

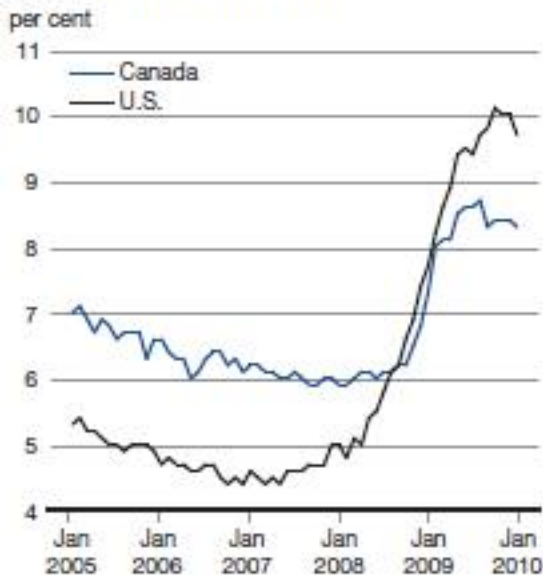
# Mean-spirited Budget 2010: Calm Before Storm on Surface, Nastiness Beneath

## 1. Unemployment rate still high ...

**The Canadian labour market has been significantly stronger than in the U.S.**

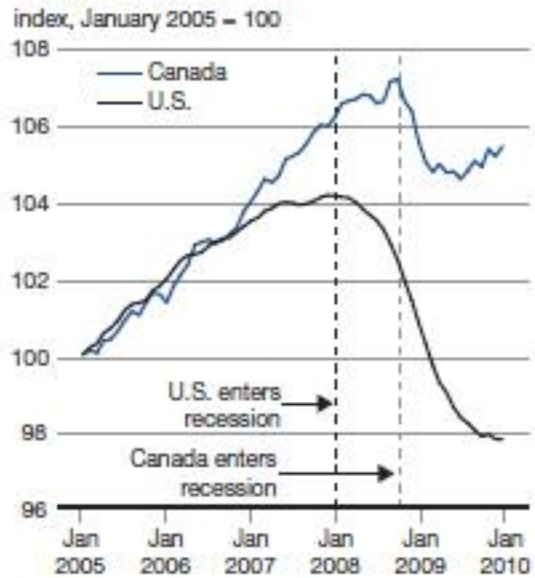
Chart 2.10

### Unemployment Rate



Sources: Statistics Canada; U.S. Bureau of Labor Statistics.

### Total Employment



Sources: Statistics Canada; U.S. Bureau of Labor Statistics.

... but program expenses as percent of GDP remain unchanged from last year and are lower than those in prior recessions

Table 4.2.3

### Summary Statement of Transactions (Including Budget 2010 Measures)

	Projection						
	2008–2009	2009–2010	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015
	(billions of dollars)						
<b>Budgetary revenues</b>	233.1	213.9	231.3	249.0	266.5	282.7	296.5
Program expenses	207.9	237.8	249.2	241.4	245.2	251.4	257.7
Public debt charges	31.0	29.9	31.3	35.3	38.9	39.8	40.6
<b>Total expenses</b>	238.8	267.7	280.5	276.7	284.0	291.2	298.3
<b>Budgetary balance</b>	-5.8	-53.8	-49.2	-27.6	-17.5	-8.5	-1.8
<b>Federal debt</b>	463.7	517.5	566.7	594.3	611.9	620.3	622.1
<b>Per cent of GDP</b>							
Budgetary revenues	14.6	14.0	14.4	14.8	15.0	15.2	15.2
Program expenses	13.0	15.6	15.6	14.3	13.8	13.5	13.2
Public debt charges	1.9	2.0	2.0	2.1	2.2	2.1	2.1
Budgetary balance	-0.4	-3.5	-3.1	-1.6	-1.0	-0.5	-0.1
Federal debt	29.0	33.9	35.4	35.2	34.4	33.3	31.9

Note: Totals may not add due to rounding.

