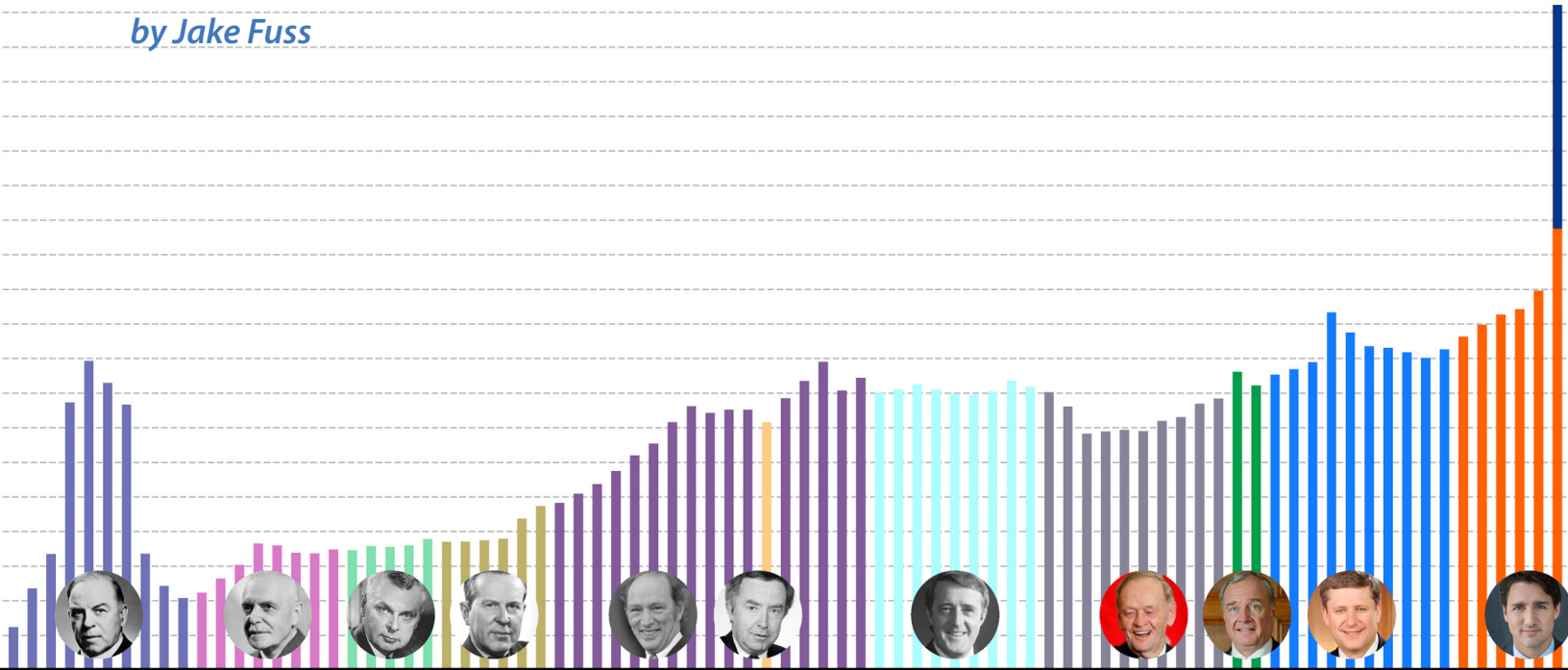


## Prime Ministers and Government Spending 2023 edition

by Jake Fuss



### Summary

- Per-person federal program spending (adjusted for inflation) reached \$19,208 in 2020-21, by far the highest level in Canada’s history. Non-COVID-related per-person spending in 2020-21 was \$12,752.
- Federal spending reached \$13,571 per-person in 2021-22, which represents the second highest level in the country’s history.
- Even if we exclude COVID-related spending, 2020 and 2021 are still the two highest per-person spending years in Canadian history.

- Per-person spending is expected to decrease in 2022-23, reaching \$11,498. It is still projected to be 5.0% higher than the level seen in 2019-20, which was the highest historical level of spending pre-COVID, and 11.3% above the 2009 recession.
- Among post-World War II prime ministers, Justin Trudeau has overseen the second largest annual average increase in per-person spending (6.8%), though this spending was partly influenced by the COVID-19 pandemic.
- Prime Minister Justin Trudeau is on track to record the five highest levels of per-person spending (2018 to 2022) in Canadian history.

