

Can The Finance Ministers Play Hockey?

The Maple Leafs and Canada's finance ministers have a lot in common than they may realize – much more, in fact, than simply passing the puck and passing the buck.

The Leafs have started to play like a winning team. The finance ministers seem to be doing the same.

The cooperative spirit that emerged at their last meeting signals that Ottawa and the provinces may start working again toward a common goal. But they can advance to the next level only if they adopt a team approach to fixing the country's finances.

Maybe the new cooperation also will result in fairer play. Over the years, provinces have felt that fiscal negotiations had been a complete shutout. Despite agreements intended to harmonize the financial management of the country, federal-provincial relations were far from harmonious. Provinces often were not informed in advance of key changes that would

have a major impact on their finances. Provincial finance ministers tuned in to their televisions on Budget day like everyone else to learn of new federal measures that would affect their respective budgets.

The penalties for this type of play are severe. Provinces lose about \$1 billion in their income taxes each year, for example, as a result of Ottawa's decision in 1985 to create a lifetime capital gains exemption.

The provinces also claim that they have been hurt seriously by the federal 'offloading' strategy. The funds that Ottawa transfers to the provinces for health care and postsecondary education have been reduced through partial indexation announced in 1986 and 1990 as well as a freeze on payments from 1990-91 through 1994-95. In another unilateral move, the Tories sent the Canada Assistance Plan into the boards when it capped payments to the three provinces of Ontario, Alberta and B.C. for welfare and social programs.

There is now a game in town. But it may not be long before the whistle gets blown on the action. The finance ministers are grappling with staggering deficits; Ottawa alone is wrestling with a near-\$46 billion figure. In searching for ways to balance the score, they have announced an offensive on social programs. All the programs that comprise Canada's safety net – retirement pensions, health care, Unemployment Insurance, child care – are considered fair game.

Few would disagree that Canada's social safety net is in need of repair. Even the most ardent fans would support that conclusion.

The concern, however, is the implicit message that social programs are responsible for the high deficit and must be cut substantially to get Canada's financial house in order. There can be serious injury from slashing.

The costs of social programs have been rising because they have been overwhelmed by volume. In times of high unemployment – which at last count had 'dropped' to 11 percent – Unemployment Insurance and welfare face severe pressures, with more than four million Canadians receiving benefits in 1991-92. The programs seen as a 'drain' on the economy provide the only way for many families to feed their children.

Moreover, in the face of massive economic restructuring, it may be a long time before the jobless rate drops significantly. Cutting the safe-

ty net too quickly or dramatically only will deepen the security of that many Canadians now feel. While UI and welfare require careful, well-planned and fundamental reform to ensure that they operate more efficiently, their importance in times of severe economic hardship cannot be overstated.

Before taking indiscriminate slapshots at social programs, the finance ministers should remember that they are part of a team. It is the job of the captains – the first ministers – to ensure that the ministers responsible for social programs skate together with the finance ministers on the front line of social reform.

The finance ministers also would be well-advised to observe the winning strategy of the Leafs. All players understand the importance of guarding the net.

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