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Shifting Priorities: From Deficit Spending to Paying down the Debt and Lowering Taxes

Evidence from the Alberta Advantage Surveys: 1995-2000

by Mebs Kanji and Barry Cooper
University of Calgary

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Editor & Designer: *Kristin McCahon*

For media information, please contact Suzanne Walters, Director of Communications, (604) 688-0221, ext. 582 or (416) 363-6575, ext. 582

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Executive Summary

When Ralph Klein took office from Don Getty in December 1992, Alberta had accumulated debt of nearly \$6 billion, and the provincial Liberals under Laurence Decore were poised to form the next government. They were running against the Tories chiefly on the grounds of fiscal probity and smaller government. Against the odds, Klein was able to distance himself from the previous Conservative administration and to win the 1993 election using many of the policies advocated by Decore. He did this by following an unusual electoral strategy: instead of trimming and modifying policy to attract the support of median voters, those who are conventionally seen as inhabiting the middle of a left-right political spectrum, he took a position, convinced Albertans that it was a reasonable and a correct position, and argued strenuously that together they would persevere no matter how tough the going got. Moreover, the implications of downsizing government were bound to create additional opposition. Klein succeeded in increasing his majority in 1997, and polls indicate he is likely to win again in 2001.

This analysis uses data from a series of public opinion surveys—the Alberta Advantage Surveys of 1995, 1996, 1999 and 2000—to trace the impact of the policies of the Klein government on Albertans. What explains this remarkable turn of events? How can a government drastically cut spending on highly valued social programs, not immediately reduce taxes, and still continue to become increasingly popular regardless of the criticism of a well organized opposition? Even more, how is it possible for a government not only to remain in power under such circumstances, but also to convince the electorate to change its thinking on such matters? The answers include a combination of the right leadership, constant priming and preference shaping, and neutralizing the opposition.

Among the findings of this study:

- Sixty-nine percent of Albertans approve of the Klein Government's performance.
- More and more Albertans (now more than a majority—57%) are of the view that the government's top priority should be to pay down the debt or reduce taxes
- In 1999, nearly two in every three Albertans (62%) said they would prefer to use the surplus revenue for targeted spending on priority programs. Today only 38% of Albertans feel that way.
- Although user fees were relatively popular in 1995, support for this particular policy appears to be in decline. The most recent results show that only two in every five Albertans (40%) agree with the idea of having to pay user fees.
- Support for deficit reduction is a far more powerful predictor of support for the government's performance than are attitudes toward the speed and size of budget cuts.
- Albertans opposed to corporate and sales taxes are more likely than those who support them to approve of the government's actions.
- Most Albertans, some 92% indicate they are satisfied with the financial situation of the provincial government, an 11% increase from 1999. Nearly two out of three Albertans (63%) say they are *very* satisfied, which is a 40% increase from 1999.
- During the mid-1990s, there was considerable criticism of the government's policy. The most recent survey indicates that things may well be changing: 67% of Albertans, for example, indicate they are satisfied with the amount of money the Klein government has spent on social programs, and more than 60%

are satisfied with health care, education, and social welfare systems.

To summarize: Albertans strongly supported the general principle of deficit elimination far more

than they opposed in detail the speed and size of program cuts. Subsequently, after having absorbed the pain, they take pride in the province's gains, support the targeted reinvestment strategy, and approve of the condition of the province's social programs.

The First Klein Government and the New Fiscal Strategy

When Alberta Treasurer, Jim Dinning, tabled his first budget, on 6 May 1993, three things were clear. First, the new political agenda would be based on fiscal responsibility; second, it would differentiate the Klein government from its high-spending predecessors; and third, it would constitute a major part of the Tory election platform. Even though it was a strategic initiative, it was unusual in the sense that, unlike other pre-election budgets, which try to influence voters with lavish expenditures of taxpayers' money, this one clearly did not.

Dinning's budget promised to do four things. Step one was to reduce program spending by 20%, and legislate an enforceable plan to balance the budget by 1996-97.¹ Health, education and social services account for some 70% of all program expenditures, which meant they would necessarily be the prime targets. Revenue estimates, especially royalty revenue from petroleum resources, would be conservative and no new taxes would be introduced.

Step two would be to set and stick to a clear set of priorities, along with "benchmarks" and a system of business plans for all ministries and agencies in order to provide a metric for appraising performance.

Step three was to develop an economic strategy that would be based on the principle that province-wide wealth-creation would be enhanced by providing an economic environment attractive to private investment and a free market, chiefly by streamlining regulations, by deregulation, and by creating a smaller government.

Step four, Dinning promised to change the way government did business by increasing the two-way communication between the government and citizens, eliminating duplication and waste, improving cost-effectiveness through audits based on the new business plans, privatization, and by introducing incentives for improvements in civil service productivity.

Many of these policy proposals were statements of intent rather than detailed action plans, but all of them moved in the direction of reducing the size of government. Klein began at the top, by reducing the size of cabinet. He replaced 26 permanent cabinet and caucus committees with five policy committees. This triggered a program of amalgamating, restructuring, and eliminating government departments, boards, crown corporations, committees and councils. In response to the 1993 recommendations of the Financial Re-

¹ *The Deficit Elimination Act* was replaced by the *Balanced Budget and Debt Retirement Act* shortly after the 1994 budget was introduced. It applied the same principles of deficit elimination to debt reduction and projected paying off the "debt mortgage" by FY 2021, a 25-year "amortization." See *Budget '95: Building a Strong Foundation*, (21 February 1995), pp. 16-23. In fact, the amortization period looks to be less than ten years.

view Commission (FRC), chaired by the former President and CEO of TransAlta Utilities, Marshall Williams, and to recommendations from the provincial Auditor General, new and more accurate accounting practices were also adopted. For the first time unfunded pension liabilities were considered to be part of the consolidated debt of the province. The book value of the Lloydminster heavy oil upgrader, a former “mega-project,” was written down, and program guarantees, crop insurance, loans, vacation pay, long-term disability, and crown corporations liabilities were included on the basis of more conservative accounting principles than before. The eventual result, as had been estimated by the FRC, was to double the book value of the provincial debt (Mansell, 1997, 16-73). But now at least the books were accurate.

While the spring 1993 budget debate took place on centre stage, backstage an even more intense debate was taking place within the Tory caucus between many of the veterans from the days of Premiers Getty and Lougheed who would not be running again, and the new Klein team who clearly wished to keep their jobs. The issue between the two factions was the “gold-plated pensions” that the retiring MLAs were to receive—in some cases over \$80,000 a year. Over the strenuous objections of retiring MLAs, Premier Klein changed the pension benefits. As Kenneth Whyte said, the pension changes made it look as though he had “run up against a bunch of Tory politicians found fattening themselves at taxpayers’ expense and he’d made them bleed on their way out the door. He’d made voters forget that he himself was a Tory and a politician” (White, 1994,

50). He had also succeeded in out-flanking the Liberals.

The ensuing election campaign confirmed the Klein-Dinning fiscal agenda. Fully 85% of the votes cast went to parties favouring a balanced budget with no new taxes, and 100% of the elected Members ran on essentially the same platform. Decore’s Edmonton-based Liberals, however, were badly outclassed in political skill and experience. For the first time since 1921, Decore had a real chance to restore the Liberals to power. Instead, by a series of campaign errors, starting with self-righteous comments on the divisive issue of abortion, Decore seemed not to realize that his opponent was no longer the party of Don Getty. For their part, the NDP was out of the picture from the beginning of the campaign. They were temporarily extinguished by the results, but once again took pride in claiming a moral victory.

Eight minutes after the polls closed it was clear that Ralph Klein’s Tories had won. They had elected 51 members, down 5, with 45% of the popular vote. The strategy of distancing the Klein Conservatives from their predecessors had worked, but it remained very much an open question, especially among pundits, how long he would last. Political scientist Allan Tupper, of the University of Alberta, in Edmonton, was simply stating what “everyone knew” when he observed on election night that the Premier’s views on balancing the budget without raising taxes were “almost utopian” (*Maclean’s* 28 June, 1993). Klein disagreed, though he kept his own counsel for several months (*Alberta Report*, [AR] 20 December, 1993).

The Klein-Dinning Budgets: 1993-1996

During the summer of 1993, the long-term plans for debt reduction were formulated. The first public indication of Government policy following the June election came on September 8, 1993, with the Lieutenant Governor's Speech from the Throne. The speech echoed what Dinning had already said in his pre-election budget. The basic "philosophy of government" announced by his Honour was "that government should get out of rather than into the lives of Albertans. People in this province know that more government and more laws mean more expense, red tape, and confusion and less freedom" (*Alberta Hansard*, 31 August, 1993, 10).

The sheer size of the government's cuts to the so-called MUSH sector (Municipalities, Universities, Schools, and Hospitals) left most Albertans both satisfied and astonished. Paul Boothe, at the time Professor of Economics at the University of Alberta, declared it was the boldest budget since the 1930s (*AR*, 20 December, 1993). On the basis of numbers alone it would be a claim difficult to dispute. The average budget cut among all departments was around 20%. This was chosen, evidently, "because it was the cut in expenditures required to eliminate the deficit without increasing tax rates" (Kneebone and McKenzie, 1997, 177).

The Opposition

Organized labour was among the first to announce it was against the May, 1993 budget (*Calgary Herald*, [CH] 8 May, 1993), but no serious opposition was mounted until after the election. In August, 1993 the President of the Alberta Federation of Labour (AFL), Linda Karpowich, promised "a mobilization and a militancy not seen in

The second budget, presented on 24 February 1994, reiterated the first; it provided further analyses of the significance of the entire exercise, and emphasized the need for speed and decisiveness. By the time of *Budget '95* the Treasurer was in a position to provide a retrospective analysis and to offer advice.

For years, governments in Canada have been living beyond their means. Governments have put off paying bills until tomorrow in the mistaken belief that revenue will catch up to spending. Overspending, not lack of revenue, is the problem. And every delay in fixing this problem increases the amount of debt and makes the solution more painful (Dinning, 1995, 7).

In his 1996 budget speech, Dinning was understandably exuberant in presenting the first balanced budget in over a decade. In just three years, the Klein government had completed a remarkable record. They had also, however, aroused a large number of opponents, some of whom were big-spenders within the Conservative Party, others of whom had been external beneficiaries of big government.

Alberta since the Gainers strike" if the Government tried to make any cuts in the civil service (*AR*, 16 August, 1993). In fact, however, the Alberta Union of Public Employees (AUPE) proved to be barren ground upon which to sustain the flowering of union solidarity.

Hospital workers and the Alberta Teachers Association also declared their opposition along with the opinion, widely reported in the media, that Albertans in fact were eager to pay more taxes to ensure educational funding, and that 80% of the population opposed cuts. As is indicated below, this statistic was neither accurate nor politically significant. Other public sector union leaders promised grave disruptions and violent reaction to the cuts. Opposition from the media, notably from the *Edmonton Journal*, remained strident and both the Prime Minister and the Premier of B.C. criticized the Alberta Government for its “heartless” policies. So, of course, did the Liberal opposition in the legislature.

National television coverage of Alberta also seemed stacked against the Klein agenda. The National Media Archive, a department of the Fraser Institute, conducted an analysis and comparison of media coverage of the first twenty months of the Klein government with the first twenty months of the NDP government under Premier Bob Rae in Ontario (Miljan, 1995). At the time, Ontario constituted 40% of Canada’s economy, so one might expect extensive media coverage of the actions of the Ontario Government. In fact, however, TV news paid more attention to Alberta than to Ontario.

