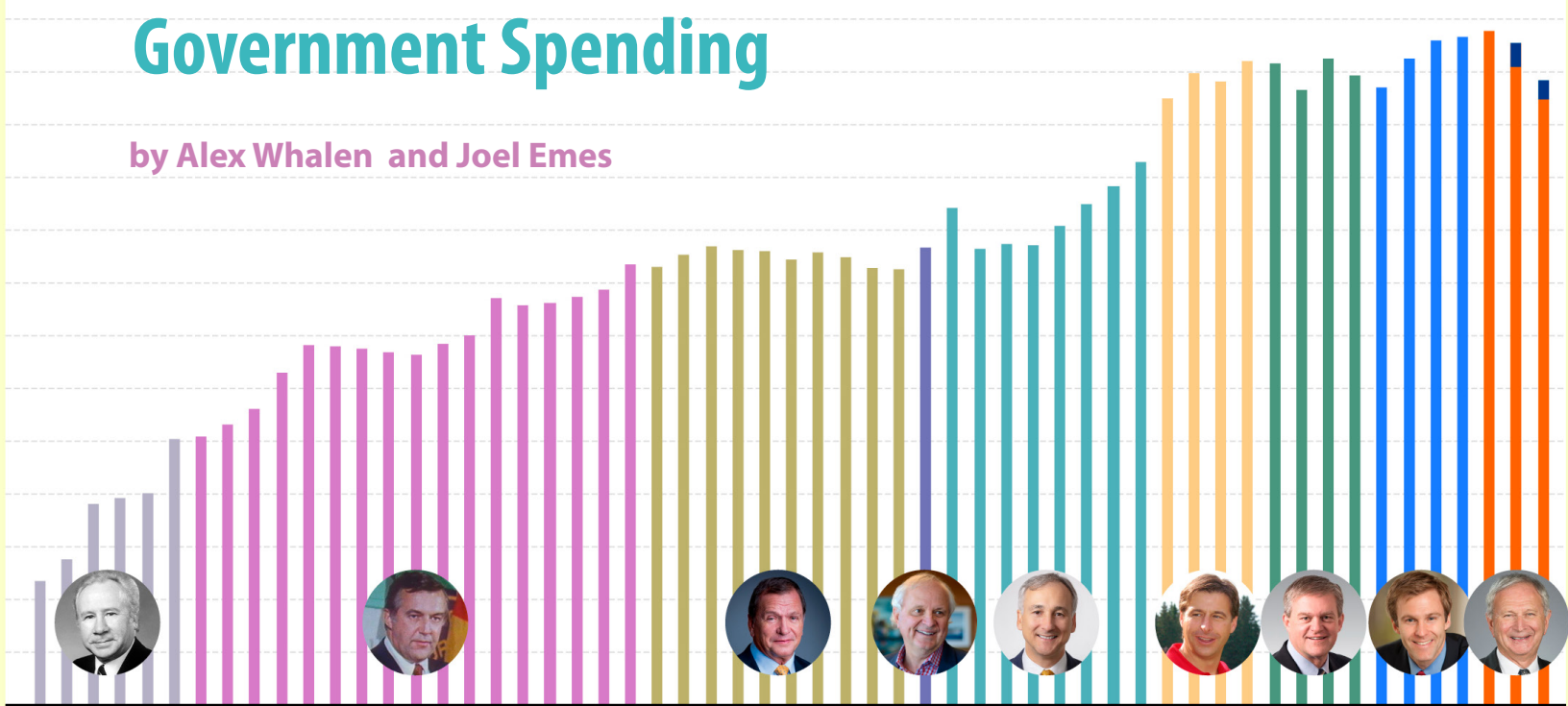


New Brunswick Premiers and Provincial Government Spending

by Alex Whalen and Joel Emes



SUMMARY

- Per-person inflation-adjusted program spending is a key measure of government fiscal policy. With comparable data going back to 1965, we are able to compare different historical periods and the tenures of various premiers of New Brunswick.
- From 1965 to 2021, per-person spending increased from \$2,346 (in 2021 inflation-adjusted dollars) to \$11,835. Put simply, New Brunswick’s provincial government per-person spending increased substantially over the 56-year period.
- Premier Louis Robichaud stands out as the premier who increased spending the most of any New Brunswick premier since 1965. Robichaud’s 17.3 percent average annual change

- in per-person spending is substantially higher than the next two premiers with the greatest increases, Camille Thériault (4.9 percent), and Shawn Graham (4.5 percent).
- Richard Hatfield, at 3.1 percent, Bernard Lord, at 2.3 percent, and Brian Gallant, at 1.5 percent, are the middle of the pack, ranking fourth, fifth, and sixth respectively as the premiers who increased per-person spending the most during their respective tenures.
- The Frank McKenna government effectively held spending even during its term, with a -0.1 percent average annual decrease. David Alward, at -0.5 percent, and current premier Blaine Higgs, at -2.2 percent, are the premiers who have exercised the most restraint in spending during our period of analysis.

