



NEWS RELEASE

Government spending reductions and balanced budgets will help increase productivity growth, pave way for four-day work week

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For Immediate Release

TORONTO—In light of Ottawa’s huge budget deficit and mounting debt, the federal government should adopt a rule—legislated by Parliament—to push the government towards budget balance, which will help increase productivity growth and the possibility of a four-day work week, finds a new essay released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“When governments rack up high levels of debt to finance spending, private investment is crowded out, which of course lowers productivity growth,” said Jack Mintz, president’s fellow at the University of Calgary and author of the essay *Putting Government on a Financial Diet: The Role of Statutory Fiscal Rules*.

According to Mintz, the “balanced budget” rule should be legislated and possibly include annual federal deficit targets leading to budget balance.

To ensure transparency, Parliament should establish a council—independent from the government—to monitor Ottawa’s fiscal process, or instead direct the Parliamentary Budget Office to closely monitor the fiscal plan.

And if the government fails to achieve its fiscal targets, politicians should be penalized with salary reductions.

A separate essay finds that governments in Canada substantially exceed the optimal size of government to maximize economic growth and increase the possibility of a four-day work week.

Based on data from 17 developed countries from 1870 to 2016, the optimal size of government for economic growth ranges from 24 per cent to 32 per cent (as a share of the economy). However, since the 1970s the total size of government in Canada has ranged from 35 per cent to 53 per cent.

“The recent expansion of government spending during the pandemic should only be temporary because permanently increasing the size of government will likely mean higher taxes and slower productivity growth in the future, which is bad news for working Canadians and their families,” said Livio Di Matteo, professor of economics at Lakehead University, senior fellow at the Fraser Institute and author of the essay *Government Size and Economic Growth: An Overview*.

These essays are part of a series to be published by the Fraser Institute over the coming months, which focuses on policy reforms that can improve productivity growth and lay the foundation for a four-day work week.

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MEDIA CONTACTS:

Jack Mintz, President’s Fellow, University of Calgary
Livio Di Matteo, Senior Fellow, Fraser Institute

To arrange media interviews or for more information, please contact:
Mark Hasiuk, 604-688-0221 ext. 517, mark.hasiuk@fraserinstitute.org

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