

# Looking in the Mirror: Provincial Comparisons of Public Spending

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Alberta's revenue problem is well documented, as is the province's dependence on resource revenue to pay for current public expenditures. The reaction to the dramatic decline in these revenues with the fall of the price of oil in late 2014 has been considerable.

Recently there has been much discussion of provincial government expenditures, with some suggesting that Alberta is spending "too much," and more than any of the other provinces in Canada.

In a February 26, 2015 speech to the Canadian Club of Calgary, Premier Jim Prentice told the audience that "we are spending \$1,300 more per capita than the national average" and that in Alberta there is a "culture of spending and entitlement." Most controversially, the premier also suggested on CBC radio that "in terms of who is

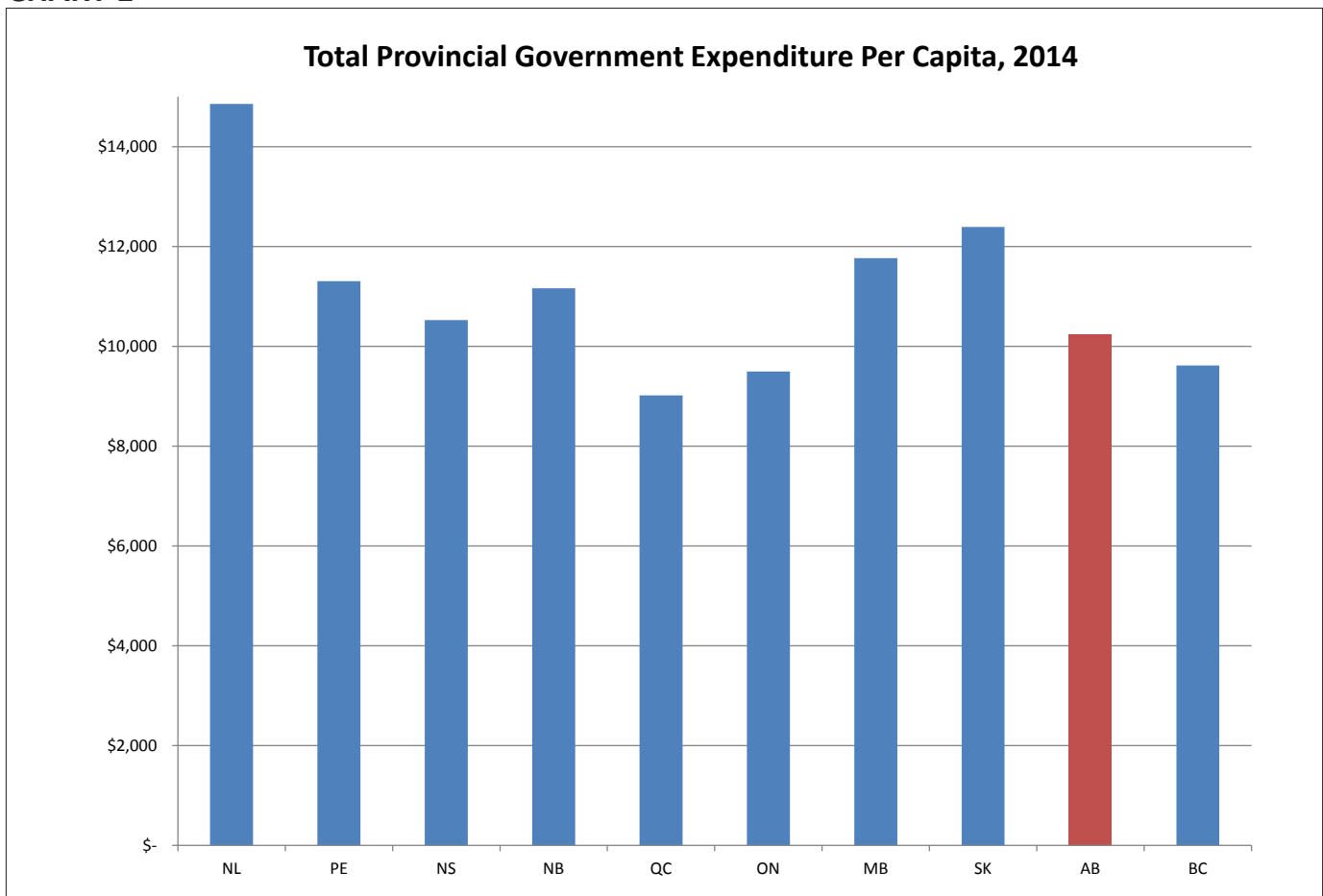
responsible, we need only look in the mirror. Basically, all of us have had the best of everything and have not had to pay for what it costs."

