



NEWS RELEASE

Chrétien government's historic 1995 budget restored sound fiscal policies in Ottawa; a stark contrast with current government

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VANCOUVER—Twenty-five years ago today, Jean Chrétien's federal government tabled a historic budget that tackled head-on the pressing fiscal challenges facing the nation, finds a new book of collected essays released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"The 1995 federal budget was historic not just for its bold fiscal reforms, but also for the 10-plus years of prosperity that followed as a result," said Jason Clemens, executive vice-president of the Fraser Institute and contributing editor of *The Budget That Changed Canada: Essays on the 25th Anniversary of the 1995 Budget*.

From 1969 to the mid-90s, successive federal governments didn't balance a single budget and the national debt ballooned from \$20 billion in 1969 to nearly \$600 billion by 1995. As a result, debt interest costs soared. In fact, by 1995, the federal government was paying \$39 billion—or more than one out of every three dollars of federal revenues—just in interest on the debt.

This was the fiscal crisis facing the Chrétien government when it tabled the 1995 budget, which included:

- **Smaller government:** The budget reduced program spending by 10 per cent over two years.
- **Balanced budgets:** Two years later, Ottawa produced a balanced budget for the first time in nearly three decades.
- **Reduced debt:** With balanced budgets, the government could pay down the national debt, which was reduced by \$100 billion (15.2 per cent) from 1996/97 to 2007/08.
- **Tax relief:** Due to the balanced budgets, the federal government was able to reduce personal and business income taxes, and capital gains taxes, spurring economic activity and improving competitiveness.
- **Improved federal-provincial relations:** The 1995 budget reformed transfer payments to the provinces, giving provincial governments more autonomy over how money was spent in their jurisdictions.

Crucially, the 1995 budget—and the foundation of prosperity that it produced—is the main reason Canada weathered the 2009 global recession better than almost any other country.

The current federal government, however, has explicitly rejected the successful policies of the 1995 budget by pursuing the opposite—large increases in discretionary spending financed by higher taxes and deficits, which has resulted in growing debt.

"As the federal government prepares to table its next budget, the anniversary of the historic 1995 budget is a good time to reflect on its successes, particularly given the fiscal policies the current government in Ottawa is pursuing," Clemens said.

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