

Macroeconomic and Fiscal Framework

Introduction

Last year's federal budget was introduced at a time of historic economic upheaval. Stock markets around the world were crashing. Massive international banks once considered masters of the financial world were reduced to wards of the state. International trade that had been the lifeblood of globalization evaporated. And here in Canada, hundreds of thousands of full-time middle class jobs disappeared practically overnight.

A year later, Bay Street predicts a return to economic normalcy by 2011. The Bank of Canada predicts faster economic growth than originally expected, and the federal government is already musing about shutting down the flow of stimulus dollars that came too late last year to be spent. Finance Minister Jim Flaherty has downplayed suggestions of major spending cuts this year, but suggests deep cuts may be in the cards in 2011–12. If a deficit still remains, holding program spending to 3.3% annual growth while maintaining the tax cuts will be the preferred remedial action.¹

Last year's Alternative Federal Budget (AFB) laid out a stimulus plan that was bolder than the one adopted by the federal government — a plan

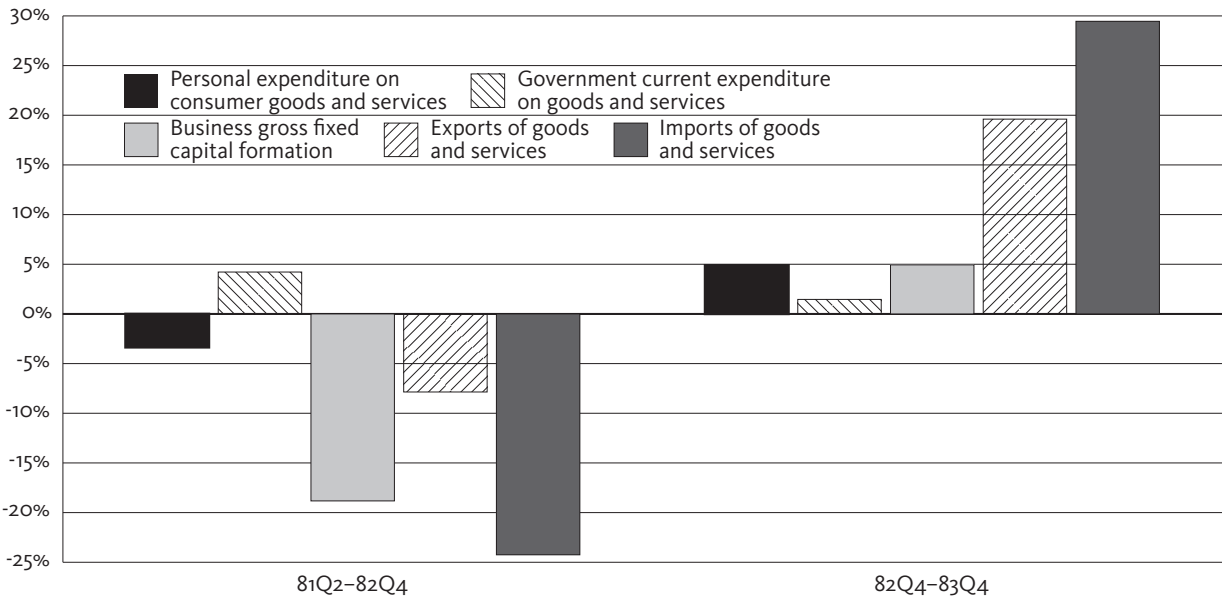
that would have created more jobs in the worst months of recession and left communities with a stronger system of social and physical infrastructure after years of government neglect. This year's AFB acknowledges that Canada is likely entering into a period of slow economic growth and stubborn unemployment. It offers a plan to implement a well-designed stimulus plan in 2010 to turn a fragile recovery into a robust recovery. Rather than cut public spending, which could plunge Canada back into recession, this year's AFB puts Canadians back to work and turns recession-hit communities into thriving, prosperous hubs.

Anatomy of a recession

Each recession has its own particular precursors and drivers of recovery once the worst is over. By looking at Canada's previous recessions, there may be clues as to how best to manage the fallout of the current one and where to look for future growth.

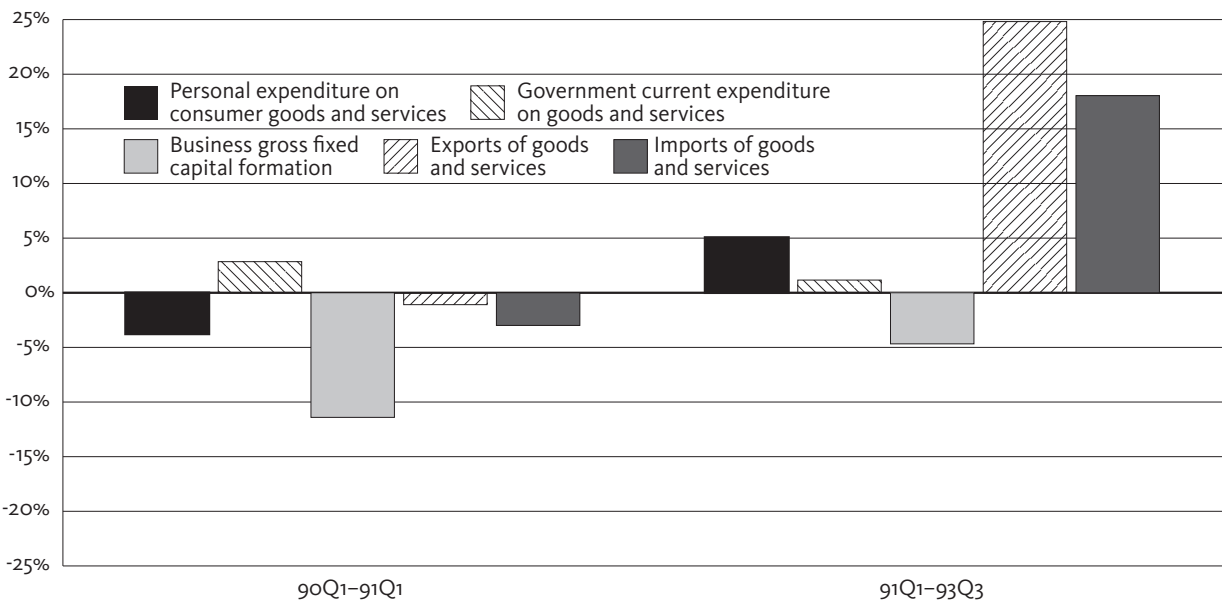
The first of the three most recent recessions in Canada (shown in Chart 1, which occurred in 1981–82, was characterized by a 19% drop in over-

