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Measuring the Fiscal Performance of Canada's Premiers, 2011

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Main Conclusions

- The fiscal performance of ten Canadian premiers (seven current and three former) up to the 2010/11 fiscal year is measured for three components of fiscal policy: government spending, taxes, and debt and deficits.
- Overall, the ten premiers ranked, in order: Gordon Campbell, former premier of British Columbia, 1st (with a score of 83.1 out of a possible 100.0); Danny Williams, former premier of Newfoundland & Labrador, 2nd (72.9); Darrell Dexter, Nova Scotia, 3rd (60.4); Brad Wall, Saskatchewan, 4th (53.8); Ed Stelmach, Alberta, 5th (52.7); Jean Charest, Quebec, 6th (45.5); Shawn Graham, former premier of New Brunswick, 7th (35.1); Greg Selinger, Manitoba, 8th (34.3); Dalton McGuinty, Ontario, 9th (34.0); Robert Ghiz, Prince Edward Island, last overall (27.0 out of 100.0).
- On the Government Spending component, Nova Scotia's Darrell Dexter claimed the top position with a score of 94.8 out of 100.0. Six premiers scored below 50.0 on this component: Ed Stelmach, Greg Selinger, Robert Ghiz, Dalton McGuinty, Shawn Graham, and Saskatchewan's Brad Wall, who was last, scoring 9.8.
- On the Taxes component, British Columbia's Gordon Campbell led the premiers with a score of 87.0 out of 100.0. Premiers from Canada's most populous provinces, Dalton McGuinty (Ontario) and Jean Charest (Quebec) scored 49.0 and 29.1, ranking 6th and 8th, respectively, on this component.
- On the Debt and Deficits component, Saskatchewan's Brad Wall was the only premier to score a perfect 100.0. Six premiers scored below 50.0 on this component: Ed Stelmach, Jean Charest, Robert Ghiz, Dalton McGuinty, Greg Selinger, and New Brunswick's Shawn Graham, who scored lowest on this component (12.3).

Introduction

The recession of 2008-09 and the following global economic uncertainty have drawn people's attention to the importance of sensible fiscal policy. With many Canadian governments currently mired in debt, sound fiscal policy is needed now more than ever to ensure the country's long-term economic success. Sound fiscal policy requires that political leaders prioritize, not simply increase, government spending;

ensure balanced budgets; and avoid imposing a tax burden so heavy that it becomes a disincentive for people to work hard, save, invest, and be entrepreneurial. The economic record shows clearly that these factors are necessary for a return to stable economic growth and prosperity.

This Fraser Alert is designed to help Canadians hold their provincial political leaders accountable for the relative performance of their fiscal

policies. In this second edition of *Measuring the Fiscal Performance of Canada's Premiers*, we provide an objective, empirical assessment of how Canada's premiers have managed the public finances of their provinces and whether they have pursued sound, long-term economic policies.

How performance is measured

This report measures the relative fiscal policy performance of ten Canadian premiers.¹ Each premier's performance is measured over the time he held office up to the most recent year of available data (the 2010/11 fiscal year).² Some premiers were evaluated over a longer period than others. For instance, former

Table 1: Period in which the premiers are evaluated

| Prov. | Premier | Period evaluated |
|-------|-----------------|--------------------|
| BC | Gordon Campbell | 2001/02 to 2010/11 |
| AB | Ed Stelmach | 2007/08 to 2010/11 |
| SK | Brad Wall | 2008/09 to 2010/11 |
| MB | Greg Selinger | 2010/11 |
| ON | Dalton McGuinty | 2004/05 to 2010/11 |
| QC | Jean Charest | 2003/04 to 2010/11 |
| NB | Shawn Graham | 2007/08 to 2010/11 |
| NS | Darrell Dexter | 2009/10 to 2010/11 |
| PE | Robert Ghiz | 2007/08 to 2010/11 |
| NL | Danny Williams | 2004/05 to 2010/11 |

Notes:

