

NEWS RELEASE

Lessons from Klein era can help Kenney repair Alberta government finances

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For Immediate Release

CALGARY—When tackling today’s fiscal challenges, the Alberta government can learn some key lessons from the Klein era of the 1990s, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think tank.

“Successive governments in Alberta have repeated many of the mistakes of the pre-Klein era, including an overreliance on natural resource revenue and high levels of spending, which has produced deficits and rapid debt accumulation,” said Tegan Hill, Fraser Institute economist and co-author of *Lessons for Fiscal Reform from the Klein Era*.

For example, prior to the 2008/09 recession, Alberta held \$43.0 billion (inflation-adjusted) more in assets than it did in debt—in other words, it was Canada’s only debt-free province. Since then, due to government spending growth, nearly uninterrupted budget deficits (and the recent impact of the COVID recession and low oil prices), Alberta’s net government debt burden will reach an estimated \$63.5 billion in 2020/21.

When late Alberta premier Ralph Klein entered office in the 1990s, his government also inherited a similar fiscal situation marked by large deficits and rapidly growing debt due primarily to high spending levels by its predecessors.

In response, the Klein government’s 1993 budget included swift broad-based spending reform—not economically-harmful tax increases—which reduced nominal government program spending (total spending minus interest costs) by 21.6 per cent over three fiscal years. As a result, the deficit was quickly eliminated, laying the foundation for more than a decade of budget surpluses, which left Alberta with, by far, the strongest balance sheet of any government in Canada.

“The Klein government managed to repair Alberta’s finances without relying on rising natural resource revenues—indeed, the deficit-reduction plan was based on factors the government could control, namely spending,” said Ben Eisen, Fraser Institute senior fellow and study co-author.

“If the Kenney government is serious about eliminating the budget deficit without harmful tax hikes, it should bring spending levels in line with provincial revenues,” Hill said.

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