THE FAILURES OF TRICKLE-DOWN ECONOMICS IN ALBERTA

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Introduction

Since its election in spring 2019, the current UCP government in Alberta has emphasized a very business-oriented economic strategy. Under the moniker of the "Renewed Alberta Advantage",[1] it has implemented various policies purportedly aimed at enhancing the appeal and profitability of private business activity in the province – including measures like a one-third reduction in the corporate tax rate, reducing "red tape", a multi-year freeze in the provincial minimum wage, privatization of public services, and other measures to expand opportunity and profits for private companies. The argument is that making the province very attractive to business will stimulate more business investment, resulting in more jobs, higher wages, and faster economic growth.

This strategy reflects the logic of "trickle-down" economics. The assumption is that reducing the regulatory, tax, and labour obligations of private corporations will spur them to expand their scale of operations, resulting in employment and income gains that "trickle down" to the rest of society.

However, the real legacy of four years of this trickle-down philosophy is dubious. Many Albertans have experienced hardship, dislocation, and falling real living standards during this time. To be sure, the COVID pandemic and its aftermath posed historic challenges throughout that period. But other provinces also suffered from the pandemic, and they outperformed Alberta on most criteria during this time. Meanwhile, revenues and profits received by Alberta businesses (led by the petroleum sector) have now rebounded dramatically – yet it is hard to find any evidence of that renewed wealth trickling down to the broad population of Albertans.

This report reviews empirical evidence on several key indicators of economic performance in Alberta over the past four years: comparing the province's record under the "Renewed Alberta Advantage" strategy to the experience of other provinces, and to other periods in Alberta's history. In one area, Alberta has indeed

[1] See "Overview: Renewed Alberta Advantage," Government of Alberta, https://www.alberta.ca/renewed-alberta-advantage.aspx.

led the entire country: the robust growth of corporate profits, which have expanded dramatically as a share of provincial GDP in the last four years. But on other indicators of economic and social progress – including employment, wages, capital investment, and economic growth – the province lags the rest of Canada, often ranking last among Canadian provinces.

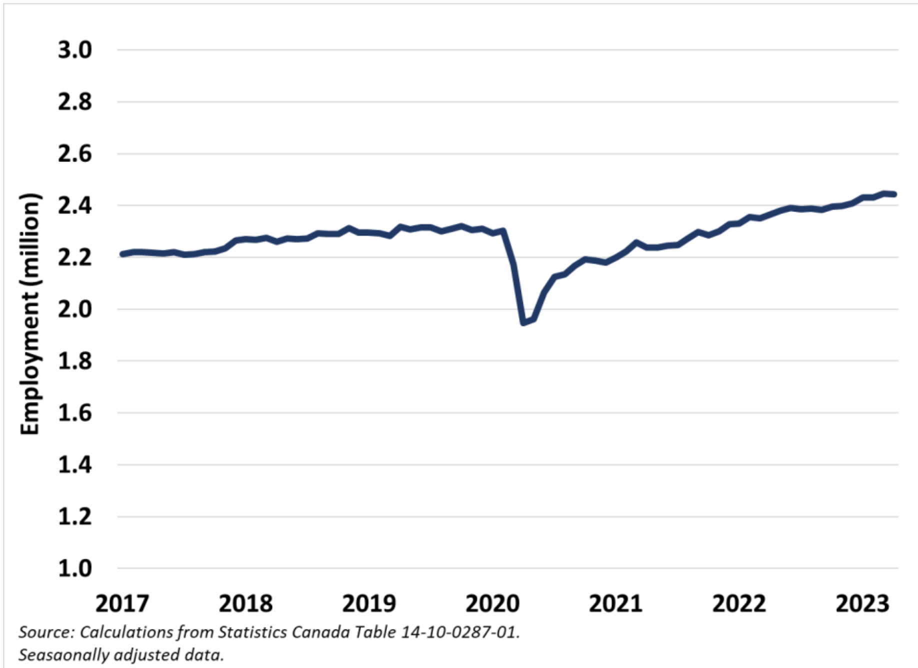
The notion that the key tenets of trickle-down economic policy (like reduced corporate taxes or the long-frozen minimum wage) must be protected at all costs, lest Alberta's economy be jeopardized, is not supported by the statistical evidence. To the contrary, Alberta's economy has underperformed other provinces, and unfulfilled its true potential, under this one-sided and unbalanced economic doctrine. Other jurisdictions have moved toward more balanced and inclusive economic strategies: pro-actively sharing the wealth (through strong public services, income supports, and labour standards), rather than assuming it will automatically trickle down. Alberta would benefit from a similar rebalancing of its economic policies.

Jobs

As in the rest of Canada, Alberta's labour market was severely shocked by the onset of the COVID pandemic and resulting lockdowns that reduced economic activity in many industries. Employment declined by over 350,000 positions between February and April of 2020 (see Figure 1).[2] After an initial partial rebound when initial lockdowns were eased, employment then began to slowly recover. It wasn't until December 2021 that provincial employment regained its pre-COVID employment peak.[3] Since then, total employment has continued to grow at a moderate pace.

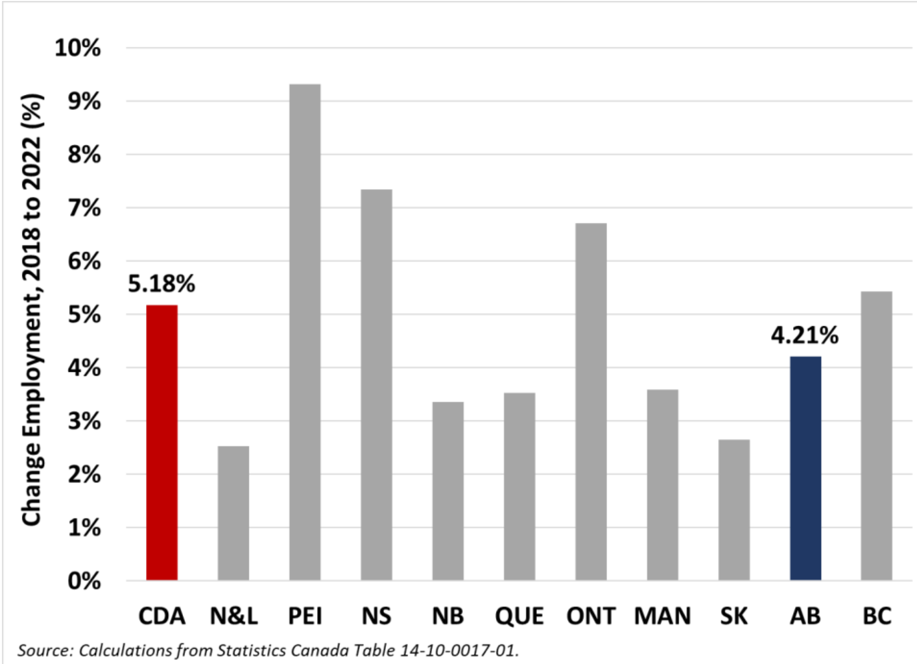
[2] It is obviously unreasonable to "blame" this decline on provincial government policies, since it resulted from global forces well beyond its control – just as it is unreasonable to "blame" the previous NDP government for the decline in Alberta employment that followed the collapse in global oil prices in 2014 (before the NDP government was even elected).
[3] For Canada as a whole, the pre-pandemic employment peak was regained slightly faster, by October 2021.

