Intelligence MEMOS

From: Don Drummond and William B.P. Robson

To: Canadian Economy Observers

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Re: **Voters Deserved Better from Three Major Election Platforms**

There were three economic issues we suggested last week that Canadians should ask going into today's election: Addressing the country's decades-long economic decline, increasing our resilience in the face of US trade aggression, and making federal fiscal policy more sustainable and generationally fair.

Unfortunately, the platform costing documents recently released by the Liberals, Conservatives and NDP only provide partial answers, and too much of what they do reveal is discouraging.

On reversing Canada's economic decline, as defined by stagnation in output per capita and weak productivity, detailed costing plans from the Liberals and Conservatives include many encouraging ideas that attract broad support. These ideas include greater infrastructure spending, collaboration with provinces to eliminate internal trade barriers and accelerating reviews of major projects.

The NDP platform does not emphasize economic growth. Indeed, two of its key proposals, a wealth tax and a corporate surtax, would undermine it.

But all platforms disappoint by omitting reductions in corporate income tax rates, an essential measure for improving competitiveness, encouraging business growth and building resilience against US aggression. The Liberals propose a corporate tax review, but provide no clear time frame or specific objectives. All parties missed by not explicitly addressing the billions of dollars spent on corporate subsidies and tax preferences, missing an opportunity for more targeted fiscal support.

On immigration, the Liberals and Conservatives pledge to work with provinces on credential recognition, but the platforms focus mainly on immigration levels, saying little about better selection and integration processes. With increasing disenchantment among many US scientists, academics and professionals, Canada should seize the opportunity to attract skilled people.

Poorly designed personal income tax cuts are another weak point. Significant fiscal room – some $6 billion annually by the Liberals, more than $12 billion by the NDP and nearly $14 billion when fully implemented by the Conservatives – gets used up by reduced marginal tax rates for the lowest income tax bracket, which is already low. The NDP notably offers no marginal tax rate relief at all.

These measures will do little to encourage people to work, train, save or invest. Policies such as the Conservative's proposed increase in the amount seniors can earn tax-free and lower mandatory RRIF withdrawals will improve opportunities for older Canadians to work and save, but lower marginal tax rates across the board would do more for Canadian prosperity.

Turning to Canada's economic resilience, the Liberal and Conservative platforms are directionally helpful. The Conservatives' proposal to temporarily waive capital-gains tax on reinvestments within Canada and an additional $5,000 tax-free savings account limit for investments in Canadian companies could boost saving and investment. The Liberals propose a patent box to lower corporate tax rates on income from intellectual property.

But too much of what both parties say about making our economy more dynamic is vague and dependent on provincial cooperation.

On the key question of fiscal sustainability and intergenerational fairness, none of the platforms gives comfort. Continued deficits in each platform mean that measures such as personal income tax cuts are funded with borrowed money.

Liberal projections show deficits close to $50 billion-through to 2028-29 – higher than the pre-election goal of a deficit below 1 percent of gross domestic product, and prefiguring no meaningful reduction in the debt burden. Conservative projections of a deficit of $14.1 billion by 2028-29 rely on uncertain revenue gains from additional growth.

Both projections use Parliamentary Budget Office assumptions without US tariffs and Canadian retaliation – contingencies that would increase deficits by more than $11 billion by 2028-29. The NDP's fiscal plan uses more recent Bank of Canada scenarios, but relies on revenue from a wealth tax that experience shows will yield far less.

While the Liberals and Conservatives talk about lower spending, the measures in their costing documents are modest. Of the $550 billion baseline spending projected for 2028-29, excluding debt interest, the Liberals propose $13 billion in savings through vaguely described productivity improvements in areas excluding transfers and defence. The Conservatives target $13.4 billion in cuts through reduced spending on external consultants and by not replacing one-third of departing federal employees.

Such trimming is trivial compared with the explosion of federal spending over the past decade. Both platforms mean continued unfairness to young and future Canadians.

Canadians concerned about long-term decline, dealing with tariffs and other economically hostile US acts, and chronic federal deficits and debt deserved better answers to those questions before they voted. The platforms they saw during the campaign do not address the challenges that await the new government.

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