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Measuring the Fiscal Performance of Canada's Premiers, 2012

by Milagros Palacios, Charles Lammam, Amela Karabegović, and Niels Veldhuis

Main Conclusions

- The fiscal performance of 10 Canadian premiers (eight current and two former) is measured up to the 2011/12 fiscal year for three components of fiscal policy: government spending, taxes, and debt and deficits.
- Overall, the 10 premiers ranked, in order: Kathy Dunderdale, premier of Newfoundland & Labrador, first place (with a score of 71.4 out of a possible 100.0); David Alward, premier of New Brunswick, 2nd (70.4); Brad Wall, Saskatchewan, 3rd (61.6); Christy Clark, British Columbia, 4th (60.8); Ed Stelmach, former premier of Alberta, 5th (49.1); Darrell Dexter, Nova Scotia, 6th (37.9); Jean Charest, former premier of Quebec, 7th (35.9); Dalton McGuinty, Ontario, 8th (28.9); Robert Ghiz, Prince Edward Island, 9th (23.5); Greg Selinger, Manitoba, last overall (19.2 out of 100.0).
- On the Government Spending component, New Brunswick's David Alward took top position with a score of 88.5, followed by Newfoundland & Labrador's Kathy Dunderdale (70.8) and British Columbia's Christy Clark (54.5). The remaining premiers scored below 50.0 on this component: Darrell Dexter (31.3), Jean Charest (29.9), Ed Stelmach (28.6), Brad Wall (27.5), Robert Ghiz (13.9), Dalton McGuinty (12.3), and Manitoba's Greg Selinger, who was last, scoring 0.0.
- On the Taxes component, New Brunswick's David Alward again led the premiers with a score of 87.6 out of 100.0. Premiers from Canada's most populous provinces, Dalton McGuinty (Ontario) and Jean Charest (Quebec), scored 54.8 and 38.0, ranking 5th and 8th, respectively, on this component.
- On the Debt and Deficits component, Newfoundland & Labrador's Kathy Dunderdale and Saskatchewan's Brad Wall tied for first place with perfect scores of 100.0. Nova Scotia's Darrell Dexter came in 3rd (68.4), followed by British Columbia's Christy Clark with a score of 65.0. The remaining premiers scored below 50.0 on this component: Ed Stelmach (48.6), Jean Charest (39.9), David Alward (35.1), Robert Ghiz (24.8), Dalton McGuinty (19.7), and Greg Selinger, who scored lowest on this component (12.7).

Introduction

With budget deficits and increased government debt expected in nearly all provinces yet again this fiscal year, prudent fiscal management is a pressing economic issue for many Canadians. This is rightly so, as sound fiscal policy is a key determinant of any province's long-term economic success. Sound fiscal

policy requires provincial premiers to 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 help foster 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 third edition of *Measuring the Fiscal Performance of Canada's Premiers*, the authors 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.

Table 1: Period in which the premiers are evaluated

Province	Premier	Period evaluated
BC	Christy Clark	2011/12
AB	Ed Stelmach*	2007/08 to 2011/12
SK	Brad Wall	2008/09 to 2011/12
MB	Greg Selinger	2010/11 to 2011/12
ON	Dalton McGuinty	2004/05 to 2011/12
QC	Jean Charest*	2003/04 to 2011/12
NB	David Alward	2011/12
NS	Darrell Dexter	2009/10 to 2011/12
PE	Robert Ghiz	2007/08 to 2011/12
NL	Kathy Dunderdale	2011/12

* = former premier.

Notes

- Ed Stelmach is the former premier of Alberta; he left office on October 7, 2011. His performance was evaluated instead of that of current premier Alison Redford because he was in power for more than half of the 2011/12 fiscal year.
- Dalton McGuinty announced on October 15, 2012 that he would step down as leader of the Ontario Liberals after the party chooses his successor in January 2013.
- Jean Charest is the former premier of Quebec; he left office on September 19, 2012. His performance was evaluated instead of that of current premier Pauline Marois because he was in power for the entire 2011/12 fiscal year.
- David Alward became premier of New Brunswick on October 12, 2010, but was evaluated only for 2011/12 since his predecessor Shawn Graham was in power for more than half of the 2010/11 year. Moreover, Premier Alward did not table a budget for the 2010/11 fiscal year.
- Kathy Dunderdale became premier of Newfoundland & Labrador on December 3, 2010, but was evaluated only for 2011/12 since her predecessor Danny Williams was in power for more than half of the 2010/11 fiscal year. Moreover, Premier Dunderdale did not table a budget for the 2010/11 fiscal year.

