



Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

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Rickety altar of balanced budgets

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It is unfortunate that the sitting government has to waste valuable political capital maneuvering around obstructionist balanced budget legislation (BBL), but the media and opposition continue to place recent budget analyses in its distorting frame. Contrary to established economic theory and practice, BBL always equates balanced budgets with prudent fiscal practice. But just as no household would forgo taking out a mortgage to buy a home, no government should shy away from running responsible deficits when strategic investment will lead to improved physical and social infrastructure that will allow our economy to grow.

Indeed it is the investment in infrastructure and commitment to frontline services that has partly aided Manitoba to rank as one of the three strongest provincial economies in Canada, behind Ontario and British Columbia. Our projected economic growth is 2.5%, above the Canadian average. The Conference Board of Canada and the Royal Bank of Canada have touted Manitoba's strong economic standing. Nonetheless, the media and opposition will continue to fixate on the deficit without putting it into any sort of economic context. And context changes everything.

Debt figures don't mean anything unless they're measured next to other indicators such as GDP or the amount it costs to service the debt. Manitoba's debt/GDP ratio is projected to be 30.9% in 2015 – 4th best in Canada and the best of the non-oil producing provinces (although even oil-

rich provinces will be struggling with the recent fall in oil prices). The ratio is higher than it was before the Great Recession, but still one of the healthiest in the developed world. Debt servicing costs are far lower, at 5.6 cents/dollar of revenue, than they were in the 1990s, at 13.2 cents/dollar of revenue. Manitoba's deficit/GDP is smaller this year (at 0.5%) than last (0.6%), showing that our economy is growing faster than our debt. Not only are we in fine economic shape, but historically low interest rates make this the time to borrow. David Dodge, former governor of the Bank of Canada, recommends that government borrow now to invest in infrastructure and stimulate the economy.

In fact, factoring in deterioration costs of unrepaired infrastructure and construction inflation makes the cost of borrowing even lower. The cost of doing nothing is considerably higher than borrowing costs.

This truism applies to social infrastructure as well, and it is in this aspect that Budget 2015 really shines.

Close to 100 community organizations, released *The View from Here 2015: Manitobans Call for a Renewed Poverty Reduction Plan in January*. The plan included the coalition's recommendation to increase the EIA shelter allowance to 75% of the median market rent.

It's not every day that a sitting government implements

there is an alternative.

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recommendations from some of society's more marginalized citizens, and it's even rarer when they deliver more than the 'ask.' That is what happened this year. Not only does this year's budget fully implement the province's commitment to increase shelter benefits for EIA recipients (with increases of up to \$271/month), but its Rent Assist program is available to low-income working Manitobans. With this commitment in place, many more Manitobans will have the support they need to transition into the labour market.

Other *View from Here* recommendations Budget 2015 addresses include: increasing social and affordable housing units; a pension type support for low-income people living with prolonged and severe disabilities; increased funding for Aboriginal-run organizations that work with families in need (in response to the Hughes Inquiry into the Phoenix Sinclair tragedy); 900 new childcare spaces; and concrete commitments to food security.

Community groups recognized the need to help multi-barriered Manitobans transition into the labour market, and the province took note. It embraced the recommendation to work with community members and employers to design an aboriginal-focused Labour Market Intermediary; to move ahead with a Manitoba Social Enterprise Strategy; support a wrap-around literacy and adult learning program for EIA recipients; and, help newcomers who need to upgrade skills for accreditation.

All of these programs complement the province's strategy to train Manitoba's youth for decent jobs – jobs that will flow immediately from infrastructure spending and those that will be sustained and supported by strengthening the assets businesses and individuals use every day to carry out business.

Health and education spending is up this year. Once again, a little context goes a long way in understanding why. The

federal government has not renewed the Health Accord, so by 2016 federal contributions to all provinces' healthcare costs will be reduced to around 16 percent: it used to be 50 percent. We have allowed a succession of federal governments to undermine the Canada Health Act to the point where it is barely relevant, then chastise this government when it makes up for revenue deficiencies.

It's unfortunate that critics have focused on sacrificing the Finance Minister on the rickety altar of balanced budgets without considering the opportunity cost of not fixing our physical and social infrastructure deficits, or placing our fiscal situation into the bigger picture. It's time to focus on the benefits we all realize from responsible investment in core services, people and public assets.

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