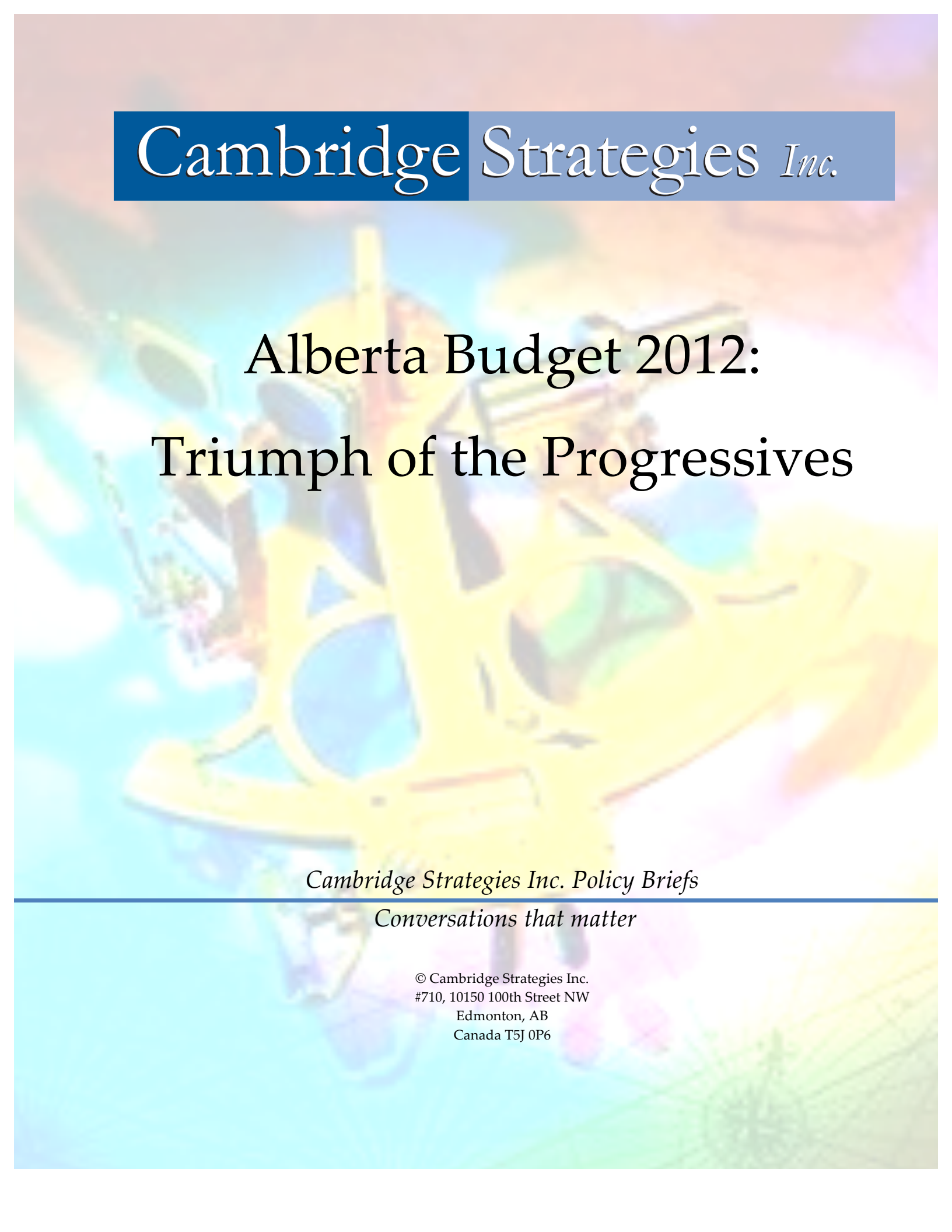




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# Alberta Budget 2012: Triumph of the Progressives

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CAMBRIDGE STRATEGIES INC.

POLICY BRIEF No. 6

*February 10, 2012*

## Alberta Budget 2012: Triumph of the Progressives

*Alberta's 2012 budget is a return to the activist days of Peter Lougheed, and a sharp turn away from Ralph Klein's philosophy, says CSI Principal Satya Brata Das*

Alberta has its first **Progressive** Conservative budget in a generation, new ground indeed for a party and a government that seemed moribund scarcely a year ago.

Premier Alison Redford's budget is true to her roots. Her first hands-on taste of policy came as a young staffer in the glory days of Canada's last Progressive Conservative government: when Joe Clark's foreign ministry promoted diversity, human rights and pluralism as Canada's face to the world; when

Brian Mulroney as prime minister defied the U.S. and Britain to lead the international fight for the emancipation of South Africa.

