***Alberta’s Fiscal Responses to Fluctuations in Non-Renewable Resource Revenue***

Ergete Ferede\*

Department of Economics, MacEwan University, Edmonton, Canada

***Project Identification Code (PIC)***: ***TEG-65***

**Abstract**

We investigate how successive Alberta governments have responded to shocks in non-renewable resource revenue over the period 1970 to 2017. Our results show that Alberta governments have increased spending by 63 cents in the fiscal year following a one dollar increase in real per capita non-renewable resource revenues. On the other hand, when non-renewable resource revenues have declined year over year, Alberta governments have not adjusted spending or other own source tax revenues. As a result of these asymmetric responses to fluctuations in resource revenues, the province’s stock of financial assets has declined and its net debt has increased by $10,834 per capita or in total $46 billion dollars. The policy implication of our results is that provincial governments should put increases in non-renewable resource revenues in a fiscal stabilization fund or Alberta Heritage Saving Trust Fund rather than spending two-thirds of any short-term increase in revenues. This would result in a less volatile spending pattern and a sustainable fiscal policy with better services and lower tax rates.

***Keywords***: *resource revenue*; *fiscal adjustment*; *asymmetries*

\* Email: FeredeE@macewan.ca , Department of Economics, MacEwan University, 10700-104 Avenue, Edmonton, Alberta, Canada, T5J 4S2; Phone: +1 780 633 3647.