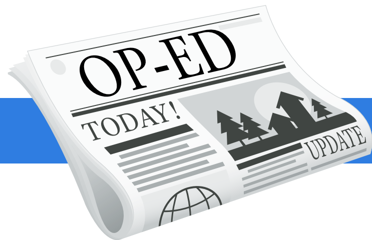

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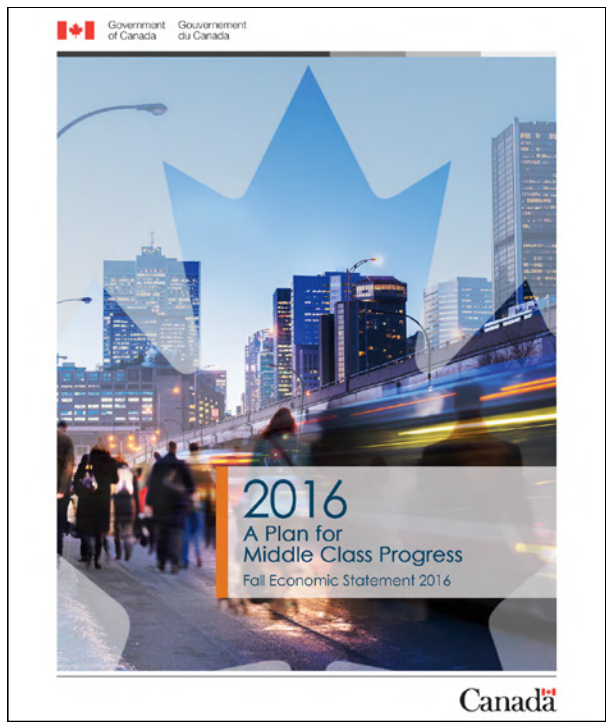
MORNEAU'S 'PLAN FOR MIDDLE CLASS PROGRESS' CUTS GDP BY $131 BILLION

Niels Veldhuis and Jason Clemens



Last Tuesday, Federal Finance Minister Bill Morneau released his government's Fall Economic Statement titled *A Plan for Middle Class Progress*. As noted in the release, "Finance Minister Bill Morneau announced new measures to ensure middle class progress, and build on the momentum of Budget 2016."

If this is what progress looks like, please let us be the first to say: No thank you.

Start with the $32 billion the *Fall Economic Statement* adds in deficits over the government's five-year planning horizon (2016-17 to 2020-21), the result of developments and policy actions since *Budget 2016*. This is on top of the $113 billion in deficits the government included in *Budget 2016* over the same period.
In just six months, the government has increased its forecasted deficits by nearly 30 per cent!

While we hate to say I told you so, we released a study shortly after the March budget was delivered, *Moving Targets: Re-estimating Federal Deficits and Debt-to-GDP through 2020/21,* which calculated that the government's five-year deficit could be as much as $87 billion higher than projected. Yesterday's revision puts the government well on track towards that end.

Flickr image courtesy International Monetary Fund

According to the government, these deficits, and the "investments" they finance, are supposed to lead to real economic growth and progress. Indeed, when Minister Morneau rose in the House to deliver *Budget 2016* he boldly noted, "What the Canadian middle-class needs most is strong economic growth… [this budget] is an essential step in a sustained, strategic effort to restore prosperity."

He then doubled down in yesterday's *Fall Economic Statement,* mentioning economic growth 27 times, using descriptors such as "long-term," "sustained," "durable," "inclusive" and "shared" to describe this growth.

Putting aside the fancy rhetoric, the real evidence on just how much growth this plan has and will continue to provide is buried in the appendix of the *Fall Economic Statement*—Table A1.1 to be precise—where the government lays out the Average Private Sector Forecasts for economic growth.

Here you will find that *Budget 2016* forecasted average economic growth of 1.9 per cent over the next five years. Now just six months later, economic growth estimates have been cut for each year and real economic growth is now expected to average 1.7 per cent over the next five years.

While a decline in average economic growth from 1.9 to 1.7 per cent might not seem like a large drop, consider that the difference amounts to $10 billion in lost income in 2016, increasing to $40 billion in 2020.

All told, the federal government's *Fall Economic Statement,* A Plan for Middle Class Progress, cuts the country's income by $131 billion over the next five years.

That, by the way, amounts to $3,600 per Canadian!

While Minister Morneau wants to believe his plan will create economic progress for the middle class, the reality is much different.

Read more here »

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