Towards a solutions budget for B.C.

February 2002

Canadian Centre for Policy Alternatives – BC Office

Contents

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ISBN 0-88627-276-9

Introduction

IN JUST EIGHT MONTHS, BC'S LIBERAL GOVERNMENT HAS UNLEASHED a tidal wave of change that is affecting almost every aspect of life in BC. Unless a dramatic and reasoned rethink prevails, the 2002 Budget, due to be tabled on February 19, will restate the massive tax cuts and spending cuts that have been already announced, and will also spell out more restructuring through cancellation of capital projects and fundamental changes to BC's Crown corporations.

We believe that the government is moving in the wrong direction and that the sum of these actions will reduce the standard of living of most British Columbians. The government has departed from the pages of its election platform and is undertaking the most radical neoliberal economic experiment the country has ever seen. The government's plan is flawed because:

- The current "fiscal crisis" is primarily the result of the government's massive tax cuts—tax cuts, we were told, that would pay for themselves. The government's radical spending cuts are reckless and unnecessary.
- The mix of tax cuts and spending cuts is increasing inequality in BC by cutting transfers and programs that benefit the vast majority of British Columbians in order to give a tax break to those who need it least.
- A recession means the timing of the cuts could not be worse. They will push poor people off welfare, and public servants out of jobs, into a labour market characterized by rising unemployment.
- The government's plan is a high stakes gamble that is unlikely to increase long-term investment, productivity or our standard of living.

In place of the government's agenda, we recommend a "solutions budget" for BC, one that would help those in need not punish them, that would ease the economic downturn not exacerbate it, and that will enhance the long-term prospects of BC's resource sectors and public services.

Bad Economic Medicine

THE 2002 BC BUDGET WILL SPELL OUT THE PROVINCIAL GOVERNMENT'S fiscal plan for the next three years. Much is already known about the budget—it is being framed by over $2 billion in tax cuts announced in Summer 2001, and the subsequent spending cuts announced in January 2002. Any lingering sentiments that tax cuts will pay for themselves has been deftly swept aside as the government confronts a fiscal crisis of its own making. The government remains determined to balance the budget by 2004/05, regardless of the social and economic consequences.

Most British Columbians see the Liberal plan as painful economic medicine. That the plan is painful is clear—spending cuts will adversely affect the poor, the sick, the elderly and students in BC, among others. Whether this medicine will actually work is far more contentious. The record of supply-side economics does not inspire confidence. There is no evidence that economies with "small government" outperform those with "big government." There is no statistical relationship between tax and spending levels and economic output or productivity—indeed, a number of so-called "big government" countries outperformed the high octane US economy during the 1990s.

BC's "big bang" is a roll of the dice, an ideological leap of faith that gutting the public sector will somehow improve our collective prospects. Once again, people are being told that in the long-run they will be better off by what, in the short run, benefits corporations and the affluent. Like false promises of the past, British Columbians should be very skeptical about the government's economic plan.

BC's "big bang" is a roll of the dice, an ideological leap of faith that gutting the public sector will somehow improve our collective prospects.

The gamble is especially risky given the current economic climate. It is one thing to undertake radical experiments when the macroeconomic picture is rosy, as was the case for the government's role models, Alberta and Ontario, during the second half of the 1990s. When these provinces undertook neoliberal reforms, they were gradually phased in, while a booming US economy cushioned the impact for those at the bottom. Even an economic boom, however, was unable to prevent rising inequality and poverty, especially the extreme poverty marked by growing homelessness and usage of food banks.

It is quite another matter to undertake such reforms during a time of global economic recession, and when the province is caught up in a nasty trade dispute with the US over softwood lumber. People around the province are already hurting. The role of government at such a time should not be to pile on with more job cuts, but to act in a manner that mitigates the downturn. The timing and pace of BC's neoliberal reforms could not be worse.

These two components—the role of counter-cyclical policy during an economic slump, and the need for longer-term investment as a basis for future prosperity—should be the principal areas of focus for the upcoming budget. The next sections will outline steps for the provincial government that would move BC in this direction. It is based on a vision of provincial leadership that differs from the neoliberal faith in privatization and deregulation. BC needs a budget that will provide solutions, not ideologically-driven experiments.

