



Policy



Paper

Measuring Austerity in Atlantic Canada

A Study of Government Expenditure
in the Atlantic Provinces Since 1980

Patrick Webber

*Halifax, Nova Scotia,
December 2016*








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287 Lacewood Drive, Suite 204,
Halifax, Nova Scotia, Canada B3M 3Y7
Telephone: (902) 429-1143

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About the Author



Patrick Webber, is an independent researcher, born and raised in New Brunswick. He was previously Research Coordinator for the New Brunswick New Democratic Party (2012–16), and has conducted research projects for other organizations and campaigns. He earned his MA in History at the University of New Brunswick. He also currently contributes articles on political issues to *Inroads: A Journal of Canadian Opinion*. He lives in Fredericton, New Brunswick.

Executive Summary

Recurrent political debates about public finance often include exaggerated accusations of “austerity” when a government decides to reduce spending. Though the language of “imposing austerity” has found its greatest use in Europe, it is also found in North America and Atlantic Canada. But all reductions on government spending do not amount to austerity. Austerity means significant reduction in spending and the removal of programs and services that are no longer affordable.

This report investigates whether the use of the term austerity in the context of Atlantic Canada’s public finance is accurate. The author examines public accounts data from the four provinces, adjusting for inflation, to determine the annual amount of program expenditure in absolute and per capita terms. He also calculates the relative increase or decrease in spending from year to year, establishing the trend in provincial government expenditures in Atlantic Canada.

The report offers three main findings:

1. The budgets of southern European countries such as Portugal, Ireland, Greece, and Spain (the so called “PIGS” nations) have experienced genuine austerity following the Great recession. These countries had to cut their government spending by up to a quarter, over as few as two fiscal years.
2. Provincial governments in Atlantic Canada have increasingly spent more money on programs — in absolute and per capita terms — between 1980 and 2016. Per capita program expenditure in Newfoundland and Labrador saw the greatest increase at 113.7 percent. Prince Edward Island’s growth rate was the slowest at 61 percent over the examined period.
3. A shifting demographic landscape in the region — notably its aging population — does not suffice to explain these significant spending increases. While the school-age population has dwindled in the four Atlantic provinces, education spending continues to grow, showing that spending increases cannot be a response to demographic changes.

The report concludes that the use of the term austerity in relation to fiscal policy in the Atlantic Canadian provinces is hyperbolic, inappropriate and inaccurate.

All governments spend more money than they did a generation ago, with only minor blips of restraint and no sustained or disciplined effort to cut spending significantly. The nature of Atlantic Canadian public finance, therefore, is not one of austerity but of consistent spending growth over a sustained period.



Introduction

Have the Atlantic Canadian provinces ever practised fiscal policies that could qualify as “austerity” over the past few decades? Since the 2008 Great Recession, which saw economic growth decline, unemployment increase, and deficits explode due to falling tax revenues and stimulus measures, the word “austerity” has found ever-increasing usage in political discourse, particularly in Europe. The Syriza government in Greece was elected in 2015 on a commitment to end austerity. New left-populist parties such as Podemos in Spain and established social democratic parties such as the British Labour Party heap scorn upon domestic policies branded as austerity from the opposition benches.

Austerity has entered the political lexicon — if less centrally — in North America, including in Atlantic Canada. New Brunswick has seen the rise of political pressure groups such as the “Prosperity, Not Austerity” coalition. In Newfoundland and Labrador, the 2016 budget introduced by the newly elected Dwight Ball government was denounced as an “austerity budget” (see Bartlett 2016). Have Atlantic Canadian provinces experienced budget austerity since the Great Recession? The term is often used in an emotionally charged manner, an evocation of social neglect by uncaring governments obsessed with the bottom line and wanton cuts to social programs.

This report examines the public finance history of Atlantic Canada, showing that use of the term “austerity” is wholly inappropriate, especially in contrast to the experience of European countries, where budget cuts since the Great Recession have been more pronounced. But even in those countries, austerity measures were taken because of economic realities, not out of ideological malice. As British Prime Minister Theresa May has said, what is characterized as austerity translates to “living within our means” (cited in Kroll 2016).

Unlike other words used to describe budget changes with clearly understood explanations, such as deficit and surplus or even spending cuts, “austerity” is nebulous. This vagueness is not confined to the ill-informed. The Economist magazine has laid out various ways in which austerity is defined and measured, all fraught with shortfalls. One measure is to examine reductions in government borrowing, but this metric carries problematic caveats:

A simplistic approach would be to look at how much governments have managed to reduce borrowing (the difference between taxes and spending). But borrowing may change for reasons other than self-denial. In the middle



of a debt crisis, ballooning spending on interest payments will mask efforts to squeeze public services or state pensions. By the same token, an economic recovery that nudges people off unemployment benefits and into jobs pulls down spending and boosts tax receipts, with the appearance, but not the pain, of austerity.¹

The magazine suggests “changes in the cyclically adjusted primary budget balance — i.e., the surplus or deficit after stripping out interest payments and temporary effects of the economic cycle” as a working definition, but this is still flawed. To measure cuts beginning at a point of profligacy might measure “austerity” based on temporary stimulus spending, rather than on baseline expenditures, giving an inaccurate measure of cuts. The article outlines other definitions, each with its limitations.

This report defines austerity as economically significant cuts to public expenditure arising from difficult economic conditions. Framed in these terms, the word cannot be applied to recent budgets in Atlantic Canada, where attempts to cut spending pale in comparison with Europe’s efforts. Have Atlantic Canada’s expenditures been reduced in recent decades? If so, how severe were those cuts?

Methodology

The report’s primary sources of data were the Atlantic provinces’ public accounts, except for recent years, for which public accounts are not yet available. In those cases, the report uses budget estimates (except for Nova Scotia, as explained in the notes). To calculate government expenditures, two categories were used: gross expenditures on debt servicing, and all remaining gross expenditures. Program expenditure means the sum of all gross spending not related to debt servicing or capital spending — in other words, spending directed toward government programs and the machinery of delivering those programs, such as the costs of employing civil servants. This allows a more accurate measure of public spending and a clearer answer to the question of whether cuts qualify as austerity, as it avoids increases or decreases related to debt interest or infrastructure spending. As opposition to austerity focuses on cuts to social services and other government programs, examining program expenditure alone offers a more accurate means of assessing the claims of anti-austerity advocates.

The aim of this report is not to argue about the desirability of austerity policies, but to provide a basis upon which debates around government spending in Atlantic Canada might proceed, based on an objective definition of austerity and an analysis



of whether the spending habits of provincial governments have met that definition.

Monetary values have been adjusted for inflation to 2016 values, using the Bank of Canada’s Inflation Calculator.² This provides a clear means of measuring changes in real government expenditures and other costs. All financial figures are in 2016 dollars, unless otherwise stated, for ease of comparison. Adjustments for inflation build on a larger effort to ensure, as much as possible, an “apples-to-apples” data comparison. Every effort has been made to reconcile accounting changes made by various governments; where accounting or other recording differences are worthy of mention they are noted.

The survey begins in fiscal year 1980/81 due to the availability of accurate data for all Atlantic provinces and because a breadth of data was needed covering a span of time sufficient to illustrate trends.

The European Experience

It is useful to establish a benchmark against which to compare the Atlantic provinces. The “PIGS” nations of Europe (Portugal, Ireland, Greece, Spain) have unquestionably experienced austerity in the aftermath of the Great Recession, and are often cited as the most prominent examples of contemporary austerity in the West. As such, they provide a useful comparison point. Table 1 illustrates real program expenditure changes (after inflation) during the periods of expenditure decline in these countries.

