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A Clock Worth Watching

The Winnipeg Free Press (September 7 editorial: Tick, tick, tick) correctly notes that Manitoba's debt is a non-issue with voters. Maybe Manitobans get their information from more reliable sources than the Canadian Tax Payers Association who simply throws out numbers without putting them in context. The Association's latest initiative is a debt clock that calculates, by the second, the interest accruing on the provincial debt. Taken on its own the number tells us very little, but the Association tries to present it in such a way as to alarm us and catapult the debt into an election issue.

Much more thoughtful analyses are found at any number of sources, such as BMO economist Sherry Cooper who says that Manitoba's "budget plan is on track...for a surplus in four years.... [E]conomic prospects in the province are firm, the deficit is modest as a share of GDP and the Province's debt load is manageable." Or RBC's report which states, when talking about Manitoba: "deficit reduction on track, restraint to come," and notes that "the main theme in the budget in [the April 12] budget was indeed expenditure restraint: program expenditure will be limited to just 2.3%, which would be the slowest pace of growth in 15 years. Total expenditure growth will average 2.0% during the remainder of the five-year plan,

which constitutes by far the tightest fiscal stance in Manitoba since the mid-1990's."

Why do these economists — all of whom are business-friendly, mainstream actors — have such a remarkably different view from the Canadian Tax Payers Association? Professional economists come in all political stripes, but the objective ones "know and understand" Manitoba's debt situation — something the Free Press accuses the public of not getting. Its acknowledgement that Manitoba is not Greece is an understatement to say the least: Manitoba's debt/GDP ratio is 24.6%: Greece's is 141%. Greece also has a serious unemployment problem; Manitoba's rate is the lowest in Canada.

These economists know that our debt is \$14 billion and they understand that it is not a problem. They understand that our debt, relative to GDP is amongst the lowest in the industrial world, and considerably lower than Canada's as a whole. They understand that the infrastructure, healthcare services, education, and provincial parks we all enjoy are the result of past spending and that the most recent round of deficit spending was required to prevent Manitoba from entering into a recession (one of the few Canadian provinces able to do so).

Another source worth checking out is Fletcher Baragar's soon-to-be released Report on the Manitoba Economy 2011 (published by CCPA Mb.), Baragar is an economist with the University



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FAST FACTS continued ...

of Manitoba and his 81 page report provides a comprehensive and detailed look at Manitoba's economy from 2008 until the present.

Baragar rightly places recent deficit spending in the context of the recession — something the Tax Payers Federation never does. He explains how the recession impacted our net exports, business spending, consumption and government spending — the four pillars of economic activity.

Baragar explains the complexity and brute strength of the forces the recession brought to bear on our economy: contraction of final demand; increase in the value of the Canadian dollar; domestic and foreign job losses; a sector-by-sector analysis of Manitoba's economy, including its labour force, and the countervailing force played by deficit spending.

According to Baragar: "Fortunately, the change in fortune of the economy also produced a change in attitudes, with the result that the notion that government could and should play an active role in the endeavour to stabilize an economy undergoing financial and macroeconomic upheavals now garnered wider acceptance."

This change in attitude is the acknowledgement by governments around the world that the government-spending portion of GDP would have to make up for loss of spending in the other three areas. Although consumer spending remained somewhat strong in Manitoba's economy, our unemployment rate went up much less than other provinces, and remained easily one of the lowest in the country (today it is the lowest). Nonetheless, as Baragar explains, our economic rate of growth between 2007 and 2009 decreased almost 2%, stopping just short of plunging us into negative territory along with the rest of the country (Canada's GDP slipped by roughly 4.5%, ending up well in the red). Such contraction, caused by lack of demand, can only be offset with government spending and luckily for Manitoba, it worked.

Had the government not invested in relief efforts and infrastructure projects that will benefit us for decades to come, Manitoba would have slipped into recession with the rest of the country, government revenues would have dropped even more and the deficit would have been even greater.

Of greater concern at the moment is the sputtering US and European Union economies which could plunge the world economy back into recession. It is not clear that Manitoba will be able to wiggle through a second downturn as effectively as it did the first. Most experts, including the president of the IMF, are now calling for an increase in stimulus spending for both Europe and the US to stave off another recession, calls the Tax Payers Federation should be considering while they watch their clock monitor the growth of a meaningless number.

But the Canadian Tax Payers Federation doesn't have to know or understand the broader context of our economy or of government debt because its one and only reason for being is to lobby for lower taxes. If it really cared about addressing the debt issue, it would realize that we will eventually need tax revenue to pay it down: revenue that should be coming from the rich and profitable corporations that use physical and human infrastructure paid for by government.

In order to give voters a meaningful number to ponder, we need a clock that can track, by the second, the value added of past deficit spending: the education obtained, sick people treated, kilometres travelled on public roads.

Now that would be a clock worth watching.

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Baragar's full report will soon be available on the CCPA website.



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