



Economic Freedom Analysis of the Provinces

Alberta

Alberta was ranked the freest province in Canada during all measurement periods except 1985 and 1989, when it dropped to second. Although it has consistently had a high score, Alberta's rating for economic freedom dropped from its 1981 level during the period from 1981 to 1994, only recently surpassing its initial rating.

Alberta's high level of economic freedom is reflected in its economic indicators. It has the highest level of real per-capita GDP at \$26,906 and, in 1995, had the second lowest level of unemployment. In 1995, it also had one of the country's fastest rate of growth in real GDP, exceeding the average growth of the rest of the country by one percent.

Government consumption as a percentage of provincial GDP has remained relatively low in Alberta. This proportion has fluctuated over time, reaching a high in 1989 of 20.7 percent. In 1996, Alberta received the highest ranking in this component, consuming 15.8 percent of provincial

GDP while second-place Ontario consumed 17.8 percent of provincial GDP. In the Takings and Discriminatory Taxation component, Alberta decreased transfers and subsidies to 3.7 percent of provincial GDP, the lowest of all the provinces in 1995. This compares very favourably to Newfoundland, the highest of all provinces in 1995, which has a transfer and subsidy sector more than three times as large, 12.5 percent of provincial GDP. In addition, Alberta has kept its top marginal tax rate low and, unique in Canada, does *not* impose a provincial sales tax.

Alberta has also made attempts to diminish trade barriers between itself and the other provinces: it has not excluded any of its government entities from the preferential procurement provisions set forth in the Internal Trade Agreement. Therefore, Alberta is the only province in which government organizations do not have restrictive purchasing arrangements forcing discrimination against companies outside of the province.

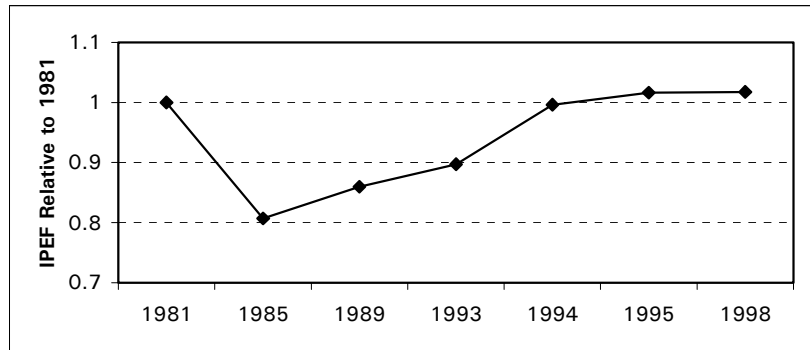
Alberta: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	1	1	3	1	1	1	1
II. Takings and Discriminatory Taxation	1	4	3	1	1	1	1
III. Interprovincial Trade	4	4	2	2	2	2	(tie) 1
IV. Regulation of the Labour Market	1	1	(tie) 1	1	1	1	1

Alberta: Ratings for Components and Areas



	Rating	Ranking
1981	7.7	1
1985	6.2	2
1989	6.6	2
1993	6.9	1
1994	7.6	1
1995	7.8	1
1998	7.8	1



IPEF (1998 est.):	7.8	Trend:	Increasing
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	8.6	7.8	7.1	6.5	7.3	8.1	8.1
(a) Consumption Expenditures (% of GDP)	10.0	9.0	7.0	7.0	8.0	9.0	9.0
(b) Government Enterprises and Guarantees	8.0	6.0	6.0	6.0	6.0	6.0	6.0
(c) Price Controls	6.0	6.0	6.0	6.0	8.0	8.0	8.0
(d) Regulatory Effort	10.0	9.5	9.0	7.0	7.0	9.0	9.0
II. Takings and Discriminatory Taxation	7.4	4.9	6.1	7.0	8.0	7.7	7.7
(a) Transfers and Subsidies (% of GDP)	9.0	6.0	6.0	7.0	9.0	9.0	9.0
(b) Top Marginal Tax Rate and Threshold	10.0	4.0	8.0	7.0	7.0	7.0	7.0
(c) Direct Corporate Taxes (% of profits)	0.0	0.0	0.0	4.0	6.0	5.0	5.0
(d) Provincial Sales Tax	10.0	10.0	10.0	10.0	10.0	10.0	10.0
III. Interprovincial Trade	5.7	5.4	6.2	6.4	6.5	6.6	6.6
(a) Occupational Licensing	2.0	2.5	3.1	3.6	3.7	3.9	4.0
(b) Marketing Boards	9.0	8.0	9.0	9.0	9.0	9.0	9.0
IV. Regulation of the Labour Market	10.0	10.0	9.0	9.0	10.0	10.0	10.0
(a) Minimum Wage Legislation	10.0	10.0	9.0	9.0	10.0	10.0	10.0
Economic Freedom Rating	7.7	6.2	6.6	6.9	7.6	7.8	7.8
Ranking of Province	1	2	2	1	1	1	1

Alberta: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	15.6	17.1	20.7	19.9	17.6	16.7	15.8	–
(b) Government Enterprises & Guarantees	24.7	28.0	39.4	32.2	29.4	–	–	–
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	The privatization of retail alcohol outlets improved Alberta's rating in later years							
	0.179	–	0.186	–	–	0.231	0.200	–

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	4.2	7.2	6.6	5.5	4.2	3.7	–	–
(b) Top Marginal Tax Rate and Threshold at Which It Applies	42.1	50.5	45.7	46.1	46.1	46.1	46.1	46.1
	\$53,377	\$62,161	\$70,330	\$63,315	\$63,396	\$63,438	\$63,438	\$63,409
(c) Direct Corporate Taxes (% of profits)	42%	44%	42%	33%	28%	31%	31%	31%
(d) Provincial Sales Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

III. Interprovincial Trade

(a) Occupational Licensing	48.0	–	–	–	–	–	–	41.0
(b) Marketing Boards	7.4	9.0	8.4	8.1	7.6	7.3	7.3	–

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	33.6	28.3	34.2	34.5	32.8	32.4	30.9	–
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

Alberta: Recent Economic Indicators

Population 1996 (in thousands): 2,790

Average annual rate of change 1985–1996: 1.3 percent

Real per-capita GDP 1996: \$26,906

Average rate of economic growth 1985–1990: 2.3 percent; 1991–1996: 1.2 percent

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	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		5	3	1	0	1	0	1	2	2	2	2	1	1	1	1
Annual change (%) in real GDP		-2.6	-2.9	5.2	9.0	-1.1	1.0	8.5	0.9	2.4	0.06	0.32	5.7	5.2	2.1	2.5
Annual change (%) in real GDP (average of other provinces)		-3.4	4.9	6.1	3.9	4.1	4.6	4.5	2.6	-0.47	-2.0	0.85	1.8	3.9	2.3	1.3
Annual change (%) in real per-capita GDP		-5.6	-3.8	5.2	8.4	-2.2	0.84	7.7	-0.7	0.36	-1.6	-1.4	4.2	4.0	0.78	1.1
Annual change (%) in real per-capita GDP (average of other provinces)		-2.7	4.0	3.7	2.5	2.7	2.9	1.8	1.7	0.22	-1.6	-0.2	1.05	2.6	1.06	
Ratio of business investment to GDP (%)	32	27	21	18	18	19	20	23	22	22	20	20	22	23	22	21
General government budget deficit (-) or surplus (+) (% of GDP)	+7	+5	+3	+4	+3	-2	-1	0	-2	0	-2	-3	-1	+1	+1	
Unemployment rate (%)	3.9	7.7	10.7	11.1	10.1	9.9	9.7	8.1	7.3	7.1	8.3	9.5	9.7	8.6	7.8	7.1



Ontario

Ontario, the second most economically free province in Canada, has consistently rated high in the index of provincial economic freedom. This province has been the second freest province throughout the period of measurement, except in 1985 and 1989 when it temporarily moved up to first place. Improvements in its ranking occurred in 1985 to 1989. After 1989, economic freedom in Ontario dropped drastically but recently this trend has reversed and economic freedom is on the rise again.

Ontario made improvements in economic freedom from 1985 to 1989, increasing its rating from 6.2 to 6.7. This was the consequence of improvements in its top marginal tax rate, Interprovincial Trade, and in the annual minimum wage as a ratio of per-capita GDP. While this province remained the second freest province after 1989, economic freedom declined because of several factors. First, government consumption as a percentage of GDP increased from 16.3 percent in 1989 to 19.7 percent in 1993. In 1993, Ontario had the lowest government consumption followed by Alberta, where the government consumed 19.9 percent of the provincial economy. Second, transfers and subsidies as a percentage of GDP also increased from 3.9 percent to 5.6 percent in

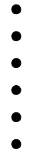
the same time period. In 1993, Ontario had the third smallest transfer and subsidy sector, behind Nova Scotia (5.2 percent) and Alberta (5.5 percent). Third, the government increased its top marginal tax rate from 47.2 percent in 1989 to 50.7 percent in 1993, and to 53.3 percent in 1994. Between 1989 and 1993, the Ontario government increased the marginal tax rate at the second-highest rate in Canada, following British Columbia; between 1993 and 1994, it again increased the marginal tax rate at the second-highest rate, following Nova Scotia. The Ontario government reduced the rate in 1996 to 52.9 percent and reduced it further in 1997 to 51.6 percent. This province also lost ground from 1993 through 1995 due to minimum wage legislation that increased the annual minimum wage as a ratio of per-capita GDP.

While Ontario has made improvements, it still ranks low for the components Takings and Discriminatory Taxation and Regulation of the Labour Market. Economic freedom appears to be a priority for the government of Ontario and positive steps have been taken. If this province were able to match the economic freedom in Alberta, per-capita GDP could increase between \$5,500 to \$6,100—a powerful incentive for further changes.