Figure 1. Alberta Employment, 2017-2023



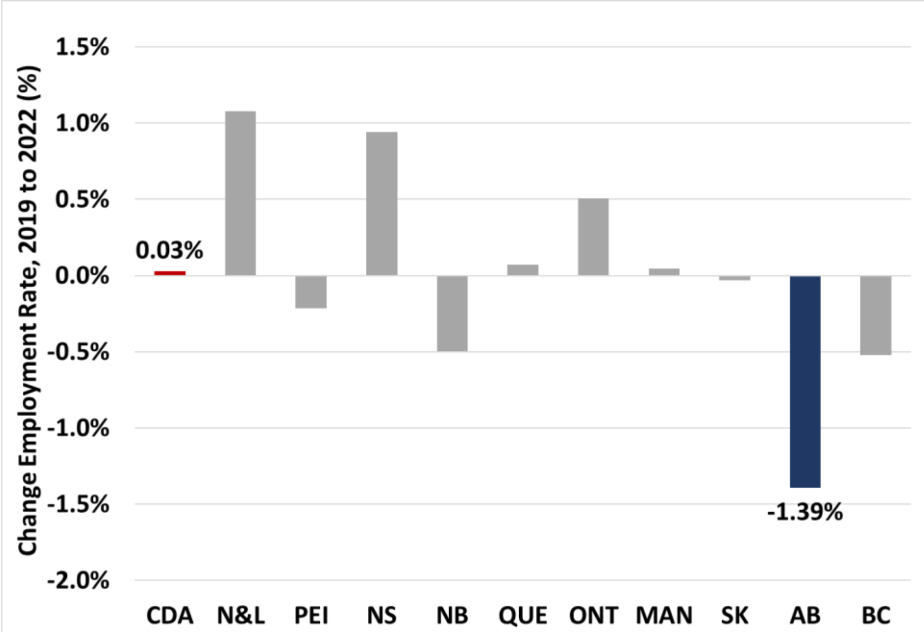
Relative to the rest of Canada, Alberta's employment growth has lagged the trend in other provinces. There is no sign of an "Alberta Advantage" in job creation. The cumulative growth in annual average employment from 2018 (last full year before the election of the UCP government) through 2022 (last full year of available data) was slower than the job-creation pace in Canada as a whole (Figure 2). Employment in Alberta grew 4.2% in that time, compared to 5.2% across Canada.

Figure 2. Cumulative Employment Growth by Province, 2018 to 2022



However, the comparison in Figure 2 overstates the strength of Alberta's labour market. Alberta's working age population has grown faster than most other provinces, thanks to Alberta's younger demographic composition and net inward migration. Relative to the growing number of Albertans who need work, therefore, the province's pace of job-creation has been inadequate.

Figure 3. Change in Employment Rate, 2018 to 2022



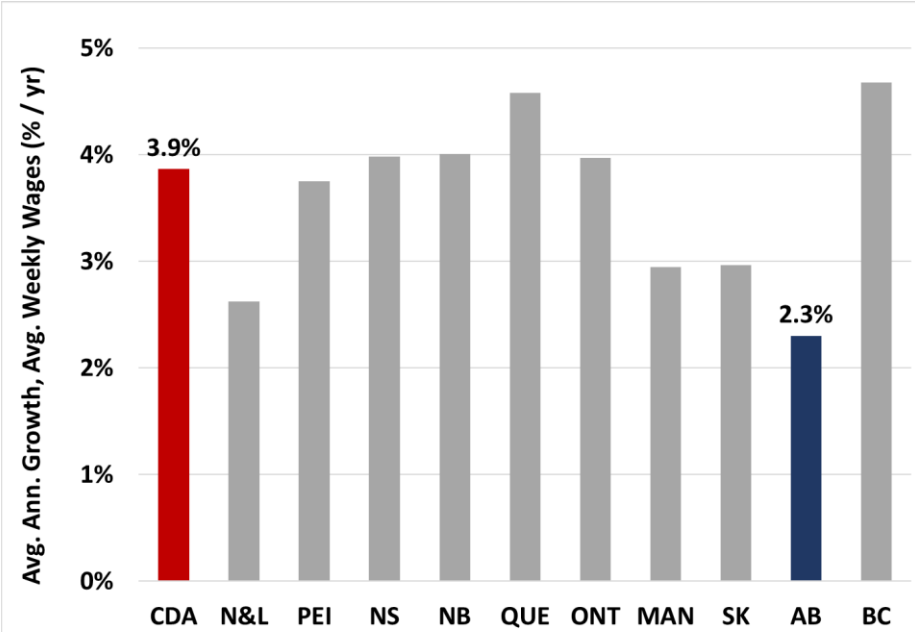
Source: Calculations from Statistics Canada Table 14-10-0017-01.

The relatively poor employment performance in Alberta, taking into account population, is confirmed by Figure 3, which illustrates the change in the annual employment rate in each province between 2018 and 2022. The employment rate measures employment as a share of the working age population, and is a good indicator of the abundance of employment opportunities relative to the number of people who could potentially work. In Alberta's case, the employment rate declined by 1.4 percentage points in this time, by far the worst of any province. In Canada as a whole, the employment rate was stable. Relative to the number of working age people, therefore, Alberta's job-creation performance ranks last among the Canadian provinces.

Wages

In addition to the availability of work, decent pay is another vital determinant of the prosperity of working people. On this criterion, too, Alberta's performance during the last 4 years has been dismal. Figure 4 indicates the average annual increase in average weekly employment earnings by province – taking into account both waged and salaried workers, and including overtime payments. Average weekly wages in Alberta grew by just 2.3% per year from 2018 through 2022. In contrast, average weekly earnings in Canada as a whole grew almost twice as fast. Alberta's weekly wage performance was the worst of any of the ten provinces.

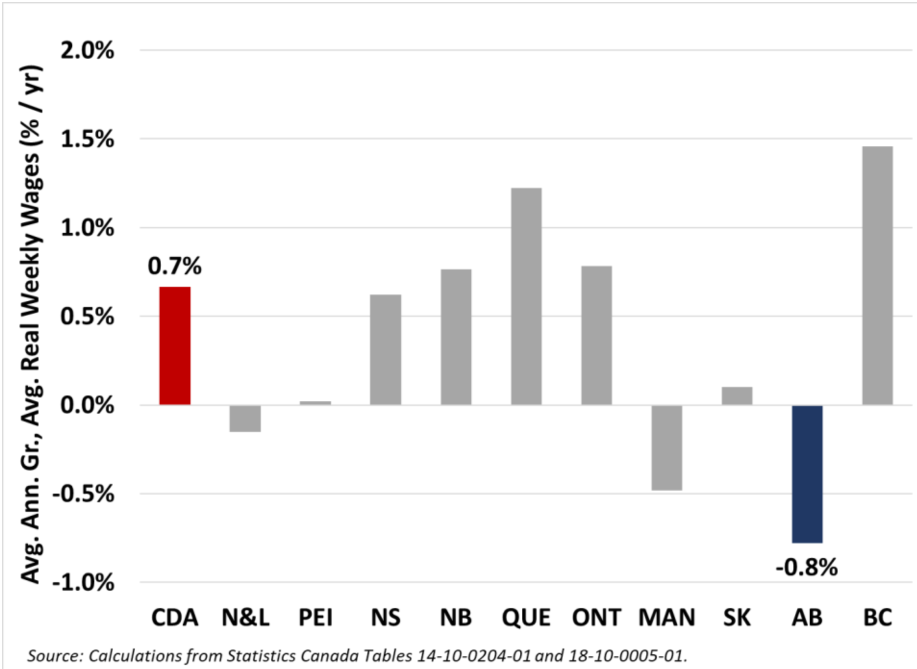
Figure 4. Average Annual Growth in Weekly Wages, 2018 to 2022



Source: Calculations from Statistics Canada Table 14-10-0204-01.

