

Remarks for October 20th Address to the Canadian and Empire Clubs
Minister Duncan

Good morning and thank you for that kind introduction.

In the last year, the world has seen an unprecedented global economic downturn that has had a significant impact on almost every nation in the world.

A complete collapse of the U.S. and world banking systems was narrowly avoided.

We saw former auto powerhouses, GM and Chrysler restructure through bankruptcy. Without investments of almost \$80 billion from the U.S., Canada and Ontario, these two major employers would have gone under.

Great Britain — all of Europe — and of course, the U.S. were forced to confront very serious impacts on their economies.

Canada, Ontario and our sister provinces were not immune.

Governments all over the world were urged by the IMF and the OECD to put together major economic stimulus packages to help avoid an even deeper recession.

As a result, almost every jurisdiction is now facing higher debt and deficits.

In Ontario, we too are facing very serious challenges and, I am confident we will rise to the occasion.

Being upfront during a crisis, I think, is critically important.

One of the most important roles for any finance minister is to inform people about the state of the government's finances.

As Thomas Jefferson once said, "Whenever the people are well-informed, they can be trusted with their own government."

Later this week, I will be presenting our most recent economic outlook for Ontario and an updated review of our fiscal position.

Today, I want to talk to you about what we are facing, as a government and as a province, and how we are dealing with the impact of the global economic downturn.

In the past year, the recession has had a significant impact on the global economy on a scale that was unforeseen by anyone.

Many jurisdictions are facing sharp declines in revenues and increasing expenses as people turn to governments for support.

The significant deterioration of the global economy and the tightening of credit undermined business and consumer confidence.

Ontario is not immune to these broader forces: jobs have been lost, businesses have closed and government revenues have declined dramatically.

We are beginning to see signs that the economy is turning around.

Financial markets are seeing some improved results.

Consumer confidence is improved. Spending is up and we are seeing better results in the housing market.

The International Monetary Fund last week raised its projection for global economic growth next year to 3.1 per cent from an earlier estimate of 2.5 per cent.

While they offer some hope, they don't mean much when you are looking for a job.

We are not out of the woods yet and before we see a full return to strong growth, there is much hard work to be done.

Risks to recovery remain. We are very dependent in Ontario on a U.S. recovery. The speed of their bounce back will have a big impact on Ontario businesses.

We remain vulnerable to risks like a high Canadian dollar, high oil prices and rapidly rising interest rates.

Remember, it's only been two months since we've seen signs of positive economic growth. We need much longer than that before we can state definitively that the recession is done.

We could very well be in for a long, slow grind before we achieve true economic recovery.

We also know that growth in jobs and government revenue will lag growth in the economy.

We need to make sure the recovery has established a beachhead before flying the victory flag.

Ontario, like so many other jurisdictions, experienced an enormous downturn in government revenues, particularly in the past year.

Canada, Alberta, British Columbia, the United States, Great Britain — among many others — have faced similar circumstances. We have all had to deal with the impact of the global financial situation and the global recession.

The International Monetary Fund (IMF) said in July that “...debt ratios in advanced G-20 countries are projected to widen by about 40 percentage points of GDP by 2014, an increase not seen since the Second World War.”

Our own federal government, and this is not a criticism, has posted a significant deficit — one they had not foreseen just a year ago.

Several Canadian provinces are now forecasting a deficit, where less than a year ago they were enjoying surpluses.

The U.S. is facing a deficit of almost \$1.5 trillion — over 10 per cent of the nation's GDP.

Some economists say that the U.S. is going to need to put forward a second major stimulus package, rendering the deficit even higher.

In Ontario, as we reported in Public Accounts: corporate tax revenues fell in one year by an unprecedented 48.1 percent—more than \$6 billion.

At the same time, during a recessionary period, the demand for government services rises.

For instance, more people qualify for social assistance and more people need skills training. During a downturn, people rely more heavily on public services.

Other jurisdictions face these challenges just as we do. Though in Ontario, this year, we had the added impact of the auto sector.

The auto industry in Ontario employs hundreds of thousands of people directly and indirectly. Ontario builds more cars than any other state or province in North America.

Because of this, the McGuinty government made a necessary investment: we invested \$4 billion to keep people working all over Ontario and maintain our leadership in the sector – not just in the manufacturing business, but in auto parts, at auto dealers, and in auto repair.

We chose to save thousands of jobs, to save entire communities from financial failure, and to lend shape to a much leaner and much more competitive sector.

Those were the right investments at the right time. We put our dollars where the IMF recommended, where the OECD advised – and at the levels they both recommended. More importantly, we put our dollars in line with the needs of the people of Ontario.

Those investments were the right thing to do, and they came with a cost.

Frankly, Ontario was hit earlier and hit harder by the global economic downturn than other parts of Canada. We are also more influenced by events in the U.S. economy due to the size of our trade and proximity to their markets.

A lot of people forget that our export-oriented manufacturing and forestry sectors were dealing with the high value of the dollar and high prices for oil when some other provinces were still enjoying record commodity royalties.

Ontario's economy has borne a significant impact from this recession.

I'll be talking more about the economy in my Fall Statement later this week.

Like many other jurisdictions, we are grappling with a significant deficit.

Our deficit will be consistent with the size of the Ontario economy, relative to the Canadian economy. It will not be out of line with comparable jurisdictions.

In the budget to be presented next spring, we will outline our plan to return to balanced budgets and sustain the vital public services that are an integral part of our economic competitiveness.

Ontario, like most jurisdictions, won't turn around in a year.

Based on current forecasts, it will be 2011 before our economy gets back to where it was at the beginning of 2008.

