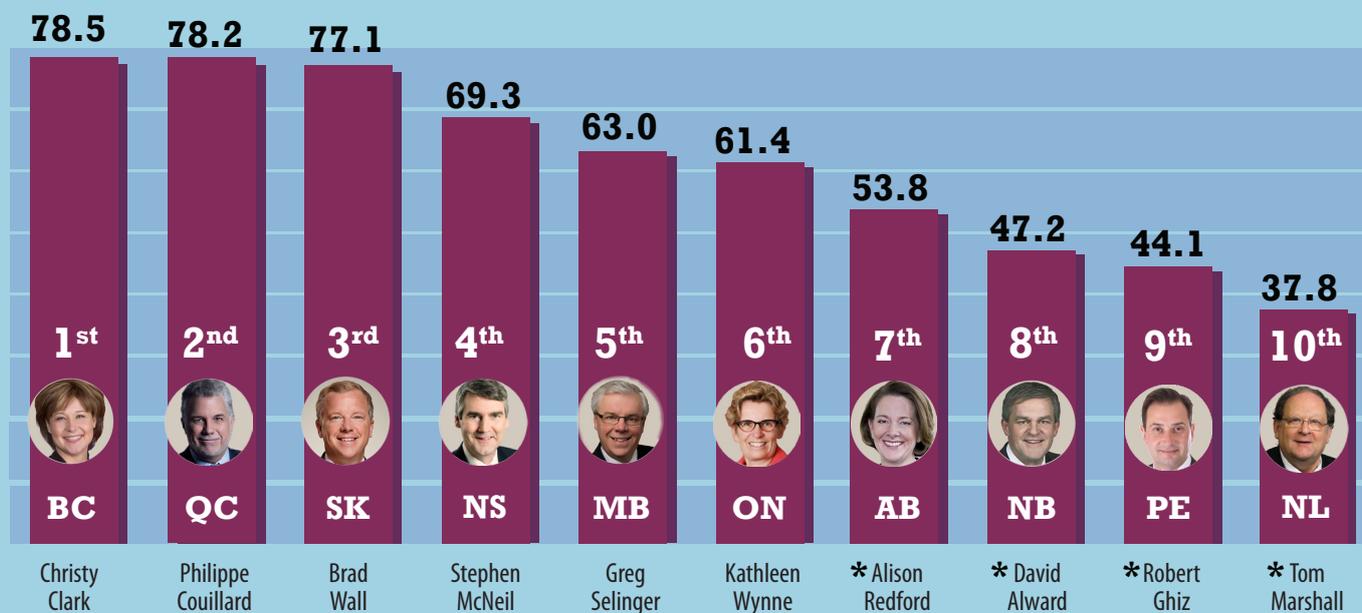


Measuring the Fiscal Performance of Canada's Premiers, 2016

by Charles Lammam, Milagros Palacios, and Feixue Ren



* Indicates former premier (as of Dec 17, 2015)

SUMMARY

The relative fiscal performance of 10 Canadian premiers (six current and four former) is measured up to the 2014/15 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 Christy Clark, BC (78.5)
- 2nd Philippe Couillard, QC (78.2)
- 3rd Brad Wall, SK (77.1)
- 4th Stephen McNeil, NS (69.3)
- 5th Greg Selinger, MB (63.0)
- 6th Kathleen Wynne, ON (61.4)
- 7th Alison Redford,* AB (53.8)
- 8th David Alward,* NB (47.2)
- 9th Robert Ghiz,* PE (44.1)
- 10th Tom Marshall,* NL (37.8)

* indicates former premier

On the government spending component, McNeil took top position (scoring 92.6), followed closely by Couillard (90.1) and Clark (84.4). Three premiers scored below 50: Marshall (49.4), Redford (33.7), and Ghiz (22.8).

On the taxes component, Redford led the premiers (scoring 90.2). Premiers from Canada's most populous provinces, Wynne (62.7) and Couillard (57.1), ranked 5th and 7th, respectively. Alward ranked last (27.7).

On the deficits and debt component, Wall topped the list (scoring 100). Clark came second (89.4), followed by Couillard (87.5) and McNeil (82.2). Three premiers scored below 50: Alward (48.4), Redford (37.3), and Marshall (0.0).

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Introduction

With budget deficits and growing government debt expected in nearly all provinces again this fiscal year, prudent fiscal management continues to be a pressing economic issue for many Canadians. This is rightly so, as sound fiscal policy is a key driver 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 clearly shows that these factors help foster economic growth and prosperity.