## 2. Calm before storm on surface, nastiness beneath

Table 5.1

### Canada's Economic Action Plan

	2009-10	2010-11	Total
	(millions of dollars—cash basis)		
Reducing the Tax Burden for Canadians	3,020	3,180	6,200
Helping the Unemployed	2,852	4,167	7,019
Building Infrastructure to Create Jobs	8,312	7,696	16,007
Creating the Economy of Tomorrow	2,139	1,880	4,018
Supporting Industries and Communities	11,768	2,231	13,998
<b>Total federal stimulus measures</b>	<b>28,090</b>	<b>19,152</b>	<b>47,242</b>
Assumed provincial and territorial actions	8,441	5,978	14,419
<b>Total Economic Action Plan stimulus</b>	<b>36,531</b>	<b>25,131</b>	<b>61,661</b>

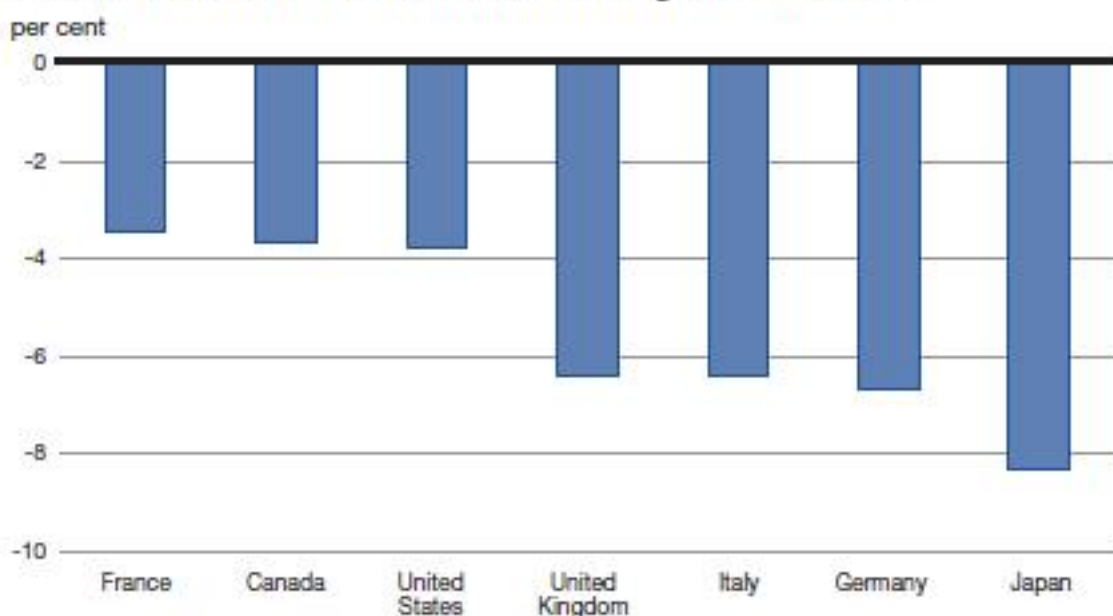
Notes: Totals may not add due to rounding. This table reflects adjustments to infrastructure and other funding as described later in this chapter.

