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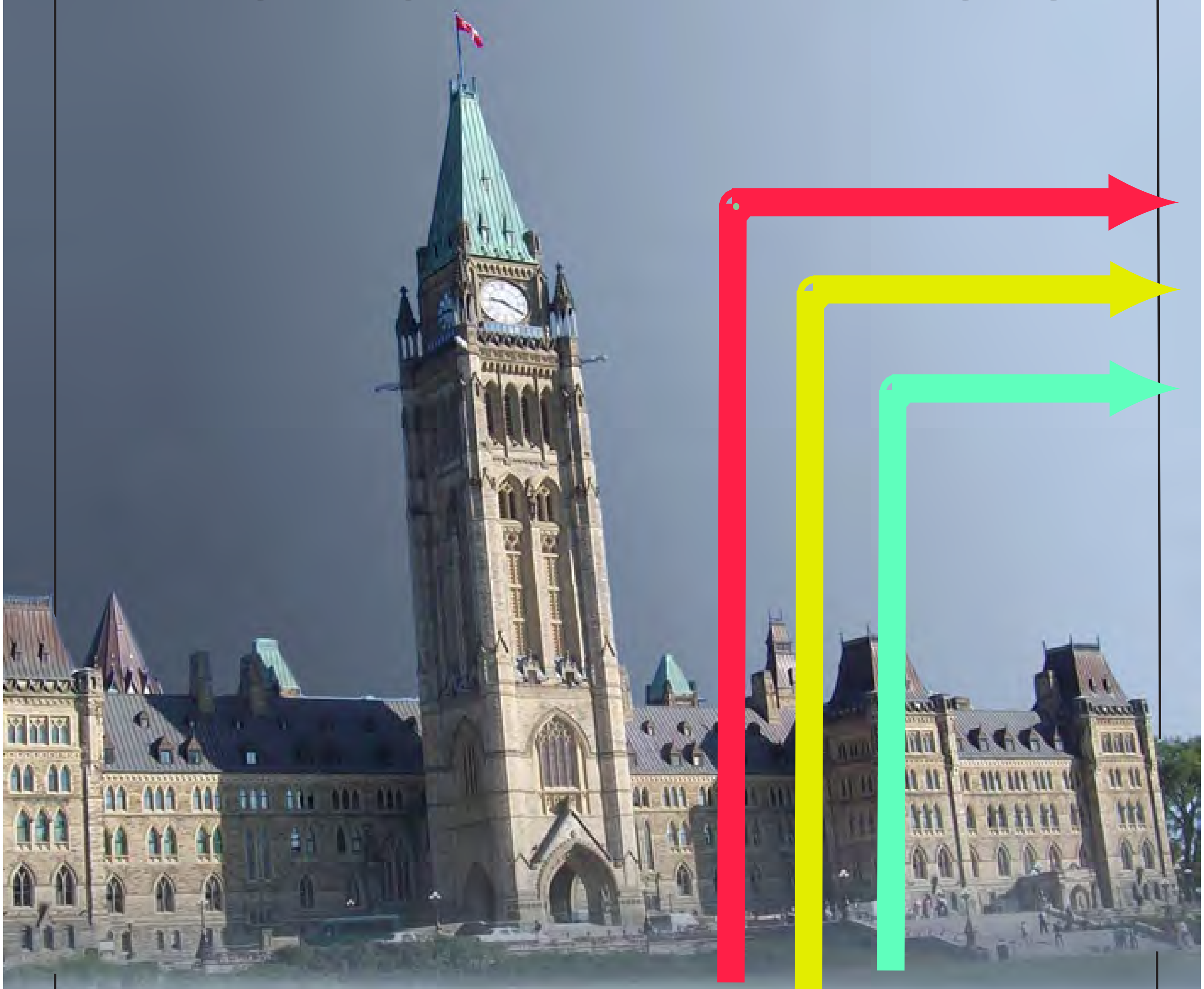
Canada's Deficit Action Plan: Zero in Three



2010 Federal Prebudget Submission

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the *Association of Saskatchewan Taxpayers* and the *Resolution One Association of Alberta* joined forces to create a national taxpayers organization. Today, the CTF has over 60,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and offices in the five provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Provincial offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives. CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published four times a year. An issues and action update called *TaxAction* is produced frequently. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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Executive Summary

The failure of the federal government to live within its means will eventually cause Canada to 'hit the wall' as it did in the 1990s. The Harper government's fiscal policies to date are inadequate to prevent such a scenario. The failure to stave off, and leave behind, any possibility of financial collapse threatens the very existence of our social programs. If the Harper government had kept spending growth to a reasonable level the deficit today would be 90 per cent lower than it is.

Any plan to reduce the deficit must employ fiscally conservative forecasts and projections. The plan to eliminate the deficit does this and recommends legislation and constitutional change to prevent this kind of fiscal mess from recurring.

Eliminating the federal deficit would allow Canada to take its first steps towards creating a truly sustainable government. A certain amount of change will be required. However, over the past few years the private sector has been undergoing similar reorganizations. So too must government reposition itself so it can better and more nimbly respond to the next, inevitable economic challenge.

Canada's federal debt again has climbed past the $500 billion mark. According to the Economist Intelligence Unit, Canada's total public indebtedness has surpassed $1.1 trillion; ranking 22nd out of the 30 OECD countries for total public per capita indebtedness.

With ramped up spending on so-called 'stimulus' programs in 2009-10, the federal deficit is projected to be a record $55.9 billion, or $1,651 per Canadian. By 2014-15 another $170 billion is projected to be added to the debt burden. This new debt alone will cost $10,228 per taxpayer.

It is for this reason that the CTF is calling on the federal government to implement a deficit action plan to balance the budget over three years.

Recommendations

- That the federal government implement a *Deficit Action Plan* and return to balanced budgets over three years:
    - Relying on reduced spending, economic growth to increase revenues and avoiding tax hikes.

- That the federal government pass a constitutionally entrenched *Taxpayer Protection Act* that:
    - Requires balanced budgets, but allows for a temporary emergency deficit;
    - Requires majority popular approval in a referendum of any budget that includes a deficit where Parliament has not previously enacted the *Emergencies Act*; and,
    - Requires majority popular approval of all tax increases in a referendum.

