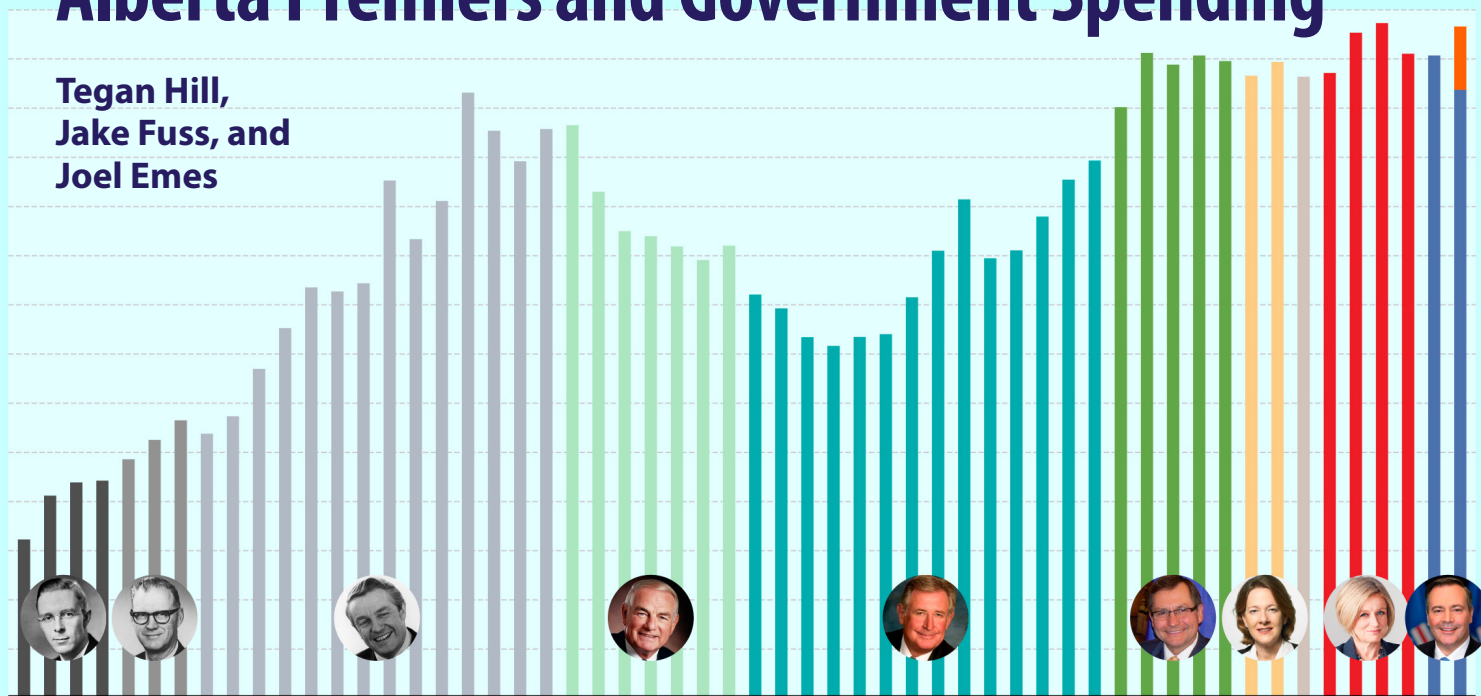


Alberta Premiers and Government Spending

Tegan Hill,
Jake Fuss, and
Joel Emes



Summary

- This bulletin reviews annual per-person program spending (inflation-adjusted) by Alberta premiers since 1965.
- There are two main periods of prolonged increases in per-person spending. The first runs from the mid-1960s to early 1980s. Specifically, per-person spending increased from \$3,216 in 1965 to \$12,305 in 1982.
- After generally decreasing over the next decade and a half, a second period of prolonged per-person spending growth began in the late 1990s. Per-person spending increased from \$7,154 in 1996 to \$13,114 in 2008, ushering in a new era of permanently higher spending.
- The highest single year of per-person spending (\$13,719) between 1965 and 2020 was under Premier Rachel Notley in 2017. In fact,

the provincial government spent more in 2017 than it did during COVID-19 in 2020.

