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**Greg McLEAN**

Member of Parliament - Calgary Centre



## INFLATION GRIPS CANADA

Dear Constituent,

In January, I was elected the **vice-chair of the Finance Committee**. Many of you know that my career before politics was in the finance industry, so this is a good fit for me and I'm looking forward to holding the Liberals to account in a policy area where they show particular weakness.

**The Committee's first focus is on inflation, which is at a 30-year high.** There is more than one reason for inflation, but a central cause is when governments print too much money and pump it into the economy. Too much cash chasing too few goods is a recipe for inflation.

**Inflation damages everyone's purchasing power, but it is particularly hard on fixed and low income Canadians** whose income doesn't keep up with the cost of essential goods.

We needed to spend during the pandemic, but **we didn't need to spend more than almost any other country in the G-20. We didn't need to double the national debt.** We shouldn't have ignored highly impacted sectors like travel, tourism and hospitality.

**We needed to focus the spending where it was most needed, measure results, and adjust.** That didn't happen, and it still isn't happening.

The Parliamentary Budget Officer says the government should **reconsider their planned \$100 Billion in additional stimulus spending.** I agree. More on that inside.

Please be in touch with questions, comments, or if you need my help.

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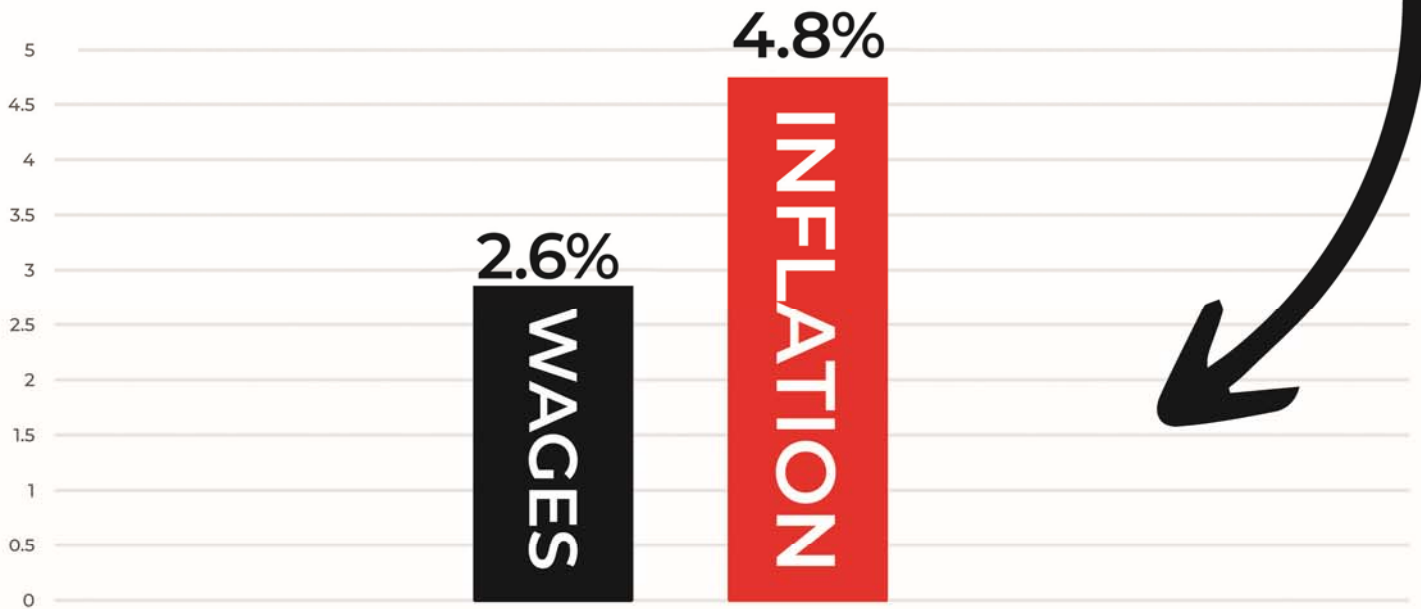
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As businesses start to recover from the pandemic, wages are not keeping up to inflation, while many people are still unemployed or under-employed

# WAGES vs. INFLATION



Source: Consumer Price Index, December 2021

## PARLIAMENTARY BUDGET OFFICER SAYS "STOP SPENDING"

The Parliamentary Budget Officer (PBO) is a non-partisan public servant who reports to Parliament, not the government.

In January, the PBO issued an analysis of issues arising from the government's economic plan. He noted that in the 2020 Economic Statement, and again in the 2021 April Budget, the government set aside \$70-100 Billion in proposed stimulus spending, with fiscal guardrails such as employment levels to determine when to wind down stimulus spending. However, by the 2021 Fall Fiscal Update, references to fiscal guardrails and winding down spending had been dropped from the plan.

