

## “Generation Screwed” Essay Contest

By Matthew Lau

In his 1720 poem titled “The Run Upon the Bankers”, Irish essayist Jonathan Swift wrote<sup>1</sup>:

*A baited banker thus desponds,  
From his own hand foresees his fall,  
They have his soul, who have his bonds;  
'Tis like the writing on the wall.*

As Swift observed, a banker is owned by his creditors; similarly, a piece of Canada is owned by those to whom the Canadian government owes money. Canada’s federal debt currently sits at \$619 billion<sup>2</sup>, which works out to over \$17,600 for every man, woman and child in Canada. The average Canadian student debt is approximately \$26,300 according to a BMO survey<sup>3</sup> but many young people in college or entering the workforce are unaware that they have also inherited another \$17,600 in federal debt alone.

While the federal debt is \$619 billion, Canada’s total provincial and federal debt recently hit \$1.2 trillion and is projected to increase by another \$52.7 billion by the end of the 2013-14 fiscal year<sup>4</sup>. The debt will only be exacerbated by an aging population which decreases the labour force while adding to healthcare costs, and an interest rate that will inevitably rise from its all-time lows following the recent economic recession.

The Canadian government has two courses of action: it can repair its balance sheet through austerity measures and budget surpluses, or it can go down the unsustainable path of higher spending and more debt. Canadians – and young people in particular – should hope that the former is the course taken. The latter would undoubtedly result in disaster. As Jonathan Swift wrote<sup>1</sup>:

*So powerful are a banker’s bills,  
Where creditors demand their due;  
They break up counters, doors, and tills,  
And leave the empty chests in view.*

Who are the creditors of the Canadian government? According to figures from 2010, approximately 15% of this is owned by foreigners<sup>5</sup>. This means that on average, each Canadian owes several thousand dollars to China’s communist government, Saudi oil sheikhs, Putin’s Russia, and other foreigners who may be less than friendly. As is evidenced by the recent events in Crimea, Russia has no problem exercising its muscle on the international stage. Meanwhile, a recent poll indicated that about two-thirds of people in Canada, Spain, France, Britain, Germany, Australia, and China believe that China will eventually or has already replaced the USA as the

world's leading superpower. Even 47% of Americans believe that China will eventually or has already overtaken them, up from 36% in 2008.<sup>6</sup>

In other words, Russia and China both fit the description of creditors who are willing or able to “break up counters, doors, and tills, and leave the empty chests in view” if Canada's debt spirals out of control.

China and Saudi Arabia and Russia are, as Mark Steyn puts it, “not the fellows one might choose to have one's bonds, never mind one's soul, but there aren't a lot of other options.”<sup>7</sup> Steyn is correct in saying there aren't many other options – debt requires investors, and if there are no domestic investors, a government must turn to foreign investors. The only other option is to get government spending under control and pay down the debt.

1. Jonathan Swift, “The Works of Jonathan Swift,” 1883; available online at <https://play.google.com/books/reader?id=U8VEAAAAYAAJ&printsec=frontcover&output=reader&authuser=0&hl=en&pg=GBS.PR5>
2. “Canada's Federal Debt,” Canadian Taxpayers Federation, March 31, 2013; available online at <http://www.debtclock.ca/>
3. Aleksandra Sagan, “Average student debt difficult to pay off, delays life milestones,” *CBC News*, March 11, 2014; available online at <http://www.cbc.ca/news/canada/average-student-debt-difficult-to-pay-off-delays-life-milestones-1.2534974>
4. Niels Veldhuis, Jason Clemens and Milagros Palacios, “Beyond our means: Government debt tops \$1.2-trillion and spending is still rising,” *Financial Post*, May 16, 2013; available online at <http://opinion.financialpost.com/2013/05/16/beyond-our-means-government-debt-tops-1-2-trillion-and-spending-is-still-rising/>
5. Derek Fildebrandt, “You Asked For It,” Canadian Taxpayers Federation; available online at <http://taxpayer.com/media/Who%20Ownes%20Canadas%20Debt.pdf>
6. Andrew Kohut et al., “America's Global Image Remains More Positive than China's,” Pew Research Centre, July 18, 2013; available online at <http://www.pewglobal.org/2013/07/18/americas-global-image-remains-more-positive-than-chinas/>
7. Mark Steyn, *After America: Get Ready for Armageddon* (Washington, DC: Regnery Publishing, Inc., 2011).