

NEWS RELEASE

Governments across Canada ditching successful Chrétien era pro-growth policies; embracing red ink and higher taxes

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VANCOUVER—Prime Minister Justin Trudeau, Ontario Premier Kathleen Wynne and Alberta Premier Rachel Notley are rejecting the policies of previous Liberal and NDP governments that delivered economic benefits through balanced budgets, controlled government spending, and competitive taxes, finds a new book released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“During the 1990s and early 2000s, there was consensus among governments of all parties across Canada that balancing budgets, paying down debt, lowering taxes and smaller, smarter government was the best way to grow the economy, and it worked,” said Jason Clemens, executive vice-president of the Fraser Institute and co-author of *End of the Chrétien Consensus?*

The book examines the pro-growth policies of Prime Minister Jean Chrétien’s federal Liberal government, Premier Roy Romanow’s NDP government in Saskatchewan and Premier Ralph Klein’s Progressive Conservative government in Alberta.

Federally, the Chrétien government inherited a staggering \$527.9 billion federal debt in 1993/94 after more than 25 years of deficit spending by both Liberal and Progressive Conservative governments. The deficit that year alone was \$38.5 billion.

But by 1997, the government had balanced the budget and began reducing the national debt. Between 2000 and 2004, it introduced tax reductions for workers, entrepreneurs, and businesses. The mainstay of the Chrétien reforms was smaller and smarter government. Government program spending was reduced by almost 10 per cent over a two year period to eliminate the deficit.

This Consensus was actually started in Saskatchewan under Romanow and then replicated, indeed deepened by Klein in neighbouring Alberta. All told, every provincial government—except British Columbia—would introduce similar reforms during the 1990s with great success.

The result? Canada prospered!

Between 1997 and 2007, for instance, Canada’s economy grew by an average of 3.2 per cent, compared to the rest of the industrialized world that experienced 2.7 per cent average growth. Canada recorded the sixth highest job creation rate among industrialized countries and outpaced the United States (2.0 per cent versus 1.3 per cent). And Canada had the strongest record of investment of any G-7 country during this period and markedly outperformed the U.S.

“By almost any measure, Canada was an incredibly prosperous country from the mid-1990s through to the 2009 recession,” said Clemens.

And yet, despite the successes of the Chrétien Consensus, Prime Minister Justin Trudeau’s government has introduced the exact opposite policies—deficit-financed spending increases, higher taxes, and ballooning debt. Unfortunately, these policies have coincided with less prosperity rather than more.

Other provinces, notably Ontario and Alberta have also markedly rejected the policies of the Chrétien Consensus and are now struggling with both deteriorating finances and slow-growing economies.

“Canada needs to return to the sound policies of the Chrétien Consensus and the foundation for prosperity they delivered,” Clemens said.

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