Of course, the purchasing power of any wage or salary payment depends on the level of consumer prices, and the sudden acceleration of inflation in Canada after the COVID-19 pandemic has resulted in a cost-of-living crisis facing workers in all parts of the country. Nowhere has that crisis been worse, however, than in Alberta: the unduly weak trajectory of average wages in Alberta has been exacerbated by the rapid increase in prices in the province. The result has been a painful drop in real incomes for Albertan workers.

Figure 5. Annual Average Growth of Real Weekly Wages, 2018 to 2022



The growth of real weekly earnings (after inflation) across Canada is portrayed in Figure 5. In Canada as a whole, real wages were higher in 2022 than in 2018, despite the outbreak of inflation after the pandemic. Real wages grew at an average annual pace of 0.7%. In Alberta, however, the opposite occurred: real wages declined at an average annual rate of 0.8% over that 4-year period – by far the worst of any province. The result has been a significant erosion in the real living standards of Alberta workers.

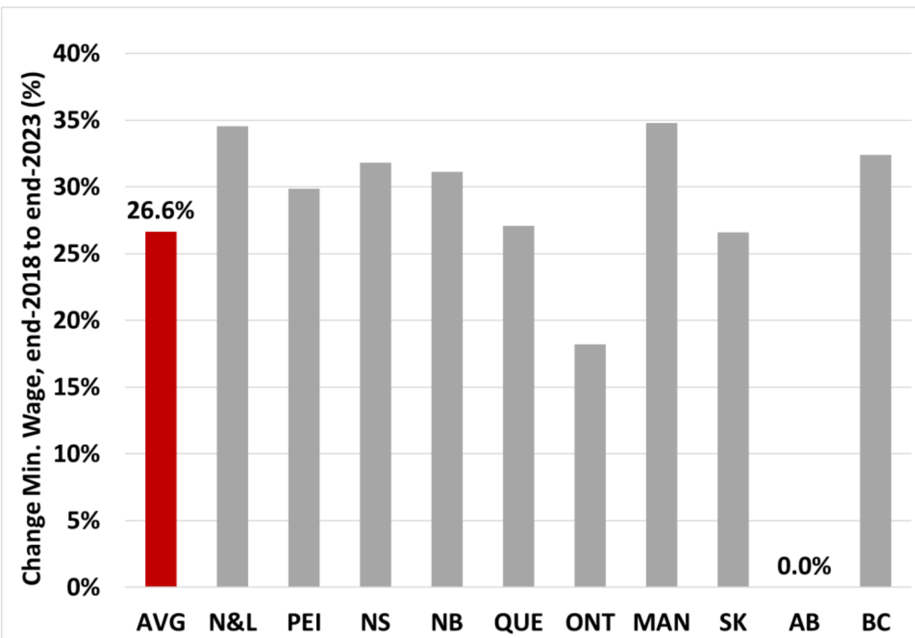
It is not credible to suggest that the weak performance of wages in Alberta is due solely to the effects of the pandemic. Other provinces also experienced the pandemic, lockdowns, and their after-effects – including inflation that on average was (slightly) faster than in Alberta. In Alberta's case, however, the decline of real wages partly reflects deliberate policy. A central aspect of the trickle-down strategy pursued by the UCP provincial government has been precisely to suppress wage growth, in order to enhance profit margins for business. These measures included:

- Freezing the minimum wage throughout its entire term in office, despite cumulative increases in consumer prices of over 10% during that time.
- Cutting the minimum wage by $2 per hour for workers under 18.
- Salary freezes for teachers, nurses, and other public sector workers.

- Changes in labour laws making it harder for workers to form unions and negotiate higher wages.

Alberta's deliberate wage suppression efforts are especially galling, and stand out dramatically from other provinces, in the area of provincial minimum wages. As noted, the UCP government did not increase the minimum wage once during its tenure – and in fact cut the rate for younger workers. This is in stark contrast to every other province (see Figure 6), all of which increased their respective minimum wages significantly since the end of 2018 (by amounts ranging from 18% in Ontario, to 35% in Manitoba and Newfoundland and Labrador). Those provinces, like most industrial countries around the world, recognize that higher minimum wages are a vital policy lever to lift living standards and achieve a more equitable distribution of income. Under the current government, however, Albertan workers are deprived of that vital institutional support for higher wages.

Figure 6. Change in Provincial Minimum Wages, end-2018 to end-2023



Source: Calculations from Services Canada, Minimum Wage Database; unweighted 10-province average.

In short, it is clear that the poor performance of wages in Alberta in recent years is a clear and intended consequence of the trickle-down strategy pursued by the current provincial government.

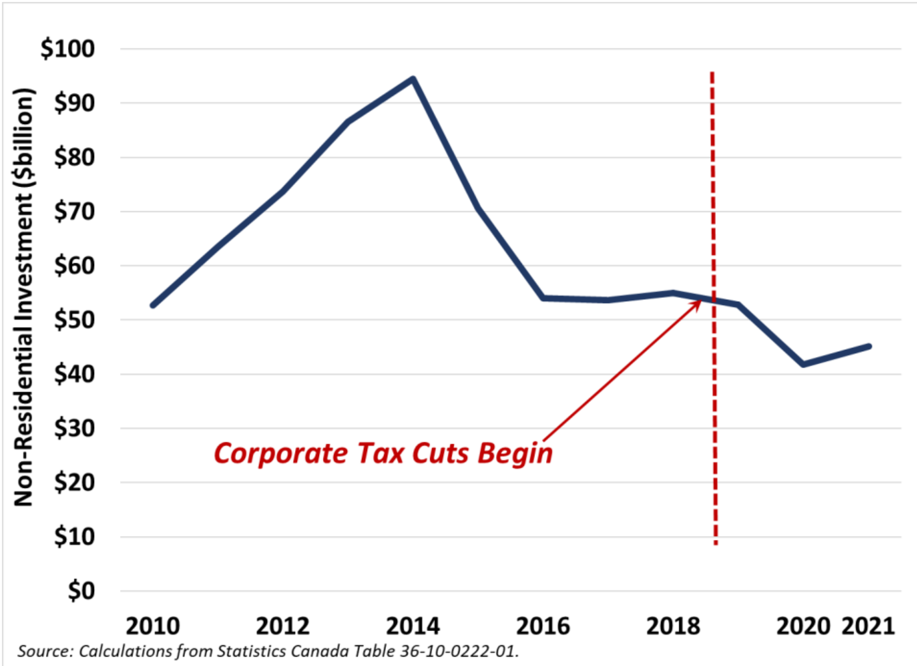
Investment

A vital link in the shaky logic of trickle-down economics is the assumption that widening profit margins for private businesses will elicit stronger investment from those firms. The resulting expansion of economic activity is then supposed to result in benefits (jobs, wages) that are shared broadly across society. We have already noted the absence of empirical evidence for those trickle-down benefits: Alberta's job-creation performance has been very weak relative to its population, and its wage trajectory has been by far the weakest of any Canadian province.