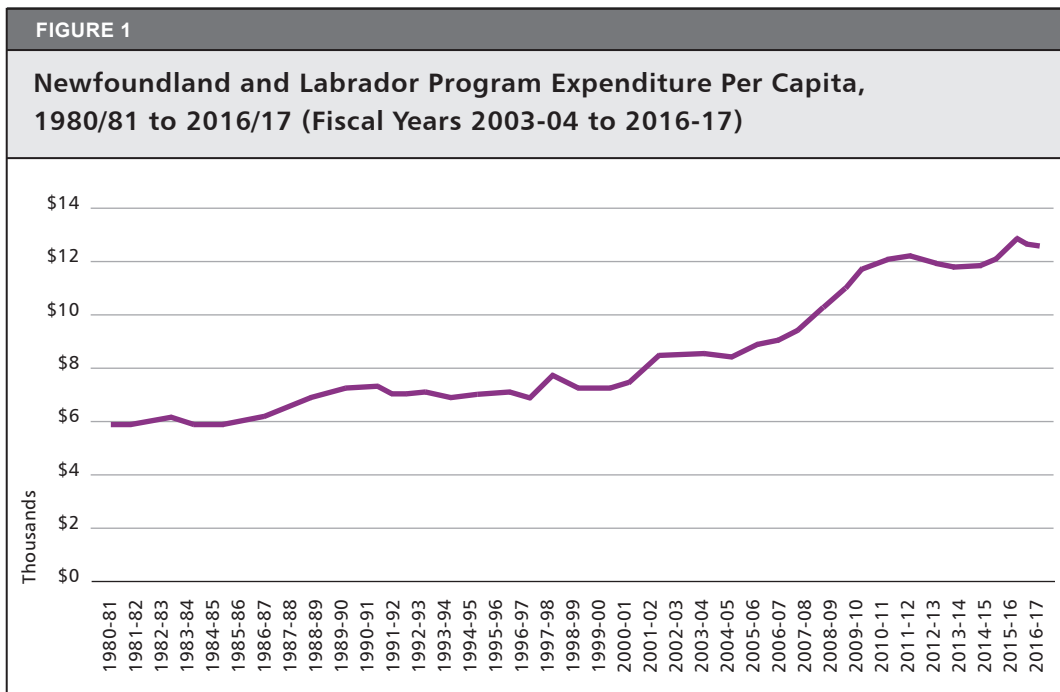
TABLE 1			
Real Program Expenditure in the PIGS, Selected Years			
Country	Years of Program Spending Decline	Real Per Cent Change	Average Annual Per Cent Change
Greece	2009–11	–24.8	–12.4
Ireland	2009–13	–24.0	–6.0
Portugal	2010–12	–24.6	–12.3
Spain	2009–11	–18.9	–9.5

Source: Author’s calculations from raw data provided by Eurostat. Annual figures for total central government expenditure, minus figures for payable interest, were then adjusted for inflation using StatBureau’s Eurozone inflation calculator, using the first month of the year in the period and the last month of the last year in the period as the basis for comparison. The use of Eurostat data for these calculations was informed by Alesina et al. (2014).

How Have the Provinces Spent?

Newfoundland and Labrador

- Real change in program expenditure, fiscal years 1980/81 to 2016/17: +97.1 percent.
- Real change in per capita program expenditure, fiscal years 1980/81 to 2016/17: +113.7 percent.



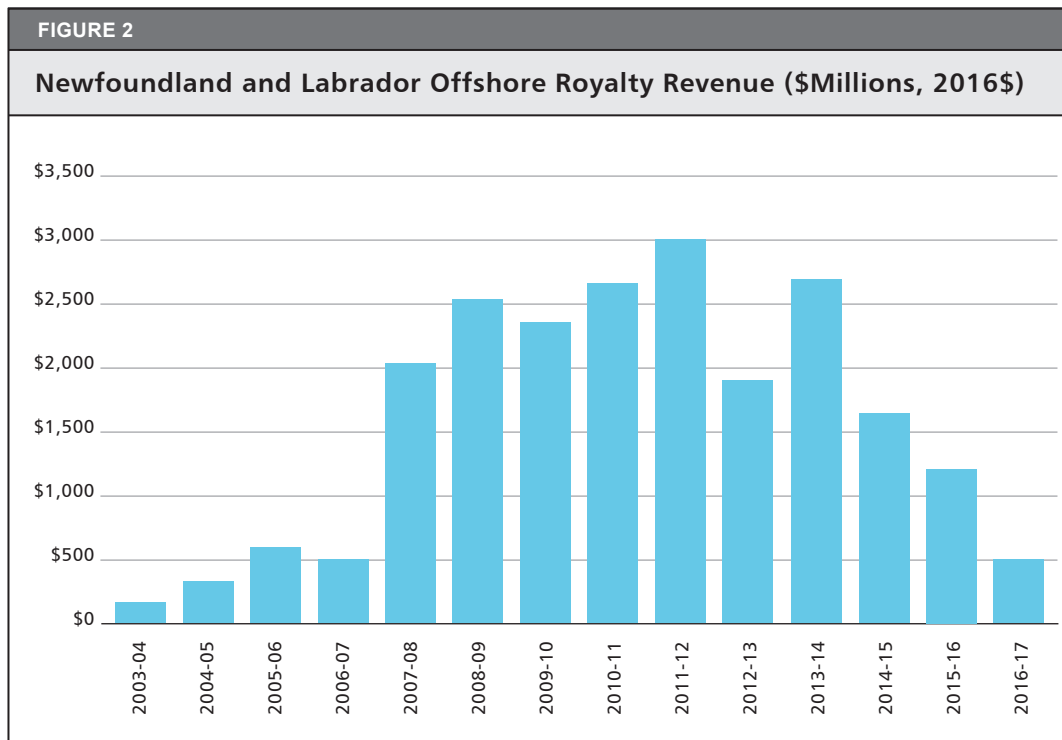
Source: Author's calculations based on provincial public accounts and budget estimates.

The 1980s saw steady growth in program expenditure in Newfoundland and Labrador, in actual and per capita terms (Figure 1). Provincial spending growth stalled in the 1990s and real program expenditures declined. However, the province's population declined by an even faster rate during that decade, resulting in real per capita program expenditure growth of 4.9 percent.

Spending ramped up during the 2000s, increasing by 57.1 percent. This surge in program expenditure was driven by soaring offshore oil royalties. In 2016 dollars, these royalties grew from \$157.3 million in fiscal year 2003/04 to a peak of \$2.99 billion in 2011/12, a nineteen-fold, or 1,800 percent, increase (Figure 2). The share

of total government revenue from oil and gas royalties jumped from 3.0 percent to a dizzying 32.3 percent.

Following Danny Williams’s resignation as premier in December 2010, program spending returned to the steady state of the 1990s, with mild decreases in the first part of the 2010s followed by mild increases. The 2012 collapse in oil prices ended the spending surge. The 2016/17 budget projects offshore royalties of \$484.9 million, an 83.8 percent crash from the 2011/12 peak. Between 2011/12 and 2016/17, debt-servicing costs increased by 53.0 percent.

