

NEWS RELEASE

Government size across Atlantic Canada has grown substantially in last 10 years: exceeding optimal size to maximize economic growth

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HALIFAX—The size of governments in Atlantic Canada has increased substantially over the last 10 years relative to the sizes of their economies, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Governments have been growing in size all across Canada for years, but nowhere more than the Atlantic provinces, which could further limit our capacity to maximize economic growth as we look to recover from the current COVID-19 crisis,” said Alex Whalen, policy analyst at the Fraser Institute and co-author of *The Changing Size of Government in Canada*.

The study measures federal, provincial and local government spending in each province as a share of the economy (GDP), as well as public sector employment relative to private sector employment from 2007 to 2018, the most recent year of comparable data.

It finds that the size of government in Nova Scotia, relative to the economy as a whole, is the largest anywhere in Canada at 61.6 per cent in 2018. Government size was 57.4 per cent in Prince Edward Island, 56.6 per cent in New Brunswick and 46.1 per cent in Newfoundland and Labrador. Measured as a share of the provincial economy, the Atlantic provinces—as well as Quebec and Manitoba—have the largest government spending footprint in the country.

Previous research has shown that the optimal size for government to maximize economic growth is between 26 and 30 per cent of the economy (GDP). When governments exceed that size, it imposes negative effects on the economy, such as crowding out private sector investment. Crucially, the data used in the analysis is prior to COVID-19 and recession-related spending, meaning the size of government already exceeded the optimal size prior to the current spike in spending.

“Atlantic Canada has relied heavily on government for economic activity for decades, and the evidence shows that trend continues to this day,” said Steven Globerman, resident scholar at the Fraser Institute, professor emeritus at Western Washington University and study co-author.

“The size of government is directly linked to an economy’s ability to grow, so it’s important to understand how governments across Atlantic Canada have grown in recent years, and what impact that might have on our economic recovery moving forward.”

Total Consolidated Government Spending as a Percentage of GDP

Province	2007	2018
Newfoundland and Labrador	38.7%	46.1%

Prince Edward Island	61.6%	57.4%
Nova Scotia	56.9%	61.6%
New Brunswick	52.7%	56.6%
Quebec	47.4%	47.9%
Ontario	35.8%	38.9%
Manitoba	45.0%	47.4%
Saskatchewan	37.7%	37.4%
Alberta	22.4%	29.3%
British Columbia	34.8%	35.5%

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