JOB-CREATION-PLUS-TRAINING

(183) But can we afford what we recommend, especially a job-creation-plus-training scheme? The free market does not necessarily provide all the outputs society needs (Economic Study, para. 277 below). A special program could be launched to provide these outputs and, at the same time, help new businesses as Professor John Graham of Dalhousie University suggests (note 18, Economic Study). This option stresses training by creating jobs using the money we spend to pay people to do nothing. Instead people would be trained and would be paid to produce outputs the society needs and which are not now being produced (Gillespie, paras. 10 to 16; Matthews and Carmichael, paras. 11; Valli, paras. 4 to 7; Wilkinson, paras. 5 to 8; Peters, para. 6).

(184) Such a program could reduce the deficit say professors Blanchard and Summers of M.I.T. and Harvard (note 19, Economic Study):

> "High tax rates and overly generous social welfare benefits are often blamed for European unemployment. But each one percentage point reduction in unemployment in Europe today would make possible a reduction of about four percent in tax rates because of the reduced need for social welfare expenditures and the enlarged tax base, as output expanded. More than half of the growth in government relative to gross national product in the last 15 years in West Germany and Britain can be attributed to abnormally slow GNP growth rather than abnormal growth in government."

(185) If the views of professors Blanchard and Summers hold true not only for Western Europe but for Canada also, then it would make economic and budgetary sense to put in place a program combining job creation with training. But are they right? Might it not be cheaper to keep a person unemployed rather than create a job for that person? If we can prove that it is not cheaper to keep people unemployed than to create jobs for them, then we can get a better appreciation of whether we can afford a training-plus-job-creation or any other training program.

(186) It is possible to give an answer to this question. In 1985, the average jobless but employable Canadian (let us call him Smith) had earned $14,040 per year in his last job in the private sector, according to the Department of Employment and Immigration. This is not enough to allow Mr. Smith to live decently, but it is what the 1985 jobless had earned in their last job.

(187) Smith's $14,040 in wages brought the three levels of government some $4,800 in direct and indirect taxes. When Smith spent his $14,040 on goods and services, he provided income for the suppliers of those goods and services and for the suppliers of these suppliers; the income of all these suppliers brought the three levels of government some $3,400 more in direct and indirect tax revenue, for a total government revenue of $8,200.

(188) This spending and respending of money is called the **multiplier effect**. Each dollar spent in Canada generates $1.70 in taxable economic activity. These figures have been verified by the Economic Council of Canada (for a more detailed explanation, see Appendix A, paras. 13 through 16, and Appendix C, para. 18).

(189) To resume, when he had been working in a private sector job at $14,040 per year, Smith, the average 1985 unemployed Canadian, had generated $8,200 in tax revenue, for the three levels of government.

(190) Let us look now at what happens when Smith loses his job and starts collecting unemployment insurance benefits or — when his UI benefits run out — welfare. Smith no longer adds to government revenue: he adds to government losses. Government pays him UI or welfare which he spends, generating some tax revenue for governments; but that tax revenue is $6,424, less than they pay him. Before he lost his job, Smith generated $8,200 in