



Debt: Myth or reality?

BY **PAMELA WALDEN LANDRY**

IN COLLABORATION WITH
DOMINIQUE COFSKY

Last April at the *Strathearn Centre* a series of conferences was held on various aspects of the debt. There, experts attempted to separate the myths from reality.

Reality is somewhat frightening. The annual federal deficit hovers around \$30 and \$40 billion. As for the debt, which is the sum of all annual deficits, it is between \$500 and \$600 billion. The interest alone amounts to \$30 billion annually.

Where does this monster come from? Contrary to popular belief, it is not attributable to social services. Though these have risen rapidly, taxation revenues have also increased, so that social services are not in deficit. As for governmental administrative spend-

ing, it has been on the decrease. Then what is to blame?

First, there are the high interest rates that increase the interest on the debt. For example, had interest rates maintained themselves at the pre-1980 level, we would have a surplus of \$13 billion, not a debt. Also to blame is the decrease in taxation vs gross domestic product i.e. our GDP is increasing, but taxation has not been rising proportionately.

The increasing debt is also due to foreign investors who hold between \$200 and \$300 billion of the federal debt. Revenues are lost since they pay no taxes on their interest payments.

Corporate tax shelters also cost a lot. In 1992 alone, 93,000 Canadian corporations paid no income tax. For example: the *Royal Bank of Canada* made \$63 million in profits but paid nothing in income tax*. In addition, citizens also contribute to the debt. These fiscal evasions alone cost about \$10 bil-

lion annually. As for cigarette and other trafficking, which constitute unpaid taxes, they cost about \$5 billion annually.

Unemployment is another reason for the deficit. Without work, people pay less income tax and the State pays more in Unemployment Insurance and Welfare.

However, our situation has been worse. Few are aware that in the 1940s, our debt (as a percentage of the GDP) was nearly double what it is today. But back then, there was a patriotic reason for the debt and, more importantly, people had jobs.

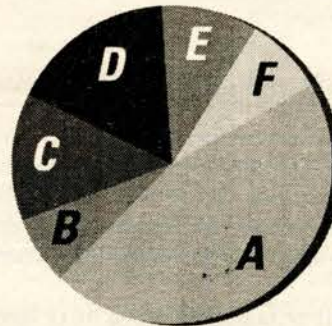
In addition, the increase in the private sector debt in the last few years is much more worrisome than the increase in the federal debt. Corporations, financial institutions and households owe about \$1,600 billion in debt, nearly three times the federal debt.

According to the OECD, we were moderately in debt three years ago. Though the situation

Revenus au fédéral

(milliards de dollars)

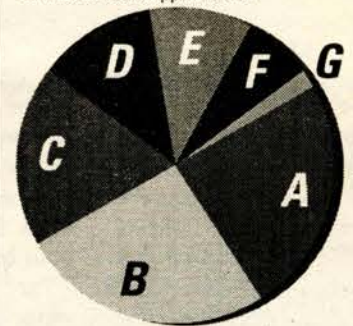
- A. Impôt des particuliers: 52
- B. Impôt des compagnies: 8
- C. TPS: 15
- D. Assurance-chômage: 19
- E. Douanes: 11
- F. Autres: 9



Total: 114 milliards\$

Dépenses au fédéral (milliards)

- A. Service de la dette: 39
- B. Services sociaux: 41
- C. Transferts aux provinces: 30
- D. Fonction publique: 19
- E. Subventions: 17
- F. Défense: 11
- G. Aide au développement: 3



Total: 160 milliards\$

has deteriorated since, it is not catastrophic. We are in a better position than that of the U.S. That country, the most in debt in the world, has a debt amounting to \$4,000 billion.

The obvious solution would be to decrease interest rates. Another would be to encourage Canadians to buy Canada Savings Bonds; we could thus be keeping our debt in the country and avoid seeing it go

abroad. Others prefer a flat rate tax but this could be a regressive solution. Some suggest a government crack down on tax cheats, but there seemingly is a lack of resources and political will. As in anything, no miracle solution exists. ♦

* Action Canada Network is a national non-profit coalition whose aim is to see that Canada's future is modelled for and by the people.