CHART 1 Peak to Trough Change in Real GDP (Chained 2002) by Component (1981–82)



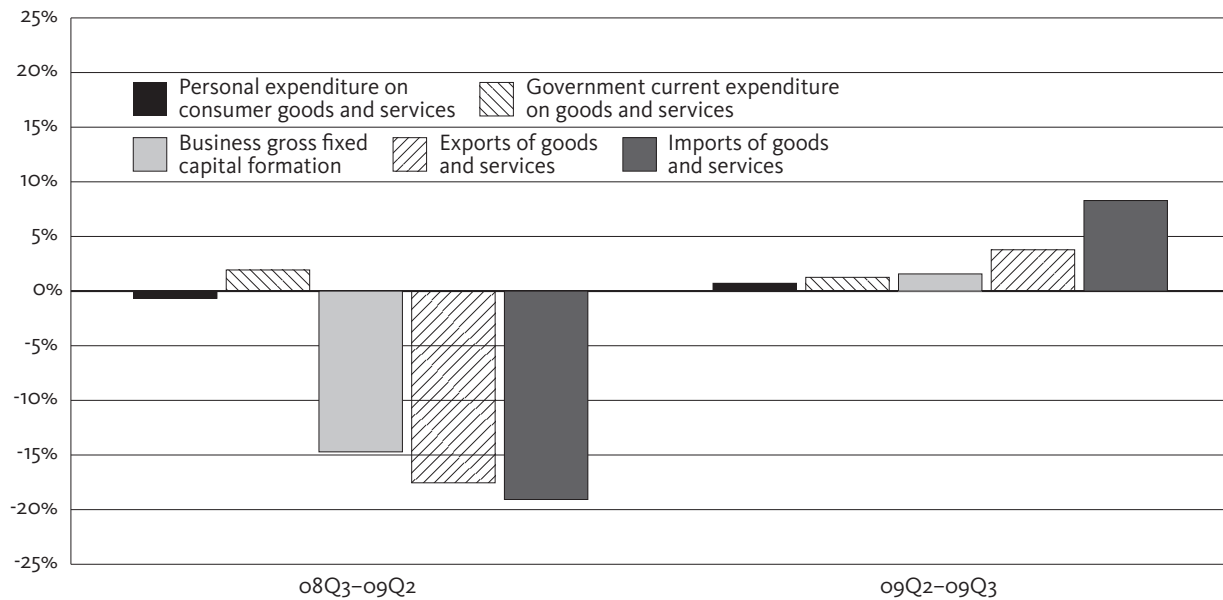
SOURCE Statistics Canada: 13-019-X

CHART 2 Peak to Trough Change in Real GDP (Chained 2002) by Component (1990–93)



SOURCE Statistics Canada: 13-019-X

CHART 3 Peak to Trough Change in Real GDP (Chained 2002) by Component (2008–09)



SOURCE Statistics Canada: 13-019-X

all business investment led by drops in housing construction and investments in equipment. The 1981–82 recession also saw a substantial drop in consumer spending, although government expenditures stayed positive. A massive cutback in imports offset a drop in exports, somewhat buffering the Canadian economy from a rougher recession. The 1981–82 recovery was based largely on a boom in the residential housing sector, which grew by 12%. Exports played an important role as their value rose by 20% at the end of the recession. As the largest component of GDP, the 5% growth in consumer spending had an important underpinning effect.

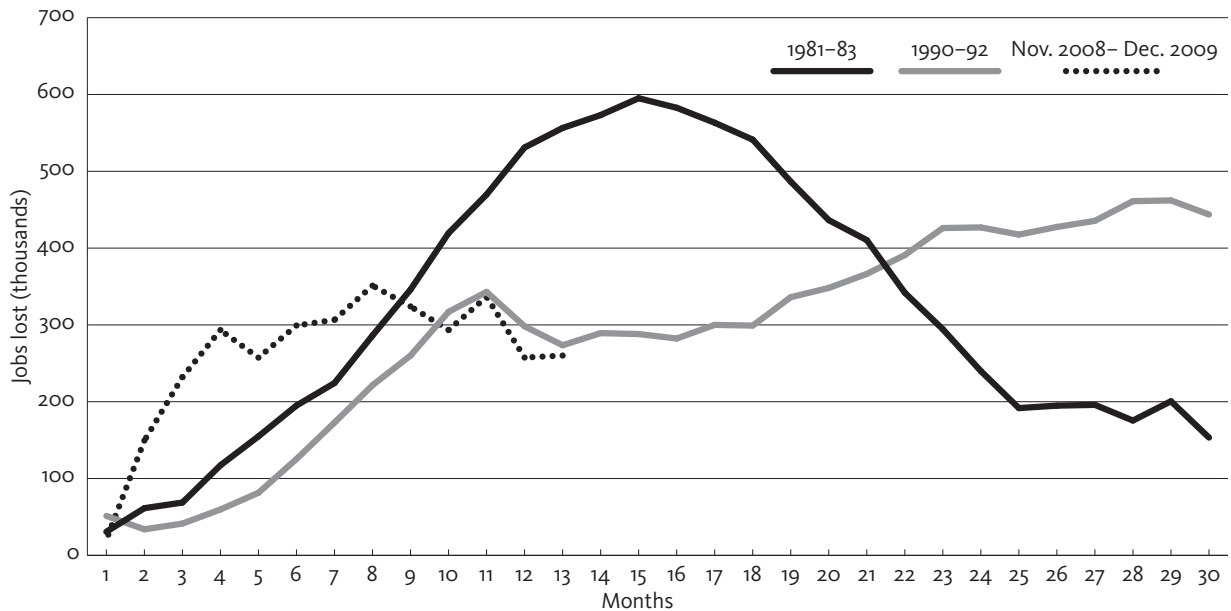
Canada’s 1990–91 recession, shown in Chart 2, was a made-in-Canada recession shaped by domestic factors, including sky-high interest rates. The effect was a crushing blow to home construction, dragging business investment down 11%. The biggest portion of GDP, consumer spending, also suffered significantly, dropping 4%. Within the post-recession recovery, exports jumped by 25%. Consumer spending enjoyed a 5% boost,

