

National Affairs, by Claire Hoy ? Latest budget worse than Rae?s



There's magic in the air, or so it seems, if one is to believe Premier Kathleen Wynne's spurious claim that Ontario's cumbersome budget will be balanced by 2017-18 as the Liberals promise. Not a chance.

Granted, Ontarians just voted the profligate spenders and taxers back into office, so it's difficult to have pity on Mr. and Mrs. Beleaguered Ontario Taxpayer. As they say, we get the kind of governments we deserve.

But some day, alas, the Day of Economic Reckoning must come.

Ontario, historically the engine that made Canada run, has become an albatross around the necks of taxpayers, not only in Ontario, but across the country as well.

And we thought things were bad when Bob Rae was premier in the early 1990s, when his wanton spending spree left the unwholesome legacy of Rae Days and took the sustained effort of his successor Mike Harris ? love him or hate him, the facts are there ? to dig us out of the hole he bequeathed.

By comparison, however, Wynne's latest budget is monumentally worse than Rae's much-criticized attempt to rescue the province from a global recession.

In a recent National Post commentary, taxation expert Jack M. Mintz compared Rae's 1991-92 budget with Wynne's 2014-15 budget and, with the notable exception of some effort by the current Liberals to curtail spending increases, found the Wynne gang sadly wanting.

Think about your own household. While it's not exactly analagous to government ? since you don't have the power to raise taxes ? you do know that if you keep spending way more than you are earning, something's got to give.

Without getting too bogged down in statistics, consider that when Rae left office Ontario's net debt had skyrocketed to 30 per cent of GDP ? up from 17 per cent in his first year in office ? leaving Rae no choice but to raise taxes and cut back on civil service spending, e.g. the infamous Rae Days.

Horrible as that level of debt was, the Wynne budget calls for a net debt-to-GDP ratio of 40.3 per cent, about two and a half times higher than Rae's first budget. (For you Harris haters out there, you should know that he actually cut overall government spending by five per cent, held the line in the face of hysterical protests for the next two years, and moved Ontario back to budgetary surpluses.)

Can Wynne do what Harris did? Not likely. Not unless she's prepared to have what would amount to a political frontal lobotomy, and reverse everything she has stood for during her entire political career and, more to the point, during the recent election.

You'll recall that it was Tory leader Tim Hudak who railed on about our serious debt. Unfortunately, he made himself a target ? and took the heat of Wynne ? by claiming he'd cut 100,000 jobs. He never intended to do that quickly ? and much of it would be from attrition ? but the 100,000 figure was constantly thrown in his face by his opponents ? which was fair enough ? sparking public servants and unions to rally behind the Liberals to protect their own self-interests.

Which means, of course, that if Wynne were really aiming to balance the budget as quickly as she claims, she'd have to get started paring down the size of government. In short, she have to do the exact thing she ran against in the election.

In Rae's first budget, the increase in program and capital spending was an irresponsible 12.7 per cent which, as Mintz documents, led to a cash deficit of \$11 billion and debt charges representing 8.3 per cent of total spending.

So how does Wynne compare? Badly, alas. With the previously noted exception of much smaller spending increases than Rae ? 2.7 per cent ? her budget calls for a cash deficit of \$20 billion, representing 8.7 per cent of total spending.

Think of what governments could do with that \$20 billion and the money it takes to service it? Indeed, think of what you could do with all the extra money you could enjoy if government didn't have to take so much of your income to pay for its own excesses. Reality being what it is, there are only so many options facing governments in dealing with fiscal nightmares. They can raise taxes and/or cut spending. Preferably both.

What they can't do is continue introducing huge new social programs ? e.g. the promised made-in-Ontario pension scheme ? and then magically hope all will be well at the end of the day.

Then again, as said earlier, Ontarians voted for her.

Good luck.