



# Examining Federal Debt in Canada by Prime Ministers Since Confederation, 2020

*by Tegan Hill, Milagros Palacios, and Jake Fuss*

## Summary

■ Canada's 23 prime ministers have each left a legacy, and each of those legacies has an effect on all Canadians. One element critical to an analysis of each prime minister is whether he or she left the federal government more or less indebted than when first taking office.

■ This bulletin measures the debt legacies of all prime ministers from 1870 to 2019. We examine the percentage change in inflation-adjusted gross debt per person during the tenures of various prime ministers. By accounting for population growth and inflation, the level of debt accumulated by each prime minister can be compared through Canada's history.

■ Historical context is vital to understanding the debt legacies of each prime minister. For instance, global conflicts such as World War I and World War II and multiple economic downturns contributed significantly to the substantial growth in debt per person that occurred

during the tenures of Sir Robert Borden (188.1 percent) and William Lyon Mackenzie King (145.2 percent).

■ During economic downturns, the federal government collects less revenue and spends more as incomes decline and Canadians draw more on services such as Employment Insurance. These downturns contribute significantly to federal debt accumulation, but are out of the direct control of prime ministers.

■ Prime Minister Justin Trudeau is projected to be the largest accumulator of federal debt per person (5.6 percent) among prime ministers who did not fight a world war or experience an economic downturn during their tenure. Sir Mackenzie Bowell and Sir John Abbott are the only other prime ministers in Canada's history who have increased federal debt without facing a global conflict or an economic downturn.

# Prime Ministers and Federal Debt, 2020

## Introduction

Over the last century and a half, Canada's 23 prime ministers have helped shape the country in countless ways, leaving legacies that affect all Canadians. Each prime minister's legacy is ultimately influenced by whether he or she left the federal government more or less indebted than when taking office. Understanding the trajectory of debt is important because as the debt burden grows, tax dollars must be diverted from public programs to service the federal government's annual interest payments. High amounts of federal debt may also cause the government to raise taxes in future, which burdens future generations with the cost of past spending.

This bulletin examines the history of federal debt in Canada since Confederation and analyzes the impact that various prime ministers have had on debt accumulation throughout their tenures.<sup>1</sup> The bulletin has two main sections. The first describes the method used to measure the change in federal debt. The second provides a comprehensive overview of the changes in federal debt under each prime minister.

## Measuring the change in federal debt

Debt legacies for the prime ministers are measured by calculating the change in debt during their respective tenures. The first step in the analysis is to allot the period(s) of tenure for each prime minister as listed in table 1.

We allocated years of tenure for every prime minister using the methodology of Fuss et al. (2019), who analyzed spending levels by prime minister since 1870. Transitional years—years of overlap in which prime ministers shifted pow-

er—are allocated to whichever prime minister was in office for the majority of the year. If a year was nearly evenly divided between two prime ministers, we assigned responsibility for that year to whichever prime minister delivered the year's federal budget, and we list the allocated tenures in table 2.<sup>2</sup>

There were three instances where prime ministers had non-continuous tenures. For example, William Lyon Mackenzie King served as Canada's prime minister from 1922 to 1930 but was defeated by R.B. Bennett, and then reassumed office in 1935 for his second tenure. Sir John A. Macdonald also served twice (1867-1872 and 1878-1890), as did Pierre Trudeau (1968-1978 and 1980-1984). We chose to divide the time in office for these prime ministers into separate tenures to ensure the change in federal debt that happened under another prime minister was not allocated to these three prime ministers when they were out of office. This approach ensures, for instance, that R.B. Bennett's debt between 1931 and 1935 is not allocated to William Lyon Mackenzie King.

There are 20 prime ministers included in this analysis, as opposed to 23, because the tenures of three prime ministers were too short for us to allocate a budget year to them. Sir Charles Tupper was prime minister for two months, and Kim Campbell and John Turner each held office for three months. Notwithstanding the exclusion of these three prime ministers, table 2 lists

---

<sup>1</sup> This bulletin is based on and draws partly from work by Di Matteo (2017), Lammam and MacIntyre (2017), and Fuss et al. (2019).

---

<sup>2</sup> Prime Ministerial tenures range from a single year to 15 years, which means that some prime ministers were in office longer than others to either accumulate or reduce federal debt. However, longer tenures do not necessarily translate into larger total increases or decreases in debt. In fact, the correlation between length of tenure and the total increase in debt per person over that tenure (the measure used in this bulletin) is relatively weak ( $p = 0.30$ ).

# Prime Ministers and Federal Debt, 2020

**Table 1: Canada's 23 Prime Ministers, Their Political Party, and Time in Office**

Prime Minister	Party	Time in Office
Sir John A. Macdonald	Liberal Conservative Party	1867-1873, 1878-1891
Alexander Mackenzie	Liberal Party	1873-1878
Sir John Abbott	Liberal Conservative Party	1891-1892
Sir John Thompson	Liberal Conservative Party	1892-1894
Sir Mackenzie Bowell	Conservative Party	1894-1896
Sir Charles Tupper	Conservative Party	1896
Sir Wilfrid Laurier	Liberal Party	1896-1911
Sir Robert Borden	Conservative Party, Unionist Party	1911-1917, 1917-1920
Arthur Meighen	National Liberal and Conservative Party, Conservative Party	1920-1921, 1926
William Lyon Mackenzie King	Liberal Party	1921-1926, 1926-1930, 1935-1948
R.B. Bennett	Conservative Party	1930-1935
Louis St. Laurent	Liberal Party	1948-1957
John Diefenbaker	Progressive Conservative Party	1957-1963
Lester B. Pearson	Liberal Party	1963-1968
Pierre E. Trudeau	Liberal Party	1968-1979, 1980-1984
Joe Clark	Progressive Conservative Party	1979
John Turner	Liberal Party	1984
Brian Mulroney	Progressive Conservative Party	1984-1993
Kim Campbell	Progressive Conservative Party	1993
Jean Chretien	Liberal Party	1994-2003
Paul Martin	Liberal Party	2003-2006
Stephen Harper	Conservative Party	2006-2015
Justin Trudeau	Liberal Party	2015-Present

## Notes

1) Sir Robert Borden led the Conservative Party from October 10, 1911 to October 11, 1917, and then the Unionist Party from October 12, 1917 to July 10, 1920. The Unionist Party was a centre-right party primarily consisting of members of the Conservative Party along with some former members of the Liberal Party.