**Budget 2010 indicates that Canada is doing better than many others so ...**

**Canada has fared better than virtually all other G7 countries during the global recession**

Chart A1.2

### Overall Contraction in Real GDP During the Recession<sup>1</sup>



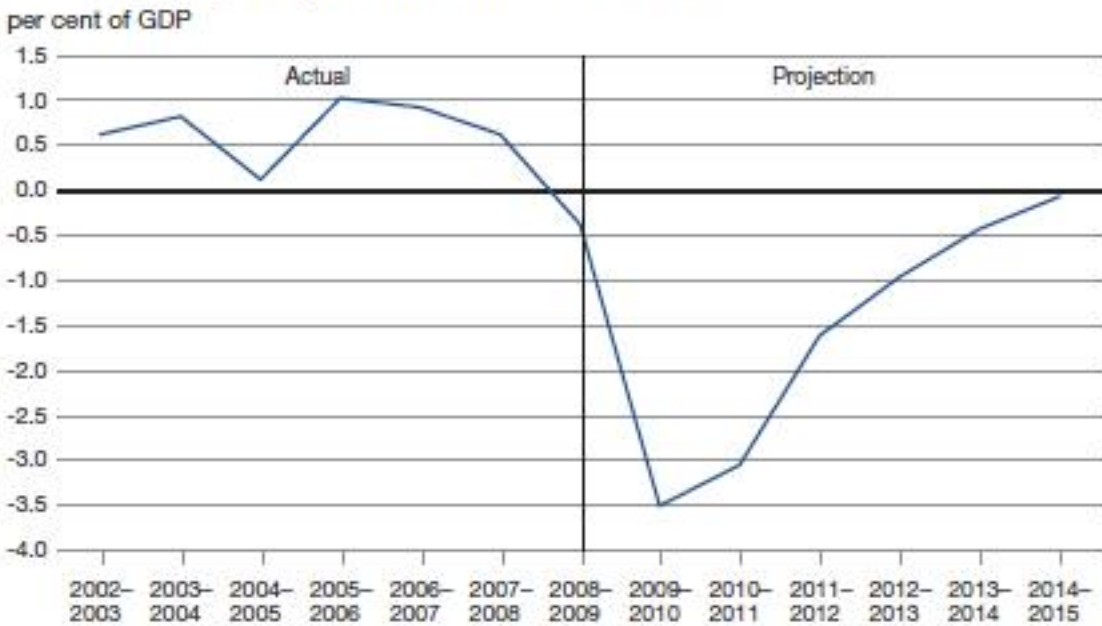
<sup>1</sup> The overall contraction in GDP is measured by the peak-to-trough decline in real GDP in each country: 2008Q2-2009Q3 for United Kingdom; 2008Q2-2009Q2 for Italy; 2008Q2-2009Q1 for France, Germany and Japan; 2008Q3-2009Q2 for United States; 2008Q4-2009Q2 for Canada.

Sources: Statistics Canada; U.S. Bureau of Economic Analysis; Japan Cabinet Office; U.K. Office for National Statistics; Deutsche Bundesbank; Institut national de la statistique et des études économiques; Istituto Nazionale di Statistica.

... it's time to start thinking about balancing the budget and therefore ...

### Rapid decline in deficits

Chart 4.1.5  
**Federal Budgetary Balance-to-GDP ratio**

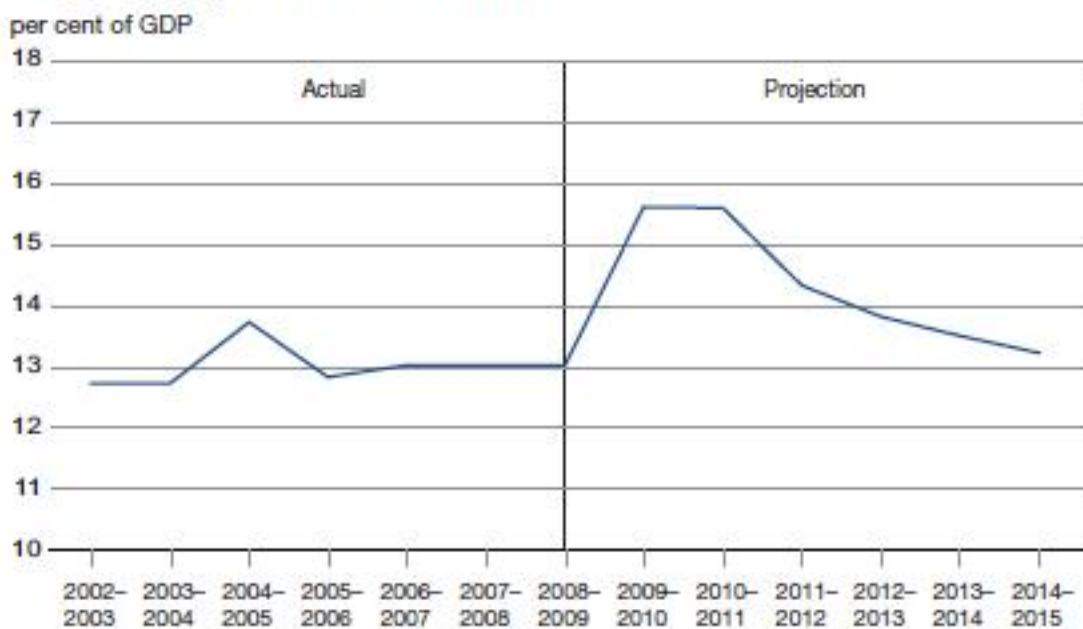


Sources: Department of Finance; Statistics Canada.