- The second highest year of per-person spending (\$13,649) occurred in 2020 during COVID-19 under Premier Jason Kenney. Non-COVID-related spending was \$12,347 per person that year.
- Overall, Premier Ernest Manning recorded the largest average annual increase in per-person spending (11.7%), though data are only available for four fiscal years of his tenure (1965 to 1968). Harry Strom (1969-1971) recorded the next largest increase at 8.5%, and Peter Lougheed (1972-1985) followed at 5.8%.
- Two periods—the Redford-Hancock-Pren-tice period and the Don Getty period—recorded average per-person declines.

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Introduction

It's informative to look back at government fiscal policy decisions to compare the budgetary choices and circumstances of different governments while providing context to the current state of provincial finances. This bulletin reviews the spending records of Alberta governments segregated by the different premiers.¹ Specifically, it examines the Alberta provincial government's per-person (inflation-adjusted) program spending since 1965,² divided into periods based on the different premiers. Our intention is to provide a historical analysis of this key measure of government fiscal policy, which is often neglected because consistent data is not easily accessible.

Methodology

This bulletin focuses on program spending by the premiers and excludes interest costs on government debt. If interest costs were included, it would penalize or reward premiers based on the accumulated debt prior to their tenure, and/or prevailing interest rates, both of which are out of the government's immediate, direct control.³

¹ The foundation for this analysis is based on *Prime Ministers and Government Spending: A Retrospective* (2017).

² We thank the anonymous reviewer who provided a second data source (Boothe 1995), which will enable us to extend the analysis back to 1905. While this version of the bulletin focuses on the years 1965 to 2020, our intention in later versions is to integrate the larger dataset to extend the series.

³ Debt-servicing costs are influenced by both the level of debt accumulated from previous governments and prevailing interest rates. However, that is not to say that the policies of the current government do not influence debt-servicing costs. Deficits add to near-term debt accumulation, and deficit-fi-

The study uses Finances of the Nation government revenue and expenditure data (REAL),⁴ which is built from three Statistics Canada publications: *Public Finance Historical Data* (PFHD) for 1965 through 1992; *Federal, Provincial and Territorial General Government Revenue and Expenditure* (FPRTE) for 1989 through 2009; and Canadian government finances statistics (CGFS) for 2009 to present. Data are available up to the fiscal year 2020-21. Accounting conventions are comparable through time within each period, but there are differences among the three periods. The creators of the REAL dataset adjust the data to make them more comparable.⁵

The study uses data based on government fiscal years, which begin April 1st and end March 31st. Throughout the analysis we refer to government fiscal years by the first year only. Thus, fiscal year 2020-21, for instance, we simply refer to as 2020. We do this both for simplicity and because the majority of the government's fiscal year occurs in the first year referred to.

It's important to adjust for population as it can influence aggregate program spending. Indeed, the same amount of increased spending can look different depending on whether a province has experienced strong, modest, or negative population growth (i.e., a decline in the population). This study therefore adjusts provincial

nanced spending can influence the risk premium on government debt, both of which can have an impact on interest costs.

⁴ See <https://financesofthenation.ca/data/>

⁵ Note that discrepancies are generally less than five percent (and are often much smaller) at the points where the datasets overlap. You can learn more about the adjustments made in the User Guide to the Finances of the Nation REAL data (<https://financesofthenation.ca/real-fedprov/>).

