

Editorial – Balanced budget bill: Great politics, bonehead economics

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Balanced-budget legislation is a singularly futile undertaking. It's either a symbolic and empty gesture, or a binding commitment that should never be made, since it will force future governments to engage in bad economic policy. Pick your poison.

Yet Joe Oliver, the federal Minister of Finance, made a speech on Wednesday in which he promised to table a balanced-budget bill in the House of Commons this month. The legislation makes for wonderful political theatre. But it has nothing to do with sound economic policy.

We would have thought that the experience of the Harper government, in the Great Recession of 2008-2009, had taught it not to try to handcuff the public finance of Canada. Briefly, in the crisis of late 2008, the government seemed almost paralyzed, but then it took a wise course. It ran up a very large deficit. It should be proud of that, not ashamed. What else did all the advertisements about "Canada's Economic Action Plan" at that time mean, if not that the government was doing its job and spending, spending, spending in the face of a private-sector pullback?

But that truth doesn't fit with Conservative Party orthodoxy. And so, in this speech, the Finance Minister invoked the familiar but false analogy between a household and a government. Surely Mr. Oliver knows that the deliberations of a federal cabinet – and those of a finance department – have very little resemblance to "moms and dads" sitting down "at the dining-room table" and laying "out the bills. ... They have to find savings and make every penny count."

What's more, Mr. Oliver's rhetoric suggests that the Conservatives are still campaigning against Pierre Trudeau and the structural deficits of the 1970s and '80s, rather than against the actual opposition party leaders of today.

Just as deficits are prudent in an economic downturn, so a balanced budget, or a deficit small enough to keep the debt-to-GDP ratio falling, makes sense in a period of economic strength. But balancing a budget, when a budget is supposed to be balanced, doesn't call for a law binding the hands of government. Just look at the record of Jean Chrétien and Paul Martin.