2) The National Liberal and Conservative Party is the name adopted by the Conservative Party in 1920 after the end of the Unionist Party.

Source: Parliament of Canada (2019); Fuss et al. (2019).

# Prime Ministers and Federal Debt, 2020

Table 2: Prime Ministers Assessed and Their Allotted Tenures

Prime Minister	Allotted Tenure
Sir John A. Macdonald	Tenure 1: 1867-1872 Tenure 2: 1878-1890
Alexander Mackenzie	1873-1877
Sir John Abbott	1891
Sir John Thompson	1892-1894
Sir Mackenzie Bowell	1895
Sir Wilfrid Laurier	1896-1911
Sir Robert Borden	1912-1919
Arthur Meighen	1920-1921
William Lyon Mackenzie King	Tenure 1: 1922-1930 Tenure 2: 1936-1948
R.B. Bennett	1931-1935
Louis St. Laurent	1949-1956
John Diefenbaker	1957-1963
Lester B. Pearson	1963-1967
Pierre E. Trudeau	Tenure 1: 1968-1978 Tenure 2: 1980-1984
Joe Clark	1979
Brian Mulroney	1985-1993
Jean Chretien	1994-2003
Paul Martin	2004-2005
Stephen Harper	2006-2015
Justin Trudeau	2015-2019

## Notes

1) The fiscal year-end for the federal government was changed from June 30th to March 31st in 1907.

2) Does not include budgets for 1867–1869 due to a lack of inflation data for those years.

3) The 1984 budget was allocated to the tenure of Pierre Trudeau even though John Turner served as PM during the year before losing the general election to Brian Mulroney and the Progressive Conservative Party.

4) The 1993 budget was allocated to the tenure of Brian Mulroney even though Kim Campbell served as PM during the year before losing the general election to Jean Chretien and the Liberal Party.

5) For details on the specific allocation of budgets, see Fuss et al. (2019).

Source: Fuss et al. (2019).



# Prime Ministers and Federal Debt, 2020

23 tenures because each of Macdonald, Mackenzie King, and Pierre Trudeau had multiple tenures.

For the 2015/16 fiscal year, Fuss et al. (2019) made an adjustment for the transition from Stephen Harper to Justin Trudeau. We have made a similar adjustment because Justin Trudeau increased government spending immediately upon taking office in 2015. The original 2015 budget, under Stephen Harper, planned for a surplus (\$1.4 billion), while the immediate spending increases introduced by Justin Trudeau ultimately led to a budget deficit (\$2.9 billion). These spending changes meant that more debt was amassed by Trudeau than was planned for under Harper (Canada, Department of Finance, 2015 and 2019a).<sup>3</sup> As a result, the cut-off period for debt accumulation under Harper was adjusted to reflect the debt projected in the original 2015 budget (\$1.1 trillion in 2019 dollars). The beginning point for the change in debt during Justin Trudeau's tenure is also the 2015 budget number.

## Measuring federal debt

Collecting comparable data on federal debt is an important step in measuring the debt legacies of the prime ministers. Gross debt directly measures the degree to which the various prime ministers increased or decreased Canada's financial liabilities. It is defined as the federal government's total amount of financial liabilities including employee benefits (pensions), interest-bearing debt, and accounts payable.

Net debt is gross debt less financial assets, the latter of which governments may sell when needed to meet liabilities. Hence, net debt

---

<sup>3</sup> Notably, program spending was ultimately \$10.4 billion or 4.0 percent higher in 2015/16 than what was planned in the 2015 budget.

might serve as a measure of a government's potential financial capacity. However, in this bulletin, we focus on gross debt as a measure of federal debt for two primary reasons. First, it might be difficult for the federal government to sell some financial assets, such as employee or public pension assets, in part due to liquidity issues; further, there may be valuation questions surrounding outstanding loans, equity investments, and advances, among instruments on the asset side of the balance sheet. Second, the interest that governments pay on liabilities is determined by gross debt rather than net debt. Significant research has found that high gross debt levels may harm economic performance through, for example, the potential for higher future taxes (see Reinhart and Rogoff, 2010; Chudik et al., 2015; and Lammam et al., 2017 for a review of this research).<sup>4</sup>

Data on federal gross debt come from different sources. The Canada Year Books for 1940, 1950, 1960, and 1967 were used to collect federal debt data from 1867 through 1966. Debt figures from 1967 to 2018 are drawn from the Fiscal References Tables published by the Department of Finance, and federal debt for 2019 is calculated based on the Department of Finance's *Economic and Fiscal Update* 2019.<sup>5</sup>