- Gordon Campbell is the former premier of British Columbia; he left office on March 14, 2011. His performance was evaluated instead of that of current premier Christy Clark because he was in power for virtually the entire 2010/11 fiscal year.
- Greg Selinger became premier on October 19, 2009, but was evaluated only for 2010/11 since his predecessor Gary Doer was in power for more than half of the 2009/10 year. In addition, Selinger did not table a budget for the 2009/10 fiscal year.
- Shawn Graham is the former premier of New Brunswick; he left office on October 12, 2010. His performance was evaluated instead of that of current premier David Alward because he was in power for more than half of the 2010/11 fiscal year.
- Danny Williams is the former premier of Newfoundland & Labrador; he left office on December 3, 2010. His performance was evaluated instead of that of current premier Kathy Dunderdale because he was in power for more than half of the 2010/11 fiscal year.

Sources: Websites of various provincial election bodies (see references).

About the authors



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British Columbia Premier Gordon Campbell came into power in June 2001 and was evaluated for the longest period (2001/02-2010/11), whereas Manitoba's Premier Greg Selinger entered office in October 2009 and was evaluated for the shortest period (just the 2010/11 fiscal year) (see table 1).

Each premier received an overall score (out of 100.0) and rank (out of 10) derived from their performance on three core components of fiscal policy: 1) government spending, 2) taxes, and 3) debt and deficits.³ Each component contains multiple measures and there are, in total, 13 measures. Each measure is scored on a scale from 0.0 to 100.0, where higher performing premiers receive higher scores and lower performing premiers receive lower scores.⁴ The scores for the measures are weighted equally within each component. In the calculation for the overall score, the three components were equally weighted.

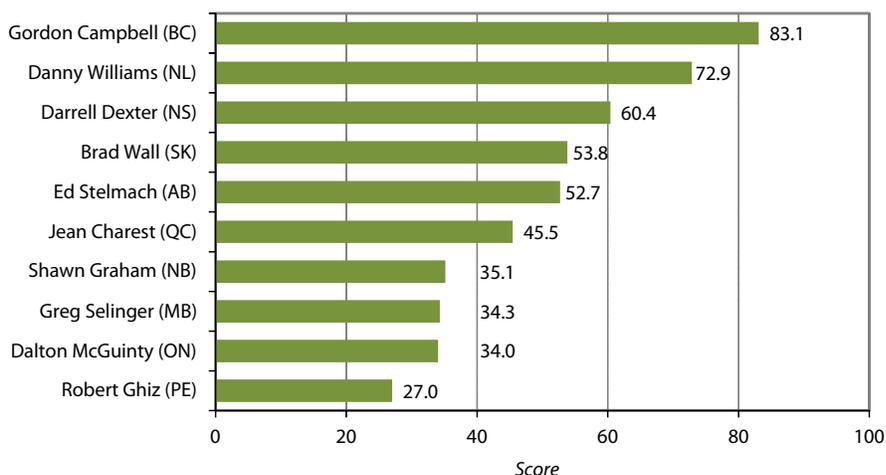
Overall results

Table 2 contains the overall scores and rankings for each premier, as well as their scores and rankings on all three components. Figure 1 displays the overall scores. Former British Columbia Premier Gordon Campbell ranked first overall with a score of 83.1 out of 100.0, followed

by former Newfoundland & Labrador Premier Danny Williams (72.9) and Nova Scotia Premier Darrell Dexter (60.4). Brad Wall of Saskatchewan (53.8) and Ed Stelmach of Alberta (52.7) rounded out the top five overall rankings.

The remaining five premiers scored below 50.0: Quebec's Jean Charest

Figure 1: Overall performance of Canada's premiers



Source: Table 2.