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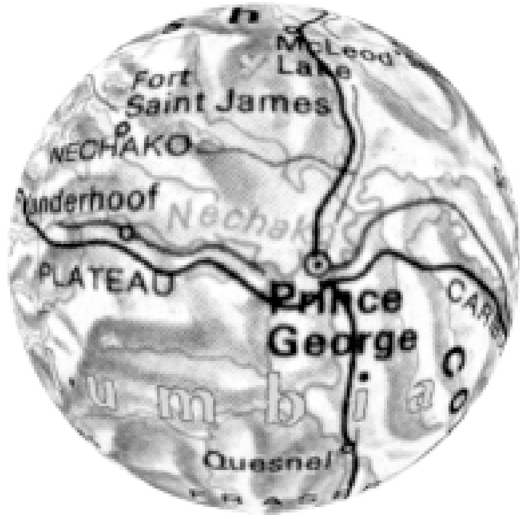


Questioning the "structural deficit"

The notion that BC has been living beyond its means and has "the most expensive social programs in Canada" is simply untrue. BC's public sector is already the second smallest in Canada. Government spending relative to GDP (the size of its economy) is already the third lowest in Canada.

PREMIER CAMPBELL AND FINANCE MINISTER COLLINS HAVE CONTINUALLY stated that a $3.8 billion "structural deficit" (prior to the government's tax cuts) leaves them no choice but to slash government spending, programs and jobs. This claim is nonsense—an ideological fabrication to justify these destructive cuts. Manufacturing a "crisis" of this sort is a classic neoliberal government strategy—create a phony crisis and then say you have no choice but to deal with it.

A structural deficit exists when government expenditures and revenues are such that, no matter where we are in the business cycle, the budget cannot be balanced. Yet, BC balanced its budget in 1999/2000 and ran a $1.5 billion surplus in 2000/01. Any "structural deficits" must be laid entirely at the feet of the government's massive tax cuts last summer.

Setting aside the tax cuts for a moment, BC is facing a "cyclical" deficit, due to the fact that we are likely in a recession, and due to the impact of the Softwood Lumber Dispute. But as we emerge from the downturn, revenues will pick up and the "cyclical" deficit will disappear. BC maintains a healthy fiscal position in terms of provincial debt relative to GDP, allowing the province to run deficits during economic downturns and to make capital investments that will enhance BC's long-term prospects.

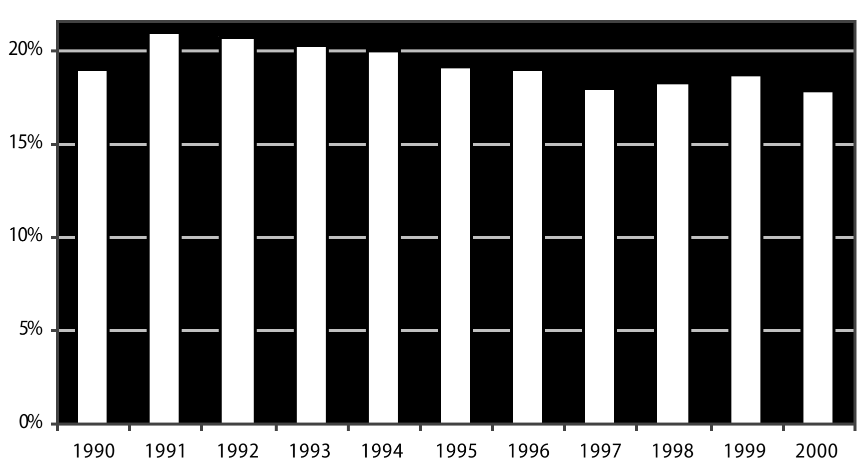
The notion that we cannot afford our public programs—that BC has been living beyond its means and has "the most expensive social programs in Canada" (as the government keeps repeating)––is simply untrue. BC's public sector is already the second smallest in Canada (measured as the number of public sector employees per capita). BC's government spending relative to GDP (the size of its economy) is already the third lowest in Canada.

