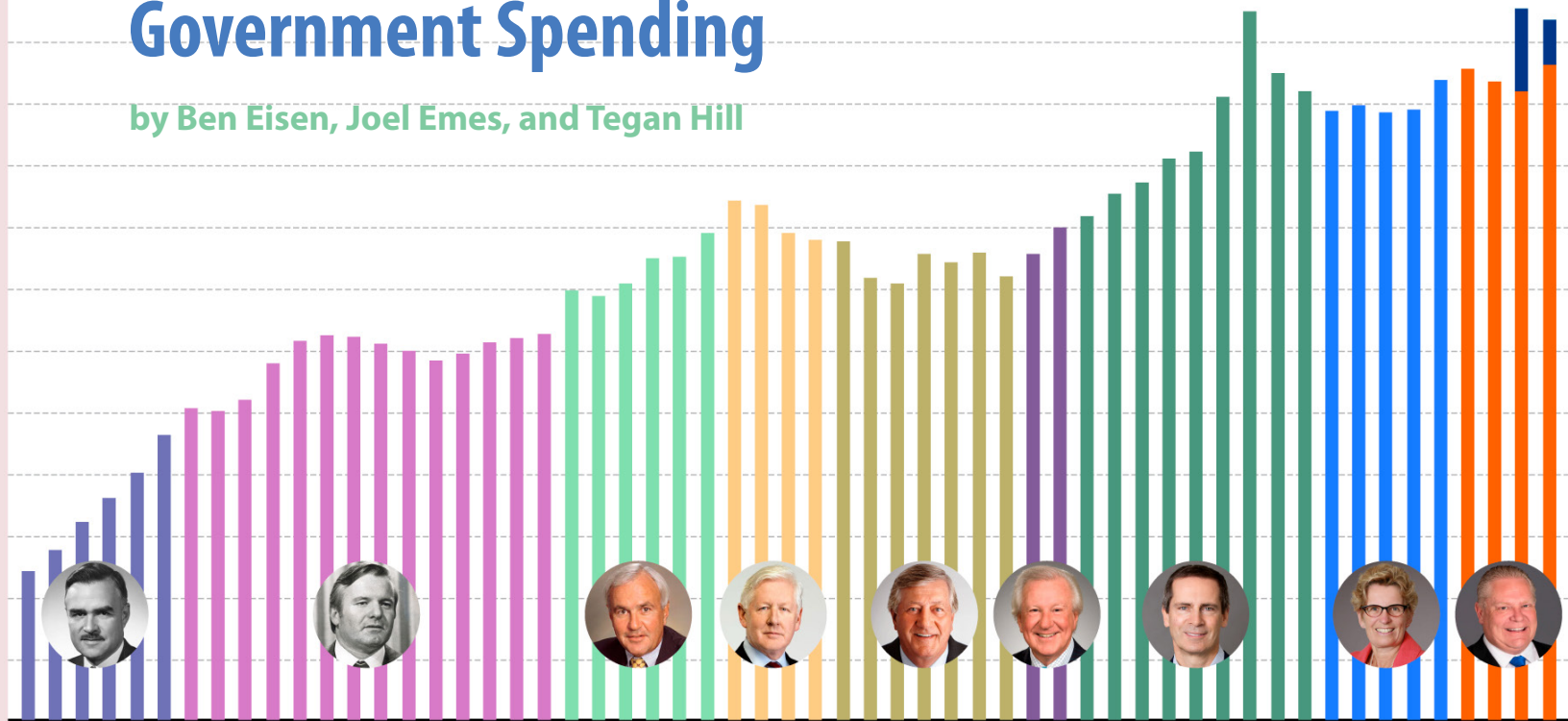


# Ontario Premiers and Provincial Government Spending

by Ben Eisen, Joel Emes, and Tegan Hill



## SUMMARY

- This bulletin reviews annual per-person program spending (inflation-adjusted) by Ontario premiers from 1965 to 2021.
- The highest single year of per-person spending between 1965 to 2021 was under Premier Doug Ford in 2020 at \$11,558. Excluding COVID-related spending, per-person spending was \$10,226 that year.
- Excluding the unusual 2020 year, which included emergency COVID-19 related spending, the highest year of per-person spending was 2010 under Dalton McGuinty at \$11,522.

