



**HOT  
TOPICS**



# A LOW DOLLAR AND CHEAP OIL DIDN'T RESCUE ONTARIO AND QUEBEC BEFORE

Mark Milke

One of the more persistent myths about prosperity is that it results purely from luck. Often, commentators credit the mere presence of oil, gas, potash and other natural resources for Western Canada's recent (and presently fading) boom in investment, jobs and government revenues.

But Nigeria, South Africa, and Venezuela all have natural resources in abundance. Yet on many prosperity measures from per person GDP to longevity, they lag far behind Hong Kong and Singapore which possess no oil, gas or mineral deposits.

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I note this enduring myth because Ontario and Quebec policy-makers might be tempted to believe a similar fairy tale: that a lower dollar will now magically transform Central Canadian economies.

A lower dollar might temporarily help a few businesses do a bit better; but the reason for a particular jurisdiction's failure or success is more prosaic—it depends on getting the basics right, everything from the security of property rights and independent courts to tax levels and sensible (as opposed to burdensome) regulation.

At the sub-national level, a province needs smart policy on labour and land regulation. It also requires moderate tax levels.

To understand why Ontario and Quebec are not poised to automatically replace the West as the economic engines of Canada, consider where oil and the dollar have been, and past trends.

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Over the past several decades, the monthly average per barrel oil price ranged from \$11.35 (US) in December 1998 to \$133.88 (US) in June 2008. The dollar was as low as 62 American cents (January 2002) and as high as \$1.10 (US) in November 2007.

So how has Central Canada fared during high dollar, low dollar and “yo-yo” oil prices over time? Let’s start with private sector investment.

From 1982 to 2013, the average annual private sector investment

(per worker) in Alberta was \$45,842 followed by Saskatchewan (\$35,458), British Columbia (\$24,486), Ontario (\$19,850) and Quebec (\$18,271).

By a wide margin, the West saw more investment (per worker) even when oil and natural gas and other resource prices were low.

Private sector investment dollars are a “futures market” indicating where jobs will be created. Not surprisingly, unemployment rates have mostly followed investment flows. From 1982 to 2013, Saskatchewan (6.2 per cent) had the lowest average annual unemployment rate, followed by Alberta (6.8 per cent), Ontario (7.7 per cent), British Columbia (8.9 per cent) and Quebec (10.1 per cent).

Unemployment rates can be lower if a province experiences a substantial outflow of people, especially among those of (mostly) working age. That was Saskatchewan until recently. For those between ages 15 and 64, Saskatchewan lost 115,245 people (from 1982 to 2014) on a net basis.

But here’s where the data—and the caveat for Ontario and Quebec—comes into play.

For Alberta, the worst period for interprovincial migration was



between 1982 and 1989 when 81,134 people aged 15 to 64 left the province.

After that, other than a small loss in the mid-1990s and a blip of a decline in the last recession, Alberta has gained people. In total, even with the steep 1980s-era losses, 339,381 people moved from other provinces to Alberta since 1982.

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In contrast, while Ontario gained 53,083 working-age folks between 1982 and 2014, it hasn't seen net positive migration numbers since 2003, and has been losing people ever since. Meanwhile Quebec lost people in every single year since 1982, or 237,593 in total.

B.C. has a mixed record in the interprovincial migration sweepstakes. It lost some people in the early 1980s and saw significant out-migration between 1998 and 2003, but has mostly gained working-age people—an extra 257,949 since 1982.

In short, despite past periods of low oil prices and a cheap Canadian dollar, since 1982 Ontario and Quebec have never overtaken Alberta and Saskatchewan in per worker private sector investment. And migration and unemployment

rates have generally been healthier in the West than in Central Canada.

Which means there's something amiss in Ontario and Quebec, which bargain-basement oil prices and a low dollar won't solve: High marginal personal tax rates, inflexible labour legislation, unnecessary regulatory hurdles and botched electricity policy (in Ontario, in particular).

In Ontario and Quebec, future success will depend on the correction of poor policies that for years have hindered greater prosperity in those two provinces. That will require policy-makers to eschew magic bullet myths—such as how a low dollar will rescue Central Canada. 