But what if the original assumption that bigger profits will lead to stronger investment is itself faulty? Without an initial surge in business investment, the logic of trickle-down economics collapses entirely. Indeed, empirical evidence on the performance of business capital investment in Alberta under the "Renewed Alberta Advantage" finds no sign of this strategy leading to any positive impulse in investment spending at all. To the contrary, by some measures business investment in Alberta has been weaker than at any time in recorded statistics.

As one of its first acts, the UCP government announced a timetable for reducing the corporate tax rate from 12% to 8%, beginning effective July 1, 2019, and reaching 8% on January 1, 2022. In June, 2020, however, it accelerated those tax cuts, reducing the rate to 8% 18 months earlier (effective July 1, 2020). That accelerated one-third reduction in the corporate tax rate, however, has had no visible impact on business investment in the province.

Figure 7. Business Non-Residential Fixed Capital Investment, 2010-2021 ($billion)

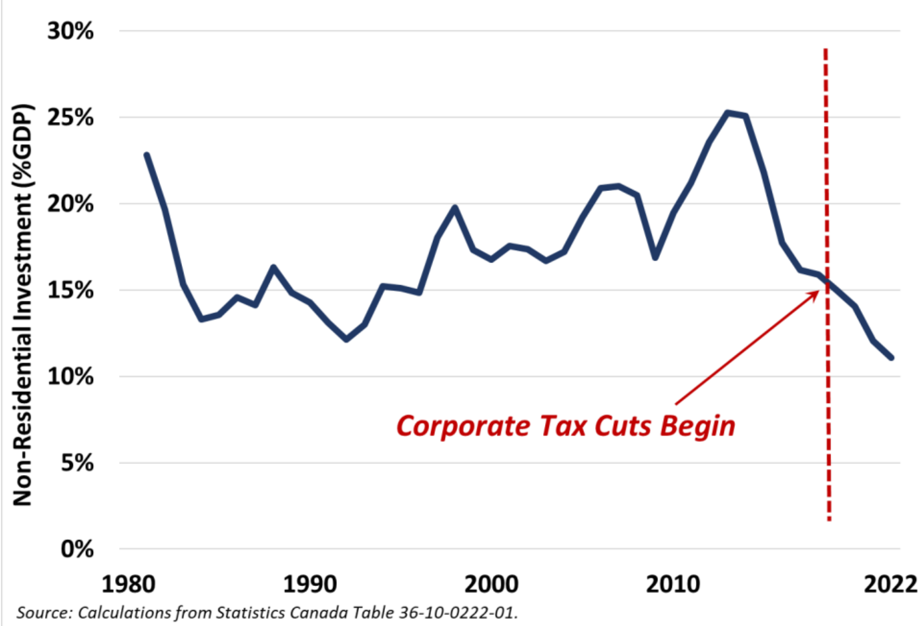


Statistics Canada's provincial economic accounts report overall business investment spending on an annual basis; the most recent data covers up to 2021. Non-residential fixed capital spending in the province boomed in the early 2010s, led by major investments in new oil sands facilities – reaching a peak of $94 billion in 2014. Investment spending retreated after that year, in the wake of the collapse of global oil prices and the completion of several of those large projects. Investment hovered between $50 and $60 billion per year from 2015 through 2018. With the beginning of the UCP's corporate tax reductions in 2019, investment spending initially *weakened* slightly, and then fell more dramatically with the onset of the COVID-19 pandemic in 2020. Even in 2021 (with the 8% tax rate fully in place, the global economy reopening, and world oil prices surging), capital spending remained weaker than at any time during the previous NDP government's tenure. There has been no visible impact on investment spending from the one-third reduction in the provincial corporate tax rate.

If anything, the investment data portrayed in Figure 7 understates the weakness of business capital spending in Alberta in recent years, since it expresses investment in nominal dollars – with no adjustment for inflation or for the growing scale of Alberta's economy. One way to adjust for those factors is to express business non-residential investment as a share of provincial GDP, both expressed in nominal terms. This ratio is portrayed in Figure 8.

By this measure, the weakness of recent investment, and the ineffectiveness of the UCP's corporate tax cuts, is more starkly visible. The stagnation of business investment contrasts with the expansion of nominal provincial GDP during the post-pandemic recovery (driven mostly by escalating prices for petroleum output, and only modestly by increases in real output). As a share of GDP, business spending fell to just 12.1% in 2021, the lowest in the history of Statistics Canada's data series on provincial GDP accounts. The average investment share recorded in the province since the election of the UCP has been more than 4 percentage points smaller than the average recorded from 2015 through 2018 (under the previous NDP government).

Figure 8. Non-Residential Capital Spending as Share of Alberta GDP, 1981-2022



Source: Calculations from Statistics Canada Table 36-10-0222-01.
2022 estimate based on Alberta Budget 2023 Fiscal Plan and Statistics Canada Table 34-10-0035-01

The Statistics Canada data portrayed in Figure 8 ends in 2021. However, an estimate of the province's business investment share in 2022 can be generated on the basis of the Alberta Treasury's 2023 budget forecasts (which reported a 24.0% increase in nominal GDP in 2022,[4] driven by rising oil and gas prices), and separate Statistics Canada preliminary data on 2022 capital investment (from the agency's investment intentions survey). By those indicators, it seems that the investment share fell further in 2022, to around 11% of provincial GDP – which would set another new record for lowest-ever investment share of GDP in the province. Even with the surge in petroleum prices since the pandemic and the invasion of Ukraine, and the resulting explosion in profits in the oil and gas industry (reinforced by the one-third reduction in corporate taxes paid by those firms), the response of business investment has been disproportionately weak.

Instead of channeling their profits back into new projects, and despite the purported lure of a lower provincial income tax rate, firms have increased dividend payouts and share repurchases (diverting surplus profits to shareholders).[5] It could be that business investment has also been restrained by uncertainty regarding the fundamental stability of the legal and policy regime in Alberta, in light of proclamations by the UCP government that it would ignore federal laws, and other disruptive ideas.[6]

Another perspective on the ineffectiveness of the corporate tax cut in stimulating new investment – the first link in the logical chain of trickle-down economics – can be gleaned by considering the share of total Canadian business capital spending allocated to Alberta. If the so-called "Renewed Alberta Advantage" had a meaningful impact on investment location decisions, we would expect to see Alberta's share of total business investment grow – as firms shift investment location to take advantage of the lower tax rate.[7] In fact, the reverse has occurred.

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[4] See *Alberta Budget 2023 Fiscal Plan*, p.26.