But does Alberta really have a spending problem? Is public sector spending in the province really outpacing the level of public expenditures in other provinces? This fact sheet has been produced to bring facts to this discussion.

Chart 1 illustrates the current (2014) provincial government total expenditures on a per capita basis.

From this perspective Alberta is the fourth lowest province in terms of total government expenditures. To put it another way, in terms of total expenditures relative to the size of its population Alberta is in middle of the pack compared to other provinces.

**CHART 1**



However, Alberta has had a booming economy for much of the last few decades, putting greater pressure on costs and consumer prices. Table 1 shows provincial inflation rates based on the consumer price index (CPI) over the last 12 years. As this index is reset periodically the data is based on 2002 (CPI = 100).

**TABLE 1**

	CPI June '02	CPI Dec '14	% Increase
CDN	99.9	124.5	25%
NL	100.4	126.8	26%
PE	99.9	128.1	28%
NS	100.3	127.4	27%
NB	100	124.1	24%
QC	99.7	122.8	23%
ON	99.8	125.4	26%
MB	100.4	124.5	24%
SK	100.2	128.3	28%
AB	99.9	131.5	32%
BC	100.3	118.1	18%

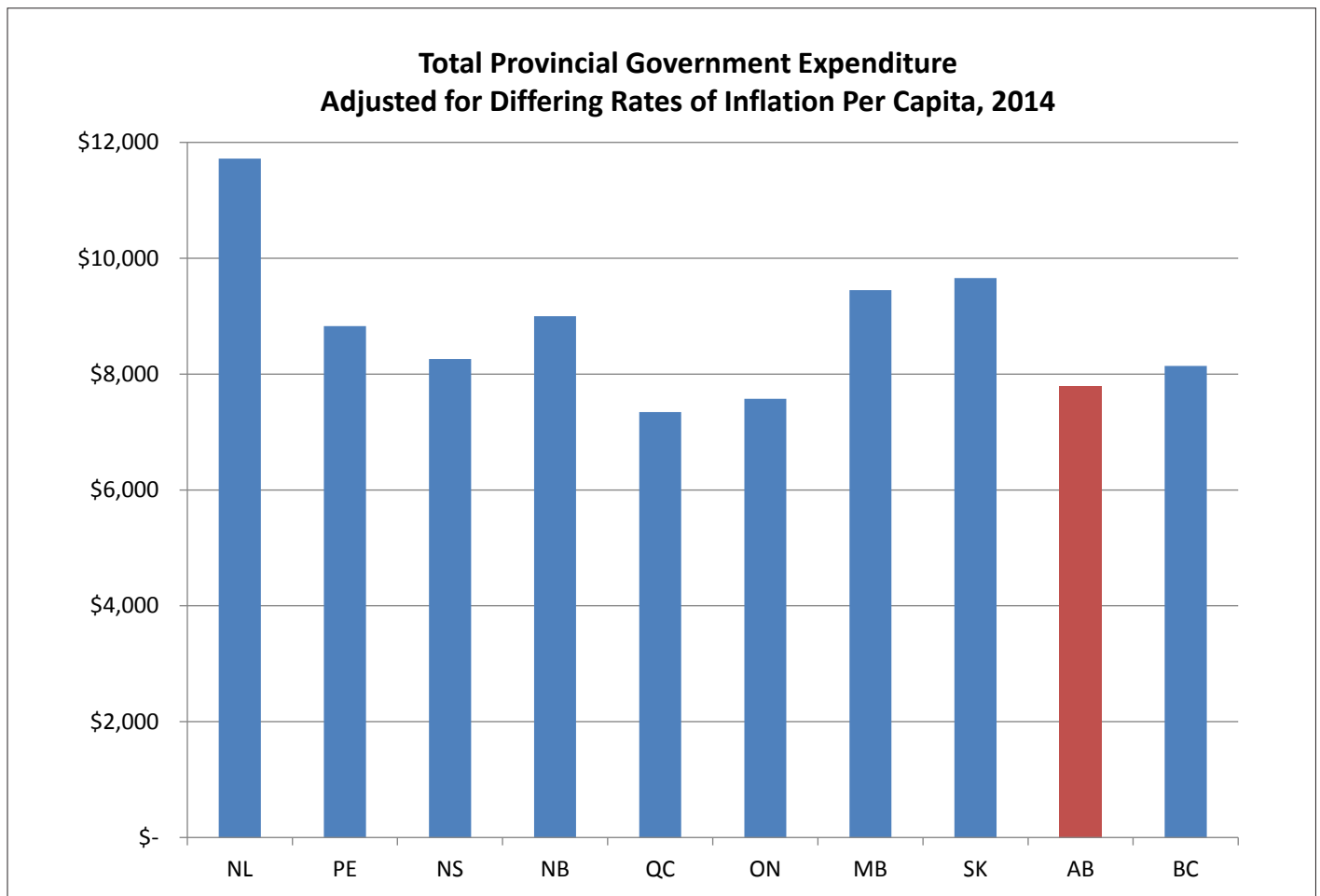
It is important to see here that Alberta's inflation is seven percentage points higher than the national average. This means that it costs more for the same public service in Alberta, all other things constant, than in any other jurisdiction in Canada.