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

How performance is measured

This report measures the relative fiscal policy performance of 10 Canadian premiers.¹ Using available historical data, each premier's performance is measured over the time

About the authors



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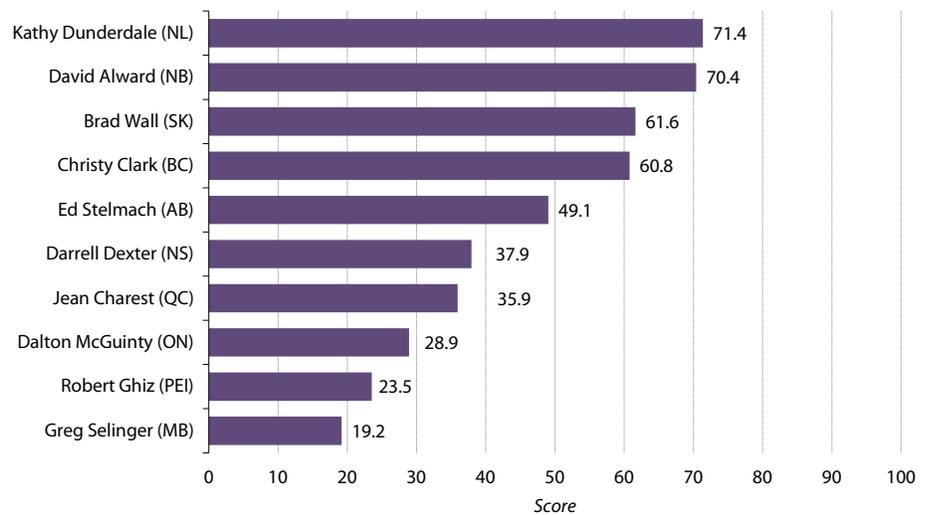


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he or she held office up to the most recent year (the 2011/12 fiscal year).² Some premiers were evaluated over a longer period than others. For instance, Quebec's former premier Jean Charest was evaluated for the longest period (2003/04 to 2011/12), whereas British Columbia's Christy Clark, New Brunswick's David Alward, and Newfoundland & Labrador's Kathy Dunderdale were evaluated for the shortest period (just the 2011/12 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; higher performing premiers receive higher

Figure 1: Overall performance of Canada's premiers



Source: Table 2.

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 are also 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 only.

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
NL	Kathy Dunderdale	71.4	1	70.8	2	43.3	7	100.0	1
NB	David Alward	70.4	2	88.5	1	87.6	1	35.1	7
SK	Brad Wall	61.6	3	27.5	7	57.4	4	100.0	1
BC	Christy Clark	60.8	4	54.5	3	62.8	3	65.0	4
AB	Ed Stelmach	49.1	5	28.6	6	70.0	2	48.6	5
NS	Darrell Dexter	37.9	6	31.3	4	14.1	10	68.4	3
QC	Jean Charest	35.9	7	29.9	5	38.0	8	39.9	6
ON	Dalton McGuinty	28.9	8	12.3	9	54.8	5	19.7	9
PE	Robert Ghiz	23.5	9	13.9	8	32.0	9	24.8	8
MB	Greg Selinger	19.2	10	0.0	10	44.8	6	12.7	10

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		Annual difference between program spending and economic growth (in percentage points)			Annual difference between program spending and inflation plus population growth (in percentage points)		
		Score	Rank	Difference	Score	Rank	Difference	Score	Rank
NB	David Alward	88.5	1	(6.0)	77.0	2	(5.9)	100.0	1
NL	Kathy Dunderdale	70.8	2	(12.8)	100.0	1	1.4	41.6	4
BC	Christy Clark	54.5	3	(1.8)	41.1	4	(0.6)	68.0	2
NS	Darrell Dexter	31.3	4	1.5	12.7	7	0.8	50.0	3
QC	Jean Charest	29.9	5	0.3	22.5	5	1.8	37.3	6
AB	Ed Stelmach	28.6	6	0.9	17.6	6	1.6	39.6	5
SK	Brad Wall	27.5	7	(2.7)	48.9	3	4.2	6.0	9
PE	Robert Ghiz	13.9	8	1.9	9.1	8	3.2	18.7	8
ON	Dalton McGuinty	12.3	9	2.5	3.9	9	3.0	20.6	7
MB	Greg Selinger	0.0	10	2.9	0.0	10	4.6	0.0	10

