

# Intelligence MEMOS



From: Don Drummond and William B.P. Robson  
To: Canadian Budget Watchers  
Date: April 15 2024  
Re: **GRADING THE 2024 FEDERAL BUDGET: A 10-POINT SCHEME**

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Canada's fiscal situation is dire, with bloated spending, excessive borrowing and growth-stifling taxes. Canadians need a responsible [federal budget](#) — if not an A-grade fiscal plan, at least a solid B. It needs to do much better than the D [we gave](#) last fall's fiscal statement.

Here are 10 criteria we'll use in grading Ottawa's federal budget tomorrow.

- 1. Timely release.* On this one, a failing grade is already locked in. We are already more than two weeks into the 2024-25 fiscal year. The Main Estimates were tabled six weeks ago. We should have seen the budget plan then. It is way too late.
- 2. Cut the spin and give us the figures.* Recent budgets have run several hundred pages, but still somehow could not deliver the crucial fiscal details until an annex. A primary purpose of a budget is to convey the state of the nation's finances. Give us that up front and cut the political spin.
- 3. Make clear what is changing.* Budgets frequently merge the discussion of any new actions with previously approved initiatives already under way. This adds length and confusion. We need to see clearly just what is new.
- 4. Present a credible path to restoring fiscal sustainability.* A prudent budget would provide a credible path to a balanced budget no later than 2027-28 and a return to the pre-pandemic debt burden a few years after that. The C.D. Howe Institute's [2024 Shadow Budget](#) shows a feasible path. There is no justification for continuously running budget deficits when aggregate demand and supply are roughly balanced, the debt burden is high, and the Bank of Canada is struggling to get inflation back to the two per cent target the government itself has endorsed.
- 5. Spending restraint should do the heavy lifting of restoring budget balance.* Personal and corporate income tax rates are already high. To balance the budget without tax increases, the government must lower spending relative to the track set out in the fall update. The necessary restraint only appears radical because spending has grown so dramatically since 2019. Spending would still be well above pre-pandemic levels — and more than enough to meet critical public needs.
- 6. The generous pre-budget announcements must not be financed by borrowing.* In addition to the first phase of pharmacare, the government has just promised more spending on daycare, school meals, housing, AI and defence. The budget must explain how the government will fund these initiatives — and the answer must not be by borrowing even more.
- 7. Tackle Canada's most pressing economic challenges.* Canada's output and productivity performance, especially when measured in per capita terms and relative to other countries, has been flagging. The budget should provide a credible plan to raise investment and growth.
- 8. Tackle Canada's most pressing environmental challenges.* The Canadian Climate Institute says the federal Emissions Reduction Plan will not get Canada to its 2030 target. The government has published no such analysis. The budget should show how the government plans to get to the target and what the implications will be for growth and the fiscal outlook.
- 9. Quit making Swiss cheese out of the tax system with populist measures.* We will grade any new budget tax gimmicks harshly but reward removal of those introduced in recent years, such as the special tax on financial institutions, GST relief for multi-unit residences and carbon tax exemption for home heating oil.
- 10. Present an immigration plan that supports economic and social goals.* In an implicit acknowledgement that rapid population growth fuelled by immigration is causing stress in healthcare, housing and the labour market, the government has said it will set new targets for temporary residents by September. The budget should explain how immigration policy will support rather than hinder achieving Canada's economic and social goals.

These are demanding criteria. An 'A' is probably beyond the government's reach. But in our view another D-grade fiscal document from the feds would be grounds for expulsion. Canadians need better from the 2024 budget.

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