Introduction

This bulletin reviews the spending records of New Brunswick governments, presented by different premiers.¹ Specifically, it examines the New Brunswick provincial government's per-person (inflation-adjusted) program spending since 1965, divided into periods based on the different premiers. As a part of a series the Fraser Institute is doing for all provinces, the intention of this bulletin is to provide a historical analysis of this key measure of government fiscal policy.

Methodology

This bulletin focuses on program spending by premiers and excludes interest costs on government debt. If interest costs were included, it would penalize or reward premiers based on the debt accumulated prior to their tenure, and/or prevailing interest rates, both of which are out of the provincial government's immediate control.²

The study uses Finances of the Nation government revenue and expenditure data (REAL),³ 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 Finance Statistics* (CGFS) for 2009 to present. Data are available up to the fiscal year 2021-22. 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.⁴

The study uses data based on provincial government fiscal years, which begin on April 1st and end on March 31st. Throughout the analysis we refer to government fiscal years by the first year only. Thus, fiscal year 2020-21, for instance, is simply referred 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 is 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 adjusts provincial program spending by population to calculate per-person spending using 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 2021. We use the consumer price index to adjust for inflation. Data are taken from Statistics Canada's Table 18-10-0004-01. Provincial per-person program

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

² Both the level of debt accumulated from previous governments and prevailing interest rates influenced debt-servicing costs. However, that is not to say that the policies of the current government do not influence those costs. Deficits add to near-term debt accumulation, and deficit-financed spending can influence the risk premium on government debt, both of which can have an impact on interest costs.

³ See <https://financesofthenation.ca/data/>

⁴ 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/>).

Table 1: New Brunswick's Premiers and Budget Years over the Period of Analysis

Premier	Party	Budget Years	Number of Budgets
Louis Robichaud	Liberal Party	1965-1970	6
Richard Hatfield	Progressive Conservative	1971-1987	17
Frank McKenna	Liberal Party	1988-1997	10
Camille Thériault	Liberal Party	1998	1
Bernard Lord	Progressive Conservative	1999-2006	8
Shawn Graham	Liberal Party	2007-2010	4
David Alward	Progressive Conservative	2011-2014	4
Brian Gallant	Liberal Party	2015-2018	4
Blaine Higgs	Progressive Conservative	2019-2021	3

Note: Although Louis Robichaud served as premier for parts of eleven years (1960-1970), there are only six years of available data during his tenure (1965 to 1970).

Details on the allocation of specific budgets:

The 1970 budget was allocated to Louis Robichaud as he served as premier for the majority of the fiscal year.

The 1987 budget was allocated to Richard Hatfield as he served as premier for majority of the fiscal year.

The 1997 budget was allocated to Frank McKenna as he served for a majority of the fiscal year.

The 1998 budget was allocated to Camille Thériault as he served as premier for the majority of the fiscal year (Raymond Frenette also served as Premier from October 1997 to May 1998)

The 2006 budget was allocated to Bernard Lord as he served as premier for the majority of the fiscal year.

The 2010 budget was allocated to Shawn Graham as he served as premier for the majority of the fiscal year.

