

Election results make clear voters don't care about balanced budgets

By David Parkinson

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Did you hear that solitary, plaintive bugle in the background as the election results rolled in Monday night? That was “The Last Post” playing for balanced budgets in Canadian federal politics.

Nearly two-thirds of the newly elected House of Commons is made up of parties whose platforms offered no promise of budget balances. That includes the Liberals, who will form a minority government, and the NDP and Bloc Québécois, either of which could hold the balance of power.

The Conservatives spent the campaign railing about broken Liberal promises to eliminate deficits and vowing a return to balance in five years – and went down to demoralizing defeat, their message never really gaining traction. Maxime Bernier’s fledgling People’s Party of Canada outdid the Conservatives with a pledge to wipe out the deficit in two years – and was wiped off the political map, with just 1.6 per cent of the popular vote and Mr. Bernier himself losing his seat.

The death of balanced budgets has come remarkably swiftly.

Heading into the 2015 campaign, every major party advocated deficit reduction and eventual balances. But then the Liberals under Justin Trudeau broke ranks mid-campaign, rolling the dice with a proposal to run modest, short-term deficits to fund a dramatic increase in infrastructure spending. It worked.

Barely four years later, budget balancing has become a non-starter. Pre-election opinion polls put deficits far down the list of voter priorities. It showed at the ballot box.

Even in Quebec, where the provincial government turned back from the brink of

financial disaster a few years ago to become a model budget balancer, deficit fighting no longer excites the electorate. Last fall, the provincial Liberals ran on their stellar record for balancing the books – and lost big. Federally, Quebec voters swung hard toward the Bloc Québécois, which advocates maintaining deficits in the \$12-billion to \$18-billion range. The province also elected 35 federal Liberals – down only five from 2015 – despite the party breaking its 2015 campaign promise of returning to a balance this year, instead pledging to increase its deficit spending even more.

The NDP, on whom the Liberals will most likely rely to support their minority, is in agreement with the Liberals that deficits are just fine – as long as you keep a rein on the ratio of debt to gross domestic product (GDP). The NDP’s platform even quotes a report last year from Canada’s Parliamentary Budget Officer (PBO) saying that Ottawa “could permanently increase spending or reduce taxes by 1.4 per cent of GDP” without raising debt-to-GDP. In current-dollar terms, that represents a \$32-billion cushion.

The NDP, unsurprisingly, favours the “increase spending” option. Its platform mapped out a whopping \$35-billion in new expenditures (or “investments,” as politicians of all stripes have taken to euphemistically calling them) next fiscal year. The Liberals have proposed a much more modest \$9-billion. But it’s not hard to imagine scenarios where the NDP might push the Liberals to loosen the purse strings for some key priorities, in exchange for NDP support in the House of Commons.

It’s notable that the biggest-ticket item in the NDP’s platform is a national universal

prescription-drug program – an idea the Liberals also support in principle, although it’s not included in the party’s formal platform spending plans. While it’s pure conjecture at this point, this is an area in which the two parties could conceivably see mutual interest in working together. The annual cost of such a program? More than \$10-billion, according to PBO calculations.

The Conservatives will likely see their role in the next Parliament as the defender of fiscal discipline – and it’s a role that Parliament still needs, even if obsessing over balances has become passé. Consider that in the Trudeau Liberals’ first four years in office, annual federal program spending is not only up nearly \$60-billion, or 22 per cent – it’s also \$15-billion higher than the Liberals themselves originally projected for the end of their first term. The

Conservatives raise a compelling point when they argue that, without setting a return to balance as the ultimate objective, Mr. Trudeau “has had no incentive to say no” when departments and members of his own government came to him with costly proposals. A balanced-budget anchor can shield a government from its own worst spending impulses.

But even if it had help from other parties, the Conservatives won’t have the votes to impose that discipline on any Liberal spending initiatives supported by the NDP – or, for that matter, by the Bloc. Perhaps more importantly, it doesn’t look as if it will win a lot of public love by fighting that fight, either. At least on the federal level, this has become yesterday’s battle. Rightly or wrongly, voters have moved on.