Assessments of Ontario’s policies were “slightly more negative than positive” on both major networks. “However, on CBC, assessments of Alberta’s actions were twice as often negative as positive, and on CTV three times as often negative as positive.” Expenditure cuts were said to be much less desirable than increasing either deficits or taxes. Privatization was attacked and the deficit and debt issues were virtually ignored. In contrast, the intentions and actions of the Rae government were carefully explained by TV reporters. On the other hand, the CBC mentioned that Alberta had *not* raised taxes in only 1 percent of its stories. CTV did so in 2 percent. Instead, both networks focussed on the opposition claims

that user fees were “hidden taxes,” when in fact they are not hidden, but open, and are not taxes, but client-paid fees for service, such as campground charges.

It is remarkable, then, that at a time when seventy percent of the stories on TV were negative, in Alberta Premier Klein was setting records for popular support. According to the National Media Archive, the media displayed such “gross partisanship” that they “have crossed the boundary from news reporting to news advocacy.” The conclusion was obvious: “In their coverage of Alberta and Ontario, television news has seriously misrepresented the public mood” (Miljan, 1995).

Notwithstanding this multivalent opposition, however, it was clear by early 1995 that criticism from the left was ineffective. That did not, however, mean there would be smooth sailing. Soon enough the question began to emerge: after the deficit and debt issue had been met, what was to follow? How intense should “reinvestment” be, and where should it be directed? And what of other policies? On the right flank, there was some criticism from “theo-cons,” particularly those associated with Ted Byfield and *Alberta Report*. In the July 1995 issue of the magazine, for example, Klein was accused of being a “business conservative,” which was not intended to be a compliment. They meant that Klein was less concerned with smaller government and lower personal taxes than with assisting large business organizations (*AR*, 10 July 1995). According to this interpretation, there was little difference between the policies of the current government and giving corporations tax breaks and “picking winners” in the old style by providing selective loan guarantees, direct investment, and so on. This may be questionable economic doctrine, but it was significant that *Alberta Report* had detected a change in the Premier’s attitude and actions. Whether the magazine was astute in its perceptions or merely opposed to Klein for other reasons associated with its social conservative commitments, the

government was able to ignore opposition on the right as well.

To summarize: upon election, the Klein changed the financial profile of the province. When Peter Lougheed turned the government over to Don Getty in 1985, the provincial net worth was nearly \$13 billion; when Getty left in 1992 the province was nearly \$6 billion in the hole. With Klein, the deficit was gone in a matter of three years and it was conceivable as early as 1996 that the accumulated debt would disappear a few years down the road. Opposition came initially from those whose short-term interests were harmed—civil servants,

doctors, teachers, and even municipal politicians. The government responded consistently, making the argument that they had been elected to govern; by providing answers and rebuttals through the media; by using the usual array of public relations sophistry; and by admitting error and correcting its actions. Both substantively and technically, the Government was successful in meeting the initial opposition to its program. The criticism from *Alberta Report* and from other committed social and fiscal conservatives was, for the moment, ignored, but it would reappear after the Tories were reelected in 1997.

And They Said It Couldn't Be Done...

One of the rough-and-ready ways of distinguishing politicians and their electoral strategies is to contrast “vote-grabbers” from “position-takers.” The former trim their policies to satisfy the average voter, whereas the latter seek to distinguish themselves from their political opponents, even if it also appears to push them away from the presumed position of the median voter. “These opposing imperatives,” write Richard Johnston and his colleagues in the 1988 National Election Study—“to take stands which give voters reasons for supporting the party, on the one hand, and to move towards the center to avoid alienating voters, on the other”—create one of the “essential tensions” in campaigns (Johnston *et al.*, 1992, 4-5). The tension is essential in the sense that it never goes away. Thus a party that comes close to taking no position will give potential voters no reason to vote for it, and they are likely to drift away; likewise a party that takes an unambiguous and intense position on a range of issues that outside the realm of acceptability and are of little concern to most voters may attract a devoted following, but their numbers will be small. Hence the need to balance the two tendencies.

The left-right spatial model that is presumed to portray the normal or bell-curve distribution of public opinion carries with it the implication that most rational politicians most of the time will be enthusiastic vote-grabbers and reluctant position-takers. This may be true, but it ignores the fact that elections are not just about how voters decide. They also reflect the ability of parties and politicians to control and shape the political alternatives to their advantage. Indeed, some politicians are of the view that this is what political life is all about. Competitive advantage sometimes goes to those politicians who successfully “prime” the electorate—that is, they give voters reasons to vote for them. In terms of rational choice theory, they are individuals or parties who are successful at “shaping preferences” (see Dunleavy, 1991, ch 5). Ralph Klein was able to take a clear position that also grabbed votes. In what follows, we examine how Albertans have responded to the initiatives advanced by the Klein governments.

The Downsian Model

In his *Economic Theory of Democracy*, Anthony Downs formalized the argument that governments typically plan and undertake policies that are most likely to maximize voter support, and citizens, in turn, form their political preferences on the basis of government actions that favour them. It follows that governments are likely to spend when they calculate the benefits to be greater than the political costs of financing expenditures, which can be done either through taxation, printing money, or borrowing (though only the options of taxing or borrowing are available to Canadian provinces). Stated more formally, a “government increases its spending until the vote gain of the marginal dollar spent equals the vote loss of the marginal dollar of financing” (Downs, 1957, 69). According to this theory, therefore: to increase its support a government must either increase its spending or decrease its taxing. Thus governments calculate what is in their own interests by estimating what is in the interest of their supporters.

The Klein government, however, appears successfully to have avoided the Downsian logic of government decision-making in both possible ways. After being elected in 1993, the government began immediately to slash public spending across a broad range of policy areas, including highly valued programs—healthcare, education and social welfare. Moreover, although the government did not implement any new taxes, at the same time it did not compensate citizens for reduced services by also reducing their tax burden. Despite its under-spending and over-financing, the Klein government continued to grow in popularity.

The obvious question is: why? Politically speaking, it was a high-risk strategy to defy Downsian logic and demand that Albertans do more with less, so what accounts for the government’s unprecedented success?

Data

In order to analyze this unusual turn of events, our analysis relies heavily on a longitudinal body of evidence known as the Alberta Advantage Surveys (AAS). The first two of these public opinion polls were conducted during the aftermath of the Klein government’s initial budget cuts (in 1995 and 1996, respectively). The third survey was taken in January 1999, midway through the second electoral mandate and after the government had successfully eliminated the deficit, reduced the debt, and begun to spend money again. The most recent one was conducted in November 2000, after the controversy over Bill 11, which changed some of the structures dealing with healthcare delivery, but prior to having to deal with the impact of energy deregulation and energy rebates.

Each of these surveys was administered via telephone to a random sample of slightly more than 1000 Albertans, which means that the margin of error for each data set is approximately $\pm 3\%$. Although these surveys are not panel studies, that is, although we did not interview the *same people* in all three studies each questionnaire did contain several of the *same questions*, which makes it possible to track aggregate public opinion over time.

The AAS are particularly useful in that they incorporate a variety of different measures. In addition to obtaining a number of background factors, these surveys measure the public’s approval ratings for the Klein government and the opposition Liberals, as well as measure orientations toward Premier Klein and opposition leader, Nancy MacBeth. Furthermore, the AAS also track perceptions toward the general principles of deficit elimination, spending cuts, taxes and user fees, and examine the public’s more specific orientations toward the speed and size of the budget cuts in several areas, including education, healthcare and social welfare. All of these variables (along with others) are of particular relevance to ac-

counting for why the Klein government has remained popular. Moreover, the timing of these studies is fortunate in that they allow us to examine public opinion in Alberta during both the best and worst of recent economic times.

Four Plausible Explanations

We propose to consider four plausible explanations for the Klein government's success. The first holds that support for political parties may be based primarily on sociological attachments and party ties. In other words, Albertans might remain loyal to the Tories because their primary social group affiliations, their friends and neighbours, prompt them to do so, or because their long-term loyalties of one kind or another bind them to the Conservative party. In Alberta, for instance, one consistent finding has been that men, particularly those living in Calgary and in rural areas, are more likely to be Conservative supporters than women or Edmontonians (Archer and Gibbins, 1997, 470). That does not, however, tell us much about other sources of support for the Klein government or the reasons for it. In addition, there is now mounting evidence to suggest that party identification has weakened in recent years, particularly among younger voters.

A second explanation begins with the premise that citizens today are *less* reliant than in the past on either social group or party cues (Kanji, 1999; Kanji and Archer, 1998). Downs' theory, for example, holds that voters are "rational utility maximizers" (Downs, 1957, ch. 3), meaning that they organize their political preferences according to their calculated evaluations of which party is the most likely to provide the greatest personal gain. Samuel Popkin (1991) adds that voters can and do distinguish clearly among different policy initiatives and that they base their overall political judgements on the likely effects of government actions. If Downs and Popkin are right, then another reason why Albertans might continue to support the Klein government may be because

they value the principles of deficit elimination, spending cuts, and user fees more than they oppose the short-term consequences of large and rapid budget cuts. By this account, Albertans continue to support the Tories because they distinguish between the government's broader long-term policy initiatives, of which they approve, and their hard-hitting approach, about which they may have reservations. The argument here, in essence, is that government success is less a result of past social and partisan allegiance than of government "priming." It may be, in other words, that the government has been successful in persuading the electorate that deficit elimination was a major issue, that dealing with it would promote prosperity, and that they were the party best able to do what they promised.

It is important not to lose sight of the fact that in most democratic societies the governing party competes with other opposition parties for the right to rule. Therefore, a third prospective explanation for the success of the Klein government may be related to a weak or neutralized opposition. As noted, about halfway through their first term, the Tories began to govern without any significant threat from the left. Indeed, as we shall see, many Albertans hold that Premier Klein continues to remain popular because he has no real competition. It is possible, then, that Albertans continue to support the Klein government because they see no plausible alternative.

Lastly, a fourth possible explanation may be that the success of the Klein government rests squarely on the popularity of the leader of the party rather than on the policies the government enacts (Wattenberg, 1991). In Canada, conventional wisdom holds that leaders are considered crucial to a party's success (see Clarke, *et al.*, 1996). At a time when trust in politicians is at a premium, the Alberta premier is often distinguished from the rest as being somehow different. Thus support for the "Ralph Party" might be attributed directly to the preference Albertans

feel for Ralph Klein over all other opposition leaders, whoever they may be. Conversely, of course, Klein's popularity may simply be the result of the understandable desire of journalists to dramatize electoral contests (Newman, 1995; *CH*, 13 December, 1996).

Given the existing research on political support, we expect that each of these four explanations is partly responsible for explaining why Albertans continue to support the Klein government. But is any one explanation more compelling than the others? And if so, which particular arguments are the least relevant?

Results

Like many newly elected governments, the Klein Tories began their first electoral mandate plagued by many of the same challenges that had contributed to the disintegration of the Getty administration before them. The Alberta economy did not prosper between the mid 1980s and early 1990s: low energy prices, a continued dependence on resource revenues, and a string of politically inspired but economically questionable investment and diversification decisions had culminated in a series of deficit budgets from which the Getty government never managed to recover. The immediate challenge facing the Klein government was to balance the province's budget and so bring its rapidly escalating debt under control.² The Conservatives faced another challenge as well. They had been elected in 1993 by the narrowest margin in recent Alberta history, with 44.5% of the popular vote compared to the 39.7% by the Decore Liberals. The relative closeness of the vote meant that, politically, a great deal was riding on the choice of strategy to tackle the deficit and debt. A straightforward Downsian response would have been to proceed cautiously, by implementing a complex mix of spending and financing, designed to maximize voter support and minimize the number of votes lost. In fact, the

route actually taken seemed to have little to do with Downsian logic and the calculation of "rational choice" vote-maximization strategies. There seemed to be a clear commitment to bold position-taking over prudential vote-grabbing, though there was some indication as well that Albertans might respond positively to a decisive initiative.