This report is intended to help Canadians hold their provincial political leaders accountable for their fiscal policies. In this fifth 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. Importantly, the scores and rankings are derived from relative, not absolute, performance. That is, the premiers are assessed based on how well or badly they perform relative to their counterparts.

How performance is measured

The analysis considers the fiscal policy performance of 10 Canadian premiers.¹ Each pre-

¹ At the time of writing (December 17, 2015), six premiers included in the analysis are currently in power. The performance of former Alberta premier Alison Redford was evaluated instead of former premiers Jim Prentice or Dave Hancock because she tabled Alberta's 2014 budget on March 6, 2014 before leaving office on March 23, 2014. Alison Red-

Table 1: Period in which the premiers are evaluated

Prov.	Premier	Period evaluated
BC	Christy Clark	2011/12 to 2014/15
AB	Alison Redford*	2012/13 to 2013/14
SK	Brad Wall	2008/09 to 2014/15
MB	Greg Selinger	2010/11 to 2014/15
ON	Kathleen Wynne	2013/14 to 2014/15
QC	Philippe Couillard	2014/15
NB	David Alward*	2011/12 to 2014/15
NS	Stephen McNeil	2014/15
PEI	Robert Ghiz*	2007/08 to 2014/15
NL	Tom Marshall*	2014/15

Notes:

(a) * indicates former premier (as of December 17, 2015).

(b) Alison Redford is the former premier of Alberta; she left office on March 23, 2014. Her performance was evaluated instead of former premiers Jim Prentice or Dave Hancock because she tabled the 2014 budget on March 6, 2014, before leaving office. Alison Redford's performance was evaluated from 2012/13 to 2013/14.

(c) David Alward is the former premier of New Brunswick; he left office on September 23, 2014. His performance was evaluated instead of current premier Brian Gallant because he was in power for more than half of the 2014/15 fiscal year.

(d) Robert Ghiz is the former premier of Prince Edward Island; he left office on February 23, 2015. His performance was evaluated instead of the current premier Wade MacLauchlan because he was in power for more than half of the 2014/15 fiscal year.

(e) Tom Marshall is the former premier of Newfoundland & Labrador; he left office on September 26, 2014. His performance was evaluated instead of that of former premier Paul Davis because he was in power for more than half of the 2014/15 fiscal year. The current premier of Newfoundland and Labrador is Dwight Ball, elected on November 30, 2015.

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

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

Prov.	Premier	Overall		Government spending		Taxes		Deficits and debt	
		Score	Rank	Score	Rank	Score	Rank	Score	Rank
BC	Christy Clark	78.5	1	84.4	3	61.8	6	89.4	2
QC	Philippe Couillard	78.2	2	90.1	2	57.1	7	87.5	3
SK	Brad Wall	77.1	3	53.3	7	78.0	2	100.0	1
NS	Stephen McNeil	69.3	4	92.6	1	33.3	9	82.2	4
MB	Greg Selinger	63.0	5	66.4	5	64.3	3	58.2	6
ON	Kathleen Wynne	61.4	6	71.2	4	62.7	5	50.2	7
AB	Alison Redford	53.8	7	33.7	9	90.2	1	37.3	9
NB	David Alward	47.2	8	65.4	6	27.7	10	48.4	8
PE	Robert Ghiz	44.1	9	22.8	10	45.2	8	64.3	5
NL	Tom Marshall	37.8	10	49.4	8	64.0	4	0.0	10

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

mier's performance is measured over the time he or she held office up to the most recent fiscal year for which historical data are available (2014/15).² Some premiers were evaluated over a longer period than others. For instance, Prince Edward Island's former premier Robert Ghiz was evaluated for the longest period (2007/08 to 2014/15), whereas Quebec's Philippe Couillard, Nova Scotia's Stephen McNeil, and Newfoundland & Labrador's Tom Marshall were evaluated for the shortest period (just the 2014/15 fiscal year) (see table 1).

Each premier received an overall score out of 100 and rank out of 10 derived from their per-

formance was evaluated from 2012/13 to 2013/14. The analysis excludes territorial premiers due to a lack of comparable data.

² Data for the 2015/16 fiscal year are available but they are based on government projections. Data for 2014/15 are from historical records.