- Premier Ernie Eves ranks as having the highest average annual increase in per-person spending during his brief time as premier at 5.4 percent. However, Eves only served as premier for two fiscal years.
- The second highest average spending growth was under David Peterson at 4.0 percent. Dalton McGuinty was third highest at 2.9 percent.
- Per-person spending fell under Premier Bob Rae at an average annual rate of 0.2 percent.
- Under Premier Mike Harris, per person spending fell at an average annual rate of 1.0 percent.

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## Introduction

This bulletin reviews the spending records of Ontario governments under each of the province's premiers from 1965-2021.<sup>1</sup> Specifically, it examines per-person (inflation-adjusted) program spending since 1965. The bulletin shows the real per-person spending level in each year, as well as the average annual change in program spending over each premier's time in office. The intention is to provide a historical analysis of this key measure of government fiscal policy.

## Methodology

This bulletin focuses on program spending by premiers, which means interest costs on government debt are excluded. If interest costs were included, it would influence the results for each premier 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.<sup>2</sup>

The study uses Finances of the Nation government revenue and expenditure data (REAL),<sup>3</sup> 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.<sup>4</sup>

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

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

<sup>2</sup> Debt-servicing costs are influenced by both the level of debt accumulated from previous governments and prevailing interest rates. However, that is not to say that the policies of the current government do not influence debt-servicing 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.

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

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<sup>4</sup> 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/>).

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**Table 1: Ontario's Premiers and Budget Years over the Period of Analysis**

Premier	Party	Budget Years	Number of Budgets
John Robarts	Progressive Conservative	1965-1970	6
Bill Davis	Progressive Conservative	1971-1984	14
David Peterson	Liberal	1985-1990	6
Bob Rae	New Democratic	1991-1994	4
Michael Harris	Progressive Conservative	1995-2001	7
Ernie Eves	Progressive Conservative	2002-2003	2
Dalton McGuinty	Liberal	2004-2012	9
Kathleen Wynne	Liberal	2013-2017	5
Doug Ford	Progressive Conservative	2018-2021	4

Note: Although John Robarts served as premier for 11 years (1961 to 1970), there are six years of available data during his tenure (1965 to 1970).

Details on the allocation of specific budgets:

Frank Miller served as premier for five months from February 1985 to June 1985. Given that he did not serve as Premier for the majority of either fiscal year (1984/85 or 1985/86) he is not included in this analysis.

The 1990 budget was allocated to David Peterson as he served as Premier for more than half the fiscal year and delivered the original budget.

The 2003 budget was allocated to Ernie Eves as he served as Premier for more than half the fiscal year and delivered the original budget.

Source: Legislative Assembly of Ontario (2022).

18-10-0004-01. Provincial per-person program (inflation-adjusted) spending is simply referred to as “per-person spending” hereafter.