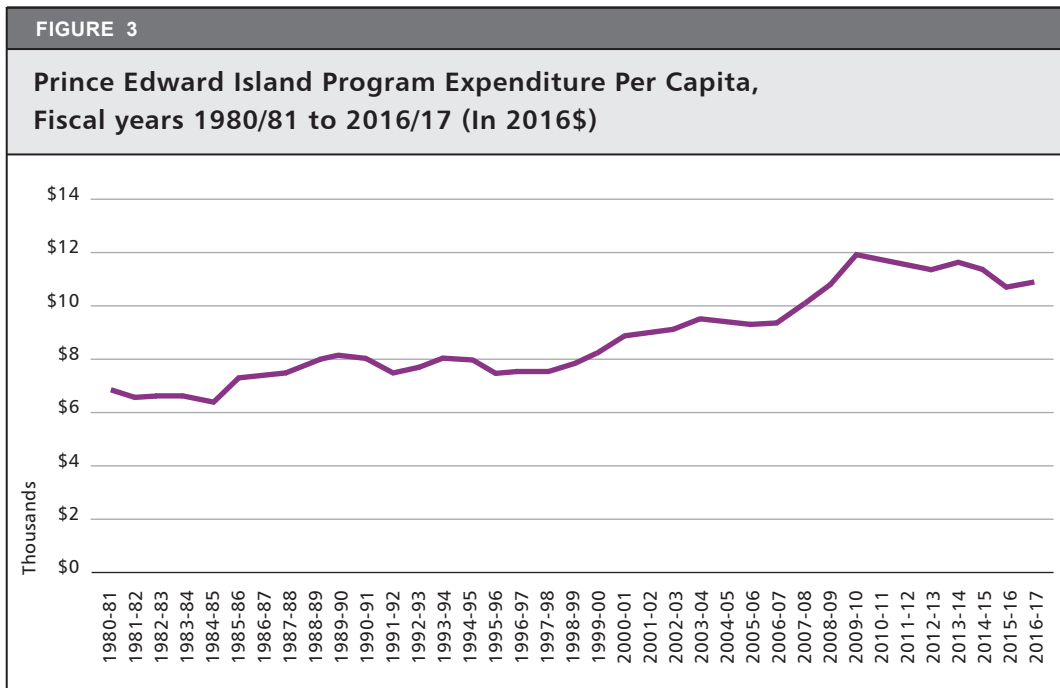


Note: Data for fiscal years 2015/16 and 2016/17 are based on budget estimates.
 Source: Author’s calculations based on provincial public accounts and budget estimates.

The 2016/17 budget saw real program spending decline by 0.6 percent. With this, the provincial government will spend 97.1 percent more on programs in real terms than it did in 1980/81, and it now spends over \$1,600 more per capita than the other Atlantic provinces. In current dollars, Newfoundland and Labrador spends \$12,615 per person, compared with \$5,902 in 1980. Given the significant increase in per capita spending particularly since the turn of the century, it is questionable that the recent minor reversal in government spending qualifies as genuine austerity.

Prince Edward Island

- Real change in program expenditure, fiscal years 1980/81 to 2016/17: +91.2 percent.
- Real change in per capita program expenditure, fiscal years 1980/81 to 2016/17: +61.0 percent.



Source: Author's calculations based on provincial public accounts and budget estimates.

Prince Edward Island has had the most restrained spending growth of the four provinces over the past thirty-five years, in real and per capita terms. This can be partly attributed to PEI's having the highest per capita program expenditure in fiscal year 1980/81. Since then, the other three Atlantic provinces have caught up in levels of per capita spending.

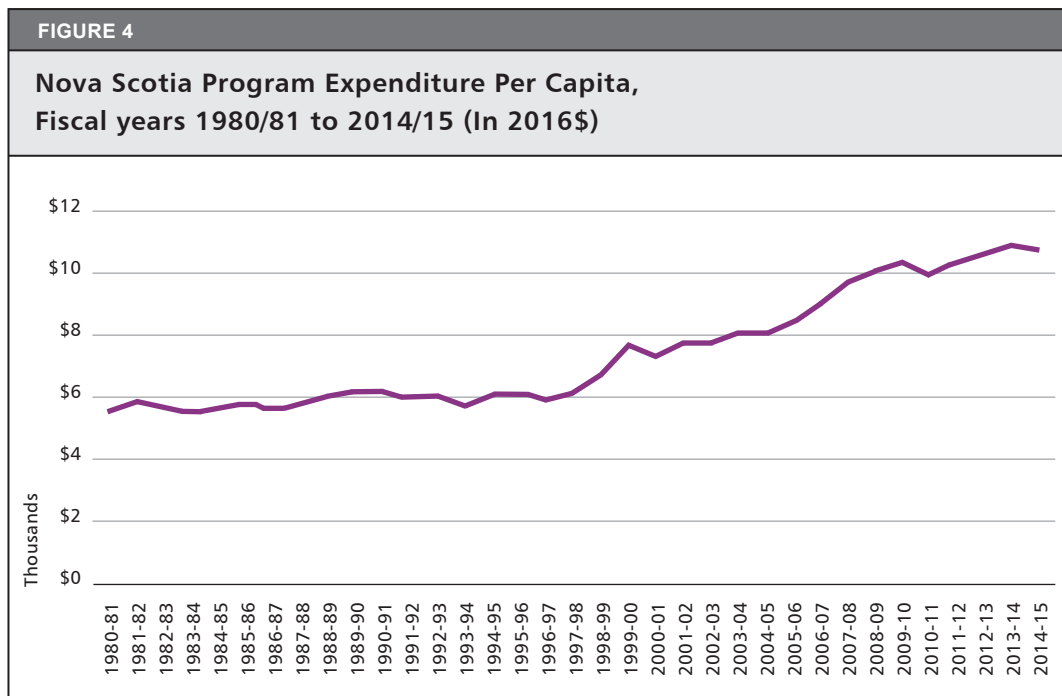
There is a pattern to PEI's spending habits: a few years of steady or slightly reduced program expenditure is followed by a few years of growth, followed by more years of steady or slight declines (Figure 3). Premier Robert Ghiz's first term (2007–11) saw a greater increase in program spending than previous periods of increase. The per capita figure of \$11,847 in program spending posted in fiscal year 2009/10 remains the highwater mark for PEI spending. Although program spending has kept in a holding pattern since 2009/10, this should not be described as austerity.

After the 5.8 percent drop in program spending between 2014/15 and 2015/16, per capita spending was still higher than it had been as recently as 2007/08.

PEI’s relative fiscal restraint rests on a fragile foundation. Although it has had the slowest program expenditure growth in the region since 2000, the province is the most dependent on outside sources of revenue of any in Canada. Since 2000/01, the province’s share of total revenue from federal sources has hovered in the 38 to 42 percent range, and is projected at 38.5 percent in the 2016/17 budget. This makes PEI more vulnerable to shifts in federal attitudes, and gives it the least control over meeting growing expenditure commitments with provincial revenue sources. Today, the provincial government spends \$10,845 per person, compared with \$6,734 in 1980 (in current dollars).

Nova Scotia

- Real change in program expenditure, fiscal years 1980/81 to 2014/15: +112.7 percent.
- Real change in per capita program expenditure, fiscal years 1980/81 to 2014/15: +92.5 percent



Source: Author’s calculations based on provincial public accounts and budget estimates.

Nova Scotia has been the most profligate of the Atlantic provinces since fiscal year 1980/81, with the largest percent increase in real program expenditure. It is the only province to see program spending more than double, and it recorded the second-largest percentage increase in per capita program spending. (Newfoundland and Labrador holds first place as its population has dropped by more than 40,000 since 1980/81, compared with a 90,000 increase in Nova Scotia's population over the same period.) In the 2000s, rather than any sustained fiscal discipline, Nova Scotia embarked on a spending boom fuelled by oil and gas royalties.