Seldom had activist government been as ambitious and as effective as under the leadership of Messrs. Mulroney and Clark: even the failed efforts to include Quebec in the Constitution through the Meech Lake Accord and the Charlottetown Accord were noble attempts at nation-building which helped us to define and articulate the values we share.

My collaboration with Mr. Clark – articulating foreign policy during and after the fall of the Soviet empire, and in defining Canadian values during the Charlottetown constitutional round – remains the most deeply satisfying experience of my own public life.

The Mulroney-Clark era represented a high-water mark in a time when Canada aspired to make a signal difference in the world. A similarly ambitious reach already is evident in the first weeks of the Redford government. Their first budget is an opening gambit in a quest to reshape Alberta through government activism and engaged citizenship.

Mr. Mulroney's Progressive Conservatives didn't worry much about budget deficits; knowing that the economy has its ups and downs: they kept their eye on the future. North American free trade and the Goods and Services Tax, they reckoned, were more important foundation of long-term prosperity than the slash-and-burn myopia of balancing a budget at all costs. These were indeed the key building blocks that enabled Mr. Mulroney's successor, Prime Minister Jean Chretien, to deliver more than a decade of balanced budgets and fiscal prudence.

That Mulroney-Clark sense of government as a force for good, as a reliable partner to support and nurture the aspirations of its citizens, runs like a mighty current through the Redford budget. To the inevitable charges of "Red Tory" from the braying coxcombs whose self-generated role is to lead a "taxpayers federation" – and the many thoughtful Albertans who genuinely believe in small government – this Alberta budget pleads "Proudly Guilty."

This is a firm repudiation of the hands-off approach of Premier Ralph Klein's government. Having balanced the budget by the mid-1990s, Mr. Klein decided that government should do the barest minimum. It should not, he famously declared, be in the business of doing business.

Yet in the process, the choice to disengage from hands-on governance led to drift, and to a strong sense that the government was no longer aligned with the values and aspirations of the citizens it served.

Mr. Klein's successor Premier Ed Stelmach began to reverse the trend, but chose to leave before the task was done. Now, Ms. Redford makes a clean break with the past in offering a budget that reaches into nearly every aspect of Albertans' lives and our society. This budget comes with the support of

much of the old guard left from the Klein and Stelmach years, and may well be a foretaste of things to come should the new Premier win a new mandate in her own right.

The 2012 Alberta budget also is a belated homecoming for Finance Minister Ron Liepert – as amiable and affable now as at the dawn of his career when he served Premier Peter Lougheed as press secretary – who once again finds himself a spokesman for a relentlessly activist and forward-looking fiscal agenda.

In his farewell to public life Mr. Liepert spoke eloquently about the transformative power of government, devoted to the Common Good, one that sees its citizens as our province's most important resource, and invests robustly in every aspect of societal development. It was eerily reminiscent of the spirit and atmosphere prevalent when I first entered the Legislature Press Gallery in 1975, barely out of my teens, as a reporter with the Red Deer Advocate. Mr. Lougheed projected a pervasive sense that Alberta was a province waiting to be made, whose best days could only be achieved with a compelling vision and resolute action.

Mr. Liepert is one of the few remaining links between that bygone age, and the grand experiment in societal development that the Redford budget portends. His impending retirement, along with much of what was once the rock-ribbed right wing of the Conservatives under the leadership of Ralph Klein and Ed Stelmach, is a comprehensive transfer of power to the Progressive Conservatives. This budget is the first product of that next-generation shift in Alberta politics.

Premier Redford's two signature proposals – transforming public finances by moving to results based budgeting, and launching a social policy framework meant to engage every facet of societal development – are the foundation of the agenda her government intends to pursue if it gains a strong mandate in the election. The apparent vagueness in these goals is a reflection of a style of governance that convenes, and invites collaboration. It implies that leadership already is coming from citizens; it is the role of government to absorb and reflect the values and aspirations of citizens.

This is indeed a transformation from the past generation of Conservative leadership. By 2005, the province's centennial year, it was clear Alberta needed significant political change. With the leadership succession for the Progressive Conservative Party of Alberta continuing through the autumn of 2006, the policy climate of 2006 was ripe for a new generation of trans-partisan leadership that could rise above ideological constraints to grapple comprehensively with the management and stewardship of natural resources, and the revenue those resources yield.

Engaging this debate would require a shift away from the model of governance practised by the 1993-2006 Government of Alberta, to a more proactive, directive, and perhaps even prescriptive role.

