The provinces are in trouble. Revenue is collapsing. Expenses are skyrocketing. And fiscal capacity is limited.

Even before the COVID 19 crisis, resource-dependent provinces like Newfoundland and Labrador, and New Brunswick had net debts for 2018-19 in excess of 46% of GDP and 37% respectively, while more diversified provinces like Ontario, Quebec and Manitoba were groaning under (respectively) the weight of ratios of 39.5%, 39.3% and 34.3%. It is true that other provinces like Alberta (8%), British Columbia (14.4%) and Saskatchewan (14.7%) had lower ratios but with COVID-19, all bets are off (Nova Scotia and PEI were at 33.8% and 30.4% respectively). At some point soon, the provinces may find themselves unable to sell debt to finance the spending they and their municipalities must undertake on services like health, education and social assistance because they alone have that jurisdictional responsibility. They need the federal government’s support.

It is likely the federal government will soon make announcements that beef up the Canada Health and Social Transfers (CHST), offer one-off equalization transfers, and even offer military assistance. And the provinces will also benefit from sales and income tax revenue arising from the already-announced stimulus measures that transfer funding directly to households.

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But that is not enough. The Bank of Canada, whose sole shareholder is the federal government, should immediately announce that it will buy zero interest rate short-term treasury bills issued by the provinces and their municipalities until the crisis is over.

Can it do that? The Bank of Canada Act says it can. Section 18 provides sweeping powers to the Bank of Canada to buy federal and provincial debt as well as debt issued by institutions guaranteed by either. The
People who are passionate about public policy know that the Province of Saskatchewan has pioneered some of Canada’s major policy innovations. The two distinguished public servants after whom the school is named, Albert W. Johnson and Thomas K. Shoyama, used their practical and theoretical knowledge to challenge existing policies and practices, as well as to explore new policies and organizational forms. Earning the label, “the Greatest Generation,” they and their colleagues became part of a group of modernizers who saw government as a positive catalyst of change in post-war Canada. They created a legacy of achievement in public administration and professionalism in public service that remains a continuing inspiration for public servants in Saskatchewan and across the country. The Johnson Shoyama Graduate School of Public Policy is proud to carry on the tradition by educating students interested in and devoted to advancing public value.

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