In any case, the government was convinced that Albertans would not tolerate a government that simply sought to manage the province's debt and deficit problems. The 1993 electoral mandate and subsequent polls were interpreted as supporting both deficit elimination and spending cuts with no tax reductions. Critics, on the other hand predicted that the government's popularity would quickly decline (Hughes *et al.*, 1996; Archer and Gibbins, 1997). In fact, the opposite happened: the deeper the cuts, the more popular the Klein government became. And in fact the 1997 victory was greater than 1993. The question that needs to be answered, therefore, is this: what explains the Klein government's ability to defy the conventional wisdom that is formally expressed in Downs' logic?

2 Of course, not everyone agrees that the province's economic profile was determinative. See Archer and Gibbins, 1997, p. 462.

Approval for the Klein Government's Performance

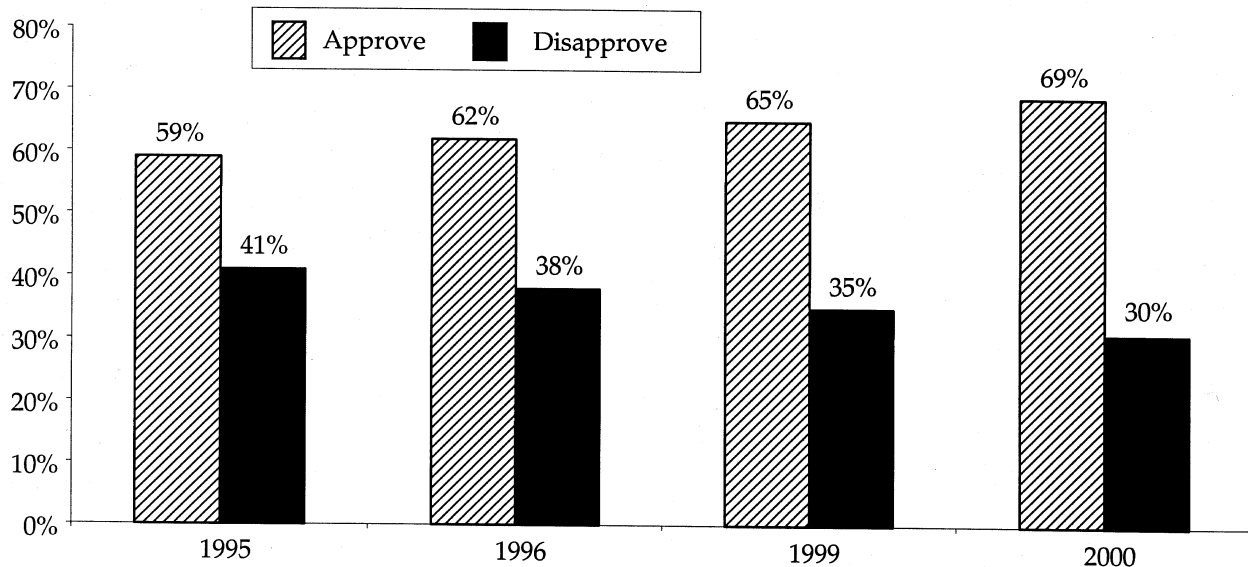
Each round of the AAS begins by asking Albertans how they would rate the efforts of their current provincial government: "Would you say you strongly approve, approve, disapprove or strongly disapprove of the Klein government's performance?" Figure 1 illustrates how the Tories approval ratings have varied since the first ASS.

Among critics, a common argument has been to suggest that as time wears on and the impact of the government's budget restructuring becomes more widely felt, support for the government is bound to decline. Our data, however, provide no such indication: Figure 1 shows that approval for the Klein government continued to rise, while disapproval continued to fall. Seven years after they first were elected, our evidence indicates

that the Klein government is even more popular now than ever before: over two in every three Albertans (69%) currently say they approve of the government's performance, an increase of about 10% over 1995.

There have, however, been some noticeable fluctuations in the intensity of this support. For example, between 1995 and 1999, the number of Albertans who *strongly* approved of the government fell from 17% to 10% over the same period. The most obvious explanation for this change is that even strong supporters of deficit reduction and program restructuring occasionally had their doubts. But by the time the century ended, however, the numbers had rebounded so that in 2000 more than one in five Albertans (23%) consider themselves to be strong supporters of the Klein government. This would appear to indicate that not only have the doubters been reassured, but

Figure 1: Approval for the Klein Government's Performance



Question wording: (1) "Would you say you strongly approve, approve, disapprove, or strongly disapprove of the Klein Government's performance?"

Note: The above figures report the percentage of Albertans who "approve" or "disapprove."

Source: The 1995-2000 Alberta Advantage Surveys.

Table 1: Approval for the Klein Government's Performance by Socio-Demographics and Psychological Attachments; by Orientations Toward the Pace and Magnitude of the Government's Budget Cuts; by Orientations Toward the General Principles of Deficit Elimination, Spending Cuts, Taxes & User fees; by Orientations Towards the Official Opposition; by Leadership Ratings

Predictors	Approval for the Klein Government's Performance					
<i>Leadership ratings:</i>						
Premier Ralph Klein (positive)						.28 (.02)**
Opposition leader Nancy MacBeth (positive)						-.04 (.02)*
<i>Orientations toward the Official Opposition:</i>						
Approval for the opposition Liberal's Performance (strongly approve)				—		.04 (.04)
<i>Orientations toward the general principles of deficit elimination, spending cuts, taxes and user fees:</i>						
Deficit elimination (strongly support)		.30 (.04)**		.28 (.04)**		.17 (.04)**
Spending cuts (support)				.01 (.02)		-.01 (.02)
Personal taxes (oppose)		-.01 (.02)		-.02 (.02)		-.02 (.02)
Corporate taxes (oppose)		.05 (.02)**		.06 (.02)**		.03 (.02)
Sales taxes (oppose)		.06 (.02)*		.06 (.03)*		.03 (.02)
User fees (oppose)				-.01 (.02)		-.02 (.02)
<i>Orientations toward the pace and magnitude of the Klein Government's budget cuts:</i>						
Pace of the cuts (too fast)		-.10 (.03)**		-.08 (.03)**		-.06 (.03)*
Cuts to primary and secondary education (too big)		-.13 (.04)**		-.08 (.04)*		-.07 (.04)*
Cuts to universities and colleges (too big)		-.08 (.04)*		-.08 (.04)*		-.05 (.04)
Cuts to health care (too big)		-.08 (.04)*		-.06 (.03)		-.04 (.04)
Cuts to social services and welfare (too big)		-.08 (.03)**		-.04 (.03)		-.02 (.03)
<i>Psychological attachments:</i>						
Stable party ties (PC)		.27 (.02)**		.22 (.03)**		.16 (.02)**
<i>Socio-demographics:</i>						
Sex (male)	.05 (.02)**	.05 (.02)**	.02 (.02)	.03 (.02)	.02 (.02)	.01 (.02)
Age (senior)	-.08 (.03)**	-.08 (.02)**	-.09 (.02)**	-.09 (.02)*	-.06 (.03)*	-.02 (.02)
Education (university)	-.07 (.02)**	-.05 (.02)**	-.04 (.02)*	-.04 (.02)*	-.04 (.02)*	-.03 (.02)
Employment/income (employed with high income)	.06 (.02)**	.04 (.02)*	.03 (.02)	.02 (.02)	.02 (.02)	—
Calgarians (vs. Edmontonians)	.05 (.02)*	.03 (.02)	—	.01 (.02)	—	.01 (.02)
Rural Albertans (vs. Edmontonians)	.05 (.02)*	.02 (.02)	.02 (.02)	.01 (.02)	.01 (.02)	.01 (.02)
Constant	.63 (.02)**	.59 (.02)**	1.00 (.04)**	.61 (.06)**	.59 (.07)**	.47 (.06)**
R-squared (adjusted)	.05	.15	.26	.34	.33	.50
Note: The above figures are unstandardized regression coefficients and (standard errors); * significant at $p \leq .05$; ** significant at $p \leq .01$; — = no effect						
Source: The 1999 Alberta Advantage Survey.						

that the major recent policy initiative, namely the government's spending strategy, may have done the trick.

Notwithstanding these changes in intensity of support, it is evident from the data that an increasing number of Albertans over the years sup-

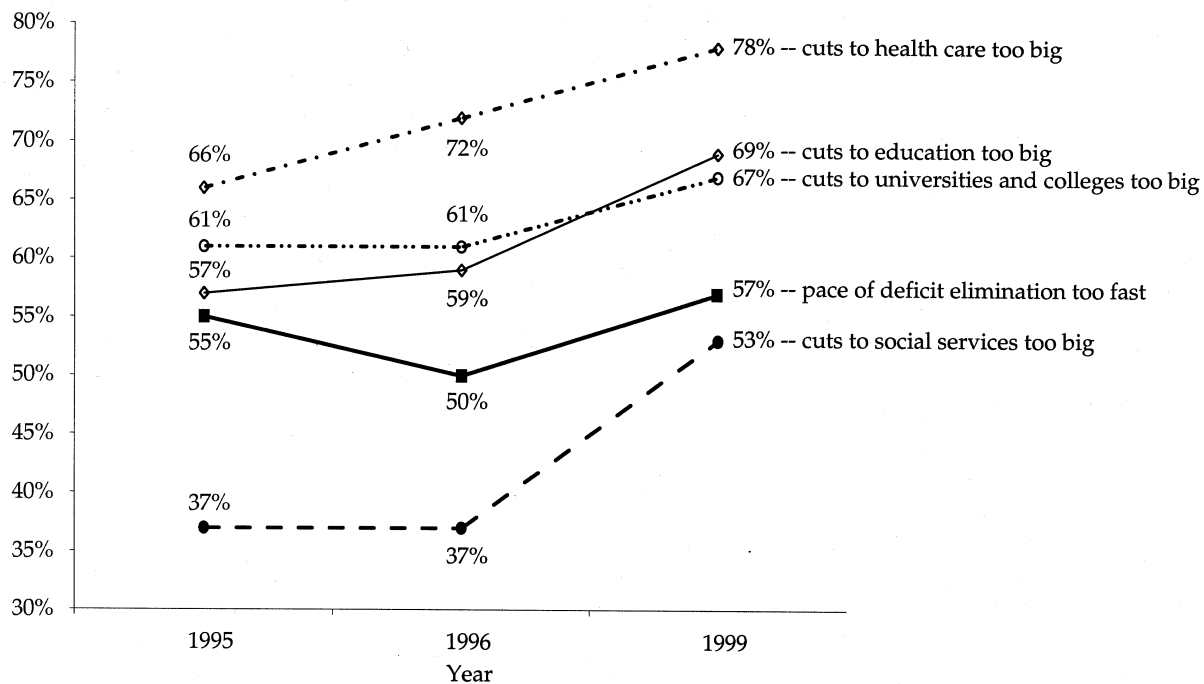
port the incumbent government. The question remains: why? What accounts for the Klein government's remarkable success?

The Impact of Long-Term Loyalties

The most conventional explanation proposes that support for the Klein government is a result of long-term social group loyalties and/or partisan ties. We tested this proposition using two separate regression analyses reported in Columns 1 and 2 of Table 1. The first looks specifically at the

effects of various socio-demographic variables (including sex, age, education, employment/income and place of residence) on approval for the Klein government's performance, while the second examines the combined effects of both social and psychological influences. Splitting the two analyses in this way allows us to monitor the extent to which group differences remain significant once other competing explanations are brought into account (Cooper and Kanji, 2000, 90-1).