Table 2: Overall performance of Canada's premiers, scores (out of 100) and ranks (out of 10)

| Prov. | Premier | Overall | | Government spending | | Taxes | | Debt and deficits | |
|-------|-----------------|---------|------|---------------------|------|-------|------|-------------------|------|
| | | Score | Rank | Score | Rank | Score | Rank | Score | Rank |
| BC | Gordon Campbell | 83.1 | 1 | 83.7 | 2 | 87.0 | 1 | 78.6 | 3 |
| NL | Danny Williams | 72.9 | 2 | 67.4 | 3 | 55.1 | 4 | 96.1 | 2 |
| NS | Darrell Dexter | 60.4 | 3 | 94.8 | 1 | 11.5 | 10 | 74.8 | 4 |
| SK | Brad Wall | 53.8 | 4 | 9.8 | 10 | 51.7 | 5 | 100.0 | 1 |
| AB | Ed Stelmach | 52.7 | 5 | 45.3 | 5 | 64.4 | 3 | 48.4 | 5 |
| QC | Jean Charest | 45.5 | 6 | 62.8 | 4 | 29.1 | 8 | 44.5 | 6 |
| NB | Shawn Graham | 35.1 | 7 | 12.2 | 9 | 81.0 | 2 | 12.3 | 10 |
| MB | Greg Selinger | 34.3 | 8 | 38.1 | 6 | 38.7 | 7 | 26.2 | 9 |
| ON | Dalton McGuinty | 34.0 | 9 | 20.1 | 8 | 49.0 | 6 | 33.0 | 8 |
| PE | Robert Ghiz | 27.0 | 10 | 20.3 | 7 | 21.9 | 9 | 38.8 | 7 |

Sources: Tables 3, 4, and 7; calculations by authors.

Table 3: Government spending, scores (out of 100) and ranks (out of 10)

| Prov. | Premier | Government spending | | Average annual difference between program spending growth and GDP growth (in percentage points) | | | Average annual difference between program spending growth and inflation plus population growth (in percentage points) | | |
|-------|-----------------|---------------------|------|---|-------|------|---|-------|------|
| | | Score | Rank | Difference | Score | Rank | Difference | Score | Rank |
| NS | Darrell Dexter | 94.8 | 1 | (1.0) | 89.6 | 2 | 0.4 | 100.0 | 1 |
| BC | Gordon Campbell | 83.7 | 2 | (0.3) | 77.1 | 3 | 1.3 | 90.3 | 2 |
| NL | Danny Williams | 67.4 | 3 | (2.1) | 100.0 | 1 | 4.4 | 34.8 | 7 |
| QC | Jean Charest | 62.8 | 4 | 1.2 | 51.2 | 4 | 2.2 | 74.4 | 3 |
| AB | Ed Stelmach | 45.3 | 5 | 2.9 | 21.5 | 6 | 2.5 | 69.1 | 4 |
| MB | Greg Selinger | 38.1 | 6 | 1.6 | 43.4 | 5 | 4.5 | 32.7 | 8 |
| PE | Robert Ghiz | 20.3 | 7 | 3.8 | 5.0 | 8 | 4.3 | 35.7 | 6 |
| ON | Dalton McGuinty | 20.1 | 8 | 3.9 | 3.1 | 9 | 4.3 | 37.1 | 5 |
| NB | Shawn Graham | 12.2 | 9 | 4.1 | 0.0 | 10 | 5.0 | 24.3 | 9 |
| SK | Brad Wall | 9.8 | 10 | 3.0 | 19.6 | 7 | 6.5 | 0.0 | 10 |

Note:

Since scores are based on data that contain several decimal places, premiers may receive slightly different scores even though their underlying data appears to be the same.

Sources: Canada, Department of Finance (2010); Provincial Budgets (2011); Provincial Public Accounts (various issues); Statistics Canada (2010a and various issues); calculations by authors.

