

GST anyone? No thanks...by David Russell

by Stephen Elliott-Buckley - Friday, December 16, 2005

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It's hard to imagine being Stephen Harper and having to come up with good policy. No matter what you propose, pundits will always look for your so-called hidden agenda, especially given that so much of Harper's policies to date have been in the vein of "we're not the Liberals."

For a lot of people, myself included, that will pretty much suffice.

But unfortunately for Harper and his Conservative band of mostly men, there are other options that are not the Liberals too, though one of them looks suspiciously like the federal Grits when the need suits it.

Thus it was a welcome sigh of relief to policy wonkers like myself to see the writ dropped and lo, the Conservatives for a change actually have policy to proffer. And in this election, if they can keep themselves on message and not get drawn into the dark void of social conservatism, they may just stand a chance of forming government by offering something Canadians can actually consider, chew on and elect to support.

Thus in the first week out of the gate we have Mr. Harper proposing an immediate one percent trim (it seems to me a misuse of language to describe one percent as a 'slash' in taxes) in the much maligned federal Goods and Services Tax, followed by a further one percent reduction within the next five years.

Now I know, I know, it was the last Tory government that introduced the tax in the first place and it was that same Tory government that left Canada with its most serious deficit crisis that prompted the creation of that value added tax.

And I know that it was a Liberal campaign promise in the 1993 Red Book against which the present day Conservatives are speaking. And I also know that it is a commonly misstated fact that in that Red Book the federal Liberals promised to abolish the hated GST and have kept it around throughout their twelve years in office (in actual fact the Liberals vowed to *harmonize* a federal sales tax with provincial taxes in order to eliminate duplication and hopefully reduce the overall amount of the tax, *if* they could get the provinces to agree).

And I further know that many economists argue the single best way to stimulate economic growth is to reduce corporate and personal income taxes as opposed to value added taxes like the GST.

Having acknowledged all of that here's what else I know: politically and even economically, reducing the GST *is* a good idea.

First, the GST was originally designed as a means to reduce then eliminate the federal government's year over year deficit. Whether through the GST or in combination with some of then Finance Minister Martin's drastic spending cuts in the early to mid 1990's, the federal deficit is a thing of the past - the

distant past. Indeed, the Liberal election platform boasts of eight straight years of *surplus* budgets as an example of its fiscal prudence.

You say potato and I say *po-taw-to* but it does not take a mathematical genius to call a multi-year, multi-billion dollar budgetary surplus not fiscal prudence but by its more accurate name: *over taxation*.

The federal budget is not supposed to act as a savings account. The government doesn't have surplus funds; it has more of *my* money than it is currently utilizing. And before we launch into a debate on priorities for spending those excess funds let me reiterate that the government is in its *eighth* straight year of surpluses it has not invested in carefully managed, efficient, improved services for Canadians. It has simply kept more of our money than it has spent.

Secondly, oh how those pundits change their tunes. Whenever a government proposes an *increase* in a consumption tax because, in theory, it spreads the pain equally over all income levels, opponents always argue that it is the lowest income earners who suffer most from a consumption tax: as a proportion of their income the lower classes feel the pinch of seven percent on that new refrigerator much more so than the wealthier classes. Would not the opposite also hold true, then, that the lowest, struggling class of earner would see a greater, immediate impact on their purchasing power through a cut in consumption taxes?

Mr. Martin et al argue a reduction in income taxes at the lower end of the economic scale benefits taxpayers more than a reduction in the GST, which may be true if the tax cuts were of any significant value. As an earner squarely in the middle of Canadian incomes, I'll see an overall federal tax bill drop of around \$400...in 2009.

In the interim, I'll take the \$84 immediate savings on my new refrigerator, please, and maybe buy a few extra Christmas presents.

Furthermore, the Conservatives haven't argued for *only* a cut to the GST (admittedly an immediate two percent cut as opposed to a phased in approach certainly would have made for a more dramatic political statement); it's part of a program that would include cuts to personal income taxes not unlike those proposed by the federal Liberals.

If nothing else, introducing clear tax policy proposals will finally allow Canadians to have a serious, frank discussion not just about on what we wish to spend but how much we're willing to pay to get there.

As the saying goes, more isn't always better.