

Forget the fat tax, tax fat cats [CA-ON]^[1]

Opinion

Author: McQuaig, Linda

Source: Toronto Star

Format: Article

Publication Date: 16 May 2004

AVAILABILITY

See text below.

EXCERPTS

It used to be good politics to tax fat cats. But politicians are afraid to tax fat cats these days. The closest they dare go is to tax fat foods.

At least that's the way things look in Ontario, on the eve of the McGuinty government's first budget.

In the interest of raising some badly needed revenue, Premier Dalton McGuinty's government recently floated the idea of unleashing its taxing power on one of the least affluent segments of society -- those who dine out on meals costing less than \$4, and eat lots of potato chips and chocolate bars.

But if this is any indication of how it plans to deal with the province's large revenue shortfall in Tuesday's budget, the people of Ontario better brace themselves for disappointment.

McGuinty was elected last fall with a clear mandate for major social reinvestment -- and not on the backs of the crowd that eats at McDonald's. After a decade of austerity and cutbacks under Conservative premiers Mike Harris and Ernie Eves, the province had become a lean, mean place.

Slashing taxes by \$16 billion, the Harris and Eves administrations had reduced Ontario's public spending well below the level of the previous two decades, including years when Conservative Premier Bill Davis was in office. By the end of the Harris-Eves era, Ontario was left spending less of its GDP on public services than any other province.

With this decaying public infrastructure as a backdrop, McGuinty easily won over the public with talk of things like schools with smaller classes and hospitals actually equipped with beds and nurses.

A captivated electorate sent McGuinty and his Liberal crew to Queen's Park with a substantial majority. But almost immediately, McGuinty began to disappoint.

Faced with a \$5.6 billion deficit inherited from the Tories, the McGuinty Liberals stopped talking about reinvesting in public services and started talking about "reinventing government" -- a euphemism for more Tory-style cutting and privatizing.

The one promise McGuinty seemed determined to keep was his no-tax-increase pledge to the Canadian Taxpayers Federation, a taxpayer watchdog.

Of course, nobody wants higher taxes. But faced with the prospect of the continuing impoverishment of our public services, polls show most people are willing to accept a small increase.

The Canadian Centre for Policy Alternatives has devised an alternative budget that would eliminate the provincial deficit and meet the government's social reinvestment promises through modest tax increases.

In recent years, the business community has kept governments narrowly focused on tax cuts, while doing its best to sever the connection in the public's mind between taxes and public services.

Taxes have instead been presented as deadweight that stifles economic growth.

That's always been a shaky proposition, with little evidence to back it up. But it just got a lot shakier, with the publication of an exhaustive study that looks at taxes and social spending in 19 industrialized countries over the last century.

"It is well known that higher taxes and transfers reduce productivity. Well known -- but unsupported by statistics and history," writes its author Peter Lindert, who teaches economics at the University of California.

Lindert is no radical, and his book, *Growing Public*, is rather academic.

But it blows a wide hole through the arguments of those who insist low taxes are the only route to a strong economy.

He points to strong economies like Sweden that provide far-reaching national child-care programs as well as extensive programs for the

sick and the elderly.

"A bigger tax bite to finance social spending does not correlate negatively with either the level or the growth of GDP per capita."

What it does seem to correlate with is the level of democracy and the degree of the public's participation in the political process, Lindert notes. The more democracy, the more social spending.

Ontario clearly has a long way to go to rebuild its shattered public programs -- and it will take action bolder than going after the burgers and chips in the mouths of the province's children.

- reprinted from the Toronto Star

Related link: [Ontario Alternative Budget](#) [2]

Region: [Ontario](#) [3]

Tags: [budget](#) [4]

[funding](#) [5]

Source URL (modified on 27 Jan 2022): <https://childcarecanada.org/documents/child-care-news/04/05/forget-fat-tax-tax-fat-cats-ca>

Links

[1] <https://childcarecanada.org/documents/child-care-news/04/05/forget-fat-tax-tax-fat-cats-ca> [2] <http://www.policyalternatives.ca/on/oab.html> [3]

<https://childcarecanada.org/taxonomy/term/7856> [4] <https://childcarecanada.org/category/tags/budget> [5]

<https://childcarecanada.org/category/tags/funding>