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## MEDIA ADVISORY

### ***IRPP Expert Tells Standing Committee on Finance that Premier McGuinty Is Right: Ontario Is Progressively Being Saddled with Fiscal Imbalances***

***It is one thing for provinces to be under stress on the fiscal front, but quite another for this to occur while Ottawa is racking up surpluses and going on a spending spree in areas of provincial jurisdiction, says Thomas J. Courchene.***

**Montreal** – In a presentation at the Standing Committee on Finance today in Ottawa, Thomas J. Courchene (IRPP Senior scholar) will argue that Ontario merits a better fiscal deal within the federation. Courchene's presentation is available on the Institute for Research on Public Policy Web site ([www.irpp.org](http://www.irpp.org)).

#### **Standing Committee on Finance**

**Date:** May 4, 2005

**Time:** 3:30 p.m.

**Location:** 253-D Centre Block

Courchene, who is a professor of economic and financial policy at Queen's University, says Premier McGuinty does indeed have a case that Ontario is experiencing growing fiscal imbalances with Ottawa and with other provinces.

On the vertical fiscal imbalance front, Ontario's \$23 billion operating deficit with Ottawa will only get worse with the new equalization agreements, since roughly 43 percent of the proposed \$33 billion in new transfers over the next decade will come out of the pockets of Ontario's taxpayers.

Part of the assertion that Ontario is experiencing an inter-provincial imbalance as well relates to the fact that "Canada's equalization program inappropriately assumes that none of the revenues of the richer provinces is capitalized (reflected in) in wages or rents or prices," says Courchene.

But a large part of the cost of provincial public goods and services relates to local wages, prices and rents, putting Ontario at a disadvantage under the current equalization program, because these costs are arguably higher in Ontario than in most other provinces.

Courchene says that factoring in capitalization brings "the effective per capita revenues of Ontario down below those of all of the have-not provinces." From this perspective, he adds, "Canada over-equalizes."

For more information or to request an interview, please contact the IRPP.

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