A guide to debts, deficits and surpluses

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Q: What's the difference between a national deficit and the national debt?

A: A national deficit occurs when a government's annual expenditures exceed its revenues.

The national debt is the total of all past annual deficits since 1867.

Q: When did Canada last run a deficit?

A: The Canadian government ran a deficit for 27 consecutive years from 1970 to 1997,

amassing a total federal debt of $583 billion at the end of March 1997. At that time, the interest

payments on the debt totalled $45 billion a year. The government has not run a deficit since

March 1997.

Q: What was Canada's biggest deficit?

A: Between April 1992 and March 1993, the Canadian deficit topped out at $39 billion.

Q: What was Canada's largest surplus?

A: From April 1, 2000 to March 31, 2001 the Canadian government ran a $17.1 billion surplus,

its highest ever.

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Q: What's Canada's current debt?

A: Over the last decade, the government has managed to pay off more than $100 billion,

lowering its debt from $583 billion in 1997 to $467 billion by 2007.

Q: How does Canada's debt shape up in relation to the rest of the world?

A: For the last decade, Canada has stood out from the rest of the industrialized world as the

only G8 country to have run a surplus in 10 consecutive years.

By contrast, Britain, France, Japan and Germany have been running deficits adding to their

national debt, but none more so than the United States, which has been running such high

deficits that $1 billion is added to its national debt every day.

Q: Who are some past champions of Canadian deficits?

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A: Pierre Trudeau and Brian Mulroney both spent Canada deeper and deeper into debt during

the 1970s, 1980s and early 1990s.

Trudeau failed to balance the books for 15 years as prime minister. Mulroney never managed

to produce a surplus. The current federal debt is mostly an accumulation of deficits incurred

from their years in government of these two leaders.

Q: Why would someone ever want to run a short-term deficit?

A: Some argue that in times of economic trouble, a "deficit-financed fiscal stimulus" is actually

fiscally responsible. In layman's terms, this philosophy is basically: "You gotta spend money to

make money." The goal of a short-term deficit is to act as a stimulus to avoid a recession.

Government spending on services allows for job creation, which promotes growth, thus

combating a recession, thus "stimulating" the economy.

Q: Why would someone not want to run a short-term deficit?

A: Others say that running a short-term deficit is sort of like digging your way out of a hole.

Though it may stimulate the economy, it also adds to the national debt and will, eventually,

become a burden on taxpayers.