pushing up real GDP. In the two years it took for GDP to recover from the 1990–91 recession, business investment continued to shrink by an additional 5%, although cushioned somewhat by new home construction.

The prospects for recovery

So far in the 2008–10 recession (as shown in Chart 3), consumer spending has fared relatively well compared to past recessions, falling by only 1%. The same cannot be said for exports, which have dropped by 18% since the third quarter of 2008. Imports also shrank by 19%. None of the previous recessions featured this level of collapse of international trade. The 15% drop in business investment is worse now than in the 1990–91 recession. Similar to the 1981–82 recession, business investments in machinery and equipment took a drubbing, with a drop of 22%. This time around, though, residential construction was not as badly damaged as it was in either 1981–82 or 1990–91, seeing a drop of only 10%.

CHART 4 Jobs Lost in the Past Three Recessions



SOURCE Statistics Canada Labour Force Survey

In both of the last two recessions, explosive export growth of at least 20% in the post-recession period played a major role in recovery. Even in the 1990–91 recession, when business investment continued to fall in the recovery period, exports pushed Canada back to pre-recession real GDP levels. Unlike previous recessions, a rapid decline in exports has fuelled the current recession. Canada’s export recovery is tightly linked to the American recovery. Although the 30% freefall in exports to the U.S. has stopped, they remain stagnant.² Historically high unemployment south of the border, combined with a historically timid U.S. recovery, will further blunt an export-driven recovery in Canada.³ Recent increases in trade with the E.U. are encouraging, although, representing only 14% of overall exports, they have a long way to go to make up for American declines.

The dramatic fall in exports is linked to massive de-industrialization in Ontario and Quebec. If real GDP growth is examined by industry, we find that one single industry, manufacturing, is

responsible for more than half of the real GDP decline since September 2008. Successive federal governments have presided over the dismantling of Canada’s manufacturing base, and the cracks are clearly showing. Full-time workers in this industry have been disproportionately affected by the current recession. Moreover, the hollowing out of Canada’s industrial base will contribute to continued low labour productivity growth, leading to lower GDP growth in the medium-to long-term, particularly if lower value added sectors fill in for manufacturing in the recovery.

Canada’s recession initially caused the dollar to fall below 80 cents U.S. for the first time since 2005 and alleviated pressure on Canadian exporters. The respite was short-lived, however, as the Canadian dollar rebounded to approximately 95 cents U.S. by July 2009 and has stayed there ever since. The Canadian dollar’s status as a petro-currency is resurfacing as the price of oil recovers. Confronted by continuing economic weakness in the U.S. and a non-interventionist policy at the Bank of Canada, Canadian export-

ers are unlikely to see the exchange rate fall to more manageable levels any time soon.

Relatively stable consumer spending may be an important bulwark in this recession, since it has held up much better than in previous recessions. The third-quarter 2009 GDP data shows consumer spending has already recovered to pre-recession levels. However, historically high debt levels for Canadians — 145% of household income — suggest that consumer spending cannot be counted on to lead the recovery.⁴ Higher debt in a high unemployment environment has pushed more Canadians into bankruptcy, up 43% since the same time last year.⁵

Government spending during this recession has been the central pillar. Growth in government expenditures has remained positive, unlike all other GDP components. Even here, however, growth rates slowed to 1.9% in the last year compared to 3.8% in the previous year.⁶ Dithering in getting stimulus money out the door has meant that the full amount of stimulus spending did not happen in time for the 2009 building season. Much of the planned 2009 building will actually not start until this year.

The prospects for employment

The dramatic drop in exports was accompanied by an equally dramatic drop in employment: Within the first eight months of the recession, Canadians had lost 351,000 jobs. The 1990–91 recession lost that many jobs, too, but only after 21 months. The 1981–83 recession also hit the 351,000 figure after nine months, although the initial months of job losses were not as severe as the present circumstances.

Chart 4 shows the number of jobs lost in each of the past three recessions. It is clear, in terms of the number of Canadians affected, that last year's recession hit harder and faster than either the 1990–91 or the 1981–83 recession.

There are, however, disconcerting similarities to the 1990s recession. In both cases, the plateau

of job losses was reached relatively quickly, then job growth stagnation set in. The 1990 job losses took five years to recover. Without concerted action on the job front, jobless Canadians may face a similar dilemma now. Government action is needed to push the unemployment rate back down before the current recession mirrors the previous jobless recovery.

Compared to previous recessions, many more Canadians are working today. The number of jobs lost produces eye-popping numbers, but an examination of the unemployment rates suggests a more muted job loss picture, as presented in Chart 5.