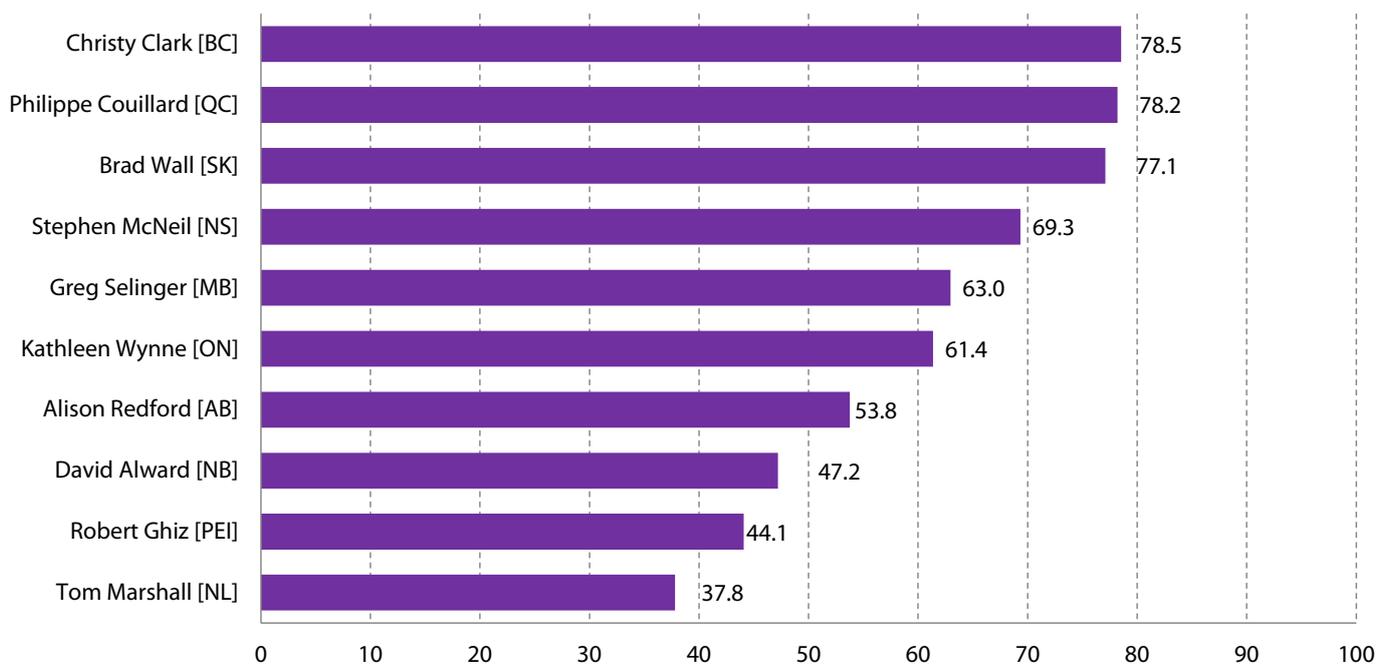
formance on three core components of fiscal policy: 1) government spending, 2) taxes, and 3) deficits and debt.³ Each component contains multiple measures; there are, in total, 13 of them. Each measure is scored on a scale from 0 to 100; higher performing premiers receive higher scores and lower performing 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 are also equally weighted.

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 publication 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.

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Figure 1: Overall performance of Canada's premiers



Source: Table 2.

Overall results

Table 2 shows the overall scores and rankings for each premier, as well as their scores and rankings on each of the three components. Figure 1 displays the overall scores only. British Columbia premier Christy Clark ranked first overall with a score of 78.5 out of 100, with Quebec's Philippe Couillard (78.2) very close behind. Following closely behind him was Saskatchewan premier Brad Wall (77.1), who rounded out the top three. Four other premiers scored above 50: Nova Scotia's premier Stephen McNeil (69.3), Manitoba's Greg Selinger (63.0), Ontario's Kathleen Wynne (61.4), and Alberta's former premier Alison Redford (53.8).

The remaining three premiers, none of whom are in power any longer, scored below 50. This includes New Brunswick's former premier David Alward (47.2) and Prince Edward Island's

former premier Robert Ghiz (44.1). Newfoundland & Labrador's former premier Tom Marshall had the dubious distinction of ranking last overall with a score of 37.8.⁵

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

⁵ Tom Marshall was the interim premier in Newfoundland & Labrador; he left office on September 26, 2014. His performance was evaluated instead of former premier Paul Davis because he was in power for more than half of the 2014/15 fiscal year. Dwight Ball was elected as the new Newfoundland & Labrador premier on November 30, 2015.

