

# Ottawa's 'primary' focus is spending to spur growth

**Finance Minister Bill Morneau says he's committed to eliminating the rapidly growing deficit eventually, but says his main goal is spending to stimulate the economy.**



Adrian Wyld / CP

Time for a reality check? Minister of Finance Bill Morneau is pledging to stay the course and fulfill a pledge to spur economic growth by spending on things such as infrastructure, but the projected deficit is ballooning due, in part, to the slump in the price of oil.

**By:** [Bruce Campion-Smith](#) Toronto Star, Ottawa Bureau, Published on Tue Feb 23 2016

OTTAWA—Finance Minister Bill Morneau says he's committed to eliminating the rapidly growing deficit eventually, but says his "primary" goal right now is spending federal funds to help spur the economy.

A day after revealing that the Liberal government will post a string of surprise deficits, Morneau defended his government's intention to push ahead with new spending measures in the Mar. 22 budget that will drive up the deficit even more.

"Our objective remains to balance the budget. My primary interest is making investments in our economy to grow the economy . . . We will be prudent along the way," Morneau said Tuesday.

"We recognize that in a time of economic challenge . . . that the first, and right, priority for Canadians and for Canada is to invest in our economy," Morneau said during an appearance before the Commons' finance committee.

A key program for the Liberals is their promise to boost infrastructure spending by an additional \$60 billion over the coming decade, on top of the \$65 billion that was already earmarked.

Morneau said the investments would be “smartly focused on things that will help our economy over the long term.”

But economic clouds threaten to overshadow that budget narrative.

Morneau took the unusual step Monday of releasing fiscal forecasts and deficit numbers just a month before the budget and they paint a bleak picture of Ottawa’s finances.

He revealed deficit projections of at least \$18.4 billion in 2016-17 and \$15.5 billion in 2017-18 — far above the estimates laid out by the Liberals last November.

But, as those numbers don’t include the budget measures, the deficit is certain to go higher, perhaps topping \$25 billion in 2016-17.

While Morneau offered no timeline to return the books to surplus, he did promise that the debt-to-GDP ratio would be reduced over the coming years.

And he suggested that the public is onside with the Liberal strategy, saying that voters chose “investment” when they cast their ballots in the fall election.

“We made significant commitments to Canadians to invest to grow our economy. We also told Canadians we would be prudent along the way,” Morneau said.

Conservative MP Lisa Raitt pressed Morneau how the fiscal picture turned so bad so quickly, charging that her party left the federal books in the black prior to the October election.

“Is it not the case that you are spending more, you are eroding the surplus that was handed to you by a Conservative government?” Raitt asked.

Morneau refuted the claim, saying that the Conservatives’ own analysis showed the federal government would have posted a deficit for 2015-16 because of declining revenues and increased expenses in the last few months of the year.

The finance minister suggested that the fiscal strategy offered by the Conservatives and New Democrats in the last election — the promise of a balanced budget — would have sparked an economic downturn.

Such a promise would have required big tax hikes and sweeping cuts to federal programs “at precisely the wrong time,” he said.

“This would have led to massive job losses in a time of already high unemployment. This would have led to program cuts at a time when regions and population segments needs those programs most,” Morneau said.

“To be frank, this likely would have led us into another recession,” the finance minister said.