

Majority of Canadians okay with Liberal deficits

By Bill Curry

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A majority of Canadians are supportive of the Liberal government's approach to running deficits, even though Prime Minister Justin Trudeau has faced months of criticism from Conservatives for abandoning a promise to balance the books.

A new survey by Nanos Research for the *Globe and Mail* found 52 per cent of those surveyed supported the view that Ottawa should continue to run deficits as long as the size of the federal debt is declining in relation to the size of the economy, which is the government's current view.

In contrast, 39 per cent agreed with the alternative position that the government should do what it takes to balance the budget before the next election.

Mr. Trudeau's successful 2015 election campaign was centred on a pledge to run short-term deficits of no more than \$10-billion a year before returning the federal books to surplus in time for the 2019 election. Finance Minister Bill Morneau has since revised those plans, arguing that economic growth forecasts are weaker than what had been assumed during the election campaign.

Mr. Morneau's Nov. 1, 2016 fiscal update projected a deficit of \$25.1-billion in the current fiscal year, followed by a \$27.8-billion deficit in 2017-18 and a \$25.9-billion deficit in 2018-19. The update said the federal debt as a percentage of GDP would decline from 31.8 per cent this year to 30.4 per cent in 2021-22.

Pollster Nik Nanos said the survey results show the Liberals have succeeded in making the case that deficits are justified in the current economic environment. However, he said the Conservative criticisms could ultimately take hold in the future if federal finances fail to improve.

"Canadians are ready at this particular point in time to stay the course, but the Liberals shouldn't think that this is *carte blanche* to run deficits in perpetuity or even higher deficits because that would probably be a longer-term political risk for them," he said.

Over the past year, Mr. Morneau has repeatedly declined to provide a new timeline for erasing the deficit. Instead, the government argues that it is focusing on the federal debt-to-GDP ratio as its guide, or fiscal anchor. Federal projections show the federal debt-to-GDP ratio is on track to decline slightly over the coming decades, even though annual deficits won't disappear until the 2050s.

The upcoming 2017 budget will be the Liberal government's next opportunity to provide an update on its deficit plans. Some economists, including the Conference Board of Canada's Craig Alexander, have called on Mr. Morneau to provide a clear plan for returning the books to balance in the medium term.

The size of the projected deficits likely mean that Mr. Morneau has little room to announce new spending in the 2017 budget.

David Herle, a Liberal strategist and polling expert with The Gandalf Group, has been analyzing Canadians' views on deficits for years. Using polling and focus groups, Mr. Herle advised former Liberal finance minister Paul Martin during the deficit-fighting budgets of the 1990s. He is also a campaign advisor to Ontario Liberal Premier Kathleen Wynne, who has faced criticism for running deficits but is promising a return to surplus this year.

Mr. Herle said the mid-1990s was a rare moment in political history when Canadians viewed large deficits as the source of pain in the larger economy. The Liberals also faced an emerging opposition force in the form of the

Reform Party that pushed aggressively for spending restraint.

Outside of that period, however, Mr. Herle said Canadians tend not to view deficits or GDP figures as having much of an impact on their daily lives. While he said conservative voters are more likely to push for balanced budgets, a federal move toward austerity to balance the books would be highly unpopular given the current state of the economy.

“You just have a hard time convincing many people in Canada right now that the government’s balance sheet is of greater concern than their own,” he said. “People are comfortable with the trade-off... Any government that tried to extract \$30-billion out of its spending right now would be done.”

The hybrid phone and online survey of 1,000 Canadians took place between Feb. 25 and Feb. 28, 2017. The margin of error is plus or minus 3.1 percentage points, 19 times out of 20.