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

Prov.	Premier	Government spending		Annual difference between program spending growth and economic growth (in percentage points)			Annual difference between program spending growth and inflation plus population growth (in percentage points)		
		Score	Rank	Difference	Score	Rank	Difference	Score	Rank
NS	Stephen McNeil	92.6	1	(1.0)	85.2	4	(1.3)	100.0	1
QC	Philippe Couillard	90.1	2	(1.2)	90.6	3	(0.9)	89.7	3
BC	Christy Clark	84.4	3	(1.7)	100.0	1	0.0	68.7	6
ON	Kathleen Wynne	71.2	4	(0.4)	73.0	6	0.0	69.5	5
MB	Greg Selinger	66.4	5	(0.9)	83.3	5	0.8	49.5	7
NB	David Alward	65.4	6	0.3	58.5	8	(0.2)	72.4	4
SK	Brad Wall	53.3	7	(1.4)	94.2	2	2.4	12.4	8
NL	Tom Marshall	49.4	8	5.0	0.0	10	(1.3)	98.9	2
AB	Alison Redford	33.7	9	(0.2)	67.5	7	3.0	0.0	10
PE	Robert Ghiz	22.8	10	1.3	35.7	9	2.5	9.8	9

Notes:

(a) Program spending is defined as total spending minus debt charges (interest payments on debt).

(b) As a result of returning to the provincial sales tax (PST), the province of 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.

(c) Government spending data for Quebec is adjusted for abatements.

(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) Cases may arise where measures used in this component appear to be zero even though the underlying fiscal and economic data may suggest otherwise. This occurs because the measures are based on actual data values that contain several decimal places, but what is displayed in the table is rounded to one decimal place.

Sources: Canada, Department of Finance (2015); Newfoundland and Labrador 2015 Budgets (2015); Provincial Public Accounts (various issues); Statistics Canada (2015a, 2015b, and 2015c); calculations by authors.

spending and economic growth over the premier's 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 combined rate of inflation and population growth in the province. Premiers who increased spending faster than economic growth and the rate needed to compensate for inflation plus population growth

performed worse on this component than their counterparts.

Table 3 presents the scores and rankings for the government spending component. Stephen McNeil of Nova Scotia ranked first with a score of 92.6,⁶ followed by Philippe Couillard

⁶ In the single year that he was evaluated, Stephen McNeil's government increased program spending

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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
AB	Alison Redford	90.2	1	84.9	1	95.6	1
SK	Brad Wall	78.0	2	82.4	2	73.5	4
MB	Greg Selinger	64.3	3	67.3	5	61.2	5
NL	Tom Marshall	64.0	4	49.7	6	78.4	3
ON	Kathleen Wynne	62.7	5	71.7	3	53.7	7
BC	Christy Clark	61.8	6	41.2	7	82.5	2
QC	Philippe Couillard	57.1	7	68.2	4	45.9	8
PE	Robert Ghiz	45.2	8	34.9	8	55.4	6
NS	Stephen McNeil	33.3	9	34.9	8	31.6	9
NB	David Alward	27.7	10	32.4	10	23.0	10

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

of Quebec (90.1). Over their tenures, both premiers kept average program spending growth below the rate of provincial economic growth and inflation plus population growth. Two other premiers scored over 50: Christy Clark of British Columbia (84.4) and Kathleen Wynne of Ontario (71.2). Both premiers kept program spending growth, on average, below the rate of provincial economic growth but in line with inflation plus population growth. No premier reduced annual (nominal) program spending on average. See the appendix for the underlying spending data.

Three premiers scored below 50. Former premiers Tom Marshall (Newfoundland & Labrador) and Alison Redford (Alberta) ranked eighth and ninth, respectively. Robert Ghiz (Prince

Edward Island) ranked last with a score of 22.8 out of 100. During Ghiz's tenure, program spending grew at an average rate of 5.2%—well above the average rate of both provincial economic growth (3.9%) and inflation plus population growth (2.7%).

Edward Island) ranked last with a score of 22.8 out of 100. During Ghiz's tenure, program spending grew at an average rate of 5.2%—well above the average rate of both provincial economic growth (3.9%) and inflation plus population growth (2.7%).

Component 2: Taxes

The second component measures the relative performance of the premiers on taxation. Two sub-components make up the taxes component. The corporate income tax sub-component uses two measures to assess performance: the province's current general corporate income tax rate⁷ and the average annual change in the general corporate income tax rate over the premier's tenure. The personal income

⁷ Where the premier is no longer in power, this study uses the tax rate in effect when the premier left office.