Table 4: Taxes, scores (out of 100) and ranks (out of 10)

| Prov. | Premier | Taxes | | Corporate income tax | | Personal income tax | |
|-------|-----------------|-------|------|----------------------|------|---------------------|------|
| | | Score | Rank | Score | Rank | Score | Rank |
| BC | Gordon Campbell | 87.0 | 1 | 100.0 | 1 | 73.9 | 2 |
| NB | Shawn Graham | 81.0 | 2 | 90.6 | 2 | 71.4 | 3 |
| AB | Ed Stelmach | 64.4 | 3 | 69.3 | 3 | 59.5 | 4 |
| NL | Danny Williams | 55.1 | 4 | 34.4 | 7 | 75.7 | 1 |
| SK | Brad Wall | 51.7 | 5 | 66.3 | 4 | 37.1 | 5 |
| ON | Dalton McGuinty | 49.0 | 6 | 62.3 | 5 | 35.7 | 6 |
| MB | Greg Selinger | 38.7 | 7 | 51.9 | 6 | 25.5 | 7 |
| QC | Jean Charest | 29.1 | 8 | 33.4 | 8 | 24.7 | 8 |
| PE | Robert Ghiz | 21.9 | 9 | 19.3 | 9 | 24.4 | 9 |
| NS | Darrell Dexter | 11.5 | 10 | 19.3 | 9 | 3.7 | 10 |

Sources: Tables 5, 6a, and 6b; calculations by authors.

Table 5: Corporate income tax, scores (out of 100) and ranks (out of 10)

| Prov. | Premier | Corporate income tax | | General corporate income tax rate in 2011 | | | Average percentage change in the general corporate income tax rate | | |
|-------|-----------------|----------------------|------|---|-------|------|--|-------|------|
| | | Score | Rank | Rate (%) | Score | Rank | Change | Score | Rank |
| BC | Gordon Campbell | 100.0 | 1 | 10.0 | 100.0 | 1 | (4.3) | 100.0 | 1 |
| NB | Shawn Graham | 90.6 | 2 | 11.0 | 82.6 | 3 | (4.0) | 98.7 | 2 |
| AB | Ed Stelmach | 69.3 | 3 | 10.0 | 100.0 | 1 | 0.0 | 38.6 | 5 |
| SK | Brad Wall | 66.3 | 4 | 12.0 | 65.1 | 6 | (1.9) | 67.5 | 3 |
| ON | Dalton McGuinty | 62.3 | 5 | 11.5 | 73.8 | 4 | (0.8) | 50.7 | 4 |
| MB | Greg Selinger | 51.9 | 6 | 12.0 | 65.1 | 6 | 0.0 | 38.6 | 5 |
| NL | Danny Williams | 34.4 | 7 | 14.0 | 30.2 | 8 | 0.0 | 38.6 | 5 |
| QC | Jean Charest | 33.4 | 8 | 11.9 | 66.8 | 5 | 3.4 | 0.0 | 10 |
| PE | Robert Ghiz | 19.3 | 9 | 16.0 | 0.0 | 9 | 0.0 | 38.6 | 5 |
| NS | Darrell Dexter | 19.3 | 9 | 16.0 | 0.0 | 9 | 0.0 | 38.6 | 5 |

Notes:

a) Corporate income tax rates for 2011 (and all other years) are the rates in effect at year's end or the date when the premier left office.

b) The latest corporate income tax data for Shawn Graham and Danny Williams is for 2010 since neither was in office in 2011. Sources: Treff and Perry (various editions); PriceWaterHouseCoopers (2011); Provincial Budgets (2011); calculations by authors.

(45.5); New Brunswick's former Premier Shawn Graham (35.1); Manitoba's Greg Selinger (34.3); and Ontario's Dalton McGuinty (34.0). Prince Edward Island's Robert Ghiz had the dubious distinction of ranking last overall with a score of 27.0.

Component 1: Government spending

The first component measures the relative performance of the premiers on government spending; it consists of two measures. The first is the average annual difference between the growth in government program spending and economic growth—i.e., the growth in gross domestic product (GDP)—over the

premier's tenure. The second is the average annual difference between growth in program spending and inflation-plus-population growth in the province. Premiers who increased spending faster than economic growth and the rate needed to compensate for inflation and population growth performed worse on this component than their counterparts.

Table 3 presents the scores and rankings for the Government Spending component. Premier Darrell Dexter of Nova Scotia ranked first with a score of 94.8. Premier Dexter kept program spending growth (1.8%) to an average 1.0 percentage point below the rate of economic growth (2.8%). Only Danny

Williams performed better than Dexter; in Newfoundland & Labrador annual average program spending grew 6.1%, which was 2.1 percentage points below the rate of economic growth (8.2%). While no premier restrained program spending growth to below the rate of inflation plus population growth, Premier Dexter maintained the lowest percentage point difference at 0.4.