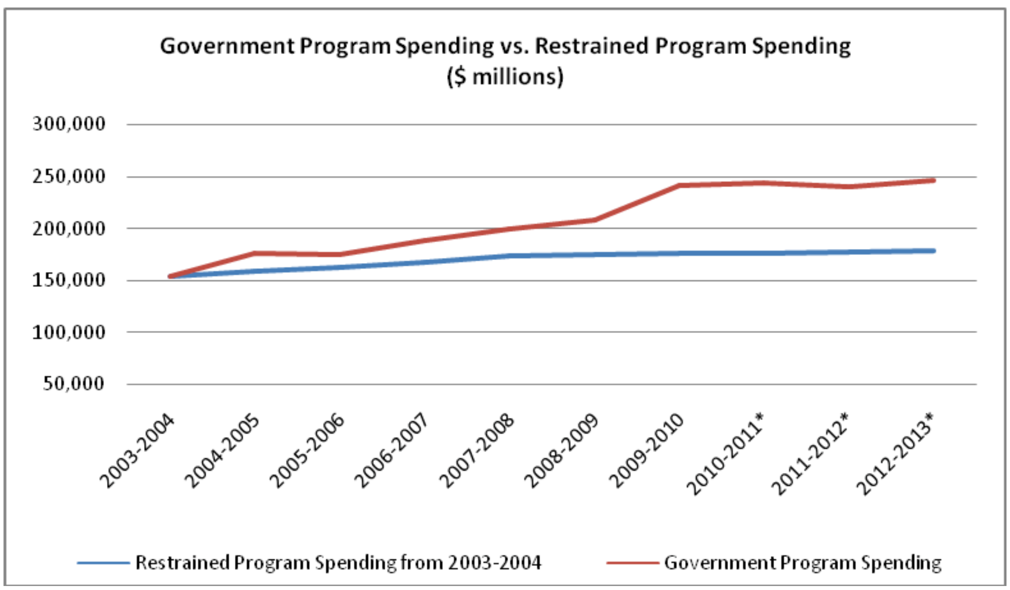
- That politicians lead by example by:
    - freezing MP pay;
    - reducing travel and expense budgets;
    - eliminating political subsidies; and,
    - disclosing in detail all MPs' office, committee and Parliamentary Associations' spending.

Canada's Current Fiscal Mess

Reckless Spending

The federal government has a spending problem not a revenue problem. Government revenue has ballooned and every penny and more has been spent. Program spending has skyrocketed by almost 60 per cent in only six years. This over-spending is unsustainable and must be reined in.

Canada currently is running its largest deficit ever – projected to be $55.9 billion for 2009-2010. While apologists for this figure have claimed that it was brought on by a sudden drop in revenues, a look at the facts will reveal at it was due to a massive, prolonged, unsustainable increase in spending.



Canadian Taxpayers Federation[1]

The CTF consistently has advocated that the growth in size and cost of government should be limited by law to a maximum annual combined rate of inflation and population growth; a metric Liberal Prime Minister Martin hailed as a worthy benchmark.

[1] Debt Repayments vs. Accumulated Deficits since Taking Office: *Canadian Taxpayers Federation* Calculation with data from Finance Canada – Ottawa, July 2009

Between fiscal years 2003-04 and 2009-10, the combined rate of inflation and population growth averaged 2.5 per cent. During this period, both Liberal and Conservative governments grew program spending by an average of 7.03 per cent. This massive explosion in the size of government is in contrast to the *relative* restraint that took place during the mid-to-late 1990s.

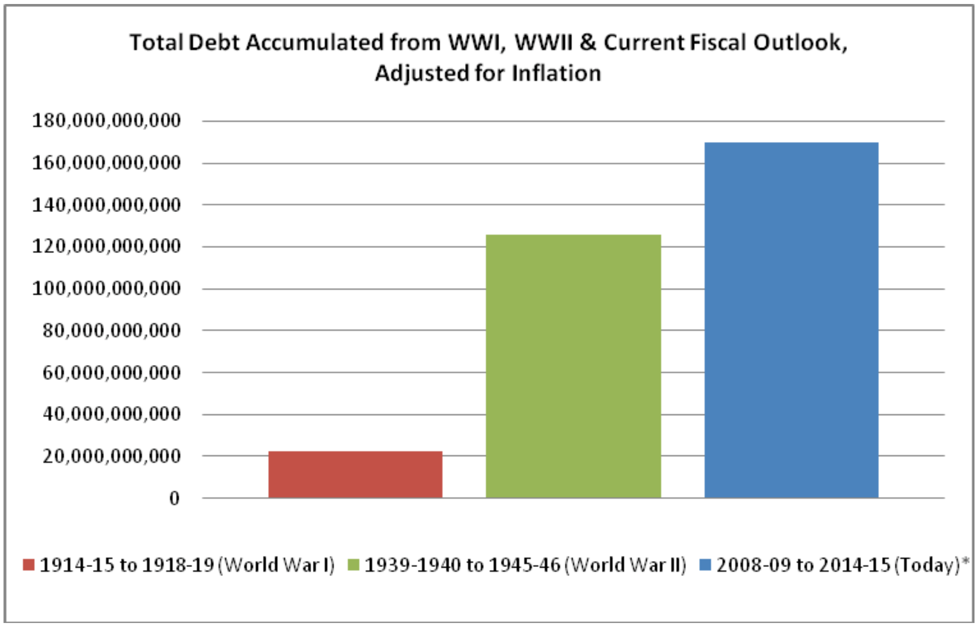
To put the argument that "this deficit is only due to a drop in revenue" to the test, today's level of program spending should be put up against what that level would otherwise be if it had only increased by the combined rates of inflation and population growth – 2.5 per cent. Doing so from a base year of 2003-04 would yield a difference of **$65.2 billion** today, leaving a surplus of more than **$10 billion**. A similar analysis solely for the Harper government, from when it came to power in 2006-07, reveals the deficit today would be less than 9 per cent of what it is today; coming in at only **$4.9 billion**. Importantly, this much smaller deficit would be truly cyclical, and not structural.

Instead, both Liberal and Conservative governments have inflated the size of government far beyond what is sustainable, leaving the nation's finances vulnerable when a global recession eroded its revenue capacity.