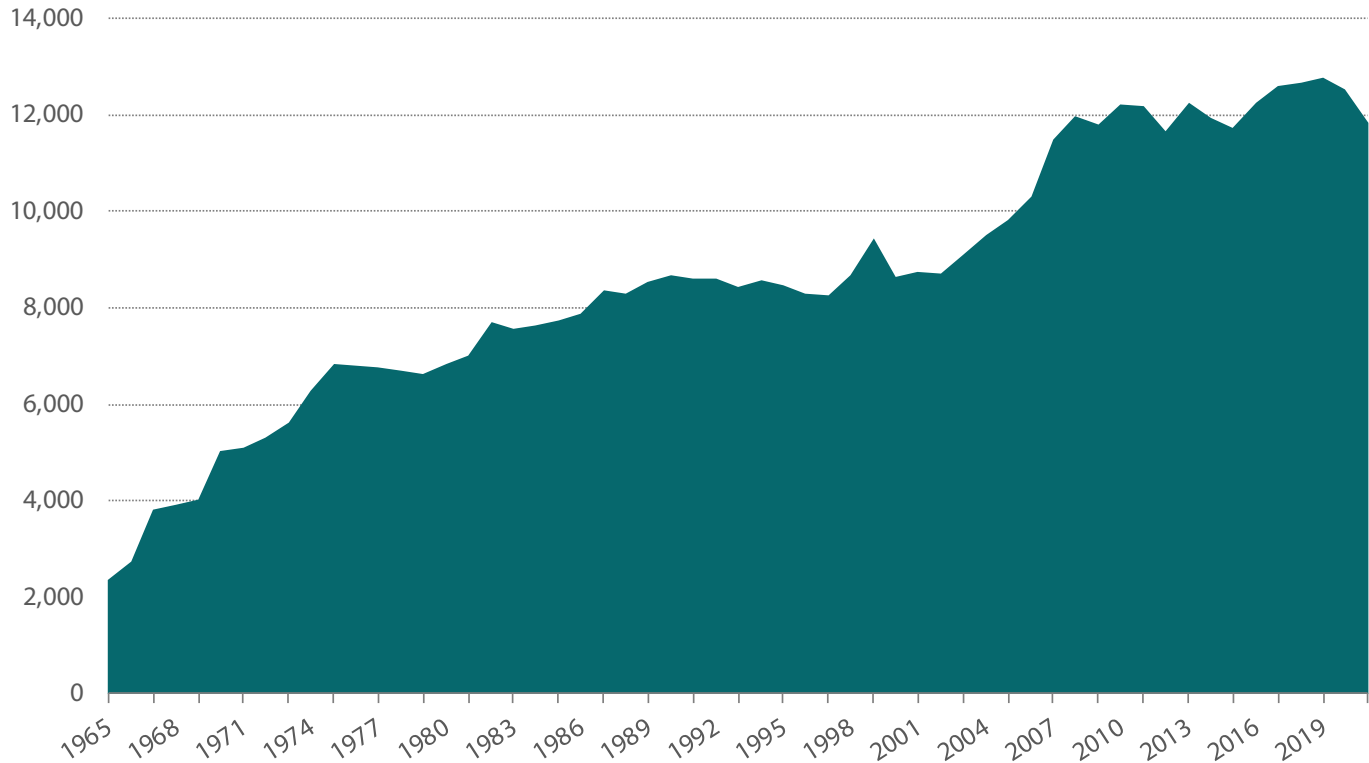
The 2014 budget was allocated to David Alward as he served as premier for the majority of the fiscal year.

The 2018 budget was allocated to Brian Gallant as he served as premier for the majority of the fiscal year.

While Blaine Higgs continues to serve as Premier, the period of analysis used in this study ends in fiscal year 2021-22, so Higgs is allocated the 2019, 2020, and 2021 budgets only.

Source: Canada Info (Undated).

Figure 1: Inflation-Adjusted (\$2021) per Person Program Spending in New Brunswick, 1965-2021



Sources: Finances of the Nation, 2022; Statistics Canada, Table 17-10-0009-01; Statistics Canada, Table 18-10-0004-01.

(inflation-adjusted) spending is simply referred to as “per-person spending” hereafter.

It is important to understand that New Brunswick’s premiers had varying tenures.⁵ In years when there were changes in government, it is necessary to make discretionary decisions about which premier is designated responsible for each budget. Table 1 summarizes the allocation of budget years to premiers from 1965 to 2021.

The bulletin used two factors in deciding which premier was allocated a specific budget year.

⁵ For an overview of New Brunswick’s premiers and their terms, see Canada Info (Undated).

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, we resolved the situation by considering a second factor: which premier delivered the original budget that set the foundation for spending that year. For example, in the 2006 fiscal year, Bernard Lord and Shawn Graham both served almost exactly six months in office. We ultimately allocated the 2006 budget to Lord as he delivered the original budget.