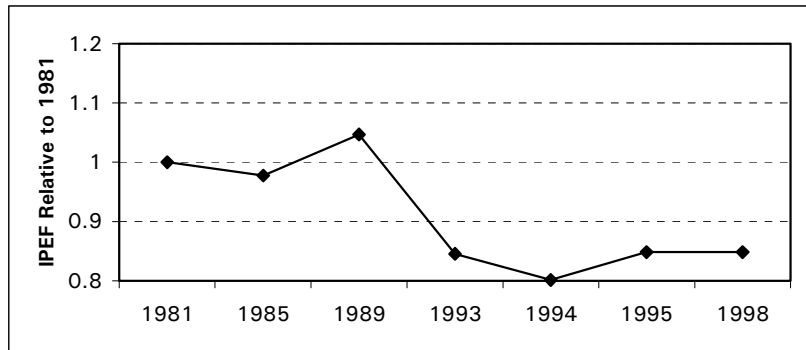
Ontario: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	2	2	1	3	3	2	2
II. Takings and Discriminatory Taxation	2	1	2	2	4	5	5
III. Interprovincial Trade	(tie) 5	5	(tie) 5	(tie) 5	(tie) 5	(tie) 5	5
IV. Regulation of the Labour Market	(tie) 2	(tie) 2	(tie) 1	(tie) 2	(tie) 5	(tie) 5	(tie) 5

Ontario: Ratings for Components and Areas



	IPEF	Ranking
1981	6.4	2
1985	6.2	1
1989	6.7	1
1993	5.4	2
1994	5.1	2
1995	5.4	2
1998	5.4	2



IPEF (1998 est.):	5.4	Trend:	Recovering
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	8.1	7.6	8.1	6.0	6.2	6.8	6.8
(a) Consumption Expenditures (% of GDP)	9.0	9.0	9.0	7.0	8.0	8.0	8.0
(b) Government Enterprises and Guarantees	8.0	6.0	8.0	6.0	6.0	6.0	6.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	9.0	9.0	9.0	5.0	5.0	7.0	7.0
II. Takings and Discriminatory Taxation	6.0	5.7	6.3	5.3	4.6	4.9	4.9
(a) Transfers and Subsidies (% of GDP)	10.0	9.0	9.0	7.0	7.0	8.0	8.0
(b) Top Marginal Tax Rate and Threshold	4.0	3.0	7.0	5.0	2.0	2.0	2.0
(c) Direct Corporate Taxes (% of profits)	6.0	7.0	5.0	5.0	6.0	6.0	6.0
(d) Provincial Sales Tax	4.0	4.0	4.0	4.0	4.0	4.0	4.0
III. Interprovincial Trade	4.0	4.5	4.0	4.0	4.0	4.0	4.0
(a) Occupational Licensing	4.0	4.0	4.0	4.0	4.0	4.0	4.0
(b) Marketing Boards	4.0	5.0	4.0	4.0	4.0	4.0	4.0
IV. Regulation of the Labour Market	7.0	8.0	9.0	7.0	6.0	6.0	6.0
(a) Minimum Wage Legislation	7.0	8.0	9.0	7.0	6.0	6.0	6.0
Economic Freedom Rating	6.4	6.2	6.7	5.4	5.1	5.4	5.4
Ranking of Province	2	1	1	2	2	2	2

Ontario: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	17.0	17.4	16.3	19.7	19.1	18.8	17.8	—
(b) Government Enterprises & Guarantees	23.1	25.5	22.5	28.3	28.5	—	—	—
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.203	—	0.193	—	—	0.286	0.245	—

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	3.3	3.5	3.9	5.6	5.3	5.0	—	—
(b) Top Marginal Tax Rate and Threshold at Which It Applies	50.3	52.0	47.2	50.7	53.3	53.3	52.9	51.6
	\$53,377	\$62,161	\$84,917	\$82,908	\$63,396	\$63,438	\$63,438	\$63,409
(c) Direct Corporate Taxes (% of profits)	30%	28%	30%	31%	29%	30%	30%	30%
(d) Provincial Sales Tax	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0

III. Interprovincial Trade

(a) Occupational Licensing	39.0	—	—	—	—	—	—	45.0
(b) Marketing Boards	33.4	30.9	33.1	33.4	35.4	33.2	34.5	—

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	47.8	40.2	36.7	47.5	48.7	48.4	47.7	—
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

Ontario: Recent Economic Indicators

Population 1996 (in thousands): 11,252

Average annual rate of change 1985–1990: 1.7 percent

Real per-capita GDP 1996: \$22,138

Average rate of economic growth 1985–1990: 1.5 percent; 1991–1996: 0.0 percent

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		0	1	1	1	2	2	2	3	2	1	2	2	1	1	1
Annual change (%) in real GDP		-3.3	6.8	8.7	4.1	5.1	4.5	5.9	3.3	-2.4	-3.2	1.0	1.2	4.6	3.5	1.3
Annual change (%) in real GDP (average of other provinces)		-3.3	2.2	4.3	4.8	2.5	4.0	4.3	1.8	1.5	-0.9	0.7	3.0	3.8	1.5	1.6
Annual change (%) in real per-capita GDP		-4.5	5.4	7.1	2.7	3.5	2.2	3.8	0.6	-4.2	-4.4	-0.7	-0.4	3.5	2.1	-0.1
Annual change (%) in real per-capita GDP (average of other provinces)		-3.0	2.5	3.5	3.5	1.8	2.8	2.5	1.5	0.9	-1.2	-0.4	1.8	2.7	0.9	
Ratio of business investment to GDP (%)	18	16	15	15	16	18	19	20	20	18	16	15	14	14	13	14
General government budget deficit (-) or surplus (+) (% of GDP)	-1	-2	-2	-1	-1	0	0	0	0	-1	-3	-5	-4	-2	-2	
Unemployment rate (%)	6.6	9.7	10.4	9.1	8.1	7	6.1	5	5.1	6.3	9.6	10.9	10.6	9.6	8.7	9

Prince Edward Island

Prince Edward Island is currently the third freest province in Canada. Since 1989, this province has had a slow but steady growth in its economic freedom ratings. Although modest, this province's increases in economic freedom vis-à-vis the other provinces placed it in third position in 1994. The government was able to maintain this position in the 1998 estimate.

Prince Edward Island produced marginal improvements in several sectors. The government reduced transfers and subsidies as a percentage of GDP from 6.8 percent in 1994 to 6.2 percent in 1995. In 1995, Prince Edward Island had the fourth smallest transfer and subsidy sector, behind Nova Scotia (5.2 percent), Alberta (5.5 percent) and Ontario (5.6 percent). From 1994 to 1995, PEI had the second lowest top marginal tax rate, 50.3 percent, following Alberta (46.1 percent). Also, in the same period Prince Edward Island's annual minimum-wage income as a ratio of per-capita GDP declined, increasing its rating relative to the other provinces.

Prince Edward Island continues to have a large government consumption sector and an increasing government business enterprise sector. Furthermore, the number of occupations that fall under the regulatory umbrella have increased from 34 in 1981 to 46 in 1997. In 1981, the average number of regulated occupations was 43, falling to 41 by 1997.

Over the measurement period, Government Operations and Regulations relative to the other provinces have declined significantly. This trend, combined with the lack of relative improvement in Interprovincial Trade, may prove troublesome. With changes in these policy areas, Prince Edward Island may retain its ranking and, perhaps, improve it. There could be significant gains to be had if this province could reach the level of economic freedom found in Alberta. Raising economic freedom by this amount could raise per-capita GDP between \$5,600 and \$6,300.

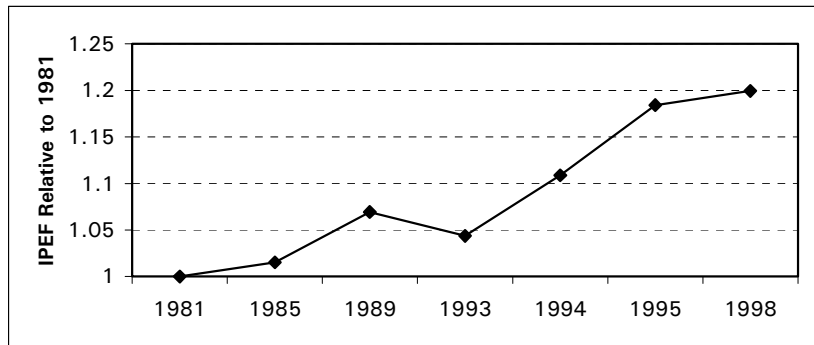
Prince Edward Island: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	8	8	(tie) 8	6	(tie) 5	5	5
II. Takings and Discriminatory Taxation	5	5	6	4	2	2	2
III. Interprovincial Trade	2	2	4	4	4	4	4
IV. Regulation of the Labour Market	(tie) 9	10	10	(tie) 8	(tie) 9	(tie) 5	(tie) 5

Prince Edward Island: Ratings for Components and Areas



	IPEF	Ranking
1981	4.5	6
1985	4.5	6
1989	4.8	7
1993	4.7	4
1994	5.0	3
1995	5.3	3
1998	5.4	3



IPEF (1998 est.):	5.3	Trend:	Increasing
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	3.7	3.9	3.9	3.9	4.2	4.7	4.9
(a) Consumption Expenditures (% of GDP)	0.0	1.0	1.0	1.0	2.0	3.0	4.0
(b) Government Enterprises and Guarantees	10.0	10.0	10.0	10.0	10.0	10.0	10.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	0.0	0.0	0.0	0.0	0.0	1.0	1.0
II. Takings and Discriminatory Taxation	4.9	4.9	5.1	4.8	5.3	5.5	5.5
(a) Transfers and Subsidies (% of GDP)	7.0	6.0	6.0	6.0	6.0	7.0	7.0
(b) Top Marginal Tax Rate and Threshold	3.0	2.0	6.0	5.0	5.0	5.0	5.0
(c) Direct Corporate Taxes (% of profits)	8.0	10.0	6.0	6.0	8.0	8.0	8.0
(d) Provincial Sales Tax	2.0	2.0	2.0	2.0	2.0	2.0	2.0
III. Interprovincial Trade	6.5	6.3	6.0	5.8	5.7	5.6	5.6
(a) Occupational Licensing	6.0	5.5	4.9	4.4	4.3	4.1	4.0
(b) Marketing Boards	7.0	7.0	7.0	7.0	7.0	7.0	7.0
IV. Regulation of the Labour Market	0.0	1.0	4.0	5.0	5.0	6.0	6.0
(a) Minimum Wage Legislation	0.0	1.0	4.0	5.0	5.0	6.0	6.0
Economic Freedom Rating	4.5	4.5	4.8	4.7	5.0	5.3	5.4
Ranking of Province	6	6	7	4	3	3	3