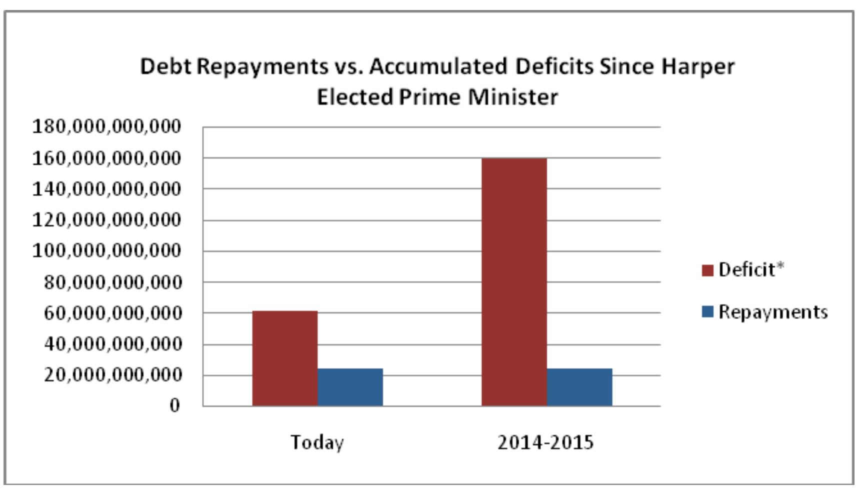
There are those today arguing for yet more 'stimulus' spending of borrowed money. They argue that such deficit financing is necessary to avoid a contraction. Given how much the government has spent in the last decade, if increased government spending created jobs every Canadian would have two. Instead, increased borrowing does one thing – place greater strain on the nation's finance and both current and future taxpayers by building up the national debt.

The Hole We're Digging

Today's deficits dwarf both World Wars in nominal figures. Even adjusted for inflation, this amounts to a greater a total accumulated deficit than both World Wars *combined*, with an additional $21 billion to spare.



In attempting to calm public fears over the ballooning deficit, the claim has been made that a significant portion of the debt has been paid down since the current government took office. A simple comparison of the numbers reveals an inconvenient truth: the deficits accumulated even by the end of this fiscal year amount to twice the debt paid down its entire time in office and that by 2014-2015, this figure will reach 6 ½ times what has been paid down. Put another way, this fiscal path will nullify the debt repayments of the last 11 years and add even add an additional $50 billion.



Canadian Taxpayers Federation[2]

[2] Debt Repayments vs. Accumulated Deficits since Harper Elected Prime Minister: *Canadian Taxpayers Federation* Calculation with data from Finance Canada – Ottawa, July 2009

This growing debt level is not just a burden on government balance sheets however; it is a direct burden on taxpayers. The **$170.2 billion** that is planned to be added to the accumulated deficit will mean that every taxable Canadian will have to repay **$10,228**, plus interest.

If Canada continues on its current debt course, future generations will be burdened with an anchor that is not theirs. Governments moving forward – including this one – will have less room to manoeuvre due to the increased cost of serving the debt, and overtaxed Canadians today and tomorrow will not be able to see real, broad-based income tax relief.

Canada's Bleak Fiscal Outlook

The federal government projects that in 2014-15 it will continue to run deficits. Prime Minister Harper has stated he will neither raise taxes nor reduce spending in an effort to balance the budget. His approach is half right, taxes need not rise. However, this do-nothing approach will saddle the nation with deficits in perpetuity. The Parliamentary Budget Office (PBO) projects that by 2013-14 the deficit will still be as high as $19 billion and that action will be required to balance the budget.

Fiscal projections from both the Department of Finance and the PBO indicate that Canada will remain in deep deficits for the foreseeable future. In its November 2009 Fiscal Assessment Update, the PBO indicated that contrary to the Department of Finance's claims, a structural deficit exists of $12.5 billion for 2009, $13.5 billion for 2010 and continually rising figures thereafter, even once so-called 'stimulus' spending has been phased out.[3]

Summary of Transactions – Current Fiscal Outlook ($ billions)

	2009-2010	**2010-2011***	**2011-2012***	**2012-2013***	**2013-2014***	**2014-2015***
Budgetary Revenues	219.8	234.2	250.5	265.0	280.7	298.2
Program Spending	242.0	244.6	240.6	246.8	254.0	261.5
Public Debt Charges	30.7	33.7	37.7	41.2	42.1	42.0
Total Expenses	272.7	278.3	278.3	288.0	296.1	303.5
Budget Balance	**-52.9**	**-44.1**	**-27.8**	**-23.0**	**-15.4**	**-5.3**
Federal Debt	516.3	560.4	588.2	611.2	626.6	631.9

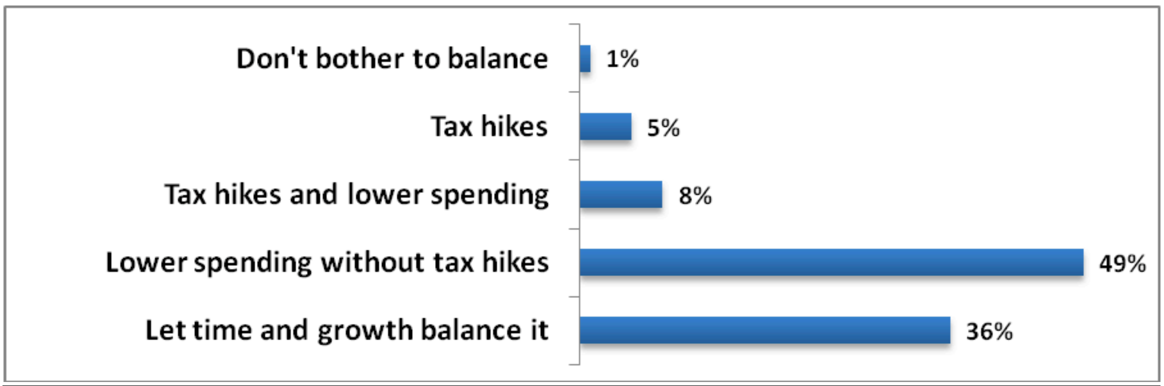
Source: Office of the Parliamentary Budget Officer & Finance Canada[4] **Projected*

[3] Economic & Fiscal Assessment Update, *Office of the Parliamentary Budget Officer* –Ottawa, November 2009

[4] Revenues: Economic & Fiscal Assessment Update, *Office of the Parliamentary Budget Officer* – Ottawa, November 2009
All Other Figures: Update of Economic & Fiscal Projection, *Finance Canada* – Ottawa, September 2009

Without any real plan to rein in spending, these structural deficits will remain a plague on the nation's finances. A proactive plan to beat back the tide of red ink is needed, or else Canada may soon face a crisis as it did in the early 1990s.