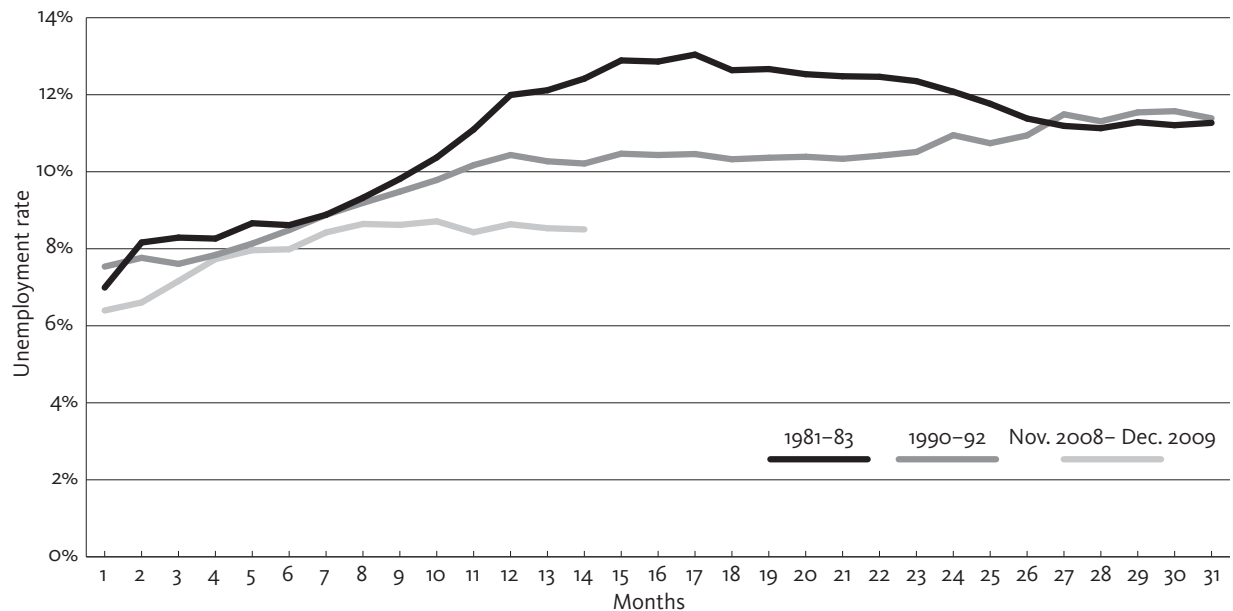
For the second half of the 2000s, Canadians enjoyed a record low unemployment rate of between 6% and 7%. It is from this lowered base that Canadians began the current recession. In the 1981–82 recession, unemployment peaked at a disturbing 13%, but no similarly high figures have yet been observed in this recession.

There does not appear to be an obvious peak for unemployment during this recession. Unemployment seems to have levelled off. In that sense, the present circumstances appear to more closely mirror the jobless recovery of the early-1990s. If little is done to focus attention on the jobs crisis, GDP may well recover, but that will have little effect on the hundreds of thousands of Canadians still searching for work.

The “recovery” so far

On July 23, 2009, Mark Carney, Governor of the Bank of Canada, declared that the recession was over. Unfortunately, the Canadian economy disagreed. GDP growth for the third quarter of 2009 was the smallest possible — only 0.1% adjusted to 0.4% to annualize the growth. The Bank of Canada had previously predicted 2% growth. When it does start to grow in earnest again, the Canadian economy will be climbing out from a very deep hole.

CHART 5 Unemployment in the Past Three Recessions



SOURCE Statistics Canada Labour Force Survey

When we look under the hood of the Canadian economy, the situation is far more disturbing. Canada's performance would have been much worse without provincial governments covering for the collapse of business investment and exports. The third quarter 0.1% real GDP growth was made possible by provincial spending in health, education, and social assistance. Without it, larger GDP declines would have been unavoidable.⁷ The financial industry actually grew throughout the recession by 2.9%, thanks to government intervention. At the same time, the manufacturing sector, the main casualty of this recession, contracted by 14%. The pronouncements that the Canadian recession is over are clearly premature. Business investment and growth in exports are simply not in place to take up the slack.

In the meantime, federal government revenues have been engineered to fall to their lowest level, as a proportion of GDP, in 50 years. Neither the 1981-82 recession nor the 1990-91 recession reduced federal government revenues to any-

where near their current level of 14.4% of GDP in 2009-10. The relentless drive to lower corporate income tax rates (as well as lower taxes on the wealthy and cuts to the GST) have dangerously eroded the federal government's revenue generating capacity.

Macroeconomic base case

To consider possible future paths for Canada's economy, two scenarios are presented in this section. The first scenario is the status quo case estimated by the Parliamentary Budget Office (PBO) with GDP growth forecasts from Bay Street economists. The second scenario is what the Alternative Federal Budget proposes, which includes smart investments in badly needed community infrastructure and improvements in energy efficiency, which create jobs and generate revenues while building a more robust foundation for private sector expansion in the medium term.

The Nominal GDP lines in Table 1 illustrate the consensus view of Bay Street. The consen-

TABLE 1 Scenario 1: Status Quo Base Case

Macroeconomic Indicators	2009	2010	2011	2012	2013	2014
Nominal GDP (\$billions)	1,527,512	1,588,612	1,675,986	1,774,869	1,868,937	1,960,515
Nominal GDP Growth	-4.6%	4.0%	5.5%	5.9%	5.3%	4.9%
Unemployment Rate	8.4%	8.9%	8.5%	7.7%	7.1%	6.8%
Unemployed (000s)	1,542	1,654	1,598	1,468	1,367	1,330
Budgetary Transactions (\$billions)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Revenues	219,798	234,118	250,634	265,135	280,731	294,077
Program Spending	242,800	245,000	241,500	247,700	257,100	265,279
Debt Service	31,100	32,200	36,900	40,600	42,600	43,878
Budget Balance	(54,129)	(43,082)	(27,766)	(23,165)	(18,969)	(15,079)
Closing Debt (Accumulated Deficit)	517,829	560,911	588,676	611,841	630,810	645,890
Budgetary Indicators as Percentage of GDP	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue/GDP	14.4%	14.7%	15.0%	14.9%	15.0%	15.0%
Expenditures/GDP	15.9%	15.4%	14.4%	14.0%	13.8%	13.5%
Budgetary Balance/GDP	-3.5%	-2.7%	-1.7%	-1.3%	-1.0%	-0.8%
Debt/GDP	33.9%	35.3%	35.1%	34.5%	33.8%	32.9%
Effective Interest Rate	6.3%	6.0%	6.4%	6.8%	6.9%	6.9%

