

Ontario's debt, Canada's woes

Andrea Mandel-Campbell

Last updated Wednesday, Dec. 21, 2011 6:29PM EST



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No one was really surprised when Ontario's debt rating took another drubbing last week, adding Canada's largest province to a long list of debt-swamped jurisdictions from Italy to Spain to be singled out by credit rating agencies for critical review.

Moody's expressed displeasure with Ontario's ballooning debt and dismal growth projections by lowering its outlook for the province's debt rating to "negative." It's the latest in a cascade of downgrades beginning in 2009 after the province, having indulged in a massive uptick in government spending, was blindsided by the financial crisis.

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Ontario's Finance Minister Dwight Duncan promised to take the warning seriously – and the rest of Canada had better hope he means it. Ontario represents 40 per cent of the country's GDP. As Janice MacKinnon, Saskatchewan's former finance minister, recently pointed out, the rating agencies don't look at Ontario in isolation, but at the country in its entirety. Ontario's debt woes "hurt Canada as a whole," she said.

So what should Ontario do to rein in a decade of projected budget deficits that would make an Albertan apoplectic? The governing Liberals are vowing to be “creative” in their cost-cutting, and government-hired consultants are in hot pursuit of the secret sauce. But what Ontario really needs is a reality check.

While many Ontarians are concerned about the state of the province’s finances, discussing the affordability of a pricey program like full-day kindergarten is politically taboo. As the mother of a four-year-old who just started kindergarten, I understand the appeal of “free” care. But Ontario is like the divorcee who can’t stop maxing out his credit card at Holt’s even though his alimony payments would suggest a trip to Sears.

Despite being in the worst fiscal straits of all the provinces, Ontario is embarking on the most ambitious early-learning program in the country, introducing not one but two years of full-day kindergarten for four- and five-year-olds. It also went for the gold-plated plan – using teachers instead of early childhood educators for half the day as originally envisioned. Additional cost: \$500-million a year.

All of this when Ontario has become a “have-not” province for the first time in its history, receiving equalization payments from more fiscally buoyant provinces like Alberta. The Wild Rose province is in the midst of its own debate about introducing a one-year program, but even without it, Alberta boasts the best education system in the country. For years, Alberta has consistently topped global education rankings, its innovative mix of decentralized teaching and charter schools a model for jurisdictions around the world.

Unfortunately, that is not the kind of creativity Ontario is willing to contemplate. While the province has earned accolades for its steady rise up the education rankings (without full-day kindergarten), the governing Liberals prefer the top-down approach over choice, competition and entrepreneurial schools.

That’s because full-day kindergarten is not just an education plan that also happens to “save” the average Ontario family \$6,000 a year in daycare costs. For a province grappling with high unemployment and a struggling manufacturing sector, it’s a job stimulus plan to “hire more teachers.”

In other words, it’s a grand government design meant to be virtuous in its circle by neatly solving several political goals in one fell swoop. But as is so often the case, these theoretical circles rarely, if ever, square in reality. Eventually someone has to pay the piper, and it just might be the rest of Canada.

Andrea Mandel-Campbell is a former anchor at CTV’s Business News Network and author of Why Mexicans Don’t Drink Molson.

Published on Thursday, Dec. 22, 2011 2:00AM EST

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