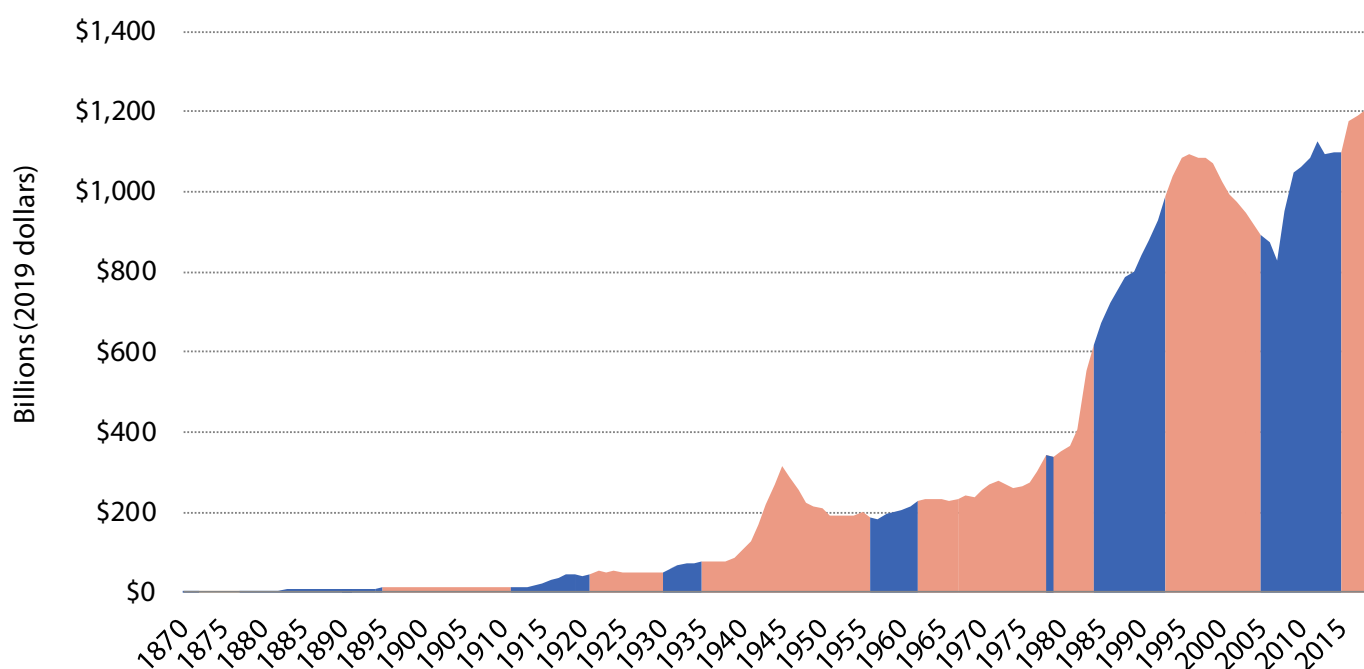
---

<sup>4</sup> The previous version of this paper also used gross debt data as its measure. Converting gross debt to net debt was considered for the methodology in this paper, and ultimately rejected for viability and consistency concerns. In recent years, the definitions and dollar amounts assigned to federal financial assets have changed substantially (e.g., equity investments and loans, etc.). Concerns about asset valuations and liquidity are reiterated here. For further details, see Lammam et al. (2017).

<sup>5</sup> The calculation used assumes that non-financial and financial assets will be equal to *Budget* 2019 forecasts. Note that much of the increase in spending in 2019 is driven by a low interest rate outlook

# Prime Ministers and Federal Debt, 2020

Figure 1: Federal Gross Debt, 1870-2019 (in 2019 \$)



Sources: Canada, Department of Finance (2015, 2019a, 2019b, 2019c); Statistics Canada (2009a, 2009b, 2009c, 2009d, 2019a); Altman (1992); Urquhart (1988); calculations by authors.

Two adjustments were made to enable us to more easily compare changes in federal debt over a long time. As in Fuss et al., 2019, we account for changes in the general price level (inflation) using a GDP deflator. The starting year for the analysis of federal debt is 1870 since that is the first year for which the GDP deflator price index is available.<sup>6</sup>

which requires higher expenses on employee pensions and benefits.

<sup>6</sup> Data coverage is more complete for a gross domestic product price deflator as opposed to a consumer price index, which guided our choice. We use a GDP deflator with sources as follows: for 1870 through 1930, Altman (1992), a GNP deflator; for

Figure 1 exhibits federal gross debt (inflation adjusted) from 1870 to 2019. The colours in the area graph are either orange or blue, representing each prime minister's affiliated political party during their tenure. Areas in orange indicate debt levels for Liberal prime ministers, while Conservative prime ministers are displayed in blue.

Figure 1 shows a clear pattern of increasing gross debt since 1870, though the dollar values were low through to 1940. However, during World War II, inflation-adjusted federal gross

1931 through 1960, Urquhart (1988); for 1961 through 2018, Statistics Canada (2019a); and for 2019-2022, Canada, Department of Finance (2019).

# Prime Ministers and Federal Debt, 2020

debt increased almost 300 percent, as it grew from \$79.9 billion in 1938, the year before the war, to \$318.6 billion in 1945. Notwithstanding the immediate fall in gross debt following the end of the war, post-war debt levels did not return to pre-war levels. Beginning in the 1950s, federal gross debt steadily increased until 1997.

In the mid-1990s, Prime Minister Jean Chrétien introduced important fiscal reforms, and gross debt began to decrease until the 2008 recession, when it again began to climb upward. Federal gross debt is expected to reach its highest level ever in 2019, at \$1.2 trillion.

Although federal gross debt has mostly increased throughout Canadian history, the country's population has also grown. Canada's population has grown from 3.5 million people in 1867 to a projected 37.6 million people in 2019 (Statistics Canada, 2019b; Urquhart, 1988). As the population grows, the debt burden is shared by more people, so we report inflation-adjusted gross debt per person.

Another way of measuring debt accumulation by prime minister would be to examine changes in the debt-to-GDP ratio, rather than debt per person. The debt-to-GDP ratio summarizes the ability of the government to sustain a given amount of debt based on the size of the economy, but it would produce misleading results for changes in debt levels by prime minister for several reasons. For instance, the GDP growth rate is more variable, year-to-year, than is population, and is subject to factors outside the direct control of prime ministers, such as recessions or booms.

To focus on changes in the debt-to-GDP ratio would therefore penalize prime ministers who served during recessions and would benefit, by happenstance, prime ministers who served

during periods of economic expansions. When recessions occur, the debt-to-GDP ratio tends to rise due to automatic increases in government spending (e.g., employment insurance), any stimulus spending, and the decrease in economic output. Conversely, prime ministers who preside over strongly positive economic growth may be more likely to record falling debt-to-GDP ratios.