Supporters of the CTF were surveyed to ascertain what course of action they want the federal government to pursue regarding handling of the federal deficit. While 36 per cent supported a do-nothing approach, fully 49 per cent of respondents advocate the federal government undertake a program of spending reductions without raising taxes in order to balance the budget.



Zero in Three

Path to Prosperity

The CTF has long been a leading advocate in Canada for balanced budgets. Our proposal *Canada's Deficit Action Plan: Zero in Three* continues that leading tradition with a clear and detailed plan to reduce the federal deficit to zero within three years. This plan is modest, practical and clearly achievable. It will return program spending back only to 2008 levels. The sole barrier to its implementation is political will. No plan to balance the budget can be easy or painless. Difficult decisions are required, as is political leadership. However, the easy path taken in the past of doing nothing or raising taxes will not clear a path to prosperity.

Summary of Transactions – Zero in Three ($ billions)

	2009-2010[5]	2010-2011*	2011-2012*	2012-2013*
Revenues	216.6	234.2	250.5	265.0
Program Spending	241.9	225.7	215.1	214.0
Public Debt Charges	30.7	33.7	37.7	41.2
Total Expenses	272.6	259.4	252.8	255.2
Budget Balance	-55.9	-25.2	-2.3	9.8
Federal Debt	519.6	544.8	547.1	537.3

**Projected*

Zero in Three is calculated based on revenue projections from the PBO and the federal Ministry of Finance. *Canada's Deficit Action Plan* does not include any new tax relief until the budget is balanced.

Should revenues hold steady over this period, the budget can be balanced with a combination of reasonable reductions in expenditures in some areas, freezing expenditures in others and allowing for modest growth in areas where there is little other option. Transfers to individuals are fully funded at their currently projected rate of growth as outlined by the Ministry of Finance; including Canada Pension Plan, Old Age Security and Child Benefits.

The most conservative assumptions have been made for this plan. Revenue figures have been taken from the PBO, which is lower than that projected by the Ministry of Finance. The CTF's plan clearly would result in a lower public debt charges in years two and beyond (due to its smaller accumulated deficit relative to that of the current fiscal outlook). The CTF analysis uses the higher numbers, not

[5] 2009-2010 Non-Revenue Figures: Update of Economic & Fiscal Projection, *Department of Finance* – Ottawa, September 2009

having altered the public debt charge, instead using figures from what is provided by the Department of Finance. These are higher than that projected by PBO and higher than this plan would entail. In fact, this means that should the government adopt *Zero in Three*, the savings from lesser public debt charges would allow for a greater fiscal capacity and a balanced budget sooner than stated in the plan.

Net spending reductions in this plan are modest totalling **$28 billion**: **$16.3 billion** in year one, **$10.6 billion** in year two and only **$1.0 billion** in year three. Of this, **$15 billion** in reductions reflects the ending of one-time 'stimulus' spending announced in the federal budget. The first year encompasses a **7.2 per cent** reduction in program spending relative to 2009-10, and the second year an additional **4.9 per cent.** Following this, continued freezes and even more modest reductions in spending are nearly surpassed by increased spending with only a **0.5 per cent** decrease in *net* program spending. These reductions and limitations in spending are remarkable in their modesty, leaving program spending in 2010-2011 at 8.3 per cent *higher* than 2008-2009. Compared to the level of program spending when the Conservative government came to office, the CTF's recommended level of spending is a full 22.5 per cent *higher*. *Zero in Three* is merely a plan to rein in spending to more sustainable levels.

Below is a table that summarizes the total spending reductions necessary to balance the budget over three years while also protecting transfers to individuals.

Summary of Total Reductions After Year 3

Area	Reductions ($ billions)
One Time Stimulus	$15.0
Departmental 5% Reductions	$8.5
Corporate Welfare	$5.5
Equalization	$4.3
Regional Development	$1.3
Crown Corporations	$1.2
Total	$35.8

Zero in Three Detailed Spending

Summary of Spending Outlook –Zero in Three ($ billions)

	2010-2011*	2011-2012*	2012-2013*
Zero in Three Savings			
Grants & Contributions	-1.4	-1.4	-1.4
Eliminations of Programs	-0.7	-0.7	-0.7
Equalization Reform & Phasing Out	-1.4	-1.4	-1.4
Selective 5% Cuts in Ministry Expenses	-8.5	0.0	0.0
Total	**-12.0**	**-3.5**	**-3.5**
Other Savings			
Scheduled Change in Economic Action Plan	-7.1	-7.7	-0.1
Total	**-7.1**	**-7.7**	**-0.1**
Increases in Spending			
Net Major Transfers to Persons	1.9	-0.4	1.5
Selective 2.5% Growth	0.9	0.9	0.9
Total	**2.8**	**0.5**	**2.4**
Balance of Annual Changes in Program Spending	**-16.3**	**-10.6**	**-1.1**

**Projected*

Reductions & Eliminations

Spending reductions will be required in budget 2010-11 and beyond. The CTF's plan is modest, but still bold. Its implementation will require political courage, but Canada's own political history bears out that courage – where it is appropriate – is rewarded by voters at the ballot box.

In order for politicians to lead by example they must first look at their own budgets to find savings before they do the necessary hard work of reducing other budgets. This must include:

- a pay freeze for MPs, Cabinet and the Prime Minister;
- a 70 per cent reduction of all committee and association travel budgets;
- the elimination of ten percenter mailings;
- the elimination of taxpayer-funded political subsides; and,
- making MP spending fully public for office budgets, committees and associations.

Such measures imposed on themselves will provide our elected officials with the necessary moral authority to gain support for the more substantive measures required to balance the budget.