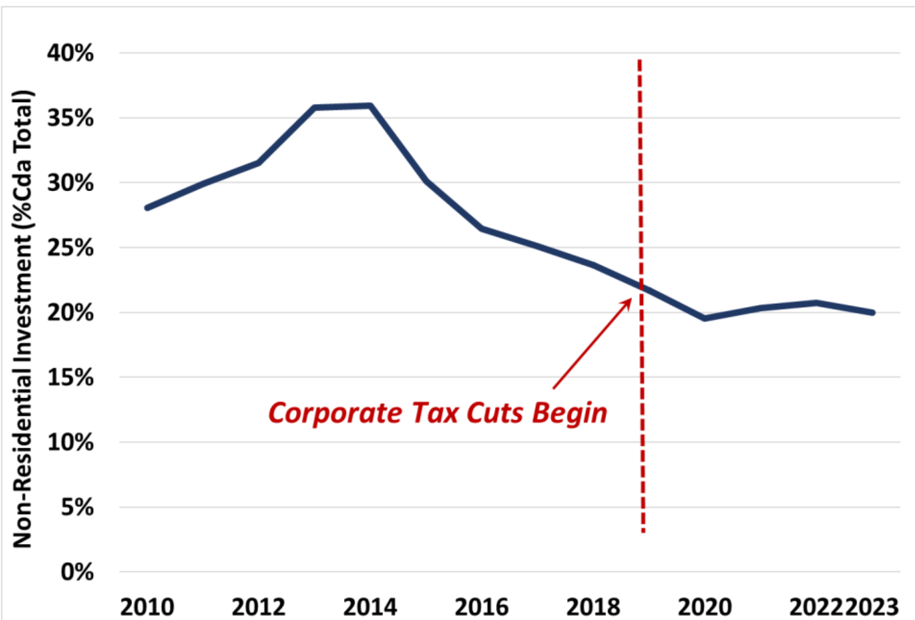
[5] See Sourasis Bose, Ankit Kumare and Arunima Kumar, "Here's how much these oil companies are giving back to shareholders," *Financial Post*, February 1, 2023.

[6] See Kyle Bakx, "Concerns grow that Alberta's Sovereignty Act will drive investment from province when it's needed most," *CBC News*, December 1, 2022.

[7] This is a key behavioural mechanism advanced by those who argue that lower corporate tax rates should stimulate higher investment, not lower; see, for example, Jack Mintz, "The lost jobs and investment Albertans can expect from Rachel Notley's tax hike," *National Post*, May 18 2023.

As illustrated in Figure 9, at the peak of the oil sands construction boom, Alberta was capturing over one-third of all business capital spending in Canada. That share declined to around one-quarter after 2014, with the completion of several of those major projects and the collapse in global oil prices that occurred that year. After 2019, with the introduction of lower provincial corporate taxes, Alberta's share of total Canadian non-residential capital spending fell further: to 20% in 2020, and with no recovery since then. This Statistics Canada series includes preliminary totals for 2022, and a measure of intended investments for 2023. Again, despite the unprecedented profits being reaped by Alberta businesses (particularly in the petroleum sector), and with the extra appeal of lower corporate taxes, Alberta's relative investment performance has weakened. Alberta's share of total Canadian business capital spending is expected to remain suppressed, at just 20% in 2023. And Alberta's share since 2019 has been some 6 percentage points lower than the average share that prevailed from 2015 through 2018. Once again, no "Renewed Alberta Advantage" is visible in the location of business investment in Canada.

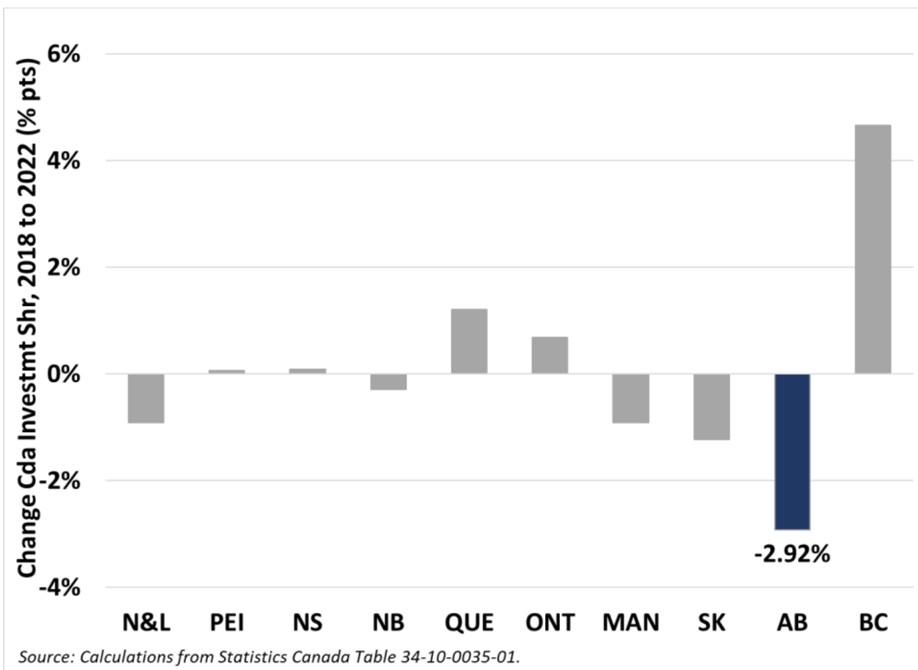
Figure 9. Alberta Non-Residential Business Investment (% Canada Total), 2010-2023



Source: Calculations from Statistics Canada Table 34-10-0035-01.
2022 data preliminary; 2023 data intentions.

This relative weakness of business capital spending in Alberta stands out markedly from other provinces. Figure 10 illustrates the change in each province's share of total business non-residential fixed capital spending in Canada, between 2018 (last full year before the UCP's corporate tax cuts) and 2022 (based on preliminary actual Statistics Canada data for that year). Alberta's share of the national total declined by almost 3 percentage points – much worse than any other province.[8] B.C. (under an NDP government, and with a 12% provincial corporate income tax rate) has captured the greatest additional share of national business investment during this time, followed by Quebec and then Ontario (both with 11.5% provincial corporate tax rates). No other province has lost nearly as a large a share of national business investment as Alberta.

Figure 10. Change in Share, Canada Total Business Capital Investment, 2018 to 2022 (% pts)



Growth

Business capital spending is a crucial leading indicator of economic growth, given its importance in motivating job-creation, increased output, and technological

[8] There is no Canada total illustrated in Figure 10 since the sum of changes in investment shares across the provinces and territories equals 0 by definition.

innovation. So the weak performance of business investment under the trickle-down strategies of the current government directly undermines the province's economic growth trajectory.

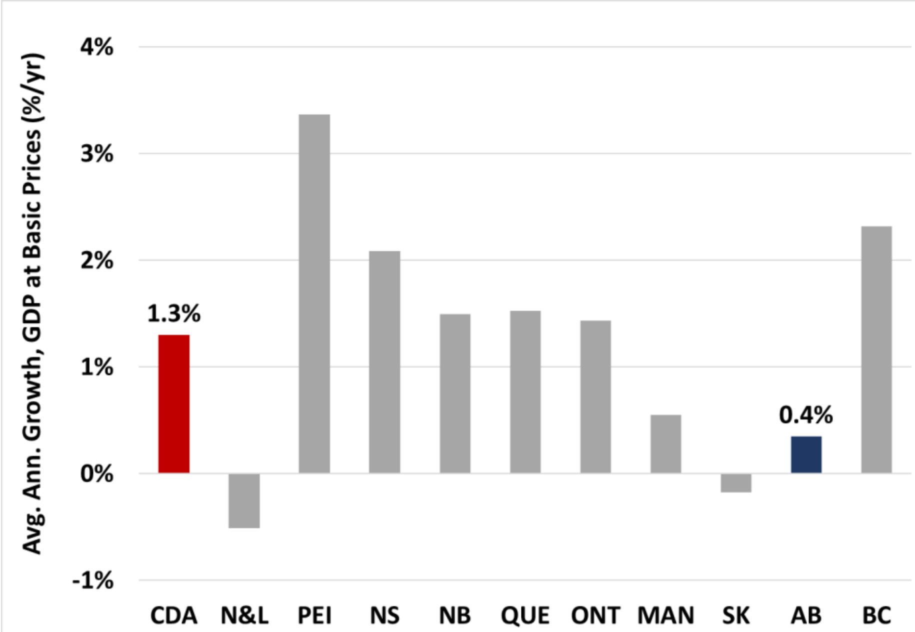
Growth is further suppressed by the sustained decline in real incomes for employed Albertans – which, as described above, have fallen by close to 1 percent per year since 2018. Consumer spending is the biggest single component of total GDP, accounting for about 45% of total expenditure in Alberta's case. So by eroding the real purchasing power of Albertans through deliberate wage suppression policies, the trickle-down strategy further undermines the province's macroeconomic momentum.

