



Column / Don Newman

## Milestone or Millstone

A finance minister's first budget is usually like a hockey player's first NHL goal. Tremendously important to him; noticed, but soon forgotten by everyone else.

Only if he goes on to be a Guy Lafleur, Wayne Gretzky or Sidney Crosby does anyone pay any attention to the first time he scored.

However the budget brought down on March 22 by Finance Minister Bill Morneau is likely to be signposted for years to come, it will be the budget that started moving Canada to a competitive, prosperous player in the 21st century. Or, it will be the budget that sent Canada tumbling into a cycle of deficits and mounting public debt from which it will be difficult to ever recover.

The budget is the fiscal plan to fulfill the Liberals' economic campaign platform and the mandate letters Prime Minister Justin Trudeau sent to cabinet ministers when he announced their appointments. On budget day, Morneau said his document was the "beginning" of the government's plan. "Important first steps," he added, on a longer pathway.

But the success of the budget will ultimately be decided by other steps soon to be taken by the government. Later this year, Innovation, Science and Technology Minister Navdeep Bains will unveil the government's plans for making the Canadian economy a hub of innovation and a central player in what is being called the fourth industrial revolution.

Even without that strategy in place, the budget is getting ready for it. In a section titled "Investments in World-Class Institutions and Research," the government is committing \$2 billion to a fund to modernize on-campus research, commercialization and training facilities, and that will be just the beginning.

The strategies being worked on by

Bains will be the most comprehensive and ambitious since the Mulroney government first started talking about innovation in the 1980s and consulted Harvard Professor Michael Porter, author of the acclaimed *The Competitive Advantage of Nations*.

If successful, they will transform Canada and its economy. Future budgets will indeed balance themselves. However, this budget was focused more on the short term, and on meeting campaign commitments.

The Liberals won the election last Oct. 19th for two reasons: They were not Stephen Harper heading a Conservative government that had grown tired and Canadians had grown tired of, after 10 years in office. And the Liberals had a key election promise.

They would forsake the economic orthodoxy of a balanced budget and go into deficits. Not that much in the red, mind you, and not for too long. Just \$10 billion a year, and just for the first two years of their mandate. The increased economic activity that investment would generate on infrastructure spending, plus an economy that was growing slowly without the added stimulus, would bring the budget back into balance by the time of the next election in 2019. Or so they said.

But the Morneau budget tells a far different story. There will be deficit spending all right, but instead of the rather modest deficits promised in the election campaign, they will be huge.

In fiscal 2016-17, the government will run a deficit of \$29.4 billion—three times the election promise. The deficit will be about the same the next fiscal year, down about \$6 billion the year after that and will still be at \$17.7 billion by the time of the next election.

What's more, there is no end in sight. "Over time" is the answer given to the question of when the budget will be

back in balance. Rather like "In the fullness of time," the Biblical explanation to questions impossible to answer with a time limit.

Of course there were other high profile promises in the Liberals campaign platform besides deficit spending. There was a middle class tax cut for people earning between \$45,000 and \$90,000 a year, and a new child benefit program that is more generous and tax free. They are in the budget, part of the plan for "growing the middle class," which the Liberals called their budget document.

Campaign promises were also made to Canada's aboriginal voters, who responded by voting in record numbers for the Liberals. Their fealty was rewarded, to the tune of an \$8.4 billion commitment over the next five years to improve housing, drinking water and education for indigenous people mainly living on reserves.

And on infrastructure, the "first phase" of that commitment will be \$11 billion over five years to modernize and repair public transit systems, water and waste systems and public housing. The new, more expensive public transit and other infrastructure spending will come in future budgets.

How quickly and how much stimulus the infrastructure spending will add will determine the success of this budget in the short term. How quickly and how successfully the strategy to transform the economy into a post-industrial, less carbon reliant Canada is will determine how Bill Morneau's first budget is viewed "Over Time."

The rookie minister has his first goal. Now the watch is on to see what happens next. **P**

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