

Budget 97 1725



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Budget 97

Finance Minister Paul Martin unveiled the Liberal government's 1997 budget recently. As most economic and political experts predicted there were very few surprises, if any. This was a cautious and predicable budget that was every bit political as it was economical. With the Liberal government set to call an election in late May or early June the Party was very reluctant to rock the boat further. This is what they have done in the 1997 budget and the subsequent reactions to the new budget from both the business and political communities.

In this no-surprises, pre-election budget, Martin said deficit cutting is coming to an end and that Canadians, particularly the unemployed, will soon reap the rewards of 40 months of strict financial management. With the Federal deficit dropping over the last few years, the Liberals feel that they can balance the budget in the next two years. This is important because it will allow the government to halt their foreign borrowing to finance the deficit. This greatly helps the credibility of Canada and puts the country's destiny back into domestic palms. With this said, Martin announced no new tax increases, although the raise in the Pension Plan could be considered a hidden tax increase. Martin announced no new spending cuts in this budget although cuts made in previous budgets are set to slash 3 billion more dollars this year. There was some extra spending sprinkled into various areas. For starters, a new tax benefit will be created in co-operation with the provinces, costing the Federal government \$600 billion. This program is attempting to help the poor and this can be effective economically because poor people tend to spend everything they have, and they almost always

spend it domestically. This program will be introduced in two the stages, the first of which will begin this July with a \$195 million supplement. Instead of benefits being capped at \$500 per family, the maximum working income supplement benefit will be increased to \$605 for the first child, \$405 for the second child and \$330 for each additional child. Other expenditures will be include; tax credits for students, \$300 million in new health care funding and tax credits for medical expenses of the disabled. Depending on how you look at it, Martin is either spending more or just cutting less.

There have been many contrary viewpoints that economic and political leaders have thrown out and most are unsure. It appears that Martin has created a no-brainer budget that doesn't do anything to hurt but does not make Canadians feel better either. Martin was expected to put money into job creation in order to lower the unemployment rate and inject money into the economy. That didn't happen. Martin was expected to cut some taxes in order to take some of the boulders off of the already burdened shoulders of the average Canadian. That didn't happen. On the plus side there were no new cuts or tax raises planed and that could be used as leverage by the Liberals in the upcoming election. All in all this was a very political budget filled with lots of rhetoric instead of concrete answers about the future of Canada. From a political point of view this budget and the results from previous budgets puts the Liberals on pretty solid ground. The promises of balanced budgets and a flourishing economy will ring in every Canadians ear as the election approaches. The promises of large financial rewards will definitely give the Liberals an edge, and a much-deserved edge. The Liberal party has begun to effectively clean up the mess that the Tory's left them

and that should not be overlooked. From an economic standpoint the 1997 budget left things pretty close to the status quo. The thing that was lacking was the absence of a tax cut that could stimulate jobs and help working Canadians. The addition of new funds for the poor is little but not nothing and could potentially help to raise the GDP by injecting more local money. With all of this said Paul Martin did not bail of job creation all together. The largest amounts of new spending in Martin's highly conservative budget are for innovation, education and children. These are the kinds of things that will do little to create jobs today, but will be crucial for the new jobs of tomorrow. The presence of a well-educated work force is crucial in attracting job-creating investment and that is what Martin is attempting to achieve with this budget. It appears that the worst of the tax cuts is behind us and although there are critics who criticized Martin's assault on the deficit, it appears that it had to be done in order to prevent Canada from hitting the debt wall.

The all out war on the deficit has almost been won, and Martin and the Liberal government should take a bow for that. Martin's budget, filled with flowery phrases and dreams, did little to completely satisfy the average Canadian. The fact is that Martin is doing what has to be done to make this country viable into the 21st century and the voting public will likely not forget that come election time. That was the mission of the Liberal government, a mission that will likely continue for four more years.