Figure 2: Opposition towards the Speed and the Size of the Klein Budget Cuts in Education, Health Care and Social Services



Question wording:

- (1) "What about the pace of deficit elimination? The Klein government took three years to eliminate the deficit. Looking back, do you think this pace was too fast, too slow or just about right?"
- (2) "And what about the budget cuts made to each of the following program areas. Looking back again, do you think the cuts made were too big, too small or just about right for:
 - A. education (primary and secondary)
 - B. universities and colleges
 - C. health
 - D. social services and welfare"

Note: The above figures report the percentage of Albertans who say "too fast" or "too big."

Source: The 1995-99 Alberta Advantage Surveys.

When we examine the impact of various socio-demographic variables, independent of other forces, it appears as though the political landscape in Alberta is divided into several polarized camps. Males, as expected, turn out to be more approving of the Klein government's performance than females. And similarly we find several other important group differences when it comes to factors such as age, education, employment/income and place of residence. However, when we look at the overall impact of social group forces (as measured by the R-squared statistic), we find that altogether they account for only a small fraction (some 5%) of the entire story. Moreover, the significance of group differences begins to decline the moment that other competing explanations are introduced.

The regression analysis shown in Column 2 indicates that stable partisan affiliations have more than three times (.27) the effect of the strongest socio-demographic determinant, which in this case is age (-.08). Albertans who are loyal Conservatives both federally and provincially are more likely to approve of the Klein government's actions than those who split their votes between the provincial Tories and another federal party. In short, among long-term factors, what counts most are party loyalties, not sociological categories.

Opposition Toward the Speed and Size of the Klein Government's Budget Cuts vs. Support for the General Principles of Deficit Elimination, Spending Cuts, Taxes and User Fees

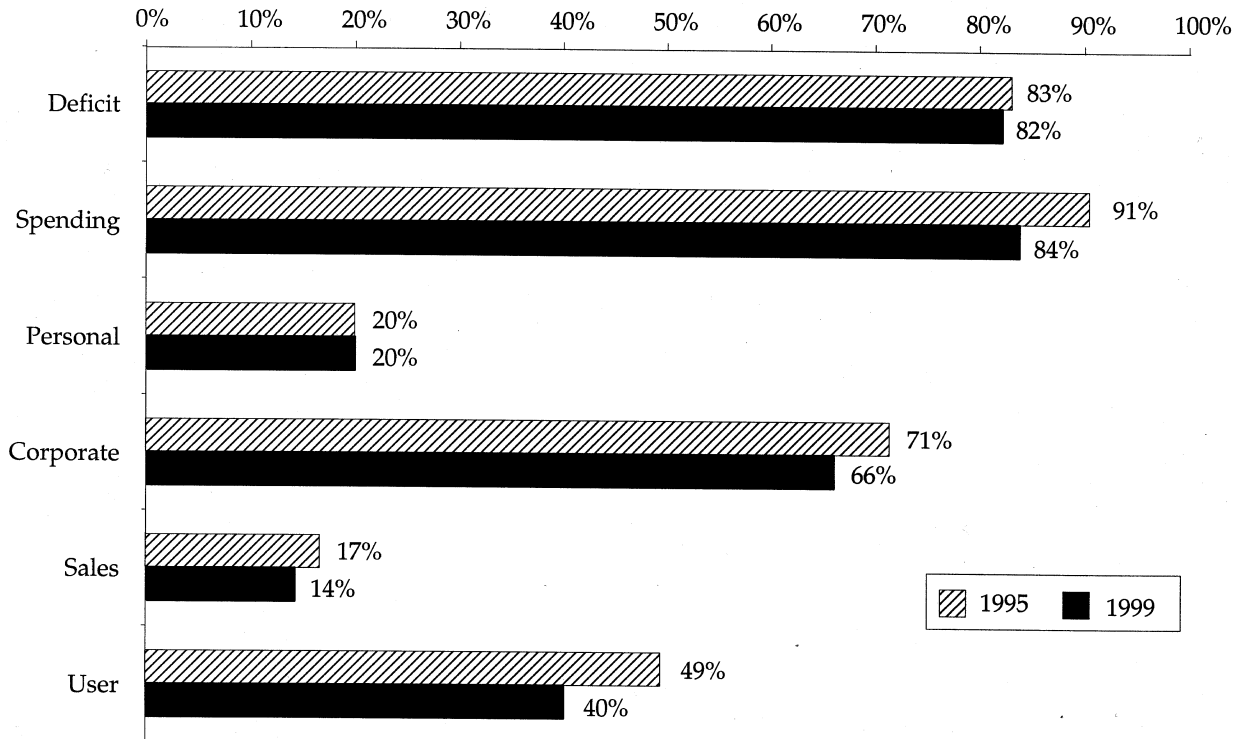
A second explanation considers the possibility that although Albertans may oppose to the pace and magnitude of the budget cuts, as predicted by Downs' model of voters as rational calculators of their own projected interest, they are nevertheless persuaded of the soundness of the government's broader and more long-term goals: deficit

elimination, less spending, lower taxes, and increased user fees. In other words, Albertans may continue to back the Klein government because their support for a balanced budget and smaller government outweighs their concerns over the actual approach taken by the government in streamlining social programs.

Figure 2 reports Albertans' orientations toward the pace of the Klein government's deficit elimination plan and their concerns over the size of the budget cuts in the areas of education, healthcare, and social services. Given the Klein government's direct approach to budget cutting, these findings did not come as a surprise: most Albertans think the speed of deficit elimination in Alberta was too fast. Moreover, as the cuts to government programs began to take greater effect, the strength of public opposition toward the size of the budget cuts continued to grow. During the three or four years following the first round of cuts, between 1995 and 1999, Albertans became 12% more opposed to the size of healthcare cuts, 12% more opposed to the size of primary and secondary education cuts, 6% more opposed to the size of the cuts to universities, and 16% more opposed to the size of the social welfare cuts. Clearly, then, when Albertans were asked to look back on what the government had done, they didn't like what they saw and their opposition increased.

It is, however, one thing to dislike expenditure cuts but something else to dislike the government because of them. An analogy from personal life may be instructive: very few people enjoy going to the dentist, but they don't for that reason also dislike their dentist or, more importantly, stop having their teeth checked. The logic is obvious: people have regular dental check-ups because they believe that a certain amount of discomfort now can prevent a lot of suffering down the road. In the same way, Albertans may have been willing to accept some short-term pain for long-term gain.

Figure 3: Orientations Toward the General Principles of Debt Elimination, Spending Cuts, Taxes, and User Fees



Questions:

(1) "As you know, the Klein government said that it would eliminate Alberta's deficit and it did. In retrospect, knowing what you know now, how much do you support the government eliminating its deficit. Do you still strongly support, support, oppose or strongly oppose the principle of deficit elimination?"

(2) "Governments can balance budgets in a number of ways. I'm going to read several options and for each one please tell me whether the government should do this or should not do this to balance the budget:

- A. cut spending
- B. increase personal tax
- C. increase corporate tax
- D. have a sales tax in Alberta
- E. increase user fees."

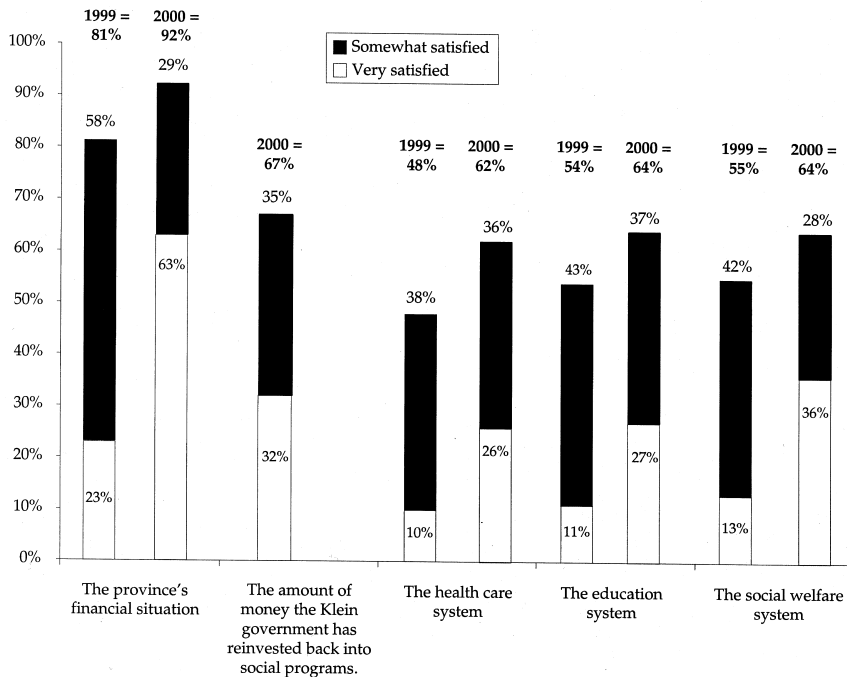
Note: The above figures report the percentage of Albertans who support the principles of deficit elimination and spending cuts, and the percentage of Albertans who say that the government should increase taxes and user fees.

Source: The 1995-99 Alberta Advantage Surveys.

The regression analysis reported in Column 3 of Table 1 shows that concerns over the speed and size of the budget cuts between 1995 and 1999 have had a sustained negative effect on public approval for the government's performance even

after taking into account the impact of various long-term allegiances, reflected in social group affiliations and partisan ties. Indeed, a sizeable proportion (10%) of the overall variance is explained by such concerns. Because of the media-

Figure 4: How Satisfied Are Albertans?
 (% indicating they are either "somewhat satisfied," or "very satisfied")



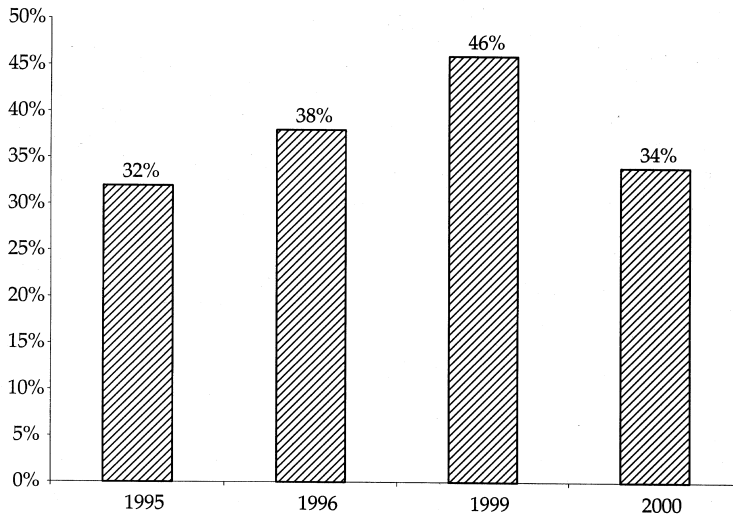
enhanced horror stories about long waiting times in emergency facilities, inadequate hospital staffing and the general deterioration of healthcare in Alberta, it comes as something of a surprise that the effect of opposition to healthcare cuts is so moderate—it occurs at about the same weight as opposition toward cuts to universities and colleges, and to social welfare.

Nevertheless, if opposition toward the pace and magnitude of the budget cuts reduces approval of the Klein government's performance, then why do approval ratings continue to improve? This apparent paradox in the behaviour of rationally calculative voters appears to dissolve when we take into account the possibility that Albertans may have other more pressing concerns, some of which may have been strategically primed by the government. That is, the reason why Albertans may continue to stick it out is because they value the government's broader policy objectives more than they oppose its hard-hitting approach.

by implementing spending cuts. Moreover, Albertans have still not embraced the notion of paying more personal taxes: no more than one in every five Albertans supports the idea of increasing either personal taxes or introducing a sales tax, though at least two out of three respondents (66%) still support an increase in corporate taxes. Although user fees were relatively popular in 1995, support for this particular policy appears to be in decline. The most recent results show that only two in every five Albertans (40%) agree with the idea of having to pay user fees.

