



# Towards a Solutions Budget for BC

## SUMMARY

IN JUST EIGHT MONTHS, BC'S LIBERAL GOVERNMENT HAS UNLEASHED A TIDAL WAVE of change that is affecting almost every aspect of life in BC. Unless a dramatic and reasoned rethink prevails, the 2002 Budget, due to be tabled on February 19, will restate the massive tax cuts and spending cuts that have already been announced, and will also spell out fundamental changes to BC's Crown corporations.

We believe that the government is moving in the wrong direction and that the sum of these actions will reduce the standard of living of most British Columbians. The government has departed from the pages of its election platform and is undertaking the most radical neoliberal economic experiment the country has ever seen. The government's plan is flawed because:

- The current "fiscal crisis" is primarily the result of the government's massive tax cuts—tax cuts, we were told, that would pay for themselves. The government's radical spending cuts are reckless and unnecessary.
- The mix of tax cuts and spending cuts will increase inequality in BC by cutting transfers and programs that benefit all British Columbians, but disproportionately low income people, in order to give a tax break to those who need it least.
- A recession means the timing of the cuts could not be worse. They will push poor people off welfare, and

public servants out of jobs, into a labour market characterized by rising unemployment.

- The government's plan is a high stakes gamble that is unlikely to increase long-term investment, productivity or our standard of living.

In place of the government's agenda, we recommend a Solutions Budget for BC, one that would help those in need not punish them, that would ease the economic downturn not exacerbate it, and that will enhance the long-term prospects of BC's resource sectors and public services.

### Fighting the Economic Slump

Priority number one is to realize that BC is in a recession, and not to aggravate the downturn with spending cuts. There are many options available to the government, but ultimately, the government must be prepared to abandon its tax cuts for upper income earners and corporations, commitments that were not in the election platform.



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Selectively rolling back the tax cuts and allocating this money to spending requirements would allow the government to honour contracts, help the most vulnerable during the recession, and still live up to its election promise to cut the bottom two tax brackets. Our plan would maintain and even strengthen funding for social programs. And our plan makes economic sense given the needs of the province during a global recession. Based on our economic model, this plan would have the same impact on this year's deficit, but would have a much stronger positive impact on BC's employment and GDP.

Over a three-year planning horizon, rolling back the province's high income tax cuts would keep revenues in the public sector, and thus support public services. As the economy recovers, revenues would rise and this would bring the budget closer to balance. The government should abandon its arbitrary 2004 deadline for balancing the budget.

## Long-term Investment

New investment is vital to future prosperity in BC. Investment enhances productivity and underpins a rising standard of living. The government is right to want to boost investment in BC, but it lacks a clear vision of an industrial strategy for BC. Tax cuts are less an investment roadmap than a hope and a prayer. They put the public sector in a position of under-investing in necessary public services, infrastructure and environmental protection.

BC's resource sector, in particular, needs a bold and comprehensive investment strategy. The focus of an investment strategy should be to adopt new environmentally-friendly technologies and move up the value chain, thereby providing resource-dependent communities with both economic stability and environmental sustainability. The provincial government can play a role in encouraging and facilitating in-

vestment—from many places and in different forms—to move the resource sector towards a more viable *and* responsible position.

BC must be more creative in the development of a modern economy, and this should include the innovative and strategic use of Crown corporations and public services. This means investing directly in the things that business needs, like a highly educated and skilled workforce (hence the need to protect and expand education spending). It means building infrastructure that benefits the people of the province. It also means protecting the advantages the province already has—like cheap and reliable electricity. And BC must engage in innovative health care reform to bring care into the community and take pressure off of crowded Emergency wards.

## Democratize It!

Some of the changes we recommend for a Solutions Budget may be criticized by people who have had their own frustrations with government bureaucracies. The alternative, however, is not to dismantle the public sector, but rather to democratize it. We do need public institutions, but they must be accountable, open and transparent, and they must be rooted in democratic input and oversight. In other words, we need a new vision for the public sector that is appropriate for the 21<sup>st</sup> century.

The belief that there is no alternative to neo-liberal reforms is wrong. This Solutions Budget proposal exists to show that there are thousands of alternatives to letting the market rule. British Columbians should not be lulled into a feeling of helplessness—that the changes being made, while painful, are inevitable. British Columbia remains a wealthy place to live and work. We have the capacity to make choices that will improve our standard of living. Making these choices is what budgets are all about.

*This two-pager is a summary of the CCPA-BC's "Towards a Solutions Budget for BC". The full document—with many more ideas for improving BC's economy and public programs—can be downloaded from [www.policyalternatives.ca](http://www.policyalternatives.ca)*



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