almost half a century ago, in 1951–52. The government is committed to balanced budgets, or better, in both 1999–2000 and 2000–01. This will mark four consecutive years in which the budget will be in balance or surplus. These targets are based on prudent economic planning assumptions and include a contingency reserve of $3 billion each year. The unused portion of the contingency reserve will be used to pay down the public debt.

A financial surplus of about $11.5 billion is expected in 1998–99. This means that for the third consecutive year, the government did not have to borrow new money on financial markets to pay for its programs or for interest on the debt. With a commitment to balanced budgets, or better, in each of the next two fiscal years, the government will be in a net financial surplus position. The government will use the financial surplus to pay down its debt.

Financial requirements and financial surpluses are the measures by which most industrialized countries calculate their budgetary balance. Using this measure, the federal government will post a financial surplus for the third consecutive year in 1998–99 — the only G-7 country to do so.

Tackling the Debt

The federal government is committed to reducing the absolute level of the debt through its Debt Repayment Plan. This plan, along with economic growth, will ensure that the debt-to-GDP ratio continues downward. The plan has already been a success. The federal debt ratio fell significantly in 1997–98 and by 2000–01 is expected to be about 10 percentage points below 1995–96.

Similar progress at the provincial level has sharply reduced the total government (federal, provincial and local) debt-to-GDP ratio. The OECD projects that in 2000 Canada's total government net debt-to-GDP ratio will fall to close to the G-7 average. This is a significant improvement from 1997 when it was 20 percentage points above the G-7 average.