JUST SAYIN'

by Stephen Kimber

All pain, no gain

So, let us begin today's wreck-onomics lesson in Athens where — as I write this — Greek Prime Minister Alexis Tsipras is in the frenetic middle of executing an Olympics-worthy double-reverse cartwheel flip, trying to convince his countrymen to vote in favor of a European bailout deal they — and he — decisively rejected the week before.

Tsipras contorted himself beyond pretzel capability because he had no choice.

What government does anymore?

Tsipras could say "no" to the draconian deal the European bankers were proffering and smack up against immediate financial collapse.

Or he could accept the lenders' fiats — increase consumption taxes, raise retirement age, reduce pension benefits, privatize important public enterprises, kiss fiscal sovereignty goodbye — and avert immediate disaster. But that non-choice choice will also almost certainly guarantee the country will never escape its ever increasing debt burden. Debt — the ostensible cause for concern by the bankers — will increase, in large part because the bankers will have sucked all the hope, and growth, from the economy.

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Greeks know a Hobson's Choice when they meet it in a dark alley.

We are told this pain is a necessary sacrifice before the Great God of Austerity.

All bow down to the "Austerians."

Meanwhile, half a world away, Nova Scotia's well-paid, in-demand creative class has begun packing bags and families, and moving to more welcoming jurisdictions. They are doing so because Stephen McNeil's Liberal government — in a misguided bid to convince investors and business people it too is wrestling with its almost Greek-ian deficit and debt demons — shot itself (and the province) in the foot. It decimated a film tax credit program that had been goosing private sector investment and spending, while generating real tax revenue in a province that desperately needs all of the above.

To make matters worse, the McNeil government continued its ongoing race with other jurisdictions to the revenue bottom, reducing corporate taxes even more in order to encourage investment.

How's that working out for you so far, Stephen?

We know how it's working out for community groups like Eating Disorders Nova Scotia, the Epilepsy Association and the Deafness Advocacy Association. They are among dozens of do-good organizations that saw their grants cut in the latest provincial budget. The 42-year-old deafness group, which serves 55,000 Nova Scotians with hearing issues, says it will cease to exist by next year.

Fewer services means more people suffer, fewer people are paid to deliver them, fewer employed people pay taxes to keep the economy rolling. Is this how one encourages new investment?

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The problem is that the Austerians have no undies. None.

Much of the economic underpinning for the current "austerity delusion" actually stems from an influential 2010 article whose conclusions have since been shown to have been based on a spreadsheet error. Ooops.

As John Cassidy wrote in the *New Yorker* in 2012: "Any decent economics textbook will tell you that, other things being equal, cutting government spending causes the economy's overall output to fall, tax revenues to decrease, and spending on benefits to increase. Almost invariably, the end result is slower growth (or a recession) and high budget deficits."

Makes sense. Lay off public sector workers. They stop paying taxes, stop shopping in stores that then go out of business, laying off more people. If they draw unemployment benefits, they put more strain on government resources. If they move away, they take their potential spending power and their taxes with them…

"Since the global turn to austerity in 2010," writes Nobel-prize winning economist Paul Krugman, "every country that introduced significant austerity has seen its [debt increase and] economy suffer, with the depth of the suffering closely related to the harshness of the austerity."

Way back in 1937, John Maynard Keynes wrote that "the boom, not the slump, is the right time for austerity at the Treasury."

Perhaps it's time we listened. We wouldn't want to be another Greece.

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FEEDBACK

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