SOURCE PBO estimates⁸, CCPA Estimates⁹

view as compiled by the PBO is somewhat misleading, as it represents merely an average of divergent forecasts from banks and forecasting firms. Particularly in 2010, there is significant disagreement between forecasters.

The PBO predicts an average real GDP growth rate of 2.3% in 2010. However, there are no forecasters who make a growth projection between 2% and 2.6%. Of the 10 forecasts incorporated into the PBO average, four sit at or below 2% growth. The other six forecasters estimate growth at or above 2.6%. If we separate out the pessimists, on average they see 1.8% growth, while the optimists, on average, see 2.7% growth. The PBO average is dead in the middle at 2.3%.

Ten forecasters are being used in 2010, but by 2012 only five are left, and by 2014 only two forecasters' opinions are being used to generate a GDP growth figure. Given the broad divergence of opinion in 2010, the dearth of forecasters even

two years out may seriously hamper the credibility of the GDP growth estimates.

The PBO method of averaging forecasts is the same used by the Department of Finance, and it papers over large divergences of opinion between forecasters. Digging a little deeper shows that there isn't a "right answer" for growth that most economists cluster around. Instead, forecasters can be split right down the middle, as is the case in 2010.

It should be noted that the PBO estimates of government revenues and expenditures differ from the Department of Finance¹⁰ in two important ways. First, on the expenditure side, the Department of Finance framework incorporates approximately \$2 billion a year in unidentified spending cuts that the PBO removes. Second, on the revenue side, the PBO estimates 10% lower corporate income tax revenues by 2013-14, given the recent trends in corporate income tax rev-

TABLE 2 Cost of Tax Cuts Since Budget 2006 (\$billions)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
GST	11.6	11.5	12.2	13.1	13.8	14.6	76.8
Personal Tax	12.0	15.3	13.1	13.6	14.2	14.9	83.1
Business Tax	5.3	7.1	8.6	10.4	13.8	14.9	80.2
Total	28.9	33.9	33.9	37.1	41.8	44.4	220.0

SOURCE Federal Budget 2009 Pg 255

enue growth. The AFB concurs with both those adjustments.

The forecasters' average GDP growth slowly whittles down the deficit to just over \$15 billion in five years, leaving the debt-to-GDP ratio largely unchanged at 33%. For its part, unemployment also slowly comes back to below 7% by 2014-15 and settles in at 6.8%.

The deficit lingers despite four years of 5% to 6% nominal GDP growth. The projections above, combined with additional PBO analysis, exposes the structural deficit that the Harper government has created within government finances.¹¹ Continued corporate tax cuts and a two percentage point cut in the GST wiped out Canada's federal fiscal surplus and created a long-term structural gap in government finances.

Table 2 illustrates the size of the revenue hole created by the Harper government since 2006. If tax rates had been maintained at 2006 levels, the deficit would have disappeared by 2011-12 instead of continuing indefinitely into the future. By 2011-12, there would have been a massive \$10 billion surplus that could have extended the stimulus package or been invested in social infrastructure to continue to create jobs.

Instead of reinvesting in social and physical infrastructure, the Harper government is expected to refocus its attention on cutting back support for that infrastructure through spending cuts. With both government revenues and expenditures at or below their historic lows, there is little left to cut without affecting services. Nonetheless, the structural deficit created by growing corporate tax cuts will be used as ammunition

to pare back an already emaciated public service that had nothing to do with the structural deficit in the first place. Without recognition that it is tax cuts and not program spending that is causing the federal structural deficit, stimulus investments may paradoxically result in much lower government infrastructure spending than when the recession hit.

In the status quo base case, the government is not using historically low interest rates to build a Canada that is better prepared for the future. After 2010-11, it will be a do-it-yourself recovery, prolonging the agony for many unemployed Canadians.

AFB fiscal framework

This year's AFB puts the levers of government to work to improve Canadians' lives. Its focus is on helping Canadians get back to work by providing them with better education, better working opportunities, better child care, and sustained economic growth that preserves, instead of degrades, our environment.

A focus on people and responsible fiscal policy are not mutually exclusive. By themselves, governments cannot boost Canada out of economic stagnation; both consumers and businesses must join in. But with consumers at record high debt loads and businesses having difficulty exporting their products, governments must take a leadership role in creating and maintaining the momentum of recovery. This year's AFB expands government spending, but does so with a focus on job creation. More Canadians working means

