

NEWS RELEASE

Size of government in three of four Atlantic provinces grew between 2007 and 2019

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For Immediate Release

HALIFAX—The size of government in three of four Atlantic provinces increased between 2007 and 2019 relative to the sizes of their economies, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Governments have been growing in size across Canada for years, but nowhere more than the Atlantic provinces, which could further limit our ability to maximize economic growth as we look to recover from the COVID-19 crisis,” said Alex Whalen, policy analyst at the Fraser Institute and co-author of *The Size of Government in Canada in 2019*.

The study measures federal, provincial, and local government spending in each province as a share of the economy (GDP), as well as public sector employment relative to private sector employment from 2007 to 2019, the most recent year of comparable data. Both 2007 and 2019 preceded a recession and thus provide an opportunity to compare like-years.

It finds that the size of government in Nova Scotia, relative to the economy as a whole, is the largest anywhere in Canada at 60.2 per cent of GDP in 2019. Government size was 58.5 per cent in Prince Edward Island, 57.4 per cent in New Brunswick, and 44.1 per cent in Newfoundland and Labrador. Measured as a share of the provincial economy, the Atlantic provinces—as well as Quebec and Manitoba—have the largest government spending in the country.

Previous research has shown that the size of government (as a share of the economy) to maximize economic growth and social progress is between 26 and 30 per cent of the economy (GDP). When governments exceed that size, it imposes negative effects on the economy, such as crowding out private sector investment, but without providing proportionate benefits such as greater social progress. Crucially, the data used in the analysis is prior to COVID-19 and recession-related spending, meaning the size of government already exceeded the optimal size prior to the current spike in spending.

“Atlantic Canada has been burdened by a large government sector for decades and the evidence shows that trend continues to this day,” said Whalen.

“Further, an increasing size of government could impair the region’s ability to recover from the economic effects of the pandemic”

Total Consolidated Government Spending as a Percentage of GDP

Province	2007	2019
Newfoundland and Labrador	38.7%	44.1%

Prince Edward Island	61.6%	58.5%
Nova Scotia	56.9%	60.2%
New Brunswick	52.7%	57.4%
Quebec	47.4%	47.8%
Ontario	35.8%	38.8%
Manitoba	45.0%	47.7%
Saskatchewan	37.7%	37.2%
Alberta	22.4%	29.7%
British Columbia	34.8%	35.7%

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