

by jim-beaux lieyeah

Oct.29-One would think that a two week layoff would give me a wealth of material to discuss. My usual selection criteria for this article is based on Canadian political stories that interest me. Unfortunately I found a lack of material that inspired me. Nonetheless, I have culled together a few tidbits I will throw at you folks anyway. So here we go...

Debt and Ontario

In the past I have talked about the effect of debt on a government's ability to govern. It can be restrictive for governments to manoeuvre depending on their debt rating (which effects the interest rates they pay). The province of Ontario has been experiencing fantastic economic growth (second behind Canada's oil patch known as Alberta) during the Mike Harris Era/The Dark Ages. He has been able to reduce personal provincial income taxes by 30% in his first term and he got re-elected on a pledge to further reduce the remaining tax burden by another 20% over the course of his term. The only

problem is that his government is still mired with an annual deficit. This week brought news that the bond rating community has downgraded Ontario's debt. What effect does this have? It means that it has become more expensive to borrow money to cover the annual expenses. This means that money that might go to programs, of any sort, is instead used to pay the interest on their accumulated debt. This ain't good. Further, most economists will advocate paying down debt and operating annual surpluses during good times (i.e. the last half of the nineties). Certainly Harris has reduced the annual deficit since an NDP socialist named Bob Rae ran up the provincial credit card to the tune of \$10 billion a year (although some have said that if Harris did not reduce income taxes his province would be operating an annual surplus rather than a deficit). But the economic good times have been

going on longer than a usual cycle dictates. When this happens (kind of like a good night of partying) the hangover/downside of a recession is even worse.

What if...

The Supreme Court of Canada ruled that you were owed about \$20 billion in back pay. Cause for some pretty good celebration I bet. Which is what Canadian civil servants were

thinking as well. Unfortunately when you beat the Canadian government sometimes you have to be prepared to accept a little less. In this case the back pay goes back over 20 years. The people involved are primarily women and minorities who did not receive equal pay for equal work (hence the crux of class action suit). The federal government is presently weighing their options. They have appealed this decision

before but it appears they have few avenues left save for paying up. What is of concern to me is how this will affect our surplus position. Further, how do they give civil servants a fair deal? The Feds have stated they believe that they can get by by paying about half of the stated sum. One way or another they will have to pay. I bring up this issue because I think they should pay now while they have some cash to work with. I don't

think it is realistic to pay the whole sum in one shot but if spread over time the impact can be dulled. Editor's Note: At the time of this writing this issue had not been resolved. However, late Friday both sides came to a deal. Basically, it will cost the government about \$3.6 billion to pay off this liability. It will be a lump sum payment. The final total got seriously reduced

because it is being paid in a lump and hence the interest charges were significantly reduced. Further, the government claims that they will not have to dig into the surplus to pay this off but instead had a contingency fund ready for this decision. While this is good news, I will only believe it when I don't see the \$3.6 billion added onto government expenditures when the final numbers get out. Oh well, I guess the person I saw breaking into my files was that CSIS agent after all!!

Guess who is...

Rising up in the Commons these days. Last article I talked about the impact backbenchers can have on policy in a government that holds a slim majority. What came out this week is a potential major shift in federal policy towards Quebec. Polls show that support for independence has dipped below 40% and is dropping like the Titanic after hitting the iceberg. Popular support for Lucien Bouchard is falling as well as his government continues to take a firm stand against unions which have tradition-



Fisheries Minister Herb Dwhalial