

Our Economy

Depending on whom you talk to, Canada's economy is either doing very well or could be doing much better. Who is right? What do the numbers tell us? [According to the government we are doing well](#). And when you look at the indicators, our economy does, in fact, appear to be doing well.

Unemployment rates are at [historic lows](#), [international trade is strong](#) and there is a relatively [high degree of consumer confidence](#), although it did drop in the last quarter. However, there are serious warning signs on the horizon that, in my opinion, are not being talked about enough during this election.

It is increasingly likely that whomever forms government after October 21 will have to deal with a recession in the next four years. However, none of the Party platforms mentions this. Although our GDP is growing, the bank of Canada has forecasted a slowdown and it could get worse. There is a growing sense of anxiety due to the escalating global trade war between the US and China and increasing global protectionism. There is also Brexit. And while Canada has been opening up trade markets in the past decade and seems to have staved off a potential NAFTA crisis by coming to a [new deal with the USA and Mexico](#), we still see China continuing to ban imports of our agricultural products.

Questions of potential recession aside, and despite the good economic indicators, many people tell me that they are struggling – they are struggling to get ahead. That the cost of living is too high – be it the cost of housing, childcare or prescription drugs. For many Millennials and others who never really had a real opportunity to save, this is particularly so. I often hear from young families and young people who are not feeling the benefit of our economy. In our City, affordability is a serious issue, one I have talked about in [other posts](#).

When I am asked how I describe my approach to the economy I say I am a progressive who believes in fiscal prudence – fiscal responsibility. On the expenditure side, it is the role of government to make investments and to be confident in the knowledge that there are both social and economic benefits to be realized from such investments. For example, investing in healthcare and pharmacare means we are all healthier, which, of course, benefits us personally, but also the economy, as we are more productive and have lower overall healthcare costs. Similarly, investing in Indigenous peoples and

closing socio-economic gaps, is not just the right thing to do, but pays significant dividends in decreased social program costs to address the symptoms of a broken or unjust system. Making wise investments in our future to improve our quality of life is an economic driver.

At the same time on the revenue raising side, we need fiscal policy that will provide an environment that supports private investment and the operation of the market. While the government needs to invest in infrastructure and ensure programs and services to meet the needs of the people, it also needs to ensure fair regulations and a stable tax system. We must also live within our means. As with most aspects of good governance, it is about getting the balance correct.

As your Independent MP for Vancouver Granville, I have set out in other 'Issues' posts what I believe are the priorities you have told me to address and these are the ones I will support with responsible and affordable expenditures for program enhancement. These include: climate action, including investments in green infrastructure; reconciliation with Indigenous peoples through supporting nation rebuilding; and, pharmacare.

The big question is where the money is going to come from.

Fiscal responsibility through decreasing government debt-to-GDP ratio and a path to balance

Most people who talk to me about the economy tell me that while we need to make investments, and it is okay to have deficit, they are still concerned about the growing size of the deficit. Some of you have told me that we need to get back to having a balanced or even surplus budget and particularly when we are doing well as a country. So where do we draw the line? Have the Liberals gone over it? Will we have room to spend when the economy needs it most – when we face the next recession?

One way to determine if we are living within our means is to consider the debt-to-GDP ratio. Is the amount we are borrowing going up or down compared to the relative size of our economy? Since 2015, the amount of debt as compared to size of our economy has, in fact, been shrinking – but not a lot. The Liberal plan is for the net debt-to-GDP ratio to be 30.2% by

the end of a second mandate. In 2008, when the recession hit the net debt-to-GDP ratio was 28.2%. In the preceding decades there were successive budget surpluses under both Liberal and Conservative governments. This meant that in 2008 the Conservatives had room to spend in order to stimulate the economy during the recession – to ‘prime the pump’. So the question is do we have room now – to both spend currently to meet our priorities and to prime the pump if there is a recession in the next few years? The answer to that question is that we remain in relatively good shape as [compared to other G7 countries](#) – but we still have to be careful. Canada has the highest credit rating a country can have. [You can follow the rating agencies here.](#)

The bigger risk is, in fact, our sub-national governments, namely the significant amount of provincial debt. When you include provincial debt, our total debt-to-GDP ratio as a country rises to 80%. At this level, as a country, we have one of the least affordable debt burdens in the G7 and among other countries that also have the highest credit rating like Canada (i.e., a triple A credit rating). When the total debt-to-GDP ratio exceeds 90% it is safe to assume the warning bells will go off in the rating agencies and if our credit rating is lowered because of the collective debt then the cost of interest we pay on our debt will go up. We would feel this, and the spiral would begin. Through the mechanisms we have for intergovernmental relations, we need to work with the Provinces to address our collective debt situation. We need a Federal path to balanced budgets and ensuring the debt-to-GDP ratio continues to decrease.

So what are the Party’s platforms saying about fiscal responsibility and getting back to balanced budgets? Unfortunately, not much.