Grants & Contributions

The CTF has identified *at least* **$5.5 billion** dollars worth of grants and contributions from the 2008-2009 Public Accounts that can be eliminated over a three-year period to allow the government enough time fully to wind them down. A non-exhaustive list of the departments from which the savings were identified includes:

- **$3.7 billion:** Natural Resources
- **$420.3 million:** Industry
- **$622.9 million:** Heritage
- **$331.3 million:** Indian Affairs & Northern Development
- **$125.9 million:** Transport
- **$113.9 million:** Environment
- **$99.6 million:** Foreign Affairs & International Trade

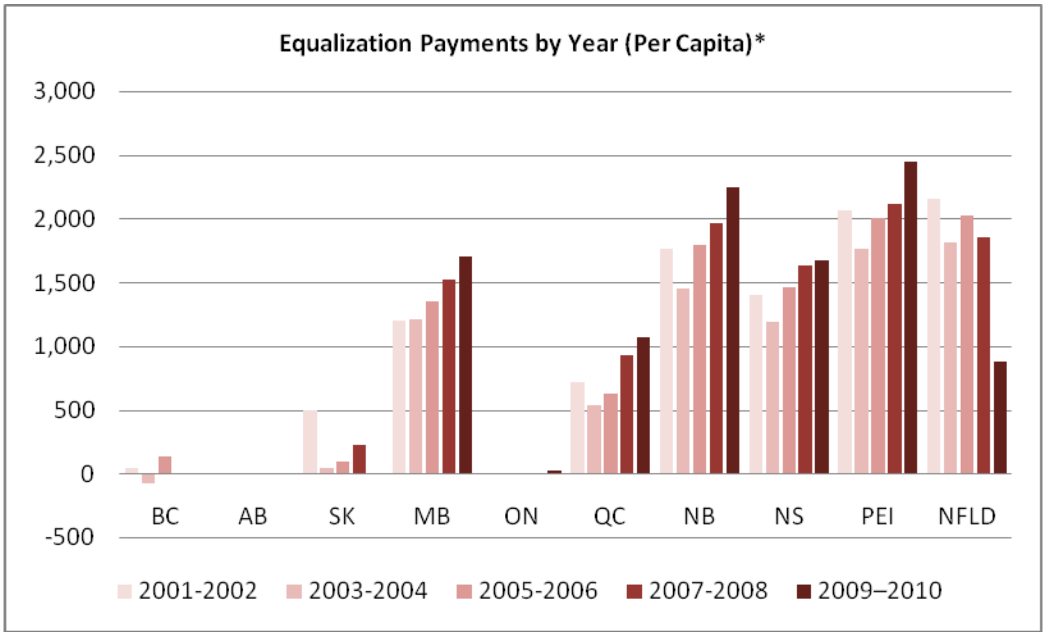
While the CTF has identified a total of more than $5.5 billion worth of grants and contributions that should be ended in order to balance the budget, it is highly probable that a thorough government review should be able to identify significantly more than this. Traditional measures used in the private sector during tough economic times also should be enforced for the next three years:

- A public sector wage freeze;
- A public sector hiring freeze;
- A 70 per cent reduction in government advertising;
- Restricting the use of consultants; and,
- A 70 reduction in all travel spending.

Equalization

The CTF recognizes that Canada's provinces have significantly varying fiscal capacities and that work must be done in order to help those provinces currently collecting equalization. Despite the good intentions of programs like Equalization, most 'have-not' provinces have become *more,* not *less* reliant of federal payments. Spending has ballooned for equalization up to $14.8 billion for 2009-10. The CTF *Deficit Action Plan* proposes to reduce it by 30 per cent, back to 2002 levels at the rate of 10 per cent a year over three years.

With the lonely exceptions of British Columbia (which has gone back and forth) and Saskatchewan, every single province that was a recipient of equalization payments in the 1980s is still a recipient today. Anecdotal evidence would also suggest that most of those same provinces that were recipients then, were recipients long before that as well. Provinces that were dependent in the past are dependent today, and are likely to be so long into the foreseeable future. Ontario as a recent member of the equalization club is showing no signs its economy will rebound in a manner allowing it to again leave the club.



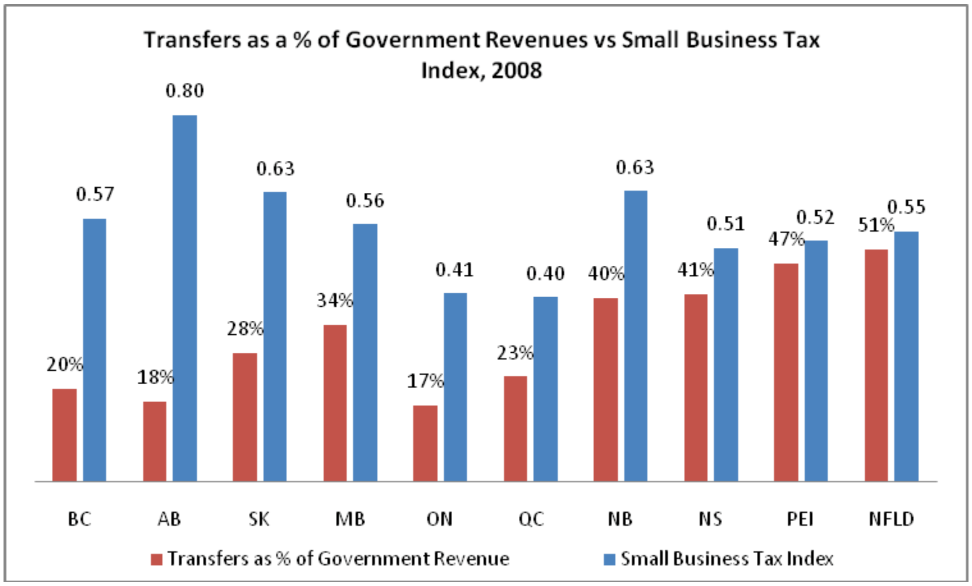
Canadian Taxpayers Federation[6] ** BC shows a negative payment as it made a small program repayment in that year*

Provinces that languish in 'have-not' status continue to be dependent because the federal government creates real disincentives for provincial governments to make their economies more competitive through less regulation, decreased corporate and personal income tax rates and more competition.

Not surprisingly Ontario – now a have-not province – has seen tax increases and an increasingly stifling business environment. The Canadian Federation of Independent Business (CFIB) recently pegged Ontario at 4.1 out of 10.0 in rating the best provinces for taxes on small businesses, only marginally ahead of Quebec at 4.0. What is surprising is that New Brunswick has soared all the way to second place behind Alberta. That a have-not province with a history of governments unaccustomed to the reality of

[6] *Canadian Taxpayers Federation* Calculation with data from Fiscal Reference Tables, *Finance Canada* – Ottawa, July 2009, Note: Revenue figures not available for 2009-10

a market economy could make the changes necessary to open itself up to business is a testament to political willpower and common sense.