Gordon Campbell of British Columbia (83.7) ranked second on the Government Spending component, followed by Danny Williams of Newfoundland & Labrador (67.4) and Jean Charest of Quebec (62.8). The remaining six premiers scored below 50.0. Saskatchewan's Brad Wall ranked last with a score of 9.8

Table 6a: Personal income tax, scores (out of 100) and ranks (out of 10)

| Prov. | Premier | Personal income tax | | Marginal tax rate at \$50,000 in 2011 | | | Marginal tax rate at \$75,000 in 2011 | | | Marginal tax rate at \$150,000 in 2011 | | | Number of tax brackets in 2011 | | |
|-------|-----------------|---------------------|------|---------------------------------------|-------|------|---------------------------------------|-------|------|--|-------|------|--------------------------------|-------|------|
| | | Score | Rank | Rate (%) | Score | Rank | Rate (%) | Score | Rank | Rate (%) | Score | Rank | Number | Score | Rank |
| NL | Danny Williams | 75.7 | 1 | 12.5 | 47.1 | 4 | 13.3 | 55.4 | 5 | 13.3 | 78.6 | 2 | 3 | 60.7 | 2 |
| BC | Gordon Campbell | 73.9 | 2 | 7.7 | 100.0 | 1 | 10.5 | 93.2 | 2 | 14.7 | 64.1 | 4 | 5 | 0.0 | 8 |
| NB | Shawn Graham | 71.4 | 3 | 12.5 | 47.1 | 4 | 13.3 | 55.4 | 5 | 14.3 | 68.3 | 3 | 4 | 30.3 | 6 |
| AB | Ed Stelmach | 59.5 | 4 | 10.0 | 78.6 | 3 | 10.0 | 100.0 | 1 | 10.0 | 100.0 | 1 | 1 | 100.0 | 1 |
| SK | Brad Wall | 37.1 | 5 | 13.0 | 40.8 | 7 | 13.0 | 59.5 | 4 | 15.0 | 61.0 | 5 | 3 | 60.7 | 2 |
| ON | Dalton McGuinty | 35.7 | 6 | 9.2 | 89.3 | 2 | 11.0 | 86.8 | 3 | 17.4 | 36.2 | 7 | 5 | 0.0 | 8 |
| MB | Greg Selinger | 25.5 | 7 | 12.8 | 44.0 | 6 | 17.4 | 0.0 | 10 | 17.4 | 36.3 | 6 | 3 | 60.7 | 2 |
| QC | Jean Charest | 24.7 | 8 | 16.4 | 0.0 | 10 | 16.4 | 13.9 | 7 | 19.2 | 17.5 | 9 | 3 | 60.7 | 2 |
| PE | Robert Ghiz | 24.4 | 9 | 13.8 | 30.7 | 8 | 16.7 | 9.5 | 9 | 18.4 | 26.2 | 8 | 4 | 30.3 | 6 |
| NS | Darrell Dexter | 3.7 | 10 | 15.0 | 16.3 | 9 | 16.7 | 9.9 | 8 | 21.0 | 0.0 | 10 | 5 | 0.0 | 8 |

continued ...

Table 6b: Personal income tax, scores (out of 100) and ranks (out of 10) (continued)

