

2013 – MHF Comment – The Economy – We Did it Right Before...

Canada needs to bring back the economic smarts, fiscal prudence and focus on prosperity growth that we've already proven we're capable of.

Virtually everyone agrees that the economic policies and performance under the Liberal government, from 1993 to 2005, were bang on. We turned chronic deficits into first balanced, and then surplus budgets; we started paying down debt – and what so many people forget – we successfully and significantly reduced income taxes. All of that was because we understood what was smart economically. In 1993, we inherited what was described by the Wall Street Journal as a “Third World banana republic.” Two international agencies, Standard and Poor's and Moody's, had lowered Canada's credit rating. Yet, by the early 2000s, we had surpassed other G8 countries in key areas.

For a great summary of what was done during those times – the good and the challenging – see Carol Goar's article published in the Toronto Star, January 15, 2012: <http://www.thestar.com/opinion/editorialopinion/article/1115546--paul-martin-showed-how-to-tame-a-deficit>

As Carol said, “Over [Paul Martin's] nine-year tenure [as Finance Minister], he balanced the federal budget and went on to produce five consecutive surpluses. He reduced the size of government without stifling the creativity of the nation. He turned Canada into a globally envied model of fiscal discipline.”

At the same time, the Liberal government reduced corporate and personal income taxes, because that was the smart thing to do to stimulate the economy.

Smart. Prudent. Focused on Prosperity.

Unfortunately, the Stephen Harper government took no time to spend the cupboard bare. Discussion of today's deficit and ballooned debt is couched in talk of “recession” and the “need for stimulus” – but Harper's first two budgets: 2006 to 2008 – BEFORE the recession – were, in fact, the largest spending budgets in Canadian history. And they have never looked back.

That reckless spending, with massive increases in spending on things like TV advertisements, management consultants and the like, wasn't all. There was also the reckless reduction of the GST. Every economist worth his or her salt will gladly tell you that that was nuts. It took us 13 years to be smart, and by 2008 it had taken Harper and his gang only two years to put Canada back into deficit spending.

It never ceases to amaze me how the Conservatives can still persuade people that they are somehow the “prudent managers” of the economy – or even that

they are “conservative” in their spending – certainly not when it comes to playing politics...

Canada needs government that is, once again, economically smart and fiscally prudent.

Canada is an affluent society, we have a responsibility to help those less fortunate. Call it prosperity with a purpose, call it progressive prosperity, but count me among the fans of avoiding deficit spending, reducing the debt, and competitive tax structures. These are all critical to that strong, vibrant, competitive economy which, in turn, is a prerequisite to being able to fulfill the rest of our social responsibilities.