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Table 1: Terms and Political Party of Alberta's Premiers

Premier	Party	Tenure as premier
Alexander Rutherford	Liberal Party	1905-1910
Arthur Sifton	Liberal Party	1910-1917
Charles Stewart	Liberal Party	1917-1921
Herbert Greenfield	United Farmers	1921-1925
John Edward Brownlee	United Farmers	1925-1934
Richard Gavin Reid	United Farmers	1934-1935
William Aberhart	Social Credit Party	1935-1943
Ernest Manning	Social Credit Party	1943-1968
Harry Strom	Social Credit Party	1968-1971
Peter Lougheed	Progressive Conservative Party	1971-1985
Don Getty	Progressive Conservative Party	1985-1992
Ralph Klein	Progressive Conservative Party	1992-2006
Ed Stelmach	Progressive Conservative Party	2006-2011
Alison Redford	Progressive Conservative Party	2011-2014
Dave Hancock	Progressive Conservative Party	2014
Jim Prentice	Progressive Conservative Party	2014-2015
Rachel Notley	New Democratic Party	2015-2019
Jason Kenney	United Conservative Party	2019-2022

Source: The Canada Guide (2022).

program spending by population to calculate per-person spending. We use Statistics Canada's Table 17-10-0009-01 for population data.

This study also adjusts program spending data for inflation so that spending in the 1960s is comparable with spending in 2020. The consumer price index is used to adjust for inflation. Data are taken from Statistics Canada's Table 18-10-0005-01. Provincial per-person program (inflation-adjusted) spending is simply referred to as "per-person spending" hereafter.

As a first step, it is necessary to understand that Alberta's premiers had varying tenures. Table 1 lists Alberta's 18 premiers since 1905, their terms, and their affiliated parties. There are a few unusual situations, including several premiers that served quite short terms or in what could be categorized as transitional periods. For instance, Harry Strom became premier upon Ernest Manning's retirement in 1968, but served just two and a half years before being defeated by Peter Lougheed's Progressive Conservative government in 1971.

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Table 2: Alberta's Premiers and Budgets, By Year

Premier (budget)	Years	Number of budgets
Ernest Manning	1965-1968	4
Harry Strom	1969-1971	3
Peter Lougheed	1972-1985	14
Don Getty	1986-1992	7
Ralph Klein	1993-2006	14
Ed Stelmach	2007-2011	5
Alison Redford	2012-2013	2
Redford-Hancock-Prentice	2014	1
Rachel Notley	2015-2018	4
Jason Kenney	2019-2020	2

Note: Although Ernest Manning served as premier for 26 years (1943-1968), there are only four years of available data during his tenure (1965-1968).

Details on the allocation of specific budgets:

- The 1971 budget was allocated to Harry Strom since he served as Premier for nearly half the fiscal year and delivered the budget.
- The 1985 budget was allocated to Peter Lougheed as he served as Premier for more than half the fiscal year and delivered the budget.
- The 2011 budget was allocated to Ed Stelmach even though Alison Redford was elected as leader of the Progressive Conservative party in October of 2011. Stelmach delivered the budget and was in office for just over half the fiscal year.
- The 2014 budget was split between three Premiers. While Redford delivered the budget, Dave Hancock served as interim Premier from March 2014 to September 2014. Prentice is appointed in September 2014.
- The 2015 budget was allocated to Rachel Notley as she was elected in May and presented a new budget (Prentice lost the May 2015 election and as such his budget was not implemented).
- The 2019 budget was allocated to Jason Kenney since he was elected on April 30, 2019 and presented a budget in October 2019. Jason Kenney presented the 2022 budget before stepping down as premier, however, this does not affect the period of analysis used in this study, which goes to fiscal year 2020-21.

Source: The Canada Guide (2022).

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A notable transitional year was 2014. Alison Redford delivered the 2014 budget before stepping down as premier in March. Dave Hancock then served as acting premier for six months from March 2014 to September 2014 before being replaced by Jim Prentice. Jim Prentice served approximately eight months before losing the May 2015 election to Rachel Notley.

Finally, Jason Kenney is identified as the premier from 2019 to 2022, which covers the end date of available data (2020-21). In other words, the premier's announcement that he would be stepping down in 2022 does not affect this essay's analysis. It's important to note these unique situations in any assessment of the spending records of Alberta premiers.