# Prime Ministers and Government Spending, 2023

## Introduction

It is informative to look back at the spending records of the country's prime ministers and consider how those records relate to the federal government's changing role, not just in the economy, but in society more broadly. The previous edition of *Prime Ministers and Government Spending* was released in October 2021 (Fuss et al., 2021). This analysis includes updated calculations from the fiscal reference tables and Fall Economic Statement 2022 (DOF, 2022a; 2022b).

## Spending analysis and methodology

This analysis focuses only on program spending by prime ministers; it excludes interest costs on government debt. Were we to include interest costs, it would penalize or reward prime ministers on the level of debt that had been accumulated prior to their tenure, or who faced higher or lower than normal interest rates, both of which are out of the government's direct, immediate control.<sup>1</sup> The data used in this bulletin are based on government fiscal years, which run from April 1<sup>st</sup> to March 31<sup>st</sup>.

This analysis uses several different sources for the spending data. Specifically, program spending data from 1870-71 to 1966-67 come from the second edition of *Historical Statistics of Canada, Section H-Government Finance* (Leacy, ed., 1983). The data from 1966-67 to 2021-22 are

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<sup>1</sup> While debt-servicing costs are influenced by both prevailing interest rates and the level of accumulated debt from previous governments, that is not to say that the policies of the current government do not influence either interest costs or debt. For instance, current policies regarding the use of deficits to finance current spending can and do influence bond ratings, which affect the risk premiums that bond investors require. Similarly, current deficit policies will influence near-term debt accumulation.

from the Department of Finance's *Federal Fiscal Reference Tables 2022* (DOF, 2022a). The data for 2022-23 rely on the 2022 Fall Economic Statement (DOF, 2022b).

The analysis adjusts federal program spending by population to calculate per-person spending.<sup>2</sup> This is an important adjustment since changes in population influence aggregate program spending. In other words, the same dollar amount of increased spending can look quite different depending on whether a jurisdiction is experiencing robust or modest population growth, or even a population decline. The analysis also adjusted program spending for inflation so that spending in 1900 is comparable with spending in 2022.<sup>3</sup> Hereafter, per-person federal program spending adjusted for inflation is simply referred to as "per-person spending."<sup>4</sup>

Figure 1 shows the unmistakable spikes in per-person spending during both world wars. Per-person spending rose under Prime Minister Sir Robert Borden from \$724 in 1913 to \$1,582 by 1916. It was cut by almost 50% in 1920; per-person spending levels essentially returned to pre-World War I levels after the war ended. World War II saw a more pronounced spike in per-

