

# NEWS RELEASE

## Alberta's economic and fiscal challenges could impact government finances in Atlantic Canada

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For immediate release

**CALGARY**—Alberta's economic and fiscal troubles could affect the structure and amount of federal money transferred to Atlantic Canada and Quebec, finds a new study released today by the Fraser Institute, an independent, non-partisan, Canadian public policy think-tank.

"The economic and fiscal crisis in Alberta and the energy industry more broadly could shake the foundations of federal transfers to the provinces," said Fred McMahon, a resident fellow at the Fraser Institute and author of [\*Fiscal Federalism and the Dependency of Atlantic Canada\*](#).

"Alberta's net contributions to the federal government—the difference between federal revenues and spending—financed the lion's share of the funds transferred (net of tax revenues) into Atlantic Canada and Quebec. Those surpluses from Alberta will shrink and perhaps disappear. So where will the money going to Atlantic Canada come from?"

From 2007 to 2019, the full period covered by the most recent data, Ottawa collected \$617 billion in Alberta and spent just slightly more than half that in the province, \$337 billion, for a net outflow of \$280 billion. By comparison, for every dollar Ottawa raised in Atlantic Canada during the same period, it spent nearly two dollars. Over the same period, federal revenues from Atlantic Canada were \$226.5 billion while federal spending equaled \$423.2 billion, or 27.5 per cent of Atlantic GDP. In fact, the net transfers (difference between the amount collected and the amount spent in a province) equaled \$196.7 billion, or 12.8 per cent of Atlantic Canada GDP.

On an individual level, Ottawa raised \$156,471 per Albertan but spent only \$84,980, for a net outflow of \$71,563 per Albertan. Whereas Ottawa spent nearly \$178,466 per person in Atlantic Canada compared to revenues of \$95,513 per person for a net federal transfer of \$82,953 per Atlantic Canadian.

Crucially, previous research has shown that as government spending increases as a share of GDP, it can crowd out private sector activity and make businesses less competitive and more politicized as many shift focus from creating products and services to figuring out how to best capture government subsidies and contracts.

"Any change to Canada's fiscal federalism will be a major economic challenge for Atlantic Canada and Quebec," McMahon said.

"But relying on federal spending is ultimately economically harmful and risky. A reduction of federal transfers in the long run would be a positive for Atlantic Canada and Quebec."

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