



"Since Sir John A. Macdonald laid a railway across a continent, infrastructure has been both an immediate response to an urgent need and a hopeful act of nation-building,"

Photograph by: Chris Wattie/Reuters, NP

And so it ends. More than a decade of balanced books will be replaced with massive deficits.

In part, it was inevitable. Recessions shrink tax revenues so only drastic cuts to spending can keep the budget balanced. And essentially everyone agrees that drastic cuts at this time would be insane.

But part of that huge new deficit is new spending which the government says will deliver a much-needed jolt to the economy. "This deficit is a stimulative deficit," to quote the prime minister.

In theory, there's nothing wrong with debt. What's a mortgage but debt? When the economy goes south, it makes sense that government would borrow and spend to juice the economy. The books can be balanced again when the recession ends. In theory.

In reality, they probably won't be. It took successive federal governments more than a quarter century to balance the budget because people don't like it when spending is cut and taxes increased, which is what balancing the books always requires. Near-bankruptcy was needed to convince Canadians last time.

The prime minister I quoted above was Joe Clark, incidentally. The year was 1979.

Yesterday, a Conservative prime minister -- an alleged neo-conservative ideologue, no less -- announced we are all going back to 1979. And most of the country cheered.

How odd.

I don't want to sound as if I am dead-set against fiscal stimulus. I'm not. Plenty of esteemed economists -- probably a substantial majority -- support stimulus spending and the International Monetary Fund has called for governments to inject \$1.2 trillion (U.S.), the equivalent of two per cent of global GDP.

But even the pro-stimulus economists agree that stimulus spending has serious limitations. It would be remarkably easy for governments to pile a heap of new debt onto the backs of our children while doing little to ease the current troubles.

Will that happen? I don't know. Despite all the confident talk, no one really does.

But there are reasons to worry.

Throughout the turmoil of the last six months, our leaders have not led. When the popular consensus was against deficits, they were against deficits. When the consensus favoured deficits, they promised to spend bigger and faster than the other guy. Our leaders are following. It's popular opinion that's in charge.

That may please populists but it scares the hell out of me.

In a recent Nano poll, a substantial majority of Canadians said they expected "a more severe downturn extending into 2010." This contradicts most forecasts, including that of the Bank of Canada -- which sees a recovery in the latter half of 2009 followed by serious growth in 2010.

I suppose it's possible that the majority of Canadians knows something the Bank of Canada doesn't. But that's unlikely. More likely is that the majority of Canadians -- the people who are driving fiscal policy, remember -- are worrying too much.

That's certainly understandable. In the fall, the financial system melted down. Economies the world over are tanking. The news is a parade of layoff announcements and talking heads telling us it's the "worst crisis since the Great Depression."

Writing in the New York Times yesterday, Bob Herbert demonstrated the semi-conscious thought process that is driving much of the go-big-now sentiment.

Republicans who think President Barack Obama's stimulus plans are too grand are wrong, Herbert wrote. "If anything, the stimulus package is not large enough. Less than 24 hours after (Republican Congressman John) Boehner's televised exercise in obstructionism, the heavy-equipment company Caterpillar announced that it was cutting 20,000 jobs, Sprint Nextel said it was eliminating 8,000, and Home Depot 7,000."

For this statement to make rational sense, there would have to be a clear equation between size of stimulus and number of jobs generated. But there isn't. And Herbert doesn't even pretend there is.

But as an expression of feelings, Herbert's statement makes perfect sense. This is scary, Herbert is saying. Government must do something that feels as big as the news is frightening.

Needless to say, this isn't the best way to make public policy. It's particularly misguided for Canadians.

Things are very bad in the U.S. The American economy went into recession more than a year ago and in 2008 the unemployment rate rose by one-third to 7.2 per cent. More than two million jobs were lost. Foreclosures are rising like floodwaters. Banks are on life support. The government is drowning in red ink.

Canada only went into recession at the end of last year. In 2008, the unemployment rate rose to 6.6 per cent -- lower than in most of the last 40 years. Our financial system and government finances are the envy of other western countries.

Surprises are always possible, of course. Some are worth worrying about. But shovelling money into infrastructure, tourism, and the arts will do nothing to lessen that danger. One thing we can be certain it will do, however, is increase the debt we leave to our children.

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