

Canada moves closer to point of no return when it comes to our national debt

by FRANK STRONACH

There's an old bit of wisdom courtesy of Ernest Hemingway that you go broke two ways: first gradually, then suddenly.

With last week's federal budget, Canada is inching closer to the sudden phase of fiscal disaster.

The Canadian government projects another five years of deficit spending and over a hundred billion dollars added to our already crushing debt. Worst of all, there is no end in sight to government borrowing, and no plan in place to repay that money. It reminds you of the old German proverb: "He who is quick to borrow is slow to pay."

Last week's budget also projects that public debt charges – the interest we're paying on the debt – will climb from just over \$54 billion currently to nearly \$65 billion five years from now, a 20 percent increase.

Ten cents of every dollar of revenue the government brings in is now going straight to interest payments, according to TD Bank, and those interest payments are eating up a bigger and bigger portion of the budget. What's worse, for the first time ever, interest payments on the debt exceed the amount of money the government spends annually on healthcare.

A Fraser Institute report on government debt published earlier this year had this grim warning: "Rising government debt has severe consequences for Canadians as more and more resources are directed toward interest payments and away from programs that help families or improve Canada's economic competitiveness."

Although the mushrooming federal debt is cause for concern, when you start adding in other levels of debt, it becomes even more dire.

Combined federal and provincial net debt is projected to come in around \$2.18 trillion in 2023/24. Meanwhile, total debt in Canada – household, corporate and government debt at all levels – is now around 341 percent of total GDP. In other words, our total debt is more than three times what we produce each year.

The consequences of the build-up of debt extend to all corners of the economy: our runaway debt stunts investment, hobbles economic productivity and lowers living standards.

Earlier this year, University of Calgary economist Trevor Tombe said, "we should be thinking about the longer-term future of federal finances and start making difficult choices, because the longer we wait, the harder it will be."

Far from making some difficult decisions, the federal government just made our financial future a lot harder – and probably a lot more painful when the sudden day of reckoning finally arrives and jolts us from our sleep.

Many things in life are not fair. One of the unfairest of all is that the older generation leaves all of the debts it has incurred to the youngest generation, asking them to pay the bill for many of the goods and services they have never even enjoyed or made use of.

It's ironic that a budget which aims to make life easier and more affordable for young Canadians has instead placed upon them a heavy burden that they will never be able to throw off in their lifetimes.

But a national Economic Charter of Rights and Responsibilities, which I've been strongly advocating for the past year, would get Canada back on the straight and narrow. The charter would require government to balance the budget and reduce our national debt by 5 percent per year over 20 years with the result that we would be debt-free within two decades. We'd wipe the slate clean for the young Canadians and give them a shot at a better quality of life.

To learn more about how the Charter could help turn our economy around, contact info@economiccharter.ca.