



NEWS RELEASE

For Canada's 150th, warning signs that current federal deficit spending mirrors history

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VANCOUVER—Since Confederation, excluding wartime and recessions, there has only been one period in Canada's 150 year history when the federal government's role in the economy—and society more broadly—substantially grew, which in turn plunged the nation into chronic deficits, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

It began under Prime Minister Lester Pearson in the mid-1960s, and continued under Prime Minister Pierre Trudeau throughout the 1970s and early 1980s.

“Based on the new federal government's tax increases and new spending, the question is whether we're embarking on another period of government growth, financed by deficits and debt,” said Livio Di Matteo, an economics professor at Lakehead University, Fraser Institute senior fellow and author of *A Federal Fiscal History: Canada, 1867-2017*.

According to the extensive study—which tracks government spending and revenues from Confederation to the present—except for the First World War, the Great Depression, the Second World War, and the 2009 recession, the only other time the federal government kicked off a deficit-spending spree and expanded the size and role of the federal government was in the mid-1960s and 1970s under Pearson and then Pierre Trudeau.

In 1969/70, when Pierre Trudeau was first elected Prime Minister, federal program spending totalled \$12.9 billion, the estimated net federal debt was \$19.3 billion and the debt-to-GDP ratio was 23 per cent.

By the time Trudeau left office in 1984, having never balanced the budget, the deficit was \$37.2 billion, program spending hit \$84.3 billion, the net debt had ballooned to \$212.6 billion and the debt-to-GDP ratio was 42.2 per cent.

In the 2016/17 budget—the first of Prime Minister Justin Trudeau's government—program spending is projected to hit \$291.4 billion, a \$40 billion increase from 2014.

What's more, the federal government's net debt is forecasted to hit \$727.5 billion this year and \$759.5 billion in 2017/18.

“Because this federal government seems to be on the road to revisiting the damaging fiscal policies of the 1970s, Canadians should question whether we're embarking on another transitional period in history that, like Lester Pearson and Pierre Trudeau's time in office, will lead to years of deficits and ultimately another debt crisis,” Di Matteo said.

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