Another way in which the business-centric strategy of the current provincial government undermines growth is through its austere approach to funding public services. In real (inflation-adjusted) terms, general government expenditure in Alberta (the biggest component of which is provincial services and infrastructure spending) declined from 2018 through 2021 (latest data available): falling from $64.6 billion ($2012) to $64.3 billion.[9] That is despite a 3.4% increase in the province's population in the same time. Declining real per capita government spending has thus been another drag on the province's growth.

Given all these contractionary influences, it is not surprising that Alberta's GDP growth under the "Renewed Alberta Advantage" has been underwhelming – and in fact has ranked among the weakest of any province. Figure 11 compares average annual growth in real GDP (measured at basic prices) across the ten provinces from 2018 through 2022. Alberta eked out average annual growth of just 0.4% per year, less than one-third the Canadian average, and the third-weakest of any province.

[9] Calculations from Statistics Canada Table 36-10-0222-01; includes government consumption and investment.

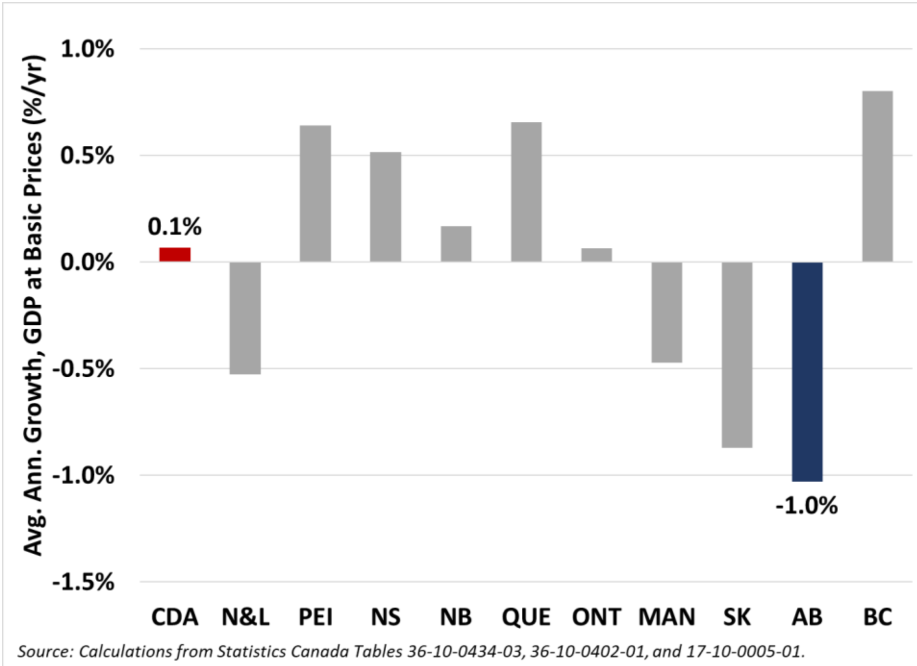
Figure 11. Average Annual GDP Growth by Province, 2018 to 2022



Source: Calculations from Statistics Canada Tables 36-10-0434-03 and 36-10-0402-01.

Once again, because of Alberta's relatively rapid population growth, Figure 11 understates the true weakness of the province's economic performance in this period. The only two provinces with weaker GDP growth over this period than Alberta were Newfoundland & Labrador and Saskatchewan – both of which have stagnant populations (due to demographic ageing and out-migration). When we measure GDP growth relative to population, then Alberta's relative position among Canadian provinces sinks to dead last. As illustrated in Figure 12, in real per capital terms the province's GDP actually *declined* from 2018 through 2022 (measured at basic prices), at an annual average rate of 1.0% per year. In contrast, real GDP per capita for Canada as a whole increased slightly over that time. Alberta ranks last among the provinces by this fundamental measure of economic performance.

Figure 12. Real GDP Growth per Capita by Province, 2018 through 2022



Profits

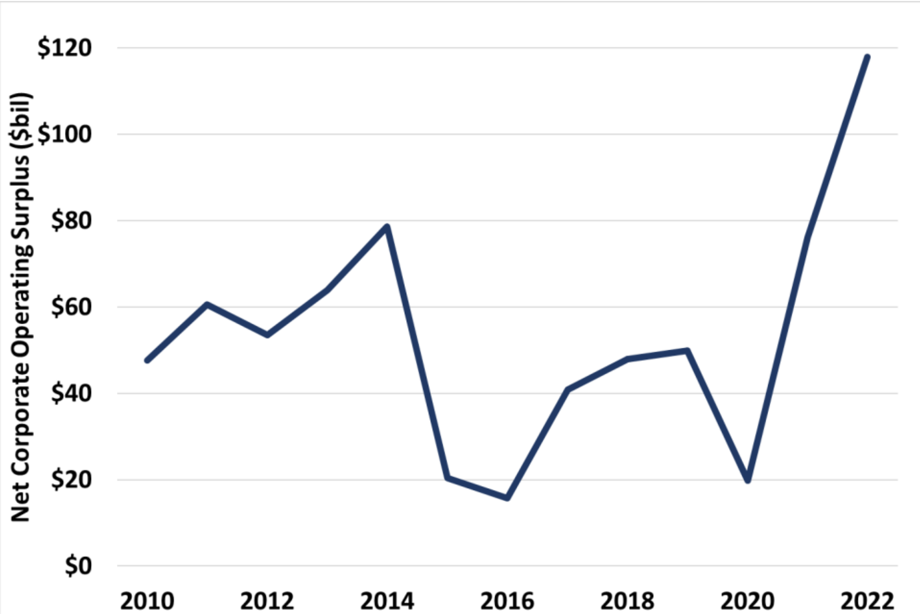
The preceding indicators suggest that by the most important measures of economic success – job-creation, incomes, investment, and growth – Alberta's economic performance has been very disappointing under "Renewed Alberta Advantage" trickle-down policies. This business-focused strategy has not even succeeded in eliciting more investment from the private sector – let alone ensuring that the benefits of business investment are shared throughout the population. In most cases Alberta ranks at or near the bottom of Canadian provinces by these core metrics.

On one criteria, however, Alberta stands head and shoulders above other provinces under the current government's trickle-down policies. Business profits have surged in Alberta, at an extraordinary pace. Some of this corporate success is due to factors outside of the provincial government's control. In particular, surging global petroleum prices in the last two years have pumped tens of billions of dollars of extra profits into the coffers of Alberta oil and gas producers (at the expense of the consumers, including Albertans, who must pay sky-high prices for those products).

However, business profits in the province have been further boosted by the unbalanced, pro-business policies implemented by the provincial government. This includes the one-third reduction in the provincial corporate income tax rate (which has added as much as $4 billion per year to after-tax profits of Alberta businesses). It also includes the government's active efforts to suppress wage growth in the province, further widening profit margins for firms in all industries.

