

we can afford the leap

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There are many who will read The Leap manifesto and find the goals worthy and exciting, but who will legitimately wonder, “These ideas sound great, but how can we pay for all the green and social infrastructure envisioned? Is such a plan really affordable and realizable?”

Fair questions.

But the answer, in short, is yes. We can afford to make this Leap. All that is lacking is the political will and determination.

The manifesto itself offers a short summary of the options at hand to finance this grand shift in our economy:

*“The money we need to pay for this great transformation is available - we just need the right policies to release it. **Like an end to fossil fuel subsidies. Financial transaction taxes. Increased resource royalties. Higher income taxes on corporations and wealthy people. A progressive carbon tax. Cuts to military spending.** All of these are based on a simple “polluter pays” principle and hold enormous promise.*

One thing is clear: public scarcity in times of unprecedented private wealth is a manufactured crisis, designed to extinguish our dreams before they have a chance to be born”.

Below we elaborate on these ideas, and offer links to further resources. First, much of what The Leap calls for is infrastructure (transit infrastructure, high speed rail, renewable energy infrastructure, carbon zero buildings, etc.), and traditionally we finance such capital expenditures through debt spending (the selling of government bonds). Infrastructure is rightly understood as an investment, and thus it makes sense to amortize the cost over many years.

Much of what is envisioned consists of shifting new infrastructure spending away from traditional projects (roads, bridges, port and energy infrastructure designed to facilitate the extraction and export of fossil fuels) and towards the green infrastructure we now need.

It also means investing in our social infrastructure—health care, education, social housing, and child-care—with their associated low-carbon jobs. Resource royalties across Canada are in urgent need of review, and many should be raised considerably.

What our provincial governments currently charge in forestry stumpage fees, natural gas and oil royalties, and for industrial water usage is often deplorably low.

Setting appropriate royalty rates could raise much needed new revenues for provincial governments and First Nations (on whose territories much of this extraction occurs), helping to finance the transition envisioned by The Leap. In particular, higher resource royalties can and should be allocated to provincial and federal sovereign wealth funds for the benefit of current and future generations, as Norway has done with great success (for more on that topic, see Bruce Campbell's CCPA report).

(<https://www.policyalternatives.ca/publications/commentary/canada-vs-norway-petro-path-not-taken>)

As for many of the other revenue options proposed above, the Alternative Federal Budget (AFB), produced each year by the Canadian Centre for Policy Alternatives, outlines how many of these taxes (and others) can raise much needed new revenues.

It should be emphasized that budgets are about choices.

Successive federal governments, over the last 15 years have imposed tax cuts (disproportionately benefiting the wealthy), which have depleted the federal treasury's capacity to spend and invest by \$50 billion in 2014 alone (and provincial tax cuts over 20 years have had a similar effect.) Thus the "imperative" for austerity measures in recent years should be understood as manufactured.

The AFB can be found [here](#).

(<https://www.policyalternatives.ca/publications/reports/alternative-federal-budget-2015>)

But to highlight a few options:

- Ending subsidies to the fossil fuel industry would recoup about \$350 million a year for the federal government (and more if provincial governments do likewise).
- A national financial transaction tax could raise \$5 billion a year.
- Ending special tax treatment for capital gains income would recoup \$7.5 billion a year (and more for provincial governments).
- Returning the corporate tax rate to where it was in 2006 would raise \$6 billion a year.
- Tackling tax havens would recoup \$2 billion a year.
- A new federal upper-income tax bracket on incomes over \$250,000 could raise about \$3.5 billion a year.
- Scaling military spending back to pre-911 levels would save \$1-\$1.5 billion a year.
- Eliminating the recent income splitting and other family-with-children tax cuts would recoup \$7 billion a year.
- And a national carbon tax of a mere \$30/tonne (the same level as BC's current carbon tax) would raise \$12 billion a year.

The carbon tax option deserves special attention, given its unique potential in facilitating The Leap by driving new green investment by both public and private sectors. We would argue that, over time, the tax should in fact be higher than \$30 per tonne. Marc Lee, in his CCPA Climate Justice Project report “Fair and Effective Carbon Pricing”, has modeled a BC carbon tax that rises incrementally to \$200 a tonne (see: <https://www.policyalternatives.ca/publications/reports/fair-and-effective-carbon-pricing>). At this level, the tax would truly impact the consumption and investment choices of households and business, helping to significantly reduce GHG emissions. But it would also raise about \$8 billion a year (in BC alone). Lee proposes that half this income be used to fund climate action and green infrastructure (public transit, building retrofits, etc. as well as just transition programs for workers currently employed in the fossil fuel sector), and half be used for a carbon tax credit for low- and middle-income households. Such a credit would mean the bottom half of households would be net better off (meaning, they would receive more in the credit than they pay in the higher carbon tax), thus improving the progressivity and fairness of the overall tax system. A national carbon tax at \$200/tonne could well raise in excess of \$80 billion a year.

For a full list of Climate Justice Project reports, many of which offer ideas and plans for how to implement the goals outlined in The Leap, go to: <https://www.policyalternatives.ca/publications/reports/climate-justice-project>

Our society has managed a dramatic re-structuring of the economy before. When Canada entered the First and Second World Wars, our economy had to be entirely re-tooled for a new common purpose: scarce resources were deployed for the task at hand, Victory Bonds were sold, new taxes were levied, household consumption shifted, core industries were directed to produce the good and services needed, and in the process employment grew dramatically. Is the climate crisis we face today really all that different?

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