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A Primer on Platforms

First, note that I am not now, nor have I ever been a member of any political party. I write this letter from the perspective of a professional economist, hoping to provide information to voters, as they consider the economic platforms of the various political parties in the lead up to the Alberta election on May 5, 2015. This is considered purely from the perspective of the 2015/16 budget proposals of all parties, since it makes little sense to rely on what will happen even two years out (let alone ten), given the volatility of many of the economic activity parameters which any of the players are using to do their projections.

The backdrop to this is what has been stated to be a \$7B shortfall in available funds to run Government of Alberta operations, due to the decline in the world price of oil, for which extraction royalties comprise a significant proportion of the Government's revenue stream. Qualitatively, therefore, what all parties are proposing is some mix of deficit budgeting, revenue generation and expenditure reduction, to arrive at their economic platforms. Opposition parties' proposals are reactions to the Progressive Conservatives' budget, the springboard for this election, so are reviewed following the Conservatives' proposals.

The Conservatives' approach has been to "find" approximately \$5B of the needed funds via running a deficit for 2015/16, and using a range of spending reduction and taxation measures to find the remaining \$2B. For this latter amount, the range of spending reduction and taxation increasing options chosen by the Conservatives reflect a poor mix of choices. Automatically ruled out have been an array of revenue generation options which would better position the economy compared to those actually chosen. In addition, mostly the revenue generation options are quite regressive, penalizing low income earners relative to higher income earners.

The remaining, major parties' economic platforms are addressed in alphabetical order, beginning with the Liberal Party. This platform projects a \$3.5B deficit for 2015/16, with \$2.5B being raised via various taxation measures, and \$1B through spending reductions. Thus, the Liberals propose taking an additional \$1.5B (relative to the Conservatives) out of an already weak economy, which will undoubtedly have additional, negative employment effects. This approach is relatively extreme, in terms of addressing the prospective deficit issue through heavy reliance on additional taxation, and with spending reduction qualitatively aligned with what is proposed by the Conservatives.

The New Democratic Party (NDP) proposes a slightly higher deficit than the Conservatives, by about \$400M, raising an additional \$1.4B in revenues through taxation, and increasing total spending by about \$1.8B. The mix of taxation and spending changing choices here are the most balanced of any of the parties, and more inclined to avert further deterioration in economic conditions, especially on the employment front. The NDP have, unfortunately, continued to rule out the introduction of a sales tax, but have used a broader array of tax measures to raise revenues, giving a stronger sense from

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the public's perspective that all sectors of the economy are contributing to working through this problem.

Finally, the Wildrose Party (WRP) is proposing a somewhat lower deficit than the Conservatives but, to do this, is relying for the most part on expenditure reductions to fill the balance of the \$7B gap. This approach is the “book-end” contrast to the Liberal platform, being at the other extreme of revenue generation via taxation increases, dealing with the challenge instead via trying to control expenditures. There are (at least) two problems with this. Spending reduction is mostly to be found via seeking out “efficiencies” in operations, and this is generally represented through the laying off of certain classes of workers. So, this will make employment conditions worse. In addition, the indirect effect of withdrawing that spending will have additional, negative effects on employment. Apart from this, there is also the issue that it is unrealistic to expect that significant savings *can* be found through the search for the always elusive “efficiencies”.

The election campaign rhetoric of all parties is couched in terms of portraying their opponents as being somehow extreme. In the overall scheme of things, one could say that the Liberals and WRP have the extreme platforms, based on what has been described above. The Conservative and NDP platforms are much more moderate relative to the Liberal and WRP platforms, although the Conservative platform chooses an economically weaker mix of options, relative to that of the NDP.

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