Also, not factored in these figures is that Alberta's population has been growing at a phenomenal rate, and greater than all other provinces, which also necessitates much greater infrastructure costs.

In order to really compare public sector spending between provinces, it is necessary to control for inter-provincial differences in the costs of public services caused by differences in provincial inflation rates. Chart 2 shows the public expenditures of 2014 for each province normalized for these differing inflation rates.

This places Alberta's public spending as only slightly higher than just two provinces, Ontario and Québec. Because of their large populations, these provinces may enjoy greater economies of scale in the provision of public services reflected in total government expenditure.

**CHART 2**



Perhaps most importantly, financial and economic circumstances have diverged significantly across the provinces, making it more difficult to meaningfully compare levels of public spending. Therefore, it may be best to consider government expenditures as a percentage of gross domestic product (GDP), which is a technique generally used to compare public sector spending between nations with very different economies.

Chart 3 shows just how low Alberta is on this metric.

In terms of public spending relative to the size of the economy, Alberta is easily the lowest in the country, with government expenditures of just 13% of provincial GDP. The next closest province, Saskatchewan, has government spending of 17% of its GDP, and the national average by this measure is 22%.

Based on this provincial comparison, the fiscal problem in Alberta is clearly not an expenditure problem, as Premier Prentice and others have claimed. It is a revenue problem.