As an example of how variations in economic growth can dominate results, consider the 8.1 percent growth in real GDP during R.B. Bennett's 1935 tenure. While debt as a share of GDP decreased by 1.1 percentage points that year, debt increased by 6.5 percent or \$4.8 billion in 2019 dollars; the decrease in debt-to-GDP was due to economic growth. Conversely, following the debt per person measure, debt increased by 5.5 percent in 1935. Moreover, because population growth is less variable over time than economic growth, as mentioned above, we believe population-adjusted debt is better than the debt-to-GDP ratio as a measure of debt accumulation by prime minister.<sup>7</sup>

## *Debt per person from 1870 to 2019*

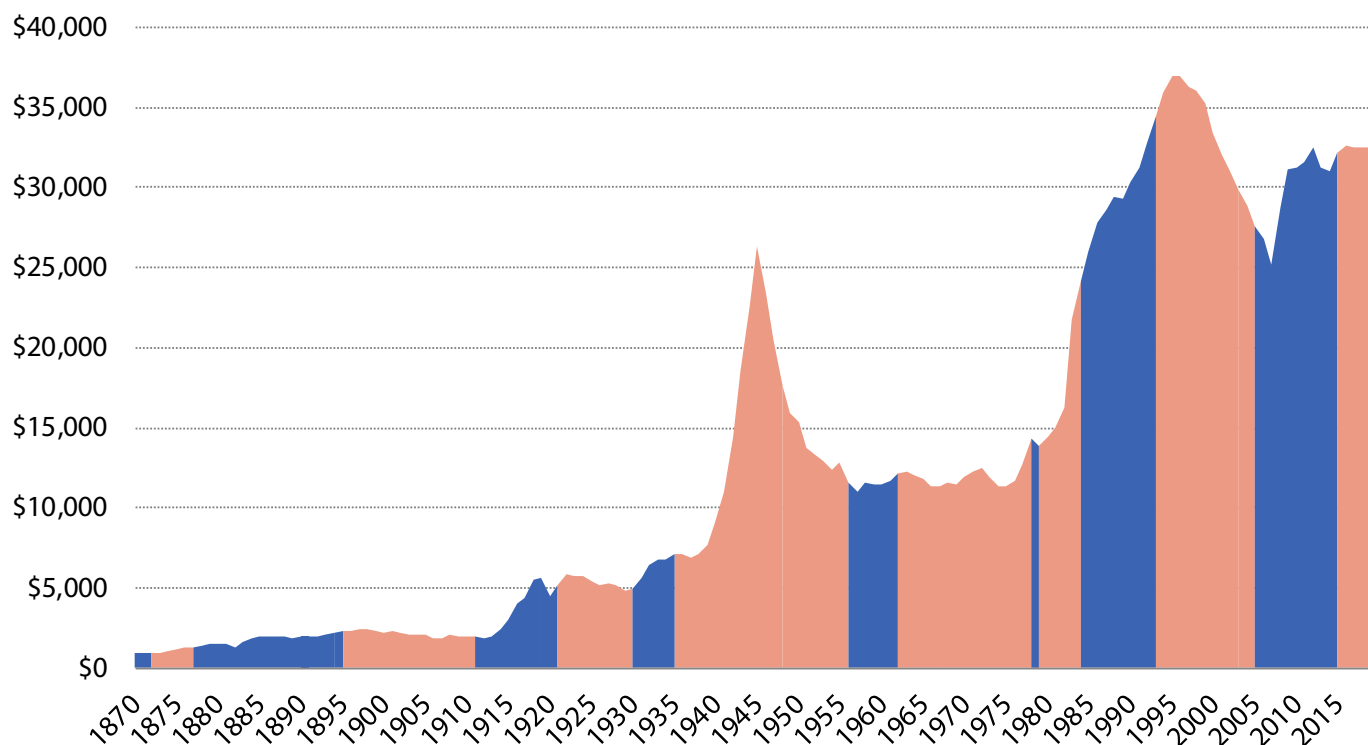
To provide historical context, figure 2 shows federal debt per person (in 2019 dollars) from 1870 to 2019: since Confederation, per-person federal debt levels have generally been rising. However, some periods are noteworthy for their sharp increases and declines. For example, federal debt per person rapidly increased during both World War I and World War II. Prior to World War I, in 1913, federal per-per-

---

<sup>7</sup> The population in Canada grew at an average annual rate of 1.6 percent from 1867 to 2019. The standard deviation is 0.8 percentage points. The average annual change in inflation-adjusted GDP is 3.7 percent from 1871 to 2019. The standard deviation is 4.9 percentage points.

# Prime Ministers and Federal Debt, 2020

Figure 2: Federal Gross Debt per Person, 1870-2019 (in 2019 \$)



Sources: Canada, Department of Finance (2015, 2019a, 2019b, 2019c); Statistics Canada (2009a, 2009b, 2009c, 2009d, 2019a, 2019b); Altman (1992); Urquhart (1988); calculations by authors.

son debt amounted to \$1,953, but had grown to \$5,493 by war's end (1918). Similarly, with respect to World War II, debt per person rose from \$7,162 per person, in 1938, to \$26,389 in 1945 (all figures in 2019 dollars). Following each world war, federal debt per person in Canada declined, but did not in either case fall to pre-war levels.

There was another general increase in federal debt per person from the mid-1960s until 1995. Federal debt per person grew 225 percent from 1966 (\$11,408) until the historic peak in 1995 (\$37,123). After the mid-1990s, debt reduction

continued to be a focus for Jean Chrétien, Paul Martin, and for the first two years of Stephen Harper's tenure.<sup>8</sup> Federal per-person debt fell to \$25,314 in 2007, the lowest value since 1984. However, the 2008 financial crisis in the United States prompted a recession in Canada and federal debt began to sharply increase once again. By 2019, federal debt per person is expected to reach \$32,645.

<sup>8</sup> For a discussion on fiscal reforms under Jean Chrétien, see Clemens et al. (2017).



# Prime Ministers and Federal Debt, 2020

## Changes in federal debt per person by prime minister

When evaluating debt accumulation under the various prime ministers, historical context is an important consideration. Federal debt per person increased dramatically during each world war, as shown in figure 2. Sir Robert Borden and William Lyon Mackenzie King were the prime ministers during those wars, and each of them increased federal debt to finance Canada's war efforts, which plays a role in how we might understand their debt legacies.