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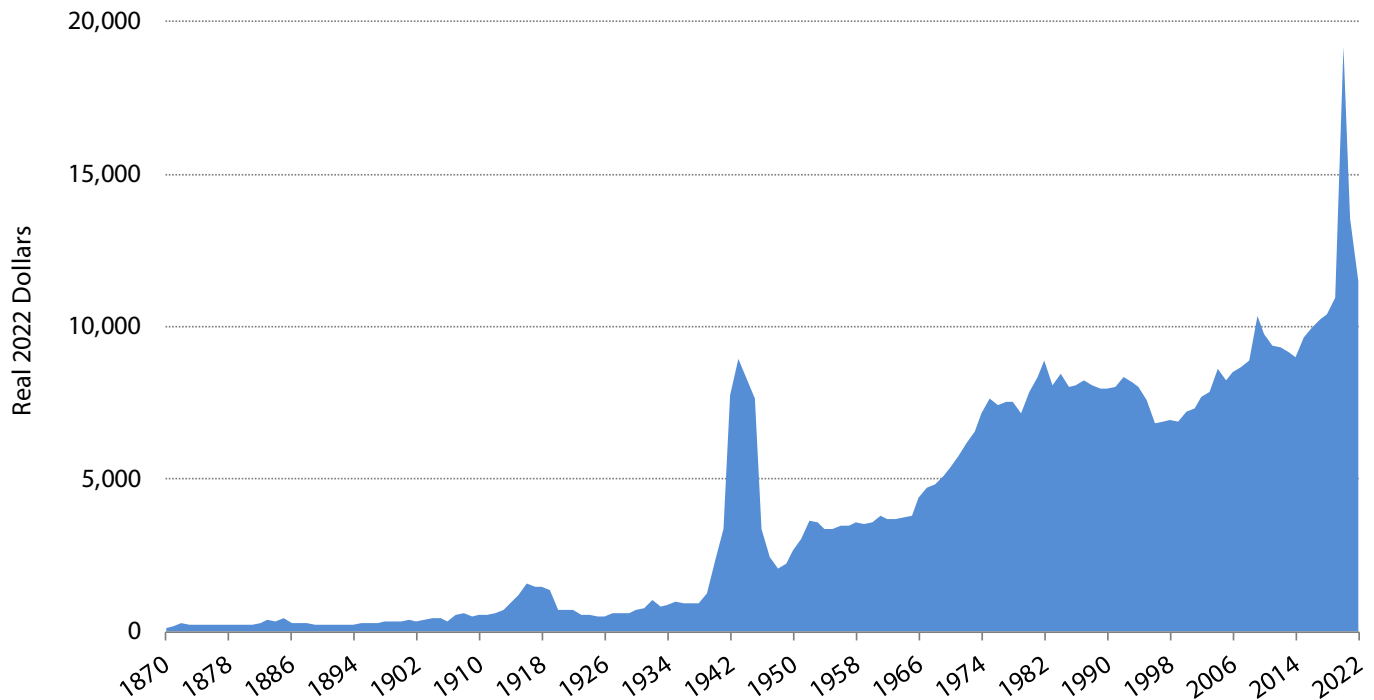
<sup>2</sup> Two Statistics Canada tables, 17-10-0063-01 (from 1870 to 1970) and 17-10-0005-01 (from 1971 to 2022) provide population data.

<sup>3</sup> The price index used is a GDP deflator. For the period from 1870 to 1960, the data come from Urquhart (1988); for 1961 to 2021, the data are taken from Statistics Canada, CANSIM Table 36-10-0130-01. For 2022, data are from the 2022 Fall Economic Statement. (We chose the GDP deflator in part because the historical data go back to 1870, whereas the comparable CPI data are only available as of 1914.)

<sup>4</sup> See Hill et. al (2020) for further explanations of methodology and how prime ministers were designated responsible for various budgets.

# Prime Ministers and Government Spending, 2023

Figure 1: Per Person Federal Program Spending, 1870-2022 (2022\$)



Sources: Leacy, 1983; Canada, Department of Finance, 2022a, 2022b; Statistics Canada 2022a, 2022b, 2022c, 2022d; calculations by authors.

person spending, which increased from \$951 in 1938 to a wartime high of \$8,928 in 1943. Unlike the spending after World War I, per-person spending following World War II did not return to its pre-war level.

Sustained increases in per-person spending began in 1966 under Prime Minister Lester Pearson and continued with his successor, Prime Minister Pierre Trudeau. Per-person spending was \$3,701 in 1962 when Pearson assumed office. He introduced large increases in 1966, which continued thereafter as existing programs were expanded and new programs, such as Medicare, were added. Per-person spending reached \$4,736 in 1967, Pearson's last budget as prime minister.

