<u>NP View: Chrystia Freeland's Shortsighted, Selfish Budget</u>

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By continuing to spend well beyond our means post-pandemic, the Liberals are ensuring that today's youth will have to pay once again, when the bills come due

Finance Minister Chrystia Freeland walks to a news conference in Ottawa, on April 19, before delivering the government's first budget since the COVID-19 pandemic began. PHOTO BY ADRIAN WYLD /The Canadian Press

Monday's budget was an exercise in fantasy. Finance Minister Chrystia Freeland doled out billions for longtime Liberal priorities under the ridiculous pretext of jumpstarting an economy that is already revving up. The minister should have ensured that the pandemic-related hit to our finances would be short-lived, but instead she used this as an "opportunity" to spend large sums of cash into the foreseeable future. This is extremely shortsighted and selfish. The debt we incur today will be a liability for future generations.

It was inevitable that the government would run a large deficit in 2020 and again in 2021, as we battle COVID-19 and look to fix systems that were revealed to have deep structural flaws, such as long-term care. But the high deficits are set to continue for at least the next five years. As a result, the federal debt is projected to grow by $715.7 billion between 2019 and 2026.

That's on par with the total national debt when Canada celebrated its 150th birthday in 2017. For perspective that was the total debt racked up after we built a transcontinental railroad, won the First World War, survived the Spanish Flu pandemic, weathered the Great Depression and beat the Nazis.

This budget's proposed national childcare program and infrastructure spending on things like rural broadband and green energy pale in comparison to those achievements.

For Freeland, whether there is a good reason or not to rack up debt is irrelevant. "In today's low interest rate environment," she writes in the budget, "not only can we afford these investments in Canada's future, it would be short-sighted of us not to make them." This is the talk of a cheap salesman, not the finance minister of a serious country.

Low interest rates alone are no reason to take on more debt and more risk. In the mid-1990s, Canada narrowly escaped a debt crisis, following a quarter-century of heavy deficit spending, for which Prime Minister Justin Trudeau's father was largely responsible. Federal spending was slashed by a disruptive 14 per cent between 1995 and 1998, which could have been avoided had restraint been practised all along.

In 2010, we saw how things could have gone much differently, when Greece experienced a sovereign debt crisis. The country's budget deficit had been increasing over the preceding decade, representing nearly seven per cent of gross domestic product in 2007, while its public debt was over 100 per cent of GDP. The state of its finances left it unable to withstand the shock of the Great Recession, causing it to collapse in spectacular fashion.

As a result, the Greek economy was in recession until 2017, the longest of any advanced capitalist economy in history, the political system was thrown into chaos, the economy shrank by a quarter and unemployment hit 25 per cent.

The Greek experience highlights one of the big risks of sustained deficit financing and high debt loads: it decreases a country's ability to deal with future crises. As we are all now acutely aware, unexpected events can, and do, happen, and may require large increases in government spending to mitigate their effects.

In 2019, Canada's debt-to-GDP ratio sat at about 30 per cent, which gave the government room to borrow when it needed to, but with debt as a percentage of GDP now sitting at around 50 per cent, there will be less room to manoeuvre next time around, especially if that number continues to rise.

Even if we somehow manage to avoid any pandemics, wars, financial shocks or other disasters over the next few decades, the debt we're incurring today will still be a burden, because it will limit the ability of future governments to solve contemporary problems.

According to the budget's projections, by 2025, we will be paying nearly $40 billion a year just to service the debt — double what we paid last year. To put that into perspective, it's about the same amount the federal government paid in 2019 through the Canada Health Transfer, which represents about one-third of provincial health-care spending in this country.

By selfishly spending beyond our means today, future governments will be stuck paying interest on the excesses of the past, instead of cutting taxes and allowing people to judge for themselves how best to spend their hard earned paycheques.

And the cost of servicing that debt will increase as interest rates inevitably rise from today's record lows. This may not be a problem if the economy continues to expand, but could be an issue if rates rise sharply or if increases in debt start to outpace GDP growth.

Regardless, we are ensuring that taxes will rise in the future. This budget's proposed taxes on digital giants and luxury goods may not affect most Canadians, but eventually, the tax man will be forced to set his sights on middle-class wallets.

Enough. The average Canadian pays too much tax as it is, and expecting them to pay more, as they certainly will, in order to finance Liberal profligacy is offensive.

There's an economic trade-off, as well. Money that's invested in government bonds could potentially be put to more productive uses by the private sector. And there's a significant body of research showing that rising debt can retard economic growth.

In her budget, Freeland acknowledges that young people have paid a "high price" throughout the pandemic. By continuing to spend well beyond her government's means post-pandemic, she is ensuring that today's youth will have to pay once again, when those bills come due.

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