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

Prov.	Premier	Corporate income tax		General corporate income tax rate			Annual percentage change in the general corporate income tax rate		
		Score	Rank	Rate (%)	Score	Rank	Change	Score	Rank
AB	Alison Redford	84.9	1	10.0	100.0	1	0.0	69.7	2
SK	Brad Wall	82.4	2	12.0	64.8	5	(1.0)	100.0	1
ON	Kathleen Wynne	71.7	3	11.5	73.6	3	0.0	69.7	2
QC	Philippe Couillard	68.2	4	11.9	66.6	4	0.0	69.7	2
MB	Greg Selinger	67.3	5	12.0	64.8	5	0.0	69.7	2
NL	Tom Marshall	49.7	6	14.0	29.7	8	0.0	69.7	2
BC	Christy Clark	41.2	7	11.0	82.4	2	2.5	0.0	9
PE	Robert Ghiz	34.9	8	16.0	0.0	9	0.0	69.7	2
NS	Stephen McNeil	34.9	8	16.0	0.0	9	0.0	69.7	2
NB	David Alward	32.4	10	12.0	64.8	5	2.7	0.0	9

Notes:

(a) Corporate income tax rates are the rates currently in effect (based on the latest information available at the time of writing) or the rates in effect when the premier left office.

(b) Saskatchewan's general corporate income tax rate decreased from 13 to 12 percent on July 1, 2008.

(c) The Clark government increased BC's corporate income tax rate from 10 to 11 percent on April 1, 2013.

(d) New Brunswick's general corporate income tax rate decreased from 11 to 10 percent on July 1, 2011, but then increased to 12 percent on July 1, 2013.

(e) Alberta's current government led by premier Rachel Notley increased the corporate income tax rate from 10 to 12 percent on July 1, 2015. Since Alison Redford left office in March 2014, her score was not influenced by this tax increase.

(f) Christy Clark and David Alward received the same score on the second measure of the corporate income tax sub-component, but their underlying data are not the same. This is because both data points fall outside of ± 1.5 standard deviations from the mean. In such cases, premiers receive an automatic 0 out of 100. See Appendix 1 of Lammam et al. (2010) for additional details on methodology.

Sources: PriceWaterHouseCoopers (2015); Provincial Budgets (2015); calculations by authors.

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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		Marginal tax rate at \$75,000		Marginal tax rate at \$150,000		Top marginal tax rate		Number of tax brackets						
		Score	Rank	Rate (%)	Score	Rank	Rate (%)	Score	Rank	Rate (%)	Score	Rank	No.	Score	Rank			
AB	Alison Redford	95.6	1	10.00	79.5	3	10.00	85.6	2	10.00	100.0	1	10.00	100.0	1	1	100.0	1
BC	Christy Clark	82.5	2	7.70	100.0	1	7.70	100.0	1	14.70	66.4	3	14.70	66.4	3	5	27.0	8
NL	Tom Marshall	78.4	3	12.50	48.3	4	13.30	47.4	5	13.30	81.2	2	13.30	81.1	2	3	68.8	2
SK	Brad Wall	73.5	4	13.00	42.0	6	13.00	50.9	4	15.00	63.3	4	15.00	63.2	4	3	68.8	2
MB	Greg Selinger	61.2	5	12.75	45.2	5	17.40	0.0	10	17.40	38.0	5	17.40	37.9	5	3	68.8	2
PE	Robert Ghiz	55.4	6	13.80	32.1	7	16.70	8.1	9	18.37	27.7	7	18.37	27.7	7	4	47.9	5
ON	Kathleen Wynne	53.7	7	9.15	90.1	2	10.98	74.3	3	18.97	21.4	8	20.53	5.0	9	7	0.0	10
QC	Philippe Couillard	45.9	8	16.37	0.0	10	16.37	11.9	7	20.97	0.4	9	20.31	7.3	8	4	47.9	5
NS	Stephen McNeil	31.6	9	14.95	17.7	9	16.67	8.4	8	21.00	0.0	10	21.00	0.0	10	5	27.0	8
NB	David Alward	23.0	10	14.82	19.3	8	14.82	29.8	6	17.84	33.3	6	17.84	33.3	6	4	47.9	5