Notes

- a) Program spending is generally defined as total spending minus debt charges (interest payments on debt).
- b) As a result of returning to the provincial sales tax (PST), British Columbia had to repay \$1.6 billion to the federal government which was originally intended as funding for BC to transition to the harmonized sales tax (HST). In the spending analysis above, the \$1.6 billion was excluded from BC's 2011/12 program spending because it is a one-time spending item that the current premier inherited from the previous leader. Moreover, this one-time expense is not included in program spending in official government documents such as budgets and public accounts.
- c) 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 (2012); Provincial Budgets (2012); Provincial Public Accounts (various issues); Statistics Canada (2012a, 2012b, and various issues); calculations by authors.

Newfoundland & Labrador Premier Kathy Dunderdale ranked first overall with a score of 71.4 out of 100.0, followed closely by New Brunswick Premier David Alward (70.4). Saskatchewan Premier Brad Wall (61.6) and British Columbia Premier Christy Clark (60.8) were the only other two premiers to score above 50.0.

The remaining six premiers scored below 50.0: Alberta's former Premier Ed Stelmach (49.1); Nova Scotia's Premier Darrell Dexter (37.9); Quebec's former Premier Jean Charest (35.9), Ontario's Dalton McGuinty (28.9), and Prince Edward Island's Robert Ghiz (23.5). Manitoba's Greg Selinger had the dubious distinction of ranking last overall with a score of 19.2.

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 provincial government program spending and economic growth over the premier's

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
NB	David Alward	87.6	1	100.0	1	75.2	1
AB	Ed Stelmach	70.0	2	71.7	2	68.3	2
BC	Christy Clark	62.8	3	71.7	2	53.8	3
SK	Brad Wall	57.4	4	68.0	4	46.8	5
ON	Dalton McGuinty	54.8	5	65.1	5	44.5	6
MB	Greg Selinger	44.8	6	54.4	6	35.2	9
NL	Kathy Dunderdale	43.3	7	37.0	7	49.6	4
QC	Jean Charest	38.0	8	33.5	8	42.6	7
PE	Robert Ghiz	32.0	9	21.7	9	42.2	8
NS	Darrell Dexter	14.1	10	21.7	9	6.4	10

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

tenure (economic growth is the nominal growth in provincial gross domestic product (GDP)). The second measure is the average annual difference between growth in program spending and the rate of 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 David Alward of New Brunswick ranked first with a score of 88.5; he was the only premier who actually reduced program spending over his tenure. Specifically, over the one year Alward's performance was evaluated, he reduced nominal program spending by 2.0%. Alward reduced spending while the provincial economy grew 4.0% and the

combined rate of inflation and population growth equalled 3.9%.

Kathy Dunderdale of Newfoundland & Labrador (70.8) ranked second on the Government Spending component, followed by Christy Clark of British Columbia (54.5).⁵ Both of these premiers kept average program spending growth below the rate of provincial economic growth. The remaining seven premiers scored below 50.0. Manitoba's Greg Selinger ranked last with a score of 0.0 out of 100.0. Over Premier Selinger's tenure, program spending in Manitoba grew at an average rate of 7.8%, which was well above the average rates of economic growth (4.9%) and inflation plus population growth (3.2%) in the province.

Component 2: Taxes

The second component measures the relative performance of the

premiers on taxation. The Taxes component is composed of two sub-components. The Corporate Income Tax sub-component uses two measures to assess performance: the province's general corporate income tax rate in 2012 and the average annual change in the general corporate income tax rate over the premier's tenure. The Personal Income Tax sub-component consists of seven measures. These include marginal tax rates on personal income in 2012 and the average annual changes in those rates over the premier's tenure at three levels of income: \$50,000, \$75,000, and \$150,000.⁶ Another measure included in the Personal Income Tax sub-component is the number of tax brackets in a province's personal income tax 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. New Brunswick's David Alward ranked first overall with a score of 87.6. Alberta's former Premier Ed Stelmach ranked second, scoring 70.0. Christy Clark of British Columbia (62.8.), Brad Wall of Saskatchewan (57.4), and Dalton

McGuinty of Ontario (54.8) were the only other premiers to score above 50.0. Nova Scotia's Darrell Dexter ranked last with a score of 14.1 out of 100.0.

