

# Ontario's finances at the crossroads



BY CANDICE MALCOLM

FIRST POSTED: WEDNESDAY, JULY 08, 2015 08:16 PM EDT | UPDATED: WEDNESDAY, JULY 08, 2015 10:37 PM EDT



**Ontario Finance Minister Charles Sousa acknowledges applause in the legislature, including that of Premier Kathleen Wynne. (Toronto Sun file photo)**

TORONTO - It's been a turbulent week in the world of global finances.

From China's stock market plunge, to desperation and chaos in Greece and Puerto Rico over seemingly insurmountable government debt, one could be forgiven for overlooking the escalating debt crisis in Ontario.

This province's credit-worthiness is once again being questioned by an international credit rating agency.

Last year, Moody's Investor Services lowered Ontario's debt outlook from stable to negative.

Now, Standard & Poor's has downgraded Ontario's credit rating, attributing the demotion to a "very weak budgetary performance and very high debt levels."

That's the polite way of saying Ontario's government recklessly tears through one maxed-out credit card after another.

In other words, Ontario cannot seem to get its books in order.

So much so that international financial authorities are expressing concerns.

But Ontario Premier Kathleen Wynne is surging ahead, nonetheless, with massive new spending initiatives and ever more government pet projects.

This despite repeated warnings from lenders and analysts about the risks of continued borrowing.

The Wynne government merely doubles down with bloated government sector salaries, endless corporate welfare, and vanity projects such as building new subways in Toronto and hosting the Pan Am Games.

It still believes massive spending in the face of unstable debt will somehow drive the province into prosperity.

This Liberal government lives in a fantasy world where it believes it can magically grow the economy with positive thinking, good intentions, and endless borrowed cash.

Meanwhile, in the real world, Ontario's total debt has surpassed \$300 billion and continues to climb.

Ontario taxpayers shell out north of \$11 billion each year to pay interest on that mountain of debt, which is now the third largest item in Ontario's budget, even in the current low interest rate environment.

No wonder Ontario's long-term debt was downgraded.

Ontario is faced with a choice. It is at a fork in the road and there are two paths in front of it.

One path — following Greece down the road to insolvency — doesn't require changing much.

The government can continue to spend and borrow, continue to ignore the chorus of voices concerned with Ontario's debt, and simply leave future taxpayers with the burden of its choices.

For decades, voters in Greece elected governments that cooked the books and delivered endless goodies.

They refused to face facts and believed themselves to be too big to fail.

Now, when someone in Greece uses an ATM, they are limited to withdrawing 60 euros (\$85) per day — cash that comes from the European central bank, since Greece's banks and its government are broke.

The other path in front of Ontario is to work hard, get the books in order and start paying down the government's debt.

This is obviously a more challenging path, requiring tough medicine to rein in spending and cut off the special interest groups feeding from the trough.

Taking this path requires Ontario's people and government to have a tough and honest conversation about the limits of government spending.

Ontario can't ignore its finances forever.

It will eventually have to face facts.

The question is whether Ontario will repay the debt on its own schedule, or whether the repayment will be on a schedule imposed by foreign lenders and bondholders.

So, what path will Ontario choose?

That's the question all Ontario residents should be demanding Premier Wynne answer.