The Liberal plan [Forward](#), does not mention balanced budgets at all. Under their plan the deficit will be \$26 billion in 2024 with a debt-to-GDP ratio of 30.2%. Under this plan there will not be a balanced budget until at least 2040 and if there is a recession this plan will mean nothing.

The [Conservatives](#) initially said they would balance the books in two years but are now saying five. Given their proposed tax cuts there would necessarily be cuts made to programs and services. There is no other way. Reducing foreign aid by 25%, which is not a good idea from both an economic and social perspective, and removing \$1.5 billion in corporate subsidies would help, but not, in itself, get us to balance.

The [Greens](#) have said they will balance the budget in five years but would be flexible as may be required. The Greens would increase the corporate tax rate to 21% and raise \$2 billion from a ‘wealth tax’. There would be other specific taxes as well. This increased revenue would pay for their proposed spending increases.

For its part, the [NDP](#) has said it will balance the books ‘when prudent’ with no set date. The NDP, like the Greens, is also looking to raise taxes from a ‘wealth tax’. Persons with over \$20 million in wealth would pay an annual 1% wealth tax, which the NDP estimates would generate several billion dollars a year. For individuals making over \$210,000 there would also be an increase in the top marginal tax rate of 2% taking it to 35%. This, they indicate would raise annually an additional \$500 million.

As your Independent MP for Vancouver Granville, I will consider fiscal measures brought forward to the House of Commons on a case-by-case basis and with an objective to find a path to a balanced budget. I will work with like-minded Parliamentarians to pressure and influence the government to be fiscally prudent and to make wise investments.

A fair and efficient tax system

We need to continue to ensure we have a progressive and fair tax system. Nationally, it is important to our system of cooperative federalism to maintain a tax system that is harmonized between jurisdictions and where there are no, or limited, distortions. This is to support a fair and efficient allocation and movement of resources within Canada, and where persons are not making decisions based primarily on tax treatment.

Of the tax measures available to raise revenues, progressive income tax is generally considered one of the fairest. Consumption taxes that target luxury goods are also fair. As your Independent Member of Parliament for Vancouver Granville, I would consider supporting fiscal measures brought to Parliament that advance higher corporate taxes, or a surtax, on the largest companies, including the social media giants – they can afford to pay more. I would also consider supporting proposals lowering the corporate tax rate on small businesses, and increased consumption taxes on luxury goods.

With respect to personal tax, I would consider measures brought to Parliament where the very wealthy are paying more tax. However, I am uncertain about the proposed ‘wealth tax’. It could be very difficult to implement and fraught with challenges as people will look for ways around it. It is also important that the tax system is as simple as possible. On this front I am troubled by some of the Parties trying to woo voters with boutique tax credits, whether refundable or not.

Mechanisms to control household debt

In addition to government debt, another troubling trend is the level of household debt in Canada (e.g., consumer credit, mortgages and non-mortgage loans). Household debt levels in Canada continue to rise and, according to Statistics Canada, [Canadians owe roughly \\$1.74 for every dollar of household disposable income](#). The Bank of Canada has repeatedly said that household debt is a key area of concern for the Canadian economy.

While regulation of matters affecting household debt is primarily within provincial jurisdiction, there are some things that the federal government can do to address this problem. For a start the Federal government should not make it easier for individuals to take on household debt. Accordingly, I would not support extending mortgage amortization periods to 30 plus years or reduce stress tests. I discuss this in my affordable housing post. The Federal government can also play a greater role in providing information about household debt and the risks as well as considering fiscal measures that encourage greater personal saving.

Support for transition to a green economy and expanding trade

The [Green Party’s economic plan](#), in fact their whole platform, is built around the objective of a transition to a green economy. As I discuss in my post on Climate Action, a realistic carbon tax (in combination with other measures), is the most significant fiscal measure to be taken with respect to the environment and therefore the economy. The question is, what will be the rate? Over time it will need to exceed \$50 a tonne to be an effective fiscal measure to reduce green house gas emissions and address climate change. With respect to other tax incentives around green investment, as with all tax measures, we need to be careful not to overcomplicate the tax system.

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With respect to trade, Canada is a trading nation and relies on its trade agreement to support our economy. In addition to creating economic growth domestically for countries like ours, opening up trade globally has brought [hundreds of millions of people out of poverty](#). This is in part due to following an international rules based system. However, and as I discuss in my post on [democratic reform](#), the global institutional structures that have, for the most part, kept the peace, increased trade, and removed million of people out of poverty since the Second World War are under pressure with increased and misplaced nationalism and protectionist policies.

As a country that supports a rules-based system, increasing international trade on our terms is becoming increasingly difficult but equally important. We should look to expand out trade agreements and where we can, build on the advances we have made in ensuring provisions in agreements deal with the environment, labour and Indigenous issues. The next government and Parliament will also need to consider our next steps with Britain, depending on the outcome of Brexit. We should also continue to explore trade agreement opportunities with both India and China when the time is right. We should look to grow the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and make sure the new Canada-United States-Mexico Agreement (CUSMA) is ratified.