Economic downturns also contribute to the accumulation of debt by prime minister. During periods of recession and declining market incomes, the federal government receives less tax revenue and automatically increases spending owing to programs like Employment Insurance and the presence of income-tested benefits.<sup>9</sup> As a consequence, governments are likely to face declining budgetary balances during recessions; while the debt accumulated by prime ministers during downturns is not entirely out of their control, we also consider the state of the economy in evaluating debt legacies.<sup>10</sup>

<sup>9</sup> During a downturn, spending on Employment Insurance tends to go up as the newly jobless make claims and unemployment spells lengthen; if household incomes decline, the value of refundable credits and income-tested benefits are likely to increase. Such automatic stabilizers are distinct from the discretionary choices governments may make in response to a downturn.

<sup>10</sup> Major government undertakings such as the construction of national railways under Sir John A. Macdonald and Alexander Mackenzie, and the expansion of social programs under Pierre Trudeau, might provide economic context for increases in federal debt while remaining discretionary policy choices.

**Table 3: Years and Amounts that (Real) Inflation-Adjusted GDP Declined, 1870-2019**

Year	Percent decrease	Sitting Prime Minister
1875	4.2%	Alexander Mackenzie
1876	1.7%	Alexander Mackenzie
1878	3.0%	Sir John A. Macdonald
1893	0.5%	Sir John Thompson
1894	0.4%	Sir John Thompson
1908	4.6%	Sir Wilfrid Laurier
1914	6.8%	Sir Robert Borden
1917	1.1%	Sir Robert Borden
1918	6.1%	Sir Robert Borden
1919	4.6%	Sir Robert Borden
1920	0.5%	Arthur Meighen
1921	3.5%	Arthur Meighen
1929	0.2%	William Lyon Mackenzie King
1930	3.8%	William Lyon Mackenzie King
1931	13.5%	R.B. Bennett
1932	9.2%	R.B. Bennett
1933	7.1%	R.B. Bennett
1945	3.1%	William Lyon Mackenzie King
1946	1.0%	William Lyon Mackenzie King
1954	0.7%	Louis St. Laurent
1982	3.2%	Pierre E. Trudeau
1991	2.1%	Brian Mulroney
2009	2.9%	Stephen Harper

Sources: Statistics Canada (2019c); Altman (1992); Urquhart (1988); calculations by authors.

# Prime Ministers and Federal Debt, 2020

There are different aspects to measuring economic downturns. One involves assessing the years in which economic output shrank in real terms. In Canadian history, there have been 23 years in which there was a year-over-year real decline in GDP (table 3). The largest reductions in GDP occurred in 1931, 1932, and 1933, depression years during R.B. Bennett's tenure.

However, there are years where the overall growth rate was positive, but the economy nonetheless showed a downturn; such circumstances may have adverse effects on federal debt accumulation and we seek to account for this. We take account of this in table 4, which lists the years Cross and Bergevin (2012) recognized as recessions, and the prime minister who held office during those years. While tables 3 and 4 mostly overlap, Cross and Bergevin (2012) include additional years of recession that are not reflected in table 3. For example, Canada experienced downturns, or recessions, during John Diefenbaker's tenure, in 1957-58 and in 1960-61, and during Pierre Trudeau's first tenure.

## *Percent change in federal debt per person by prime minister*

How has inflation-adjusted federal debt per person grown over the tenures of the Canadian prime ministers? We divide the tenures of the prime ministers, and show growth patterns in Figure 3a for those in office when a world war or economic downturn was not taking place, and in Figure 3b the tenures during which there was a world war or economic downturn. Economic downturns are identified as either or both of a year-over-year drop in GDP, or a recession as defined by Cross and Bergevin (2012). As mentioned above, there are a total of 23 prime ministerial tenures shown, because three prime ministers had multiple tenures in office.

**Table 4: Canadian Recessions Since 1926**

Years of recession	Sitting Prime Minister(s)
1929-1933	William Lyon Mackenzie King/ R.B. Bennett
1937-1938	William Lyon Mackenzie King
1947-1948	William Lyon Mackenzie King
1951	Louis St. Laurent
1953-1954	Louis St. Laurent
1957-1958	John Diefenbaker
1960-1961	John Diefenbaker
1974-1975	Pierre E. Trudeau
1980	Pierre E. Trudeau
1981-1982	Pierre E. Trudeau
1990-1992	Brian Mulroney
2008-2009	Stephen Harper

Source: Cross and Bergevin (2012).

Federal debt per person increased during 14 out of the 23 tenures that we examined; increases in federal debt per person coincided with a world war and/or an economic downturn in 11 out of the 14 cases. And as indicated in figure 3a, Justin Trudeau emerges the largest debt accumulator (5.6 percent) of any prime minister who did not experience a world war or an economic downturn during his tenure, and Sir Mackenzie Bowell (4.7 percent) came in second place on this measure. The third and final prime minister to increase federal debt without facing a global conflict or economic downturn was Sir John Abbott (0.7 percent). In contrast, five out of the eight prime ministers who did not experience a world war or economic downturn during their tenures successfully reduced federal

# Prime Ministers and Federal Debt, 2020

Figure 3a: Percent Change in (Inflation-Adjusted) Debt per Person over Prime Ministerial Tenures Without a World War or Economic Downturn