Prince Edward Island: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	32.2	31.8	30.3	30.5	28.9	27.2	24.8	–
(b) Government Enterprises & Guarantees	4.9	8.8	7.7	6.8	8.8	–	–	–
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.417	–	0.403	–	–	0.421	0.378	–

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	6.0	6.9	7.0	6.7	6.8	6.2	–	–
(b) Top Marginal Tax Rate and Threshold at Which It Applies	51.9	53.6	48.8	50.3	50.3	50.3	50.3	50.3
	\$53,337	\$62,161	\$94,223	\$92,655	\$92,734	\$92,777	\$92,777	\$63,409
(c) Direct Corporate Taxes (% of profits)	25%	22%	28%	30%	25%	26%	26%	26%
(d) Provincial Sales Tax	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

III. Interprovincial Trade

(a) Occupational Licensing	34.0	–	–	–	–	–	–	46.0
(b) Marketing Boards	15.4	18.4	16.5	19.1	15.5	16.3	18.5	–

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	81.9	75.2	61.6	54.3	53.8	51.5	53.2	–
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

Prince Edward Island: Recent Economic Indicators

Population 1996 (in thousands): 137

Average annual rate of change 1985–1996: 0.8 percent

Real per-capita GDP 1996: \$14,453

Average rate of economic growth 1985–1990: 1.7 percent; 1991–1996: 1.8 percent

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	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		0	0	2	1	1	0	1	1	0	0	1	1	2	1	1
Annual change (%) in real GDP		-0.1	11.1	2.5	-0.2	2.0	2.6	4.8	2.8	0.9	1.2	2.3	1.3	5.0	3.9	2.4
Annual change (%) in real GDP (average of other provinces)		-3.3	4.0	6.0	4.5	3.6	4.2	5.0	2.4	-0.2	-1.8	0.8	2.3	4.1	2.3	1.5
Annual change (%) in real per-capita GDP		-0.1	9.3	1.7	-0.1	1.2	2.6	4.0	2.0	0.9	1.2	1.5	0.5	3.5	3.2	1.7
Annual change (%) in real per-capita GDP (average of other provinces)		-3.4	2.4	4.2	3.7	2.0	2.7	2.6	1.4	0.2	-1.8	-0.6	1.6	2.8	0.9	
Ratio of business investment to GDP (%)	13	14	15	14	15	16	17	17	17	16	17	12	13	18	18	17
General government budget deficit (-) or surplus (+) (% of GDP)	-2	+3	-1	+3	+2	+2	+1	+2	+2	+1	0	0	-2	1	3	
Unemployment rate (%)	11.4	13	12.6	13	13.5	13.6	13.3	13	14.2	15.1	17.1	18.1	18.3	17.2	14.9	14.7

Saskatchewan

In 1981, Saskatchewan was ranked the third freest province but fell to fifth position in 1985. In 1989, this province became the sixth freest province. It is now ranked as the fourth freest province and its economic freedom has been increasing since 1993. Nevertheless, it still had less economic freedom in the 1998 estimate than it had in 1981.

Saskatchewan's poor rating in the Provincial Economic Freedom Index is the result of increases in government consumption as a percentage of GDP, rising from 18.9 percent in 1981, to 23.4 percent in 1985, and to 27.3 percent in 1989. By comparison, Ontario in 1989 had government consumption at 16.3 percent of the provincial economy. In Saskatchewan, expenditures on government regulations on business increased markedly as a percentage of business revenue. Saskatchewan currently expends twice as much on regulating business (expressed as a percentage of business revenue) as Alberta. As well, transfers and subsidies as a percentage of GDP increased from 5.7 percent in 1981 to 7.8 percent in 1989. In 1989, Ontario and Alberta's transfer and subsidy sectors were 3.9 percent and 6.6 percent of the provincial economy, respectively. Finally, by 1995, Saskatchewan's provincial sales tax increased relative to the rest of the provinces.

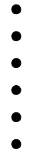
Saskatchewan managed to improve its economic freedom rating from 4.7 in 1993, to 4.8 in 1994, to 5.1 in 1995, and to 5.3 in the 1998 estimate. These increases were the result of a reduction in government consumption of provincial GDP from 26.6 percent in 1993 to 23.6 percent in 1995. This is still much higher than Alberta's government consumption of 16.7 percent of the provincial economy in 1995. As well, transfers and subsidies were reduced from 7.4 percent of GDP in 1993, to 6.3 percent of GDP in 1994, to 5.8 percent of GDP in 1995. In 1995, five provinces had less of the provincial economy devoted to transfers and subsidies than Saskatchewan. Finally, compared to the rest of the provinces, Saskatchewan gained ground due to the relatively low annual minimum-wage income as a ratio of per-capita GDP.

Looking to the future, Saskatchewan still has areas of concern. Saskatchewan has a large government enterprise sector whose net worth, total liabilities, and debt guarantees amounted to 39.3 percent of GDP in 1994. If improvements to economic freedom were made, the province would benefit greatly. Matching the economic freedom of Alberta, its neighbor, could provide Saskatchewan residents with an additional \$5,700 to \$6,500 in per-capita GDP.

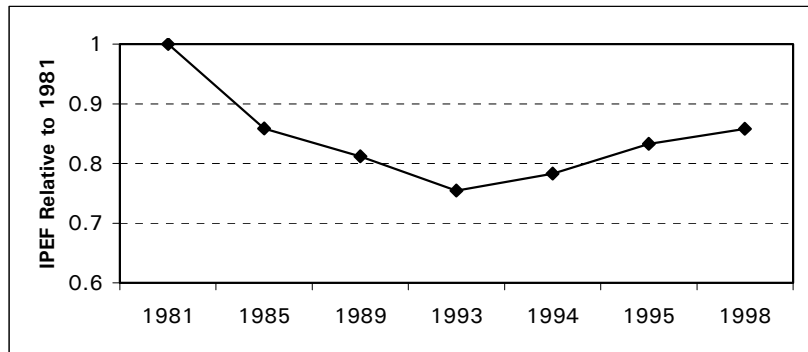
Saskatchewan: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	4	6	10	(tie) 9	(tie) 9	(tie) 7	7
II. Takings and Discriminatory Taxation	4	6	5	3	(tie) 3	4	4
III. Interprovincial Trade	1	1	1	1	1	1	(tie) 1
IV. Regulation of the Labour Market	4	(tie) 4	(tie) 4	(tie) 5	(tie) 2	(tie) 2	2

Saskatchewan: Ratings for the Components and Areas



	IPEF	Ranking
1981	6.2	3
1985	5.3	5
1989	5.0	6
1993	4.7	5
1994	4.8	4
1995	5.1	4
1998	5.3	4



IPEF (1998 est.):	5.1	Trend:	Recovering
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	7.4	5.3	3.5	3.1	3.8	4.0	4.5
(a) Consumption Expenditures (% of GDP)	8.0	5.0	3.0	3.0	4.0	5.0	7.0
(b) Government Enterprises and Guarantees	6.0	4.0	2.0	4.0	6.0	6.0	6.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	9.0	6.0	3.0	0.0	0.0	0.0	0.0
II. Takings and Discriminatory Taxation	5.1	4.8	5.2	4.9	4.7	5.2	5.2
(a) Transfers and Subsidies (% of GDP)	7.0	5.0	5.0	5.0	6.0	7.0	7.0
(b) Top Marginal Tax Rate and Threshold	2.0	1.0	5.0	3.0	3.0	3.0	3.0
(c) Direct Corporate Taxes (% of profits)	6.0	8.0	7.0	8.0	8.0	9.0	9.0
(d) Provincial Sales Tax	6.0	6.0	4.0	4.0	2.0	2.0	2.0
III. Interprovincial Trade	7.2	6.6	6.6	6.6	6.6	6.6	6.6
(a) Occupational Licensing	4.0	4.0	4.0	4.0	4.0	4.0	4.0
(b) Marketing Boards	10.0	9.0	9.0	9.0	9.0	9.0	9.0
IV. Regulation of the Labour Market	6.0	6.0	7.0	6.0	7.0	7.0	7.0
(a) Minimum Wage Legislation	6.0	6.0	7.0	6.0	7.0	7.0	7.0
Economic Freedom Rating	6.2	5.3	5.0	4.7	4.8	5.1	5.3
Ranking of Province	3	5	6	5	4	4	4

Saskatchewan: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	18.9	23.4	27.3	26.6	25.2	23.6	20.6	–
(b) Government Enterprises & Guarantees	36.5	45.4	57.0	42.2	39.3	–	–	–
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.199	–	0.337	–	–	0.419	0.425	–

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	5.7	7.5	7.8	7.4	6.3	5.8	–	–
(b) Top Marginal Tax Rate and Threshold at Which It Applies	53.4	54.9	49.1	51.9	51.9	51.9	51.9	51.9
	\$53,377	\$62,161	\$70,330	\$63,315	\$63,396	\$63,438	\$63,438	\$63,409
(c) Direct Corporate Taxes (% of profits)	28%	26%	26%	26%	24%	23%	23%	23%
(d) Provincial Sales Tax	5.0	5.0	7.0	7.0	9.0	9.0	9.0	7.0

III. Interprovincial Trade

(a) Occupational Licensing	44.0	–	–	–	–	–	–	46.0
(b) Marketing Boards	2.7	2.9	3.3	3.2	2.9	2.8	2.9	–

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	52.9	51.9	47.1	49.7	46.7	44.3	43.3	–
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