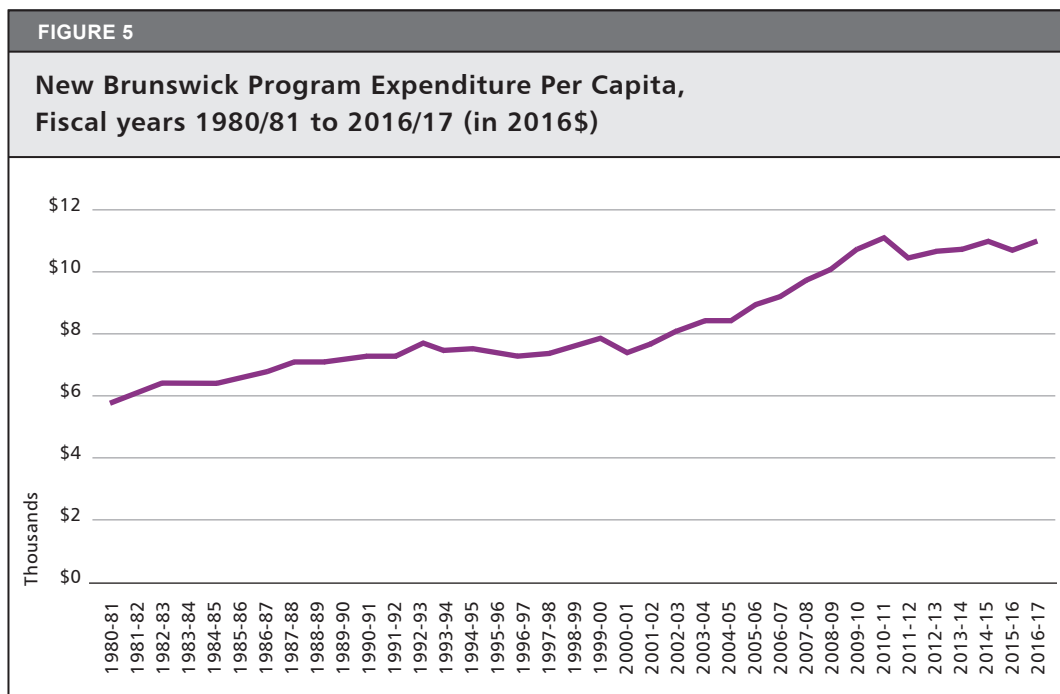
As Figure 4 shows, the 1980s saw an overall steady climb in real program expenditure, with an occasional year of slight spending declines. Spending growth was more restrained through most of the 1990s. Between 1990/91 and 1996/97, real program expenditures declined by 1.1 percent, but starting in 1996/97 they increased rapidly in all but two of the next thirteen fiscal years (with one exception, 2004/5, when spending declined by a mere 0.1 percent). This period encompassed the tenure of three premiers (MacLellan, Hamm, MacDonald) and part of the terms of two more (Savage and Dexter), representing all three main political parties. Since the turn of the century, there has been a clear consensus in favour of significant program expenditure growth.

The Great Recession slowed rapid expenditure growth. A slight decline in 2010/11 was reversed the following year, and modest growth resumed, with an increase of 4.6 percent between 2009/10 and 2014/15. The Great Recession forced austerity upon much of Europe and might have slowed the growth of program expenditure in Nova Scotia compared to the 2000s, but did not stop it. It did not usher in anything resembling austerity in Nova Scotia. In 2014/15, the latest fiscal year for which data are available, the provincial government spent \$10,748 per person, compared with \$5,583 in 1980/81 (in current dollars).



New Brunswick

- Real change in program expenditure, fiscal years 1980/81 to 2016/17: +101.9 percent.
- Real change in per capita program expenditure, fiscal years 1980/81 to 2016/17: +88.9 percent.



Source: Author's calculations based on provincial public accounts and budget estimates.

Since 1980 New Brunswick has defied regional trends on several occasions. The province was most carefree in expenditure growth during the 1980s, leading the region with a 31.2 percent increase in real program expenditure between fiscal years 1980/81 and 1990/91 (Figure 5). The bulk of this increase occurred under the leadership of Premier Richard Hatfield.

The election of Frank McKenna in 1987 saw the beginning of the region's most sustained and successful effort to reduce government spending. The result: New Brunswick was the only Atlantic province to post consecutive budget surpluses during the 1990s (in 1995/96 and 1996/97). After McKenna's departure in 1997, New Brunswick rejoined the regional trend, with rapid spending growth in the late 1990s and 2000s. Between 1997/98 and 2010/11, real program spending grew by 51.4 percent — a near-identical 51.3 percent in per capita terms. In only two fiscal years during this period was there a decline in real program spending.

New Brunswick continued to follow the region after the Great Recession, with sustained spending increases halted and a mixed bag of annual increases and decreases. The Alward government, elected in 2010, held the line on real program expenditures, posting a net drop of 1.2 percent in its last fiscal year in office (2014/15), compared with the last fiscal year of the Graham government (2010/11). This was, at best, restraint, not austerity. When the Alward government was defeated in 2014, New Brunswick was still spending 98.6 percent per person of what it spent when that government took office.

The slowing of real program expenditure growth during the Alward years now appears to be a blip in the long-term upward trajectory of government spending in New Brunswick. The current government's budget projections foresee total expenditures (debt-servicing costs are not specified in long-term projections) growing by 5.6 percent between 2016/17 and 2020/21. Today, the provincial government spends \$10,952 per person, compared with \$5,798 in 1980/81 (in current dollars).



Conclusion

Over the past three decades, nothing approaching austerity, or even temporary spending restraint that could be described as austerity, has occurred in any of the Atlantic provinces. Indeed, the trend has been toward increased spending in the second half of that period. Although the 1980s and 1990s saw the odd year of real spending decline, the trend was one of sustained increases. Spending skyrocketed during the late 1990s and 2000s, and only in the past few years has it begun to slow.

This slowing should not be confused with austerity. For example, PEI's real per capita program spending is currently 8.5 percent less than it was in fiscal year 2009/10, the year it peaked, but real per capita program spending is currently 1.0 percent higher than in 2008/09, the year before the peak. Comparative changes in the other provinces are even weaker, with real per capita program spending today no more than \$100 lower than it was at its peak.

As illustrated earlier, the PIGS nations of Europe, which experienced genuine austerity in the aftermath of the Great Recession, underwent real spending cuts of between 18.9 and 24.8 percent. Periods of cuts in Atlantic Canada have been much less austere, as Table 2 shows.

Three of the four provinces saw their most severe spending declines occur before the Great Recession. Only PEI experienced its greatest drop during that period, and it was less than one-third the decline of Greece or Portugal.

TABLE 2			
Periods of Greatest Decline in Real Program Spending, Atlantic Provinces, Fiscal years 1980/81 to 2016/17 (in 2016\$)			
Province	Years of Program Spending Decline	Real Percent Change	Average Annual Percent Change
Newfoundland and Labrador	1992/93	-4.2	-4.2
Prince Edward Island	2013/14, 2015/16	-7.5	-3.8
Nova Scotia	1992/93	-4.3	-4.3
New Brunswick	1999/2000	-5.5	-5.5

Note: The 8.4 percent drop in real program expenditure experience in Newfoundland and Labrador between fiscal years 1997/98 and 1998/99 was excluded because it was due to the end of a one-time expenditure on transportation initiatives, and thus does not best represent a decline in regular program spending.

Source: Author's calculations based on provincial public accounts and budget estimates.



The Demographic Non-explanation

The period between fiscal years 2000/01 and 2014/15 saw higher real program expenditure growth in most of the Atlantic region than in the 1980/81 to 1999/2000 period, with PEI the only outlier. Could this increase in real program spending have been the result of demographic changes? The region's population is aging: the share of Atlantic Canada's population over age sixty-five grew from 9.6 percent in 1980 to 18.2 percent in 2014. Moreover, the rate of aging is increasing, with the senior population growing at a slightly faster rate over the 2000–14 period (+41.8 percent) than between 1980 and 2000 (+40.7 percent), despite the slowing of overall population growth. Does an aging population drive up program spending costs — for example, in health care? Does this, rather than indiscipline, explain skyrocketing spending increases since 2000? Although this might be a neat explanation, the data suggest it is insufficient.