We needed to make discretionary decisions about which premier was to be designated responsible for each specific budget, particularly in years when there were changes in government. Table 2 summarizes the allocation of budget years to premiers from 1965 to 2020.⁶ It includes a list of the decisions made with respect to allocating specific budgets in years where there was an election or a transition within the governing party's leadership such that the premiership changed.

We used two factors to decide which premier was allocated a specific budget year. The first and most important was the premier's length of time in office during the fiscal year. When the fiscal year is fairly evenly split between two or more premiers, the situation is resolved by considering a second factor: which premier delivered the original budget, setting the foundation for spending that year. For example, 1971 was allocated to Harry Strom rather

er than Peter Lougheed, as Strom delivered the budget and served as premier for nearly half the year. Similarly, we allocated 2011 to Ed Stelmach rather than Alison Redford as Stelmach delivered the budget and was in office for just over half the year.

Per person spending in Alberta: 1965 to 2020

Figure 1 shows per-person spending beginning in 1965. Table 2 lists the specific budget periods allocated to each premier.

There are a number of interesting points worth noting in figure 1. From 1965 to 2020, per person spending increased from \$3,216 (in 2020 inflation-adjusted dollars) to \$13,649. Put simply, Alberta's provincial government per-person spending increased substantially over the 55-year period.

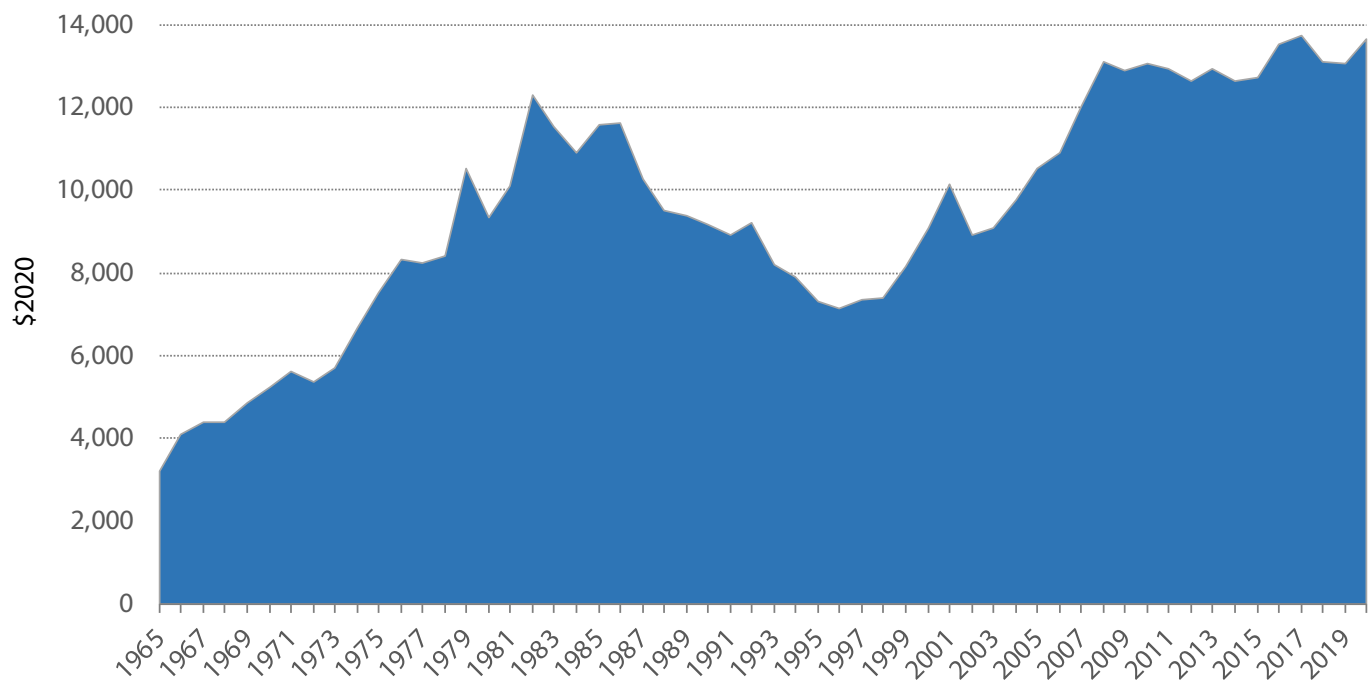
As figure 1 shows, there are two main periods of prolonged increases in per-person spending. The first runs from the starting point in the 1960s to the early 1980s. It began under Premier Ernest Manning, when per-person spending increased by 27.7% from \$3,216 to \$4,106 in the single year from 1965 to 1966. It increased further in the final two years of the Ernest Manning period and continued to grow throughout Harry Strom's tenure. By 1971, Harry Strom's last fiscal year as premier, per-person spending was \$5,637.