Saskatchewan: Recent Economic Indicators

Population 1996 (in thousands): 1,023

Average annual rate of change 1985–1996: -0.09 percent

Real per-capita GDP 1996: \$26,906

Average rate of economic growth 1985–1990: 3.3 percent; 1991–1996: 1.3 percent

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		1	1	2	1	1	0	0	-1	-1	0	0	0	0	0	1
Annual change (%) in real GDP		-2.4	5.0	2.2	2.1	7.8	.01	-2.9	3.3	9.1	1.4	-5.0	3.1	3.8	1.7	3.3
Annual change (%) in real GDP (average of other provinces)		-3.4	3.9	6.2	4.6	3.4	4.4	5.2	2.4	-0.4	-1.9	1.0	2.2	4.1	2.3	1.4
Annual change (%) in real per-capita GDP		-3.6	3.4	0.8	1.1	7.4	-0.3	-2.5	4.2	10.4	1.9	-5.2	2.8	3.7	1.2	2.7
Annual change (%) in real per-capita GDP (average of other provinces)		-3.2	2.8	4.3	3.6	1.4	3.0	3.2	1.1	-0.8	-2.0	0.1	1.3	2.7	1.0	
Ratio of business investment to GDP (%)	26	22	23	21	22	20	22	22	18	19	19	18	17	18	18	19
General government budget deficit (-) or surplus (+) (% of GDP)	+1	-2	-1	-2	-3	-6	-2	-2	+1	0	-2	-3	+1	+2	+1	
Unemployment rate (%)	4.7	6.2	7.5	8	8.2	7.7	7.4	7.5	7.5	7	7.3	8.2	8	7	6.9	6.6

Manitoba

Manitoba is currently the fifth most economically free province in Canada. This province's economic freedom rating declined from 5.5 in 1981 to 4.3 in 1993. Since 1993, there have been modest gains in economic freedom.

The decline from 1981 through 1993 occurred as a consequence of increases in government consumption as a percentage of GDP from 21.5 percent to 27 percent and an increase in transfers and subsidies as a percentage of GDP from 4.2 percent to 6.3 percent. Other provinces displayed similar trends. In Alberta, government consumption rose from 15.6 percent to 19.9 percent of the provincial economy; in Ontario it rose from 17 percent to 19.7 percent. The percentage of the provincial economy devoted to transfers and subsidies went from 4.2 percent to 5.5 percent in Alberta and 3.3 percent to 5.6 percent in Ontario between 1981 and 1993.

From 1993 through 1996, this province made modest improvements in its freedom rating, going from 4.3 in 1993 to 5.0 in the 1998 estimate. Manitoba's most significant strides were made in 1994 and 1995 and are attributable to a decline in government consumption as a percentage of GDP from 27 percent to 24.9 percent, and a decline in

transfers and subsidies from 1993 to 1995 from 6.3 percent to 5.2 percent. By comparison, Alberta, the top ranked province, reduced government consumption to 15.8 percent of the provincial economy, and transfers and subsidies to 3.7 percent of the provincial economy.

To its detriment, Manitoba has a large government business-enterprise sector, whose net worth, liabilities, and debt guarantees equal almost 30 percent of its GDP. This will be lowered in future rankings due to the privatization of Manitoba Telephone System (now Manitoba Telephone Services, Inc.) in January 1997. Additionally, relative to other provinces this province scores low points in the corporate taxation component.

While ranking fifth overall, Manitoba should pay close attention to the marginal tax changes being enacted in other provinces. While the absolute level of economic freedom for each province is important, the relative level should not be neglected.

The cost to the people of Manitoba for not being as economically free as Alberta is about \$6,500 to \$7,400 per person. Given this significant sum, further government encroachment in the economy seems unjustified.

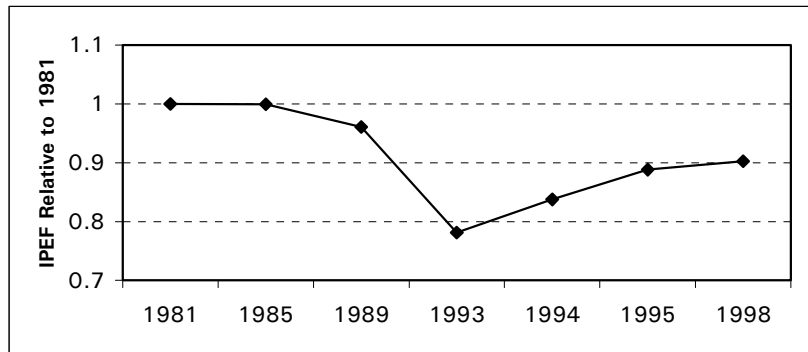
Manitoba: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	5	5	5	(tie) 7	(tie) 7	4	4
II. Takings and Discriminatory Taxation	3	2	8	7	6	7	7
III. Interprovincial Trade	3	3	3	3	3	3	3
IV. Regulation of the Labour Market	5	(tie) 4	(tie) 4	(tie) 2	(tie) 2	(tie) 2	(tie) 2

Manitoba: Ratings for the Components and Areas



	IPEF	Ranking
1981	5.5	5
1985	5.5	4
1989	5.3	5
1993	4.3	7
1994	4.6	6
1995	4.9	5
1998	5.0	5



IPEF (1998 est.):	4.9	Trend:	Increasing
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	5.6	5.5	5.3	3.7	3.9	4.8	5.0
(a) Consumption Expenditures (% of GDP)	6.0	5.0	4.0	3.0	4.0	4.0	5.0
(b) Government Enterprises and Guarantees	4.0	4.0	4.0	4.0	4.0	4.0	4.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	6.0	6.5	7.0	2.0	2.0	5.0	5.0
II. Takings and Discriminatory Taxation	5.3	5.2	4.7	3.8	4.3	4.3	4.3
(a) Transfers and Subsidies (% of GDP)	9.0	8.0	7.0	6.0	7.0	8.0	8.0
(b) Top Marginal Tax Rate and Threshold	1.0	0.0	4.0	4.0	4.0	4.0	4.0
(c) Direct Corporate Taxes (% of profits)	6.0	8.0	4.0	1.0	2.0	1.0	1.0
(d) Provincial Sales Tax	6.0	6.0	4.0	4.0	4.0	4.0	4.0
III. Interprovincial Trade	6.1	6.1	6.1	6.1	6.1	6.1	6.1
(a) Occupational Licensing	4.0	4.0	4.0	4.0	4.0	4.0	4.0
(b) Marketing Boards	8.0	8.0	8.0	8.0	8.0	8.0	8.0
IV. Regulation of the Labour Market	5.0	6.0	7.0	7.0	7.0	7.0	7.0
(a) Minimum Wage Legislation	5.0	6.0	7.0	7.0	7.0	7.0	7.0
Economic Freedom Rating	5.5	5.5	5.3	4.3	4.6	4.9	5.0
Ranking of Province	5	4	5	7	6	5	5

Manitoba: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	21.5	24.5	25.7	27.0	26.4	24.9	24.2	–
(b) Government Enterprises & Guarantees	51.9	43.4	41.1	45.6	42.4	–	–	–
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.251	–	0.243	–	–	0.349	0.293	–

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	4.2	5.0	5.5	6.3	6.1	5.2	–	–
(b) Top Marginal Tax Rate and Threshold at Which It Applies	56.0 \$53,377	57.7 \$62,161	49.7 \$70,330	50.4 \$63,315	50.4 \$63,396	50.4 \$63,438	50.4 \$63,438	50.4 \$63,409
(c) Direct Corporate Taxes (% of profits)	29%	24%	33%	38%	38%	40%	40%	40%
(d) Provincial Sales Tax	5.0	5.0	7.0	7.0	7.0	7.0	7.0	7.0

III. Interprovincial Trade

(a) Occupational Licensing	44.0	–	–	–	–	–	–	47.0
(b) Marketing Boards	10.2	9.7	10.8	9.1	9.5	9.5	9.4	–

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	56.9	52.5	46.3	47.3	45.2	45.6	45.1	–
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

Manitoba: Recent Economic Indicators

Population 1996 (in thousands): 1,144

Average annual rate of change 1985–1996: 0.55 percent

Real per-capita GDP 1996: \$18,344

Average rate of economic growth 1985–1990: 1.5 percent; 1991–1996: 0.5 percent

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	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		0	1	1	1	1	1	0	0	0	0	0	1	1	1	1
Annual change (%) in real GDP		-1.5	2.2	11.8	3.8	1.3	1.8	-0.8	2.4	2.9	-4.7	1.2	0.9	3.7	2.4	2.9
Annual change (%) in real GDP (average of other provinces)		-3.4	4.1	5.8	4.5	3.6	4.3	5.2	2.4	-0.3	-1.7	0.8	2.3	4.1	2.3	1.4
Annual change (%) in real per-capita GDP		-2.5	0.8	10.7	2.8	0.5	1.2	-1.2	2.3	2.7	-5.2	0.7	0.4	3.2	1.8	2.2
Annual change (%) in real per-capita GDP (average of other provinces)		-3.3	3.1	3.2	3.4	2.2	2.9	3.1	1.3	-0.3	-1.2	-0.6	1.6	2.8	0.9	
Ratio of business investment to GDP (%)	17	14	15	15	16	18	16	16	15	14	13	12	13	13	12	13
General government budget deficit (-) or surplus (+) (% of GDP)	-1	-4	-3	-2	-2	-3	-2	0	-1	-2	-1	-3	-2	-1	+1	
Unemployment Rate (%)	6	8.5	9.5	8.4	8.2	7.7	7.5	7.9	7.6	7.3	8.9	9.7	9.3	9.3	7.5	7.5

Nova Scotia

Nova Scotia began the measurement period as the eighth most economically free province and has now moved up to its current ranking of sixth. From 1981 to 1989, this province made modest gains in economic freedom, improving its rating from 3.7 to 5.3. Nova Scotia became the fourth freest province in 1989 but fell to sixth place in the 1998 estimate.