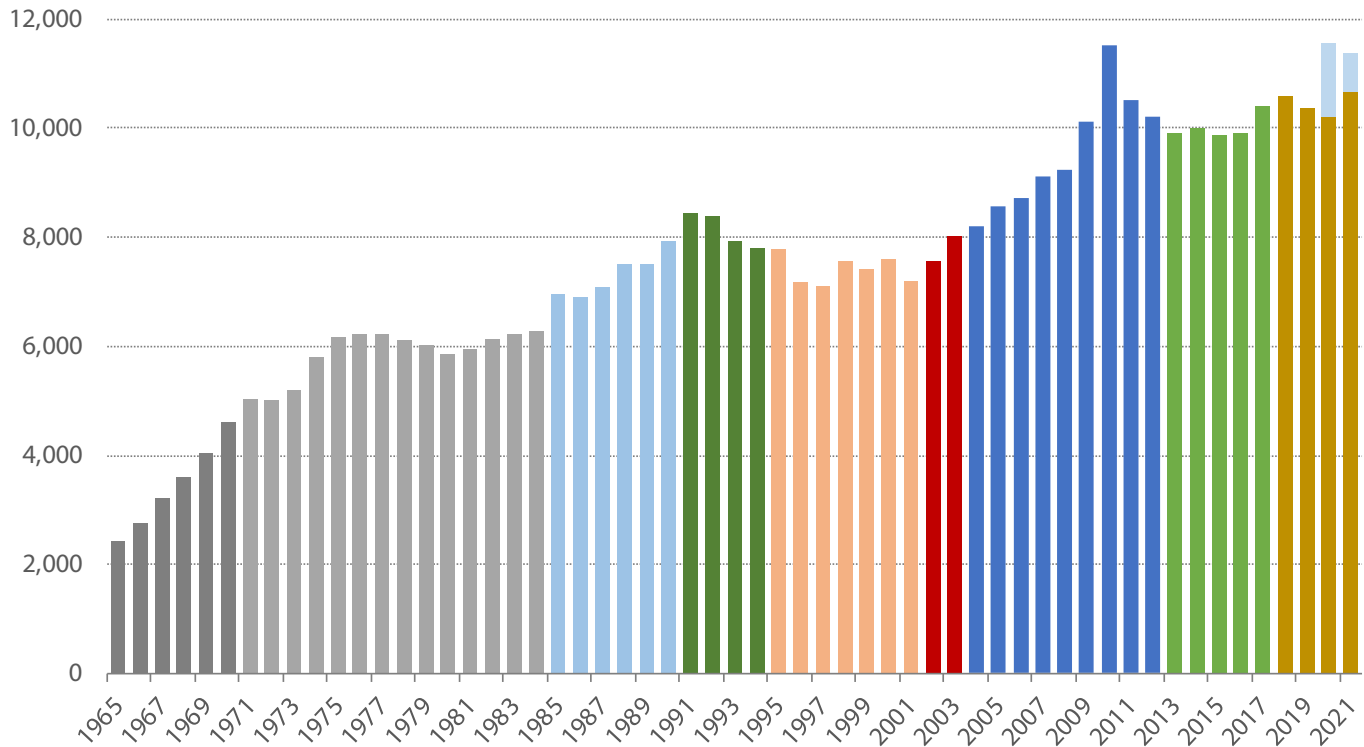
In years when there were changes in government, it is necessary to make decisions about which premier is designated responsible for spending in each year. We use two factors to decide which premier was allocated a specific budget year. The first and most important was the premier’s length of time in office during the fiscal year. When the fiscal year is fairly evenly split between two or more premiers, the situa-

tion is resolved by considering a second factor: which premier delivered the original budget that set the foundation for spending that year. Table 1 summarizes the allocation of budget years to premiers from 1965 to 2021. Note that Premier Robarts took office in 1961, however, due to data limitations prior to 1965 we do not include the years of his premiership before 1965 in this analysis.

Of course, each premier faced a unique set of economic conditions. Certain premiers served during periods of recession and/or other sig-

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



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

nificant events that may have had an impact on government spending.<sup>5</sup> However, the intention of this bulletin is not to provide context on specific years of spending or to comment on whether spending changes were either necessary or well-advised.<sup>6</sup> Rather, it is specifically

<sup>5</sup> For example, Ontario experienced sharp recessions in the 1990s and during the years around the global financial crisis of 2008/09. Most recently, Premier Ford's government was in power during the COVID-19 pandemic and recession.

<sup>6</sup> For discussions of these issues see, for example, Tanzi (2011) and Di Matteo (2013).

and narrowly focused on providing a measurement of per-person spending and spending growth for each premier's time in office.

## Per person spending in Ontario: 1965 to 2021

Figure 1 shows inflation-adjusted per-person spending beginning in 1965. It shows that from 1965 to 2021, per-person spending increased from \$2,408 (in 2021 inflation-adjusted dollars) to \$11,384 in the final year of the analysis.

The history of Ontario's spending growth since 1965 can be broken into six distinct periods

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which roughly (if imperfectly) align with the various premiers' tenures. The first of these was a period of significant spending growth from 1965 until the middle of the 1970s when John Robarts and Bill Davis were in office. Per-person spending increased from \$2,408 per person in 1965 to \$6,236 in 1976.

