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Prime Minister Stephen Harper speaks during the Asia-Pacific Economic Co-operation Summit in Lima.

DEFICITS ESSENTIAL, HARPER SAYS

LIMA (TorStar)

Against the backdrop of a collapsing world economy, Prime Minister Stephen Harper drew on memories of the Great Depression on Saturday as he outlined his strongest arguments yet for the need to rack up government deficits. He also hinted at his willingness to bail out "badly run institutions," an intriguing reference at a time when the Big Three automakers are soliciting

government aid.

"The world is entering an economic period unlike, and potentially as dangerous as, anything we have faced since 1929," he said, in a speech to business moguls in Peru's capital for the Asia Pacific Economic Co-operation forum.

With central banks no longer able to keep the economy limping along, he said the world now faces "the classic circumstances under which budgetary deficits are essential."

The Prime Minister outlined his intellectual journey from deficit hawk to Keynesian spender, pointing out he had entered politics at a time when federal spending always outpaced revenues.

"I say this with some reluctance," he said. "I began my political career about 20 years ago in a fledgling new political party [Reform] and I did so in part to campaign for the necessity of fixing that structural deficit."

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