La dette Mythe ou réalité?

PAR **PAMELA WALDEN LANDRY**

COLLABORATION DE
DOMINIQUE COFSKY

En avril dernier avait lieu au *Centre Strathearn* une série de conférences portant sur divers aspects de la dette. C'est là que des experts ont tenté de séparer les mythes de la réalité.

La réalité est assez effrayante. Le déficit annuel au fédéral tourne autour de 30 à 40 milliards\$. Quant à la dette, soit les déficits annuels accumulés, elle est de 500 à 600 milliards\$. L'intérêt, à lui seul, coûte annuellement 30 milliards\$.

D'où vient ce monstre? Contrairement à l'opinion publique, la dette n'est pas attribuable aux services sociaux. Bien que ceux-ci aient connu une croissance rapide, les revenus de taxation ont eux aussi augmenté, de sorte que les programmes sociaux ne sont pas déficitaires. Quant aux dépenses administratives du gouvernement, celles-ci sont à la baisse. Que devons-nous donc pointer du doigt?

Il y a tout d'abord les taux d'intérêts élevés qui augmentent les intérêts de la dette. Par exemple, si les taux d'intérêt s'étaient maintenus à ceux d'avant 1980, nous aurions un surplus de 13 milliards\$ et non un déficit. Ensuite le rapport taxation/produit intérieur

brut baisse, c'est-à-dire que notre PIB augmente mais que la taxation n'augmente pas proportionnellement.

L'accroissement de la dette est aussi attribuable aux investisseurs étrangers. Ceux-ci ont prêté de 200 à 300 milliards\$ au Canada (sommes comprises dans la dette). Cependant, ils ne paient aucun impôt sur les intérêts qu'ils retirent de leur prêt, de sorte que nous perdons des revenus.

Les abris fiscaux des corporations coûtent également beaucoup. En 1992 seulement, 93 000 corporations canadiennes n'ont payé aucun impôt. Par exemple, la *Banque Royale du Canada* a fait 63 millions\$ de profits mais n'a rien payé en impôt*. D'autre part, les citoyens contribuent également à l'endettement; les évasions fiscales s'élevaient à environ 10 milliards\$ annuellement. Quant aux trafics de cigarettes et autres, qui constituent des douanes non payées, ils coûtent environ 5 milliards\$ annuellement.

Le chômage est une autre cause du déficit. Sans emploi, les gens paient moins d'impôts et l'État paie plus en assurance chômage et en aide sociale.

Cependant, notre situation a déjà été pire. Peu de gens savent

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LA DETTE

MONTRÉAL ECOLOGIQUE

Le parti vert de Montréal

District 25, Jeanne Mance

...vous invite à la réunion de nomination de la candidate ou du candidat en vue des élections municipales de novembre 1994 qui aura lieu le lundi 13 juin à 19 h.

Animatrice: Lucia Kowaluk

Ordre du jour

1. **Présentation du programme du parti:** Questions et discussion
Invités: Dimitri Roussopoulos et Bernard Bourbonnais
2. **Présentation des candidat-e-s**
3. **Élection de la candidate ou du candidat:** Seuls les membres peuvent voter
4. **Formation de comités de travail;** *Animateur:* Charles Primeau

ECOLOGY MONTRÉAL

The green party of Montreal

District 25, Jeanne Mance

...invites you to a meeting for selection of candidate in preparation for the municipal election of November, 1994 which will be held on Monday, June 13th at 7 pm.

Moderator: Lucia Kowaluk

Agenda

1. **Presentation of party programme:** Questions and discussion
Guests: Dimitri Roussopoulos, Bernard Bourbonnais
2. **Introduction of those presenting themselves as candidates**
3. **Election of candidate:** Only members can vote
4. **Formation of working committees:** *Animator:* Charles Primeau

3720, avenue du Parc

Des rafraîchissements seront servis
Bienvenue à toutes et à tous

Refreshments will be served
Everyone welcome