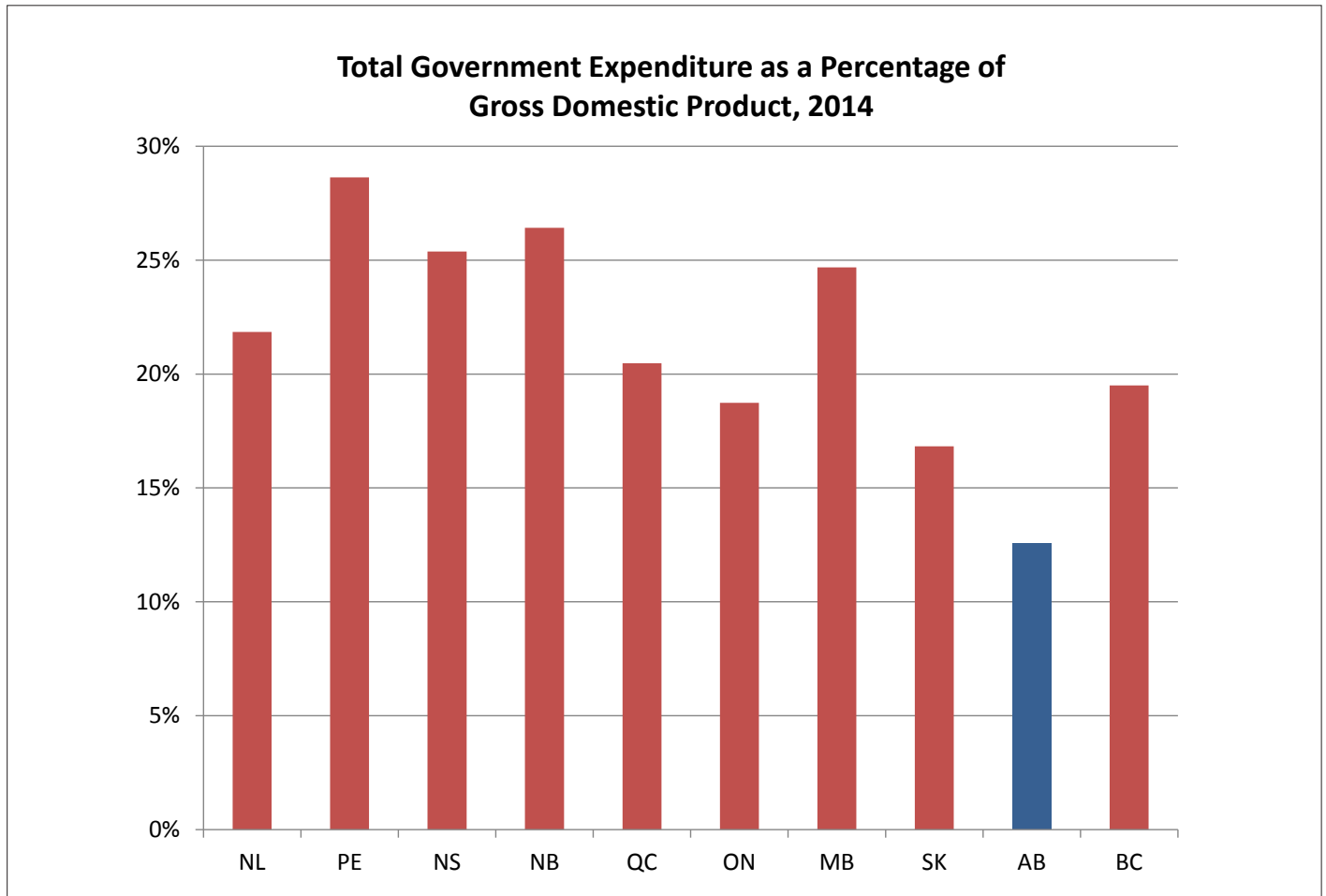
The challenge of the revenue side of the ledger has been addressed extensively in past Parkland Institute reports. See for example:

- The Alberta Disadvantage: Gender, Taxation, and Income Inequality (March 2015)  
parklandinstitute.ca/research/summary/the\_alberta\_disadvantage
- The Way Forward: Progressive Income Tax in Alberta (March 2014)  
parklandinstitute.ca/research/summary/the\_way\_forward
- Stabilizing Alberta's Revenues: A Common Sense Approach (February 2013)  
parklandinstitute.ca/research/summary/stabilizing\_albertas\_revenues
- Fixing What's Broken: Fair and Sustainable Solutions to Alberta's Revenue Problems (June 2011)  
parklandinstitute.ca/research/summary/fixing\_whats\_broken

Sources:

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 CBC News. "#PrenticeBlamesAlbertans Outrage Fuels Hand-mirror Rally at Legislature." CBCnews. CBC/Radio Canada, 08 Mar. 2015. Web. 10 Mar. 2015.  
 Provincial Government Websites Budgets 2014  
 TD Economics <http://www.td.com/economics/analysis/canada/public-policy-government-finances/gov-finances.jsp>  
 Statistics Canada CPI Table 326-0020 Consumer Price Index, monthly (2002=100)  
 Statistics Canada Population Table 051-0005 Estimates of population, Canada, provinces and territories, quarterly (persons)  
 Statistics Canada Table 384-0037 Gross domestic product, income-based, provincial and territorial, annual (dollars x 1,000,000)

**CHART 3**





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