Executive summary

In a world of increasing competitiveness, sound fiscal policy is a critical determinant of long-term economic success. Sound fiscal policy requires that governments balance their financial affairs and avoid imposing a tax burden so heavy that it becomes a disincentive for people to work hard, save, invest, and be entrepreneurial, while still ensuring adequate and efficient public services. So, our political leaders should prioritize, rather than simply increase, government resources; ensure balanced budgets; and focus on improving incentives for individuals and businesses to engage in productive economic activity.

Since there is currently no objective measure of how provincial premiers are performing in the area of fiscal policy, it is difficult for Canadians to hold the premiers accountable for the relative performance of their fiscal policies. The goal of Measuring the Fiscal Performance of Canada’s Premiers is to fill this void. This report provides Canadians with an objective, empirical assessment of how Canada’s premiers have managed their province’s public finances and whether they have pursued sound long-term economic policies.

How performance is measured

The report measures the relative fiscal performance of ten Canadian premiers for the duration of their time in office up to the most recent year of available data (2009/10). Some premiers are evaluated over a longer period than others: former Manitoba Premier Gary Doer, for example, came to power in October 1999 and was evaluated for the longest period (2000/01–2009/10), whereas Saskatchewan’s Premier Brad Wall entered office in November 2007 and was evaluated for the shortest period (2008/09–2009/10).

Each premier received an overall score (out of 100) and rank (out of 10) based on their performance on three core components of fiscal policy: [1] Government Spending, [2] Taxes, and [3] Debt and Deficits.

Overall results

The Western provincial premiers dominated the top half of the overall rankings, occupying four of the top five spots. Premier Gordon Campbell of British Columbia ranked first overall with a score of 89.1 out of 100.0 (figure 1). Former Premier Gary Doer of Manitoba ranked second with a score of 78.2. The only non-Western premier in the top half was Newfoundland & Labrador’s Premier Danny Williams, who scored 71.0 and ranked third. Premier Ed Stelmach of Alberta (66.4) was fourth; Brad Wall of Saskatchewan (57.9) was fifth.

Of the remaining premiers, only Québec’s Premier Jean Charest (53.7) scored above 50.0. Three of the four remaining Premiers were from Atlantic Canada: Rodney MacDonald, former premier of Nova Scotia (33.7), Shawn Graham, former premier of New Brunswick (33.2), and Robert Ghiz of Prince Edward Island (30.0). Ontario’s Dalton McGuinty, with a score of 29.7, ranked last overall.

Components used to measure overall performance

1 Government Spending

This component measures the relative performance of the premiers in the area of government spending. Premiers who managed government spending in a relatively prudent manner, showing restraint and not allowing spending to increase at unsustainable levels, performed better than those who did not.

Premier Gordon Campbell of British Columbia ranked first on the Government Spending component with a perfect score of 100.0 (figure 2). Only three other premiers scored above 50.0: former Premier Gary Doer of Manitoba (85.5), Premier Jean Charest of Quebec (81.7), and Premier Danny Williams of Newfoundland & Labrador (61.2). The remaining six premiers each scored below 50.0.

2 Taxes

This component measures the relative performance of the premiers in the area of taxation. Premiers that maintained lower corporate and personal income taxes and that reduced marginal rates at key income levels performed better than their counterparts. Corporate and personal income taxes were assessed because they are among the most economically damaging types of taxes levied by government. In addition, premiers with fewer tax brackets in their personal income-tax system were rewarded with better performance.

British Columbia’s Premier Gordon Campbell topped the rankings on the Taxes component: he ranked first with a score of 83.1 (figure 3). Shawn Graham of New Brunswick (80.3) ranked a close second followed by Ed Stelmach of Alberta (61.7), Danny Williams of Newfoundland & Labrador (51.7), and Brad Wall of Saskatchewan (50.9). The other five premiers scored below 50.0.

3 Debt and Deficits

This last component measures the relative performance of the premiers in the area of debt and deficits. Premiers who incurred annual deficits and increased government debt performed worse than those who balanced the books and paid down debt. Importantly, annual deficits increase the overall level of government borrowing and debt, requiring more and more tax dollars to be spent on debt servicing and ultimately reducing the amount of money available for public services.

Four premiers tied for top position on the Debt and Deficits component with a perfect score of 100.0: Brad Wall of Saskatchewan, Danny Williams of Newfoundland & Labrador, Gary Doer of Manitoba, and Ed Stelmach of Alberta (figure 4). All four had average budget surpluses during their time in office. Premier Campbell of British Columbia also averaged a surplus but reduced net debt to a lesser extent than the other premiers and, as a result, scored 84.3 out of 100 and ranked fifth overall. Rodney MacDonald of Nova Scotia and Jean Charest of Quebec were the only other two premiers to score above 50.0. The other three premiers (Robert Ghiz, Dalton McGuinty, and Shawn Graham), each of whom had average deficits during their time in office, failed to score 50.0 or higher.

Conclusion

In a world of increasing competitiveness, where capital, labour, goods, and services are increasingly able to move freely from one jurisdiction to another, it is more important than ever for premiers to focus on fiscal policies that lay the foundation for economic growth and prosperity. This report objectively measures the fiscal performance of 10 Canadian premiers. While the analysis points to large differences in performance among the premiers, Western premiers generally performed better than their Central and Eastern counterparts. Premiers Gordon Campbell of British Columbia, Gary Doer of Manitoba, and Danny Williams of Newfoundland & Labrador performed best while Premiers Shawn Graham of New Brunswick, Robert Ghiz of Prince Edward Island, and Dalton McGuinty of Ontario performed worst.