When we add these more general orientations towards deficits and budgeting to the regression analysis reported in Table 1, the results clearly suggest that Albertans are indeed capable of distinguishing between the long and the short term objectives (see Column 4). It is also clear that certain principles are of higher priority and carry more weight than others. For instance, support for deficit reduction is a far more powerful pre-

Figure 3 considers this possibility by examining Albertans' more general views towards the core principles of deficit elimination, spending cuts, taxes and user fees. The data, in this case, appear quite stable, with only a few minor fluctuations. We believe this stability is a direct result of the government's priming, not a mysterious change of heart, sudden conversion to fiscal prudence, or reflection of provincial perversity. On the whole, more than four in every five Albertans consistently support the principles of deficit reduction and even in 1999, 84% continued to maintain that the best way to balance the budget is

Figure 5: Approval for the Liberal Party of Alberta

(Q): What about the opposition Liberals? Do you strongly approve, approve, disapprove or strongly disapprove of the Alberta Liberal party's performance under Grant Mitchell/Nancy MacBeth?

Note: The above figures report the percentage of Canadians who "approve" and "strongly approve."

Source: The 1995-2000 Alberta Advantage Surveys.

dicator of support for the government's performance than are attitudes toward the speed and size of budget cuts. Likewise, two other broad objectives are also statistically important, thought to a lesser degree: Albertans opposed to corporate and sales taxes are more likely than those who support them to approve of the government's actions.

Since the impact of the budget cuts to program spending has been absorbed and the positive economic effects have begun to appear, Albertans have supported the results with considerable enthusiasm. Figure 4, which incorporates our most recent data, shows how satisfied Albertans are with what the government has accomplished.

Most Albertans, some 92%, indicate they are satisfied with the financial situation of the provincial government, an 11% increase from 1999. Moreover, Albertans are not merely content with the province's financial situation, nearly two out of three Albertans (63%) say they are *very* satisfied, which is a 40% increase from 1999. As was indi-

cated above, during the mid-1990s, there was considerable criticism of the government's policy. The most recent survey indicates that things may well be changing: 67% of Albertans, for example, indicate they are satisfied with the amount of money the Klein government has spent on social programs.

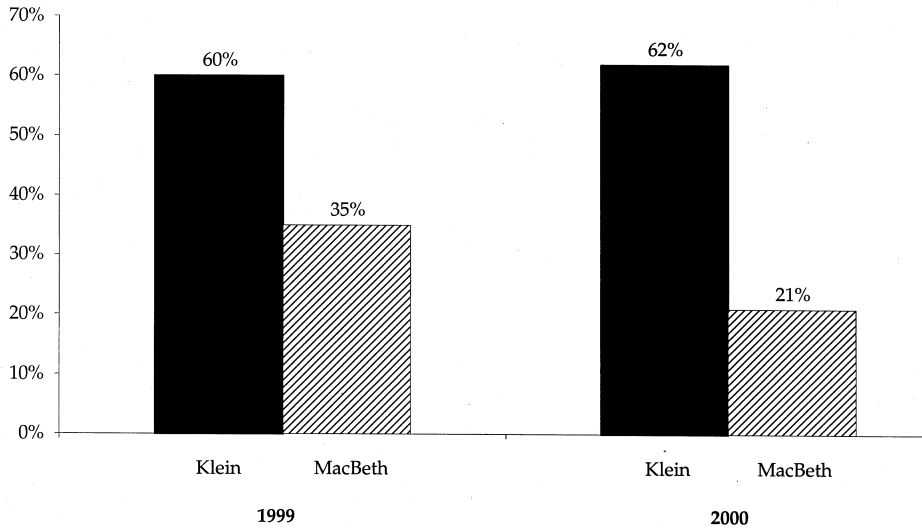
Likewise when one examines the specific program areas targeted for earlier cuts, which subsequently have become the beneficiaries of "reinvestment"—namely health, education, and welfare—support is currently well over 60%. Moreover, the number of Albertans who report they are very satisfied with these program areas has increased considerably over the last couple of years.

To summarize: Albertans strongly supported the general principle of deficit elimination far more than they opposed in detail the speed and size of program cuts. Subsequently, after having absorbed the pain, they take pride in the province's gains, namely the targeted spending strategy, and the condition of the provincial social programs.

The Lack of An Effective Opposition

A third potential explanation of why the Klein government continues to prosper may be because of an ineffective opposition. The data presented in Figure 5 help to illustrate what Albertans think about the opposition Liberals in Alberta. The evidence in this case is overwhelming: more than a majority of Albertans consistently indicate they disapprove of the opposition Liberals' performance. The Liberals have had occasional high points, specifically as reflected in the 1999 data. At that time, shortly after Nancy MacBeth took over the party, the party's approval rating in-

Figure 6: Leadership Ratings
 (% of respondents rating Klein and MacBeth as being above neutral on a "feeling" thermometer)



Question: Now let's use a 'feeling thermometer' to measure your feelings towards several politicians. The higher the score, the warmer you feel about the person. The thermometer ranges from 0 to 100, where 0 is very cold, 100 is very warm and 50 is neutral.

Please tell me how you would rate each of the following:

A. Premier Ralph Klein

B. Alberta Liberal Leader, Nancy MacBeth

Note: The above results report the percentage of Albertans who rate Klein and MacBeth as "warm" (i.e. 51-100).

Source: 1999-2000 Alberta Advantage Survey.

creased substantially (46%). But, as with her predecessor, Grant Mitchell, MacBeth and the Liberals have been unable to sustain this level of support. By 2000 the Liberals had reverted to about the same position as they traditionally occupied, an approval ratio of about one in three.

There is even more bad news for the Liberals: just because a third of Albertans say they think that the party is doing a good job under the leadership of Nancy MacBeth, that does not mean they ever would vote for them. High approval ratings do not translate into a greater ability to "detract" voter support from the Klein Tories. The regression analysis reported in Column 5 of Table 1 indicates that the performance of the Liberals in Alberta has no discernible impact on approval for the Klein government's performance. Whether

Albertans think the Liberals are doing a good job or not appears to make no difference to how much they approve of the Klein government.

The Impact of Leadership

The fourth and final explanation for the continued success of the Alberta government may be that it results from the independent and positive impact of the Premier himself. Evidence from a long line of Canadian electoral studies indicates that voting preferences are often based heavily on how voters feel about a party's candidate or a leader, as distinct from the party itself or a specific policy or policy mix.

Support for the Klein government, therefore, may be contingent upon the strong popular appeal of Premier Klein, and conversely, the lack of voter support for current opposition Liberal leader, Nancy MacBeth, even though a sizeable portion of Albertans think the Liberals are doing a good job.

Figure 6 represents the results of a "feeling thermometer," used to indicate how warmly respondents felt towards Klein and MacBeth. As indicated above, the election of MacBeth as Liberal leader did give the opposition a temporary boost in their party's overall approval ratings. Even so, our evidence shows Albertans feel much "warmer" towards Klein than towards MacBeth. Moreover, over the last year or two, ratings for MacBeth appear to have declined. This is a significant finding because the regression analysis,

reported in Column 6 of Table 1 above, shows that leadership is a major factor in maintaining the high approval for the Klein government's performance. Those who approve of Klein's leadership are also very likely to approve of the government's performance, whereas MacBeth's weak popular rating turns out to have a small negative effect.

The impact of leadership is clearly illustrated by its effect on the bottom line: leadership improves our understanding of the overall variance in the government's approval ratings by 17%, a significant amount in election studies. Moreover, the effects of leadership all but wash out the impact of all other factors except for three. And even then, both the effects of orientations toward the general principle of deficit elimination and stable party ties are noticeably reduced, and orientations towards education cuts are barely significant.

What Explains the Premier's Popular Appeal?

It is one thing to suggest that the Premier's personal appeal, more than anything else, is responsible for the Tories overall success, but what explains that popularity? It is not as if the Premier has no detractors (see Dabbs, 1995, 173ff). What is it about Ralph Klein that appeals to Albertans?

The evidence reflected in Figure 7 indicates three general characteristics of good leadership—effectiveness, trustworthiness, and how “in touch” leaders are with their constituents. As part of the AAS, Albertans were asked to rate several political leaders according to each of these qualities. A score of “1,” for example, indicates that the leader in question is not very effective, whereas a score of “10” indicates that the leader is very effective.

The conclusions, therefore, to be drawn from the preceding analysis are as follows: first, the most important explanation for Albertans' continuing support of the government is their strong approval of leadership of Ralph Klein along with their relatively weak approval of Nancy MacBeth. Second, Albertans continue to support the Klein government because they see the forest as well as the trees; that is, they support the gain of deficit elimination more than they oppose the pain of budget cuts to programs. And third, Albertans continue to support the government because they have strong Conservative ties, although the relative weakness of this latter factor lends support to other findings that suggest that long-term party affiliations are less important today than once they were. Conversely, social group affiliations and the performance of the opposition Liberals do not seem directly relevant overall.³

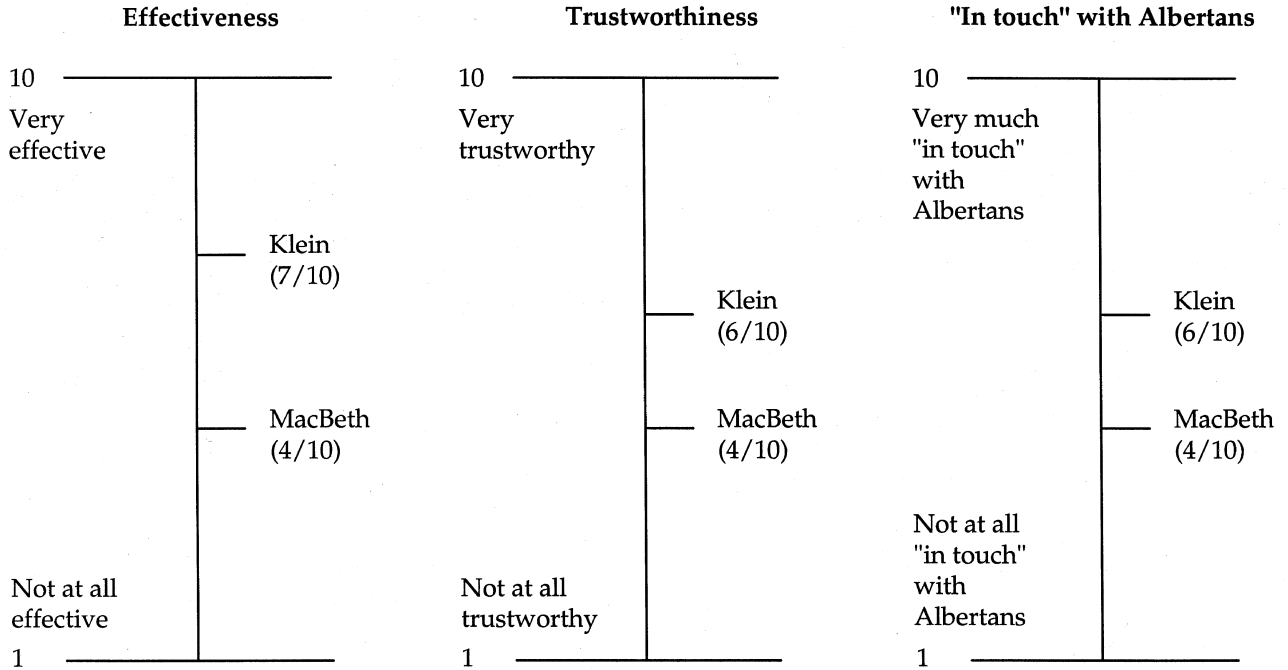
The results in this case correspond to citizens' average ratings of each leader, on each particular characteristic.