The government's press release on January 17 states: "Government spending has increased far beyond our rate of economic growth over the past decade and is simply not sustainable." Again, this is not true. Government spending relative to GDP peaked in 1991 and has since declined. Likewise, program spending per capita peaked in 1992. Outside health and education, program spending was already significantly cut under the NDP. BC's public sector is already lean.

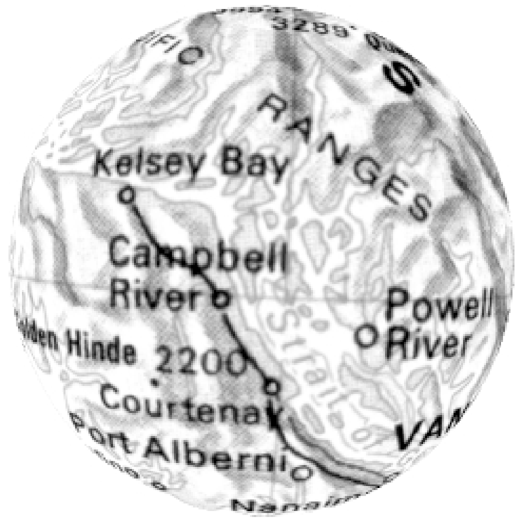
More importantly, BC is a very rich province, with the highest average personal wealth in Canada. We can afford to take better care of one another than we do. It comes down to a question of political choices—nothing is forcing the government to savage our public programs.

Media pundits and pro-business commentators have tried to paint the previous NDP government as profligate "tax and spenders", leaving the new government to "clean up the mess." Such claims amount to a rewriting of history. In fact, the NDP—to the dismay of social activists—cut welfare and program spending outside health and education. Many myths about BC's fiscal record continue to be stated as truisms, without being supported by the facts. This only makes an extreme agenda seem more palatable as a "rescue plan".

Figure 1: BC Government operating expenditures as a percent of GDP



Source: British Columbia Budget Accounts



Whose Pain? Whose Gain?

Current moves to reduce the size of government take us in the direction of a more unequal society. Spending cuts harm most those in our society that are already weak and vulnerable.

THE COMBINED EFFECT OF TAX CUTS AND SPENDING CUTS IS TO redistribute income and resources from those who have little to those who already have more than they need. Left to its own mechanisms, the market leads to a very high degree of income and wealth inequality. For instance, in 1998, the top 20% in BC earned on average twenty times the market income as the bottom 20%. When income transfers are included, this ratio falls to ten times, and after taxes are paid this falls again to eight times. If the value of public services is considered, inequality is reduced even further, to around four times.[1]

Thus, current moves to reduce the size of government take us in the direction of a more unequal society. Policy changes that erode labour market institutions, such as lowering the minimum wage and diminished collective bargaining rights, also feed higher levels of market income inequality.

Increasing inequality is evident in the Liberals' tax and spending cuts. When income tax cuts were announced with great fanfare in the Summer of 2001, they had the appearance of being fair—a 25% across the board income tax reduction. However, the shares of the tax cut pie were highly unequal: half of the total tax cut went to the top 13% of income earners making more than $60,000 per year, while 28% of the total tax cut went to those with incomes in excess of $100,000, or 2.7% of the population. This not only significantly mitigates the economic stimulus effects of the tax cut, but will increase current and future inequality via a more regressive tax system.

Spending cuts harm most those in our society who are already weak and vulnerable. The "service plan" for the Ministry of Human Resources directly hurts the poorest British Columbians by decreasing welfare rates and greatly limiting the eligibility of people to the safety net. These moves will likely reduce the welfare rolls, but they will not reduce poverty. To the contrary, the poor will only become poorer, just as the labour market is at its most unwelcoming due to a sluggish economy. Spending cuts also reduce the incomes of seniors with low incomes by taking away bus passes and the senior's supplement.

Figure 2: How the Tax Cut Pie is Sliced

Total share of the provincial personal income tax cut, by income group

Note: Figures have been calculated based on 1998 tax data (most recent year). Percentages do not sum to exactly 100% due to rounding. Income intervals are based on gross income before deductions.