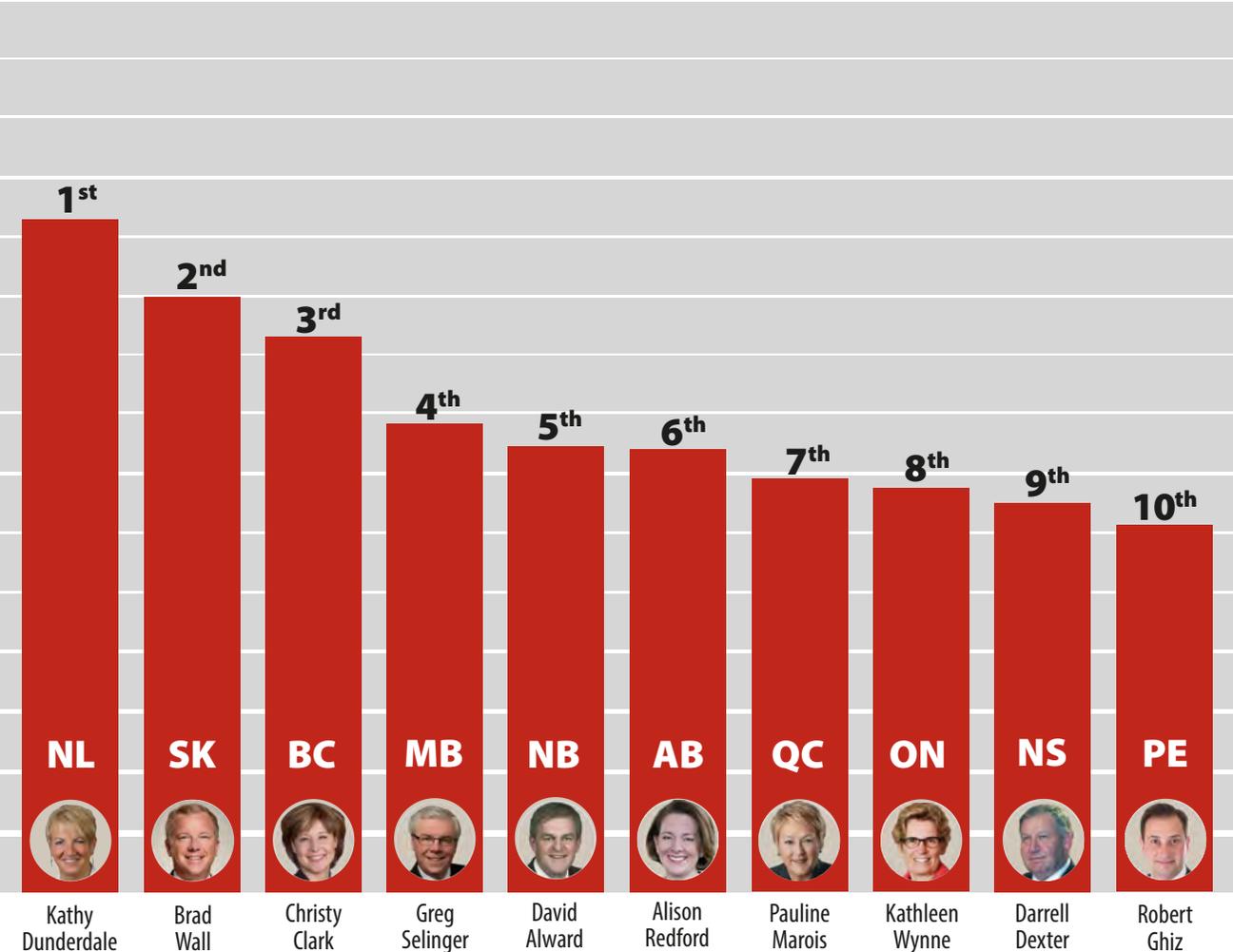
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# MEASURING THE FISCAL PERFORMANCE OF CANADA'S PREMIERS, 2015

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**M**easuring the Fiscal Performance of Canada's Premiers, 2015 measures the relative fiscal performance of 10 Canadian premiers (five current and

five former), up to the 2013/14 fiscal year for three components of fiscal policy: government spending, taxes, and deficits and debt.



Overall, the premiers ranked (of 10) and scored (of 100), as follows:

- 1st Kathy Dunderdale (former premier), NL (84.6)**
- 2nd Brad Wall, SK (71.5)**
- 3rd Christy Clark, BC (64.8)**
- 4th Greg Selinger, MB (49.9)**
- 5th David Alward (former premier), NB (46.0)**
- 6th Alison Redford (former premier), AB (45.9)**
- 7th Pauline Marois (former premier), QC (40.8)**
- 8th Kathleen Wynne, ON (39.5)**
- 9th Darrell Dexter (former premier), NS (36.9)**
- 10th Robert Ghiz, PE (33.2).**

On the government spending component, Dunderdale took top position (scoring 98.5), followed by Alward (77.7) and Clark (64.3). The remaining premiers scored below 50: Selinger (41.9), Wall (35.7), Wynne (26.8), Dexter (20.8), Marois (12.4), Redford (8.8), and Ghiz (7.8).

On the taxes component, Redford led the premiers (scoring 90.0). Premiers from Canada's most populous provinces, Wynne (63.5) and Marois (55.7), ranked 5th and 7th, respectively. Alward ranked last (27.3).

On the deficits and debt component, Wall topped the list (scoring 100). Dunderdale came second (91.1), followed by Clark (74.2) and Marois (54.2). The remaining premiers scored below 50: Dexter (49.0), Ghiz (44.2), Selinger (41.7), Redford (38.7), Alward (32.9), and Wynne (28.1). 



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