... be ready for the tightening

### Gradual decline in program expenses

Chart 4.2.2  
**Program Expenses-to-GDP Ratio**



Sources: Department of Finance; Statistics Canada.

**The spending cuts include gestures like saying no to hair transplants but more importantly instituting deep cuts in foreign aid**

Table 4.1.1

**Budget 2010 Savings Measures—Expected Savings**

	2009– 2010	2010– 2011	2011– 2012	2012– 2013	2013– 2014	2014– 2015	Total
(millions of dollars)							
Restraining growth in National Defence spending				525	1,000	1,000	2,525
International Assistance Envelope			438	869	1,337	1,842	4,486
Containing the administrative cost of government		300	900	1,800	1,800	2,000	6,800
2009 strategic reviews		152	248	287	288	288	1,262
Tax fairness—closing tax loopholes	20	355	440	500	565	625	2,505
<b>Total</b>	<b>20</b>	<b>807</b>	<b>2,026</b>	<b>3,981</b>	<b>4,990</b>	<b>5,755</b>	<b>17,578</b>

Note: Totals may not add due to rounding.

**The Harper government could have taken the opportunity to eliminate a deduction that benefits mostly the high-income earners but it didn't do so and instead it makes charitable organizations less charitable**

Table A5.3

**Distribution of stock option deduction by income (2007)**

Individual's total income <sup>1</sup> (\$)	Number of individuals claiming a stock option deduction	Stock option deduction claimed		
		Average amount (\$)	Aggregate amount (\$ millions)	% of total
Under 100,000	32,483	3,000	100	2%
100,000 to 500,000	38,034	23,000	890	22%
Over 500,000	7,985	393,000	3,140	75%
Total	78,502	53,000	4,130	100%

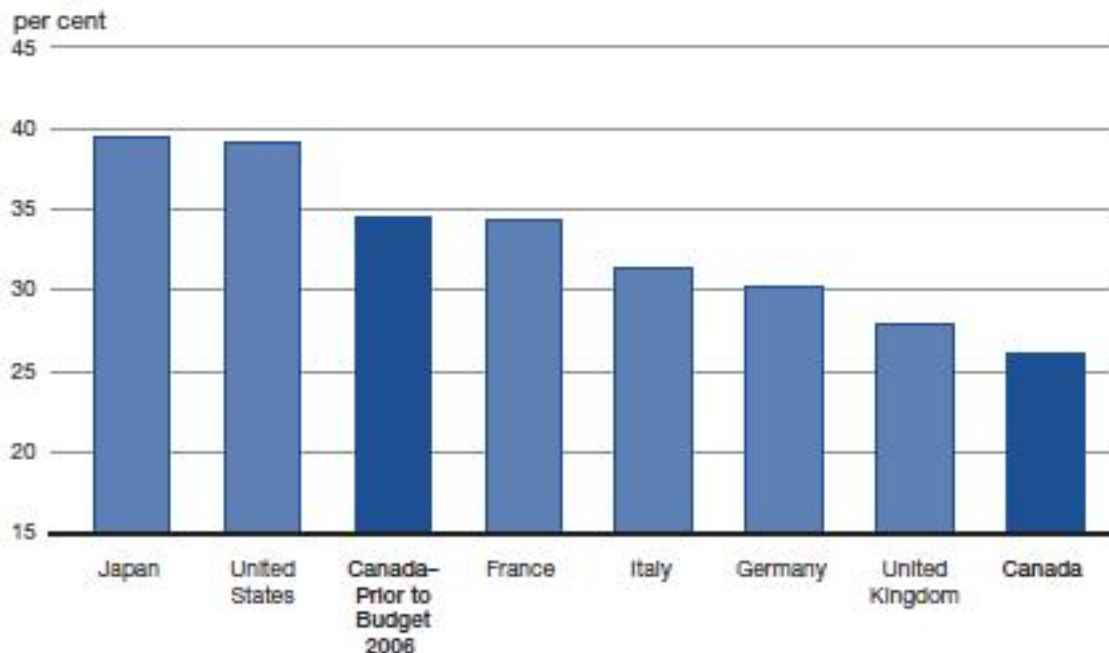
<sup>1</sup> Including stock option benefits

Source: Tax filer data for the 2007 taxation year. Numbers may not add due to rounding.