Source: CCPA calculations based on Canada Customs and Revenue Agency, Tax Statistics on Individuals, B.C., Table 2A.

Spending cuts affect everyone because of their impact on the public sector. All British Columbians lose when there is less environmental protection and lower workplace standards. Even in health and education, where budgets are merely frozen instead of cut, the implications are staggering. Cuts will affect students through larger class sizes and less resources, and in the case of post-secondary education, higher tuition fees are an inevitable consequence of underfunding.

In health care, internal cost pressures and inflation will diminish overall care within a frozen budget—this includes 5% annual cost increases related to the cost of supplies and demographic and populations pressures, plus an additional 5% due to planned wage increases. For the budget as a whole, this amounts to a real decline in funding that will result in the de-listing of procedures, hospital closures, and longer waiting lists. This has implications for the economy, with impacts spilling over onto current and future productivity.

The recent decision to raise Medical Service Plan (MSP) premiums by 50% only worsens the inequality picture. MSP premiums are essentially a "head tax," the most regressive form of taxation. While some 230,000 people with low incomes will see their premiums fall, the overall effect of the premium increase is to shift more of the tax load onto the middle class. The government's choice to raise almost $400 million in taxes through increased premiums, rather than rolling back upper income tax cuts, is a regrettable way of easing the cost pressures in health care.

Making BC a more unequal province will not boost economic performance. A growing body of evidence shows that higher levels of income inequality are associated with lower economic growth and lower levels of human development. The conventional wisdom that prevailed in the 1970s through to the 1990s of a trade-off between economic efficiency and equity objectives is not supported by the evidence. Dalhousie economist Lars Osberg notes that: "Many articles, both theoretical and empirical, lead to the conclusion that countries characterized by greater equality grow *faster*, other things equal."[2]

1. Calculations are based on Incomes in Canada 1998, published by Statistics Canada. The latter calculation based on the value of public services is drawn from Jim Stanford, "The Economic and Social Costs of Fiscal Retrenchment in the 1990s" in the Review of Economic Performance and Social Progress 2001, published by the Centre for the Study of Living Standards.
2. See Lars Osberg. "The Equity/Efficiency Trade-off in Retrospect" in Canadian Business Economics, vol. 3 no. 3, Spring 1995, emphasis in the original.

Fighting the Economic Slump

The claim that the BC government has no choice but to cut spending is not credible. There are many options available to the government that would allow it to honour contracts, help the most vulnerable during the recession, and still live up to its election promise to cut taxes for low- and middle-income earners.

THE BC ECONOMY IS IN THE MIDST OF A RECESSION. WHILE THE final numbers will not be in for some time to confirm whether BC has had a technical recession (conventionally defined as two or more consecutive quarters of negative GDP growth), other indicators suggest that this is the case. Total employment fell from a peak of 1.974 million in May 2001 to 1.913 million in December (seasonally adjusted figures), a drop of 61,000 jobs. The unemployment rate rose from a twenty-year low of 6.6% in March 2001 to 9.7% in December.

In the business sector, shipments by BC manufacturers have declined through the latter half of 2001. The hardest hit sector has been wood shipments, due to mill closures and production cutbacks amid the uncertainty surrounding the Softwood Lumber Dispute. However, declines have occurred in 13 of the 19 industries for which BC data are available, suggesting deeper problems. Business bankruptcies soared in October, rising to their highest level in nearly a decade, according to BC Stats.

In other words, if it looks like a recession, it probably is one. With continued sluggishness south of the border, and no resolution in sight for softwood lumber, BC is not out of the woods yet. The best case scenario is that a recovery of the US economy in late-2002 (the consensus of private sector forecasters) will improve BC's fortunes. However, it takes time for increased demand to turn into solid employment gains, and even longer to stimulate new investment. A US recovery may also take longer than most forecasters think, and/or resumed growth will not be nearly as robust as it was in the late-1990s. Thus, it would be prudent for the BC government to assume that recession-like conditions will persist over the course of the 2002/03 fiscal year.