TABLE 3 AFB Fiscal Framework

Revenues (\$millions)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Base Case	219,798	234,118	250,634	265,135	280,731	294,077
Net AFB Revenue Measures		4,605	29,798	48,965	55,077	58,365
Multiplier Effect		5,602	3,927	2,270	3,653	6,100
Total	219,798	244,326	284,359	316,370	339,461	358,542
Expenditures (\$millions)						
Base Case	242,800	245,000	241,500	247,700	257,100	265,279
Net AFB Program Measures		30,944	45,028	47,913	50,221	50,907
Total	242,800	275,944	286,528	295,613	307,321	316,186
Debt Service	31,100	32,831	38,679	42,879	44,647	45,491
Budget Balance (Deficit)	(54,102)	(64,450)	(40,847)	(21,122)	(12,507)	(3,135)
Closing Debt (Accumulated Deficit)	517,802	582,252	623,099	645,222	657,729	660,864
Budgetary Indicators as Percentage of GDP						
Revenue/GDP	14.4%	15.0%	16.6%	17.7%	18.1%	18.2%
Expenditures/GDP	15.9%	16.9%	16.7%	16.5%	16.4%	16.1%
Budgetary Balance/GDP	-3.5%	-3.9%	-2.4%	-1.2%	-0.7%	-0.2%
Debt/GDP	33.9%	35.6%	36.4%	36.1%	35.0%	33.6%
	2009	2010	2011	2012	2013	2014
AFB Jobs Created (000s)		324	328	180	88	6
Unemployed (000s)	1,542	1,330	1,270	1,289	1,280	1,324
Unemployment Rate	8.4%	7.2%	6.7%	6.7%	6.6%	6.7%

more Canadians contributing taxes, and more spending means more GDP growth.

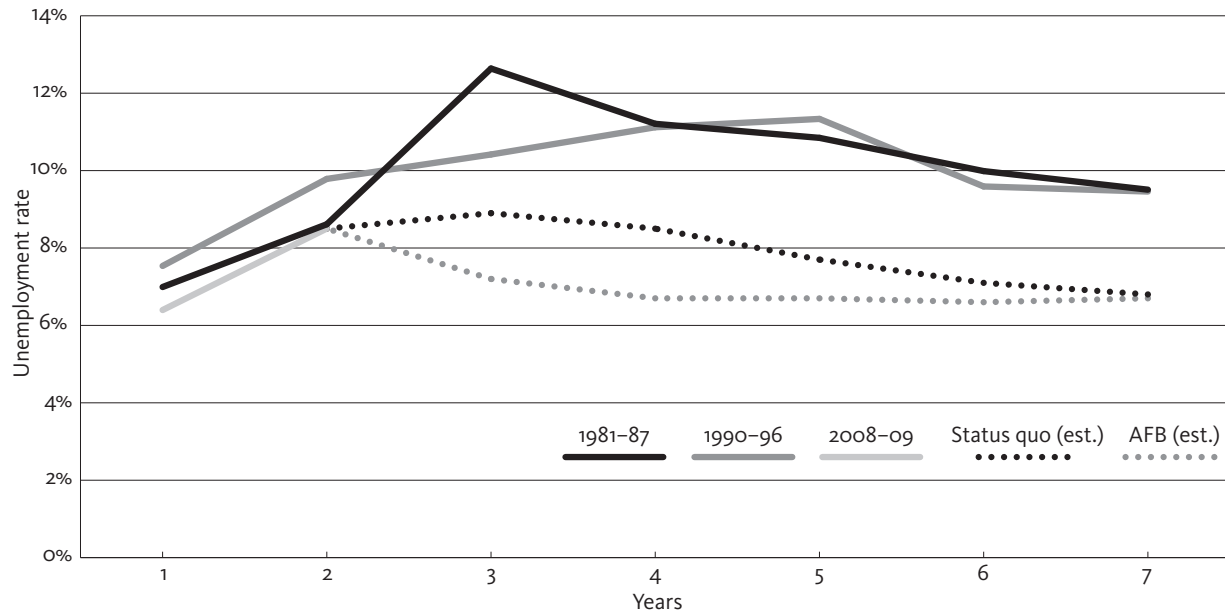
Hiring Canadians to do work in Canada has the biggest job-creating potential.¹² Whether it is a newly hired child care professional easing the load of a hard-working mother or a construction worker restoring Canada's aging bridges and roads, money spent employing Canadians directly creates jobs. In the coming low growth, high unemployment environment, the federal government needs to get assertive about adopting a jobs growth strategy.

The AFB fiscal framework assumes that much of the automotive sector loans will be paid back over the coming years. The U.S. Government Accountability Office reported that approximately 5/8th of the automotive investments are likely to be paid back.¹³ Canadian loans to the automo-

tive industry were directly proportional to the U.S. effort, so, while no similar Canadian studies exist, it is likely Ottawa will see a similar return. The Harper government assumed that 0% of the loans would be paid back. Current federal government auto investments should total approximately \$8 billion by year's end (they currently stand at \$7.6 billion).¹⁴

The AFB's job creation figures come from Informetrica Limited's employment multipliers. By spending money in areas with strong job creating potential like infrastructure and avoiding weak job creation measures like tax cuts, the AFB maximizes the total number of jobs that can be created in 2010. The AFB manages to create more jobs with a lower deficit by focusing new spending in job-creating areas and by raising new revenue. Several new revenue programs

CHART 6 Unemployment in Previous Recessions & Future Projections



SOURCE Labour Force Survey, Table 1, Table 3

are introduced that specifically tax sectors like the financial and oil and gas industries so they contribute to Canada’s deficit reduction effort. At the same time, spending is focused on sectors that create the most jobs per dollar spent. The shift allows for a net increase in jobs and net GDP growth while restoring the federal government’s finances.

By focusing on job creating economic recovery instead of on balanced budgets, the AFB manages what the Harper government has not: higher growth with a smaller deficit and a comparable debt to GDP ratio of 34%. Most importantly as Chart 6 illustrates, the AFB package will create more jobs sooner — driving down Canada’s unemployment rate more quickly. By 2011, the AFB package will have created or sustained 330,000 jobs. With this boost, unemployment will be back to pre-recession levels at 6.7%. However, the Harper government’s “job strategy” would leave unemployment at 8.5%.

