The surplus should be used to close the rich-poor gap [CA] [1]

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EXCERPTS

With a $12-billion-plus federal surplus piling up, the battle over the pre-election budget is about to begin. It is time to move beyond the simplistic debate of tax cuts versus spending -- an argument that is too often misrepresented as a fundamental choice between growth and fairness.

Surely all Canadians can agree that good budgets should secure both economic efficiency and social equity. With a huge surplus, the federal government now has the ability to promote economic growth, reduce debt and make major social investments.

Signs such as falling unemployment, rising average incomes and swelling government coffers indicate that general prosperity is at hand. But the latest Statistics Canada income data show that most Canadians are being left behind.

In a period of normal expansion, incomes and opportunities increase for just about everyone. This expansion, however, is marked by a different trend -- the gap between the rich and poor is getting wider.

Continuing unemployment, low wages in many new jobs and the deep deficit-fighting cuts to social assistance and Employment Insurance have driven the gap between the after-tax incomes of the top and bottom fifth of households to a ratio of 8.5 to 1 from 7.2 to 1 between 1994 and 1998. According to the latest data, only the top fifth of households had higher real incomes in 1998 than in 1989.

More than 800,000 families are spending over half of their incomes on rent; child care costs swallow up modest income gains for many families; and cuts to health, education and recreation programs have to be made up for from badly squeezed family budgets.

Far too many single-parent families, persons with disabilities, and recent immigrants remain in deep, continuing poverty in very poor urban neighbourhoods.

Over the last half of the 1990s, the impact of government transfers and taxes helped offset the widening gap in market incomes. However, despite the equalizing effects of the tax-and-transfer system on the highly unequal distribution of market incomes, after-tax income inequality has continued to rise. Market-driven inequality is now overwhelming the counterweight of taxes and transfers.

Politicians and the public should keep these social and economic trends in mind as we debate priorities for the next federal budget. The key question we should strive to answer is: What package of social investment and tax measures can best ensure that we grow together?

Growth and job creation are critically important to social progress. But to broaden access to good jobs, we need social investment in areas such as affordable child care, supports and services to persons with disabilities, and training.

The legacy of the deficit-cutting 1990s has left us with badly eroded public services and the lack of a collective response to critical new needs. It is time for major new investments in the National Children's Agenda, health, housing and other key areas. These types of investments make sense in both social and economic terms, and they contribute to growth and fairness.

The Canadian Council on Social Development applauds the recent Early Childhood Development agreement recently announced by the federal and provincial governments. However, a clear timetable with goals and targets is still needed in order to finalize the much-delayed National Children's Agenda, to determine program priorities and to establish new supports and services.

There is no defensible case for further tax cuts for the winners in a market economy that is leaving far too many behind. Rather, tax reform should continue to be used as an important tool for income redistribution. Refundable tax credits such as the Canada Child Tax Benefit and the GST credit are an efficient way to supplement the market incomes of the less affluent.

With its growing pot of money, the federal government can well afford to increase child tax benefits and extend them to more families. It can also move toward a new refundable tax credit system for persons with disabilities; increase GST credits to offset soaring fuel prices; and provide an immediate hike in the basic tax exemption to $8,000 to remove more of the working poor from the income tax system.

With $12-billion on the table, it is more than possible for the federal government to do three things at once: To undertake major social reinvestments, to provide income support through the tax system to those who need it the most and to reduce the debt. This is the type of approach that can best ensure that as a nation we grow closer together, not further apart.

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