

COMMENTARY

Was it really a ready for growth budget?

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To hear Saskatchewan Finance Minister Rod Gantfoer tell it, his recent budget was about keeping promises and making sure the province is ready for growth. By today's standards it was actually a reasonably good budget. It paid down some debt, provided a little more corporate tax and education property tax relief.

It afforded a little more revenue sharing for municipalities, a little more money for health and education, and a bit more help for agriculture.

It also provided a lot more money (\$1 billion) for capital investment in schools, hospitals and health facilities, roads and highways, and other community infrastructure needs.

But what does this budget do to stimulate sustainable long-term growth? The simple answer is, not much.

Of greatest concern is the ten percent increase in program spending for this year, followed by further increases in each of the next three years. The Calvert NDP had already increased spending to the point where it costs us \$11,359 for every man, woman and child in the prov-

ince. We now have the second highest rate of per capita spending in the country (Alberta is first) - and that is just not acceptable.

We recognize that it is unrealistic to think the new Saskatchewan Party government could actually reduce spending in its first budget. Nevertheless, the Finance Minister should have at least frozen per capita program spending levels.

In a recent paper entitled *Realistic Expectations: Demographics and the Pursuit of Prosperity in Saskatchewan*, Bill Robson and Yvan Guillemette of the C.D. Howe Institute made the following observation:

"Saskatchewan's current economic performance is good. Incomes and demand are growing strongly, and the province is gaining population from the rest of the country for the first time in decades.

This robust period offers a timely opportunity for the province to enhance its economic and fiscal position. Barring further progress on several fronts, time is working against the province.

Demographic forces will challenge Saskatchewan's ability to materially improve its citizens' living standards in the decades ahead if it does not further improve its attractiveness to people and investors."

While a number of factors like labour market regulation and crown corporations can drive investment, a competitive tax environment is arguably the most important tool for growth.

Saskatchewan has made progress in taxation. The previous government did implement meaningful changes for personal and business taxes, which have made the province's tax system more competitive and more supportive of investment.

But, being better is not good enough. If we are to fully realize the potential and opportunity facing the province, we must provide the best investment climate in the region and, perhaps, in the world.

Additional steps will be required to get there, which might mean adopting a single personal income tax rate (a flat tax), harmonizing the PST and GST, or eliminating all capital taxes levied on investment rather than profit.



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None of which can happen if government continues to spend more money.

Government spending is the flip side of the tax issue. An aggressive plan to create a lasting tax advantage will require restraint in provincial spending.

This, in turn, will require a more purposeful effort to control budget allocations (including debt) and unbudgeted spending. In addition, any surpluses should be specifically earmarked for debt reduction and capital infrastructure investment. And the spending of surpluses in the current year should be expressly prohibited.

Such measures will better control the growth of government spending and allow for further tax relief measures that are needed to attract the investment that creates jobs and grows the province.

Historically, tax cuts and investment incentives have been proven to result in a stronger economy and ultimately more revenues. Furthermore, transforming government - what and how programs are delivered - can lessen the burden.

And, by the way, with a large portion of the public service nearing retirement, the timing has never been better for rationalizing government services without unduly disrupting lives.

Saskatchewan is currently enjoying strong economic performance and the prosperity that comes with it. It is difficult to resist the temptation and pressures to spend when you are awash in revenues. But the government must show greater restraint and use this opportunity to create a foundation for lasting economic prosperity.

Then we would be *ready for growth*.

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