Nova Scotia was successful in reducing government consumption as a percentage of GDP from 27.1 percent in 1981 to 25.3 percent in 1989. During this time period, other provinces displayed an opposite trend. In Alberta and Ontario, government consumption went from 15.6 percent to 19.9 percent and 17 percent to 19.7 percent of the provincial economy, respectively. The Nova Scotia government also reduced transfers and subsidies from 7.1 percent to 5.1 percent of provincial GDP from 1981 to 1989, and reduced the top marginal tax rate from 53.2 percent in 1982 to 47

percent in 1989. Again, this was in contrast to other provinces. The percentage of the provincial economy devoted to transfers and subsidies went from 4.2 percent to 5.5 percent in Alberta and 3.3 percent to 5.6 percent in Ontario between 1981 and 1993. Alberta and Ontario raised marginal tax rates during this time period.

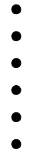
From 1989 through 1996, this province lost ground relative to the other provinces in both the Government Operations and Regulation and the Takings and Discriminatory Taxation components of the Index. For example, in 1989 Nova Scotia was ranked fourth overall in the Takings and Discriminatory Taxation component but fell to seventh overall in 1994 due to an increasing top marginal tax rate and relative improvements made by other provinces.

If Nova Scotia were able to attain the level of economic freedom found in Alberta, it could increase provincial per-capita GDP by \$7,400 to \$8,300 per year.

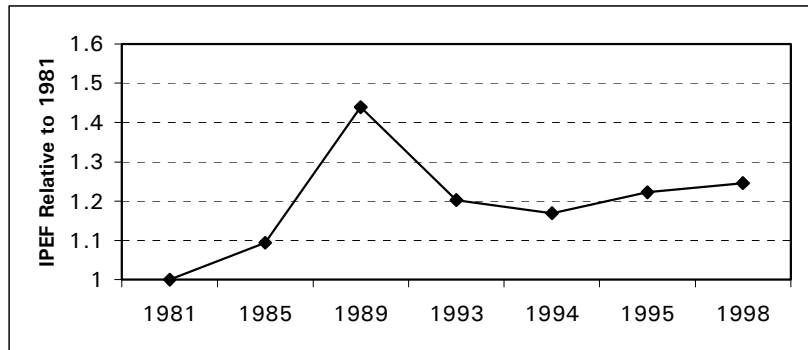
Nova Scotia: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	6	4	4	4	4	6	6
II. Takings and Discriminatory Taxation	8	9	4	5	7	6	6
III. Interprovincial Trade	8	8	8	8	8	8	6
IV. Regulation of the Labour Market	7	7	(tie) 7	(tie) 8	(tie) 5	(tie) 5	(tie) 5

Nova Scotia: Ratings for the Components and Areas



	IPEF	Ranking
1981	3.7	8
1985	4.0	7
1989	5.3	4
1993	4.4	6
1994	4.3	7
1995	4.5	7
1998	4.6	6



IPEF (1998 est.):	4.5	Trend:	Recovering
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	4.7	5.5	5.5	4.4	4.6	4.3	4.6
(a) Consumption Expenditures (% of GDP)	3.0	5.0	4.0	3.0	4.0	4.0	5.0
(b) Government Enterprises and Guarantees	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	4.0	5.0	6.0	3.0	3.0	2.0	2.0
II. Takings and Discriminatory Taxation	3.5	3.2	5.6	4.6	4.0	4.6	4.6
(a) Transfers and Subsidies (% of GDP)	6.0	8.0	8.0	8.0	8.0	8.0	8.0
(b) Top Marginal Tax Rate and Threshold	2.0	1.0	7.0	5.0	3.0	5.0	5.0
(c) Direct Corporate Taxes (% of profits)	2.0	2.0	5.0	3.0	5.0	5.0	5.0
(d) Provincial Sales Tax	4.0	2.0	2.0	2.0	0.0	0.0	0.0
III. Interprovincial Trade	2.9	3.2	3.5	3.7	3.8	3.8	3.9
(a) Occupational Licensing	4.0	4.5	5.1	5.6	5.7	5.9	6.0
(b) Marketing Boards	2.0	2.0	2.0	2.0	2.0	2.0	2.0
IV. Regulation of the Labour Market	2.0	5.0	6.0	5.0	6.0	6.0	6.0
(a) Minimum Wage Legislation	2.0	5.0	6.0	5.0	6.0	6.0	6.0
Economic Freedom Rating	3.7	4.0	5.3	4.4	4.3	4.5	4.6
Ranking of Province	8	7	4	6	7	7	6

Nova Scotia: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	27.1	24.3	25.3	27.6	25.1	25.0	24.3	–
(b) Government Enterprises & Guarantees	36.1	32.2	33.5	31.9	29.5	–	–	–
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.303	–	0.267	–	–	0.332	0.359	–

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	7.1	5.0	5.1	5.2	4.9	4.9	–	–
(b) Top Marginal Tax Rate and Threshold at Which It Applies	53.2	54.9	47.0	50.3	53.8	50.3	50.3	50.0
	\$53,377	\$62,161	\$70,330	\$78,165	\$81,137	\$78,288	\$78,288	\$79,255
(c) Direct Corporate Taxes (% of profits)	36%	37%	32%	34%	32%	31%	31%	31%
(d) Provincial Sales Tax	8.0	10.0	10.0	10.0	11.0	11.0	11.0	8.0

III. Interprovincial Trade

(a) Occupational Licensing	44.0	–	–	–	–	–	–	27.0
(b) Marketing Boards	46.4	47.0	45.4	47.4	46.7	47.6	43.3	–

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	72.3	57.3	50.8	53.3	52.5	51.4	53.5	–
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

Nova Scotia: Recent Economic Indicators

Population 1996 (in thousands): 943

Average annual rate of change 1985–1996: 0.55 percent

Real per-capita GDP 1996: \$15,850

Average rate of economic growth 1985–1990: 1.7 percent; 1991–1996: 0.33 percent

65

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		0	1	1	1	0	0	0	1	1	1	1	1	0	0	1
Annual change (%) in real GDP		3.4	5.4	6.2	4.9	2.4	3.8	1.3	2.5	-0.4	0.1	1.9	1.4	0.8	0.9	0.6
Annual change (%) in real GDP (average of other provinces)		-3.5	3.9	6.0	4.5	3.6	4.2	5.1	2.4	-0.1	-1.9	0.8	2.3	4.2	2.4	1.5
Annual change (%) in real per-capita GDP		2.7	4.3	5.1	4.0	1.9	3.3	0.9	1.7	-1.1	-0.4	1.2	0.8	0.4	0.5	0.1
Annual change (%) in real per-capita GDP (average of other provinces)		-3.7	2.7	3.9	3.3	2.0	2.6	2.8	1.4	0.4	-1.7	-0.6	1.6	3.1	1.1	
Ratio of business investment to GDP (%)	21	22	24	20	19	18	17	18	19	18	16	14	14	15	14	15
General government budget deficit (-) or surplus (+) (% of GDP)	-2	-3	-2	-1	-1	-1	0	0	-1	0	-1	-2	-5	0	+1	
Unemployment rate (%)	10.2	13.1	13.1	13.1	13.6	13.2	12.4	10.3	9.9	10.6	12	13.2	14.7	13.3	12.1	12.6

New Brunswick

New Brunswick was the ninth freest province in Canada from 1985 to 1993, and moved to eighth position from 1994 onward, until reaching seventh in our 1998 estimate. With only minor adjustments in its policies relative to the rest of the country, this province has about the same amount of economic freedom as at the start of this period.

Between 1981 and 1994 government consumption as a percentage of GDP was over 25 percent and transfers and subsidies as a percentage of GDP fluctuated between 5.5 percent and 6.5 percent of GDP. This does not compare favourably with Alberta, where government consumption was 17.6 percent and transfers and subsidies were 4.2 percent of the provincial economy in 1994. New Brunswick's government enterprises had a combined net worth, liabilities and debt guarantees amounting to 42.9 percent of provincial GDP in 1994. The only province devoting a higher percentage of the provincial economy to government business enterprises was Quebec, where government enterprises equalled 54 percent of provincial GDP. As well, in 1995 New Brunswick had one of the highest top marginal tax rates of all the provinces.

However, despite enacting policies contrary to economic freedom from 1981 through 1994, New Brunswick started changing course in 1994. Although the province did not exhibit any radical improvements after 1994, these improvements moved New Brunswick up a single place in the freedom rankings. There was a marginal drop in the transfers and subsidies component. New Brunswick also reduced its annual minimum-wage income as a ratio of GDP, increasing its rating in the component, Regulation of the Labour Market. This rise, however, was negated in 1996.

New Brunswick has a lot of room for improvement. Particular areas of attention should include Government Operations and Regulations and Interprovincial Trade; in both, New Brunswick ranks near the bottom. New Brunswick has shown its capacity to change and additional changes will bring further benefits. If New Brunswick could increase its level of economic freedom to that of Alberta's, per-capita GDP could increase by as much as \$7,600 to \$8,600.

