institutionalized stalemate: a requirement that any change to the CPP be approved by a super-majority of the provinces. And, while Canada moved with minimum controversy to invest CPP surpluses in equity markets, the notion of a large collective investment fund in the United States has been completely rejected by the Republican congressional majority. Many Republicans, including presidential candidate George W. Bush, have instead endorsed allowing employees to divert some of their social

There is less evidence, however, of a "race to the bottom" in social policy. Both governments have tried to preserve middle-class pension entitlements, and their record on benefits for low-income families (at least those thought to be "deserving" because they have an employed parent) has been ambivalent.

security contributions into individual defined-benefit accounts.

FAMILY POLICIES

In policies toward low-income families with children, there is evidence of both convergence and continued divergence. The convergence is evident in benefits focused on working families. Canada's child tax benefit has imposed increased targeting in place of universal Family Allowances. The United States never had a universal family allowance, but the earned income tax credit was created in 1974, and has repeatedly been expanded, as an income supplement for low-income families with at least one working parent. Although there are very important differences in the two programs' design, delivery, and impact, both represent a move toward targeted support for this vulnerable group.

Continued differences, and indeed increased divergence, are evident in programs to support the most vulnerable families. While several provincial governments in Canada, most notably the Harris government in Ontario, have cut benefits and begun to impose work tests, the United States has gone much further.

The temporary assistance to needy family (TANF) program, enacted in 1996, imposed not only a strict work requirement for custodial parents, but also imposed a five-year lifetime limit on receipt

of TANF benefits. And while both the *Canada Health and Social Transfer Act* (CHST) and the *Personal Responsibility and Work Opportunity Act* (which created TANF and made other program cuts) in the United States cut social expenditures, there was a moralistic tone in the latter that was missing in the former. The authors of the CHST thought that they were making the best of a bad situation by dealing with their own budget problems and foisting off the consequences on the provinces; the authors of the *Personal Responsibility and Work Opportunity Act* thought that they were doing the right thing, period.

A "RACE TO THE BOTTOM?"

These patterns, in short, suggest a variety of causal forces at work rather than a simple uni-causal world dominated by pressures of globalization. There is clearly evidence in both countries of fiscal pressures leading both governments to lower social expenditures. There is less evidence, however, of a "race to the bottom" in social policy. Both governments have tried to preserve middle-class pension entitlements, and their record on benefits for low-income families (at least those thought to be "deserving" because they have an employed parent) has been ambivalent. The greater weight of social conservatives within the Republican party helps

to explain the more conservative thrust of U.S. welfare policies. Similarly, a greater role for free-market conservatives explains Republican rejection of collective investment of social security funds in equities markets. Evidence of cross-national lesson drawing in social policy is limited in both directions.

Politicians in both countries have cited the other country's health care

system primarily as something to be avoided. But the impact of U.S. work requirements in Canadian welfare policy remains modest.

In short, Canadian and U.S. social policies remain distinct—reflecting different societal pressures, different institutions, and different policy legacies. Most of these differences, in particular Canada's more generous and redistri-

butive welfare state, are likely to remain for the foreseeable future. These differences are sustainable so long as Canadians are willing to pay higher taxes for them, and see themselves as benefiting from the welfare state. Thus far, those commitments show little sign of ebbing, and the political forces that would move away from those commitments remain weak and divided. ❁

Convergence or divergence? continued from page 61

for comparisons and contrasts. Political commentators in Canada often suggest that the Canadian *Charter of Rights and Freedoms* corresponds to the American *Bill of Rights* and hence will make Canada more litigious and individualistic. Americans frequently are taken aback by what they perceive as “anti-Americanism” in Canada, which would make Canadians quite different from Americans.

Such unsystematic observations, singular experiences, and casual or reflexive judgments, however, provide a very weak base for generalization about whether entire societies are changing in a consistent and meaningful way.

OPERATIONALIZING CONVERGENCE

First, convergence/divergence must be correctly “operationalized.” What is converging or diverging? Is the subject of change the economy, the legal system, political values and preferences, social policies, or folkloric customs?

Second, only a thorough and reliable analysis can lend “authority” to the conclusions. Ideally, the “research design” would parallel the “analysis of variance.” Compare regions within Canada with regions in the United States on a set of measures. If the means (averages) are sufficiently different, and are becoming more different (similar) over time, the countries are diverging (converging). While a formal analysis of variance may never be carried out, the “logic” of the design governs all the comparisons, regardless of framework or data employed.

[T]he Canadian health care delivery system is far better than the anxious patient realizes. During structural change, in the haze of political punch and counterpunch, misperception can become as real as perception.

Third, a number of important further questions arise with regard to convergence or divergence in the North American context.

OTHER POSSIBILITIES

Parallelism: Perhaps the present degree of convergence/divergence in Canada–U.S. relations will be perpetuated, as sociologist Seymour Martin argued eloquently and with a marshalling of support in *Continental Divide*. Lipset believes that Canadian and U.S. values, and the historical origins of these values, are very different and will keep the two countries on this course of parallel difference (but not divergence) into the future.

Convergence and Divergence: Both convergence and divergence may be occurring simultaneously, cancelling each other's effect. Canadian health care gives companies operating in Canada, such as the automakers, a cost advantage over operating in the United States; yet productivity in the auto sector

is about the same in both countries because other factors equalize the health care edge in Canada.

Perceived Change vs. Real Change: Ted Marmor has argued that the Canadian health care delivery system is far better than the anxious patient realizes. During structural change, in the haze of political punch and counterpunch, misperception can become as real as perception.

Direction of Change: Who is converging toward whom? The usual assumption is that Canada is converging toward the much larger United States. Standards applied would be the U.S. mean, not some intermediate value. The central question is whether convergence will be asymmetric. When Canadian energy policy collapsed after the 1982 recession and the drop in world oil prices, its market-oriented solution looked very much like the original U.S.-based energy proposal that eventually

Convergence or divergence? page 74