### 3. Reducing the tax burden for Canadians without providing support for its effectiveness

#### Canada will have the lowest corporate income tax rate in the G7 in 2012

Chart 3.1.1  
Corporate Income Tax Rates in 2012<sup>1</sup>



<sup>1</sup> Includes national and sub-national corporate income tax rates.

Sources: Organisation for Economic Co-operation and Development; Department of Finance.

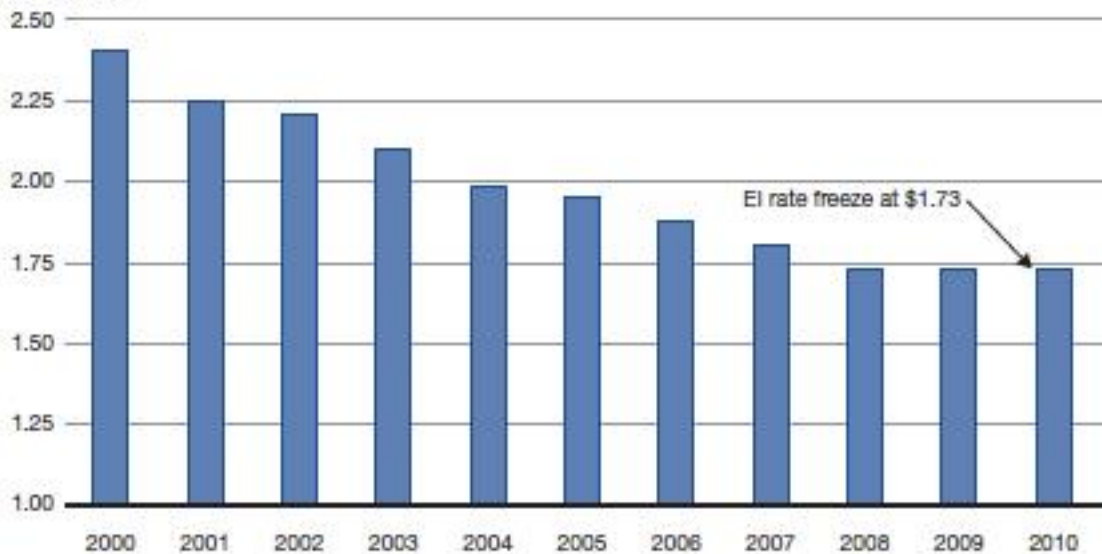
#### Budget 2009 said on p. 238:

For example, while a reduction in personal income taxes results in a dollar-for-dollar increase in household disposable income, it does not necessarily translate immediately into higher spending. Households may choose to save some of this additional income, particularly in the short run. Higher saving does not lead to higher expenditures in the short run, but in the long run it leads to higher investment and capital accumulation and therefore to a higher sustainable level of output.

**4. Helping the unemployed by freezing EI premium rates rather than making a meaningful difference like providing national child care**