The scale of the increase in corporate profits in Alberta is unprecedented, as illustrated in Figure 13. Profits in Alberta historically cycle with swings in petroleum industry conditions: they were very high during the period of elevated oil prices early in the 2010s, falling sharply after the oil price crash of 2014. Business profits fell sharply again (as in the rest of Canada) during the COVID-19 lockdowns in 2020. Corporate profits in Alberta then quadrupled in 2021 – reaching a near-record $76 billion for the year.

Figure 13. Net Corporate Operating Profits, Alberta, 2010-2022



Source: Calculations from Statistics Canada Table 36-10-0221-01.
2022 estimate based on Alberta Budget 2023 Fiscal Plan.

This Statistics Canada data on corporate profits by province ends in 2021. However, corporate financial statements and provincial budget estimates confirm that profits in the province surged further in 2022, to unprecedented highs. Figure 13 portrays an estimate for 2022 profits based on the Alberta Treasury's 2023 budget, which reported a 54.9% increase in net corporate operating surplus for 2022. That increase would take corporate profits in the province to almost $120 billion. The dramatic rise in profits for Alberta companies is confirmed by separate Statistics Canada data showing that profits in the petroleum industry (most of which is located in Alberta) more than doubled in 2022, compared to 2021.[10]

The growth in profits in Alberta has been stronger than other provinces. Figure 14 illustrates the increase in net corporate operating surplus between 2018 and 2021 (latest year of provincial GDP data available), across the 10 provinces. Alberta's profit growth over that period was 59%, the third highest of any province. Profits in Alberta grew almost twice as fast as profits in the overall Canadian economy. The Maritime provinces also recorded strong growth in business profits over this time, although starting from a much smaller base than in Alberta[11] (and hence more modest absolute gains in profit translated into large percentage changes). Keep in mind this data ends in 2021, before the peak profits generated in Alberta's petroleum industry. Provincial budget figures indicate that corporate profits grew another 54.9% in 2022, and this will certainly elevate Alberta to the top of this comparison when final-year data for that year is available.

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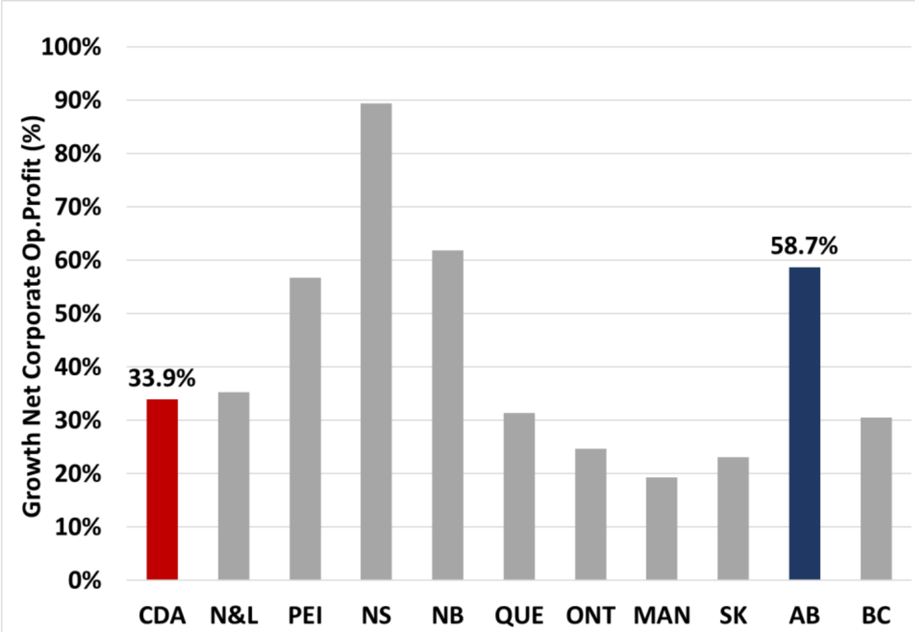
[10] Calculations from Statistics Canada Table 33-10-0225-01.

[11] For example, total net corporate operating surplus in the entire province of Nova Scotia equaled just $2.8 billion in 2018, less than the profit earned by many individual companies in Alberta.

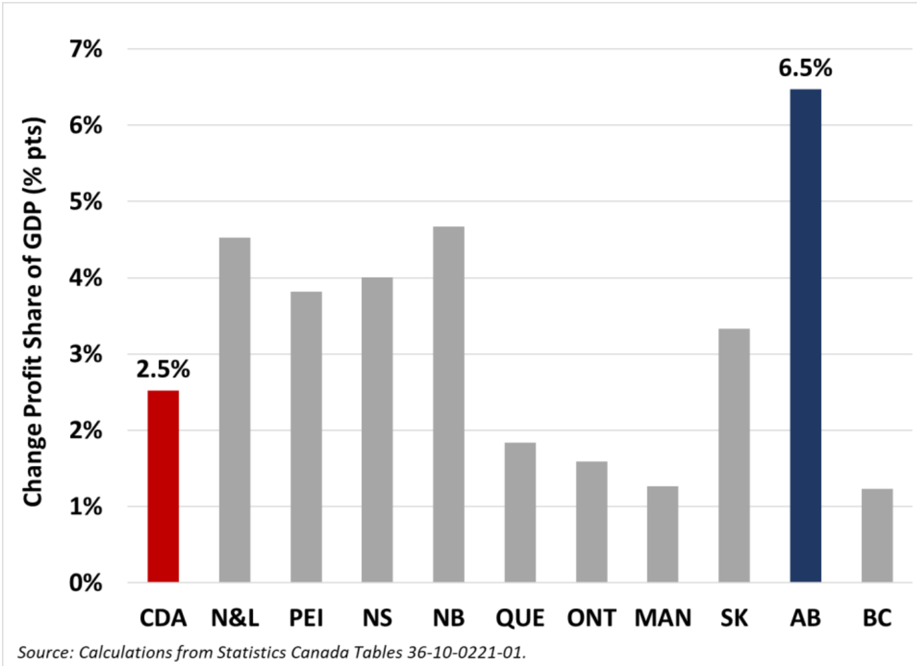
Figure 14. Growth Net Corporate Operating Profit by Province, 2018-2021 (%)



Source: Calculations from Statistics Canada Tables 36-10-0221-01.

One way to normalize the change in profits for both the size of each provincial economy, and their relative starting point in 2018, is to calculate the change in corporate profits as a share of provincial GDP. This measure captures the relative importance of the growth of profits in each province, compared to the size of each provincial economy (see Figure 15).

