

What Are Budgets All About?

Many peoples' eyes glaze over at the mere mention of budgets. The word conjures up images of rows of numbers and complex financial arrangements.

But in many ways budgets are much less complicated than all that. Budgets are an important way in which we consciously and deliberately shape the kind of society we want to have. Budgets are an expression of our values. Do we want to have a strong and effective public education system and public health system? If so, we need to tax ourselves and invest in education and health. Do we want to plan for the future by making our society more environmentally friendly? If so, we need to make the kinds of public investments that will contribute to the creation of an ecologically sustainable future. Do we want to have wide gaps between rich and poor, or do we want to create opportunities for all Manitobans to live secure and useful lives? The kinds of budgets our governments implement will play a significant role in answering these questions.

We start our budget process with a set of values, and then seek to build a budget that advances those values as much as possible within the fiscal constraints faced by the province. Here are some of the key values we identified this year:

- **Equality**
- **Environmental sustainability**
- **Public services for the public good**
- **Community economic development**
- **Fair taxation**

Made-in-Manitoba Solutions

Not even six months ago, you couldn't turn on the TV without hearing someone talking about "the new economy," as if it were some magical thing that meant we'd never see a recession again. Now, suddenly, "recession" is a word you hear all over the place.

While we don't think we're near a recession in Manitoba, we're proud to say that a budget like *The Manitoba Alternative* reduces vulnerability to inevitable downturns in the US economy. By developing our economic strengths from within, we would make the province less dependent on the US market—at a time when economic activity south of the border is slowing down.

The huge flaw in Manitoba's economic development strategy over the past decade was that it was based on attracting mobile private businesses from outside the province. Because those kinds of businesses are attracted by low wages and tax incentives, what we got were a lot of low-paying, low-skilled jobs doing things like telemarketing and working in a hog processing plant.

Meanwhile, poverty has continued to rise, social assistance rates have been falling in real terms, and important investments in education were not made.

The result is that our province's low unemployment rates—which we certainly think are a good thing—are like a bubble. If the US economy really goes into the tank, that bubble will burst. When it does burst—as it eventually must—many Manitobans will find themselves out of work, and without the supports they need.

We believe the government should act now, while times are relatively good and unemployment is low, to make the province's economy more self-sufficient, and individual Manitobans less vulnerable for when times get tough.



A full copy of *The Manitoba Alternative* (Alternative Provincial Budget)

The Manitoba Alternative is ...



Responsible

- Our budget is balanced. In fact, we project a modest surplus to put in the “rainy day fund.”
- We make the kind of investments in education, job creation, and childcare that are necessary to guarantee a strong future for Manitoba.
- No income tax cuts. No income tax increases, except for a small surtax of 2% on income over \$200,000 (this would affect fewer than 5,000 high-income Manitobans).



Progressive

We invest in Manitoba:

HOUSING

- We increase the housing budget by \$30 million to deal with one of Manitoba’s most pressing needs. Among other things, this level of investment would allow for:
- A social assistance rental allowance increase of 15%. These allowances have not budged in eight years.
- A core neighbourhood housing strategy that will support non-profit community groups to allow them to build and renovate housing in the inner city.
- An urban housing foundation initiative to nurture voluntary partnerships between communities and the public, private, and non-profit sectors through a tax credit program and other means.

JOB CREATION

- Drop the provincial payroll tax rate, and put a tax on overtime hours. This revenue-neutral measure would put more people to work, and allow those who are already working to enjoy life more.
- Increase funding for Neighbourhoods Alive!, a good program with limited resources. This would provide long-term social and economic development targeted at communities where it’s needed most.
- An innovative mentoring program for co-ops and community economic development businesses is

one part of our commitment to community economic development. Rather than “chasing smokestacks” and trying to lure business here with our low wages and working conditions, we’d develop Manitoba’s economy from within.

CHILD CARE

- An immediate 50% increase in spending on childcare programs would remove the \$2.40/day fee charged to low-income parents, re-index the subsidy eligibility rate (which hasn’t been done since 1991), create thousands of new day care spaces, and be the first step on the process toward a publicly funded system like Quebec’s “five dollar a day” model.

EDUCATION

- Increase University operating budgets by 5%.
- Freeze tuition fees at 1999 levels and rebate tuition by 10%.
- Maintain adequate funding for K-12 education, and, because equity and quality are the top priorities, begin funding it through the province, not through property taxes.



Green

- We propose dozens of innovative measures that would improve Manitoba’s environment. A comprehensive energy conservation strategy, funded through a conservation levy on utilities, would generate \$23 million per year. This would fund a program to retrofit houses and public buildings, which would save energy and create 800 new jobs.



Fair

- A 20% increase in social assistance, and removal of penalties to social assistance recipients trying to get back in the workforce.
- End the Child Tax Benefit clawback.
- An increase of \$50 in the property tax credit.
- A surtax of 2% on incomes over \$200,00 would affect fewer than 5,000 of the wealthiest Manitobans, and would provide \$14 million for anti-poverty initiatives.

GOVERNMENT OF MANITOBA



Ralph Klein shouldn't be writing Manitoba's tax policy...

The Manitoba Alternative does not cut income taxes. Sure, we read the newspapers, we know that many businesses and newspaper editorial writers say the sky will fall if we don't cut taxes now, and to the bone. But it doesn't take much to recognize these ideologically driven pressures for what they are.

The most common argument in favour of big income tax cuts is that, without them, we risk losing "the best and the brightest" to other provinces. But the evidence in support of this case is pretty weak. At best, it is usually along the lines of, "I know this guy who moved to Calgary . . ." and completely unscientific "surveys of business leaders," rather than hard data. In fact, there is plenty of evidence to show that modest differences in tax levels do not rank particularly highly in either corporate or personal decisions about where to live.

