

Borrowing Prosperity, Postponing Austerity

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Hundreds of billions of dollars have been borrowed this year by our federal government. When the borrowed money runs out and the payments need to be made, how will the government generate the revenue to make the payments?

It's pretty simple: tax revenue. They will have to raise tax levels considerably and also cut spending to keep Canada's credit rating from being further downgraded.¹ The high taxes combined with cuts to services will be called "austerity measures" and they will be unpopular.

The government that will have to implement these measures will also be unpopular. Our current government wishes to avoid unpopularity at all costs—especially before another election!

The CERB payments, which began earlier this year, brought a measure of prosperity (or at least relief) to some who would have otherwise been in very difficult financial situations. CERB payments also went to some who were not as needy;² in fact, the Fraser Institute recently put out a study³ that showed around 25% of the payout went to households earning over \$100,000 the previous year.

Now, there might have been serious financial woes for some higher-earning households in these strange times, but one would be justified in wondering if there was more to this . . . Could the prospect of increasing the popularity of the governing party among a larger percentage of the population have also entered the equation?

The Liberals had climbed very high in the polls throughout the lockdown, thanks in some part to the CERB, and they only saw their numbers fall due to the WE scandal. At this point, the CERB payments are still happening, and the Liberals could be hoping that by September 23rd (when Parliament is set to resume with a Throne Speech) Canadians will have forgotten the WE scandal and will be ready to cast their votes for the Liberals (again).

The Throne Speech itself will probably promise greater spending and more (borrowed) prosperity. If the other parties agree that the government has lost their confidence and force an election, they will be fighting an uphill battle against Liberal promises of quick and easy prosperity for all. If the government does not fall after the Speech from the Throne, it will probably be because the NDP would vote in favour of it; they tend to agree with high-spending programs.

If the Speech from the Throne promises "guaranteed basic income" and other huge social programs (as some are predicting),⁴ the NDP would be hard-pressed to vote against it.⁵ These kinds of government programs are similar to the promises that they like to make themselves! Instead, they might try to take credit for them and keep their base happy in this way. An immediate election would be averted.

Putting off the election till later might benefit the Liberals if Canadians were to forget about their past scandals, and no big new ones pop-up. However, they must also be fearing the day when their seemingly endless supply of money runs out. It would be a bad time for them to go into an election with no money left to buy votes!

Canada's deficit was \$343.2 billion when we were given a "fiscal snapshot" back in July; this is 1,000 percent higher⁶ than the deficit that was projected for this year! The National Debt sits at a stupefying \$857 billion dollars,⁷ projected to hit one trillion very soon. And that does not include provincial or municipal debts.

Borrowing adds up, and like a credit card, sooner or later the bill comes due. The Liberals want that to happen after, not before, the next election. They want prosperity (and votes) in the shorter-term, and thoughts of austerity to be pushed far into the future.

Big deficits lead to accumulated debt that will have to be repaid by our children and grandchildren. Although they haven't had any say in how the money was spent, they will be stuck with the bill. The CHP believes that this is a kind of theft.

While financial assistance through this pandemic was needed for the sake of Canadians, a history of borrowing during good times to buy votes, such as this Liberal government has done, cannot be overlooked. Borrowing during good times leaves us financially unprepared in times of crisis.

If you believe that borrowing for short-term prosperity (and electoral success) while leaving the debt to future generations is immoral, please join CHP!⁸ We don't believe in debt-financing and we rely on our members and supporters for our funding — please consider helping out⁹ with a donation!

Footnotes

¹ www.cp24.com/news/fitch-ratings-issues-new-warning-over-federal-spending-government-debt-1.5082366

² thepostmillennial.com/22-3-billion-of-trudeaus-health-crisis-spending-potentially-wasted-says-new-report

³ www.fraserinstitute.org/studies/federal-government-wasting-billions-on-poorly-targeted-assistance

⁴ tnc.news/2020/08/24/furey-justin-trudeau-is-planning-something-big

⁵ www.cbc.ca/radio/thehouse/jagmeet-singh-tallies-up-the-price-for-ndp-to-support-fall-throne-speech-chris-hall-1.5695293

⁶ www.huffingtonpost.ca/entry/canada-deficit-2020_ca_5f060714c5b67a80bc01d5bc

⁷ www.debtclock.ca/

⁸ www.chp.ca/get-involved/

⁹ www.chp.ca/donate/