

## Lecture I: Reconstruction of Canadian Public Finances, 1995 – 2006

### A. Introduction

### B. Background

- New programs, increased spending in 1970s
- Slower growth, lagging tax revenues, deficits of 1970s and 80s
- Failure to control deficits despite first attempts, 1985 – 1995
- Effects of 1991-92 recession

### C. Post 1995 Spending Reforms

- Unemployment insurance reform
- Reduced social transfer payments to provinces
- Reaction by provinces: health care, education and other areas
- Increased spending on Research and direct assistance to university students after 1997

### D. Post 1995 Revenue Reforms

- First phase: personal income tax and other tax increases, 1995 – 1998
- Second phase: personal and corporate income tax cuts after 1998

### E. Conclusion

- Effects of post-1995 reforms on overall fiscal balance
  - o Achievement of surpluses each year since 1997
- Benefits of the reconstruction of public finances - - macro stability, growth, low inflation, exchange rate recovery?