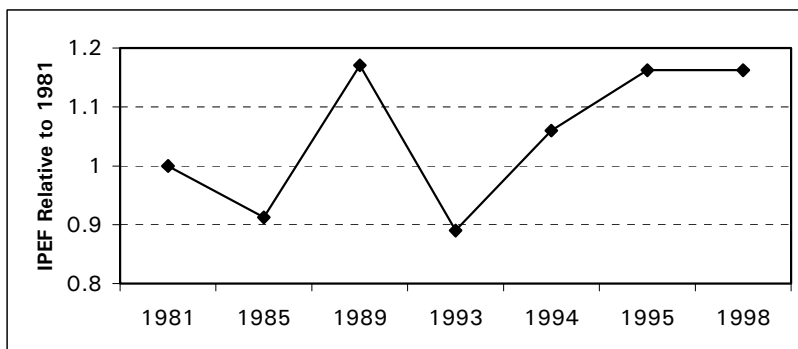
New Brunswick: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	10	10	(tie) 8	(tie) 9	10	10	(tie) 9
II. Takings and Discriminatory Taxation	6	7	7	9	5	3	3
III. Interprovincial Trade	(tie) 5	7	7	(tie) 5	(tie) 5	(tie) 5	(tie) 7
IV. Regulation of the Labour Market	8	8	(tie) 7	(tie) 5	(tie) 5	(tie) 2	(tie) 2

New Brunswick: Ratings for the Components and Areas



	IPEF	Ranking
1981	3.9	7
1985	3.5	9
1989	4.5	9
1993	3.4	9
1994	4.1	8
1995	4.5	8
1998	4.5	7



IPEF (1998 est.):	4.5	Trend:	Erratic
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	2.8	3.2	3.9	3.1	3.1	3.1	3.3
(a) Consumption Expenditures (% of GDP)	3.0	3.0	4.0	3.0	3.0	3.0	4.0
(b) Government Enterprises and Guarantees	0.0	2.0	4.0	4.0	4.0	4.0	4.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	2.0	2.0	2.0	0.0	0.0	0.0	0.0
II. Takings and Discriminatory Taxation	4.9	3.7	5.1	3.2	4.5	5.2	5.2
(a) Transfers and Subsidies (% of GDP)	7.0	7.0	7.0	6.0	7.0	7.0	7.0
(b) Top Marginal Tax Rate and Threshold	2.0	1.0	5.0	5.0	4.0	4.0	4.0
(c) Direct Corporate Taxes (% of profits)	7.0	7.0	8.0	1.0	7.0	10.0	10.0
(d) Provincial Sales Tax	4.0	0.0	0.0	0.0	0.0	0.0	0.0
III. Interprovincial Trade	4.0	3.5	3.5	4.0	4.0	4.0	3.5
(a) Occupational Licensing	4.0	4.0	4.0	4.0	4.0	4.0	4.0
(b) Marketing Boards	4.0	3.0	3.0	4.0	4.0	4.0	3.0
IV. Regulation of the Labour Market	1.0	4.0	6.0	6.0	6.0	7.0	7.0
(a) Minimum Wage Legislation	1.0	4.0	6.0	6.0	6.0	7.0	7.0
Economic Freedom Rating	3.9	3.5	4.5	3.4	4.1	4.5	4.5
Ranking of Province	7	9	9	9	8	8	7

New Brunswick: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	26.9	28.1	25.3	28.0	26.8	26.7	26.2	—
(b) Government Enterprises & Guarantees	86.6	68.4	46.9	48.9	42.9	—	—	—
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.348	—	0.366	—	—	0.445	0.441	—

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	6.1	6.2	5.5	6.5	6.0	5.8	—	—
(b) Top Marginal Tax Rate and Threshold at Which It Applies	52.9	55.4	48.0	50.7	51.4	51.4	51.4	51.1
	\$53,377	\$62,161	\$70,330	\$95,295	\$93,034	\$93,071	\$93,071	\$94,201
(c) Direct Corporate Taxes (% of profits)	27%	27%	26%	39%	26%	22%	22%	22%
(d) Provincial Sales Tax	8.0	11.0	11.0	11.0	11.0	11.0	11.0	8.0

III. Interprovincial Trade

(a) Occupational Licensing	43.0	—	—	—	—	—	—	40.0
(b) Marketing Boards	34.6	40.6	37.5	36.4	36.9	36.3	38.5	—

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	77.3	61.1	51.2	51.6	49.2	46.9	52.1	—
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

New Brunswick: Recent Economic Indicators

Population 1996 (in thousands): 763

Average annual rate of change 1985–1996: 0.36 percent

Real per-capita GDP 1996: \$16,684

Average rate of economic growth 1985–1990: 1.5 percent; 1991–1996: 2.0 percent

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		0	0	1	1	0	0	0	1	1	1	1	0	0	0	0
Annual change (%) in real GDP		1.3	9.8	2.8	1.8	3.7	5.7	1.0	1.6	-1.6	1.1	3.8	4.1	2.6	1.9	1.4
Annual change (%) in real GDP (average of other provinces)		-3.4	3.9	6.1	4.6	3.5	4.2	5.1	2.4	-0.1	-1.9	0.7	2.2	4.1	2.3	1.5
Annual change (%) in real per-capita GDP		1.1	8.6	2.1	1.4	3.5	5.3	0.7	0.9	-2.3	0.3	3.2	3.7	2.37	1.7	1.0
Annual change (%) in real per-capita GDP (average of other provinces)		-3.6	2.3	4.1	3.6	1.9	2.5	2.8	1.5	0.5	-1.8	-0.8	1.3	2.9	1.0	
Ratio of business investment to GDP (%)	22	22	17	16	18	16	15	17	19	17	16	15	13	13	13	14
General government budget deficit (-) or surplus (+) (% of GDP)	1	-3	-2	0	0	+1	+1	+1	+1	+1	-1	0	0	0	+1	
Unemployment rate (%)	11.6	14.1	14.9	15	15.2	14.4	13.2	12	12.5	12.1	12.8	12.8	12.6	12.5	11.5	11.7

British Columbia

In our 1998 estimate of economic freedom, British Columbia ranks eighth; however, this has not always been the case. In 1981, British Columbia ranked as the fourth freest province in Canada with a freedom rating of 5.6. By 1995 its rating had declined to 4.5 and British Columbia had moved into sixth place before moving to eighth in our 1998 estimate.

From 1985 to 1989, British Columbia improved its level of economic freedom as a consequence of three major elements of policy reform. First, government consumption as a percentage of GDP declined from 19.8 percent to 18.1 percent. In 1989, government consumption in Alberta and Ontario were 20.7 percent and 16.3 percent of the provincial economy, respectively. Second, the government of British Columbia reduced the size of the government business enterprise sector. Finally, it reduced its top marginal tax rate in 1989 to the lowest rate of all provinces (45.5 percent). The next lowest was Alberta at 45.7 percent.

In 1989, the province started reversing its liberal approach to economic freedom and the advances that British Columbia had made relative to the other provinces eroded. Government consumption as a percentage of GDP jumped from 18.1 percent in 1989 to 20.6 percent in 1993. During this same time, the governments of Alberta and Ontario

were consuming 19.9 percent and 19.7 percent of the provincial economy, respectively. Transfers and subsidies as a percentage of GDP also increased in this period from 4.7 percent to 6.2 percent. Alberta's experience was the opposite with transfer and subsidies declining from 6.6 percent to 5.5 percent of the provincial economy. In the same period, British Columbia went from having the lowest top marginal tax rate to the having the highest, 54.2 percent at an income threshold of \$79,326.

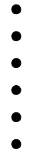
British Columbia had slipped further in the rankings by the 1998 estimate as a consequence of three factors. First, there was an increase in money spent regulating business as a percentage of business revenue. Second, there was an increase in the share of farm receipts influenced through supply management boards. Finally, there was an increase in the province's minimum wage. The cumulative effect was to move this jurisdiction from fourth to eighth in the freedom rankings by the 1998 estimate.

If British Columbia were to emulate the level of economic freedom found in Alberta, the effect could be an increase in per-capita GDP from approximately \$7,800 to \$8,700. The benefits of government regulation and restriction are hard to justify given the costs imposed on the economy as the benefits of economic freedom are substantial.

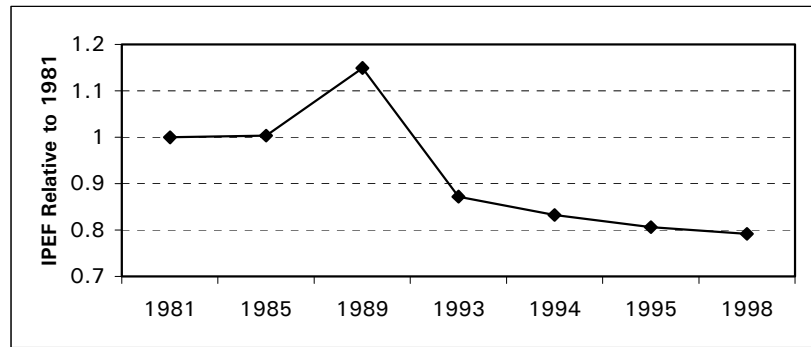
British Columbia: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	3	3	2	2	2	3	3
II. Takings and Discriminatory Taxation	7	3	1	6	8	8	8
III. Interprovincial Trade	7	6	(tie) 5	(tie) 5	(tie) 5	(tie) 5	(tie) 7
IV. Regulation of the Labour Market	(tie) 2	(tie) 2	3	(tie) 2	(tie) 2	(tie) 5	(tie) 5

British Columbia: Ratings for the Components and Areas



	IPEF	Ranking
1981	5.6	4
1985	5.6	3
1989	6.4	3
1993	4.9	3
1994	4.7	5
1995	4.5	6
1998	4.4	8



IPEF (1998 est.):	4.5	Trend:	Declining
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	7.6	6.7	7.4	6.3	6.3	6.0	6.0
(a) Consumption Expenditures (% of GDP)	9.0	7.0	8.0	7.0	7.0	7.0	7.0
(b) Government Enterprises and Guarantees	6.0	4.0	6.0	6.0	6.0	6.0	6.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	9.0	9.0	9.0	6.0	6.0	5.0	5.0
II. Takings and Discriminatory Taxation	4.8	5.1	6.4	4.0	3.5	3.5	3.5
(a) Transfers and Subsidies (% of GDP)	8.0	8.0	8.0	7.0	7.0	7.0	7.0
(b) Top Marginal Tax Rate and Threshold	4.0	2.0	8.0	3.0	3.0	3.0	3.0
(c) Direct Corporate Taxes (% of profits)	1.0	5.0	3.0	0.0	0.0	0.0	0.0
(d) Provincial Sales Tax	6.0	6.0	6.0	6.0	4.0	4.0	4.0
III. Interprovincial Trade	3.5	4.0	4.0	4.0	4.0	4.0	3.5
(a) Occupational Licensing	4.0	4.0	4.0	4.0	4.0	4.0	4.0
(b) Marketing Boards	3.0	4.0	4.0	4.0	4.0	4.0	3.0
IV. Regulation of the Labour Market	7.0	8.0	8.0	7.0	7.0	6.0	6.0
(a) Minimum Wage Legislation	7.0	8.0	8.0	7.0	7.0	6.0	6.0
Economic Freedom Rating	5.6	5.6	6.4	4.9	4.7	4.5	4.4
Ranking of Province	4	3	3	3	5	6	8