In the three largest Atlantic provinces, real health care spending increased at a notably higher rate between 2000 and 2014 than the increase in the number of residents over age sixty-five. Only PEI defied this trend, but that province had the highest per capita rate of health care spending in the region in 2000, meaning its government had a head start on overspending.³

Table 3 addresses primary education spending and changes in the number of Atlantic Canadians ages six to eighteen. If increasing numbers of seniors can explain rising health care costs, surely an equivalent decline in primary education costs, caused by the decline in the number of school-age children, would help provincial bottom lines. This has not been not the case.

TABLE 3				
Changes in Population and Health and Education Spending, Atlantic Provinces, Fiscal years 2000/01 to 2014/15 (in 2016\$)				
Province	Health Spending	Population Ages +65	K-12 Education Spending	Population Ages 6-18
	(Percentage Change)			
Newfoundland and Labrador	65.0	43.2	31.5	-25.4
Prince Edward Island	35.3	43.2	22.5	-16.7
Nova Scotia	71.5	37.7	8.0	-22.7
New Brunswick	66.9	39.9	18.3	-21.0

Note: Newfoundland and Labrador data are for fiscal year 2013/14.

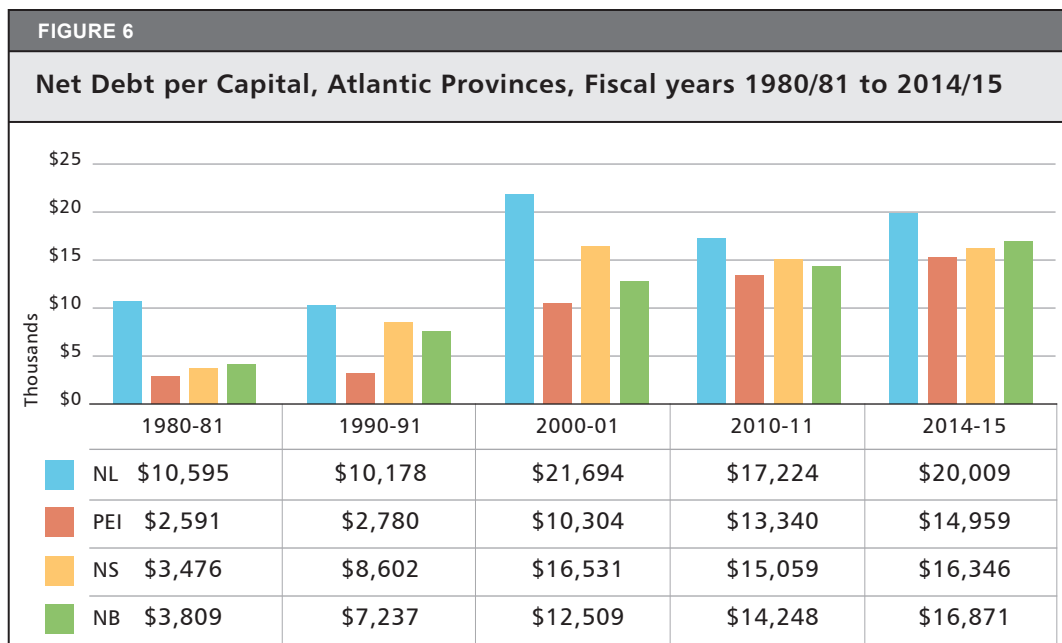
Source: Author's calculations based on provincial public accounts and budget estimates.



Although spending on both health care and education includes factors other than demographic changes — such as equipment costs, union contracts, and so on — demographics alone cannot explain rising real program expenditure. At best an aging population is a necessary condition for increasing program expenditure, but not a sufficient one. Primary education spending continues to grow at an impressive pace despite significant declines in the school-age population, further weakening the demographic case.

Atlantic Austerity?

This report has offered a statistical and historical analysis of program spending in the Atlantic provinces since fiscal year 1980/81 to see if fiscal policies that could qualify as “austerity” have been imposed, over the long or short term. The data suggest the answer is no. Whatever one’s position about government spending, the fact is that all four provincial governments are spending much more per capita than they did a generation ago, and spending declines have been short-lived and far less significant than periods of spending growth. Atlantic Canada’s provincial governments also hold much more debt than they did a generation ago (see Figure 6), an additional burden that ought to influence decision-making and debate.



Note: Amounts are in constant 2016 dollars.

Source: Author’s calculations based on provincial public accounts and budget estimates.



The goal of this study is not to argue the merits or demerits of austerity policies, or to applaud or condemn the spending policies of Atlantic Canadian governments over recent decades. Rather, the intention is to offer objective data upon which arguments about austerity can be based, and to ensure that debates about the region's fiscal future are accurately informed about the recent past. There are larger arguments to be had about the direction of economic policy between those who differ on the optimal size of government and its impact on the economic potential of Atlantic Canada. This debate must proceed, but without the misuse of the term "austerity."