Finance Canada & Canadian Federation of Independent Business[7]

Rather than disband the Equalization Program entirely, the CTF advocates that it be overhauled from a "federal welfare" program, to a provincial economic restructuring program. This means rewarding good governance with good incentives for provinces that have struggling economies by:

1. **Matching provincial debt reduction dollar-for-dollar, phasing out by 10 per cent annually; and**
2. **Continuing to liberalize internal trade through initiatives like a single securities regulator, the Trade, Investment and Labour Mobility Agreement (TILMA) and the Agreement on Internal Trade (ATI), utilizing federal commerce powers if necessary.**

The positive effects of such measures will mean both that provincial governments have a greater fiscal capacity to govern themselves with sovereignty, and the federal government will have more fiscal room with which to reduce the burgeoning deficit.

Upon converting Equalization into an economic restructuring program focused on debt reduction, the federal government's reductions of 10 per cent will produce savings of:

[7] Small Business Provincial Tax Index, *Canadian Federation of Independent Business* - Edmonton, April 2009

- **$1.4 billion** in 2010-2011
- **$2.8 billion** in 2011-2012
- **$4.3 billion** in 2012-2013

Eliminations & Other Phasing Out

Several areas exist within the federal government that simply should not. Some of these areas are wasteful uses of tax dollars, some are crown corporations that the government should either privatize or make revenue neutral, and some are offensive to our freedoms as Canadians and should be eliminated even if they were to cost the Treasury nothing. The CTF has identified a total of **$2.3 billion** in eliminations to be phased out over three years including:

- **$376.0 million:** Atlantic Canada Opportunities Agency
- **$315.3 million:** Economic Development Agency of Canada for the Regions of Quebec
- **$260.2 million**: Western Economic Diversification
- **$200.0 million: Federal Development Southern Ontario**
- **$71.2 million:** Cape Breton Corporation
- **$51.9 million: Federal Economic Development Northern Ontario**
- **$28.2 million:** Canadian Human Rights Commission and Tribunal
- **$28.0 million: Northern Economic Development Agency**

In addition to the non-exhaustive list above, the CTF has identified several crown corporations that should be either made revenue neutral or privatized in some fashion:

- **$593.4 million:** Atomic Energy of Canada Limited
- **$104.4 million:** Canada Post Corporation
- **$289.2 million:** Via Rail Canada Inc.
- **$117 million:** Telefilm Canada
- **$72.9 million:** National Film Board

Selective 5% Cuts in Ministry Expenses

Program spending grew steadily above the combined rate of inflation and population growth long before revenue was stricken by the current global economic downturn. As a result, ministries have become bloated and should be targeted for general cutbacks of 5 per cent across the board. At a savings of **$8.5 billion**, the following ministries are a non-exhaustive list that should be exempted:

- Justice: while adjusting for the elimination of the Canadian Human Rights Commission and Tribunal
- National Defence
- Public Safety and Emergency Preparedness

Further to this, the CTF has left unadjusted the Department of Finance's own projected expenditures for major transfers to persons including:

- Employment Insurance
- Elderly Benefits
- Children's Benefits

Limitations, Freezes & Growth

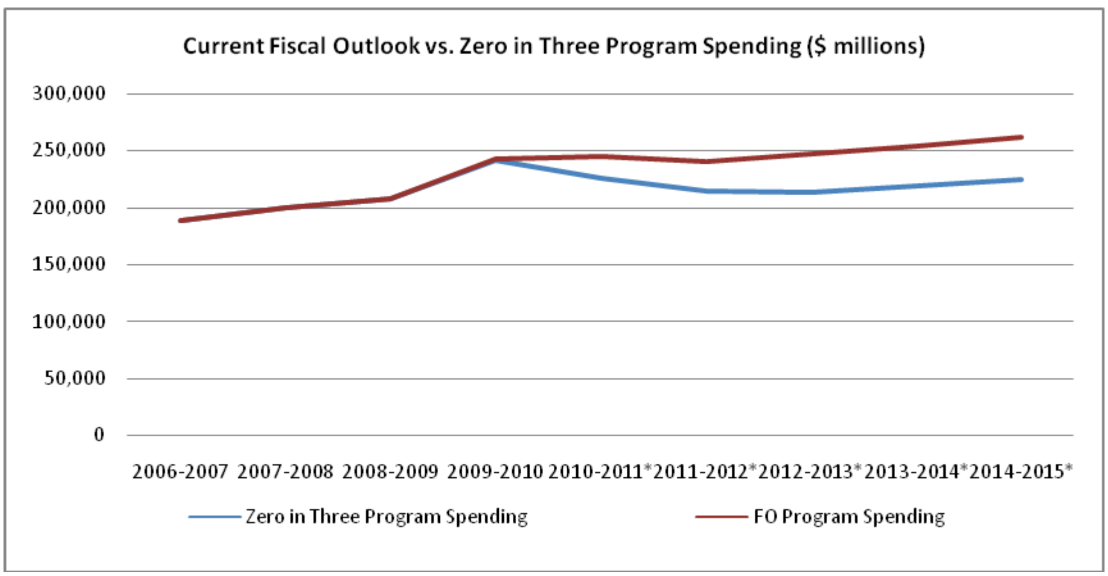
While it is impossible to balance the budget in a timely manner without spending reductions or job-killing tax hikes, holding the line on spending in many areas will also be required. Without restraint in spending growth, any cuts made will quickly be overtaken by the seemingly natural growth of government. With the exception of a limited number of areas (some of which are listed above), CTF calculations determined that an across the board freeze of spending is required for a period of three years.

Public Debt Charges

As Canadians painfully learned in the 1980s and early-to-mid 1990s, governments cannot irresponsibly run deficits forever. As the accumulated deficit becomes larger, so too does the annual cost of serving it. Each year the added debt burden erodes the government's capacity, meaning that a greater proportion of what is collected is never even spent on programs, but paid to the country's bankers.

As the CTF strives to be moderate in the fiscal projections that it uses, the government's projected public debt charge figures have been used for *Zero in Three*. The CTF uses these figures despite the fact that public debt charges would be relatively less burdensome under this plan as compared to the high deficit figures currently projected.

