

Simple math for Ontario voters: Tax cuts add up to jobs

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Tim Hudak has made three big fiscal campaign promises: reduce corporate taxes to the lowest in North America, balance the budget in two years and, once the budget is balanced, reduce income taxes by 10 per cent.

Can he do this? Will he do this? And how does his fiscal plan stack up against those of the other parties? Those are great electoral discussion points, as would be a rousing debate between tax cutters (the PCs) and tax hikers (the Liberals and NDP) about the impact of tax reform on Ontario's economic future.

Sadly, however, much of the debate over Mr. Hudak's Million Jobs Plan has descended into nitpicking about fine points of economic methodology and whether his measures add up to exactly that many jobs over the next eight years.

Is this the most informative way to debate these critical economic issues? Do most voters believe that any of the pundits having this debate can forecast the future in perfect detail a decade out? If you wrapped every economist and their forecasts around the world end to end, would they ever reach a conclusion? The answers to all of these questions are obvious: "no".

The fundamental issue here is not a quest for perfect forecasting techniques, or the illusion that there will ever be a consensus on the exact number of future jobs created in some economic projection. Rather, the overriding issue is an informed fiscal policy discussion, starting with the explicitly positive value of lower taxes on job creation and the economy.

For that discussion, there is no need to take our word on the value of lower taxes.

Studies at the OECD, IMF and the National Bureau of Economic Research in the U.S. show that lower taxes are powerful job creators. American economic think tanks like the Brookings Institution and Cato Institute agree with that conclusion. So too do experts at the major Canadian think tanks, including the C.D. Howe Institute, Fraser Institute and the University of Calgary School of Public Policy. There are literally hundreds of careful academic studies that provide hard evidence that economies grow faster and create more jobs when taxes are reduced.

That is what the policy thinkers say. What about the policy doers?

For anyone paying attention, every Canadian province has reduced corporate taxes over the past 20 years, and those governments covered the political waterfront from NDP to Liberal to Conservative. The federal government has promoted and delivered tax cuts for business and individuals since the mid-1990s, under Liberal and Conservative leadership, in tandem with dozens of national governments across the developed and developing world.

In fact, there has been a global trend to lower, broader and flatter taxes for years. Political leaders have seen real benefits to their citizens from reducing the burden of tax on work, savings, investment and wealth creation.

Closer to home, we also have the real time experience of Ontario policy changes since the 1990s.

From 1995 to 2003, a Progressive Conservative government reduced corporate and individual income taxes significantly. Partly as a result of these policies, a total of 1.1 million net new jobs were subsequently created and total tax revenue even rose by a third. The following Liberal government hiked corporate taxes in its first term but joined the global tax cutting program in 2010 and 2011, before again abandoning lower taxes in response to an NDP budget demand. As the 2009 Liberal budget put it: lower corporate taxes “would increase investment and productivity, leading to new job creation.” Tax reduction truly crosses party lines – it is simply good public policy.

So, instead of picking over the micro math of the Tim Hudak plan, perhaps there should be sharper questions put by campaign pundits: where are the million jobs plans from Andrea Horwath and Kathleen Wynne? And why are they ignoring the worldwide evidence that lower taxes create jobs – evidence Ms. Wynne’s own government used to believe, as recently as the last election?