Corporate Income Tax

Table 5 displays the scores and rankings for the Corporate Income Tax sub-component and measures. David Alward received a perfect score of 100.0 on this sub-component partly because New Brunswick's

corporate income tax rate is tied with Alberta and British Columbia for lowest in the country. In addition, Alward was in power when New Brunswick's rate decreased from 11.0% in 2010 to 10.0% in 2011, giving him the largest average annual percentage reduction (4.5%) among the premiers. Ed Stelmach and Christy Clark tied for second place with a score of 71.7, followed by Brad Wall (68.0) and Dalton McGuinty (65.1). Greg Selinger

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

Prov.	Premier	Corporate income tax rate		General corporate income tax rate in 2012			Annual percentage change in the general corporate income tax rate		
		Score	Rank	Tax rate	Score	Rank	Change	Score	Rank
NB	David Alward	100.0	1	10.0	100.0	1	(4.5)	100.0	1
AB	Ed Stelmach	71.7	2	10.0	100.0	1	0.0	43.4	4
BC	Christy Clark	71.7	2	10.0	100.0	1	0.0	43.4	4
SK	Brad Wall	68.0	4	12.0	65.3	6	(1.5)	70.7	2
ON	Dalton McGuinty	65.1	5	11.5	74.0	4	(0.7)	56.1	3
MB	Greg Selinger	54.4	6	12.0	65.3	6	0.0	43.4	4
NL	Kathy Dunderdale	37.0	7	14.0	30.7	8	0.0	43.4	4
QC	Jean Charest	33.5	8	11.9	67.1	5	3.1	0.0	10
PE	Robert Ghiz	21.7	9	16.0	0.0	9	0.0	43.4	4
NS	Darrell Dexter	21.7	9	16.0	0.0	9	0.0	43.4	4

Notes

- Corporate income tax rates for 2012 (and all other years) are the rates in effect at year's end or the date when the premier left office.
- New Brunswick's general corporate income tax rate was supposed to decrease to 8% on July 1, 2012, according to the plan outlined in the 2009 provincial Budget. The Alward government, which came into power in October 2010, allowed the rate to decrease from 11% to 10% on July 1, 2011, but rescinded the reduction to 8% in 2012.
- Ed Stelmach left office in 2011 but the corporate income tax rate in Alberta has not changed in 2012.
- Ontario's general corporate income tax rate was supposed to decrease to 11% on July 1, 2012, and again to 10% on July 1, 2013, according to the plan outlined in the 2009 provincial budget. The McGuinty government rescinded these rate reductions in Budget 2012.
- In British Columbia's 2012 Budget, the Clark government signalled that the general corporate income tax rate will increase from 10% to 11% on April 1, 2014, contingent on the state of government finances.

Sources: Treff and Perry (various editions); Treff and Ort (various issues); PriceWaterHouseCoopers (2012); Provincial Budgets (2012); calculations by authors.

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 2012			Marginal tax rate at \$75,000 in 2012			Marginal tax rate at \$150,000 in 2012			Number of tax brackets in 2012		
		Score	Rank	Rate (%)	Score	Rank	Rate (%)	Score	Rank	Rate (%)	Score	Rank	Number	Score	Rank
NB	David Alward	75.2	1	12.1	51.7	4	12.1	71.6	4	14.3	68.3	3	4	42.9	6
AB	Ed Stelmach	68.3	2	10.0	78.1	3	10.0	100.0	1	10.0	100.0	1	1	100.0	1
BC	Christy Clark	53.8	3	7.7	100.0	1	10.5	93.2	2	14.7	64.1	4	5	19.4	8
NL	Kathy Dunderdale	49.6	4	12.5	46.6	5	13.3	55.4	6	13.3	78.6	2	3	66.5	2
SK	Brad Wall	46.8	5	13.0	40.3	7	13.0	59.5	5	15.0	61.0	5	3	66.5	2
ON	Dalton McGuinty	44.5	6	9.2	88.8	2	11.0	86.8	3	17.4	36.2	7	6	0.0	10
QC	Jean Charest	42.6	7	16.4	0.0	10	16.4	13.9	7	19.2	17.5	9	3	66.5	2
PE	Robert Ghiz	42.2	8	13.8	30.2	8	16.7	9.5	9	18.4	26.2	8	4	42.9	6
MB	Greg Selinger	35.2	9	12.8	43.5	6	17.4	0.0	10	17.4	36.3	6	3	66.5	2
NS	Darrell Dexter	6.4	10	15.0	15.7	9	16.7	9.9	8	21.0	0.0	10	5	19.4	8

continued ...

