



Budget 2009

Only last November, Finance Minister Jim Flaherty was predicting balanced budgets through 2012 and saw no need for any further fiscal stimulus. In the firestorm that nearly took down the Harper government over its economic statement, Flaherty set an early budget date. When he unveiled the budget on January 27, exactly two months later, he was singing from a very different songbook, projecting \$64 billion in deficits over the next two years, with \$40 billion in stimulative spending.

Was it simply a question of that was then and this is now, as well as a matter of political survival — of proposing a Liberal budget to secure the support of the Liberals and their new leader?

Though the global recession was already taking hold last fall, economic conditions deteriorated even more quickly during the two-month interlude between the economic statement and the budget. Well, that's Flaherty's story, and he does a very good job of sticking to it in the Q&A that leads our extensive coverage of the most important budget since Paul Martin's "hell or highwater" budget of 1995. It is the first budget to go into deficit since the books were balanced in 1997, and the deficit is the largest in terms of current dollars in nearly a generation.

Is the deficit within bounds? Is the stimulus package sufficient to kick-start a recovery by the third quarter of this year, in line with Bank of Canada forecasts?

Well, the deficit amounts to only 2 percent of GDP, a far cry from the 8 percent that Pierre Trudeau left to Brian Mulroney in 1984, or the 5 percent that Mulroney left to Jean Chrétien in 1993. As for the stimulus, it represents about 2 percent of GDP, in line with the commitments all G20 countries made at the Washington summit last November. Is it enough? Nobody knows. Flaherty was clear on one thing: "Once the decision was taken that we needed stimulus in the economy, my view was that we had to make sure we did not undershoot." And what about the prospects for recovery in the United States and around the world, so essential to Canada as a trading nation? There's a lot riding on it, not least the survival of the Harper government.

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Just last November, the Finance Minister Jim Flaherty predicted a series of balanced budgets through 2012 and judged it futile to adopt measures of stimulus. In the turmoil that almost defeated the Harper government the day after his economic statement, the minister had to advance the deposit of his budget to January 27, exactly two months later. He was then singing a different refrain, announcing a deficit of 64 billion dollars over two years, with 40 billion for stimulating the economy.

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For our budget thematic, we've gathered a truly outstanding group of experts on fiscal policy, who generally give the budget a passing grade. From the Institute of Intergovernmental Relations at Queen's University, Tom Courchene and John Allan write that the budget is not transformative, as Paul Martin's was in 1995, but then that budget came in good times, and had the single goal of balancing the books. This budget comes in bad times, and of necessity incurs a deficit because of a revenue shortfall on one side of the ledger, and a stimulus package on the other. As many have observed, we are all Keynesians now.

IRPP Chair Janice MacKinnon knows a lot about budgets. As finance minister in Saskatchewan in the 1990s, she led the province in its becoming the first to balance its books. And that was in an NDP government. Though she notes Flaherty's 2009 budget represents an about-face from November 2008, she writes that the mix of temporary stimulus and permanent tax cuts is about right, and that Canada "will emerge from this recession in better shape than any G7 country." In a comparative piece on the Harper and Obama governments' recovery packages, IRPP's Jeremy Leonard observes that Canada and the US have different challenges, and that Canada's are "much more manageable" than those of the United States. From Ottawa, Graham Fox and Geoff Norquay look at the budget in the context of it being no time for politics or ideology as usual. Patrick Leblond looks at four of the factors that the government had to weigh in developing the budget: Canada's and the world's economic health, the relative strength of the various federal parties, the state of public opinion, and differences regarding the role of the state.

What brought on this budget? Well, the misbegotten November economic statement certainly had a lot to do with it. The Harper government's misreading of the mood of the minority House, its attempts to cut off public funding of political parties and to withdraw the right to strike in the public sector triggered a week-long parliamentary crisis that nearly resulted in the fall of the government and its replacement by an opposition coalition led by Stéphane Dion and Jack Layton, and propped up by Gilles Duceppe. While the coalition would have been constitutionally legal in terms of meeting the test of the confidence of the House, it would have been politically illegitimate. Robin Sears has the inside story on the seven-day crisis that shook the capital.

Looking for peace in the Middle East? Now, there's a complex issue, made even more complicated by the Gaza conflict in the run-up to the Israeli elections, and the arrival of Barack Obama as the new American president. As one of Canada's eminent foreign policy experts, Jeremy Kinsman casts his experienced eye on the region, and sorts through the issues with a remarkable sense of balance. From the ground in Jerusalem, and definitely from the Israeli side of the argument, Gil Troy sends a letter from Israel.

le Canada ? La question sous-tend d'énormes enjeux, notamment pour la survie du gouvernement Harper.

Nous avons réuni autour de ce thème un groupe exceptionnel d'experts, dont la plupart accordent la note de passage à ce budget. Pour Tom Courchene et John Allan, ce n'est certes pas un budget transformateur, comme l'était celui de Paul Martin en 1995. Mais l'époque était alors favorable, et le budget Martin avait pour seule fin de viser l'équilibre. Celui de Flaherty survient en des temps difficiles, et nécessité fait loi : la baisse de revenu et les mesures de relance expliquent le déficit. Comme d'autres l'ont noté, nous voici redevenus keynésiens.

Janice MacKinnon s'y connaît en matière budgétaire. Elle était ministre des Finances de la Saskatchewan dans les années 1990 quand cette province est devenue la première à équilibrer son budget. Elle note elle aussi la volte-face du ministre entre novembre et janvier mais apporte un appui mesuré au mélange qu'il a concocté de stimulants temporaires et de réductions d'impôts permanentes, estimant que le Canada « sortira de cette récession en meilleur état que tout autre pays du G7 ». Comparant les plans de relance des gouvernements Harper et Obama, Jeremy Leonard observe que les deux pays sont confrontés à des défis très différents, les nôtres étant « nettement plus faciles à gérer » que les leurs. Graham Fox et Geoff Norquay examinent le budget hors des ornières politiques ou idéologiques, tandis que Patrick Leblond analyse les calculs touchant l'appréciation de la santé économique canadienne et mondiale, les rapports de force entre les différents partis fédéraux, l'état de l'opinion publique et les préférences relativement au rôle de l'État, qui ont selon lui contribué à l'élaboration de ce budget.

Pourquoi un tel budget ? Disons que la maladresse de l'énoncé de novembre explique beaucoup de choses. Mais c'est l'inaptitude d'un gouvernement Harper de capter l'humeur d'une Chambre minoritaire, comme en ont témoigné ses tentatives de supprimer le financement public des partis et le droit de grève dans la fonction publique, qui a déclenché la crise parlementaire d'une semaine qui a failli provoquer sa chute et son remplacement par une coalition menée par Stéphane Dion et Jack Layton, à laquelle Gilles Duceppe avait donné son appui. Une coalition légale sur le plan constitutionnel, puisqu'elle aurait passé le test de confiance de la Chambre, mais illégitime sur le plan politique. Robin Sears retrace l'histoire des sept jours qui ont ébranlé la capitale fédérale.

Le Moyen-Orient vivra-t-il un jour en paix ? La question semble inextricable, et elle s'est encore compliquée avec le conflit à Gaza qui a fait rage juste avant les élections israéliennes, de même qu'avec l'arrivée au pouvoir de Barack Obama. Jeremy Kinsman jette un nouvel éclairage sur cette région du monde et en départage les enjeux de façon remarquablement équilibrée. Et depuis Jérusalem, Gil Troy nous envoie une lettre dans laquelle il privilégie clairement le point de vue israélien sur la question.