

Canada's New Government™ - Now 14% Bigger!

Taxpayers looking for truth in budgeting won't hear it from Jim Flaherty. Since the federal budget was tabled on March 19, Canada's Finance Minister's conservative-sounding rhetoric suggests we have reached a new era of prudent budgeting in Ottawa. Nothing could be further from the truth.

Federal government expenditures are rising dramatically. In the 2006 fiscal year - the first year of Mr. Flaherty's watch - spending ballooned by \$13.8-billion, rising from \$175.2-billion to \$189.0-billion. This is the second biggest jump since the budget was balanced a decade ago. In other words, several Liberal budgets were more prudent than Mr. Flaherty's work. The outlook isn't much better for the coming fiscal year with spending set to jump another \$10.6-billion, levelling off at \$199.6-billion.

The Finance Minister dismisses any criticism that he has become a big spender even when his two-year binge will total \$24.4-

billion. As National Post columnist Andrew Coyne calculates, Mr. Flaherty is now "the biggest-spending finance minister in the history of Canada." It's a sad achievement but well-earned since Canada's New Government is now 14% bigger after two Flaherty budgets.

Because the finance minister cannot refute the math he has tried to justify his recklessness. For example, he has downplayed the spending numbers by saying two-thirds of it should not be counted since the cash will be transferred to other levels of government. This is absurd. Conservatives in opposition routinely berated Liberal spending increases without discounting the billions of dollars in transfers the previous government delivered to the provinces and municipalities. What's the difference?

Mr. Flaherty is also exaggerating the size of his tax relief package. He has said, "Canada's new government has introduced nearly \$38-billion in indi-

vidual tax relief over [three years]." Canadian taxpayers should be so lucky. The 2007 Budget did provide modest relief to low-income Canadians and families with children. It also reaffirmed already announced tax breaks for seniors, including pension splitting.

If the tax relief was as large as the minister claims, it would be reflected in the budget's revenue tables. Yet the only tax reduction that has actually resulted in a decrease in Ottawa's revenue bite is the one-point GST cut.

According to the 2007 Budget, GST revenues were \$33-billion in fiscal 2005. In fiscal 2007, Ottawa will collect \$30-billion from this tax - that's a drop of \$3-billion. Turn now to personal income taxes. Two years ago, these

revenues totaled \$104-billion. This year Ottawa will collect \$115-billion and the amount rises to \$121-billion next year. If Mr. Flaherty thinks this calculation unfair, we can instead measure the tax bite as a percentage of the economy as the budget does. In fiscal 2005, GST revenue accounted for 2.4% of GDP, dropping to 2.0% in 2007. Personal income taxes meanwhile will rise to 7.7% of GDP this year, up from 7.6% two years ago. More tax revenue going to Ottawa means the Conservative's tax relief was neither deep nor dramatic.

A new tax measure in the 2007 Budget will also result in Ottawa collecting more revenues from businesses. Closing an interest deductibility loophole will, according to budget esti-

mates, result in \$40-million more flowing to government coffers. Yet a finance official claims this amount is just "the tip of the iceberg." Private-sector forecasts say the tax measure is worth hundreds of millions of dollars a year.

Of course, there is much to be gained from reforming and simplifying the tax code. Yet whenever a government eliminates or reduces a tax deduction or credit, the finance minister should offset the revenue increase dollar for dollar with a corresponding reduction in the general tax rate. Mr. Flaherty hasn't done this.

The 2007 Budget was a missed opportunity to use the government's massive

surpluses to lower personal income taxes. Instead of seizing it, Mr. Flaherty went on a wild, George W. Bush-style, big government spending spree. Although Ottawa is not running annual deficits, large surpluses are not the hallmark of a responsible government either.

A surplus is the result of ongoing over-taxation by the state. High taxes weaken a nation's competitiveness by removing resources from the private sector and impeding economic growth. The Conservative's budget is proof a balanced budget does not force lawmakers to control spending because it can happen by way of high taxes.

commentary

By John Williamson

Canadian Taxpayers Federation

Cedar Creek bridge

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Inspections on the system are planned for the spring and fall seasons.

Councillors were told the pumps and motors won't be visible and will be held in

"underground vaults under lock and key."

Bateman said the new bridge would reduce safety hazards for motorists with the prevention of snow and ice formation on the deck.



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