Given this economic picture, good fiscal policy should not aggravate the downturn with spending cuts. As noted above, BC is in a position to run deficits for several years if need be. In effect, the BC government has already made this choice with $1.5 billion in personal income tax cuts and $633 million in corporate tax cuts. However, the economic stimulus of the tax cuts will be offset by $500 million of spending cuts in 2002/03, rising to $1.2 billion in 2003/04 and $1.9 billion in 2004/05. Approximately $400 million in higher MSP premiums have a revenue neutral impact as they fund increased health care expenditures.

The claim that the BC government has no choice but to cut spending is not credible. There are many options available to the government that would allow it to honour contracts, help the most vulnerable during the recession, and still live up to its election promise to cut taxes for low- and middle-income earners. But the government must be prepared to abandon its tax cuts for upper income earners and corporations, commitments that were not in the election platform, but that the government now seems extremely reluctant to break.

Table 1 sketches out three scenarios of tax and spending changes for the 2002/03 fiscal year, with the corresponding impacts on the budget balance, employment and GDP. The analysis is based on a model provided to the CCPA by economic forecasting firm Informetrica. Scenario A models the impact of the tax cuts alone. Changes in MSP premiums are not included as they are offset by spending increases for health care. Scenario B models the existing Campbell/Collins plan, by taking Scenario A and factoring in spending cuts (we also assume an additional $100 million spending decrease due to cancelled capital projects). Scenario C suggests one alternative course of action: it rolls back the 2001 upper-income tax cuts, does not proceed with the 2002 personal tax cuts, and rolls back corporate tax cuts, with the exception of the

Table 1: 2002-03 Tax and Expenditure Scenarios

	Tax Cuts	Spending Cuts	Budgetary Impact	Employment Impact	GDP impact
	(millions of dollars)			(total jobs)	(millions of dollars)
A: Tax cuts only, 2002/03	2,133	-	(2,133)	8,823	542
B: Tax cuts and spending cuts, 2002/03	2,133	600	(1,533)	2,113	130
C: Scaled back tax cuts plus increase in spending, 2002/03	787	(746)	(1,533)	8,766	538

Notes: This table assumes a baseline scenario of BC prior to announced personal and corporate tax cuts. Estimates of the cost to the provincial government of tax cuts are based on the government's Budget Consultation document. Scenarios are based only on tax and spending changes—none of the scenarios in this table take into account the impact of a worsening economic outlook, the aftermath of Sept. 11, softwood lumber decisions or other factors that would also affect the economic context.

Source: CCPA calculations based on Informetrica's fiscal change model.

elimination of the provincial sales tax on machinery and equipment. This money is instead allocated to public sector wage increases and additional spending, plus additional income transfers to those in need due to the recession.

The results show that the 2002 spending cuts wipe out any economic stimulus from tax cuts alone. This is because tax cuts have a weaker influence than spending increases in terms of impact of GDP and employment, due to "leakages" associated with tax cuts:

The BC economy is in the midst of a recession. Given this economic picture, good fiscal policy should not aggravate the downturn with spending cuts.

- Tax cuts may be saved, or used to pay down debt, rather than spent in the local economy;
- Because BC imports a great deal from the rest of Canada (and the world), tax cuts flow out of the province; and,
- These problems are compounded by the large tax cuts for high income earners, who are less likely to spend the proceeds in the local economy.

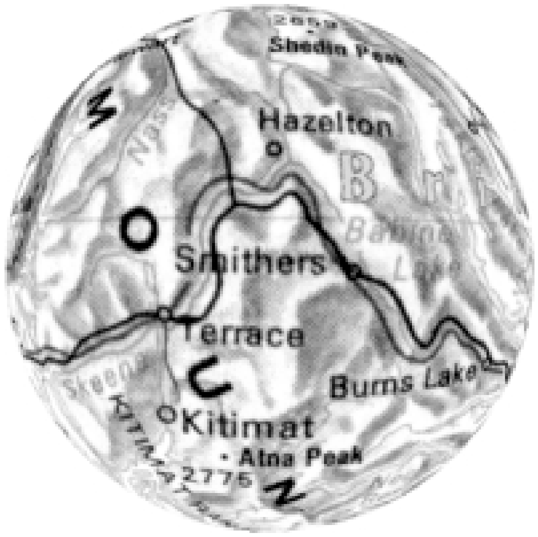
By contrast, selectively rolling back the tax cuts and allocating this money to spending requirements would deliver almost the same amount of economic stimulus in terms of employment and GDP as the tax cuts alone scenario, but with the same impact on the budget deficit as the Campbell/Collins plan. This "solutions budget" plan makes more economic sense given the needs of the province during a global recession.

