A six-step plan for the Fraser Institute

The Fraser Institute just released its report on Canadian Government Debt 2006, designed to create public alarm about rising levels of government debt and push for severe cuts to health and social spending.

The report, which claims that each Canadian taxpayer owes $171,032 in federal, provincial and local liabilities, is a typical Fraser Institute cocktail of alarmist "facts", sober sounding language, misleading analysis, opaque calculations, quarter truths, significant omissions and wildly overreaching policy lessons.

While the report acknowledges that the real direct debt of Canadian governments has actually declined, it raises alarm about what they say are the growing unfunded liabilities of Medicare, Old Age Security and the Canada Pension Plan. They also suggest that Canadian governments have a high debt compared with other wealthy countries.

The answer, according to the Fraser Institute, is a six step plan that includes restructuring government by immediately restructuring old age security programs, eliminating the Canada Health Transfer (along with our national Medicare program) and eliminating the Canada Social Transfer, which provides federal funding for universities, colleges, social assistance, affordable housing, child care, and many other programs.

The facts are:

- Governments in Canada have the lowest debt burden of all the G8 countries, measured as a ratio of direct debt to GDP.
- Total public debt of all governments in Canada has dropped from $851 billion in 1997 to $798 billion in 2004 in actual dollars. During this same period it dropped from 98% of our GDP to 63.7% and from $28,543 per person to $25,044 per person.
- According to Statistics Canada, our government debt is at its lowest ratio in more than 20 years, corporate debt has declined, but household debt is more than 108% of annual income. Overall national net worth is almost $143,000 per person.
- The Fraser Institute has massively inflated these healthy fiscal numbers with very dubious calculations of over $1.6 trillion of debt in “program obligations” for the Canada Pension Plan, Old Age Security and Medicare.
- While the debt burdens of governments and corporations in Canada have dropped very significantly, the real debt crisis is for ordinary Canadians thanks to the public spending and low wage policies that the Fraser Institute advocates.

For example, the Fraser Institute includes $516 billion in unfunded liabilities for the Canada Pension Plan. Although it is not state din the report, this was calculated on the assumption that no one makes one cent more in payroll contributions to the CPP past December 31, 2004, but the plan still has to pay out benefits to everyone who has contributed so far. This assumption is of course absurd. In reality the CPP is one of the most secure public pension plans in the world. The Chief Actuary has demonstrated that it will have a substantial surplus for at least the next 75 years – as far out as they looked – without any increase in contribution levels.

The Fraser Institute's calculations of over $1 trillion in unfunded liabilities for Old Age Security and Medicare are even more opaque and misleading. Both of these programs are of course funded out of on-going revenues and the calculations appear to discount this fact. The report doesn't show how exactly how they came up with these estimates so it is impossible to sort out the truth from the fiction.

CUPE's recent analysis of a recent Fraser Institute report on the financial sustainability of Medicare revealed the highly misleading assumptions they used. The latest report by the Chief Actuary on the Old Age Security program showed that total spending would increase to a maximum of 3.2% of our GDP by 2030, an increase of less than 40% over current ratios.

In response to this study, the Canadian Union of Public Employees offers the following six-step plan for the Fraser Institute and other copy-cat "free market" research institutes, such as the Atlantic Institute for Market Studies and the Montreal Economic Institute.

1. Acknowledge your dependency on funding from the drug and insurance industries, which would profit enormously from your push to destroy Medicare, social programs and "restructure" old age security.
2. Come clean about these massive conflicts of interest and provide full disclosure instead of misleading statements, massive omissions and quarter truths in your reports.
3. Abandon your unrestrained idolatry of corporations and acknowledge that there is a greater public good beyond free markets.
4. Admit that public services – such as health care, education, social security, community services, environmental protection – can be much better and more efficiently provided by the public sector than by private corporations.
5. Search deep into your soul and try and demonstrate a modicum of integrity and honesty in your reports.
6. Renounce funding from multinational drug companies and insurance companies, ask forgiveness, and work to serve those whom you have harmed by your actions, including ordinary Canadians and the most vulnerable in society.