



CCPA
 CANADIAN CENTRE
 for POLICY ALTERNATIVES
 MANITOBA OFFICE

RESEARCH • ANALYSIS • SOLUTIONS

FAST FACTS

April 15, 2011

And Now For Some *Un-Conventional* Wisdom...

All the responses to the 2011/12 provincial budget in the April 13 *Winnipeg Free Press* speak with one voice that is critical of this year’s budget and the NDP government that tabled it. That so many well-known political pundits (Messrs. Craig, Martin, Brown and Kelcey) would speak with such commonality may make one think that these voices represent some sort of “conventional wisdom”. In the true sense of the term, they do.

The term “conventional wisdom” was made famous by renowned Canadian economist John Kenneth Galbraith in his book *The Affluent Society*. He used the expression ironically to describe the prevailing, but wrong-headed thinking of the day. Conventional wisdom in this sense is not wisdom at all, but stylized facts repeated over and over in order to convince an audience of the truthfulness of a particular message. The message of course originates with a group that stands to benefit greatly from having the public accept the idea as “wisdom”. Repeat an idea – no matter how questionable - enough times, and eventually it becomes the “truth.”

The “truth” according to the collection of analyses in the *Winnipeg Free Press* is that all government debt is harmful; all government spending is wasteful; the NDP is particularly

wasteful and irresponsible; and that Manitoba is a have-not (second rate) province because of poor policy choices. But as with all conventional wisdom, this collection of pronouncements deserves a critical look.

Is government debt always harmful? On the contrary, government deficits are necessary in recessionary times. When lack of spending in business investment, consumption and exports drag the economy down and cause unemployment to grow, government spending is the only force strong enough to alleviate that drag. Without government stimulus spending following the events of 2008, the recession would have been deeper and longer.

Is government spending necessarily wasteful? Absolutely not. To read the words of the pundits one would think that every dollar spent by government goes into a black hole. In fact, the average per capita benefit from public services in Canada in 2006 came to \$16,952, and around 56% of that benefit comes from our access to health care, education and personal transfer payments. Canadians in median income households benefit from public services in the amount of \$41,000 — equivalent to roughly 63% of their total income. Furthermore, when the government spends on healthcare, education, childcare, infrastructure and



CCPA
 CANADIAN CENTRE
 for POLICY ALTERNATIVES
 MANITOBA OFFICE

309 - 323 Portage Avenue
 Winnipeg, MB R3B 2C1
 T 204.927.3200 F 204.927.3201
 ccpamb@policyalternatives.ca
 www.policyalternatives.ca

The *Fast Facts* are produced and distributed free via email. They can be reproduced as an OpEd or opinion piece without obtaining further permission, provided they are not edited, and full credit is given to both the author and the source, CCPA-MB. Please contact CCPA-MB today to begin your free subscription.

FAST FACTS continued ...

cities there are long-term benefits that increase productivity and economic wellbeing for Canadian businesses and citizens.

Is the NDP is particularly wasteful and irresponsible? This is one of the stranger of the contentions given that the obvious comparator to the NDP's recent economic performance is that of the previous Conservative government. Let's look at the facts. Before the global recession necessitated a deficit, Manitoba's debt/GDP ratio was around 24.7%, compared to 32.9% when, in 1999, the NDP took over from the Conservatives. Current stimulus spending will cause this year's ratio to increase to 26.2%, still one of the lowest in Canada and the world. Furthermore, debt servicing costs have decreased from 13.2¢/dollar of revenue under the Conservatives to 6¢/dollar of revenue.

Mr. Martin, of the Canadian Federation of Independent Business in Manitoba believes that Manitoba needs to compete with its Western neighbours in the tax-reduction game, stating that our personal exemption is almost 70% lower. But raising the personal income tax exemption to match Saskatchewan's would remove an estimated \$72 million from provincial revenues. Given concerns around paying down the debt, would that be responsible? And lest you think that this move would help low-income Manitobans, think again. Of the \$72 million, just over a quarter would benefit individuals with incomes of less than \$25,000; less than one half would benefit those making between \$25,000 and \$50,000, and a little more than a quarter would accrue to those earning more than \$50,000. Regular and measured increases in minimum wages, a staple of this government, do more to help low-income people while keeping the revenue stream flowing.

Is Manitoba a second-rate province? The tendency is to compare to Alberta and Saskatchewan, especially with respect to taxes. But these provinces do not spend less per capita than Manitoba. They earn more than we do from

their natural resource royalties: in 2008, 33% of Saskatchewan's and 24% of Alberta's revenues came from royalties. High royalties equals lower taxes, not less spending.

Manitoba may not have lucked out as much on the natural resource lottery, but that's what makes our performance all the more impressive. Manitoba's average rate of GDP growth for the past 3 years was 2.67%; Canada's was 1.85%. Manitoba has weathered the recession better than the rest of Canada. In 2009, Manitoba was showing positive growth at 0.05%, while Canada's economy shrank by nearly 2.5%. Our unemployment rate remains amongst the best in the country at 5.4%, average wages are increasing, our population is growing and our gini coefficient – a measure of equality – is better than Canada's overall.

Finally, do the commentators speak with one voice? Yes they do, and that voice is male, conservative and pro-business. Too bad we couldn't have heard from others outside the realm of conventional wisdom.

Lynne Fernandez is a political economist with the Canadian Centre for Policy Alternatives, Mb.



CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
MANITOBA OFFICE

309 - 323 Portage Avenue
Winnipeg, MB R3B 2C1
T 204.927.3200 F 204.927.3201
ccpamb@policyalternatives.ca
www.policyalternatives.ca

The *Fast Facts* are produced and distributed free via email. They can be reproduced as an OpEd or opinion piece without obtaining further permission, provided they are not edited, and full credit is given to both the author and the source, CCPA-MB. Please contact CCPA-MB today to begin your free subscription.