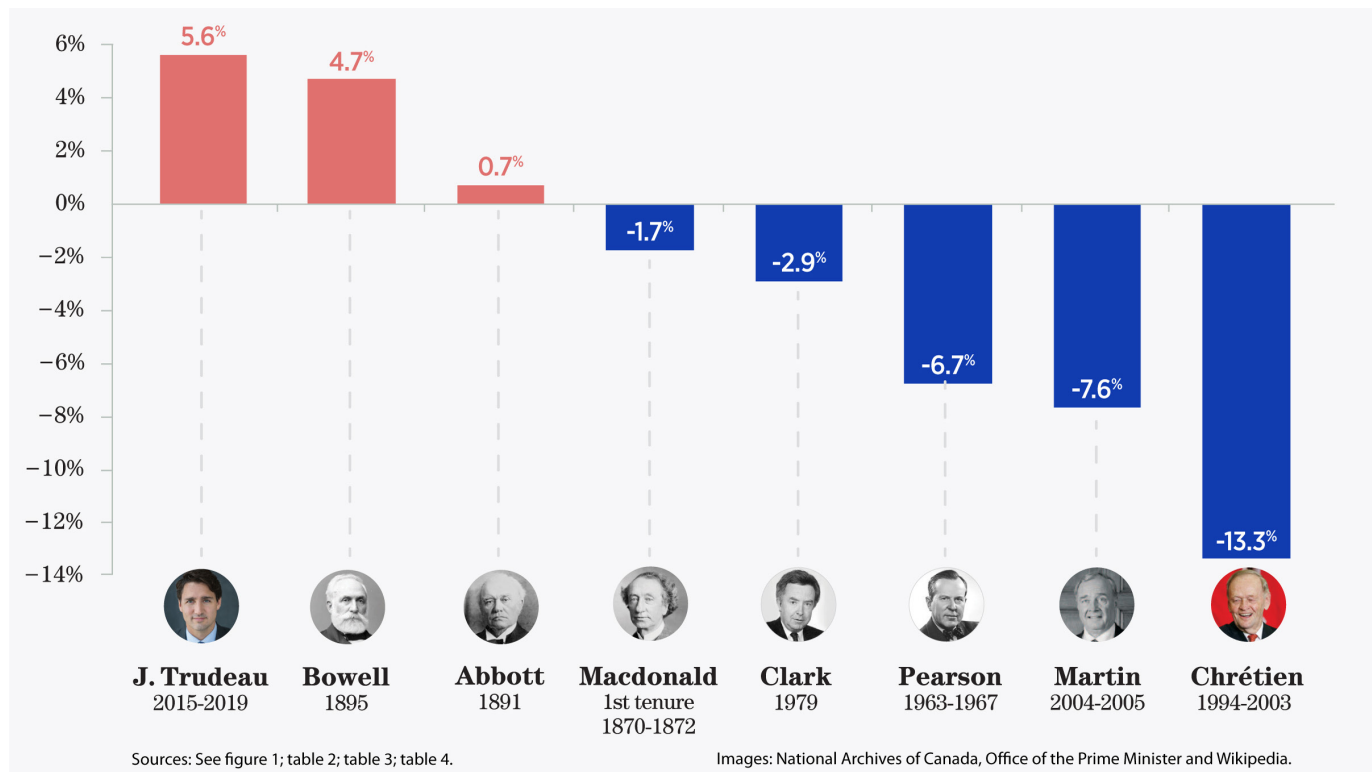
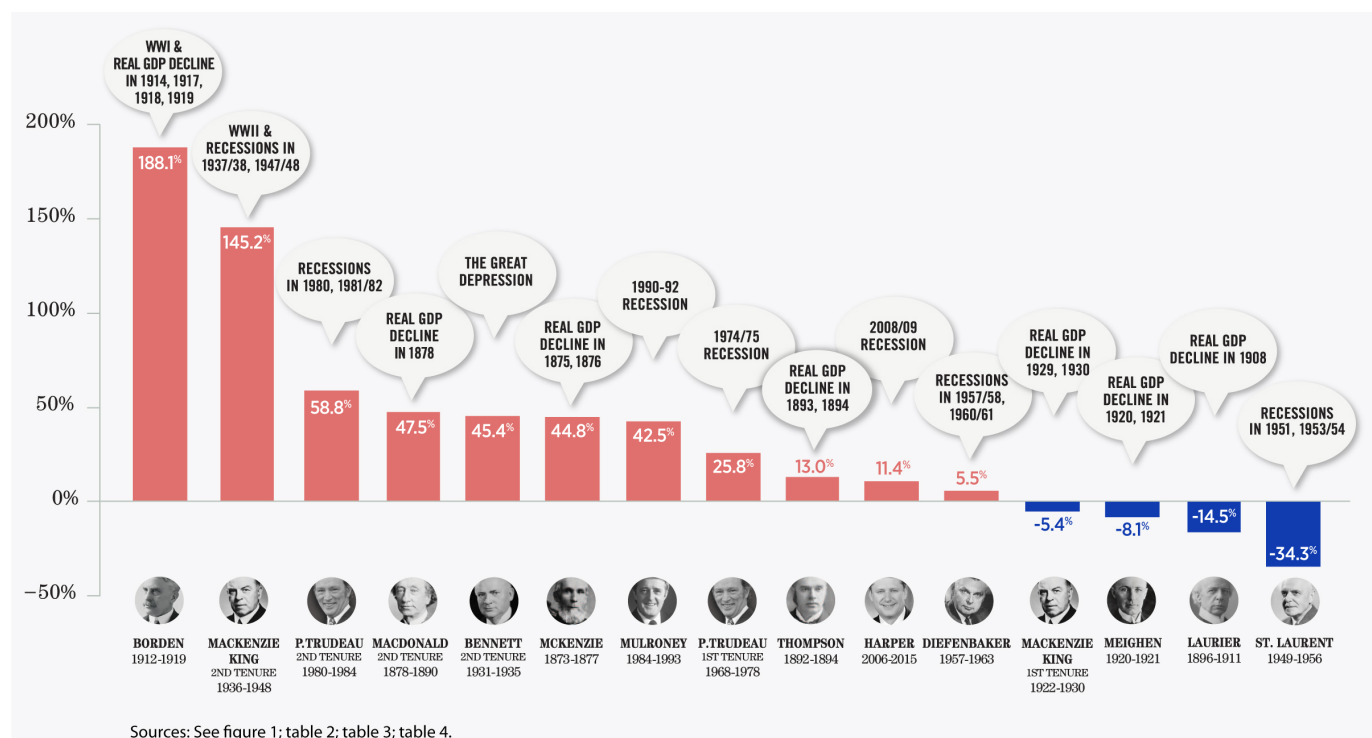


Figure 3b: Percent Change in (Inflation-Adjusted) Debt per Person over Prime Ministerial Tenures With a World War or Economic Downturn



# Prime Ministers and Federal Debt, 2020

debt per person. The list includes prime ministers Jean Chretien (-13.3 percent), Paul Martin (-7.6 percent), and Lester Pearson (-6.7 percent).