The PBO believes those guardrails have been satisfied and **stimulus spending should be wound down** by March 2022. He wrote: "*the policy rationale for the additional spending over 2021-22 to 2023-24 that was initially set aside as stimulus spending has changed.*"

The Prime Minister and Finance Minister have resolutely rejected that advice, even though this added spending will fuel further inflation.

## 2021 Food Price Increases



**All food from grocery stores up 6%**

Source: Statistics Canada CPI Data



# THE INFLATION TAX

Why do we call inflation a hidden tax?

Two reasons.

First, **it is frequently government choices that push up the rate of inflation.** Too much borrowed or printed cash in the economy, interest rates too low to put a brake on consumer borrowing, and a shortage of goods (including housing) that push up the price of everything from groceries to clothing to fuel. The carbon tax on consumer goods, especially the cost of transporting products such as groceries and the tax on home heating, also adds to the final price you must pay.

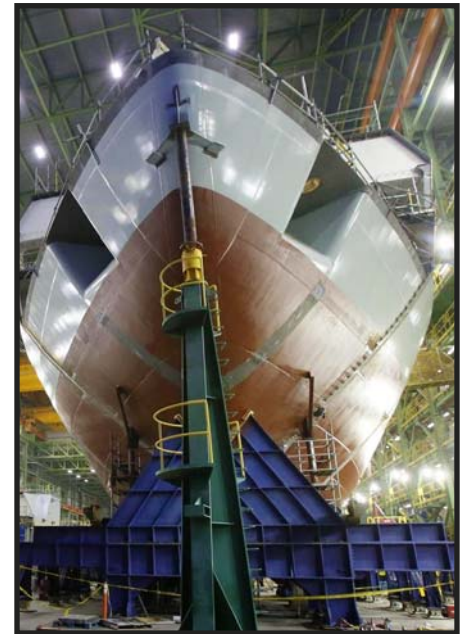
Second, **as the price of goods goes up, so does the GST/HST that you pay.** If something cost \$10 last year, you paid 50 cents GST in Alberta; but if it costs \$12 this year, you are paying 60 cents GST. That extra tax money comes out of your wallet and flows into government coffers. This government is clear what it will do with extra money—it spends it, and keeps the inflation cycle spiralling.

## CAN GOVERNMENT SPENDING BE CUT?

People often ask if it is realistic to cut government spending without hurting those who need help, or reducing health care or education funding.

The answer is that there is a lot of waste in our system. Here are two examples that came to light just in January:

1. Public Services & Procurement Canada is advertising to hire social media influencers to push out happy messages about Canada's shipbuilding program - a program that is **billions of dollars over budget and years behind schedule. So instead of fixing it, government will pay people to spin that it isn't so. This builds on the strategy of words over actions which we have seen so often from this government.**
2. Conservatives have asked the Auditor-General to examine contracts awarded to Liberal insiders including McKinsey & Co. who are on tap to receive some \$44 Million. Liberals promised to reduce spending on outside contractors, but since their election in 2015, **it has gone up 40% (to \$12 Billion) concurrently with the size of the public service going up 24%, but outcomes have not improved.**



## LET ME HEAR FROM YOU

Should I continue to press the government to restrain spending so as to limit inflationary pressure?

Yes

No

Unsure

Thinking about the economy, is the government on the:

Right Track

Wrong Track

Unsure

NAME

ADDRESS

CITY / TOWN

PROVINCE

POSTAL CODE

TELEPHONE

EMAIL

COMMENTS OR QUESTIONS

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Answer the survey online at [GregMcLeanMP.ca/survey](http://GregMcLeanMP.ca/survey)

# TAXING YOUR PRINCIPAL RESIDENCE: COULD IT HAPPEN?

The first Finance Committee meeting of 2022 examined housing affordability. It is harder for first time home buyers to afford their biggest single investment, but current homeowners could be under threat from a government that finds itself in need of funds.

## The Generation Squeeze Proposals

Canada Mortgage and Housing (CMHC) supports a think tank called **Generation Squeeze**, which last year proposed that all homeowners selling their principal residences should pay tax on the capital gain (the amount your house sold for minus what you paid for it - no provision for deducting costs such as a major renovation that increased its value). In Canada, 50% of a capital gain is added to your regular income and taxed at your marginal (highest) rate. That could be a big payment.

That idea landed with a heavy thud, so now Generation Squeeze proposes that all homes assessed over \$1 Million should accrue an annual tax of between 0.2% and 1% on the portion over \$1 Million (the rate increasing with the home's value much like a surtax on your municipal property taxes). The annual tax would accumulate over the years and be payable when you sell. You could end up owing the government tens of thousands of dollars on your sale.

This is a tax on retirees whose homes have increased in value, most of whom have paid for, maintained and upgraded their homes as part of their retirement plans. Generation Squeeze essentially argues that the accrued value from your home investment is an ill-gotten gain.

It is entirely possible that these ideas, funded by CMHC, are Liberal trial balloons to solicit reaction as they search for ways to increase revenue.

Conservatives are opposed to these hidden agenda ideas.



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