**Freeze in EI premium rate leaves money in the hands of employers and employees in 2010–11**

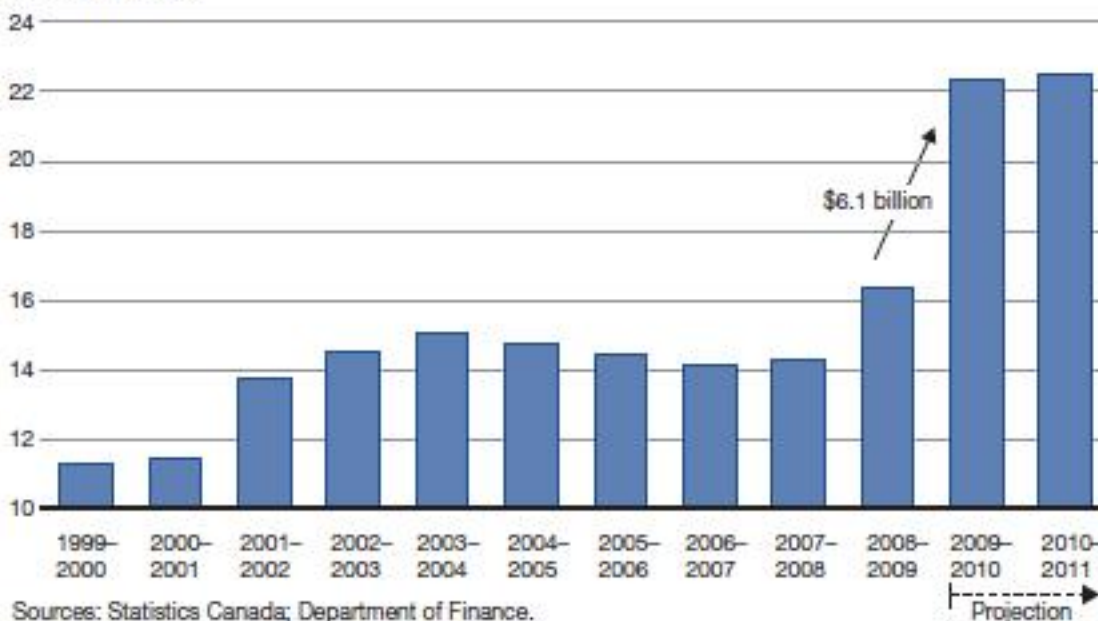
Chart 3.1.2  
**Employment Insurance Premium Rates**  
 \$ per \$100



**Budget 2010 boasts about surge in benefits but they were mainly driven by higher unemployment rate and ...**

**EI benefits are up sharply**

Chart 5.2  
**Employment Insurance Benefits**  
 billions of dollars



... only a small portion of spending is earmarked to meet immediate needs of unemployed

Table 5.6

**Helping the Unemployed**

	2009-10		2010-11	
	Stimulus Value	Stimulus Committed	Stimulus Value	Stimulus Committed
	(millions of dollars)			
An extra five weeks of EI benefits	575	575	575	575
EI—long-tenured workers (Career Transition Assistance Initiative)	250	250	250	250

**5. Building infrastructure to create jobs without specially designated spending on public transit**

Table 5.8

**Building Infrastructure to Create Jobs**

	2009-10		2010-11	
	Stimulus Value	Stimulus Committed	Stimulus Value	Stimulus Committed
	(millions of dollars)			
<b>Building Infrastructure</b>				
<i>Investments in Provincial, Territorial and Municipal Infrastructure</i>				
Accelerating payments under the Provincial/Territorial Base Funding Initiative	180	179	261	198
Infrastructure Stimulus Fund	1,209	1,209	2,791	2,791
Focus for Community Projects	402	402	207	207

So far the home renovation tax credit accounts for most of this part of spending but ...

Table 5.8 (cont'd)

**Building Infrastructure to Create Jobs**

	2009-10		2010-11	
	Stimulus Value	Stimulus Committed	Stimulus Value	Stimulus Committed
	(millions of dollars)			
<b>Stimulating Housing Construction</b>				
<i>Support for Home Ownership and the Housing Industry</i>				
Home Renovation Tax Credit	3,000	3,000	—	—
Increasing withdrawal limits under the Home Renovation Plan	45	45	45	45