Spending Summary



For politicians to meet their obligations to taxpayers, they must consider such measures soberly and unsentimentally knowing that as hard as such actions may be, they owe it to future generations not to saddle them with the consequences of today's political expediency.

Keeping the Budget Balanced

Once the budget is back under control a few simple measure are required to protect taxpayers from a return to this short-sighted approach to federal spending. They include legislation and a constitutional measure ensuring the following:

1. Governments should only be allowed to run deficits in the event of a major war, natural disaster, or economic crisis after significant reductions in spending have been undertaken.
2. Deficit spending outside of a major crisis should require the enactment of the *Emergencies Act* (successor to the *War Measures Act*) and be considered an extraordinary government power that must receive majority approval in a referendum.
3. Tax increases must be approved by a majority vote in a referendum.

Revenue & Taxation

Summary of Revenue Outlook –Zero in Three ($ billions)

	2010-2011*	2011-2012*	2012-2013*
Personal Income Tax	117.3	125.8	134.1
Corporate Income Tax	25.6	26.8	27.0
GST	27.1	29.4	30.7
EI Premiums	17.8	20.0	22.8
All Other Revenues	46.4	48.5	50.4
Total	**234.2**	**250.5**	**265.0**

Source: Office of the Parliamentary Budget Officer[8] **Projected*

Holding the Line

When governments run deficits, they are deferring taxes that they are afraid to levy when they refuse to rein in spending. This deferred taxation is even more harmful than taxes levied at the time of the funds being spent, with every passing day, taxpayers also must pay interest in addition to the principle.

The CTF has long been a leading advocate for tax cuts and continues to do so; however *Zero in Three* recommends that tax cuts should only be undertaken once the government has brought spending under control and balanced the budget. Therefore, *Zero in Three* uses the current level of taxation as laid out in Budget 2009-2010 and revenue projections from the PBO.

Lower, Simpler & Flatter: Income Tax Reform as Real Stimulus

Upon bringing the budget into balance in the third year of the *Zero in Three* plan, the CTF recommends that the government begin the implementation of the *Lower, Simpler & Flatter* proposal to move Canada towards a flat tax. This plan will act as a major and permanent stimulant to the economy that will see a significant and real increase in the standard of living for all working Canadians.

The stimulating effect of broad based income tax cuts coupled with removing disincentives created by marginal tax brackets would be immediate and fairly distributed across all sectors of the economy and society. People and families of all income levels and in all industries would find a real incentive to work

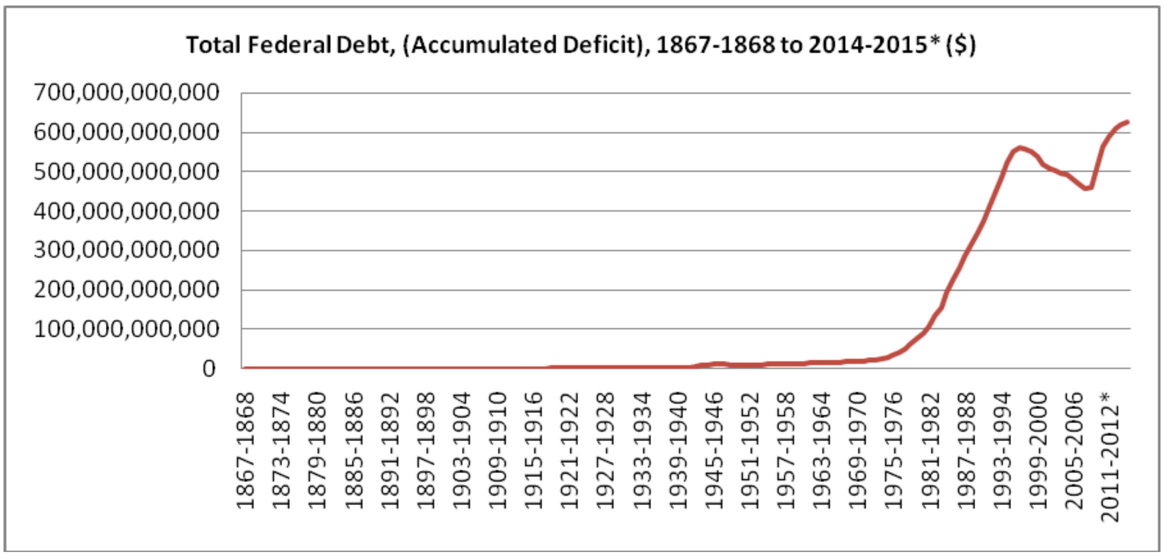
[8] Economic & Fiscal Assessment Update, *Office of the Parliamentary Budget Officer* – Ottawa, November 2009

harder and save more, in contrast to the current stimulus' plan of selective bailouts, corporate welfare and tax credits.

A History of the Federal Debt

Historical Summary

Canada's federal debt has seen a long and steady rise in its history with several periods of particularly large growth. Before 1968, most deficits were genuinely short term and had modestly honest targets for repayment. In the period since, deficits have been the rule and not the exception, and in those rare years where a deficit is not recorded, the repayments have been decidedly smaller than the amounts borrowed.



Canadian Taxpayers Federation[9]