Of note, the numbers is this model are limited by several factors. The model does not incorporate the further depressing economic impact of Crown corporation downsizing, anticipated layoffs in the education and health care sectors, the impact of reduced wages in the community sector (thousands of positions currently in the public sector are anticipated to be "outsourced" to private companies), or scaled back spending by workers in anticipation of further job losses.

Nonetheless, the model clearly shows that there are other options for the 2002 Budget that can provide welfare benefits to those in need and additional funds to support negotiated wage increases, while maintaining (and even increasing) overall funding support. Moreover, this option actually delivers more of an economic stimulus during a time of need.

The Campbell/Collins scenario reflects only year one of spending cuts. Fully phased in, the spending cuts will total an estimated $1.9 billion in 2004/05. The foregone revenue from the tax cuts will be more than the $2.1 billion in 2002/03. Assuming revenue growth of 5% per year, by 2004/05, foregone revenues in personal taxes would be $1.65 billion and from corporate taxes an additional $830 million, for a total of $2.5 billion (we also assume foregone capital projects on the order of $300 million). The model suggests that the impact of these changes would be a decrease in employment of 14,362 jobs and lower GDP by $882 million relative to a BC budget without tax cuts and spending cuts (note: these figures do not consider the cumulative effect of lower GDP growth in previous years).

Again, it does not have to be this way. Over the same three-year planning horizon, rolling back the province's high income tax cuts would keep revenues in the public sector, and thus support public services. As the economy recovers, revenues would rise and this would bring the budget closer to balance. However, there may not be a balanced budget by the 2004/05 fiscal year. Much would depend on the state of the global economy. The key point is not to get locked in to arbitrary deadlines for balancing the budget.



Long-term Investment

NEW INVESTMENT IS VITAL TO FUTURE PROSPERITY IN BC. INVESTMENT enhances productivity and underpins a rising standard of living. The government is right to want to boost investment in BC, particularly in the resource sector. However, we are deeply concerned that the government's investment strategy is fundamentally flawed.

The government lacks a clear vision of an industrial strategy for BC. Tax cuts are less an investment roadmap than a hope and a prayer. They put the public sector in a position of under-investing in necessary public services, infrastructure and environmental protection.

The government lacks a clear vision of an industrial strategy for BC. Tax cuts are less an investment roadmap than a hope and a prayer. They put the public sector in a position of under-investing in necessary public services, infrastructure and environmental protection. As has already been announced, new schools and colleges will not be built, nor will new health care facilities. Such dis-investment in the public sector will affect longer-term productivity, as public sector investments play an important complementary role to private sector investments. The argument that we must reduce living standards in order to attract investment to increase living standards is perverse.

There is no evidence that shrinking the public sector by cutting public services and deregulation induces higher levels of domestic or foreign investment. New investment is driven by demand-side factors—higher demand for what you are producing leads to new investment to fill orders—not supply-side cuts. We should, of course, ensure that we regulate in an effective and efficient manner, and periodically review regulations to this end. But simply slashing regulations will only make the business community happy; it will not necessarily promote new investment. Nor will lowering corporate tax rates—unless tax cuts are specifically tied to new capital investment. At best, these policies are beggar-thy-neighbour attempts to lure investment from other jurisdictions, a game that we are destined to lose as other jurisdictions respond with the same tactics.

We should also question the nature of investment the government is trying to encourage. Not all investment carries the same weight and some investments could be harmful. Giving away Crown timber land for raw log exports would likely foster new foreign investment in BC, but at the price of devastating the resource base. We are interested in investments that move up the resource sector up the value chain not down it.

