



Managing in Uncertain Times

Fiscal Policy Considerations

Where are we Now?

- › The recession is over (Central 1 Credit Union, September 17, 2009)
- › We are at the bottom of the trough, inching our way back up
- › Unemployment rates are at their highest level
- › Low interest rates and the federal stimulus package have been supporting the turnaround
- › Conditional on inflation, the Bank of Canada has committed to maintaining the 0.25 overnight lending rate until the end of the second quarter of 2010

Conventional Wisdom

- › Stabilization policy (short-term)
 - › Automatic stabilizers
 - › Expansionary fiscal policy (federal, provincial)
 - › Expansionary monetary policy (federal)
- › Fiscal sustainability (long-term)
 - › Population aging
 - › Climate change
 - › Infrastructure “deficit”
 - › Intergenerational equity

Planning for our Future

- › Expansionary fiscal policy provides opportunities for:
 - › Addressing the infrastructure deficit
 - › Retooling to reduce our impact on the climate
 - › Investing in the housing stock
- › Expansionary fiscal policy should be:
 - › Designed for quick implementation
 - › Easy to reverse

Planning for our Future

- › Threats to Fiscal Sustainability
 - › Lower proportion of active population reduces tax base
 - › Higher proportion of retirees increases public pension obligations
 - › Increased age of population increases per capita cost of health care
 - › Climate change pressures increase the likelihood of catastrophic losses and the need for infrastructure renewal