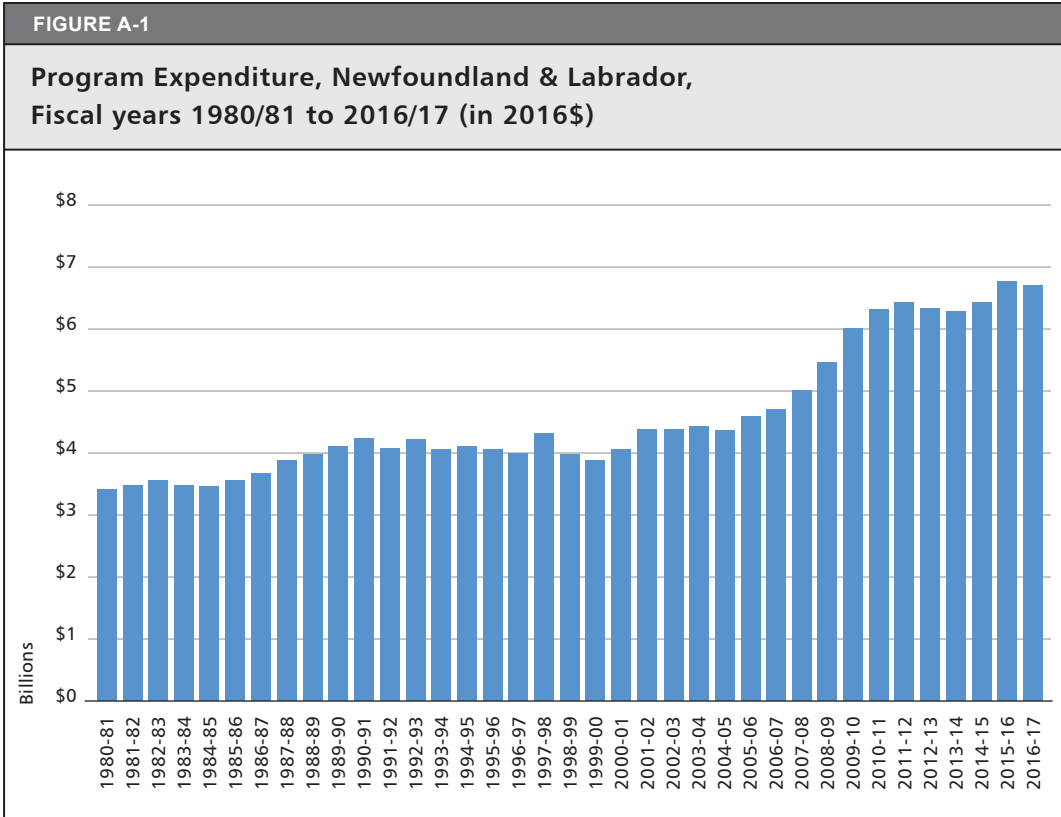
Appendix

TABLE A-1				
Program Spending and Debt Service Charges, Newfoundland and Labrador, Fiscal years 1980/81 to 2016/17 (in 2016\$)				
Fiscal Year	Program Expenditure	Debt Servicing	Per Capita Program Spending	Program Expenditure Change
	(Millions\$, Percentage Change)			
1980/81	3,380.58	552.55	5,902	—
1981/82	3,435.50	574.03	5,972	1.6
1982/83	3,546.80	551.95	6,181	3.2
1983/84	3,437.01	635.80	5,934	-3.1
1984/85	3,451.17	715.73	5,949	0.4
1985/86	3,579.25	773.92	6,179	3.7
1986/87	3,647.44	808.08	6,329	1.9
1987/88	3,858.62	795.33	6,708	5.8
1988/89	4,006.94	718.86	6,969	3.8
1989/90	4,079.89	727.33	7,076	1.8
1990/91	4,185.94	723.95	7,250	2.6
1991/92	4,060.60	640.01	7,006	-3.0
1992/93	4,186.00	593.43	7,216	3.1
1993/94	4,011.24	680.26	6,916	-4.2
1994/95	4,077.97	726.41	7,098	1.7
1995/96	4,030.01	670.90	7,103	-1.2
1996/97	3,922.58	695.15	7,008	-2.7
1997/98	4,286.35	651.47	7,781	9.3
1998/99	3,925.34	673.01	7,272	-8.4
1999/2000	3,883.63	687.24	7,282	-1.1
2000/01	4,016.88	671.52	7,608	3.4
2001/02	4,380.25	473.60	8,391	9.0
2002/03	4,382.43	555.65	8,436	0.0
2003/04	4,413.98	569.14	8,515	0.7
2004/05	4,360.00	575.40	8,427	-1.2
2005/06	4,582.77	505.75	8,911	5.1
2006/07	4,700.42	524.50	9,206	2.6
2007/08	4,996.54	567.51	9,816	6.3
2008/09	5,424.01	478.17	10,604	8.6
2009/10	5,982.15	476.07	11,578	10.3
2010/11	6,310.92	426.92	12,090	5.5
2011/12	6,399.81	365.86	12,190	1.4
2012/13	6,285.12	324.21	11,928	-1.8
2013/14	6,254.04	323.15	11,845	-0.5
2014/15	6,375.52	334.26	12,050	1.9
2015/16	6,705.53	417.24	12,705	5.2
2016/17	6,664.29	559.91	12,615	-0.6

Note: All dollar amounts are in constant 2016 dollars. Data for fiscal year 1982/83 are from the main estimates; data for 2015/16 and 2016/17 are budget estimate.

Source: Author's calculations based on provincial public accounts and budget estimates.





Note: All dollar amounts are in constant 2016 dollars. Data for fiscal year 1982/83 are from the main estimates; data for 2015/16 and 2016/17 are budget estimates.

Source: Author's calculations based on provincial public accounts and budget estimates.



TABLE A-2

Program Spending and Debt Service Charges, Prince Edward Island
Fiscal years 1980/81 to 2016/17 (in 2016\$)

Fiscal Year	Program Expenditure	Debt Servicing	Per Capita Program Spending	Program Expenditure Change
	(Millions\$, Percentage Change)			
1980/81	833.03	103.16	6,734	—
1981/82	801.83	116.82	6,487	-3.7
1982/83	810.36	121.88	6,556	1.1
1983/84	809.56	122.75	6,471	-0.1
1984/85	797.44	128.65	6,299	1.6
1985/86	923.27	127.28	7,236	12.2
1986/87	942.10	141.10	7,337	2.0
1987/88	964.88	148.78	7,503	2.4
1988/89	1,017.00	163.54	7,865	5.4
1989/90	1,055.96	165.05	8,110	3.8
1990/91	1,040.89	180.59	7,982	-1.4
1991/92	966.76	164.86	7,414	-0.5
1992/93	990.23	177.48	7,571	2.4
1993/94	1,055.57	177.21	7,985	1.4
1994/95	1,051.63	177.07	7,883	-0.4
1995/96	1,000.92	177.58	7,447	-4.8
1996/97	1,016.35	167.22	7,490	1.5
1997/98	1,019.91	144.46	7,494	0.4
1998/99	1,054.61	142.42	7,766	3.4
1999/2000	1,112.41	142.79	8,161	5.5
2000/01	1,198.81	145.37	8,782	7.8
2001/02	1,219.25	141.09	8,918	1.7
2002/03	1,238.60	133.31	9,047	1.6
2003/04	1,290.25	132.09	9,404	4.2
2004/05	1,286.14	129.16	9,340	-0.3
2005/06	1,274.31	132.56	9,227	-0.9
2006/07	1,279.40	141.68	9,278	0.4
2007/08	1,366.62	136.86	9,925	6.8
2008/09	1,489.91	123.25	10,734	9.0
2009/10	1,657.42	116.73	11,847	11.2
2010/11	1,649.39	119.15	11,640	-0.5
2011/12	1,655.53	114.15	11,497	0.4
2012/13	1,638.85	122.14	11,279	-2.2
2013/14	1,687.40	121.01	11,605	3.0
2014/15	1,656.85	133.74	11,333	-1.8
2015/16	1,561.26	128.63	10,664	-5.8
2016/17	1,593.12	126.70	10,845	2.0

Note: All dollar amounts are in constant 2016 dollars. Data for fiscal years 2015/16 and 2016/17 are budget estimates. PEI's budgets and public accounts have changed accounting methods several times since 1980/81, which slightly complicates direct year-to-year comparisons if derived just from the data presented. The instances of accounting changes, and how they impacted expenditure reporting, are outlined below:



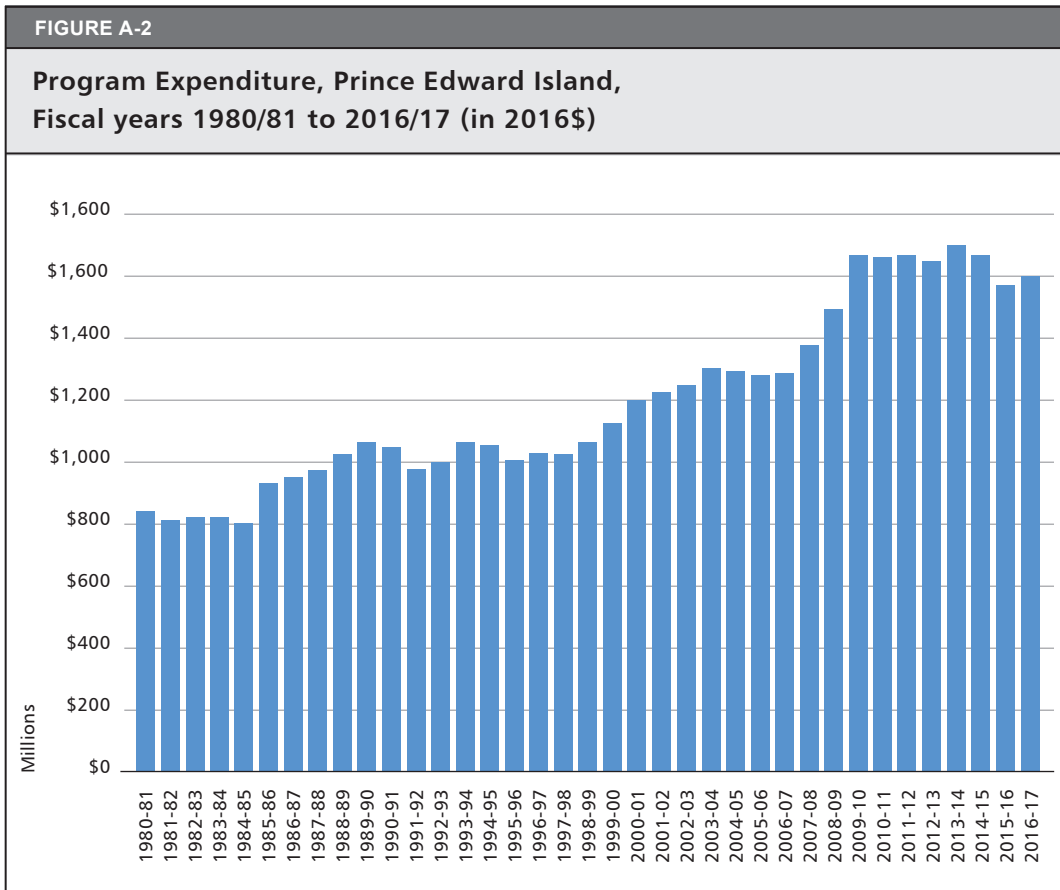
TABLE A-3

Periods of Greatest Decline in Real Program Spending, Atlantic Provinces
Fiscal years 1980/81 to 2016/17 (in 2016\$)

Year of Accounting Change in Public Accounts	Previous Year of Reporting Restated	Original Expenditure Listed for Year of Reporting Restated	New Expenditure Listed for Year of Reporting Restated
(Fiscal Year, Millions\$, in 2016\$)			
1985/86	1984/85	\$797.44	\$822.61
1991/92	1990/91	\$1,040.89	\$971.54
1993/94	1992/93	\$990.23	\$1,040.64
2012/13	2011/12	\$1,655.53	\$1,676.09

Public accounts from years following accounting changes did restate the expenditures of the previous year using the newly adopted accounting methods, which were used to make the annual spending change calculations in the table. For instance, when calculating the change in program expenditure between 1983/84 and 1984/85, the previous accounting method that pegged 1984/85 spending at \$797.44 million was used as the baseline for comparison with the previous year. However, when calculating the change in program expenditure between 1984/85 and 1985/86, the new accounting method that pegged 1984/85 spending at \$822.61 million was used as the baseline to measure spending changes in the following year. The intention of this practice was obviously to establish an apples-to-apples comparison of real spending changes, even if the raw numbers appear not to back up the annual percentage change numbers.

Source: Author's calculations based on provincial public accounts and budget estimates.



Source: Author's calculations based on provincial public accounts and budget estimates.

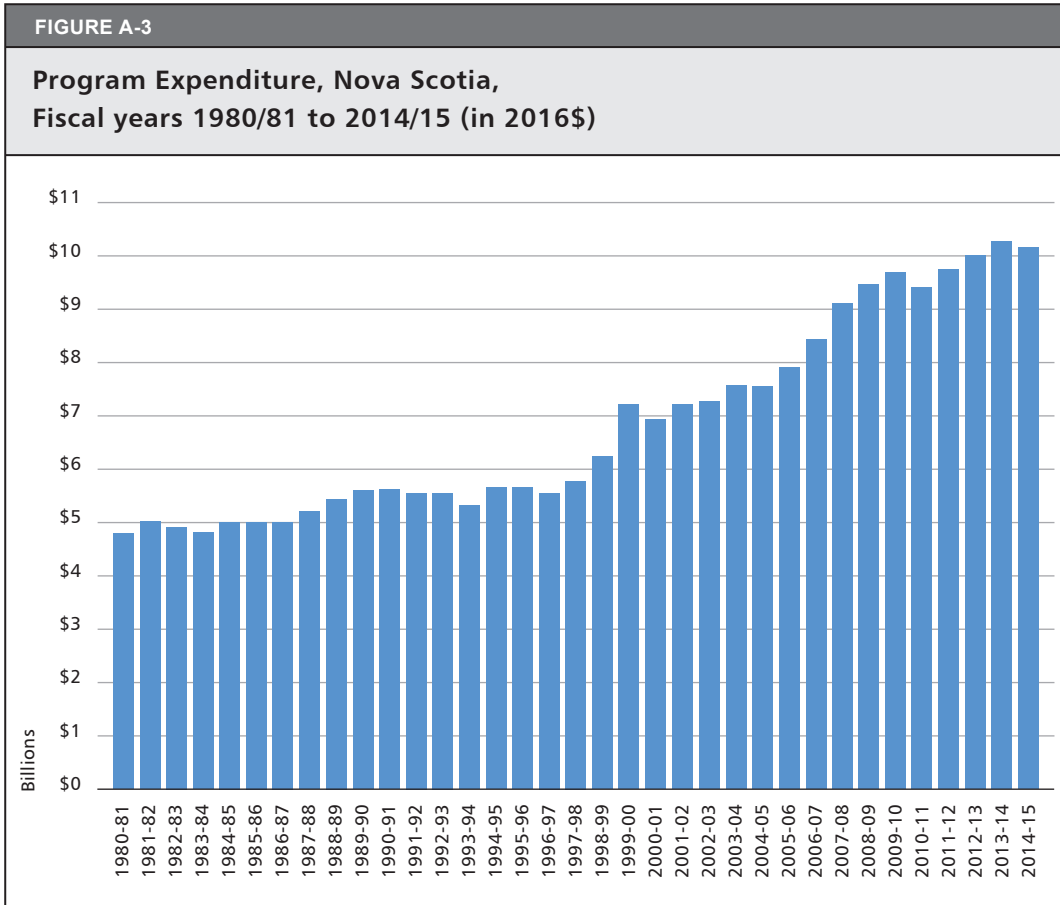


TABLE A-4

**Program Spending and Debt Service Charges, Nova Scotia,
Fiscal years 1980/81 to 2014/15 (in 2016\$)**

Fiscal Year	Program Expenditure	Debt Servicing	Per Capita Program Spending	Program Expenditure Change
	(Millions\$, Percentage Change)			
1980/81	4,761.03	551.77	5,583	—
1981/82	4,997.51	645.31	5,846	5.0
1982/83	4,861.20	847.10	5,659	-2.7
1983/84	4,794.29	907.40	5,521	-1.4
1984/85	4,943.21	1,003.78	5,633	3.1
1985/86	5,026.18	1,108.88	5,674	1.7
1986/87	4,995.45	1,100.10	5,619	-0.6
1987/88	5,149.65	1,072.16	5,763	3.1
1988/89	5,389.44	1,017.62	6,007	4.7
1989/90	5,566.12	992.04	6,159	3.3
1990/91	5,587.84	1,108.52	6,137	0.4
1991/92	5,500.57	1,080.02	6,012	-1.6
1992/93	5,505.68	1,229.40	5,988	0.1
1993/94	5,268.64	1,299.09	5,703	-4.3
1994/95	5,605.05	1,365.31	6,047	6.4
1995/96	5,616.57	1,315.07	6,052	0.2
1996/97	5,525.29	1,172.17	5,933	-1.6
1997/98	5,729.48	1,131.23	6,145	3.7
1998/99	6,218.48	1,422.95	6,674	8.5
1999/2000	7,169.68	1,544.52	7,678	15.3
2000/01	6,876.38	1,544.47	7,364	-4.1
2001/02	7,215.30	1,553.08	7,738	4.9
2002/03	7,218.46	1,396.19	7,719	0.0
2003/04	7,526.64	1,328.10	8,027	4.3
2004/05	7,522.18	1,313.58	8,006	-0.1
2005/06	7,893.76	1,224.48	8,416	4.9
2006/07	8,422.89	1,129.12	8,981	6.7
2007/08	9,071.47	1,097.91	9,701	7.7
2008/09	9,405.20	1,008.84	10,049	3.7
2009/10	9,683.87	987.47	10,322	3.0
2010/11	9,367.21	953.05	9,943	-3.3
2011/12	9,706.60	921.63	10,277	3.6
2012/13	9,965.97	968.42	10,548	2.7
2013/14	10,227.66	922.25	10,846	2.6
2014/15	10,128.55	918.11	10,748	-1.0