Below are some ideas towards an alternative provincial investment strategy that is rooted in improving the standard of living of all people in BC. We suggest a number of alternatives for BC's resource sectors, and through the creative use of public services and Crown corporations. These ideas are a selective summary of alternatives recommended in other CCPA publications.

Slashing regulations will not necessarily promote new investment. Nor will lowering corporate tax rates – unless specifically tied to new capital investment. At best, these are beggar-thy-neighbour attempts to lure investment from other jurisdictions, a game that we are destined to lose as other jurisdictions respond with the same tactics.

Resource sector

BC's resource sector needs a bold and comprehensive investment strategy. The resource sector in BC was plagued throughout the 1990s by a lack of investment. Forest companies, for example, invested just enough to counter the depreciation of their aging machinery. Opportunities to become more efficient and productive in pulp and to move up the value chain in solid wood have been foregone, leaving the industry in an uncompetitive and unstable position compared to forest companies elsewhere in Canada and abroad.

The focus of an investment strategy should be to adopt new environmentally-friendly technologies and move up the value chain, thereby providing resource-dependent communities with both economic stability and environmental sustainability. The provincial government can play a role in encouraging and facilitating investment—from many places and in different forms—to move the resource sector towards a more viable *and* responsible position. This strategy should challenge BC's resource corporations to enter into a new social contract with British Columbians, by working cooperatively with the government that represents them.

But a new approach also involves looking for alternatives to the present industrial and investment structure. Policy makers must be reminded that there are other potential investment players besides the large corporate sector who can develop natural resources and create wealth and stability for resource-dependent communities. Communities themselves, co-operatives, workers, the small business sector, First Nations bands, and public finances can all be a source of investment capital, and are frequently less willing to compromise the long-term ecological integrity of BC's natural systems or the health of the people of the province. Ultimately, the more options a government has to choose from with respect to managing its resources, the more bargaining power it has with each entity wanting a piece of those public resources.

In order to increase investment in value-added wood products, the provincial government should:

- ban the export of raw logs from Crown land;
- provide tax credits to forest companies investing in value-added production, with the revenue coming from increased stumpage rates;
- increase in number and size tenures for communities and first nations; and
- make more wood available to small firms wanting to manufacture value-added products by reforming the Small Business Forest Enterprise Program and establishing more log yards.

For reasons of social justice and putting an end to uncertainty in BC, the provincial and federal governments should:

- negotiate interim agreements with First Nations people and, as part of treaty settlements, provide them with resources to develop forestry plans and market ecologically-friendly forest products.

In order to generate a more sustained flow of capital from non-renewable resources, the provincial government should:

- establish a trust fund by pooling a portion of resource royalties and taxes from oil, gas, coal and other mining operations, with the capital used for economic development projects within the province; and
- amend the *Mines Act* so that companies developing a non-renewable resource must pay a community transition bond, to be used by the community and workers for transition once the project is completed.

A diverse array of policy mechanisms can be used to generate investment not specific to one resource sector. These policies include:

- establishing a Provincial Resource Investment Bank to collect revenue from various resource activities and BC investors, and extend favourable financing to investment projects evaluated through a transparent, competitive bidding process (this investment bank could be capitalized by revenues from a resource export tax, which would help to solve the softwood lumber dispute);
- establishing performance requirements for companies receiving government grants or subsidies, with penalties (a requirement to pay back the grant or subsidy with interest) for companies that fail to meet those requirements; and
- implementing policies that facilitate and encourage the development of employee share ownership plans in BC companies.

This list is far from exhaustive. These and other policy ideas are elaborated upon in Dale Marshall's *Re-Capturing the Wealth*, published by the CCPA in July 2001. All are hopeful and realizable policies that together form a compelling investment strategy to reinvigorate BC's resource sector.

Public services and Crown corporations

The success of modern, industrialized economies in the 20th century has been achieved through a balance of private sector and public sector activity. No nation has become rich by leaving its fate in the hands of market forces. In BC, this is as true as elsewhere. BC developed Crown corporations, such as BC Hydro and BC Ferries, not as some Stalinist plot against freedom, but because they made good social and economic sense for the people of the province.