Changes in debt per person throughout the tenure of prime ministers during a world war or economic downturn appear in Figure 3b. The prime minister during World War I, Sir Robert Borden, oversaw by a wide margin the largest percentage increase in debt per person. Borden served from 1912 to 1919 and federal debt per person increased by 188.1 percent in that time. However, Borden's tenure coincided with a decline in economic growth in four out of the eight years that he was in office (1914, 1917, 1918, and 1919) in addition to fighting World War I.

William Lyon Mackenzie King oversaw the second largest percentage increase in debt per person (145.2 percent) during his second tenure. That tenure was between 1936 and 1948, which covered the period of World War II and four different economic downturns—two recessions (1937–38 and 1947–48) and two years of declining economic growth (1945 and 1946). In contrast, Mackenzie King attained a 5.4 percent reduction in federal debt per person during his first tenure, when there was no global conflict.

Pierre Trudeau recorded the next highest per-person debt increase during his second tenure. He increased debt by 58.8 percent,<sup>11</sup> which is less than half the increase during Mackenzie

King's second tenure.<sup>12</sup> However, Trudeau experienced multiple economic downturns during his second tenure as prime minister, as Cross and Bergevin (2012) identified 1980 and 1981–1982 as periods of recession. To illustrate, growth in economic output decreased by 1.5 percentage points in 1980 and by 3.2 percent in 1982.

The remaining prime ministers who oversaw per-person debt increases (as shown in Figure 3b) had increases ranging from 5.5 percent (John Diefenbaker) to 47.5 percent (Sir John A. Macdonald's second tenure). Similar to Mackenzie King, Sir John A. Macdonald managed to decrease per-person debt levels during his first tenure (-1.7 percent), but registered a significant increase in his second tenure. However, Macdonald encountered a declining GDP during 1878.

Four prime ministers reduced levels of per-person debt even though they faced economic downturns during their tenures. Louis St. Laurent recorded the largest debt reduction of any prime minister during his tenure. He succeeded in reducing per-person debt by 34.3 percent from 1949 to 1956 and accomplished this notwithstanding recessions in both 1951 and 1953–54. Similarly, Sir Wilfrid Laurier, Canada's seventh prime minister, oversaw a reduction in federal debt per person of 14.5 percent. Interestingly, the percent reductions during both St. Laurent's and Laurier's tenures are higher than the reduction during Jean Chrétien's tenure (-13.3 percent), which did not involve an

---

<sup>11</sup> During Pierre Trudeau's second tenure (1980–1984), a change in accounting practices meant that debt from federally-owned crown corporations was added to federal government debt. This is reflected in the Fiscal Reference Tables, which itemized an increase in the category of debt referred to as “other liabilities” from \$3.5 billion in 1982 to \$29.5 billion in 1983. To ensure a consistent time series for Pierre Trudeau's second tenure, the calculation for this tenure in figure 3 excludes “other liabilities.”

---

<sup>12</sup> Pierre Trudeau's two tenures in office were interrupted by a single year with the victory and subsequent defeat of Joe Clark in 1979. Pierre Trudeau's tenures are separated to be consistent with the method used with Sir John A. Macdonald and William Lyon Mackenzie King. If Pierre Trudeau's two tenures are combined, debt per person increased by 112 percent under him. (This total growth includes the 3 percent reduction under Joe Clark.)



# Prime Ministers and Federal Debt, 2020

economic recession. The final two prime ministers who oversaw reductions in per-person debt levels during global conflicts or economic downturns are Arthur Meighen (-8.1 percent) and William Lyon Mackenzie King in his first tenure (-5.4 percent).

## Conclusion

Federal debt per person changed remarkably and in different ways during the tenures of each Canadian prime minister from 1870 to 2019. Justin Trudeau is projected to be the largest debt accumulator among prime ministers who did not fight a world war or experience an economic downturn during their tenure. Sir John Abbott and Sir Mackenzie Bowell, Canada's third and fifth prime ministers respectively, are the only other prime ministers to increase federal per-person debt without experiencing a global conflict or an economic downturn.

## References

- Altman, Morris (1992). Revised Real Canadian GNP Estimates and Canadian Economic Growth, 1870-1926. *Review of Income and Wealth* Series 38, 4 (December): 455-474.
- Canada, Department of Finance (2015). *Budget 2015*. Government of Canada. <<http://www.budget.gc.ca/2015/docs/plan/toc-tdm-eng.html>>, as of November 21, 2019.
- Canada, Department of Finance (2019a). *Fiscal Reference Tables 2019*. Government of Canada. <<https://www.fin.gc.ca/ftr-trf/2019/ftr-trf-19-eng.pdf>>, as of November 21, 2019.
- Canada, Department of Finance (2019b). *Investing in the Middle Class: Budget 2019*. Government of Canada. <<https://www.budget.gc.ca/2019/docs/plan/budget-2019-en.pdf>>, as of November 21, 2019.
- Canada, Department of Finance (2019c). *Economic and Fiscal Update 2019*. Government of Canada. <<https://www.budget.gc.ca/efu-meb/2019/docs/statement-enonce/efu-meb-2019-eng.pdf>>, as of December 16, 2019.
- Chudik, Alexander, Kamiar Mohaddes, M. Hashem Pesaran, and Mehdi Raissi (2015). *Is there a Debt-threshold Effect on Output Growth?* IMF Working Paper WP/15/197. International Monetary Fund. <<https://www.imf.org/external/pubs/ft/wp/2015/wp15197.pdf>>, as of November 21, 2019.
- Clemens, Jason, and Milagros Palacios (2017). *Prime Ministers and Government Spending: A Retrospective*. The Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/prime-ministers-and-government-spending-retrospective.pdf>>, as of November 21, 2019.
- Clemens, Jason, Milagros Palacios, Mathew Lau, and Niels Veldhuis (2017). *End of the Chretien Consensus?* Fraser Institute. <<https://www.fraserinstitute.org/studies/end-of-the-chretien-consensus>>, as of November 21, 2019.
- Cross, Philip, and Philippe Bergevin (2012). *Turning Points: Business Cycles in Canada since 1926*. CD Howe Institute. <<https://www.cdhowe.org/turning-points-business-cycles-in-canada-since-1926/19364>>, as of November 21, 2019.
- Di Matteo, Livio (2017). *A Federal Fiscal History: Canada, 1867-2017*. The Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/federal-fiscal-history-canada-1867-2017.pdf>>, as of November 21, 2019.
- Fuss, Jake, Milagros Palacios, and Jason Clemens (2019). *Prime Ministers and Government Spending: 2019 Edition*. The Fraser Institute. <<https://www.fraserinstitute.org/studies/prime-ministers-and-government-spending-2019-edition>>, as of November 21, 2019.



