

Intelligence MEMOS



From: William B.P. Robson
To: Canadians Not Totally Living for the Moment
Date: October 16, 2019
Re: **NO BOTTOM LINE HAS MADE THE FEDERAL ELECTION A FISCAL FANTASY**

For the impulsive, it must be a gas to throw all budget-balancing concerns during this election campaign to the four winds.

What if you had no bottom-line constraint in your household budget? You could eat, drink, indulge – even quit your job! Or in your business? First-class everything – and forget sales! Over here at the C.D. Howe Institute, and other charities? Gala events, and all the perks – even if we deliver no value, and attract no donations! Wouldn't that be great?

Well, actually, no. It wouldn't be great. Thoughtless overindulgence is bad – at home, in business, or anywhere else. Especially in government.

The essence of wisdom is judgement in your choices – evaluating the options, and striving for the most value for what you have to forego. That's the recipe for health, wealth and happiness.

In government, the bar is extra high: you have a fiduciary obligation to other people, who may benefit from, and will have to pay for, the choices you make. But with pollsters and political tacticians saying deficits aren't top of mind for many Canadians, this election has prompted a frenzy of excess, with too little serious costing, and virtually no talk of trade-offs. The campaign to date has been a foolish fiscal fantasy.

How foolish? Start with the baubles: micro-targeted handouts like camping subsidies and “boutique” tax credits that pass no sensible cost-benefit test. Worse are the promises that would exacerbate problematic trends: increasing the age credit and boosting OAS payments would increase the burden our aging population will put on young Canadians.

At least most of those have verifiable price tags. Elsewhere, we have proposals – new federal spending on drugs, on dental, hearing and vision care, and on other healthcare – that, depending on details to come later, could shortly add tens of billions to Ottawa's annual spending. Some parties are talking about free post-secondary tuition. A pamphlet just arrived at my door talking about free public transit. What next? Free beer? Free pot? With no bottom line, it's rainbows and unicorns all round!

Magical thinking is also affecting discussions of revenue. Not just the proposals to debt-finance personal tax relief, but lack of attention, and consequent vagueness, about the parties' revenue estimates. When the tax collector reaches out, people recoil. Will hiking taxes on businesses and high earners yield the expected revenue? Might collectors of a new wealth tax find there's suddenly less wealth to tax? One day, answers to these questions might matter – but for the duration of the campaign, we're hearing that nobody cares.

The release of fiscal frameworks from the NDP and the Conservatives last Friday is prompting fresh scrutiny of all the parties' promises – and with it, we can hope, more acknowledgement that indulging every impulse is not a plan. Responsible politicians should acknowledge that whoever takes office after the voting on October 21 will need to find real savings, raise actual revenues, and give Canadians confidence in national finances over the long term. Notwithstanding a commentariat conditioned to think that the debauch promised to date is what voters are, and should be, demanding of the people who seek to form the next government.

Are Canadians really that impulsive? We know we shouldn't – and we don't – indulge our every whim in our personal lives. In our businesses and not-for-profits, we might not celebrate the need to work within our resources – but we know that it motivates our service to our customers and stakeholders, and discourages waste. We don't want our governments to spend top dollar on anything and everything – we want value for the money they take from us at tax time.

This federal election campaign badly needs more wisdom. It needs acknowledgement that the next federal government should – indeed, has a serious duty to – judge carefully when choosing where to spend, what to tax, and how to avoid passing to future generations bills we do not feel like paying today. Enough impulsiveness already. Enough fantasy. We need a bottom line.

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