The second period began in the mid 1970s under Premier Bill Davis when Ontario's provincial government introduced modest spending reductions. Per person spending fell from \$6,236 in 1976 to \$5,845 in 1980 at which point it began to rebound. In 1984, the final year for which we assign Premier Davis responsibility, spending had risen and exceeded the precise level that it had been in 1976 (\$6,273).

The third period began in 1985. David Peterson's government initiated another period of significant spending growth, which lasted throughout his time in office and through the first year of Premier Rae's term. During this period per-person spending rose from \$6,273 in 1984 to \$8,433 in 1991. Premier Rae's first year in office was 1991, during which Ontario faced a recession and saw a per-person spending increase of 6.5 percent. During the remaining years of Premier Rae's time in office, his government gradually reduced per-person spending to pre-recession levels. In his final year of responsibility for Ontario's finances (1994), Premier Rae's government oversaw per-person spending of \$7,809, slightly below the \$7,916 spending level that it had inherited from Premier Peterson in his final year in office (1990).

The fourth period began with the election of Premier Mike Harris in 1995 during which there was a period of significant policy reform and a rapid reduction in spending, which was followed by an extended period when spending was maintained at that lower level. Specifically,

spending fell from \$7,809 in Premier Rae's final year in office to a low of \$7,091 in 1997. During the final years of Premier Harris' time in office, spending rebounded slightly to \$7,210 in 2001—the final year for which we assign him responsibility.

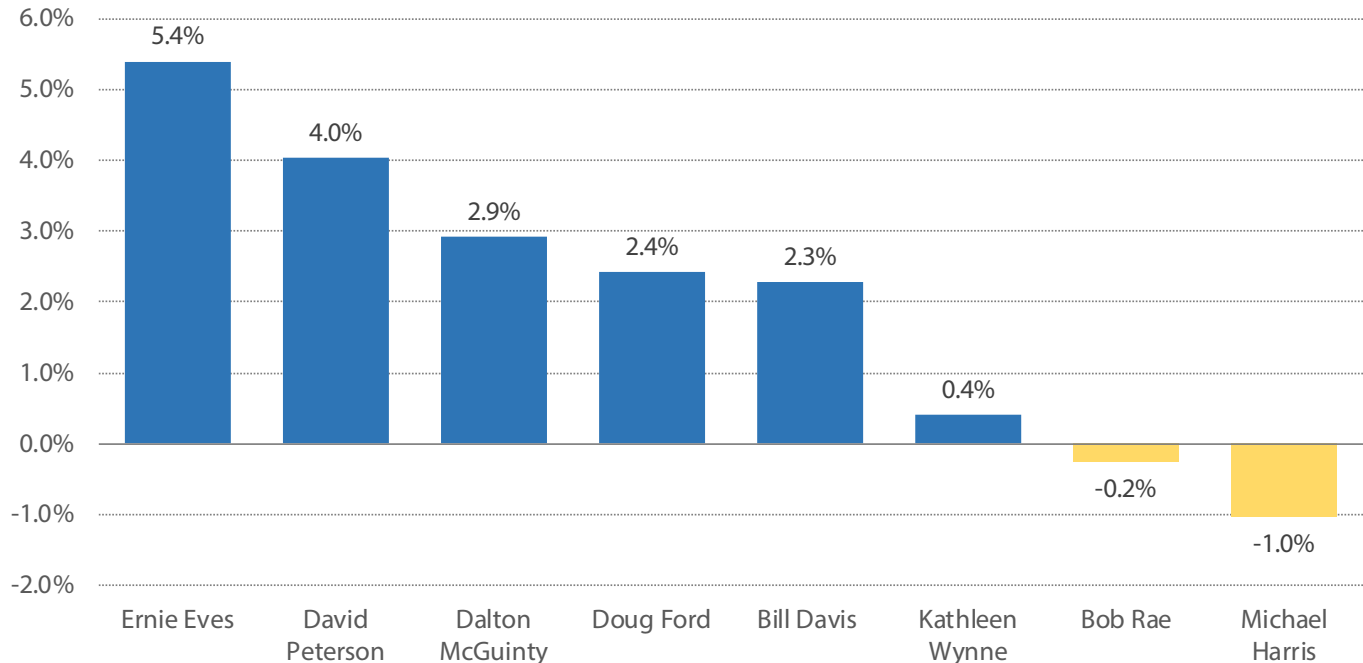
The fifth period, which began with the election of Ernie Eves and carried on through the premiership of Dalton McGuinty, saw an extended stretch of spending growth. Premier Eves inherited per-person spending of \$7,210. Over the next decade, spending climbed quickly, reaching a peak of \$11,522 in 2010—by far the highest on record at that time. Spending growth was particularly rapid in 2009 and 2010 as Ontario's economy, specifically the manufacturing sector, were hit hard by the global financial crisis. Cumulatively, per person spending increased by 24.8 percent over that two-year period. Over Premier McGuinty's final two years in office, spending came down somewhat to \$10,208 in 2012, still substantially higher than the 2008 pre-recession level of \$9,235.

