

Budget cliff driving: Hit the brakes!

By KEVIN GAUDET
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If your car goes off the road and is speeding towards a cliff, simply taking your foot off the accelerator isn't good enough. You need to put on the brakes, stop and carefully make your way back to safety. Deficit spending by governments in Canada is no different. Unfortunately, Prime Minister Stephen Harper has promised only to slow the rate of growth of spending — this year creating a record deficit of \$56 billion. This approach will take us off a financial cliff if real efforts don't start now.

As we move towards Thursday's federal budget, many proponents of larger and more costly government have been using the recent recession to call for even greater government expansion. The president of the Canadian Union of Public Employees argues the federal government should increase spending at even higher rates. Perhaps this is no surprise, given their website brags that the union has over 600,000 public sector employees as members. The same calls occur every recession: Grow government and all will be well.

Liberal senators are calling for an increase in the GST back to seven per cent to give more money to the RCMP. Corporate CEOs, led by TD Bank's Ed Clark, are calling for a GST hike to help balance the budget. One Liberal MP is calling for a GST hike to give more money to cities. All these calls for tax hikes are predicated on the false impression that Ottawa doesn't have enough money already.

If increased government spending created jobs, every Canadian would have two. Canada's economic challenges are worsened by the large and growing size of government. There are too many programs, employing too many people who, generally, get paid too well (when you include pay and lavish pensions).

According to Statistics Canada, there are 3.5 million Canadians employed in the public sector out of 16.9 million working Canadians — 20.7 per cent! This means one in five working Canadians are employed by the public sector. These jobs are funded from the taxes paid by the other 80 per cent of Canadians working in the private sector. This has been a worsening condition over the past 40 years.

In an inflation-adjusted comparison, the federal government spends 360 per cent more today than it did 40 years ago. In 1969, program spending was \$12.9 billion — \$75 billion adjusted to 2009 dollars. It has exploded to \$273 billion in 2009-10. If spending had grown at the same rate as population and inflation, it would only stand around \$150 billion today.

Not only are today's taxes paying for this large government spending, but debt financing means future taxpayers also will pay later. The federal government debt in 1969 adjusted to 2009 was \$111 billion. Today, it has surpassed the \$514-billion mark, growing by \$1 billion every 6.5 days. Simply put, desire for increased government intervention has grown a larger government funded by high taxes and a huge and growing debt — spend now, pay later.

As the budget looms, the federal government is sending mixed signals on what Canadians should expect. On one hand, Treasury Board Minister Stockwell Day was appointed to undertake plans for a spending review. He has been making the rounds seeking input on this. Media are dutifully reporting this message of austerity.

Yet, Finance Minister Jim Flaherty continues to ensure those who love big spending that this budget will provide "son of stimulus" — Year 2 of the government's stimulus program, drizzling cash on everything from snowmobile trails to parades.

Last year, spending was \$239 billion. This year, it grew by 14 per cent to \$273 billion. It is

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planned to increase again next year to \$278 billion. Only a public sector union president would consider this level of spending growth a demonstration of "austerity."

What the government needs to do to get things back in order is to scrap plans for further stimulus spending. Instead, Mr. Harper should push forward Minister Day's reductions plans. Spending should be rolled back to 2008 levels and the massive debt that has been generated should be paid down.

It is through this kind of approach of reduced spending that Canadians will experience greater prosperity, not by mortgaging the future to create yet more government jobs.

Kevin Gaudet is federal director, Canadian Taxpayers Federation.

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redletter wrote:

We can no longer afford the massive spending by any level of government....federal, provincial or municipal. Canadian are being taxed to death and there are 20% of us who are employed by the federal government alone. That means that 4 of us are paying so that 1 of us can be employed in a well paying job that has pension and benefits that all of us would envy and love to have. But we can not!!!!!!!!!!!!!!We are living beyond our means and have been doing this for far too long. We have been running programs to help citizens but some of the government waste and overspending must be ended before Canada goes bankrupt. The recent Olympics in Vancouver was a case in point. I would expect that all levels of government involved would have overspent to pay for everything from a lovely opening ceremony, security that is very necessary for a spectacle of this size and all of the athletic events that happen. Hopefully all of the lovely pictures of a warm, rainy and sometimes sunny Vancouver would entice visitors to come and see for themselves. WHAT DO WE DO!!!WRITE, PHONE, EMAIL YOUR MP AND TELL THEM WE HAVE NO MORE MONEY!!!!!!!

Frank wrote:

We need across-the-board tax cuts and reduced government spending and we should just cancel all unspent stimulus funds. Stimulus money comes directly from the pocket of the taxpayer, reducing consumer spending and thus reducing economic growth Let's get back to the basic principles of self reliance and personal responsibility. We can't be whining to the government all the time for handouts. Tax cuts do grow the economy, they worked in 1964, in 1981 and in the early 2000s to get the U.S. economy moving out of those recessions. Tax cuts work immediately, putting money into people's pockets, enabling them to purchase goods and services which put others to work and then they purchase more, a virtuous cycle. If stimulus would create economic growth then the U.S. economy should be red hot. They had a \$180 billion stimulus package spring '08, a \$340B housing package summer '08, and \$350B in TARP, fall '08, and an \$860 billion stimulus plan in spring of '09, no recovery as yet, in fact they just announced their economy lost another 38,000 jobs in February. Time to face reality.

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