British Columbia: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	17.3	19.8	18.1	20.6	20.2	20.0	20.6	–
(b) Government Enterprises & Guarantees	31.2	50.8	34.0	30.1	27.8	–	–	–
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.203	–	0.184	–	–	0.263	0.297	–

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	4.9	5.1	4.7	6.2	6.1	6.1	–	–
(b) Top Marginal Tax Rate and Threshold at Which It Applies	50.5	53.5	45.5	54.2	54.2	54.2	54.2	54.2
	\$53,377	\$62,161	\$70,330	\$79,326	\$79,406	\$79,447	\$78,207	\$79,431
(c) Direct Corporate Taxes (% of profits)	39%	31%	34%	47%	43%	44%	44%	44%
(d) Provincial Sales Tax	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0

III. Interprovincial Trade

(a) Occupational Licensing	44.0	–	–	–	–	–	–	46.0
(b) Marketing Boards	37.9	35.9	35.1	35.0	35.3	35.8	37.4	–

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	46.2	41.3	40.7	47.0	44.6	51.6	52.0	–
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

British Columbia: Recent Economic Indicators

Population 1996 (in thousands): 3,855

Average annual rate of change 1985–1996: 2.2 percent

Real per-capita GDP 1996: \$19,196

Average rate of economic growth 1985–1990: 2.7 percent; 1991–1996: –0.5 percent

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		3	2	1	1	1	1	2	3	3	2	3	3	3	3	2
Annual change (%) in real GDP		-7.9	1.8	0.47	6.6	1.6	7.5	5.3	3.2	1.9	0.4	2.4	2.4	4.4	0.91	1.0
Annual change (%) in real GDP (average of other provinces)		-2.7	4.3	6.8	4.2	3.8	3.8	4.9	2.3	-0.4	-2.1	0.58	2.3	4.0	2.5	1.5
Annual change (%) in real per-capita GDP		-9.5	0.63	-0.9	5.6	0.67	5.9	3.2	0.64	-0.9	-2.0	-0.5	-0.4	1.7	-1.6	-1.4
Annual change (%) in real per-capita GDP (average of other provinces)		-2.3	3.2	4.6	3.1	2.2	2.3	2.6	1.5	0.38	-1.6	-0.4	1.7	3.0	1.3	
Ratio of business investment to GDP (%)	26	21	19	17	17	15	17	19	22	21	21	21	21	21	18	18
General government budget deficit (-) or surplus (+) (% of GDP)	0	-1	-2	0	0	0	0	+1	+2	+1	-1	-1	-1	0	+1	
Unemployment rate (%)	6.7	12.2	13.9	14.8	14.2	12.6	12	10.3	9.1	8.4	10	10.5	9.7	9.4	9	8.9

Quebec

Quebec is currently the ninth most economically free province in Canada. Quebec has ranked in the bottom third of provinces throughout the period of measurement, making only modest improvements in economic freedom from 1981 to 1989. This trend towards more economic freedom was negated during 1993 to 1995.

From 1981 to 1989, Quebec was able to increase its position relative to the other provinces from ninth freest to eighth freest. If this modest increase in economic freedom could have been maintained and fostered, it would have meant a brighter future for Quebec. However, economic restrictions were only loosened a little before being tightened again.

Indeed, Quebec's modest improvements were followed by large reversals in economic freedom. Government consumption increased from 22.7 percent in 1989 to 24.1 percent in 1995. During this same period, government consumption dropped from 20.7 percent to 16.7 percent of

the provincial economy in Alberta. In addition, from 1993 to 1995 Quebec had the second highest transfer and subsidy sector of all the provinces, totaling from 8.3 percent to 8.5 percent of GDP. This compares with a transfer and subsidy sector of 4.2 percent of the provincial economy in Alberta in 1994. From 1981 to 1989, Quebec had the highest top marginal tax rate, dropping minimally in 1995 to the third highest. Furthermore, this province has one of the highest expenditures on government regulations, expending nearly twice as much as Alberta on regulating business (expressed as a percentage of business revenue).

Quebec ranks low in all components of the index of provincial economic freedom. Due to these low rankings, Quebec has a lot to gain by liberalizing its economy. The statistical relationship developed in this study predicts that raising economic freedom to the level found in Alberta could give Quebec citizens an \$9,800 to \$11,000 increase in per-capita GDP.

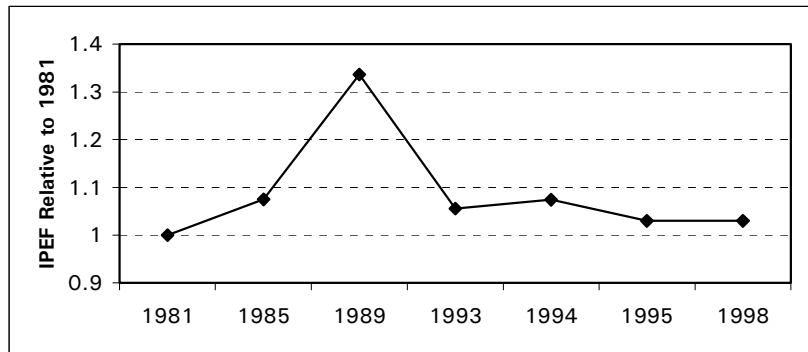
Quebec: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	7	7	6	5	(tie) 5	8	8
II. Takings and Discriminatory Taxation	9	8	9	8	9	9	9
III. Interprovincial Trade	9	10	9	10	10	10	10
IV. Regulation of the Labour Market	6	(tie) 4	(tie) 4	(tie) 5	(tie) 5	(tie) 9	(tie) 9

Quebec: Ratings for the Components and Areas



	IPEF	Ranking
1981	3.4	9
1985	3.7	8
1989	4.6	8
1993	3.6	8
1994	3.7	9
1995	3.5	9
1998	3.5	9



IPEF (1998 est.):	3.5	Trend:	Declining
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	4.3	4.2	4.8	4.2	4.2	3.9	3.9
(a) Consumption Expenditures (% of GDP)	5.0	4.0	6.0	5.0	5.0	5.0	5.0
(b) Government Enterprises and Guarantees	2.0	2.0	2.0	4.0	4.0	4.0	4.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	4.0	4.5	5.0	2.0	2.0	1.0	1.0
II. Takings and Discriminatory Taxation	3.4	3.6	4.7	3.3	3.4	3.4	3.4
(a) Transfers and Subsidies (% of GDP)	6.0	5.0	6.0	4.0	4.0	4.0	4.0
(b) Top Marginal Tax Rate and Threshold	0.0	0.0	4.0	4.0	2.0	2.0	2.0
(c) Direct Corporate Taxes (% of profits)	4.0	8.0	7.0	1.0	4.0	4.0	4.0
(d) Provincial Sales Tax	4.0	2.0	2.0	4.0	4.0	4.0	4.0
III. Interprovincial Trade	2.0	2.0	2.5	2.5	2.5	2.5	2.5
(a) Occupational Licensing	2.0	2.0	2.0	2.0	2.0	2.0	2.0
(b) Marketing Boards	2.0	2.0	3.0	3.0	3.0	3.0	3.0
IV. Regulation of the Labour Market	3.0	6.0	7.0	6.0	6.0	5.0	5.0
(a) Minimum Wage Legislation	3.0	6.0	7.0	6.0	6.0	5.0	5.0
Economic Freedom Rating	3.4	3.7	4.6	3.6	3.7	3.5	3.5
Ranking of Province	9	8	8	8	9	9	9

Quebec: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	24.3	25.2	22.7	24.5	24.2	24.1	23.4	—
(b) Government Enterprises & Guarantees	62.2	63.8	56.5	52.3	54.3	—	—	—
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.313	—	0.294	—	—	0.358	0.378	—

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	7.0	8.0	7.1	8.5	8.4	8.3	—	—
(b) Top Marginal Tax Rate and Threshold at Which It Applies	60.4	62.8	49.8	50.5	52.9	52.9	52.9	52.9
	\$60,715	\$62,161	\$70,330	\$63,315	\$63,396	\$63,438	\$63,438	\$63,409
(c) Direct Corporate Taxes (% of profits)	33%	26%	27%	39%	32%	33%	33%	33%
(d) Provincial Sales Tax	8.0	9.0	9.0	8.0	8.0	6.5	6.5	7.5

III. Interprovincial Trade

(a) Occupational Licensing	52.0	—	—	—	—	—	—	50.0
(b) Marketing Boards	43.3	42.8	41.9	40.9	39.9	40.2	39.0	—

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	65.8	49.9	46.8	52.3	52.2	54.7	56.4	—
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

Quebec: Recent Economic Indicators

Population 1996 (in thousands): 7,388

Average annual rate of change 1985–1996: 0.9 percent

Real per-capita GDP 1996: \$18,550

Average rate of economic growth 1985–1990: 2.0 percent; 1991–1996: 0.0 percent

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		1	0	0	0	1	1	1	1	1	1	1	1	1	1	1
Annual change (%) in real GDP		-3.1	3.4	5.0	2.8	4.2	4.7	4.3	0.9	0.2	-2.0	0.3	2.5	3.1	1.4	1.1
Annual change (%) in real GDP (average of other provinces)		-3.4	4.2	6.4	5.0	3.4	4.1	5.2	2.9	-0.3	-1.8	0.9	2.2	4.4	2.6	1.6
Annual change (%) in real per-capita GDP		-3.6	3.0	4.5	2.2	3.5	3.6	3.4	-0.3	-0.9	-2.9	-0.8	1.4	2.4	0.7	0.5
Annual change (%) in real per-capita GDP (average of other provinces)		-3.1	2.8	3.9	3.5	1.8	2.6	2.6	1.6	0.4	-1.5	-0.4	1.5	2.9	1.1	
Ratio of business investment to GDP (%)	17	15	15	16	16	17	19	19	19	18	16	16	15	15	13	14
General government budget deficit (-) or surplus (+) (% of GDP)	-2	-2	-2	-1	-2	-2	0	+1	0	-1	-2	-3	-2	-3	-1	
Unemployment rate (%)	10.5	13.9	14	12.9	11.9	11	10.3	9.4	9.3	10.2	12	12.8	13.2	12.2	11.3	11.8

Newfoundland

Newfoundland has consistently ranked as the least economically free province. While economic freedom has been growing throughout the measurement period, this province has not moved up a single position in the overall ranking of economic freedom of the provinces. Newfoundland was, and still is, far behind the other provinces in terms of economic freedom.

