Special Report, Part 2: Proceedings of a Conference on Canada's Competitiveness— Tax Cuts and the Implications for Growth and Productivity, Federal Tax Reform, Fiscal Needs and the CHST Per Capita Division Rule, Provincial Tax Priorities, and Interprovincial Tax Competition

The following papers by Andrew Jackson, Jean-Yves Duclos and Julie Gingras, Serge Coulombe and Marcel Mérette, Kenneth J. McKenzie, and Michael Rushton constitute the second part of the Canadian Tax Foundation's publication of a selection of the proceedings of a conference on Canada's competitiveness, which was held in Ottawa on February 3-4, 2000.

The conference, which was aimed at academics, public policy analysts, and federal and provincial government officials, focused on the factors that influence Canada's competitiveness in the new world economy—an issue that has important ramifications for how governments set and carry out tax and economic policy. The three most important factors in determining competitiveness—productivity, labour, and capital—were examined, along with the manner in which their mobility is affected by our current tax and fiscal system.

Discussions then turned to Canada in the context of the global economy and, through a comparative analysis of personal, business, and non-business income taxes, the need and areas for reform were considered. Specific areas of reform, dealing particularly with personal and corporate income taxes, were examined, and it was determined that reforms in each of these areas must be linked to be effective in the longer term.

In their conclusions, speakers urged that attention be given to low- and middle-income earners in the fashioning of personal income tax policy. This is contrary to the solution offered by the proponents of the "brain drain" phenomenon, who support income tax cuts to stem the emigration of highly skilled and well-paid Canadians. Cuts in federal-provincial transfer payments have resulted in high marginal tax rates among welfare recipients and lower income Canadians. Policy makers need to be aware of the disincentives that prevent low-income earners from improving their lots and contributing more to the Canadian economy.

With regard to corporate income tax, speakers pointed out that foreign direct investment flows are sensitive to tax rates, especially those that benefit low-tax jurisdictions. Speakers also referred to the economic renaissance in other countries such as Ireland and considered whether successful fiscal policies used elsewhere could be imported to meet with similar results in Canada.

A selection of papers presented at the conference are being published over several issues of the *Canadian Tax Journal*. In this issue, the second part of the special report on the proceedings deals with tax cuts and the implications for growth and productivity, federal tax reform, fiscal needs and the Canada Health and Social Transfer (CHST) per capita division rule, provincial tax priorities, and interprovincial tax competition. The third part of the report on the proceedings will cover Ireland's economic renaissance, tax incentives for direct foreign investment, the emigration of Canadian professionals to the United States, and tax reform versus tax reduction.