The sixth period, the beginning of which coincides approximately with Premier Kathleen Wynne taking office in 2013 and has carried through at least until the early years of Premier Doug Ford's government prior to the pandemic, can be neither defined as a period of rapid spending growth or significant spending reductions. Indeed, inflation-adjusted per-person spending initially declined under Premier Wynne, but was flat overall between 2012 (\$10,208) and 2019 (\$10,375), the last pre-pandemic year. Spending has increased in the pandemic era. Per-person spending increased markedly in 2020 (11.4 percent), but was affected by the COVID-19 pandemic and recession. Total per-person spending was \$11,558 in 2020—the highest on record—while non-COVID-related spending was \$10,226 that year. Per-person spend-



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



Note: We did not include John Robarts in the ranking as data was not available for his entire tenure.

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

ing dropped slightly to \$11,384 in 2021, while non-COVID-related spending was \$10,659 that year. It is too soon to assess whether the return of real per-person spending growth represents the start of a new fiscal era in Ontario.

## Measuring premiers on changes in inflation-adjusted per-person spending

This section compares the rate of spending growth under the various premiers discussed above since 1965. Premier Robarts is excluded from this analysis due to the fact that only part of his time in office can be assessed using the available data.

Figure 2 shows the average annual change in per-person spending during each premier's tenure. Specifically, it shows the rank for each premier based on the average annual change in per-person spending from the year before they took office to the last year they were allocated responsibility for spending.

Figure 2 shows that of the 8 premiers analyzed here, Ernie Eves oversaw the fastest rate of annual per-person spending growth (5.4 percent) during his brief time in office. (Eves was premier for only two fiscal years.) David Peterson's government had the next highest annual rate of per-person spending growth at 4.0 percent followed by Dalton McGuinty's government, which

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had the third-highest annual rate of per-person spending growth at 2.9 percent.

Premier Ford's government has overseen the fourth highest rate of annual per-person spending growth at 2.4 percent, followed closely by Bill Davis at 2.3 percent. The sixth highest rate of per-person spending growth belongs to Premier Kathleen Wynne at 0.4 percent.

Per-person spending fell slightly under Premier Bob Rae, by an average annual rate of 0.2 percent. Spending fell significantly faster under Premier Michael Harris during the 1990s, at an average annual rate of 1.0 percent.

## Conclusion

Per-person spending adjusted for inflation and excluding interest costs is an important measure of a government's approach to fiscal policy. This bulletin provides a historical analysis of per-person spending by Ontario premiers since 1965. In addition to providing an overview of the evolution of the rate of spending, we compare the average annual rate of per-person spending under the 8 premiers whose full time in office is covered by the available data. We show that the rate of per-person spending growth was fastest during Ernie Eves' short term in office. Of the longer-serving premiers, spending growth was fastest under Premier David Peterson at an average annual rate of 4.0 percent. On the other end of the spectrum, spending decreased at an average annual rate of 1.0 percent under Premier Michael Harris.

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