Note: All dollar amounts are in constant 2016 dollars. Data for fiscal year 2014/15 are budget estimates. Nova Scotia's public accounts use a different reporting method than the budget estimates, and as such the 2015/16 and 2015/16 budget estimates are not adequate to provide an accurate account of spending changes since 2014/15, the last year of public accounts reporting at the time of writing. Nova Scotia's public accounts changed its reporting method in the 1994/95 edition. Prior public accounts reported gross expenditure, while all subsequent public accounts published net expenditure as their top line numbers. For program expenditure figures since 1999/2000, the gross expenses by object figures in the public accounts were used. For program expenditures between 1994/95 and 1997/98, gross departmental expenditures reported in the public accounts were used. The 1998/99 public accounts reported neither gross expenses by object nor gross departmental expenditure, although the top-line figures, based on comparisons with other years, appeared to offer an account of gross expenditure, and thus those figures were used. Source: Author's calculations based on provincial public accounts and budget estimates.



All dollar amounts are in constant 2016 dollars.
 Source: Author's calculations based on provincial public accounts and budget estimates.

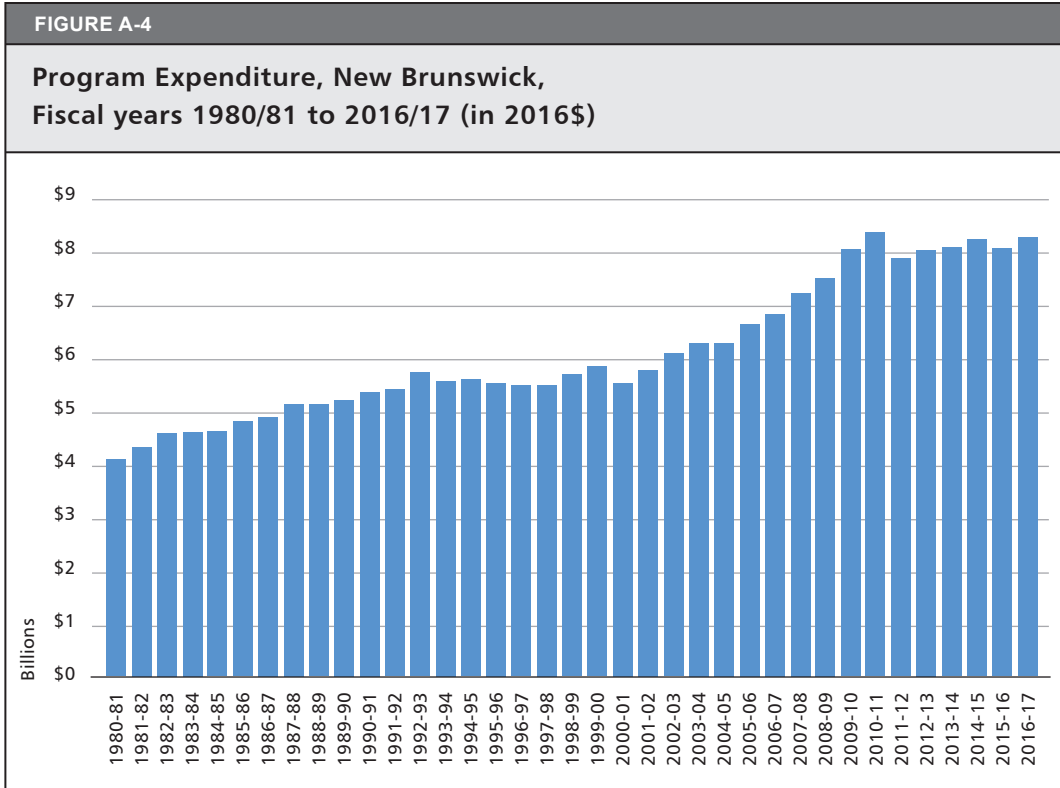


TABLE A-5

Program Spending and Debt Service Charges, New Brunswick
Fiscal years 1980/81 to 2016/17 (in 2016\$)

Fiscal Year	Program Expenditure	Debt Servicing	Per Capita Program Spending	Program Expenditure Change
	(Millions\$, Percentage Change)			
1980/81	4,094.42	372.78	5,798	—
1981/82	4,332.33	416.50	6,133	5.8
1982/83	4,577.69	498.56	6,470	5.7
1983/84	4,615.14	637.55	6,457	0.8
1984/85	4,645.27	718.56	6,447	0.7
1985/86	4,818.02	757.66	6,661	3.7
1986/87	4,923.61	778.62	6,791	2.2
1987/88	5,122.77	782.98	7,039	4.0
1988/89	5,136.94	774.98	7,034	0.3
1989/90	5,237.81	754.67	7,125	2.0
1990/91	5,371.57	785.37	7,257	2.6
1991/92	5,407.11	741.03	7,252	0.7
1992/93	5,729.91	826.90	7,659	6.0
1993/94	5,561.93	882.45	7,428	-2.9
1994/95	5,629.71	974.47	7,504	1.2
1995/96	5,551.62	873.84	7,393	-1.4
1996/97	5,486.88	816.79	7,293	-1.2
1997/98	5,512.87	819.01	7,326	0.5
1998/99	5,691.18	869.58	7,583	3.2
1999/2000	5,862.55	848.52	7,810	3.0
2000/01	5,540.03	864.96	7,382	-5.5
2001/02	5,775.23	851.44	7,702	4.2
2002/03	6,084.35	853.80	8,119	5.4
2003/04	6,308.69	732.46	8,418	3.7
2004/05	6,301.02	712.57	8,408	-0.1
2005/06	6,635.19	713.89	8,871	5.3
2006/07	6,862.33	656.80	9,204	3.4
2007/08	7,228.54	662.84	9,698	5.3
2008/09	7,533.11	677.16	10,086	4.2
2009/10	8,032.99	692.40	10,711	6.6
2010/11	8,346.97	710.45	11,085	3.9
2011/12	7,891.83	706.80	10,446	-5.5
2012/13	8,054.06	696.53	10,642	2.1
2013/14	8,080.37	693.11	10,693	0.3
2014/15	8,245.66	691.30	10,927	2.0
2015/16	8,068.79	695.26	10,703	-2.1
2016/17	8,265.79	700.00	10,952	2.4

Note: All dollar amounts are in constant 2016 dollars. Data for fiscal years 2015/16 and 2016/17 are budget estimates.
 Source: Author's calculations based on provincial public accounts and budget estimates.



Note: All dollar amounts are in constant 2016 dollars. Data for fiscal years 2015/16 and 2016/17 are budget estimates.
Source: Author's calculations based on provincial public accounts and budget estimates.

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Endnotes

1. "Prudence and profligacy," *Economist*, September 12, 2015.
2. See Bank of Canada, "Inflation Calculator"; available online at <http://www.bankofcanada.ca/rates/related/inflation-calculator/>.
3. Real per capita health care spending in 2000/01 was \$3,392 in PEI, \$3,315 in Newfoundland and Labrador, \$2,760 in Nova Scotia, and \$2,320 in New Brunswick. By 2014/15, these figures had increased to \$5,470 in Newfoundland and Labrador, \$4,690 in Nova Scotia, \$4,284 in PEI, and \$3,855 in New Brunswick.





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