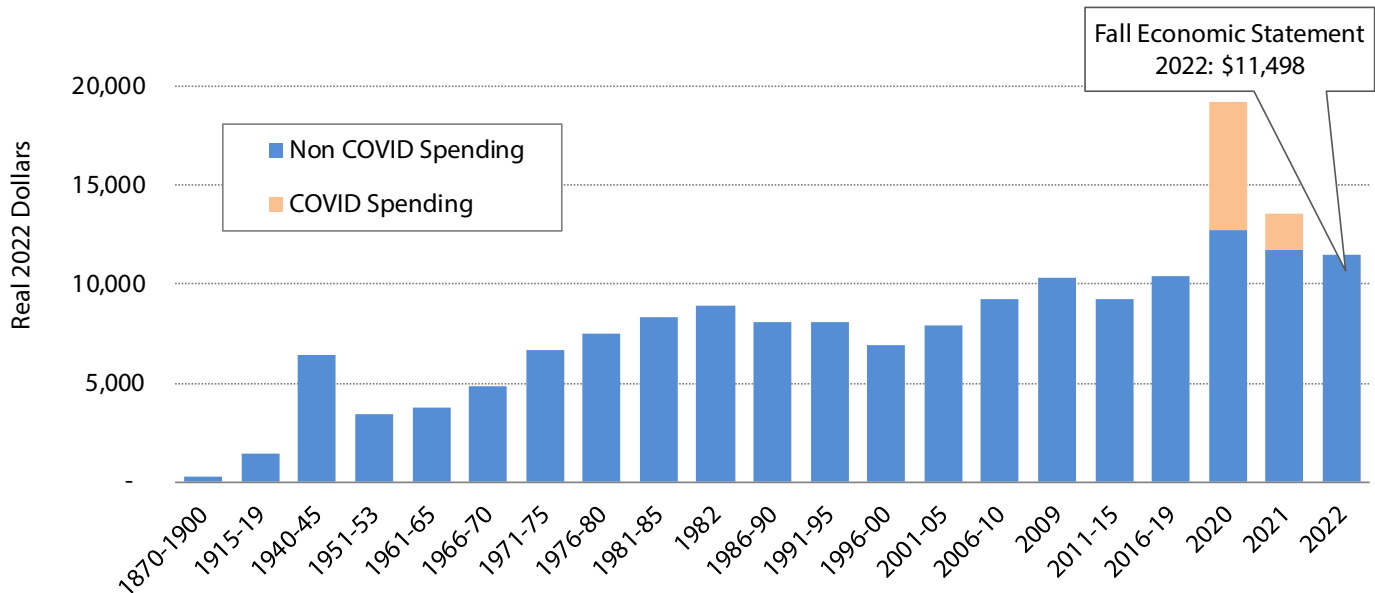
When Prime Minister Pierre Trudeau assumed office in 1968, he continued the trend that Pearson had begun. At its peak in 1982, Pearson-Trudeau per-person spending reached \$8,899, a 140% increase from the 1962 budget. Under Prime Minister Brian Mulroney, per-person spending decreased by 0.3% annually, on average (1984 to 1993).

The Mulroney era was followed by a period that was critically important to fiscal reform. Led by Prime Minister Jean Chrétien,<sup>5</sup> the fed-

<sup>5</sup> For a discussion of the importance of the fiscal reforms enacted by the Chrétien government, see Crowley, Clemens, and Veldhuis (2010), and Veldhuis, Clemens, and Palacios (2011).

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Figure 2: Per Person Federal Program Spending, 1870-2022 (2022\$)



Notes: (1) The 2015 Budget is adjusted to reflect the originally planned level of program spending for the Harper government and the increased level of program spending for the Trudeau government.

(2) The per-person estimate for 2022 reflects the program spending in the Fall Economic Statement 2022.

Sources: See Figure 1.

eral government reduced per-person spending by 16.5% between 1994 and 1996.<sup>6</sup> Per person spending by the federal government increased in the latter years of the Chrétien government.

The Chrétien era was followed by increases in per-person spending under both Prime Minister Paul Martin and Prime Minister Stephen Harper. Per-person spending increased 16.2% to \$10,334 during the recession of 2009 under the Harper government (figure 1). However, it then dropped by a cumulative total of 12.8% from 2009 to 2014.

Figure 2 shows per person program spending averaged over important periods in Cana-

da's history, such as World War I, World War II, and recessions. It shows the drastic increase in per-person spending in 1940 at the start of World War II and in 2020 with the COVID-19 recession.

## Assessing per-person spending from 2020 to 2022

In 2020, during the height of COVID-19, federal per-person spending reached \$19,208. This represents the highest per-person spending level, adjusted for inflation, in Canadian history. Non-COVID-related per-person spending was \$12,752 in 2020, which would still represent the highest level of federal spending in Canadian history. It is also 16.4% higher than the previous highest level of per-person spending recorded in 2019.

<sup>6</sup> For a thorough discussion of the reforms enacted during the Chrétien era, see Clemens, Lau, Palacios, and Veldhuis (2017).

