

PROPOSALS FOR BUDGET 2018 – HIGHLIGHTS

PRE-BUDGET CONSULTATIONS FOR BUDGET 2018 BY THE HOUSE OF COMMONS STANDING COMMITTEE ON FINANCE

This document provides a summary of proposals for inclusion in Budget 2018.

A more detailed description is available on request by contacting tardif@results.org

Expenditures

The theme of this year's pre-budget consultations is improving productivity and competitiveness. The improvement of productivity is defined as an increase in production or sales with the same amount of investment by a Canadian economic actor.

This submission will establish that government spending in a very specific area, namely international development, will yield this increase in production or sales.

Spending on international development has been shrinking for too long. Of all the government's major expenditure items, this one has recorded the most significant decrease and has been cut by 9% from 2011 levels of spending. A review of these expenditures as a percentage of gross national income reveals that they have declined by almost 50% over the past twenty years, the only situation of its kind that comes to light when we take the time to examine public spending.

Foreign aid must at all costs return to 0.5% of gross national income, as it was under the former Liberal administration.

How will a substantial increase in foreign aid increase Canadian productivity?

First, we would like to point out that an increase in foreign aid is justified on the sole basis that we have a moral imperative to protect our brothers and sisters at risk who do not have the means to meet their needs. In a year when Canada holds the G7 presidency, Canadian leadership on this issue is crucial.

Moreover, it turns out that a well thought out increase in foreign aid will also ultimately increase opportunities for Canadian industry.

In taking stock of the current situation, we note the following:

- basic education programs funded by Canada have been cut by almost half,
- funding for water and sanitation projects has stagnated at about \$100 million a year (less than 3% of the budget), and

- microfinancing has virtually disappeared.

(see <http://globalpovertysolutions.ca/> and in particular http://globalpovertysolutions.ca/_docs/CIDA%20and%20WB%20Programming%20in%20Microfinance_FINAL.pdf, http://globalpovertysolutions.ca/_docs/WASH-Ph2-Report-EN.pdf and http://www.globalpovertysolutions.ca/_docs/Canadian%20Funding%20for%20Global%20Education.pdf)

However, econometrics has proven the following:

- Every additional year of school a woman attends increases her production by an average of 12%.¹
- Increasing by 1% the number of women who complete secondary education increases a country's GDP by 0.3%.²
- The cost of malnutrition is estimated to be between 4% and 5% of global GDP.³
- Children who receive adequate nutrition will increase their production as adults by 20% and are 10% more likely to own their own businesses.⁴
- A \$1 investment in nutrition delivers a \$16 return (see Global Nutrition Report 2016).
- Investing in child health and the fight against pandemics increases household production.

Conversely, it is clear that more than one quarter of the planet's future labour force is suffering from stunted growth, which results in permanently reduced cognitive capacity and a reduced contribution to the global economy. If a significant proportion of tomorrow's labour force also has little education and must devote a large part of its energy to fighting illnesses that affect its families, it is clear that the potential for growth of the global economy is limited.

This situation disproportionately affects the productivity of an open economy like Canada's. It is very detrimental to our economy to have future partners, clients and also suppliers who perform below their potential. This translates into fewer sales, less innovation that could cut our costs, and other impacts.

It should also be noted that one very specific investment is particularly useful in protecting Canada's productivity: funding the fight against infectious diseases. For a country such as Canada where the flow of visitors and migrants is especially high, diseases such as Ebola or tuberculosis are real threats. We must mention in particular the threat posed by drug-resistant tuberculosis, which has been caused by the failure of individuals to complete the full course of treatment for tuberculosis. Drug-resistant tuberculosis is difficult to detect, easily transmitted (a simple cough or smile in a small space is sufficient), potentially deadly and each treatment is

¹ <https://www.malala.org/brookings-report/the-worlds-best-investment-girls-education>

² <https://www.malala.org/brookings-report/the-worlds-best-investment-girls-education>

³ <http://www.fao.org/zhc/detail-events/en/c/238389/>

⁴ https://www.unicef.org/earlychildhood/index_40748.html

very long and costs a minimum of tens of thousands of dollars. We all remember the impact of SARS on Toronto's economy. We must take these types of threats very seriously given that there are hundreds of thousands of outbreaks of drug-resistant tuberculosis alone.

Finally, the importance of funding research on drug-resistant tuberculosis was specifically highlighted in this year's G20 Leaders' Declaration, and it is important for the 2018 budget to act on this declaration, which constitutes to some extent an insurance policy for Canada's productivity.

Revenues

Three possibilities should be explored:

- Consider introducing a tax on international financial transactions

Several countries have already introduced this tax and have generated hundreds of millions of dollars in revenue while stabilizing financial transactions and discouraging speculation.

The productivity of Canadians, who depend on an economy based on international trade, is undermined by fluctuations which result in speculation.

Even billionaires such as Bill Gates have recommended that we study the creation of a tax on international financial transactions. This would be a good commitment for the next budget. It is important to remember that under the previous Liberal government, the House of Commons voted specifically on a motion in favour of a tax on financial transactions similar to the Tobin tax.

The tax on financial transactions could be used to fund in part the above-mentioned increases in the international aid budget.

- Demonstrate global leadership on fair taxation

Tax loopholes allow certain multinationals to shift arbitrary amounts among subsidiaries and transfer their revenues to tax havens. This deprives governments such as Canada's of billions of dollars in revenue and undermines the competitive position of Canadians. Canada must take advantage of its position within the G7 to lead a coalition of countries to take action that will finally put an end to these abusive practices.

- Increase the GST and harmonized taxes by 1%

The Parliamentary Budget Officer said in the past that the decrease in the GST resulted in a structural operating deficit for the federal government. The government must correct this situation and create some fiscal room in a way that does not discourage Canadians. A 1% increase is practically imperceptible, but would create a significant budgetary cushion.