

Deficit fact and fiction: Balanced budgets historically left-wing territory

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If it is in the newspapers and on television, it must be true.

Since Justin Trudeau announced his plan to run deficits of up to \$10 billion over the next three years to pay for infrastructure spending, the media have been reporting the Liberals are now running to the "left" of the NDP.

These same media outlets insist Tom Mulcair and the NDP have taken a turn to the "right" because they are promising to bring in balanced budgets if they form government.

Yet, there is nothing inherently "left-wing" about running deficits and increasing public debt. In fact, fiscal responsibility has been a hallmark of social democracy since its inception.

The Fabian Society, a group of political theorists from Great Britain, is generally considered to be among the founders of social democratic ideology. Its *Fabian Essays in Socialism*, written in 1889, advocate for the creation of a rudimentary welfare state to alleviate poverty. However, since these new government programs would be financed through new taxes on businesses and the rich, the Fabians held government debt and deficits should be "easily and sternly restricted."

Early Canadian social democrats, who took many of their ideas from British thinkers such as the Fabians, also insisted on fiscal responsibility. The No Party League, one of the predecessors of the CCF in Saskatchewan, firmly came out against the running of deficits in 1913. They had seen eastern bankers foreclosing on Saskatchewan farmers and driving them off their land when the farmers took on too much debt. They did not want their social democratic government to be beholden to anyone -- particularly bankers living in Toronto and Montreal.

Following the First World War, J.S. Woodsworth, who was then the leader of the Independent Labour Party of Manitoba and later became the first leader of the national CCF, argued reducing Canada's postwar debt was a matter of social justice. He decried the government had to raise taxes on Canada's poor to pay interest to the rich who lent it money during the war effort. He proposed levies on capital pools to raise money to reduce the national debt.

When it came to power in 1944, the first thing the Saskatchewan CCF did was to balance the provincial budget after years of fiscal mismanagement by the Liberals.

The CCF then adopted a "pay as you go" philosophy that increased taxes on business to raise spending on social programs. Tommy Douglas never ran a deficit during his 17 years as premier of Saskatchewan and routinely dedicated 10 per cent of

government revenues to paying down the provincial government's debt. Douglas consistently argued it would be folly to run up public debt because tax revenue would end up going to the bankers in the form of debt-servicing charges instead of being used on programs that could aid citizens.

Subsequent NDP governments in both Saskatchewan and Manitoba frequently balanced the provincial budget while continuing to build up the welfare state. For example, the Ed Schreyer government produced surpluses in eight out of its nine budgets.

As we can see, history teaches us being fiscally responsible does not somehow make a political party instantly right-wing. Similarly, promising to run a deficit does not guarantee a political party left-wing bona fides.

If we look at what the federal NDP is proposing in the 2015 federal election, we can see it is very much in line with social democratic ideas going back to the Fabians, Woodsworth and Douglas.

Mulcair and the federal NDP are proposing to increase corporate taxes and scrap Conservatives' scheme for income splitting, which creates large tax reductions for high-income families. The revenue that is generated from these two measures will be used for increased spending on social programs, such as health care and child care, so a deficit will not have to be incurred. Any money an NDP government subsequently saves on servicing its debt gets plowed back into expanding the welfare state further.

Far from moving to the right, the social democratic logic of the NDP's plan is impeccable.

Balancing the budget means less money goes to rich international investors in the form of debt charges and more money goes toward government programs that redistribute wealth and make Canada a more equal society.

A government that increases taxes on corporations and scraps tax cuts for the rich to pay for new social programs to help the vulnerable while avoiding paying interest charges to foreign capitalists to finance its deficit and debt -- that sounds pretty left-wing to me.

David McGrane is a political studies professor at the University of Saskatchewan and the principal investigator of the Canadian Social Democracy Study.