



Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

there is an alternative.

October 16, 2015

Looking critically at Harper Government's economic record

The federal Conservative government has been making much of its economic record in recent weeks. Its campaign slogan, front and center on its website and prominently waved at whistle stop photo ops is “protect our economy.” But what is the Conservative economic record? Based on a study of sixteen key economic indicators, Jim Stanford, an economist at UNIFOR, has pointed out that Harper's record is actually the worst of any Prime Minister since the Second World War. The Harper government's response to this is not to dispute the numbers, but to claim that the Conservatives were in power during the most trying economic times of any post war government and that they have guided Canada through those turbulent waters with a steady hand. There are a number of problems with this claim.

First, it sets a remarkably low bar for economic success. To argue that the Conservatives should be judged wise economic stewards because they didn't have a massive financial meltdown caused by wild speculation in a deregulated financial derivatives market is indeed damning with faint praise. Surely a claim to economic success should rest on something more than inheriting a reasonably stable banking and financial system when the Tories came to power in 2006. To make matters worse, some of the underlying trends that caused the financial meltdown to escalate into a genuine economic crisis in the US are currently present in Canada. Most notably,

the low interest rate environment that the Bank of Canada has adopted in an effort to keep the shaky Canadian economy bobbing along has resulted in high levels of household debt. While US households have been reducing their debt to 113% of their disposable income, Canadian household debt as a percent of their disposable income has spiraled under the Conservatives, from 135% in 2006 to 163% in 2012.

Second, it's a good thing that the election is right now, because the Conservative economic record is getting worse by the day even compared with other nations supposedly battling the same trying conditions. At the height of its economic meltdown in 2009, the US unemployment rate stood at 9.3% compared to Canada's 8.3%. However, since then the US rate has been falling considerably faster than the Canadian, so that by 2014 it was lower than Canada's - 6.1% compared to 6.9%. The gap has widened by September 2015 with the Canadian rate edging up to 7.1% while the US rate has fallen further to 5.1%. The same trends exist for GDP. Canada's real GDP growth rate was higher than that of the US from 2008 until 2011 but that rank has been reversed in recent years. In 2015 Canada's real economic growth is estimated to be a very meagre 1.5% by

CCPA-MB
205-765 Main St.
Winnipeg, MB
R2W 3N5

phone

(204) 927-3200

email

ccpamb@policyalternatives.ca

website

[www.policyalternatives.ca/
manitoba](http://www.policyalternatives.ca/manitoba)

blog

www.policyfix.ca
twitter

@ccpamb

continued...

CCPA-MB
205-765 Main St.
Winnipeg, MB
R2W 3N5

phone
(204) 927-3200

email
ccpamb@policyalternatives.ca

website
www.policyalternatives.ca/
manitoba

blog
www.policyfix.ca

twitter
@ccpamb



the OECD compared to the US rate of 2%.

Third, what gains there have been from the Canadian economy get larger the higher you go up the income spectrum. Between 2006 and 2011 the average after tax income of the bottom 20% of income earners increased by a meagre \$800, the middle 20% (what might be genuinely considered “average Canadians”) \$2000, and the top 20% a rather more substantial \$8300.

And then, of course there are the economic priorities. According to a recent Martin Lukacs article in *The Guardian*, Conservative tax cuts (GST, corporate and personal) have cost the federal government \$45 billion a year in revenue. This has benefited those who can take advantage of tax free saving accounts and income splitting provisions. Income splitting, which allows a family with children to split their income between the two parents, is a nice example of who has benefited from these tax breaks. According to the Parliamentary Budget Office it costs the government \$2.2 billion a year and only benefits about 15% of Canadian families. According to the report, “eligibility rates for households in the bottom 20 per cent of income are near zero.”

Along with the commitment to a balanced budget, these cuts in revenue must mean a reduction in the programs that can be funded by the federal government - less for transfers to the provinces that go to tuition and education, less for environmental protection, and less for food inspection.

The Conservatives have also been running a surplus in the EI account, meaning that they are collecting much more in premiums than they are paying out to the unemployed. This is no accident. Perhaps it is just a reflection of the opinion that Harper expressed during a 1997 speech: “In terms of the unemployed, of which we have over a million-and-a-half, don’t feel particularly bad for many of these people. They don’t feel bad about it themselves, as

long as they’re receiving generous social assistance and unemployment insurance.”

Perhaps the Conservatives should be careful what they wish for when encouraging Canadians to “protect our economy.”

Ian Hudson is an Associate Professor in Economics and the University of Manitoba and a CCPA MB Research Associate.

Fast Facts are produced and distributed free via email. They can be reproduced as an OpEd or opinion piece without obtaining further permission, provided they are not edited, and full credit is given to both the author and the source, CCPA-MB. Please contact CCPA-MB today to begin your free subscription.