One of several factors contributing to its low ranking is that this province has the highest government consumption as a percentage of GDP of all the provinces. In 1981, government consumption as a percentage of GDP was 25.3 percent; this figure increased to 27.9 percent in 1989 and dropped to 25.9 percent in 1995. By contrast, in Alberta, government consumption was 15.8 percent of the provincial economy in 1996. Newfoundland also has the largest transfers and subsidies sector of all the provinces, totaling 12.5 percent of GDP in 1995. The next highest province was Quebec with 8.3 percent of the provincial economy going to transfers and subsidies. Additionally, Newfoundland has a large government business-enterprise sector, whose total net worth, liabilities, and debt guarantees amounted to 40.2 percent of GDP in 1994. This province also has a high

annual minimum-wage income as a ratio of per-capita GDP. In 1996, Newfoundland had the highest annual minimum wage as a ratio of per-capita GDP, 56.7 percent, followed by Quebec at 56.4 percent. By contrast, in Alberta, a far more prosperous province, the annual minimum was only 30.9 percent of per-capita GDP. Ironically, Newfoundland is the province that can least afford additional labour-market rigidities.

In 1995, Newfoundland imposed the highest provincial sales tax at a rate of 12 percent. The PST was reduced in 1997 due to its harmonization with the GST.

Newfoundland has made progress with respect to its corporate taxation policies relative to the other provinces and it has reduced the number of regulated occupations on its statute books.

The cumulative effect of all these restrictions on economic freedom in this province has meant lower per-capita GDP, translating into a lower standard of living. The statistical relationships developed in this study suggest that the cost of the lack of economic freedom (as compared with Alberta) in this province is a reduction of between \$11,000 and \$12,500 in per-capita GDP.

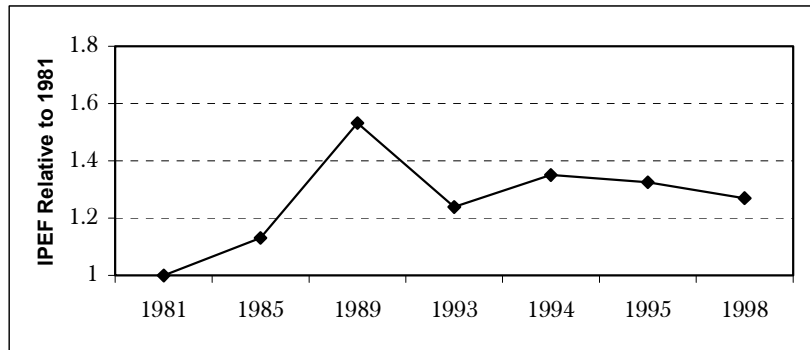
Newfoundland: Ranking for Components of the Index of Provincial Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 (est.)
I. Government Operations and Regulations	9	9	7	(tie) 7	(tie) 7	9	(tie) 9
II. Takings and Discriminatory Taxation	10	10	10	10	10	10	10
III. Interprovincial Trade	10	9	10	9	9	9	9
IV. Regulation of the Labour Market	(tie) 9	9	9	10	(tie) 9	(tie) 9	(tie) 9

Newfoundland: Ratings for the Components and Areas



	IPEF	Ranking
1981	2.3	10
1985	2.6	10
1989	3.5	10
1993	2.9	10
1994	3.1	10
1995	3.1	10
1998	2.9	10



IPEF (1998 est.):	3.1	Trend:	Increasing
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Components of Economic Freedom

	1981	1985	1989	1993	1994	1995	1998 est.
I. Government Operations and Regulations	3.5	3.6	4.5	3.7	3.9	3.3	3.3
(a) Consumption Expenditures (% of GDP)	4.0	3.0	3.0	3.0	4.0	4.0	4.0
(b) Government Enterprises and Guarantees	2.0	2.0	4.0	4.0	4.0	4.0	4.0
(c) Price Controls	6.0	6.0	6.0	6.0	6.0	6.0	6.0
(d) Regulatory Effort	2.0	3.5	5.0	2.0	2.0	0.0	0.0
II. Takings and Discriminatory Taxation	2.0	2.2	3.1	2.3	2.5	2.7	2.4
(a) Transfers and Subsidies (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(b) Top Marginal Tax Rate and Threshold	2.0	1.0	5.0	3.0	3.0	3.0	2.0
(c) Direct Corporate Taxes (% of profits)	6.0	8.0	7.0	6.0	7.0	8.0	8.0
(d) Provincial Sales Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
III. Interprovincial Trade	1.9	2.1	2.4	2.7	2.7	2.8	2.8
(a) Occupational Licensing	4.0	4.5	5.1	5.6	5.7	5.9	6.0
(b) Marketing Boards	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV. Regulation of the Labour Market	0.0	2.0	5.0	4.0	5.0	5.0	5.0
(a) Minimum Wage Legislation	0.0	2.0	5.0	4.0	5.0	5.0	5.0
Economic Freedom Rating	2.3	2.6	3.5	2.9	3.1	3.1	2.9
Ranking of Province	10	10	10	10	10	10	10

Newfoundland: Results Calculated for Each Component

I. Government Operations and Regulation

	1981	1985	1989	1993	1994	1995	1996	1997
(a) Consumption Expenditures (% of GDP)	25.3	28.0	27.9	26.9	26.2	25.9	25.9	–
(b) Government Enterprises & Guarantees	60.9	59.6	49.5	40.7	40.2	–	–	–
(c) Price Controls	Price controls are often applied in energy markets; marketing boards often influence prices of agricultural products; controls are also present in a few other areas, but most prices are determined by market forces							
(d) Regulatory Effort	0.356	–	0.279	–	–	0.357	0.476	–

II. Takings and Discriminatory Taxation

(a) Transfers and Subsidies (% of GDP)	12.3	12.8	12.6	13.3	13.0	12.5	–	–
(b) Top Marginal Tax Rate and Threshold at Which It Applies	54.1	56.1	48.3	51.3	51.3	51.3	53.3	53.3
	\$53,377	\$62,161	\$70,330	\$63,315	\$63,396	\$63,438	\$63,438	\$63,409
(c) Direct Corporate Taxes (% of profits)	29%	25%	27%	29%	28%	25%	25%	25%
(d) Provincial Sales Tax	11.0	12.0	12.0	12.0	12.0	12.0	12.0	8.0

III. Interprovincial Trade

(a) Occupational Licensing	36.0	–	–	–	–	–	–	26.0
(b) Marketing Boards	59.3	70.3	67.4	70.6	68.9	71.3	71.6	–

IV. Regulation of the Labour Market

(a) Minimum Wage Legislation	81.1	71.6	57.5	58.3	56.2	54.0	56.7	–
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Key to the Areas and Components of the Index and the Weights Assigned to Each

I Government Operations and Regulations (freedom to decide what is produced and consumed)	weight
(a) General consumption expenditures by government as a percentage of GDP	7.8
(b) Size of government-operated enterprises and debt guarantees as a percentage of GDP	6.9
(c) Price controls	7.5
(d) Regulatory effort (expenditures on regulation by government as a percentage of business revenue)	9.0
II Takings and Discriminatory Taxation (freedom to keep what you earn)	
(a) Transfers and subsidies as a percentage of GDP	11.9
(b) Top marginal tax rate and the income threshold at which it applies	13.7
(c) Direct corporate taxes as a percentage of corporate profits	11.2
(d) Provincial sales tax	11.0
III Interprovincial Trade (freedom of trade between provinces)	
(a) Occupational Licensing	7.1
(b) Marketing Boards	7.9
IV Regulation of the Labour Market (freedom of contract between labour and management)	
(a) Minimum Wage Legislation	6.0

Newfoundland: Recent Economic Indicators

Population 1996 (in thousands): 571

Average annual rate of change 1985–1996: 0.27 percent

Real per-capita GDP 1996: \$14,077

Average rate of economic growth 1985–1990: 2.7 percent; 1991–1996: 0.33 percent

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Annual change (%) in population		0	0	1	0	-1	0	0	0	0	0	1	0	-1	-1	-1
Annual change (%) in real GDP		1.2	3.7	1.8	2.7	1.2	3.3	4.5	6.1	-1.2	-0.8	0.5	1.6	2.1	-0.1	-0.9
Annual change (%) in real GDP (average of other provinces)		-3.4	4.0	6.1	4.5	3.6	4.2	5.0	2.4	-0.1	-1.8	0.8	2.3	4.1	2.4	1.5
Annual change (%) in real per-capita GDP		1.2	2.8	1.6	2.9	1.7	3.5	4.7	5.9	-1.5	-1.0	-.01	1.5	2.6	0.6	0.2
Annual change (%) in real per-capita GDP (average of other provinces)		-3.5	2.9	4.2	3.4	2.0	2.6	2.5	1.1	0.4	-1.7	-0.5	1.5	2.8	1.1	
Ratio of business investment to GDP (%)	24	27	27	26	27	25	21	21	21	19	20	20	23	27	26	22
General government budget deficit (-) or surplus (+) (% of GDP)	-2	-3	-5	-3	0	0	0	0	-1	-1	-2	-1	0	0	+1	
Unemployment rate (%)	13.9	16.7	18.9	20.5	21	19.3	18.1	16.4	15.8	17	18.3	20.2	20.2	20.4	18.3	19.5

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Other Resources

The web-site of the Economic Freedom Network can found at <http://www.freetheworld.com>. It offers links to the following material in HTML format.

Books

- Gwartney, J., R. Lawson and W. Block (1996). *Economic Freedom of the World, 1975–1995*.
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Newsletter and Bulletin Board

The web-site also features an on-line newsletter and a bulletin board for discussion of economic freedom in Canada and around the world.