

Ontario's fiscal reality: Cup half empty or half full? ^[1]

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Full report in pdf ^[2]

Excerpts:

The Value of Public Services

... most tellingly, the McGuinty government is attempting to frame the debate so as to preclude any discussion of the benefit - even the economic benefit - that Ontarians receive from public services, or of the cost of dramatic reductions in those services. That is an extremely serious omission, both in the short term and in the long term.

In the short term, cuts of the magnitude suggested by Drummond will impose a substantial fiscal drag on the provincial economy. Ontario's economy would grow more slowly as a result of the cuts contemplated in his report. Drummond may have ignored that fiscal drag in his report - there is no evidence in the report that it was taken into account - but Ontarians whose livelihoods would be affected won't have that luxury. Nor will they have the luxury of ignoring the costs they will bear as public services are reduced.

In the medium and long term, many of the service cuts Drummond has proposed run counter to clear evidence of the economic benefit Ontarians receive from public service. The economic benefits from early childhood learning have been extensively studied and are well documented. A dollar invested in nurturing young children pays itself back to society in spades. Recommendations to scale back investments in secondary and postsecondary education run counter to repeated studies pointing to education and training as keys to Ontario's economic future. How else can we compete in a globalized market? Even the current level of our investment in public infrastructure is widely acknowledged to be inadequate. Eventually, this generation of Ontarians will have to begin the work of repairing the water mains, sewage systems, roads, sidewalks and public buildings our parents and grandparents helped build. Challenges facing Ontario in the future, from climate change, to growing income inequality, to our aging population will require enhanced public service rather than weakened public service. These are priorities only governments can make real - corporations will never consider this among their list of to-dos. It's what Ontarians turn to their government to deliver: quality public services in their hour of need. It's also a deliverable fiscally within our reach.

...

Glass is Half Full

Contrary to the impression created by the government's framing of this deliberate "glass-is-half-empty" debate, public services do not simply give rise to costs; services also deliver public benefits. Some benefits are strictly economic and easily measurable. For example, the impact of public services spending on the overall health of the economy is highlighted by the estimate of fiscal drag discussed above.

More to the point, as a society, we provide public services because we expect to get a benefit from them - whether those benefits show up directly in government revenue or not. We build public infrastructure that enables economic development. We invest in education to support social and economic progress in Ontario and because we believe people have a right to access the tools needed to get ahead. The government decided to invest in early learning because Ontarians were persuaded by the evidence that the social and economic benefits far outweighed the costs, and because we want to ensure our children have every opportunity to succeed.

Of course, it is important that our governments ensure Ontario continues to derive economic and social benefits from the public services it delivers. And, no doubt, among 362 recommendations there are many ideas in the Drummond report that would improve the balance between the costs and benefits of Ontario's public services - especially if those recommendations are made with the goal of improving the quality of service to Ontarians. But to make the implicit assumption that Ontario will "save" billions of dollars from the elimination of full-day kindergarten without considering the cost to Ontario of the foregone benefits from the program, is simply and blatantly wrong. To assume that we can force students to pay for the extra year of high school that Drummond so disparagingly refers to as the "victory lap" without having an impact on high school graduation rates or postsecondary participation is simply and blatantly wrong.

In a 2009 study, the Canadian Centre for Policy Alternatives found that Canadians, on average, receive benefits valued at over \$17,000 per capita from public services (Canada's Quiet Bargain: The Benefits of Public Spending, by Hugh Mackenzie and Richard Shillington, Ottawa: Canadian Centre for Policy Alternatives). As simplistic as it sounds, if we cut back on public services, those benefits start to

disappear. There is no free lunch. There is no cost-free public spending cut. There is no cost-free tax cut.

The significance of this point is underlined as we look at the critical issues we will be facing as a society in the years ahead: the aging of our population, climate change, growing income inequality, and the need to improve the education and skills of our workforce to compete in an increasingly productive growing economy. The issues are diverse; the responses required equally varied. Yet they have one thing in common: an effective response to all of these issues requires improved public services rather than diminished public services.

Region: Ontario ^[3]

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