



To: Conservative Party of Canada (CPC)

From: Jack Mintz

Date: October 6, 2019

Re: Request

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I have been asked to evaluate whether the CPC proposed fiscal plan would balance by year five. To provide an expert assessment, I have used the following information:

- The Parliamentary Budget Office documentation of fiscal deficits from 2019/20 for the next six years to 2025/26.
- A document outlining the fiscal proposals made in this election by CPC.
- PBO evaluation of the CPC proposals.
- The budget plan and summary document.
- Canadian bank forecasts in the fall of 2019 of GDP growth and Statistics Canada recent data provided for July 2019 GDP growth.

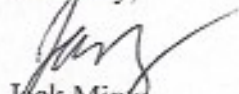
In evaluating whether the CPC fiscal plan can achieve a balanced budget by 2024/25, I note the following:

1. The PBO forecast of deficits is based on expected growth rates, inflation rates, interest rates and Bank of Canada policies that were recently revised somewhat downwards since its initial assessment April 2019. The economic variable forecasts are within the range of most Canadian bank forecasts of the Canadian economy, noting that the PBO 2019 forecast so far seems almost on the mark at 1.4% GDP growth. However, it should be noted, similar to other Parties in this election, the forecasts are subject to various uncertainties, particularly the possibility of a recession within the next six years, which could make deficits and debt/GDP much higher than anticipated. Regardless, the PBO forecast and others are comparable, taking into account statistical variation in forecast methodology.
2. The PBO has evaluated the cost of CPC proposals. CPC proposals such as non-personnel operating expense reductions, the delay of uncommitted infrastructure spending and a reduction in corporate subsidies are reasonable in my view. In some cases, behavioral impacts were included by the PBO particularly for the large items (personal income tax reductions). In other cases, no behavioral impacts were included, which if possible to do properly would impact the PBO revenue and spending estimates, which is expected to be relatively modest.

3. I note that PBO estimates for other Parties had similar methodology. I checked some of the PBO costs for the Liberal Party fiscal plan since some Conservative proposals were similar. I note, for example, that the revenue from a 3 percent tax on digital revenues of large technology companies provides more revenue under the Liberal platform compared to the Conservative platform. However, this is explained by the Conservative platform includes a tax credit for corporate income tax paid by digital companies to be applied against the 3 percent digital tax. Thus, the estimates are consistent once taking into account the policy parameters. This also applies to estimates with respect to the personal income tax reductions and the EI tax relief for children under one year of age.

I conclude, therefore, that the Conservative Party fiscal plan is reasonably estimated, resulting in a budgetary balance in five years subject to uncertainties that impact any economic forecast including those of the PBO.

Sincerely,



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