Finally, it is important to recognize that certain premiers served during periods of recession and/or other significant events that may

have had an impact on government spending. However, the intention of this bulletin is not to provide context to specific years of spending or comment on whether spending changes are negative or positive. Rather, it specifically and narrowly focuses on providing an overview of per-person spending over time by premier.⁶

Per person spending in New Brunswick: 1965 to 2021

Figure 1 shows inflation-adjusted per-person spending beginning in 1965. There are a number of interesting points worth noting. From 1965 to 2021, per-person spending increased from \$2,346 (in 2021 inflation-adjusted dollars) to \$11,835. Put simply, New Brunswick's per-person provincial government spending increased substantially over the 56-year period.

While figure 1 shows an overall increase in spending⁷ over time (again, adjusted for inflation), there are several interesting periods when spending was either increased or restrained. The first runs from the starting point in 1965 until 1975, a period of significantly increased spending. This spans both the governments of Louis Robichaud (1965-1970) and Richard Hatfield (1971-1975), when per-person spending increased 191 percent from \$2,346 in 1965 to \$6,819 in 1975.

Per-person spending continued to increase, albeit at a much slower pace, for the next decade and a half between 1975 and 1990, a period largely captured by the government of Richard Hatfield (1976 to 1987), and later, Frank McKenna (1988 to 1990). During this time, spending

increased 27.4 percent, from \$6,819 in 1975 to \$8,686 in 1990.

The 12 years that followed saw the longest period of spending restraint within the period that this study examined. This period involves most prominently the Frank McKenna government (1991 to 1997), one year under premier Camille Theriault (1998), and four years under premier Bernard Lord (1999 to 2002). These three governments, across 12 fiscal years, increased spending only 0.4 percent in total, from \$8,686 in 1990 to \$8,721 in 2002.

Between 2002 and 2008, we observe another period of substantial spending increases across two governments. During this time, the Lord government (2003 to 2006), and the Shawn Graham government (2007 and 2008) increased spending by 37.4 percent, from \$8,721 per person in 2002 to \$11,986 per person in 2008.

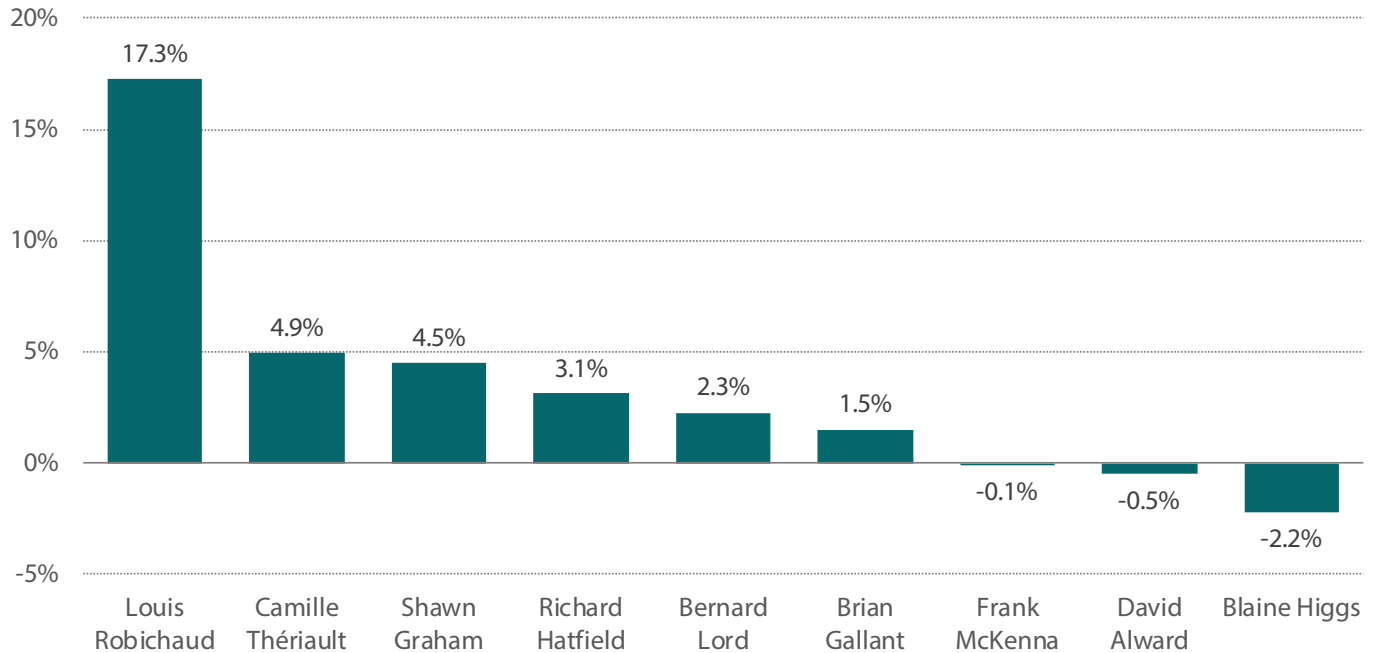
Between 2008 and 2021, spending levels rose and fell mainly within a small range, and while new all-time highs were set, this is nonetheless largely a period of restraint. This period encompasses the remaining years of the Graham government (2009 to 2010), the full terms of David Alward (2011 to 2014) and Brian Gallant (2015 to 2018), as well as the first three years⁸ of the Blaine Higgs government (2019 to 2021). During this time, per-person inflation-adjusted spending decreased by 1.3 percent, from \$11,986