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

Prov.	Premier	Annual change in the marginal tax rate at \$50,000			Annual change in the marginal tax rate at \$75,000			Annual change in the marginal tax rate at \$150,000		
		Percent	Score	Rank	Percent	Score	Rank	Percent	Score	Rank
NB	David Alward	(1.6)	100.0	1	(1.6)	91.6	2	0.0	100.0	1
AB	Ed Stelmach	0.0	0.0	2	0.0	0.0	4	0.0	100.0	1
BC	Christy Clark	0.0	0.0	2	0.0	0.0	4	0.0	100.0	1
NL	Kathy Dunderdale	0.0	0.0	2	0.0	0.0	4	0.0	100.0	1
SK	Brad Wall	0.0	0.0	2	0.0	0.0	4	0.0	100.0	1
ON	Dalton McGuinty	0.0	0.0	2	0.0	0.0	4	0.0	100.0	1
QC	Jean Charest	0.0	0.0	2	(2.0)	100.0	1	0.0	100.0	1
PE	Robert Ghiz	0.0	0.0	2	(1.5)	86.8	3	0.0	100.0	1
MB	Greg Selinger	0.0	0.0	2	0.0	0.0	4	0.0	100.0	1
NS	Darrell Dexter	0.0	0.0	2	0.0	0.0	4	2.7	0.0	10

Notes

a) Personal income tax rates for 2012 (and all other years) are the rates in effect at year's end or the date when the premier left office.

b) The three income levels are in constant dollars (adjusted for inflation) to minimize the problem of threshold indexation causing perceived tax rate changes and to ensure longer-term premiers are not disadvantaged compared to shorter term ones. It is important to note that tax rate changes at the various income levels can occur either due to changes in actual tax rates or changes in income thresholds.

c) Personal income tax rates include surtaxes where applicable. Quebec's tax rates are adjusted for the federal abatement. The number of tax brackets is after surtaxes are applied.

d) Ed Stelmach left office in 2011 but the personal income tax rates in Alberta have not changed in 2012.

e) New Brunswick's David Alward came into power in October 2010 and allowed a personal tax rate reduction (on income of \$50,000 and \$75,000) enacted by a previous government to go through in 2011. However, the Alward government delayed personal income tax rate reductions that were scheduled for 2012.

f) 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: Treff and Perry (various editions); Treff and Ort (various issues); PriceWaterHouseCoopers (2012); Provincial Budgets (2012); calculations by authors.

(54.4) was the only other premier to score above 50.0 on the Corporate Income Tax sub-component. Robert Ghiz and Darrell Dexter tied for last place with a score of 21.7 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. New Brunswick Premier David Alward was first overall with a score of 75.2, partly because he allowed a marginal tax rate reduction previously

announced by his predecessor on incomes of \$50,000 and \$75,000 to go through. That said, New Brunswick's tax rates on middle and high income earners are still generally higher than the flat tax rate of 10.0% levied in Alberta. In addition, New Brunswick's personal income tax system has four separate tax

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

Prov.	Premier	Debt and deficits		Annual surplus (deficit) as a percentage of GDP			Annual percentage change in net debt as a share of GDP		
		Score	Rank	Percent	Score	Rank	Percent	Score	Rank
NL	Kathy Dunderdale	100.0	1	2.31	100.0	1	(18.7)	100.0	1
SK	Brad Wall	100.0	1	0.85	100.0	1	(16.9)	100.0	1
NS	Darrell Dexter	68.4	3	(0.08)	92.6	4	1.1	44.3	5
BC	Christy Clark	65.0	4	(0.11)	89.6	5	2.2	40.4	6
AB	Ed Stelmach	48.6	5	(0.03)	97.2	3	14.3	0.0	10
QC	Jean Charest	39.9	6	(0.74)	30.7	6	(0.3)	49.0	3
NB	David Alward	35.1	7	(0.81)	23.7	7	0.5	46.4	4
PE	Robert Ghiz	24.8	8	(0.94)	11.1	8	2.8	38.6	7
ON	Dalton McGuinty	19.7	9	(1.03)	2.7	9	3.3	36.8	8
MB	Greg Selinger	12.7	10	(1.06)	0.0	10	6.7	25.5	9

Notes

a) Surplus (deficit) is the difference between revenues and total spending before any unusual items, transfers to funds, consolidation adjustments, and forecast allowances.

