NEWS RELEASE

Canada’s high government spending and debt accumulation did not produce economic growth during COVID

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VANCOUVER—During the pandemic, despite high levels of government spending and debt accumulation, Canada’s economy underperformed compared to most other advanced countries, finds a new study published today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“While governments across Canada, particularly the federal government, increased spending markedly during COVID, it’s now clear we didn’t get much bang for our buck,” said Livio Di Matteo, professor of economics at Lakehead University, senior fellow at the Fraser Institute and author of Global Aftermath: The Economic and Fiscal Effects of COVID in Canada and the World.

Among 40 industrialized countries in 2020, Canada had the 5th highest increase in government spending as a share of the economy, and between 2019 and 2021, the 3rd largest increase in its total debt-to-GDP ratio, which means Canada accumulated debt at a higher rate than almost every other advanced country.

And yet, from 2019 to 2022, among the same 40 countries, Canada ranked 29th on per-person GDP growth (a common measure of prosperity), and had the 2nd largest drop in employment in 2020. Canada’s economic performance during the pandemic was in contrast to many other advanced countries—Ireland, for example, actually reduced its government debt (as a share of its economy) while increasing the rate of per-person economic growth more than any other industrialized country.

“It’s important for governments in Canada to understand the effects of their pandemic responses so they don’t repeat the same ineffective and costly policies in the future,” Di Matteo said.

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