



Press Release

For immediate release

Conservative Government Budget Cuts Could Push Canada into Recession

OTTAWA, February 21, 2012 – An analysis conducted by the Canadian Association of Professional Employees (CAPE) indicates that the Conservative government's plan to cut more than \$8 billion in federal expenditures will lead to a reduction in Canada's gross domestic product (GDP) and could draw the Canadian economy into a recession.

In information released today, CAPE examines data generated by an economic model used by federal departments and agencies. Conducted by economists, the analysis takes into account data from Statistics Canada. It found that Canada's GDP will shrink by \$10.17 billion if the Conservative government follows through on its promise to cut \$8 billion in federal spending. The target figure of \$8 billion in spending cuts was announced some time ago by federal Finance Minister Jim Flaherty.

The model used by CAPE to prepare its analysis indicates that \$8 billion in federal budget cuts will have a compressing effect of more than \$10 billion on Canada's gross domestic product. The cuts will eliminate more than 116,000 jobs in Canada's public and private sectors (a detailed press release on the employment impact of the cuts will be issued February 27) and will have a lasting effect on a Canadian economy still weakened by the 2008 recession.

Any reduction in spending by the federal government has an immediate impact on Canada's economic growth. Apart from its repercussions on employment, this decline in the GDP will affect some regions of Canada more than others. The analysis model used by CAPE predicts a combined GDP drop of \$1.4 billion for Alberta, Saskatchewan and Manitoba, with Alberta accounting for \$786 million of that figure. Also, the GDP would shrink by \$4.5 billion in Ontario, \$2.1 billion in Quebec, \$1 billion in the Maritimes and \$1 billion in British Columbia.

"One cannot help but wonder about the government's own analysis of its announced strategy to cut federal spending," stated CAPE President Claude Poirier. "The figures we are unveiling today can lead to only two possible conclusions: either the government is aware of the impact its expenditure reduction program will have and is prepared to risk plunging the country into a recession, or the government has not gauged this impact properly and is tinkering with the Canadian economy to satisfy an ideological imperative. Meanwhile, the very real effect of these cutbacks, beyond the abstract level of the GDP, will be a reduction in the quality of life enjoyed by Canadian men, women

and children as they suffer the long-term repercussions of an economic strategy that has been criticized by many economists.”

The Canadian government has deprived itself of billions of dollars of revenue in recent years; as a result, the burden of fighting the deficit now falls squarely on the shoulders of Canadian taxpayers who will be asked to live with fewer services. The lowering of the goods and services tax (GST) first to 6% and then to 5% has cost the government an estimated \$13.4 billion in annual tax revenue. Moreover, the Canadian corporate tax rate was reduced by another percentage point this past January 1 – a further \$1.5 billion in lost revenue.

“Budget cutbacks are being painted as inevitable in order to reduce the deficit, but they are really the result of bad fiscal decision-making,” added Claude Poirier. “Ottawa is building prisons even though the crime rate is declining steadily. Billions of dollars are going to buy warships and aircraft for the military. The oil industry continues to receive billions in subsidies, and Canada’s corporate taxes are among the lowest in the G-8. It’s as though the government has decided to put prisons ahead of people, prefers weapons to compassion, and would rather lower taxes for big business than provide services to Canadians.”

CAPE represents approximately 13,000 economists and social science services employees who advise the government on public policy, 1,000 translators, interpreters and terminologists who provide the bilingual face of the government, and 85 analysts and research assistants at the Library of Parliament.

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