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Budget 2010/11: A message from the people

As the Manitoba government prepares for this year's budget, the air of equanimity evident in last year's budgetary deliberations has given way to hyper-timidity, if not panic. Government leaders seem preoccupied with the fact that the deficit could reach $500 million and talk relentlessly about the need for restraint. This mindset has already resulted in some bizarre (coming from a social democratic government) decisions: not proceeding with an increase in the minimum wage April 1, 2010; announcing, prior to commencement of collective bargaining, that the government would be seeking a two-year wage freeze in all parts of the public sector dependent on provincial government funds; and delaying planned investment projects. The sad thing about these decisions is that they are likely to produce the very results the government fears: a stagnant economy, rising unemployment and a demoralized work force.

Our economic recovery is too fragile for us to be pulling back from stimulus spending. One of the best ways to promote economic growth is to increase the minimum wage so that low-income people can spend more money. Collective bargaining is supposed to be a democratic process; the province's heavy-handed approach will do nothing to promote goodwill and trust between the parties.

While the government is willing to place the burden of economic recovery on the backs of its own employees and on minimum-wage workers, it is unwilling to make corporations take any responsibility. Corporate income taxes were at 17 percent in 1999 when the NDP took power; as of last year, they were 12 percent.

The Budget

There are serious pitfalls in adopting a conservative-style budget in the present circumstances. Let's remember what happened in the last serious recession in the early 1990s. The unemployment rate for Canada increased from 7.5 percent in 1989 to 11.4 percent in 1993. Manitoba fared better with an increase in the unemployment rate of 1.8 percentage points – from 7.5 percent to 9.3 percent. All jurisdictions experienced increases in their deficits; all responded with cuts in spending, taxes and public sector wages. In Manitoba, spending cuts were particularly damaging in health care, education, housing and social welfare programs; tax cuts were finessed with an expansion in gambling revenues; and cuts to wages were imposed in the public sector. These policies undermined public sector services and drove professional people (doctors, nurses and teachers) out of Manitoba. It has taken almost a decade to recover from the impact of the cutbacks

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in health care and education; we haven't even started to deal with the serious housing crises that now exist in Winnipeg, Brandon and Thompson, and throughout the province.

The policy responses to the recessions of the 1980s and 1990s contributed to creating the so-called "new" economy, characterized by wide and growing inequalities, high rates of persistent and pervasive poverty, homelessness, soup kitchens and food banks, and money lenders and pawn shops. This legacy is not only a blight on society, but also a drag on our economy.

In the coming weeks and months business interests, business columnists and right-wing think tanks will be calling for cuts to deficits (so that we don't increase the debt burden on future generations) and cuts to corporate taxes and personal income taxes (to improve incentives and raise productivity). These claims are specious. Cuts to deficits that are achieved through reduced spending will, as happened in the 1980s and 1990s, further erode our social infrastructure and increase social needs. Cuts to taxes will further compromise the ability of the public sector to sustain spending to meet those needs. Those most in need will bear the bulk of this burden, but we will all suffer as a consequence.

Nor is our debt out of control as some claim. As of last year, Manitoba's debt/GDP ratio was 23 percent, one of the lowest in OECD countries. That ratio will increase this year because: our GDP will likely be a bit smaller, because of the recession; and we are incurring a deficit which will add to the amount of the debt. But it is important to keep in mind what would have happened if this deficit had not been incurred: GDP — and employment — would have shrunk much more than it did and our debt/GDP ratio could have increased even more than it will under the present circumstances.

If it becomes necessary down the road to rein in deficits, the appropriate method is through progressive increases in taxes on personal and corporate incomes. The government should also consider differential sales taxes (for example, increasing the rate on luxury automobiles and recreational vehicles) not just to bolster revenues, but also to advance green objectives.

At a recent poverty forum in Brandon involving Ministers MacIntosh and Irvin-Ross, presenters called on the Ministers and the government to recognize that business interests do not speak for working people and their families, including direct producers like the majority of farmers. They have their own voice and the government needs to seek them out and hear their insights and wisdom.

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