# Prime Ministers and Federal Debt, 2020

- Lammam, Charles, and Hugh MacIntyre (2017). *An Analysis of Federal Debt in Canada by Prime Ministers since Confederation*. The Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/analysis-of-federal-debt-in-canada-by-prime-ministers-since-confederation.pdf>>, as of November 21, 2019.
- Lammam, Charles, Hugh MacIntyre, Feixue Ren, and Sazid Hasan (2017). *The Cost of Government Debt in Canada, 2017*. The Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/cost-of-government-debt-in-canada-2017.pdf>>, as of November 21, 2019.
- Parliament of Canada (2019). *Prime Ministers of Canada*. Web page. Parliament of Canada. <[https://lop.parl.ca/sites/ParlInfo/default/en\\_CA/People/primeMinisters](https://lop.parl.ca/sites/ParlInfo/default/en_CA/People/primeMinisters)>, as of November 21, 2019.
- Reinhart, Carmen, and Kenneth Rogoff (2010). Growth in a Time of Debt. *American Economic Review* 100, 2 (May): 573–78.
- Statistics Canada (2009a). *Canada Year Book 1940*. Government of Canada. <[https://www66.statcan.gc.ca/eng/acyb\\_c1940-eng.aspx](https://www66.statcan.gc.ca/eng/acyb_c1940-eng.aspx)>, as of November 21, 2019.
- Statistics Canada (2009b). *Canada Year Book 1950*. Government of Canada. <[https://www66.statcan.gc.ca/eng/acyb\\_c1950-eng.aspx](https://www66.statcan.gc.ca/eng/acyb_c1950-eng.aspx)>, as of November 21, 2019.
- Statistics Canada (2009c). *Canada Year Book 1960*. Government of Canada. <[https://www66.statcan.gc.ca/eng/acyb\\_c1960-eng.aspx](https://www66.statcan.gc.ca/eng/acyb_c1960-eng.aspx)>, as of November 21, 2019.
- Statistics Canada (2009d). *Canada Year Book 1967*. Government of Canada. <[https://www66.statcan.gc.ca/eng/acyb\\_c1967-eng.aspx](https://www66.statcan.gc.ca/eng/acyb_c1967-eng.aspx)>, as of November 21, 2019.
- Statistics Canada (2019a). Table 36-10-0130-01: Gross Domestic Product Indexes, Annual. Government of Canada. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610013001>>, as of November 21, 2019.
- Statistics Canada (2019b). Table 17-10-0005-01: Population Estimates on July 1st, by Age and Sex. Government of Canada. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501>>, as of November 21, 2019.
- Statistics Canada (2019c). Table 36-10-0104-01: Gross Domestic Product, Expenditure Based, Canada, Quarterly. Government of Canada. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610010401>>, as of November 21, 2019.
- Statistics Canada (2019d). Table 36-10-0103-01: Gross Domestic Product, Income Based, Quarterly (x 1,000,000). Government of Canada. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610010301>>, as of November 21, 2019.
- Statistics Canada (2019e). Table 36-10-0221-01: Gross Domestic Product, Income Based, Provincial and Territorial, Annual (x 1,000,000). Government of Canada. <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610013001>>, as of October 31, 2019.
- Urquhart M.C. (1988). *Canadian Economic Growth 1870-1980*. Discussion Paper No. 734. Queen's University, Economics Department.

# Prime Ministers and Federal Debt, 2020



**Tegan Hill** is a Junior Economist at the Fraser Institute. She holds a Bachelor of Economics and a Master's Degree in Public Policy from the University of Calgary. She specializes in government spending, taxation, and debt.



**Milagros Palacios** is the Associate Director of the Addington Centre for Measurement at the Fraser Institute. She holds a BSc in Industrial Engineering from the Pontifical Catholic University of Peru and an MSc in Economics from the University of Concepción, Chile.



**Jake Fuss** is a Policy Analyst at the Fraser Institute. He holds a Bachelor of Commerce and a Master's Degree in Public Policy from the University of Calgary.

## Acknowledgments

This bulletin was inspired by the 2017 work of Professor Livio Di Matteo and his analysis of the finances of Canada over its history (*A Federal Fiscal History: Canada, 1967–2017*) and related work by Jason Clemens and Milagros Palacios (*Prime Ministers and Government Spending: A Retrospective*). The authors would like to thank Charles Lammam and Hugh MacIntyre, who contributed to an earlier version of this study. They also thank Finn Poschmann for his review and invaluable feedback. The authors would also like to express their appreciation to the anonymous reviewers of earlier versions of this paper. Any remaining errors or omissions are the sole responsibility of the authors. As the researchers have worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters.

Copyright © 2020 by the Fraser Institute. All rights reserved. Without written permission, only brief passages may be quoted in critical articles and reviews.

ISSN 2291-8620

**Media queries:** For media enquiries, please contact our communications department via e-mail: [communications@fraserinstitute.org](mailto:communications@fraserinstitute.org); telephone: 604.714.4582.

**Support** the Institute: call 1.800.665.3558, ext. 574 or e-mail: [development@fraserinstitute.org](mailto:development@fraserinstitute.org)

Visit our **website:** [www.fraserinstitute.org](http://www.fraserinstitute.org)