⁶ For those interested in this normative issue, see Tanzi (2011) and Di Matteo (2013).

⁷ In this essay, spending means per-person inflation-adjusted program spending unless otherwise noted.

⁸ It is noteworthy that during the COVID-19 pandemic, governments across the country rolled out new spending programs, some of which were one-time spending specific to the pandemic. For the purposes of illustration, we have separated COVID and non-COVID spending. In 2020, total per-person inflation adjusted spending was \$12,538. With COVID-related spending removed, this falls to \$12,162. In 2021, the total figure is \$11,835 while the adjusted figure is \$11,522.

Figure 2: Ranking of Premiers by Average Annual Change in Per Person Spending, Inflation-adjusted (\$2021)



Sources: Finances of the Nation, 2022; Statistics Canada, Table 17-10-0009-01; Statistics Canada, Table 18-10-0004-01.

in 2008 to \$11,835 in 2021. The Higgs government in particular managed to show restraint by decreasing spending during a pandemic, resulting in spending levels held below that of the 2008 recession.

To summarize, figure 1 shows an obvious and substantial overall increase in inflation-adjusted per-person spending during our period of analysis (1965 to 2021). However, there are some notable differences between the different eras. A simplified view suggests there have been two broad periods of substantial increases in spending (1965 to 1975 and 2003 to 2008), one period of more moderate spending increases (1975 to 1990), and two periods of relative restraint (1990 to 2002 and 2008 to 2021).

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

For additional context, figure 2 shows the average annual change in per-person spending during each premier's tenure. 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.

As shown, premier Louis Robichaud stands out as the premier who increased spending the most of any New Brunswick premier since 1965. Robichaud's 17.3 percent average annual change in per person spending is substantially higher than the next two premiers with the largest in-

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creases, Camille Thériault⁹ (4.9 percent), and Shawn Graham (4.5 percent).

Richard Hatfield, at 3.1 percent, Bernard Lord, at 2.3 percent, and Brian Gallant, at 1.5 percent are the middle of the pack, ranking fourth, fifth, and sixth respectively as the premiers who increased per-person spending the most during their respective tenures.

Three premiers are notable for having not increased inflation-adjusted per-person spending during their tenures. The Frank McKenna government effectively held spending even during its term, with a -0.1 percent average annual decrease. David Alward, at -0.5 percent, and current premier Blaine Higgs, at -2.2 percent, are the premiers who have exercised the most restraint in spending during our period of analysis.

Conclusion

Per-person spending adjusted for inflation and excluding interest costs is an important measure 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 inflation-adjusted spending is often neglected because it is not as easily accessible as the alternative measure, government spending as a share of GDP. This bulletin corrects that defi-

⁹ It should be noted that Thériault had a short tenure as premier and this data is based off only one fiscal year. For additional context on number of fiscal years assigned to each premier, consult table one. It is also noteworthy that the 17.3 percent annual change for Robichaud does not include his full tenure as premier. Robichaud's tenure began in 1960 but data limitations only allow our comparison to go as far back as 1965.

ciency for New Brunswick and provides interested readers with a historical analysis of per-person spending by year and by premier going back to the mid 1960s.

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Acknowledgments

This bulletin was inspired by the 2017 work of Jason Clemens and Milagros Palacios (*Prime Ministers and Government Spending: A Retrospective*), in addition to the 2017 work of Professor Livio Di Matteo and his analysis of the finances of Canada over its history (*A Federal Fiscal History: Canada, 1967-2017*).

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