Figure 15. Change in Profit Share of GDP by Province, 2018 to 2021 (% pts)



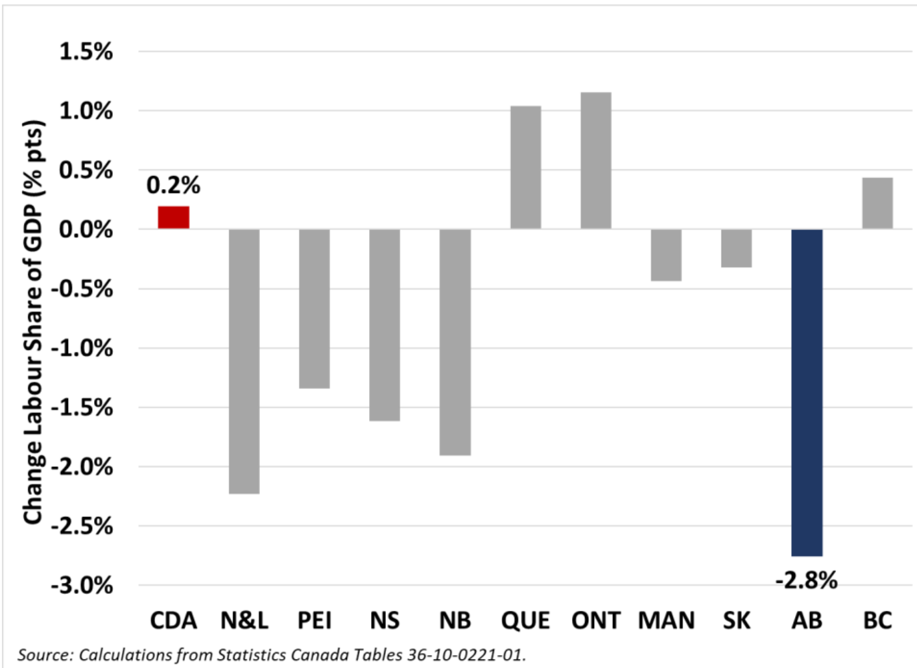
By this measure, the expansion of profits in Alberta has no equal. Corporate profits expanded by 6.5 percentage points of provincial GDP between 2018 and 2021 – far more than any other province, and 2.6 times larger than the increase in the Canada-wide profit share in this period. Moreover, the profit share of GDP in Alberta definitely shot up much further in 2022. Based on the Alberta Treasury budget forecasts, the corporate profit share of provincial GDP rose by another 5 full percentage points, putting Alberta right off the chart of Figure 15 – with a cumulative 11.5 percentage point rise in the profit share of GDP in just 4 years.[12] In other words, 11.5% of the province's total economic output was shifted from other stakeholders to corporations during the tenure of the current government.

Of course that widening of corporate profits did not come without cost to those other economic stakeholders. In particular, the share of the province's GDP received by workers in the form of wages and salaries has declined markedly: that is the flip side

[12] The Alberta budget forecast reported a 24.0% increase in nominal GDP in 2022, and a 54.9% increase in net corporate operating surplus, implying a 5-point rise in the profit share of GDP based on the 2021 actual. See *Alberta Budget 2023 Fiscal Plan*, p.26.

of the coin of escalating corporate profits. As indicated in Figure 16, the share of labour compensation[13] in provincial GDP declined by 2.75 percentage points between 2018 and 2021 (the last year of Statistics Canada's actual data) – and undoubtedly fell further in 2022. That decline was far more extreme than in any other province. For Canada as a whole, the labour share of GDP rose slightly over this 3-year period (though it declined in 2022, as wages lagged behind escalating inflation).

Figure 16. Change in Labour Compensation Share of GDP by Province, 2018 to 2021 (% pts)



Conclusion

Clearly, if there is an "Alberta Advantage", it has been enjoyed mostly by corporations. The super-profits arising from rising energy prices for petroleum corporations would have boosted provincial profits dramatically on their own. But that effect was supercharged by an additional redistribution of income in favour of business that was the deliberate effect of provincial policy since 2019 (including

[13] Including wages, salaries, and employers' social contributions.

lower corporate taxes, wage suppression, and deregulation and privatization). The inevitable result of redividing Alberta's economic pie in favour of business has been a smaller slice for Alberta workers – as manifested in falling real wages and a rapidly shrinking share of total GDP, both of which have fallen faster in Alberta than any other province.

The theory of trickle-down economics suggests that enriching business interests, and providing them with more leeway and power in the economy, will elicit more economic effort from them (in the form of vibrant investment activity), in turn generating employment, incomes, and growth for the broader economy and society. The first part of that recipe has clearly paid off handsomely for Alberta business: profits have surged to all-time records. But the other links in the chain are broken. There has not even been a payoff from these pro-business measures in the form of increased investment – let alone any benefits from such hypothetical stimulus trickling down to workers.

Table 1
Indicators of Alberta's Relative Economic Performance, 2018-2022

Indicator	Rank Among 10 Provinces
Employment Growth	5
Change in Employment-Population Ratio	10
Growth in Average Weekly Earnings	10
Growth in Real Average Weekly Earnings	10
Change in Provincial Minimum Wage	10
Change in Share of Total Canadian Non-Residential Investment	10
Growth in Real GDP at Basic Prices	8
Growth in Real GDP per Capita at Basic Prices	10
Growth in Net Corporate Operating Surplus[1]	3
Change in Corporate Profit Share of GDP[1]	1
Change in Labour Compensation Share of GDP[1]	10

Source: Compiled from individual sources listed above.
1. 2018-2021.

Table 1 summarizes Alberta's rankings, illustrated in the data above, among the Canadian provinces by these various measures of economic performance since 2018. Only in the realm of profits does Alberta stand out positively relative to other provinces. By the other metrics of economic and social progress (including job-creation, wages, investment, and growth), Alberta ranks near or (more often) right at the bottom of the provincial rankings. The "Renewed Alberta Advantage" implemented by the current government has clearly not been successful at growing the province's economic pie, creating jobs, or generating wealth that "trickles down". But it certainly has been successful at redistributing the pie – in favour of corporations, and those who own them.

In light of this damning evidence of the failure of trickle-down policies to unleash economic prosperity in Alberta, no-one should believe the litany of predictable threats that reversing or moderating any of those pro-business policies would somehow cause great economic damage to the province. For example, it has been argued that partially reversing the post-2019 reduction in provincial corporate tax cuts would discourage business investment and destroy tens of thousands of jobs.[14] This prediction is generated by applying an assumed elasticity of business capital spending (selected from other published literature) with respect to a synthetic measure of marginal effective taxation, and then multiplying that in turn by an assumed employment multiplier attached to business capital spending. Neither of those assumed parameters bear any relationship to the observed empirical record in Alberta: they were chosen on the basis of the author's preferences, supplemented with references to selected literature.[15] As documented above, the actual empirical

[14] See Jack Mintz, "The lost jobs and investment Albertans can expect from Rachel Notley's tax hike," *National Post*, May 18 2023.

[15] And this approach ignores the many academic studies which have found little or no empirical evidence of a stimulative impact of corporate tax reductions on realized business capital spending; for references and discussion, see Jim Stanford, "Cutting Corporate Taxes is Not the Way to Support Business Investment," *Perspectives on Tax Law and Policy*, Canadian Tax Foundation, August 2020; or Jim Stanford, "The Failure of Corporate Tax Cuts to Stimulate Business Investment Spending," in Richard Swift, ed., *The Great Revenue Robbery* (Toronto: Between the Lines. 2013), pp. 66-83.

record of business investment in Alberta shows no positive relationship to corporate tax reductions whatsoever; if anything, the relationship seems perverse (in that the further corporate taxes were cut, the weaker business investment became). Claims that partially reversing that tax cut would now weaken investment and employment cannot, given this history, be taken seriously.

The business-centric policies implemented in Alberta over the last four years have failed to stimulate investment, growth, jobs, or prosperity. They have succeeded in redistributing income to the corporate sector, which has enjoyed unprecedented profitability. But that wealth has distinctly failed to "trickle down". The empirical evidence suggests that policies promoting a more balanced vision of economic development – including pro-active efforts to stimulate higher wages, public services, investment (public as well as private), and better, more stable jobs – would be more successful at achieving a prosperous and fairer provincial economy.