Peter Lougheed's tenure as premier is characterized by two periods. The first, running from 1972 when he became premier to 1979, generally corresponded with a period of relatively high oil prices and rapidly increasing resource revenue for the provincial government (Alberta,

⁶ At the time of writing, Finances of the Nation provides comparable data from 1965 to 2020.

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Figure 1: Per Person Program Spending in Alberta (\$2020), 1965 to 2020



Sources: Finances of the Nation, Government Revenue and Expenditure; Statistics Canada Tables 18-10-0005-01 and 17-10-0009-01.

2021).⁷ It included significant and nearly uninterrupted increases in per-person spending. More specifically, per-person spending grew from \$5,637 in 1971 to \$10,516 in 1979.

In the second period, despite lower resource revenue compared to the peak in 1979, per-person spending continued to climb, reaching a new high of \$12,305 in 1982. It then fell in 1983

⁷ Relatively high resource revenue can put pressure on governments to increase spending. One way to help avoid this is to introduce a new fiscal rule that designates a stable amount of resource revenue for the budget, with any excess saved in a fund to be withdrawn to cover the shortfall when resource revenue in any given year is below the set amount. See Hill, Emes, and Clemens (2021) for more information.

and 1984 before increasing in Lougheed's last year in office (1985). All told, over Lougheed's tenure, per-person spending more than doubled (105.1%).

Don Getty's time as premier generally saw annual declines in per person spending. Overall, per-person spending fell from \$11,564 in 1985 to \$9,192 in 1992, the last year of Don Getty's tenure.

In the Klein era (1993-2006), per person spending increased by 18.8%, a fact that is not generally in line with public perceptions of that period. The gap between the data and public opinion is a result of the Klein period, like the earlier Lougheed period, having two distinct phases.

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The first period, from roughly 1993 to 2002, is marked by spending reductions and restraint. In fact, Klein helped usher in an era of spending reform across Canada and across political parties.⁸ With a goal of balancing the budget guiding the provincial government's spending decisions, per-person spending declined 22.2% from \$9,192 in 1992 to \$7,154 by 1996.

Per person spending began to increase in 1997, after the province balanced its budget in 1994-95 and began successfully paying down its public debt. Per-person spending increased by 11.5% in 2001, reaching \$10,133 per person that year. This double-digit increase mainly reflects a one-time spending rise in Budget 2001 (Alberta, 2001), which also helps to explain the 11.8% decline in per-person spending (to \$8,933) the following year, 2002. Over the full 10-year period, per-person spending was still 2.8% lower in 2002 than it was in 1992. Put differently, the first period of the Klein era was characterized by deep spending reductions followed by some level of restraint such that overall per person spending adjusted for inflation was essentially the same in 2002 as it was in 1992.

By 2003, the Klein government's spending policies had clearly shifted, marking its second distinct phase and ushering in a period of spending growth. Figure 2, based on the same data as figure 1, focuses on this later period, showing per-person spending from 2002 to 2020.