Note first that, in all three cases, the Premier stands far above the leader of the opposition. In the eyes of Albertans, Premier Klein is clearly perceived as being the most effective, the most trustworthy, and the most in touch with Albertans. On average, Albertans give the Premier a 7/10 on effectiveness, 6/10 on trustworthiness, and 6/10 when it comes to being in touch with Albertans, compared to 4/10 on all three for MacBeth.

Turning next to some more specific considerations, Figure 8 shows how Albertans responded

³ Of course, it is possible that these factors have important indirect effects by way of “intervening” variables, but that analysis is beyond the scope of this investigation.

**Figure 7: Who is the most "Effective," "Trustworthy," and "In Touch" with Albertans?
(Average scores out of 10)**



Question: On a scale from 1 to 10, where 10 equals "very effective as a leader," and 1 equals "not at all effective as a leader," how would you rate the effectiveness of:
A. Premier Ralph Klein
B. Alberta Liberal Leader Nancy MacBeth

Question: On a similar scale, where 10 equals "very trustworthy," and 1 equals "not at all trustworthy," how would you rate the trustworthiness of:
A. Premier Ralph Klein
B. Alberta Liberal Leader Nancy MacBeth

Question: Again on a similar scale, where 10 equals "very much in touch with Albertans," and 1 equals "not at all in touch with Albertans," how would you rate:
A. Premier Ralph Klein
B. Alberta Liberal Leader Nancy MacBeth

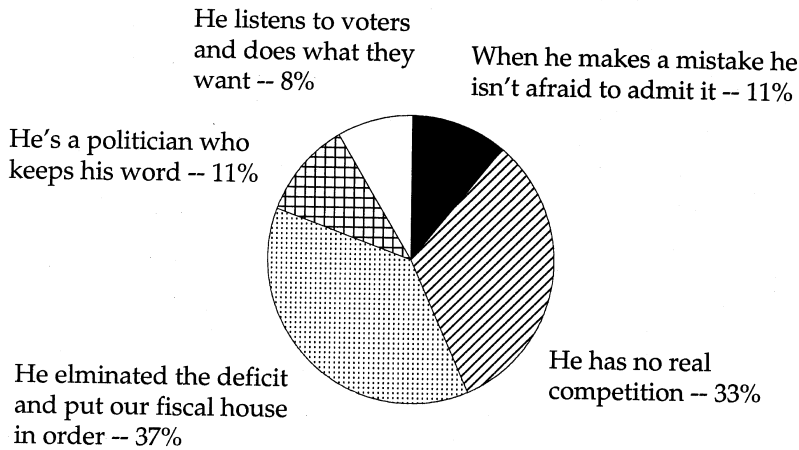
The figures reported have been rounded (down) to the nearest whole number.

Source: 2000 Alberta Advantage Survey.

when asked to comment more directly on why they think the Premier is well liked. In 1999, for instance, slightly more than a third of Albertans (37%) said that the Premier is popular because "he eliminated the deficit and put our fiscal house in order." Another 29% claimed that the Premier is well liked because he exhibits the integrity of a

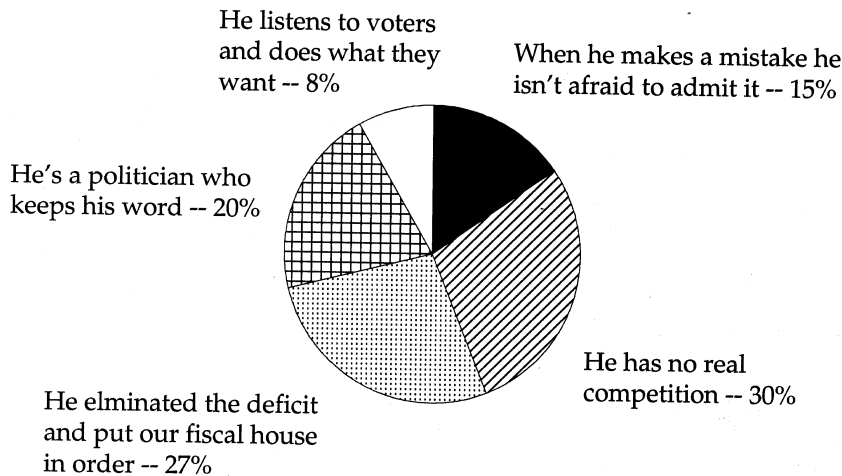
people's politician: that is he is "a politician who keeps his word" (11%); "he listens to voters and does what they want" (8%); and "when he makes a mistake, he isn't afraid to admit it" (11%). And lastly, 33% of Albertans felt that the primary reason why Premier Klein remains at the top is because "he has no real competition or challenger."

**Figure 8.1: Why is Premier Klein Popular?
(Specific reasons—1999)**



Now, if we contrast that with the most recent survey, we see that the reasons behind the Premier's popularity are beginning to shift. Thirty percent of Albertans still believe the Premier remains popular because he has no real competition. However, an increasing number feel that Klein is popular because "he keeps his word" and admits when he has "made a mistake," whereas the proportion of Albertans who claim he is popular because "he eliminated the deficit and put our fiscal house in order," has declined by 10%. One of the reasons for this comparative decline is that deficit elimination is yesterday's news. It has been completed; it is a success. So, now what?

**Figure 8.2: Why is Premier Klein Popular?
(Specific reasons—2000)**



Shifting Priorities

On 11 February, 1997 the Lieutenant Governor delivered a short, bland speech from the throne; the next day Jim Dinning delivered his last budget. Two minutes after Dinning resumed his seat the Speaker dissolved Alberta's twenty-third Legislative Assembly and the Tory caucus retired to the Pioneer's Cabin in Edmonton for a major party. They had every reason to celebrate. For the previous year their approval rating had floated between 60% and 70%. One obvious reason was because in a little over three years a \$3.4 billion deficit had become a

\$2.2 billion surplus. Government expenditures were down 20% and oil and gas prices had rebounded. Alberta had the lowest minimum wage—and Albertans had grasped that legislating high minimums was a sure-fire job-killer. The province also had the lowest per capita costs in healthcare, which the government said meant that others were wasteful, not that Alberta was stingy. Alberta had the lowest per capita costs in education, which clearly did not mean that high school students were ill educated: the provinces' 13- and 16-year olds rated tops in the country on nationwide tests in February 1997. Many people attributed the fine showing to competition introduced by Charter Schools to the traditional provincial monopolies. In nation-wide surveys asking Canadians if they were satisfied with their quality of life, Albertans again came first, five points above respondents living in Ontario, and nine above the national average. The premier was happy to point out, this was the "Alberta advantage" in operation. The electorate agreed and the Klein team coasted to victory with 63 out of 83 seats, up from 51 in 1993.

Following the 1997 election, it seemed clear, at least to some observers, that the government had become less interested in further creative fiscal reform than they were in administering their new fiscal regime. Jim Dinning's last budget was mostly self-congratulation. *Budget '97* "keeps us on track," he said. It "sticks with what works," to "build the right climate for growth in Alberta's economy so business and industry will prosper and so Albertans will see more jobs—good paying, high quality jobs." From the start, economic prosperity had been the prime objective and expenditure reduction was the means. Some ten weeks later the new Treasurer, Stockwell Day, presented a "Post-Election Update" that in fact changed very few of Dinning's numbers and, despite alterations in Dinning's narrative style, the "Update" was essentially the same document as *Budget '97*.

Eventually, however, the government would have to face the question: what to do with the surplus? *In FY 1996-97 Alberta would have a budgetary surplus of nearly \$3 billion, despite a cut in transfers from Ottawa of \$390 million.* On the revenue side, the surplus resulted from higher than expected oil and gas prices (\$1.4 billion in royalties), from high tax revenues (\$463 million), and from Heritage Fund earnings (\$932 million). On the expenditure side, a decline of \$595 million was posted, but \$572 million of that was a result of low debt-servicing costs and a drop in pension obligations, not deep cuts to program spending. Indeed, considerable improvisation or "emergency funding" had been dispensed to "pressure points" in the Regional Health Authorities in order to keep the healthcare system intact. In addition, the *1995 Balanced Budget and Debt Retirement Act* had been made more flexible through amendments. "Surplus" revenue on the books at the end of the fiscal year could not be carried over but, as in the original act, had to be applied to the debt. During the year, however, the government could increase spending provided it could still meet the end-of-year target of \$450 million dedicated to debt reduction. In other words, the legal impediment against increased spending during the fiscal year had been effectively removed.

Editorial writers and other commentators elsewhere in Canada made light of the surplus problem. "How could spending extra money be a problem?" they asked. "What a wonderful problem to have! Wouldn't it be great if Paul Martin had the same problem?" In fact, such derisory comments were misplaced. There may not have been much of a financial problem after 1997, but there certainly was a problem of direction. The issue no longer was *whether* to spend more money, but *how*? To deal with the question, the government recalled an administrative process similar to the one they had used early in the first mandate: they organized a carefully structured public consultation process that led eventually to the "Growth Summit" of September, 1997. The Pre-

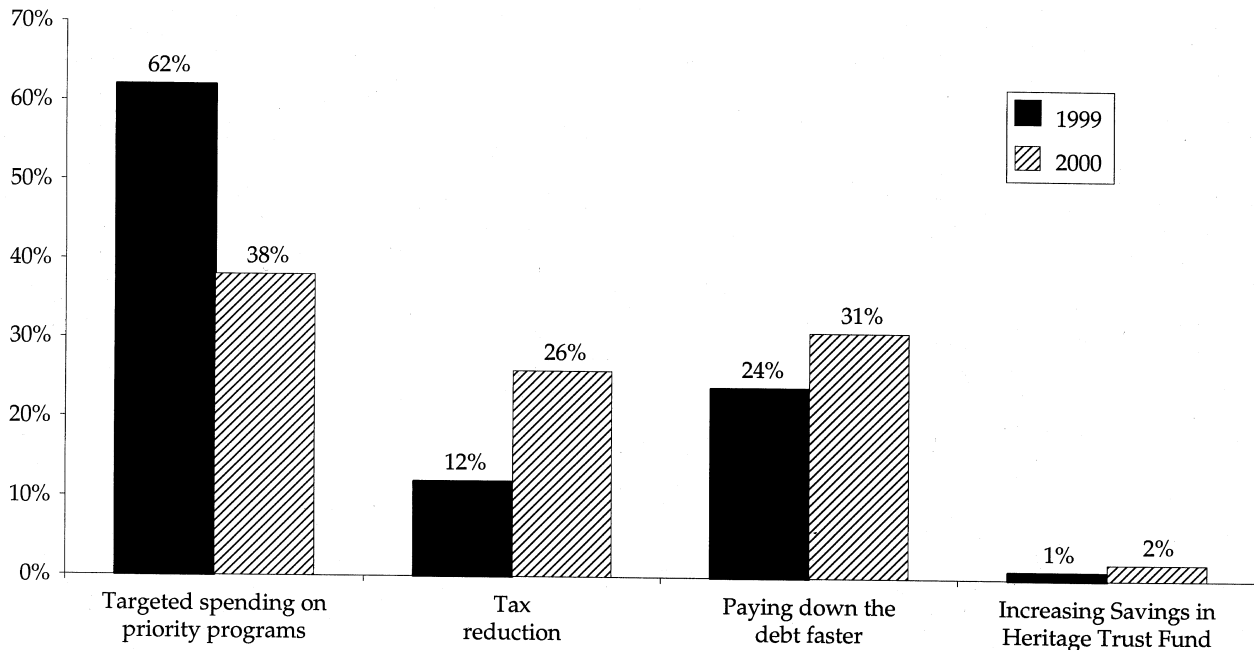
mier indicated that the recommendations of the Growth Summit would be refined into the next Throne Speech, scheduled for early 1998. In effect, the Growth Summit would replace both the fall sitting of the Legislature and meetings of the Tory caucus.