As the economy recovers, the AFB will slowly hand off job creation responsibilities to the pri-

vate sector. The five-year projection shows the gap between the AFB and the status quo narrowing. In the meantime, the AFB jobs strategy has managed to significantly shorten the recessionary effects on Canadians. The jobless recovery has been transformed by the AFB plan into a strong labour market with better infrastructure, stronger social programs and a smaller deficit.

AFB programs

This year’s AFB covers 17 separate, fully costed priority areas to improve the lives of Canadians. They are detailed in Table 6. While there are many new priorities, several stand out. Tables 4 and 5 outline the top 10 spending priorities and top 5 revenue/savings priorities for AFB 2010.

Table 4 shows how focused the AFB is on poverty reduction with more than \$25 billion going towards this goal over three years. In a time of anaemic economic growth, Canadians hardest hit by recession still need support. Employment Insurance, specifically, supports those most di-

TABLE 4 Top 10 AFB Spending Priorities (First 3 years)

	3 Year Cost (\$millions)	Percentage of Total AFB Expenditure Changes
Poverty Reduction	\$25,096	20%
Cities and Communities	\$14,867	12%
Health Care	\$12,310	10%
Provincial Harmonization of Carbon Tax	\$11,835	10%
Employment Insurance	\$10,100	8%
Child Care	\$8,300	7%
Green Energy Carbon Tax Refund	\$7,480	6%
Affordable Housing	\$5,889	5%
Arts, Culture and Communications	\$5,251	4%
Sectoral Development	\$4,886	4%

TABLE 5 Top 5 AFB Revenue or Savings Priorities (First 3 years)

	3 Year Revenue/Savings (\$millions)	Percent of Total AFB Revenue Changes
Carbon Tax	\$23,670	30%
22.12% Corporate Tax rate	\$22,046	28%
Fully Tax Capital Gains	\$12,920	16%
Defence Spending	\$7,200	9%
Increase GST to 6%	\$5,175	7%

rectly affected by the last year of job losses but current EI benefits aren't up to the challenges of this recession. The AFB would devote \$10 billion over three years to EI improvements.

Physical and social infrastructure are key levers in this year's AFB to create jobs and reduce unemployment. Investing in \$15 billion to improve physical infrastructure in cities across Canada as well as expanding social infrastructure such as health care (\$12 billion) and child care (\$8 billion) will create jobs and ranks high on the AFB's list of priorities. Much of the additional spending on cities would be financed by a one percentage point increase in the GST as outlined in Table 5.

Maintaining economic growth should not come at the expense of the environment, such as through increased greenhouse gas emissions. The AFB supports a strong carbon pricing system. Much of the revenue will be recycled through a harmonization with the provinces (\$12 billion)

and a Green Energy Carbon Tax Refund for low-income Canadians (\$7 billion).

Sufficient funding for social housing has been lacking in Canada for some years. The AFB will rectify this with \$6 billion in new investments over three years, amounting to 5% of all AFB expenditures.

Arts, Culture and Communications allow Canadians to stay connected with each other, with their history and with their culture. An investment in Canadian broadband connectivity makes up the majority of the \$5 billion investment over three years in this area.

The 10th priority for the 2010 AFB is a change in how economic management happens in Canada. Instead of allowing Canadians to be buffeted by the shifting winds of the market, the AFB would more consciously steer sectoral development through a \$5 billion investment over three years.

In order to close the structural deficit as well as finance the investments in Table 4, the AFB

rebalances taxation to reduce inequalities. The introduction of carbon pricing at \$50/tonne in 2010 raises significant revenue over three years. Most of this revenue is dedicated to investments in low-income Canadians and the provinces, as shown in Table 4.

The AFB would also raise the corporate tax rate back to its 2006 level. At the same time as deficits are increasing, the corporate income tax rate is still dropping. Corporations should contribute their fair share. Wealthy Canadians who are the primary beneficiaries of much lower taxes on capital gains should also contribute their fair share and be taxed at the same rate as working Canadians. Such a measure would raise \$12 billion over three years.

Defence spending has exploded since 2001. Instead of investing in child care and our cities, the federal government has been investing in combat operations in Afghanistan. The AFB would pare back defence expenditures to 2001 levels, saving \$7 billion over three years.

Conclusion

It is a false dichotomy to claim that a responsible debt/deficit management policy cannot go hand in hand with strong job creation. By closing its eyes to the investments that need to be made, the Harper government is condemning Canadians to slower GDP growth and higher unemployment for years to come. In contrast, through focused tax reforms and targeted spending, Canadians can come out ahead on jobs, GDP and deficits. The 2010 AFB shows us how.

Notes

1 The introduction of the 3.3% growth in program spending can be tracked to a November 20, 2009 speech by the minister of finance. http://www.fin.gc.ca/no8/09-110_1-eng.asp

2 Statistics Canada, Canadian International Merchandise Trade, November 13th, 2009.

3 For an analysis of the weakness of this recovery in the US see TD Economics, How will the Great Recession and Its Recovery Compare to the Past, November 6th, 2009.

4 Statistics Canada December 14, 2009 National Balance Sheet Accounts, Third Quarter 2009 <http://www.statcan.gc.ca/daily-quotidien/091214/dq091214a-eng.htm>

5 % change September 2009 compared to September 2008, Office of the Superintendent of Bankruptcy Canada, Insolvency Statistics in Canada—September 2009

6 Comparing real GDP (Chained 2002) 2008Q3 through 2009Q2 to 2007Q3 through 2008Q2

7 See <http://www.statcan.gc.ca/daily-quotidien/091030/t091030a1-eng.htm>

8 Office of the Parliamentary Budget Office, November 2, 2009, Economic and Fiscal Assessment Update, Ottawa.

9 CCPA Estimates include all figures for 2014–15 (excluding Nominal GDP & Nominal GDP Growth) as well as Labour Force and Unemployed estimates

10 Department of Finance Canada, September 2009, Updated of Economic and Fiscal Projections

11 Office of the Parliamentary Budget Officer, January 13, 2010, Estimating Potential GDP and the Government's Structural Budget Balance.