As figure 2 shows, per-person spending in Alberta began to increase consistently starting in 2003, particularly once the province became debt free (2000-01) and no longer had a clear fiscal anchor guiding its spending decisions (Milke and Palacios, 2015; Clemens et al.,

2017; Kneebone and Wilkins, 2018; Hill, Eisen, and Palacios, 2021). Notably, the provincial government was also experiencing another period of relatively high resource revenue (Hill, Emes and Clemens, 2021). Overall, per-person spending increased to \$10,923 in 2006, the last year of Ralph Klein's premiership—a 22.3% increase from 2002 and an 18.8% increase relative to 1992.

The trend for increased spending continued during the Ed Stelmach period. By the 2008 financial crisis, per-person spending had reached a record high (to that point) of \$13,114. Despite a small 1.8% decline in 2009, per-person spending remained at near record high levels, marking an era of permanently high spending that has exceeded \$12,500 per person every year since.

Per-person spending growth remained flat (averaging 0.0% annually) over Alison Redford's fairly short tenure as premier, which lasted from 2012 to 2013 in budget terms. It's worth noting, however, that the per-person spending increase in 2013 (2.2%) largely reflected one-time spending to help with relief for the historic floods of that year (Alberta, 2014). Absent this one-time spending, per-person spending declined by 4.2% that year.

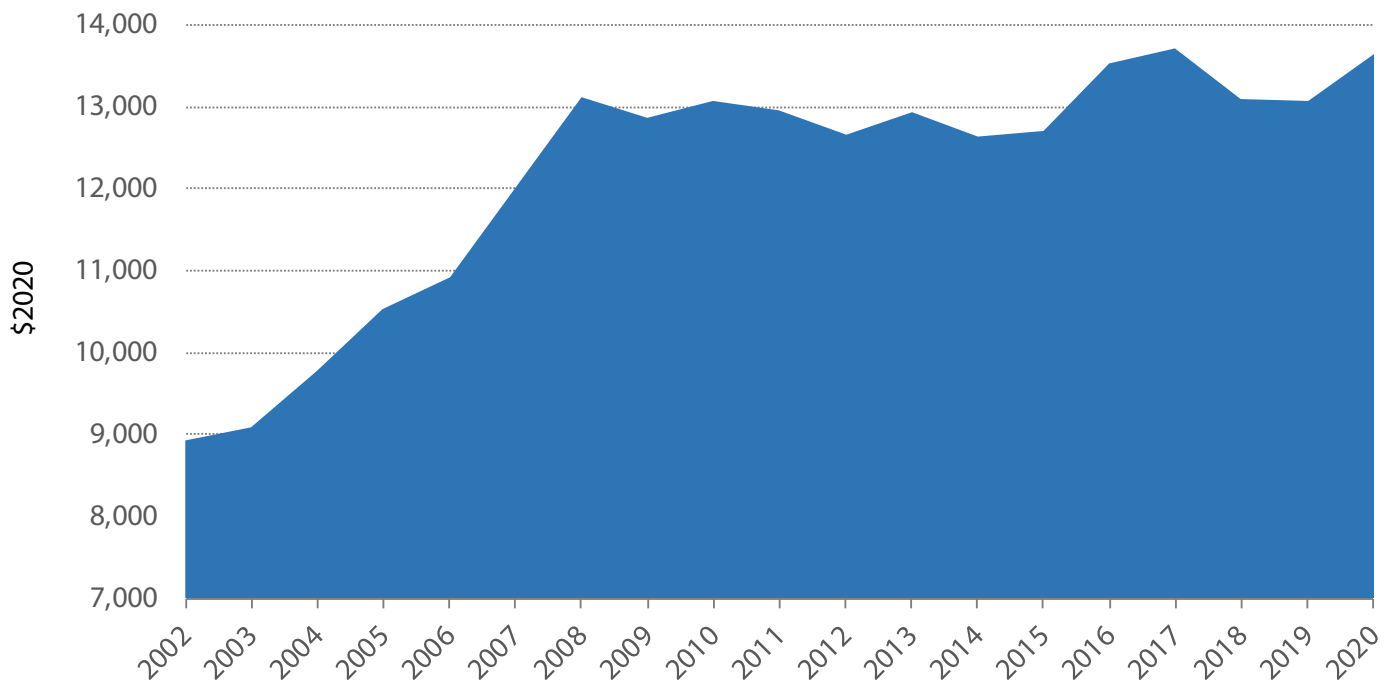
Per-person spending decreased slightly during the Redford-Hancock-Prentice year in 2014 (by 2.3% to \$12,628) before increasing under Premier Rachel Notley. By 2017, Premier Notley had increased per-person spending to its highest level on record—\$13,719. During the Notley period, per person spending increased 3.7%.