| Prov. | Premier | Average annual change in the marginal tax rate at \$50,000 | | | Average annual change in the marginal tax rate at \$75,000 | | | Average annual change in the marginal tax rate at \$150,000 | | |
|-------|-----------------|--|-------|------|--|-------|------|---|-------|------|
| | | Percent | Score | Rank | Percent | Score | Rank | Percent | Score | Rank |
| NL | Danny Williams | (3.5) | 88.1 | 3 | (5.2) | 100.0 | 1 | (5.2) | 100.0 | 1 |
| BC | Gordon Campbell | (4.1) | 100.0 | 1 | (3.6) | 72.9 | 3 | (4.1) | 87.1 | 3 |
| NB | Shawn Graham | (3.9) | 99.9 | 2 | (5.0) | 99.6 | 2 | (5.1) | 99.1 | 2 |
| AB | Ed Stelmach | 0.0 | 0.0 | 4 | 0.0 | 0.0 | 6 | 0.0 | 37.7 | 4 |
| SK | Brad Wall | 0.0 | 0.0 | 4 | 0.0 | 0.0 | 6 | 0.0 | 37.7 | 4 |
| ON | Dalton McGuinty | 0.0 | 0.0 | 4 | 0.0 | 0.0 | 6 | 0.0 | 37.7 | 4 |
| MB | Greg Selinger | 0.0 | 0.0 | 4 | 0.0 | 0.0 | 6 | 0.0 | 37.7 | 4 |
| QC | Jean Charest | 0.0 | 0.0 | 4 | (2.2) | 43.3 | 4 | 0.0 | 37.7 | 4 |
| PE | Robert Ghiz | 0.0 | 0.0 | 4 | (1.8) | 36.3 | 5 | 0.0 | 37.7 | 4 |
| NS | Darrell Dexter | 0.0 | 0.0 | 4 | 0.0 | 0.0 | 6 | 3.6 | 0.0 | 10 |

Notes:

- a) Personal income tax rates for 2011 (and all other years) are the rates in effect at year's end or the date when the premier left office.
- b) Personal income tax rates include surtaxes where applicable. Quebec's tax rates are adjusted for the federal abatement.
- c) The number of tax brackets is after surtaxes are applied.
- d) Since scores are based on data that contain several decimal places, premiers may receive slightly different scores even though their underlying data appears to be the same.
- e) The three income levels are in constant dollars to avoid the problem of threshold indexation causing perceived tax rate declines and to ensure longer term premiers are not at a disadvantage compared to shorter term ones.

Sources: Treff and Perry (various editions); PriceWaterHouseCoopers (2011); Provincial Budgets (2011); calculations by authors.

out of 100.0. Program spending in Saskatchewan grew at 9.9%, on average, over Premier Wall's tenure compared to average economic growth of 6.9% and inflation plus population growth of 3.4%.

Component 2: Taxes

The second component measures the relative performance of the premiers on taxation. The Taxes component comprises two sub-components. The Corporate Income Tax (CIT) sub-component uses two measures to assess performance: the general corporate income tax rate in 2011 and the

average annual change in the general CIT rate over the premier's tenure. The Personal Income Tax (PIT) sub-component consists of seven measures. These include marginal tax rates on personal income in 2011 and the average annual changes in those rates over the premier's tenure at three levels of income: \$50,000, \$75,000, and \$150,000.⁵ Another measure that is also included is the number of brackets in the province's PIT system. Premiers who maintained lower tax rates and reduced them relative to their counterparts performed better, as did premiers who

presided over personal income tax systems with fewer rather than more tax brackets.

Table 4 summarizes the scores and rankings for the Taxes component and each sub-component. British Columbia's Gordon Campbell ranked first overall with a score of 87.0. New Brunswick's Shawn Graham ranked a close second, scoring 81.0. There was a large gap between Graham's second place and third place Ed Stelmach of Alberta (64.4.). Danny Williams of Newfoundland & Labrador (55.1) and Brad Wall of Saskatchewan (51.7) were the only other premiers to

