

# Ontario's magical economy isn't working



Catherine Swift, Special to Financial Post | January 7, 2015 |

## *As power prices and pensions show, socialism isn't working for Ontarians*

Socialism in its various guises has never worked to the benefit of average, middle-class people. Take the Government of Kathleen Wynne as a real-time case in point. A number of recent developments in the province have focused the mind on how the current Ontario government's policies are hurting, not helping, average Ontarians.

The Wynne government professes to be the savior of the lower- and middle-class. All factual evidence suggests otherwise. As last month's report by Ontario's Auditor General (AG), Bonnie Lysyk, pointed out in stark terms, all efforts of Ontarians to contain their rapidly increasing hydro bills by doing their laundry in the middle of the night are for naught. Anyone who was paying attention to their hydro bill would have already known this. A recent bill showed that my household's hydro consumption was precisely the same as the comparable period last year, with maximum "off-peak" usage, yet the bill increased by 8% – four times the rate of inflation. Informed analysts know that the main driver of hydro costs in Ontario is the "Green Energy" policy imposed by the government, an approach that is being abandoned elsewhere around the world as evidence showed it had negligible environmental benefit. The exodus of manufacturers from Ontario is in part driven by uncompetitively high hydro costs.

Another recent policy proposal that will do nothing but harm average Ontarians is the Ontario Retirement Pension Plan (ORPP). As designed, this plan will hurt lower income families the most. Taking an additional 1.9% from lower income people, when it has been shown many times that lower income groups are already well served by the current CPP system, is unconscionable. For middle-income earners, it will just have the effect of forcing people to transfer what they are already putting into RRSPs, TFSAs and other vehicles into the ORPP. In other words, no net gain but considerably more cost to taxpayers as a new, sizeable bureaucracy will be set up to operate this plan.

By the government's own admission, even if everything turns out perfectly, the ORPP will not fully pay out for 40 years. Anyone 45 or older who thinks there is some magical retirement bonanza for them in the ORPP should think again. For younger folks – watch out. This is a future sinkhole into which you will be paying at a stage of life when your expenses for housing and family will be running high, with questionable if any benefit down the road. Small business owners pay twice – both employer and employee portions – so the ORPP will be yet another job-killing payroll tax. But even if you did agree with every aspect of the

ORPP, the question remains; why should any of us trust this wasteful government with one more cent of our hard-earned money? After the multi-billion dollar fiascos of the gas plant scandal, Ornge, EHealth, etc., the AG's report itemized yet more wasted billions on the Smart Meter program and MaRS project.

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The AG was also highly critical of the government's enduring claim that, despite making no effort to actually be fiscally responsible, the books will nevertheless be magically balanced by 2017-18. A credit downgrade of the province in late December by debt-rating agency Fitch underscored this concern. But Wynne et al seem to think that their "tax the rich" plans will solve their problems. Their definition of rich is anymore making more than \$150,000 annually – hardly Warren Buffet territory. Governments through the ages have mistakenly believed that by hiking tax rates, they will actually reap higher revenues. "Tax the rich" has never worked anywhere in the world, as that group is the most capable of figuring out creative ways to reduce their tax burden if motivated to do so. Financial planners and accountants are pleased with this approach though as they've never been busier. The only perverse satisfaction to be had from this tax grab is that it will hit many a generously paid government employee, the folks that voted for the Wynne government in the first place.

Other recent Ontario government musings continue to favour the triumph of hope and ideology over facts and experience. As oil prices have declined precipitously, Western Canadian provincial governments are revisiting their shrunken revenue and economic forecasts and contemplating the serious changes that must be made. Yet Ontario has just claimed that it will be there to help those provinces that have been bailing out Ontario's failed economy for some time by miraculously becoming a hotbed of economic strength. Over the past decade, Ontario government policies have systematically gutted the manufacturing sector, created a business climate discouraging to entrepreneurs, continually bailed out corporate losers at the cost of successful companies and created a fiscal fiasco that will take some time to repair. The notion that falling oil prices will somehow reverse all of these negatives overnight is ludicrous, especially in a province that is well-ensconced in its "have-not" status.

The only feasible way the Ontario government can balance its books is with higher tax revenues derived from a more robust economy. Yet every one of their policies is hurting economic growth. The unfortunate result is that despite this government's claims to champion the middle class and help lower income groups, their policies are hurting average Ontarians the most. Just like socialist policies have since the beginning of time.