Despite COVID-related spending in 2019 and 2020, Rachel Notley continues to hold the record for the highest level of spending per person (inflation adjusted) over the period of analysis. Indeed, under Jason Kenney, per-person

⁸ For a thorough discussion of this period, see Clemens et al. (2017).

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Figure 2: Per Person Program Spending in Alberta (\$2020), 2002 to 2020



Sources: Finances of the Nation, Government Revenue and Expenditure; Statistics Canada Tables 18-10-0005-01 and 17-10-0009-01.

spending was \$13,058 in 2019, with non-COVID related spending at \$12,697. In 2020, per-person spending was \$13,649 (the second highest level on record) with non-COVID related spending at \$12,347 per-person.⁹

Ranking premiers on changes in per-person spending (inflation adjusted)

For additional context, figure 3 shows the average annual change in per-person spending during the tenure of each premier. Specifically, it presents the rank for the premiers based on the average annual change in per-person spending

from the year before they took office as premier to their last budget.¹⁰

As shown, Ernest Manning ranks as having the highest average annual increase in per-person spending (11.7%). This mainly reflects an increase of 27.7% in 1966, the largest annual increase on record, though it must be emphasized that the period does not include Ernest Manning's full tenure due to data limitations.

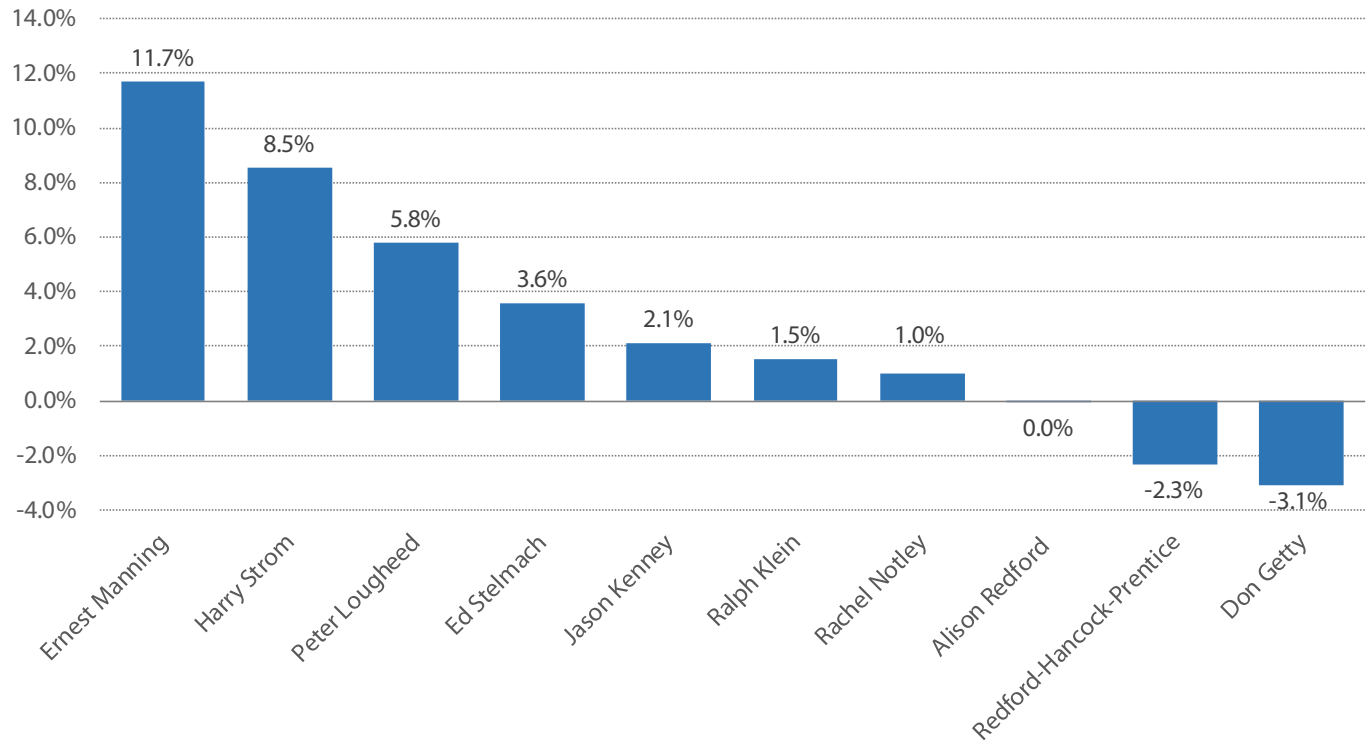
The second highest average annual change in per-person spending came under Premier Harry Strom at 8.5%. Similar to the Ernest Manning period analyzed, the Harry Strom period was