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

c) Alberta has net assets (or negative net debt) because the value of financial assets exceed gross debt. While Alberta's net asset position is unique among the provinces, the value of its assets has been declining over time beginning in fiscal year 2007/08. During Ed Stelmach's tenure, Alberta's net assets decreased as a share of GDP by an average of 14.3% per year. Since the second debt and deficits measure is meant to capture annual changes in net debt, Stelmach's performance is evaluated using the reduction in Alberta's net assets.

d) 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 (Quebec), the authors omitted years where the change took place.

e) As a result of returning to the provincial sales tax (PST), British Columbia had to repay \$1.6 billion to the federal government which was originally intended as funding for BC to transition to the harmonized sales tax (HST). In the analysis above, the \$1.6 billion was excluded from BC's 2011/12 deficit and debt because it is a one-time spending item that the current premier inherited from the previous leader. Had we included the \$1.6 billion in BC's 2011/12 deficit and debt, Premier Clark would have ranked 8th on this component and 5th overall.

f) Jean Charest recorded a deficit, on average, but still managed to reduce net debt as a share of the economy. It is possible for a premier to incur a deficit while at the same time reducing net debt. A deficit (or surplus) is the difference between total revenue and total spending, while net debt is gross debt minus financial assets. So changes in net debt can occur due to changes in gross debt or changes in financial assets, or both.

g) 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, 2012; Provincial Budgets, 2012; Provincial Public Accounts (various issues); Statistics Canada, 2012b; calculations by authors.

brackets compared to Alberta's single bracket. Ed Stelmach (68.3) and Christy Clark (53.8) were the only other premiers to score above 50.0 on the Personal Income Tax sub-component. Ontario's Dalton McGuinty (44.5) and Quebec's Jean Charest (42.6), premiers from Canada's most populous provinces, ranked sixth and seventh, respectively. Nova Scotia's Darrell Dexter ranked last with a score of just 6.4. Nova Scotia's personal income tax system has five separate tax brackets (tied for second highest) and includes some of the highest marginal tax rates in the country.

Component 3: Debt and deficits

The final component measures the relative performance of the premiers on debt and deficits. Specifically, it measures a premier's use of deficit financing for government spending and whether they increased or reduced their province's accumulated debt burden. The Debt and Deficits component includes two measures, both of which are calculated relative to the size of the provincial economy (GDP). Deficits and surpluses 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.

Kathy Dunderdale of Newfoundland & Labrador and Brad Wall of

Saskatchewan tied for first place on the Debt and Deficits component with perfect scores of 100.0 (see table 7). These two premiers were the only ones to both record a surplus and reduce net debt, on average, during their tenures. Darrell Dexter of Nova Scotia was a distant third scoring 68.4 on this component. Christy Clark was the only other premier to score above 50.0 (65.0).

The other six premiers (Ed Stelmach, Jean Charest, David Alward, Robert Ghiz, Dalton McGuinty, and Greg Selinger), failed to score above 50.0 since all incurred a deficit, on average, and all except Quebec's Jean Charest increased net debt during their tenures.

Conclusion

In the current economic climate, the pursuit of sound fiscal policy by our political leaders is an important foundation for improving our economic well-being. This Fraser Alert measures the relative performance of 10 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. Regardless of where they ranked, all premiers, even those with high rankings, have room for improvement.

Notes

1 At the time of writing, eight of the premiers included in this Alert are currently in power and two are former premiers. While Ontario premier Dalton McGuinty announced

his resignation on October 15, 2012, he is considered a current premier because his party hasn't yet chosen a successor. The successor will be selected in early 2013.

- 2 Data for the 2012/13 fiscal year are available, but are derived from government projections. Data for 2011/12 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 Kathy Dunderdale's strong performance on the Government Spending component is in part due to Newfoundland & Labrador's significant economic growth, not her ability to restrain the growth in government program spending. For instance, over the one year Dunderdale's performance was evaluated, the provincial economy grew a considerable 17.5%, while at the same time program spending increased 4.7% (a difference of 12.8 percentage points).
- 6 See Lammam et al., 2010, for an explanation of why these three levels of income were selected.

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