# Prime Ministers and Government Spending, 2023

The analysis for 2021 pertains to the level of per-person spending based on the 2022 Fall Economic Statement from the Department of Finance (DOF, 2022b). Federal per-person spending in 2021 is \$13,571, which is the second highest per-person spending level, adjusted for inflation, in Canada's history. If we were to exclude COVID-related spending, per-person spending was \$11,750 in 2021, which still ranks as the second highest year of spending in Canadian history. In other words, COVID-related spending is not the reason why 2020 and 2021 are the two highest years of federal per-person spending.

The 2021 amount (\$13,571) represents an increase of 23.9% from pre-pandemic levels (2019) and is approximately 31.3% higher than the amount spent during the 2009 recession. Moreover, the four years from 2018 to 2021 are the highest levels of per-person spending in the country's history. For reference, the level of per-person spending in 2020 was 85.9% higher than Prime Minister Harper's 2009 level of recession spending.

The analysis also shows that per-person spending is projected to equal \$11,498 in 2022. Although this represents a decline from 2021 levels, the amount remains historically high. Indeed, 2022 federal spending per person is on track to be the third highest amount in Canadian history. To put this number in perspective, 2022 per-person spending is projected to increase 5.0% from spending levels in 2019 and be 11.3% above the level of per-person spending during the 2009 recession. It is also 28.8% higher than per-person spending at the peak of World War II in 1943. Even though Canada is no longer in a recession, it appears that spending will continue to remain at historically high levels.

**Table 1: Change in Per Person Spending**

Prime Minister	Budgets	Average Annual Change
Sir John A. Macdonald*,**	1870-1872, 1878-1890	8.8%
Alexander Mackenzie	1874-1878	-5.8%
Sir John Abbott	1891	2.3%
Sir John Thompson	1892-1894	1.7%
Sir Mackenzie Bowell	1895	5.6%
Sir Wilfrid Laurier	1896-1911	6.2%
Sir Robert Borden	1912-1919	12.8%
Arthur Meighen	1920-1921	-23.1%
William Lyon Mackenzie King (Combined)	1931-1935, 1936-1948	9.0%
R.B. Bennett	1931-1935	7.9%
Louis St. Laurent	1949-1956	7.0%
John Diefenbaker	1957-1961	1.1%
Lester B. Pearson	1962-1967	5.2%
Pierre E. Trudeau	1968-1978, 1980-1984	4.1%
Joe Clark	1979	-4.8%
Brian Mulroney	1985-1993	-0.3%
Jean Chretien	1994-2003	-0.3%
Paul Martin	2004-2005	2.6%
Stephen Harper	2006-2015***	1.4%
Justin Trudeau	2015*** - Present	6.8%

**Notes:**

\* Does not include budgets for 1867–1869 due to a lack of inflation data for those years.