The current government's obsession with laissez-faire economics is an impoverished view of economic development that has no anchor in real world historical experiences. Public sector rollbacks too much resemble IMF and World Bank structural adjustment programs that have been imposed on third world countries. These policies, in their desperate bid to attract and appease foreign capital, have been economic failures for working people.

BC must be more creative in the development of a modern economy, and this should include the innovative and strategic use of Crown corporations and public services. This means investing directly in the things that business needs, like a highly educated and skilled workforce (hence the need to protect and expand education spending). It means building infrastructure that benefits the people of the province.

It also means protecting the advantages the province already has, like cheap and reliable electricity. Many anticipate that Crown corporations may be privatized or opened up to competition as part of the next phase of government reforms. This would be a mistake, one that neglects the important role currently played by Crown corporations in the province. BC Hydro rates could rise 30% or more due to deregulation. BC residents would see higher electricity bills, and this would crowd out other expenditures. This would also end an enormous source of competitive advantage for BC companies, an important factor in investment decisions.

BC must be more creative in the development of a modern economy, and this should include the innovative and strategic use of Crown corporations and public services. This means investing directly in the things that business needs, like a highly educated and skilled workforce.

In health care, there is no doubt that funding matters. Ultimately, however, the government faces a longer-term challenge to be more innovative in the ways it delivers health care. Crowded emergency rooms are a symptom of the need for health care reform. Much pressure would be taken off the existing acute care system if patients could be treated in more appropriate locations for their condition. Thus, the crisis in emergency wards is less about the need for more emergency beds as it is for:

- *Integrated community and continuing care*: Without adequate investment in new facilities, long-term care patients will increasingly take up acute care hospital beds, and our emergency rooms, in turn, will remain clogged. Home nursing and home support are also vitally important and should be expanded and brought fully within the public system.
- *Outreach and prevention programs*: Our health care system is based on treating people once they are already sick. We need to shift the culture of the health care system towards prevention, including a more holistic approach based on the socioeconomic determinants of health.
- *Primary care reform*: Revitalizing this first line of contact between patients and the health care system is crucial, and should include expansion of community health centres that provide 24-hour service through multidisciplinary teams of health professionals. It also means moving away from paying doctors primarily on a fee-for-service basis.
- *Adequate resources for the Provincial Mental Health Plan*: De-institutionalization has left too many mental health patients out in the cold. These patients still need adequate housing, incomes and support, and the on-going care of mental health practitioners.
- *Funding for drug and addiction support services*: This item includes treatment facilities, outreach and employment programs, and is linked to the need for a comprehensive "anti-poverty strategy."

This list of potential alternatives is far from comprehensive. A number of CCPA publications have elaborated in more detail on the ideas presented above (see Policy Alternatives for the BC Economy, Policy Options for Progressive Health Care Reform in BC and numerous CCPA Alternative Budgets for more).

Conclusion: Democratize It!

SOME OF THE CHANGES WE RECOMMEND FOR A SOLUTIONS BUDGET may be criticized by people who have had their own frustrations with government bureaucracies. These frustrations have been fuel for those advocating neoliberal restructuring. We also must acknowledge that public services and regulation have not been perfect, even as we defend the principle of a viable public sector. The private sector is also far from perfect, as the spectacle of Enron's collapse demonstrates so vividly.

The alternative to public sector cutbacks, deregulation and privatization is to democratize the public sector. We do need public institutions, but they must be accountable, open and transparent, and they must be rooted in democratic input and oversight. In other words, we need a new vision for the public sector that is appropriate for the 21st century.

The nature and scope of the government's cutbacks and reforms is a significant departure from the platform on which the Liberal government was elected. This rash of change shows that democracy in BC is in a desperate state. Marking a ballot every four or five years is not sufficient. We must make the connection between people and the public sector more than a tenuous link that can easily be overwhelmed by the wealth and power of vested interests.

The belief that there is no alternative to neoliberal reforms is wrong. This brief was published to show that there are thousands of alternatives to letting the market rule. British Columbians should not be lulled into a feeling of helplessness that the changes being made, while painful, are inevitable. British Columbia remains a wealthy place to live and work in the global economy. We have the capacity to make choices that will improve our quality of life. Making these choices is what budgets are all about.

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