As he left office, Mr. Klein affirmed that he had gone beyond laissez-faire economics, to what might be called laissez-faire governance. He declared his government had done little or nothing to cope with the challenges of managing prosperity and optimising growth, that he himself recognised the surge in economic growth in early 2006, approximately four years after it had been identified by the Canada West Foundation among others, and that there was no particular plan for government to address the accompanying pressures of growth. While the immediate response from some commentators was to see this as a form of negligence, it is useful and necessary to consider that laissez-faire government in Alberta was in fact a deliberate political choice.

Mr. Klein came to the premiership when Albertans overwhelmingly voted for two parties (PCs and Liberals garnered more than four in five votes in the 1993 provincial election) vowing to restore fiscal balance through sharp reductions in public expenditure. By adhering single-mindedly to this objective, Mr. Klein's government deliberately chose to create a debt-free fiscal climate wherein government would earn the room to cut taxes (rather than simply decreeing a tax cut) and give the free-market economy the breathing space it needed to grow and flourish.

This philosophy meant removing the deliberate and deliberative hand of government in favour of the "invisible hand" of the marketplace. This Adam Smith economic prescription was paired with a John Stuart Mill political outlook. Rather than a "social contract" between the citizen and the state, the Klein political philosophy followed Mill in enabling and empowering each person to exercise and develop their capacities, capabilities, engagement and participation in his or her own way, in order to achieve personal progress and personal happiness, satisfaction and fulfilment.

In this concept of political economy, a flat-rate personal income tax, more private choice in the provision of health care, and distributing resource royalties directly to citizens by writing everyone a cheque, are all perfectly consistent with Adam Smith economics and John Stuart Mill politics. In this construct, the individual liberty to pursue one's own happiness, with the least possible constraint from the state, becomes the central governing ethos.

Mr. Klein's adherence to his political philosophy as a deliberate policy choice, rather than an act of negligence or happenstance, has been confirmed in several discussions and conversations over several years between himself and this author.

The effect of laissez-faire governance was to diminish the individual's expectation of state support, and to regard the state as a shelter only in times of critical need. As Mr. Klein put it, his governance philosophy was to provide "a hand up, not a hand-out." The ultimate empowerment of the citizen, in the Klein philosophy, was the classical Mills view that democracy with its freedom of choice is the best vehicle to enable each citizen to flourish, following pursuits and decisions of his or her choice free from the interference of others, so long as what one wants does no harm to others.

Mr. Stelmach did his best to resort a semblance of activist government, investing heavily for instance in infrastructure to build a strong future for the province. Yet this accelerated capital spending led to apparent budget deficits, and Mr. Stelmach didn't stick around long enough to see the big agenda through to fruition.

It is essential to focus on these "apparent" deficits in the context of the Redford budget. It should be recognised that budgets are at heart political documents, not financial ones. The only "investment grade" statement of Alberta's fiscal condition is the audited finances of the province.

Reading the Auditor General reports, it is clear that there is no deficit, in the sense of indebtedness. For one thing, the provincial budget does not include the revenue from the SUCH (schools, universities, colleges, hospitals) sector, only the expenditure. By the AG's calculations, Alberta in fact ran operating surpluses. Moreover, the "deficit" capital spending came from the Sustainability Fund – a special purpose fiscal vehicle that existed solely to spend past surpluses on critical infrastructure and development needs.

In reading the Redford budget – all the relevant documents are well displayed on the Government of Alberta budget website – go to page 130 of the Fiscal Plan Tables, the "Historical Fiscal Summary":

<http://www.finance.alberta.ca/publications/budget/budget2012/fiscal-plan-tables.pdf>

Go down to Line 22, which shows the net assets of the province. Remember, every other jurisdiction in the developed world has debt. Alberta is more than free of debt: it has significant assets. These assets have grown from \$1.15 billion in 1996 to about \$45 billion today, and are projected to grow even more strongly in years to come.

All other developed jurisdictions report their debt as a proportion of national income, usually called the debt-to-GDP (gross domestic product) ratio. Alberta has an **asset-to-GDP** ratio. With our \$300 billion economy, our assets are equivalent to about 15 per cent of our national income. And if we taxed as other provinces do, our tax revenue would be between \$12 billion and \$18 billion more **annually**.

This is the incredibly robust platform on which Alberta's next government can build a 21<sup>st</sup> century future. Moreover, resource revenue volatility is fading as royalties from oil sands mining become the dominant resource revenue – they will hit nearly \$10 billion annually in a couple of years time, as royalty holidays expire and more projects reach full payout.

That's why the Redford budget is a deft political document, which also enjoys the virtue of being fiscally sound. And it gives the returning Progressives ample room to manoeuvre, as they seek to reshape Albertan society.

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