People base their decision about where to live on a combination of factors. Many of these are personal, such as wanting to stay near family and friends. Others are economic, and income tax levels surely figure in here, but it's important not to lose perspective. A more important factor for most Manitobans is the overall quality of life in our province—and this includes the quality of our publicly-delivered health, education and other social services.

Think about it: when you decided to live where you live now, did you make your decision by pulling out a copy of each province's budget and comparing personal income tax rates? There may actually be some people who decide where to live based simply on that one narrow criterion. But trying to placate these people is a game no province can ever win—they will simply move on, travelling like nomads across the country in pursuit of the tax cut bandwagon.

As for businesses, many are inherently local, and simply cannot be moved to Calgary or wherever else taxes are low. Developing a highly trained workforce is more likely to lure the kinds of high-paying businesses the province would like to attract here; those businesses would be more interested in a skilled workforce than relatively small tax differences between provinces.

Alberta can cut taxes because it has the good luck of sitting on one of the richest reserves of oil and natural gas anywhere in the world. The tax cuts did not cause the economic growth, but the other way around. If slashing taxes really would make the Manitoba economy boom, of course we would support them. It'd be a no-brainer. But when you actually use your brain, it's clear that major income tax cuts in Manitoba would be foolish and irresponsible.



Healthy future

Spending on health care is the largest, fastest-growing segment of the Manitoba budget. Sufficient funding is needed to maintain the level of services we all count on, of course, and to undo the damage done over the past decade, but we all know we can't increase spending forever.

So, what's the answer? Well, while simply throwing more and more money into the system isn't a long-term solution, constantly squeezing the health budget—which was the Filmon government's approach—is even worse. The result was not only the infamous "hallway medicine," but a problem recruiting nurses that continues to this day.

And, for-profit health care is not a solution. Period. There is strong evidence that for-profit elements create inefficiencies, as health providers have to worry as much about making a buck for their employers as they do about providing good care.



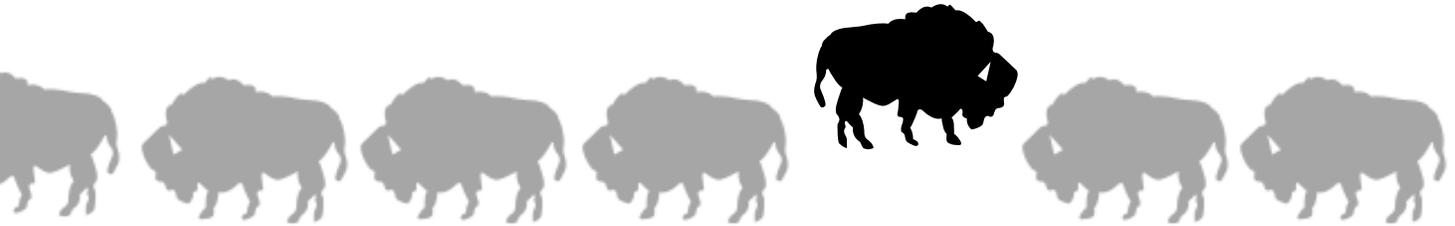
We believe that part of the problem is that the acute health care system—hospitals, doctors, and expensive machinery—feeds on itself. *The Manitoba Alternative* begins the process of moving toward a system that relies more on preventative and community-based care, and less on acute care, except when necessary.

Many of the measures in our budget have a strong preventative health element. Experts agree that the poorer you are, the more you cost the public health system. We would reduce poverty, create jobs, provide more childcare and better housing. Preventative public health programs won't help you if you break your leg, but they are an excellent investment in the long term. And our budget contains a strong commitment to community care, in the form of nursing homes, midwives, nurse practitioners, and community clinics.

Finally, we would begin to move Manitoba toward a system in which doctors are paid on salary, not on a fee-for-service basis. This would remove incentives to over-prescribe expensive tests or procedures that are not medically necessary.



Not content just to follow the herd?



Check this out.

The Manitoba Alternative

2001-02 Alternative Provincial Budget
Canadian Centre for Policy Alternatives-Manitoba
Choices: A Coalition for Social Justice

Green • Fair • Progressive • Responsible

Over time, certain ideas fall in and out of favour. Over the past decade, a set of related ideas has become extremely trendy. No doubt you've heard some of them: that the debt is too big, and we have to pay it off now; that we have to cut taxes to the bone to stop the "brain drain"; that taxes are always a bad thing; that equality and social investment are nice ideas, but they're simply luxuries we can no longer afford.

Herd-like, many governments and economists have followed along. Many now say that the need for fiscally responsible budgets means that government cannot change society for the better. They say that the most a modern government should try to do is get out of the way and let business take over. That there's no room for innovative, progressive change.

We don't buy it.

The Manitoba Alternative is a complete, working budget for Manitoba. It is not a wish list. In fact, our budget is a model of fiscal responsibility. But even within the constraints created by Manitoba's fiscal realities, we have advanced the kind of creative policy alternatives that could realistically be achieved by any provincial government with the political will to act on them. This budget is the greenest ever prepared in Manitoba, and it promotes the social and economic equality that Canadians value. It would put more people to work, enable those who are working to enjoy life more, and provide more reasons for young Manitobans to build a life in this province. It focuses less on creating low-wage, unskilled jobs by attracting investment from outside the province or the country, and instead makes the kinds of investments needed to foster economic development from within. In short, this budget values responsible investment for the future over irresponsible tax cuts; it values the public good over private profit.