Table 7: Debt and Deficits, scores (out of 100) and ranks (out of 10)

| Prov. | Premier | Debt and deficits | | Average annual surplus/deficit as a percentage of GDP | | | Average annual percentage change in net debt as a share of GDP | | |
|-------|-----------------|-------------------|------|---|-------|------|--|-------|------|
| | | Score | Rank | Percent | Score | Rank | Percent | Score | Rank |
| SK | Brad Wall | 100.0 | 1 | 1.16 | 100.0 | 1 | (15.2) | 100.0 | 1 |
| NL | Danny Williams | 96.1 | 2 | 1.82 | 100.0 | 1 | (9.6) | 92.2 | 2 |
| BC | Gordon Campbell | 78.6 | 3 | 0.18 | 100.0 | 1 | (0.9) | 57.3 | 3 |
| NS | Darrell Dexter | 74.8 | 4 | (0.03) | 97.5 | 4 | 0.4 | 52.2 | 5 |
| AB | Ed Stelmach | 48.4 | 5 | (0.04) | 96.8 | 5 | 13.5 | 0.0 | 10 |
| QC | Jean Charest | 44.5 | 6 | (0.87) | 35.1 | 7 | (0.1) | 53.8 | 4 |
| PE | Robert Ghiz | 38.8 | 7 | (0.85) | 36.8 | 6 | 3.2 | 40.9 | 6 |
| ON | Dalton McGuinty | 33.0 | 8 | (0.98) | 26.6 | 9 | 3.5 | 39.4 | 7 |
| MB | Greg Selinger | 26.2 | 9 | (0.98) | 26.7 | 8 | 6.9 | 25.7 | 8 |
| NB | Shawn Graham | 12.3 | 10 | (1.40) | 0.0 | 10 | 7.2 | 24.5 | 9 |

Notes:

a) Premiers that generated average surpluses were automatically assigned a score of 100.

b) In the first edition of *Measuring the Fiscal Performance of Canada's Premiers*, we did not assess Alberta's premier Ed Stelmach on the second debt and deficits indicator; his score on the first indicator equaled his component score. The authors excluded premier Stelmach's performance on the second indicator because Alberta has negative net debt or, in other words, net assets (provincial financial assets are greater than provincial liabilities). But while Alberta's net asset position is unique among the provinces, the value of its net assets has been declining over time beginning in fiscal year 2007/08.

The authors changed the methodology in this year's report. Premier Stelmach is now assessed on the second deficits and debt indicator. Since the indicator is meant to capture annual changes in net debt, Stelmach's performance is evaluated using the reduction in Alberta's net assets. Even though the province's assets exceed its liabilities, the reality is that net assets have decreased as a share of GDP during premier Stelmach's tenure by an average of 13.5% per year.

The authors attempted to remove changes in Alberta's net assets that were driven by factors outside of the premier's control. For instance, the province's Heritage Fund makes up a large portion of total assets and since some of the Fund is invested in the stock market, the authors calculated net assets by excluding any net gain or loss to the Fund that resulted from these investments. Gains and losses from stock market investments, after all, are driven by changes beyond the premier's control. By excluding these gains and losses, Premier Stelmach actually performs worse because net assets as a share of GDP decline by an average of 14.2% per year rather than 13.5%. So to err on the conservative side, the authors did not exclude the gains and losses from equity investments in the Heritage Fund.

Importantly, if the authors used Alberta's reduction in net assets to evaluate Premier Stelmach's performance on the second debt and deficits measure in last year's report, Stelmach would have ranked 6th overall instead of 4th.

c) If accounting changes were made to the underlying debt and deficits data, the authors used data that had been adjusted retroactively. However, in cases where revised data was not provided (i.e., Quebec), the authors omitted years where the change took place.

d) Net debt data for 2010/11 are sourced from the provincial budgets and public accounts except for PEI, which did not provide data for the 2010/11 fiscal year. Robert Ghiz's average annual change in net debt as a share of GDP excludes data for that year.

e) Since scores are based on data that contain several decimal places, premiers may receive slightly different scores even though their underlying data appears to be the same.

Sources: Canada, Department of Finance (2010); Provincial Budgets (2011); Provincial Public Accounts (various issues); Statistics Canada (2010a and various issues); calculations by authors.

score above 50.0. Nova Scotia's Darrell Dexter ranked last with a score of 11.5 out of 100.0.