Governments around the world and in Canada must confront the reality that there are no miracle fixes or instant solutions to the fiscal challenges that have been brought about by the current economic situation.

To put this in perspective, our GDP is now the size it was in 2005. Our government revenues are also now back at 2005 levels.

From this position, even with moderate GDP growth, it will take some time before we can declare victory over the fiscal challenge. For Ontario, for Canada, for many other provinces and for most other G-20 nations, that will mean several years of deficit budgets.

The challenge of sustaining public services while returning to a firmer fiscal footing is one that we cannot ignore. This is a challenge that all Ontarians must confront, together.

Our government, working with all Ontarians, is ready to meet this challenge.

To be able to continue investing in key priorities while managing down the deficit, we must focus our priorities and make strategic and sometimes difficult choices.

In the coming months, the government will undertake a review of service delivery so that every dollar is spent more effectively.

I'd like to spend a few minutes talking about what we've been doing to help mitigate the impact of the downturn on Ontario families and how we've been positioning Ontario for long-term growth.

Ontario, like most jurisdictions, has invested in a stimulus package focused on job creation and retention, infrastructure and skills training.

It was the right thing to do at the time of the Budget and it remains the right thing to do today. For decades, infrastructure in North America and Europe had failed to keep up with growing populations and community needs.

The evidence of the value of investing in infrastructure is clear. It creates short-term jobs and an immediate boost to local communities.

It's much more than bridges and roads – as important as they are – it's also about schools, colleges and universities.

It's about hospitals and long-term care facilities. It's about water and electricity. And, of course, it's about roads too. If you drive down the QEW, or up the 404, you'll see those dollars at work today.

In the long term infrastructure investments help position the province for sustained economic growth.

I had the opportunity to hear noted economist Paul Krugman when he was in Waterloo just a few weeks ago. He makes the point, and I quite agree with him on this, that stimulus is also about the broader public sector.

When people are working – working in hospitals, in schools, in colleges and universities—when people are running cities and transport systems, they are also paying mortgages, buying groceries and generally keeping the economy rolling.

To get out of the current crisis, we need business spending and we need people spending.

As an elected representative, I know there's more to it than that. A recession can have long-term impacts on people's lives.

Family members lose their jobs and livelihood. Seniors worry about the adequacy of their retirement income.

That's why our government has spent and continues to spend money on education, on poverty reduction strategies and on skills training. We took the best advice of the world's leading economists and pursued right course of action.

To position Ontario for growth once this recession is over, we introduced a comprehensive tax package including the Harmonized Sales Tax (HST) along with a series of tax cuts.

While moving to a single value-added sales tax is new to many, Ontario would be joining more than 130 countries around the world and four of our sister provinces.

The HST would permanently and significantly reduce taxes for large and small enterprises across the province.

At the same time, Ontarians would receive permanent personal tax relief.

Fully 93 percent of Ontarians would see a reduction in Personal Income Tax. We also proposed permanent sales tax and property tax cuts for low- and middle-income taxpayers.

These tax cuts will enhance the progressiveness of Ontario's tax system.

Economists from Hugh Mackenzie to Jack Mintz have highlighted the benefits of this initiative.

Like governments around the world, we were ready to confront the challenge of this recession. The investments we've made are the right ones in the context of an unstable global economy.

Like governments around the world, we had to keep people working. We had to make sure Ontario's auto sector stayed alive and is poised to grow.

Like governments around the world we had to invest to create jobs, we had to invest to help communities, and we had to invest to improve our vital public services.

What's important here, is that we took immediate action to help Ontario manage through a recession.

Like government around the world, as we emerge from this recession, we will have to contend with a larger deficit and the sustainability of our vital public services.

This will be a challenge every bit as big as the recession itself.

The McGuinty government doesn't shrink from challenges.

As John Kenneth Galbraith once said, “All of the great leaders have had one characteristic in common: it was the willingness to confront unequivocally the major anxiety of their people in their time.”

Our first several years in office were focused on rebuilding public services. We invested in our schools, in our health care system, in our colleges and universities, and in the environment.

Now, with economic recovery in sight, we need to shift our focus to sustaining public services.

The challenge of sustaining public services will be just beginning as the recovery takes hold.

We need to stay ahead by continuing to grow our economy and ensuring that we sustain the public services that are so important to our international competitiveness.

As we come out of this recession, and we will come out, we will have to address our deficit and debt.

Working with all Ontarians, our government will bring leadership, determination and a balanced and principled approach to doing just that.

We will be sharply focused on our priorities: health care and education, including full-day early learning for four- and five-year olds.

And as we make the tough choices ahead, Ontarians can be assured that decisions will be informed by our values of fairness, targeting those who need it most and investing for the future.

We will work harder still to give Ontarians greater value for their tax dollars.

Ontario will grow and prosper in the post-recession world.

We have a well-educated and highly-skilled workforce; we have a first-rate healthcare system – and these are key economic advantages.

Just this summer, Toyota announced an expansion of its plant in Cambridge Ontario. When asked why they chose Cambridge, the answer was the quality of Ontario's workforce.

We also have the strong presence of growing 21st century industries here in Ontario – industries like financial services, information technology, the creative and entertainment sector, to name just a few – that even through the downturn, continue to increase employment.

Our Green Energy Act now puts us in a leadership position in encouraging a green economy.

Ontario has great fortitude – as a people and as a province.

We've seen challenging times before, and we will again, but Ontario, in the end, always thrives and always moves forward.

When we are through this, and we will get through this, Ontario will be bigger; Ontario will be better; and Ontario will be stronger.

Thank you.