

THE COST OF QUEBEC'S PUBLIC DEBT

FIRST EDITION

Figures of the Public Debt

As of March 31, 2004, the total debt of the Government of Quebec was \$114,798 million (excluding anticipated loans), or roughly \$115 billion. (Ministère des Finances du Québec [MFQ], 2-23) By April 1, 2004, the population of Quebec was estimated by Statistics Canada as being up to 7,520,938 people. (Government of Quebec, 6) In other terms, that means that in 2003 the public debt represented \$15,263.79 per individual.

The Service of the Debt

Being balanced, the revenues of the 2003-2004 budget of the Government of Quebec were equal to its spending. The spending accounted for \$52 billion (MFQ, 2-34, 35) which roughly represents \$6,255 per individual. During that financial year, the cost of supporting the debt, that is, the service of the debt, amounted to \$6,668 million or, 12.7 per cent of the total budget. It also represents \$900 per individual. That means that if the debt were to be quenched, there would be an extra \$900 loose per individual in the annual budget of the Quebec government.

Without the public debt, the government could do one of the following three investments while delivering surpluses:


- Double its spending in the 16 ministries mentioned in the box on the right; or
- Increase the budget of the Ministry of Education by 50 per cent; or
- Increase the budget of the Ministry of Health and Social services by 35 per cent.

The \$6,668 million that make up the annual burden of the debt exceed the total budgets of the ministries of Public Security, Economic and Regional Development and Research, Agriculture, Fisheries and Food, Revenue, Justice, Culture and Communications, the Conseil du trésor and Government Administration, Natural Resources, Wildlife and Parks, Relations with the Citizens and Immigration, the Environment, the Conseil exécutif, Finances (excluding the service of the debt), International Relations, Labour and the expenses of the National Assembly and the people it designates all combined.

From a different stand, without a debt, the government would have the option of carrying out one of the three following reductions while delivering additional surpluses:

- Reduce personal income tax by 40 per cent; or
- Reduce the Provincial Services Tax (PST) from 7.5% to 2%; or
- Eliminate the 15.2-cent-per-litre tax on gas (provincial gas tax), eliminate corporate income tax and eliminate all the rights and licences (for example, on automobile vehicles, alcohol and natural resources)

The Interest Rate

In March 2004 the public debt was \$115 billion big and was accompanied by an annual burden of \$6.7 billion. The average interest rate of the debt was 5.81 per cent. Considering that interest rates rise and fall throughout time and considering that interest rates are at very low levels, it is reasonable to believe that the average interest rate of the debt will increase some time soon. Although small, a two per cent hike of the debt's average interest rate implies an increase of \$2.3 billion per year for the service of the debt and that amounts to four per cent of the provincial budget (the total service of the debt would then represent 17 per cent of the provincial budget.) If Quebec does not wish to fall back into deficits, such increase will have to be dealt with. The \$2.3 billion is equivalent to the budgets of the ministries of Public Culture and Communications, the Conseil du trésor and Government Administration, Natural Resources, Wildlife and Parks, Relations with the Citizens and Immigration, the Environment, the Conseil exécutif, Finances (excluding the service of the debt), International Relations and Labour all combined. 

Source:

Government of Quebec; Visions du Québec: Comparaisons statistiques;
http://www.gouv.qc.ca/Vision/Statistiques_comp/Statistiques_comp_fr.html ; June 2004
Ministry of Finances of Quebec; *Budget 2004-2005: Plan budgétaire*; Bibliothèque nationale du Québec; March 2004; 171 pages

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