A total of 243 measures were adopted, but most of them were sufficiently vague that the government could pick and choose and do what it wanted. All, however, pointed to an obvious result: *health, education, and infrastructure "needed" more government spending*. Many of those who had once been inveterate opponents of program cuts were suddenly reluctant admirers of the Premier's new-found statesmanship (*AR*, 13 October, 1997). On the other hand, many of those who had previously applauded the government's fiscal conservatism were shocked and appalled. Writing in the pages of the *Globe and Mail*, for example, Calgary journalist George Koch speculated that the Growth Summit was a sign that Klein's commitment to fiscal conservatism was exhausted and that he was now eager to spend the surplus. Koch viewed the new mood as a bad sign. "Leading from the rear is fine, as long as there is an obvious popular consensus. But now Albertans themselves appear unsure." In the absence of consensus, creative leadership, not phoney manipulative exercises, was needed. By squandering his moral leadership with a return to the easy "vote-grabbing" ways of his predecessors, Premier Klein, said Koch, was doing the entire nation a disservice. Instead of pushing ahead with substantial education and health care reform

after his one big achievement, balancing the budget, Mr. Klein has stalled. Privatizing campground operations hardly qualifies as major reform. That he refuses to follow up with the next logical step—comprehensive reform, and reduction of taxes—is a tragedy for overtaxed working families, and not just in Alberta (*G&M*, 30 October, 1997).

A week later the premier replied to the *Globe and Mail* that reinvestment was not big spending: "we have to reinvest in these systems [i.e., education, healthcare, and infrastructure] to accommodate the pressures of growth. That's the government's job. It's that simple." Logically, of course, if the government's goal remained prosperity, "reinvestment," particularly in education, and infrastructure might well be necessary. Klein did not single out these areas, however, but went on to reaffirm that there would be no deficit financing and no tax *increases* (*G&M*, 7 November, 1997). The Premier of Alberta does not usually answer his critics by writing a letter to the editor. It would appear that Koch had touched a sensitive issue. Still, a year later revenue projections were up 1.6% but expenditures had grown by 4.4%. Serious tax reductions seemed to have been temporarily banished from the agenda.

In the interim leading up to the spring 2001 election the government has not become derailed. It has, however, submitted to pressure and resumed spending, but the new approach to spending has been much more frugal than it was during the days of Lougheed and Getty, particularly when it comes to program spending. The tendency, more often than not, has been to rely more heavily on a strategy of relieving pressure points with "one-time" doses of spending. In FY 2000-2001, for example, the government offered a one-time Energy Tax Rebate in order to help Albertans with a steep increase in energy costs. Since being re-elected in 1997, the government has also held true to its commitment to make Alberta the first province to be debt-free. In that regard, they have eliminated the net debt and reduced the accumulated amount owing from \$23 billion to an estimated \$3 billion. They also passed the controversial Bill 11, the "Health Promotion Act," which was designed to provide the provincial Regional Health Authorities with sufficient flexibility to contract-out minor surgical procedures to private healthcare facilities (see Virani, Kanji, and Cooper, 2000). It should be added, however, that on

Figure 9: Top Priority for Reinvestment

Question: Now that the deficit in this province has been eliminated, what is your top priority for reinvesting any extra dollars that become available? Should extra dollars go toward:

1. targeted spending on priority programs
2. tax reductions;
3. paying down the debt faster;
4. increasing savings in the Heritage Fund

Source: 1999-2000 Alberta Advantage Surveys.

this and related issues some leading Albertans think the government has not gone far enough.⁴ Taxes have also been cut. In January 2001, Alberta became the first province to move to a new single, flat-rate tax structure for provincial income taxes. According to the government "all Albertans will benefit from an average 20% tax cut and 200,000 more low-income earners will pay no Alberta tax at all" (Government of Alberta, 2000). Moreover, corporate taxes are expected to decline as well. And lastly, by deregulating electricity, the gov-

ernment has signalled its continuing commitment to "getting government out of the business of being in business," as was promised as long ago as the first Dinning budget.

As far as the Alberta public is concerned, the effects of the Klein government's continued, though recently somewhat attenuated, efforts, have begun to pay off. The 2000 AAS, in particular, provides some interesting, if provisional, evidence to suggest that the priorities of Albertans

⁴ See, for example, the "Open Letter" to Klein, *NP*, 26 January, 2001, signed by Stephen Harper, Tom Flanagan, Ted Morton, Rainer Knopff, Andrew Crooks, and Ken Bossenkool, which advocated using Alberta's constitutional powers to build a "firewall" against further encroachments on provincial jurisdiction by the federal government.

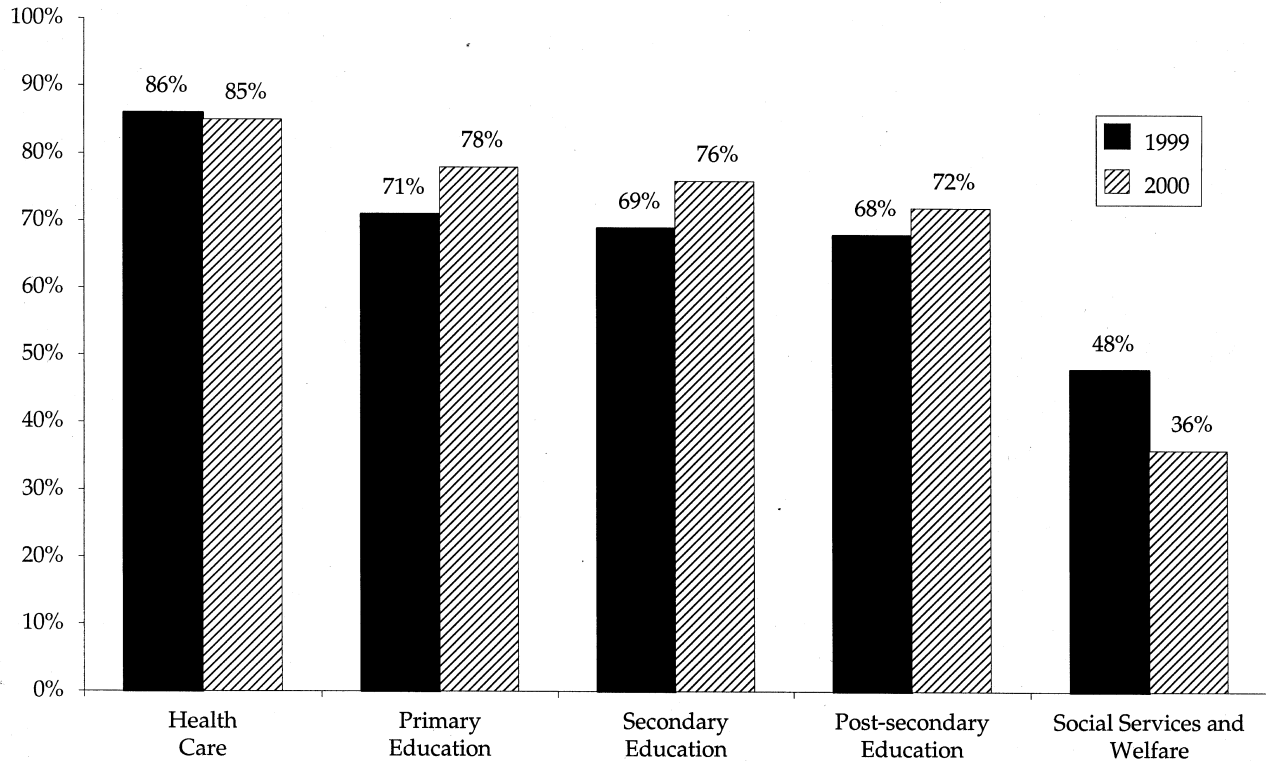
Table 2: Top Priority for Reinvestment by Socio-Demographics

	Targeted Spending			Tax Reduction			Pay Down Debt		
	1999	2000	% change	1999	2000	% change	1999	2000	% change
Sex									
Male	58%	32%	-26%	13%	26%	+13%	26%	37%	+11%
Female	64%	44%	-20%	11%	27%	+16%	22%	25%	+3%
Age									
18-24 years	56%	34%	-22%	12%	29%	+17%	29%	33%	+4%
25-34 years	64%	41%	-23%	11%	32%	+21%	23%	23%	—
35-49 years	61%	44%	-17%	13%	28%	+15%	24%	25%	+1%
50-64 years	66%	33%	-33%	12%	24%	+12%	21%	40%	+19%
65+ years	61%	34%	-27%	12%	21%	+9%	26%	39%	+13%
Education									
Primary/secondary	56%	35%	-21%	14%	25%	+11%	28%	36%	+8%
Some post-secondary	61%	36%	-25%	13%	28%	+15%	25%	31%	+6%
University degree	68%	46%	-22%	10%	25%	+15%	21%	26%	+5%
Income									
20,000	54%	42%	-12%	20%	29%	+9%	24%	22%	-2%
\$20-40,000	59%	38%	-21%	14%	26%	+12%	24%	33%	+9%
\$40-60,000	62%	36%	-26%	11%	28%	+17%	24%	32%	+8%
\$60-80,000	62%	39%	-23%	12%	27%	+15%	24%	30%	+6%
\$80,000	65%	36%	-29%	11%	27%	+16%	23%	34%	+11%
Employment									
Employed	61%	38%	-23%	12%	29%	+17%	25%	31%	+6%
Unemployed	51%	45%	-6%	19%	17%	-2%	29%	32%	+3%
Retired/Student/home-maker	65%	39%	-26%	11%	22%	+11%	23%	33%	+10%
Region									
Calgary	57%	38%	-19%	16%	25%	+9%	26%	31%	+5%
Edmonton	59%	42%	-17%	13%	23%	+10%	25%	32%	+7%
Rural	69%	36%	-33%	8%	30%	+22%	22%	31%	+9%

Source: 1999-2000 Alberta Advantage Survey.

have started to shift, chiefly as a result of the government's continued priming. For several years, the government has undertaken to convince Albertans of the long-term merits of fiscal prudence and lower taxes. It now appears that the message has been received and understood, which is to say that long-term government priming has paid off handsomely indeed.