⁹ To be clear, this analysis does not include fiscal year 2021/22, which had the highest level of nominal COVID-related spending.

¹⁰ Due to data limitations, the base year for Ernest Manning is 1965.

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Figure 3: Ranking of Premiers by Average Annual Change in Per Person Spending, 1965-2020 (\$2020)



Sources: Finances of the Nation, Government Revenue and Expenditure; Statistics Canada Tables 18-10-0005-01 and 17-10-0009-01.

relatively short as he served just two and a half years as premier.

Harry Strom's average annual increase in per-person spending ranks him higher than Peter Lougheed, who sits in third place (5.8%). The majority of the Peter Lougheed period (1972 to 1985) corresponded to a period of high resource revenues, which have been linked with spending increases (Kneebone and Wilkins, 2018; Hill, Emes, and Clemens, 2021).

Premier Ed Stelmach oversaw the fourth highest average annual change in per-person spending (3.6%). Ed Stelmach is the premier responsible for the highest annual average in-

crease in per-person spending during the second period of significant spending growth which began in the late 1990s.

Per-person spending increased by an annual average of 2.1% during Jason Kenney's period as premier. But once COVID-related spending is removed, Jason Kenney moves from an annual average increase of 2.1% to a decrease of 2.9%.

Ralph Klein is the premier responsible for the sixth highest average annual increase in per-person spending (1.5%). Recall that the Ralph Klein era was defined by two distinct periods; one of spending reductions and restraint, and another of consistent spending increases. For

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context, per-person spending increased by 0.1% annually from 1993 to 2002, while it averaged 5.2% growth from 2003 to 2006.

Per-person spending growth averaged 1.0% annually during Rachel Notley's tenure as premier.

Finally, three premiers recorded an average annual decline or no increase in per-person spending. During the Alison Redford period, per-person spending averaged 0.0% growth. Excluding one-time spending on flood relief in 2013, per-person spending declined by 3.2% (on average) annually under Premier Redford. Over the Redford-Hancock-Prentice year, per-person spending decreased by 2.3%. Notably, both the Redford and Redford-Hancock-Prentice period were relatively short. The Don Getty period, which ran from 1986 to 1992, recorded the largest average annual decrease at 3.1%.

Conclusion

Per-person spending adjusted for inflation and excluding interest costs is an important measure and gauge of a government's fiscal policies, both within a specific year and over time. It, combined with overall spending as a share of the economy (GDP), are the two key measures by which to assess and understand government fiscal policy. Unfortunately, per-person spending adjusted for inflation is often neglected because it is not as easily accessible as the alternative measure, government spending as a share of GDP. This essay corrects that deficiency for Alberta and provides a historical analysis of per person spending levels going back to the mid-1960s.

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