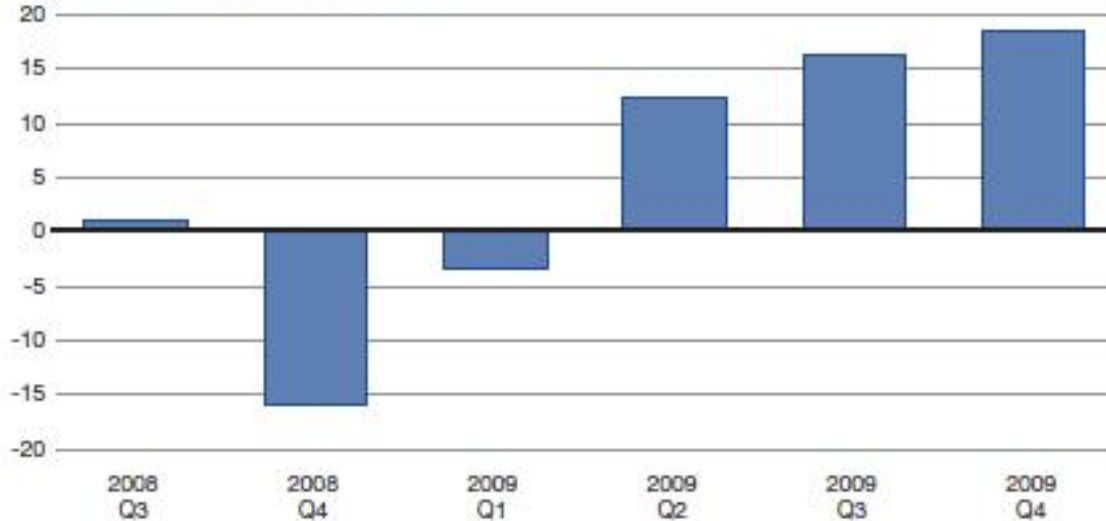
... it's unclear how the credit benefits many Canadians trying to make ends meet during the economic downturn

**Renovation activity has rebounded in the last three quarters**

Chart A1.5

**Real Renovation Growth**

per cent, period to period at annual rates



Source: Statistics Canada.

**6. Intensified shrinking of public expenditures to come**

**Budget 2010 claims more jobs will be created but it's unclear whether they are good jobs or McJobs**

Table A1.4

**Jobs Estimated to Have Been Created or Maintained According to Each Element of the Economic Action Plan**

	January 2010	End of 2010
Reducing the Tax Burden for Canadians	8,000	19,000
Helping the Unemployed	10,000	24,000
Building Infrastructure to Create Jobs	42,000	84,000
Creating the Economy of Tomorrow	13,000	27,000
Supporting Industries and Communities	58,000	66,000
<b>Total</b>	<b>130,000</b>	<b>220,000</b>

Note: Totals may not add due to rounding.

## No matter what more spending cuts will come

Table 4.2.2

### Fiscal Outlook

	2009– 2010	2010– 2011	2011– 2012	2012– 2013	2013– 2014	2014– 2015
	(billions of dollars)					
<b>Status quo budgetary balance (before budget measures)</b>	<b>-53.7</b>	<b>-48.9</b>	<b>-28.7</b>	<b>-20.6</b>	<b>-12.5</b>	<b>-6.6</b>
<b>Return to budget balance— savings measures</b>						
Restraining growth in National Defence spending	0.0	0.0	0.0	0.5	1.0	1.0
International Assistance Envelope	0.0	0.0	0.4	0.9	1.3	1.8
Containing the administrative cost of government	0.0	0.3	0.9	1.8	1.8	2.0
2009 strategic reviews	0.0	0.2	0.2	0.3	0.3	0.3
Tax fairness—closing tax loopholes	0.0	0.4	0.4	0.5	0.6	0.6
<b>Subtotal—savings measures</b>	<b>0.0</b>	<b>0.8</b>	<b>2.0</b>	<b>4.0</b>	<b>5.0</b>	<b>5.8</b>
<b>Measures proposed in this budget<sup>1</sup></b>						
Building on a strong economic foundation	-0.1	-0.9	-0.6	-0.7	-0.8	-0.7
Supporting Families and Communities and Standing Up for Those Who Helped Build Canada	0.0	-0.2	-0.3	-0.2	-0.2	-0.2
<b>Subtotal—policy measures</b>	<b>-0.1</b>	<b>-1.1</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-1.0</b>	<b>-0.9</b>
<b>Total (net savings)</b>	<b>-0.1</b>	<b>-0.3</b>	<b>1.1</b>	<b>3.1</b>	<b>4.0</b>	<b>4.8</b>
<b>Budgetary balance (after Budget measures)</b>	<b>-53.8</b>	<b>-49.2</b>	<b>-27.6</b>	<b>-17.5</b>	<b>-8.5</b>	<b>-1.8</b>

Note: Totals may not add due to rounding.

<sup>1</sup> A positive number implies a decrease in spending and an improvement in the budgetary balance. A negative number implies an increase in spending and a deterioration in the budgetary balance.