Corporate Income Tax

Table 5 displays the scores and rankings for the Corporate Income Tax sub-component and measures. Gordon Campbell received a perfect score of 100.0 in this sub-component since BC is tied for the lowest corporate tax rate and since he reduced BC's rate by the largest average annual percentage (4.3%), from 16.5% in 2001 to 10.0% in 2011. Shawn Graham (90.6) ranked second, followed by Ed Stelmach (69.3), Brad Wall (66.3), and Dalton McGuinty (62.3). Greg Selinger was the only other premier to score above 50.0 on the Corporate Income Tax sub-component. Darrell Dexter and Robert Ghiz tied for last place with a score of 19.3 because they maintained the highest corporate income tax rate among the provinces (16.0%) and did not reduce the rate during their tenures.

Personal Income Tax

The scores and rankings for the Personal Income Tax sub-component and measures are shown in Tables 6a and 6b. Former Newfoundland & Labrador Premier Danny Williams was first overall with a score of 75.7, edging out Gordon Campbell (73.9) and Shawn Graham (71.4). While Danny Williams reduced marginal tax rates at all three income levels assessed, Newfoundland & Labrador's tax rates on middle and high income earners are significantly higher than those in Alberta (the province with the lowest rates), as is the number of tax brackets. Ed Stelmach (59.5) was the only other premier to score

above 50.0 on the Personal Income Tax sub-component. Dalton McGuinty (35.7) and Jean Charest (24.7), premiers of Canada's two most populous provinces, ranked sixth and eighth, respectively. Nova Scotia's Darrell Dexter was last due to the fact that he maintained five different tax brackets and some of highest marginal tax rates on personal income in the country. In addition, Darrell Dexter was the only premier to raise the tax rate for workers earning \$150,000 (or more).

Component 3: Debt and deficits

The final component measures the relative performance of the premiers on debt and deficits. It evaluates the premiers' use of deficit financing for government spending and whether they increased or reduced the province's accumulated debt burden. The component includes two measures, both of which are calculated relative to the size of the provincial economy (GDP). Deficits are captured by the average annual deficit (or surplus) as a percentage of GDP over the premier's tenure. Debts are captured by the average annual percentage change in net debt as a share of GDP. Premiers who recorded deficits and increased government debt performed worse than those who balanced their books and reduced provincial debt.

Brad Wall of Saskatchewan ranked first on the Debt and Deficits component with a perfect score of 100.0 (see table 7). Premier Wall not only recorded an average surplus while in office, but also reduced net debt as a share of GDP by far the largest average annual percentage.

Newfoundland & Labrador's Danny Williams (96.1) ranked a close second followed by British Columbia's Gordon Campbell (78.6). These three premiers were the only ones to both record a surplus and reduce net debt, on average, during their tenures. Darrell Dexter of Nova Scotia scored just under Gordon Campbell on this component (74.8), which put him in fourth place.

The other six premiers (Ed Stelmach, Jean Charest, Robert Ghiz, Dalton McGuinty, Greg Selinger, and Shawn Graham), all incurred a deficit on average during their tenure and failed to score above 50.0. New Brunswick's Shawn Graham ranked last with a score of 12.3; he not only produced a deficit, but also increased net debt as a share of GDP.

Conclusion

In the current economic climate, the pursuit of sound fiscal policy by our political leaders is a critical catalyst for the country's economic well-being. This Fraser Alert is a succinct presentation of the relative performance of ten Canadian premiers in three core areas of fiscal policy: government spending, taxes, and debt and deficits. Premiers who fare well should be commended, while those lagging behind should use the performance of others as a model for reform. However they placed, it is clear that all premiers, even those with high rankings, have room for improvement.

Notes

- 1 The report measures the performance of seven premiers currently in power and three former premiers (see table 1).

- 2 Data for the 2011/12 fiscal year are available but they are derived from government projections. Data for 2010/11 are from historical records.
- 3 For a review of the academic literature highlighting why each fiscal policy component is important for economic performance, please see the original and more comprehensive study upon which this Fraser Alert is based (Lammam et al., 2010).
- 4 The scores for each measure are calculated using a min-max formula. For additional details on the methodology, please see Lammam et al., 2010: 48-52.
- 5 See Lammam et al. (2010) for an explanation of why these three levels of income were selected.

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