12 See Government of Canada, Federal Budget 2009: Annex 1, pg 240.

13 United States Government Accountability Office, Financial Audit: Office of Financial Stability (Troubled Asset Relief Program Fiscal Year 2009 Financial Statements, December 2009.

14 See <http://www.thespec.com/News/Local/article/575893> & <http://www.thestar.com/business/article/632971>

TABLE 6 AFB Program List (\$millions)

Program Name	2010-11	2011-12	2012-13
Aboriginal			
Education in First Nations Communities	700	700	700
Education Infrastructure in First Nations Communities	150	150	150
Band Support Funding	65	65	65
Urban Aboriginals	122	122	122
Sisters in Spirit Initiative	5	5	5
Educational Seats for Aboriginal Women	30	30	30
Agriculture			
Just Agricultural Transition Income Program	333	333	333
Guaranteed Annual Farmer Income Program	500	500	500
Global Resilience Agricultural Support Program	200	200	200
Cut Biofuel Subsidies	(200)	(200)	(200)
Arts, Culture and Communications			
Arts & Culture "Third Pillar"	25	25	25
Investing in a Creative economy	189	272	354
Cultural Infrastructure	77	82	82
Broadband Consultation	1		
Create New National Public Access Points	40	40	40
Expand Canadian Broadband		2,000	2,000
Carbon Pricing & The Environment			
Carbon Tax	0	(9,593)	(14,078)
Provincial Harmonization	0	4,796	7,039
Green Energy Tax Refund	0	3,400	4,080
Renewable Energy	551	551	551
Ecosystems & Biodiversity	208	208	178
Safeguarding Freshwater and Watersheds	854	854	854
Child Care			
Create Provincial Social Transfer for Child Care	1,700	2,700	3,900
Cities and Communities			
Recession Relief for Non-Profits	1,000	0	0
Gas Tax Transfer Indexed to 3%	60	122	185
Green Community Transformation	1,500	6,000	6,000
Defence & International Development			
Spending Back to Pre-9-11 Levels	(1,200)	(2,400)	(3,600)
ODA to Increase to 0.7% of GNI	615	700	790

Program Name	2010-11	2011-12	2012-13
Employment Insurance			
Universal Entrance of 360 Hours	1,500	1,300	1,300
Benefits are 60% of Best 12 Weeks	1,000	900	800
26 Week Temporary Extension of Benefits	2,500	800	0
Health Care			
Extended Health Services	2,201	2,245	2,290
Groundwork for Pharmacare	900	1,200	2,300
Royal Commission on Pharmacare	10	10	0
Foreign Medical Credential Recognition	5	5	5
Aboriginal Medical Seats	50	50	50
Migrant Worker Health	20	20	20
Educational Support for Medical Students (debt, tuition)	100	100	100
EI Retraining for Health Care Workers	200	200	200
Health Human Resources Innovation Fund	10	10	10
Housing			
New Affordable Housing Supply	1,700	1,700	1,700
Homelessness Partnering Strategy	135	135	135
Residential Rehabilitation Assistance Program	128	128	128
Immigration			
Continue Foreign Credential Recognition Program	25	50	50
Extend Wage Earner Protection Program	40	30	30
Equity Seeking Group internships	50	50	50
Court Challenges Program	3	3	3
Post Secondary Education			
Post Secondary Provincial Transfer to Provinces	300	600	900
Create New Income Tested Grants	2,073	2,174	2,276
Cancel Textbook Tax Credit	(83)	(84)	(85)
Cancel Scholarship Tax Credit	(39)	(39)	(40)
Cancel Tuition Fee and Education Tax Credit	(1,025)	(1,045)	(1,065)
Cancel RESP	(300)	(340)	(380)
Cancel Canada Education Savings Grant	(626)	(666)	(706)
Aboriginal Education Funding	240	240	240
Increased Merit Based Research Grants	250	250	250
Poverty Reduction			
Poverty Reduction Transfer to Provinces	2,000	2,000	2,000
CCTB Increase	1,537	3,105	3,136
Double Refundable GST Credit	3,720	3,772	3,825

Program Name	2010-11	2011-12	2012-13
Sectoral Development			
Sectoral Development Councils	50	50	50
Sustainable Forestry and Skills Programs	200	200	200
Producer Responsibility Motor Vehicle Program	300	300	300
Green Car Levy	(300)	(300)	(300)
Green Manufacturing Fund	500	500	500
Green Skills Development	100	100	100
Canadian Development Bank Startup	1,000	1,000	0
Youth Summer Employment Program	112	112	112
Seniors			
Increase Singles GIS benefits by 15%	847	880	922
Decrease Residency Requirements	40	40	40
The Tax System			
31.5% Top Personal Income Tax Bracket	(386)	(1,639)	(1,755)
Cap Tax Free Savings Accounts	(5)	(50)	(190)
Fully Tax Capital Gains	0	(4,920)	(8,000)
Fully Tax Stock Options	0	(705)	(1,050)
Increase GST to 6%	0	0	(5,175)
22.12% Corporate Tax rate	(661)	(8,086)	(13,300)
29.12% Corporate Income Tax for Oil & Gas	0	(925)	(1,308)
No Meal/Entertainment Deduction	0	(208)	(314)
Transaction Tax	(316)	(323)	(329)
Cap RRSP Contributions	(240)	(293)	(347)
Water			
Water Operator Training & Conservation	50	50	50
Research Into Watershed and Climate Change Impacts	20	30	40
Research Into Water Quality Monitoring & Increased Stations & Gems	100	100	125
Study of Water Contamination of the Tar Sands	30		
Total AFB Expenditure Changes	30,944	45,028	47,913
Total AFB Revenue Changes	(3,355)	(28,548)	(47,715)