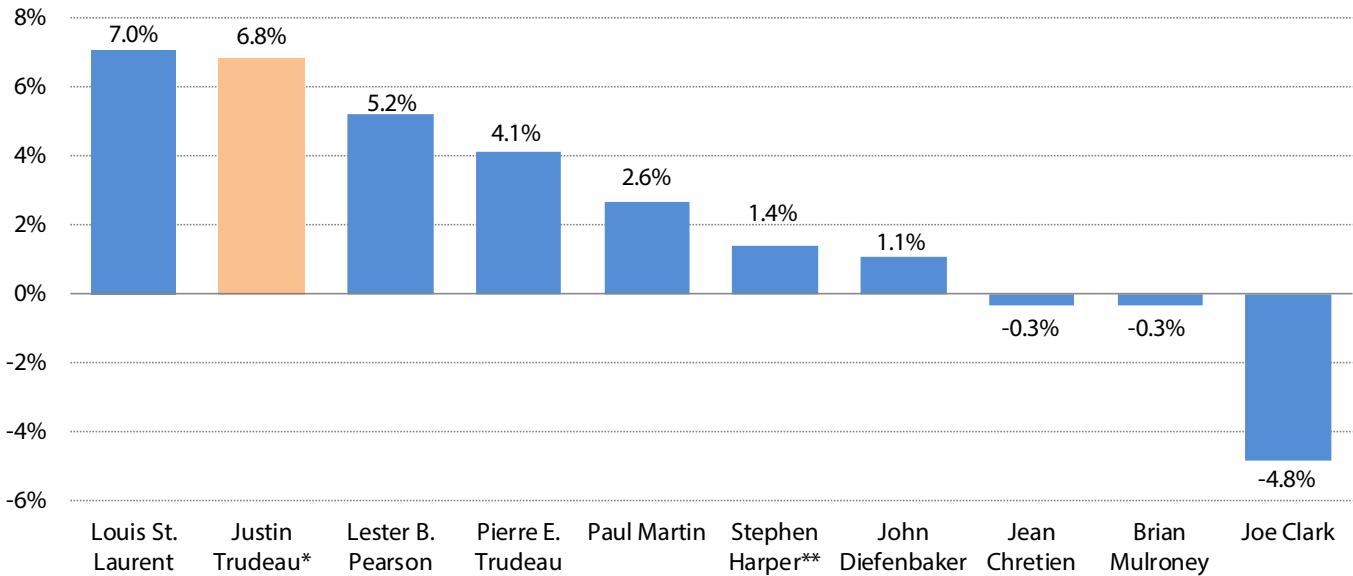
\*\* Note that 15 budget years are used to calculate the simple average annual percentage change in per person spending for Sir John A. Macdonald's first term. The reason for this is that there is no previous year of data as Sir John A. Macdonald was Canada's first prime minister.

\*\*\* There is debate about the spending increases contained in the 2015 budget. The Liberals were elected late in the budget year (October) but nonetheless initiated substantial spending in the latter half of 2015–16 budget year. For this reason, the 2015 budget has been adjusted to reflect the originally planned level of program spending for the Harper government and the increased level of program spending for the Trudeau government.

Sources: See Figure 1.

# Prime Ministers and Government Spending, 2023

Figure 3: Ranking of Prime Ministers by Average Annual Change in Per Person Spending, Post World War II



Notes:

\* The data for the Justin Trudeau covers the program spending from 2015 to 2022.

\*\* The 2015 Budget is adjusted to reflect the originally planned level of program spending for the Harper government and the increased level of program spending for the Trudeau government.

Sources: See figure 1.

### Ranking the prime ministers

Table 1 presents the rankings of prime ministers based on the average annual change in per-person spending from the year before they took office as prime minister to their last budget. Based on the analysis employed, Sir Robert Borden ranks as having the highest average annual increase in per-person spending (12.8%). This increase is obviously linked to the added spending undertaken to support Canada’s role in World War I.

The prime minister with the second highest average annual rise in per-person spending was William Lyon Mackenzie King. Mackenzie King’s second term as prime minister (1935 to 1948) was heavily affected by both the Great Depres-

sion and World War II. In fact, once the run-up linked to World War II is excluded from his tenure, the per-person spending increases during this period were quite modest.

Figure 3 addresses the difficulty of comparing wartime expenditures and spending that was linked with the founding of the country at a time when government was quite limited with post-war conditions. It ranks only post-World War II prime ministers on average annual changes in per person spending.

Prime Minister Justin Trudeau recorded the second highest average annual increase in per-person spending (6.8%). (In the ranking of all prime ministers, Justin Trudeau is 6th overall). Justin Trudeau’s spending record was influ-

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enced by the COVID-19 pandemic in 2020 and 2021, but per-person spending was already at historic highs entering the pandemic.

With average annual increases in per-person spending of 7.0%, Prime Minister Louis St. Laurent is Canada's post-World War II prime minister with the highest spending record. There is some argument to be made that St. Laurent's spending record was influenced by the Korean War, which ran from 1950 to 1953.

## Conclusion

In sum, 2020, 2021, and 2022 are expected to be the three highest years of federal per-person spending in Canadian history and will significantly exceed levels previously experienced in times of crisis, such as war and deep recession. Notably, federal per-person spending was at record high levels during these years, even when we exclude COVID-related spending. Prime Minister Justin Trudeau is on track to record the five highest years ever of federal per-person spending from 2018-19 to 2022-23. Finally, Prime Minister Justin Trudeau has recorded the second highest average annual increase in per-person spending (6.8%) among all post-World War II prime ministers.

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