**Projection*

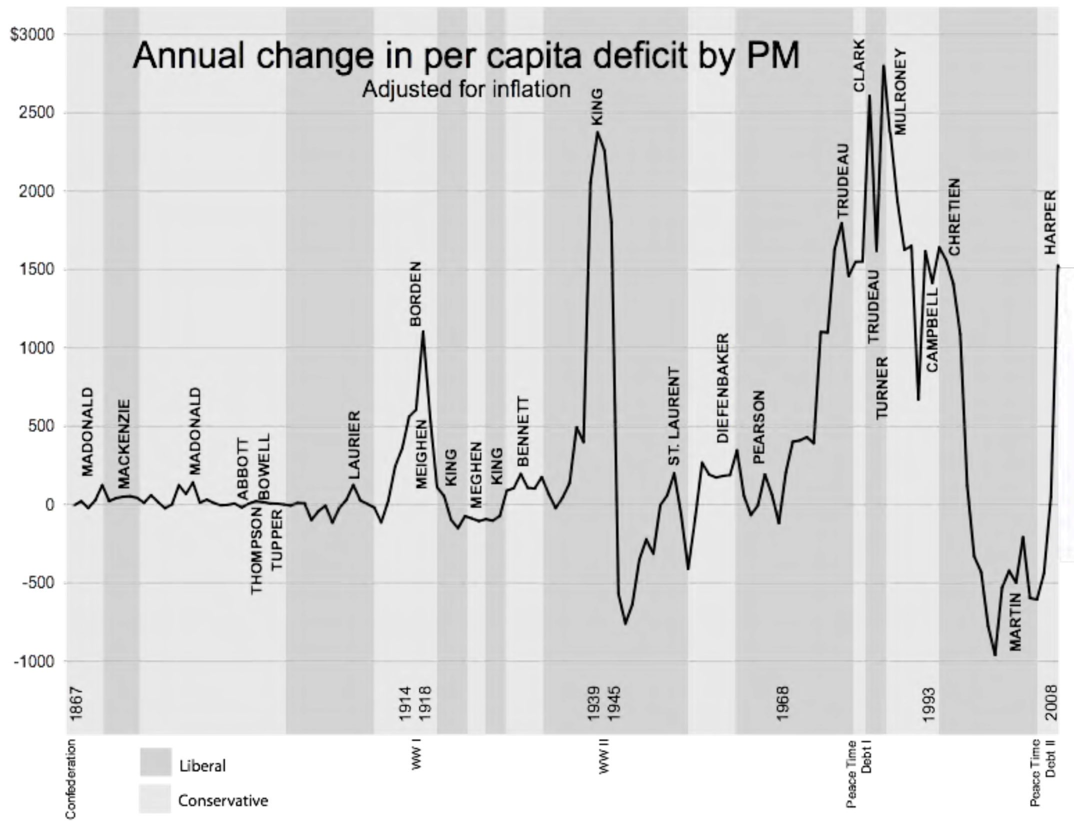
The largest single years of federal deficits since confederation have been in 1984 at $37 billion, 1992 at $39 billion, and in 2009 at $55.9 billion.[10]

Canada's debt has gone through four major periods of explosive, sustained growth: World War One, World War Two, the prime-ministerships of Pierre Trudeau and Brian Mulroney, and currently. The pace of the debt burden's growth today is paralleled only by this country's darkest hours of war and its darkest hours of fiscal recklessness. Adjusted for inflation, the federal debt has only increased by more

[9] Accumulated Deficit, Adjusted for Inflation, 1867 to 2015: *Canadian Taxpayers Federation* Calculation with data from Finance Canada – Ottawa, July 2009

[10] Nominal Accumulated Deficit: *Finance Canada*

than $1,000 per capita during these periods with a record: $1,100 in 1918, $2,400 in 1943, $2,800 in 1984 and $1,500 in 2009.



Canadian Taxpayers Federation[11]

With the exception of the Trudeau and Mulroney eras, this current increase in debt is unparalleled in peace time. With no *major* wars underway, there is no excuse for burdening today's taxpayers and generations to follow with the costs of such a selfish spending spree. Canadians paid for much of the two World Wars at the time of their being fought – with more than just taxes – but were rightly justified in financing much of the war efforts through deficits. They could look future generations in the eye and clearly justify the added debt burden. Politicians today should ask themselves if they would feel comfortable asking future generations to make the same sacrifice to justify today's 'hardships.'

Canadian Taxpayers Federation[12]

[11] Change in Debt (Accumulated Deficit) by PM, Adjusted for Inflation, 1867 to 2015: *Canadian Taxpayers Federation* Calculation with data from Finance Canada – Ottawa, July 2009

Accountability & Transparency

Transparency Breeds Accountability

One of the most important elements of accountability is transparency. The *Accountability Act* made mixed improvements in this regard, but several areas still stand in the open waiting to be addressed. Parliament's centuries old role of overseeing the levying of taxes and the expenditure of funds from the treasury has been eroded over time for a host of reasons. The CTF proposes several measures to address this problem below.

More Frequent Reporting on Budgets

The federal government should follow the example of Alberta and require that quarterly, detailed reports be submitted to Parliament. These reports should include:

- What has been spent on a level of detail consummate with the Public Accounts;
- What is expected to be spent in the coming quarters with equal detail, including expenditures broken down by ministry; and
- What the collected revenues have been and what they are expected to be.

This is not a radical measure and is in fact the next logical step beyond what transparency measures are currently in place.

Spending Transparency & the Internet

Canadians wishing to gain access to the details of public spending are currently required to navigate a long bureaucratic process that provides information that is not targeted to what they need. The secrecy surrounding the current record levels of spending is not appropriate for that of an advanced Western democracy. Canada should look to the United States for guidance in how to make such spending open and transparent to the people who pay the bills – taxpayers. An extremely useful tool may be found at www.recovery.org is an excellent of example of making government spending – regardless of how useless the project – open and transparent for taxpayers to see. The Government of Canada would be

[12] Total Debt Accumulated from WWI, WWII & Current Fiscal Outlook, Adjusted for Inflation: *Canadian Taxpayers Federation* Calculation with data from Finance Canada – Ottawa, July 2009

well advised to follow this example of melding accountability with the internet age and produce a similar website for Canadians.

It is not just that there is full disclosure of projects, spending level and tracking against budget. There are also details on contractors and reports from Inspectors General who have audit oversight of the spending.

Conclusion

On November 22nd, 2009 Canada's federal debt surpassed $500 billion and continues to grow due to continued over-spending. Canada's current fiscal outlook includes continued structural deficits and a burgeoning debt that will harm taxpayers of today and tomorrow.

The federal government has engaged in a spending spree it calls an "Economic Action Plan." Canada now needs a "Deficit Action Plan" to get our nation's finances in order. This cannot be achieved by economic growth alone, but will require real action immediately both to cut spending and, thereafter, to keep spending from growing out of control.

The CTF's plan of *Zero in Three* clearly shows that this can be done without tax hikes and requiring only modest reductions in program spending. The reductions and spending freezes advocated in *Zero in Three* are a measured response to the decline in revenues. They even leave program spending higher than pre-recession levels.

The common refrain on the debt in the early 1990s that "the first thing you do when you're in a hole is to stop digging" is as pertinent today as it was then. The *Zero in Three: Debt Action Plan* does this within three years. The savings created by modest restraint today will be felt long after MPs today have taken their leave from office.