Figure 9 indicates that more and more Albertans (now more than a majority—57%) are of the view that the government's top priority should be to pay down the debt or reduce taxes. In 1999, nearly two in every three Albertans (62%) said they would prefer to use the surplus revenue for targeted spending on priority programs. Today only 38% of Albertans feel that way. In contrast, a

Figure 10: Spending Priorities (% saying we should spend more)

Question: If the government were to spend more on priority programs, which programs do you think it should spend "more" or "less" on:

- A. Primary Education
- B. Secondary education
- C. Post-secondary education
- D. Health care
- E. Social Services and welfare

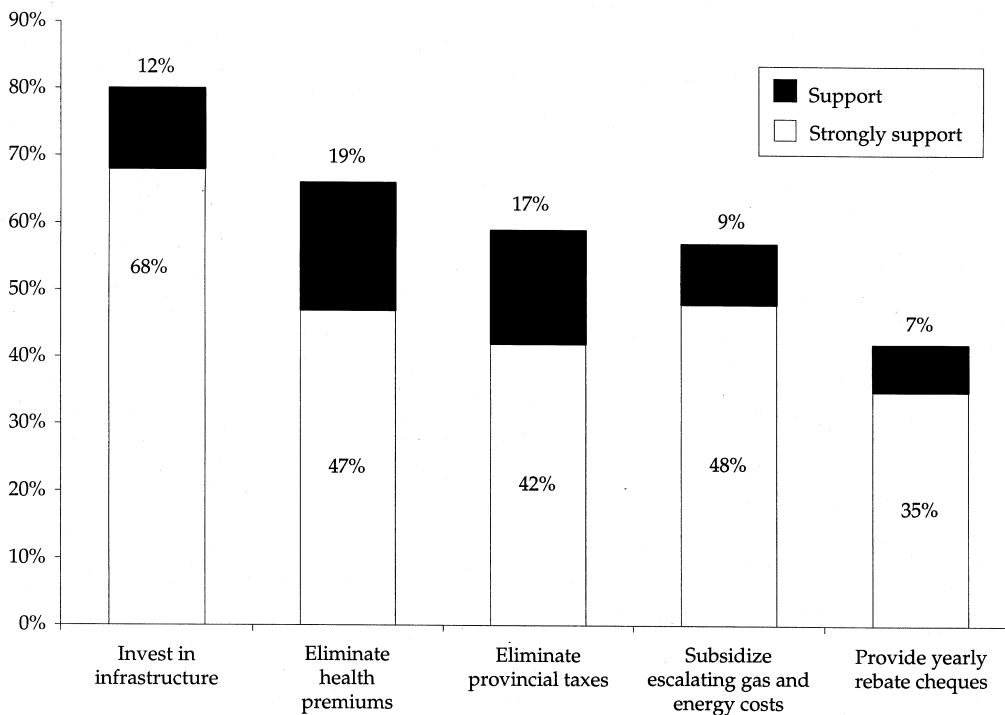
Source: 1999-2000 Alberta Advantage Survey.

growing number of Albertans now favour paying down the debt (from 24% in 1999 to 31% in 2000) or reducing taxes (from 12% in 1999 to 26% in 2000). Tax reduction and debt reduction are no doubt linked in most Albertans' minds: once the debt is gone, further tax reductions would be possible. Furthermore, the data reported in Table 2 seem to suggest that this shift is pervasive in the sense that it appears to be taking place across virtually all social and demographic groups, including those who have not previously been sources of strong government support, such as women and Edmontonians. And finally, increasing the size of the Alberta Heritage Fund, which is an-

other frequently mentioned spending option, continues to remain at ground level with virtually no support. In sum, Albertans would rather keep more of their own money than have the government spend it for them. In Alberta, money spent to reduce the tax burden is considered money well spent.

Even though there is considerable support for smaller government, this does not mean that Albertans are averse to government spending. Figure 10 shows that if the government were to spend more on priority programs, top priority for a solid four out of five Albertans would be to

Figure 11: Spending Priorities beyond Social Programs
(% say they strongly support and support)



Question: How supportive are you of the following? Do you strongly support, support, oppose, or strongly oppose

- C. using surplus dollars to eliminate health premiums for all Albertans
- D. using surplus dollars to provide taxpayers with yearly rebate cheques
- E. using surplus dollars to eliminate provincial taxes altogether
- F. using surplus dollars to invest in infrastructure
- G. using surplus dollars to subsidize escalating gasoline and energy costs

Source: 2000 Alberta Advantage Survey.

there seems to be an increased emphasis on investing more in the young. On the other hand, the only program for which support for more public spending seems clearly to have declined is social services: only 36% of Albertans feel that the government should spend more in this area, down from 48% in 1999.

When it comes to spending in other areas, four in five Albertans are in favour of using surplus dollars to spend in infrastructure. As with investing in education, there is a clear anticipation

spend more on healthcare. On this point there has been very little change. It seems to make no difference how much money the government pumps into healthcare, people continue to remain anxious about it. Such anxieties are understandable: no one looks forward to injury or sickness nor to the infirmities that so often accompany old age.

What has changed, however, is that an increasing number of Albertans would prefer the government to spend more public dollars on education, mostly at the primary and secondary levels, but also in post-secondary education. In other words,

of a return for dollars spent. Indeed, the benefits of a robust infrastructure are obvious to anyone who drives across the eastern border of the province. Moreover, more than a majority of Albertans support spending surplus dollars to eliminate health premiums and provincial taxes, and to subsidize escalating gas and energy costs.

Finally, less than a majority (42%) of Albertans are willing to use surplus revenue to provide taxpayers with yearly rebate cheques as they do in Alaska. Albertans would rather keep their money to themselves than have the government recycle it.

Lessons from the “Ralph Party” in Alberta

The conventional Downsian theory of government decision-making recommends that in order to sustain popular support, governments must implement a balanced mix of spending and financing designed to maximize voter support and minimize the number of votes lost. This means, therefore, that to increase support, governments have one of two choices: they can either increase spending or decrease taxing. The case of the Klein government in Alberta, however, suggests that governments need not feel so constrained; the “balanced” approach is not the only approach. It is also possible, for example, for a government to grow in popularity despite having drastically cut spending on core programs without having reduced taxes.

Downs’ theory significantly underplays the ability of governments to shape the opinion of electorates through priming and agenda-setting. Popular success the “unbalanced” way, though perhaps arduous, is not impossible, Johnston and his colleagues argued, if parties “make noise to get noticed,” and if they do so with sufficient skill. By so doing they “simplify the cognitive task confronting voters and give voters reasons for supporting them” (1992:249).

As noted above, Albertans did not miraculously wake up one morning deeply concerned about the province’s finances. Nor were they infected with a perverse political virus that rendered them immune to the impact of paying the same taxes but receiving reduced services. On the contrary, by continuously pointing out its significance for debt reduction and overall economic prosperity, the Klein Government tried deliberately to persuade Albertans of the importance of deficit elimination. The Alberta Tories were helped by the Decore Liberals, and by the federal Reform Party, both of which had been advocating the need for governments to be more fiscally pru-

dent, effective and less intrusive, but this indicates only that the Klein government took advantage of circumstantial opportunities. The result was an electorate purposely primed for one particular policy more than any other.

It is important to note, however, that priming and preference-shaping are not simply exercises in public relations. In a democracy governments must at some point appeal to evidence and to argument. In this respect, the Klein government was also rhetorically adept. It was able successfully to build both a consensus of intensities—on the need to eliminate the deficit—and a consensus of views—that the best way to do it was by cutting expenditures, and not by increasing taxes. By so doing, the Tories gave Albertans a reason to vote for them.

The importance of consensus-building is evident in that committed majorities provide the strongest political support. In democracies, commitment is enhanced by an appeal to reason and common-sense. Our data show that voters are capable of reasoning and responding to plausible arguments. They prioritized their policy preferences and categorized certain issues as being more important than others. Regardless of criticisms from the opposition and despite growing concerns over both the pace and magnitude of the budget cuts, most Albertans continued to support the Klein government because they overwhelmingly supported the long-term goal of deficit reduction. The potential benefits were judged to be worth the actual disruption. Moreover, Conservatives were successful in convincing Albertans that they were the party that proposed the most reasonable policies and had the most comprehensive plan to deal with a difficult but manageable problem. On this point, it may no longer be enough for a party always to rely on their long-

term sociological and psychologically-based ties, especially during difficult times.

Once the restructuring program was underway it then became possible to make more of a performance-based appeal. By 1995 it was evident that the focal point of the party's strategy would be the premier himself. Above all else, Albertans continue to support the Tories because they like the man in charge. Indeed, in order for the government's strategy to work, Albertans had to trust the premier—and they did, far more than they trusted the opposition leader. He led by example. Indeed, when Albertans think of their premier, they think of someone with integrity, someone who listens, keeps his word, and admits mistakes. Against the backdrop of a widespread decline in public trust for politicians, the fact that the Premier is an effective politician and competent administrator or that he successfully eliminated the deficit, is clearly secondary.

Of course, any campaign based entirely on a leader-centred strategy, with no priming, no issues, and no long-term agenda would carry with it a number of significant risks. After all, the Downsian expectations cannot be defied forever: if there is no gain and only pain, no elected government, even with a popular leader, can long remain in office. Furthermore, it is also necessary to have a plan for dealing with the opposition. Machiavelli once advised the new prince to learn to imitate both the lion and the fox. The Klein government was leonine in its confrontation with its opponents outside the legislature—particularly public sector unions—and foxy with respect to its opponents inside the chamber. Indeed, they began prior to the 1993 election by stealing the Liberal's chief criticism of the Getty government and making it their own, much as the federal Liberal party did with respect to Reform/Alliance toward the end of the decade. The declining support for both the provincial Liberals and for Nancy MacBeth indicates that the government has succeeded in creating a less adversarial envi-

ronment within which to implement its unconventional approach. Had the opposition parties and leaders been more effective, the chances are likely that the opposing forces would also have been much stronger.

Finally, the government has succeeded in taking advantage of contingencies, and turned them into benefits. Albertans have prospered because of a buoyant economy. But this effect can easily be overstated. After all, the economy was far from robust in 1993 when the Klein government was first elected on an agenda of deficit reduction and spending cuts. Yet every government likes to take responsibility for good economic times and the Klein government is no different. Perhaps more important, however, is that a strong economy and a strong revenue stream provide an innovative government with the flexibility to try something new and to fix the inevitable mistakes or dampen the transition costs.

A second category of contingency that the government has used to its advantage is to emphasize the leadership of Alberta as a province. It is clear that on the issue of fiscal responsibility the federal government and the other provinces followed the lead of Alberta. It is also clear that, in many instances Alberta's leadership was resented. Whether on the issue of fiscal federalism and inter-regional fiscal transfers or changing the assumptions surrounding the Canada Health Act, when the Alberta government was criticized by federal politicians or premiers from other provinces the government of Alberta has been quick to react, knowing that by so doing it stands to benefit politically from a surge in popular support. The criticism by federal health minister Allan Rock of the government over Bill 11 for example, was quickly turned by the Klein government into a sign of disrespect for the province as a whole. Likewise the premier's angry response to the Prime Minister over Rock's criticism was used successfully to mobilize additional support for the government.

Beyond an ability to take advantage of opportunities, which is hardly a unique capacity, the Klein government is unusual for having introduced, albeit indirectly, the issue of virtue into political debate in the province. The virtues promoted by a policy that condemned borrowing yourself into debt and advocated a policy of saving yourself

into prosperity, are prudence and responsibility. Klein's cheerfulness is not simply the result of the happy knowledge that his opponents are weak, but flows as well from an understanding that Albertans would be better, and not just better off, with less government.

Note

Copies of the parts of the Alberta Advantage Survey used in this report are available on request.

Please call the Institute's Calgary office at (403) 216-7175 for more information

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About the Authors

Mebs Kanji is currently a Ph.D. student in the Political Science Department at the University of Calgary. His research interests are focused chiefly on public opinion studies and election studies. His dissertation, "The Changing Canadian Electorate," is a detailed analysis of 30 years of the *Canadian Election Studies*.

Barry Cooper is Professor of Political Science at the University of Calgary and Senior Fellow at the

Fraser Institute. He has published extensively in the area of political philosophy and Canadian public policy, most recently, with Sylvia LeRoy, *Off Limits: How Radical Environmentalists are Shutting Down Canada's National Parks*, a Fraser Institute Public Policy Source, number 45. He has received the Konrad Adenauer Award from the Alexander von Humboldt Stiftung and a Killam Research Fellowship. He is a Fellow of the Royal Society of Canada.