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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
AB	Alison Redford	0.0	100.0	1	0.0	100.0	1	0.0	100.0	1
BC	Christy Clark	0.0	100.0	1	0.0	100.0	1	0.0	100.0	1
NL	Tom Marshall	0.0	100.0	1	0.0	100.0	1	0.0	100.0	1
SK	Brad Wall	0.0	100.0	1	0.0	100.0	1	0.0	100.0	1
MB	Greg Selinger	0.0	100.0	1	0.0	100.0	1	0.0	100.0	1
PE	Robert Ghiz	0.0	100.0	1	0.0	100.0	1	0.0	100.0	1
ON	Kathleen Wynne	0.0	100.0	1	0.0	100.0	1	4.5	39.0	8
QC	Philippe Couillard	0.0	100.0	1	0.0	100.0	1	0.0	100.0	1
NS	Stephen McNeil	0.0	100.0	1	0.0	100.0	1	10.0	0.0	10
NB	David Alward	4.5	0.0	10	4.5	0.0	10	5.8	20.4	9

Notes:

(a) Personal income tax rates are the rates currently in effect (based on the latest information available at the time of writing) or the rates in effect when the premier left office.

(b) The three income levels are in constant 2015 dollars (adjusted for inflation) to avoid the problem of threshold indexation causing perceived tax rate changes and to ensure longer term premiers are not disadvantaged compared to shorter term ones.

(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) In BC's 2013 budget, the Clark government enacted a "temporary" new top marginal income tax rate of 16.8 percent applying to incomes over \$150,000 for 2014 and 2015. The new tax rate is set to expire on December 31, 2015. This means the top marginal rate will be 14.7 percent in 2016, which will reduce the current number of brackets from six to five.

(e) In Ontario's 2014 budget, the Wynne government introduced two changes in the personal income tax structure. First, the income threshold for the highest statutory tax rate (currently 13.16 percent) was reduced from \$514,090 to \$220,000. Second, a new tax rate of 12.16 percent was applied to taxable income between \$150,000 and \$220,000. These tax rates do not account for surtaxes.

(f) New Brunswick's former premier David Alward came into power in October 2010 and allowed a personal tax rate reduction (on incomes of \$50,000 and \$75,000) enacted by a previous government to go through in 2011. However, in New Brunswick's 2013 budget, the Alward government increased personal income tax rates on incomes of \$50,000, \$75,000, and \$150,000.

(g) In 2015, the New Brunswick government introduced two new tax brackets of 21 percent for incomes between \$150,000 and \$250,000, and 25.75 percent for incomes over \$250,000. Since David Alward left office in September 2014, his score is not be influenced by these changes.

(h) In 2015, Newfoundland & Labrador former premier Paul Davis introduced two new income personal income tax rates: 13.8 percent for incomes over \$125,000, and 14.3 percent for income level over \$175,000. Since Tom Marshall left office in September 2014, his score is not be influenced by these tax increases.

(i) Alberta's current government led by premier Rachel Notley eliminated the province's single-tax system effective October 1, 2015 by introducing four new tax brackets. Specifically, the provincial marginal tax rate for income between \$125,000 and \$150,000 is now 12 percent; for income between \$150,000 and \$200,000 it is 13 percent; for income between \$200,000 and \$300,000 it is 14 percent; and for income over \$300,000 it is 15 percent. Since Alison Redford left office in March 2014, her score was not influenced by these tax changes.

(j) For 2016, Quebec's combined federal-provincial top marginal rate is 53.31 percent and will apply to income above \$200,000. At \$150,000, the combined federal-Quebec marginal rate is 49.97 percent. The rate presented for Quebec only shows the provincial portion after adjusting for the federal abatement.

(k) 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: PriceWaterHouseCoopers (2015); Provincial Budgets (2015); calculations by authors.

tax sub-component consists of eight measures including the current marginal tax rates on personal income and the average annual change in those rates over the premier's tenure at three income levels: \$50,000, \$75,000, and \$150,000.⁸ Other measures included in the personal income tax sub-component are the top marginal tax rate currently in effect (or in effect when the premier left office) and the number of brackets in a province's personal income tax system.⁹ 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 tax brackets.

Table 4 summarizes the scores and rankings for the taxes component and each sub-component. Alison Redford of Alberta ranked first overall with a score of 90.2.¹⁰ A key reason for Red-

ford's superior performance on taxes is that she kept Alberta's already competitive corporate and personal income tax rates unchanged over her tenure. It is important to reiterate that the scores and rankings in the analysis are based on relative, not absolute, performance. The effects of measuring relative performance are seen in the overall scores on the tax component, whereby seven premiers scored above 50. This is partly due to premiers generally keeping tax rates unchanged at the income levels examined, not to any tax reductions. (There were cases, however, where premiers increased rates.) Overall, Saskatchewan's Brad Wall ranked second (scoring 78.0), followed by Manitoba's Greg Selinger (64.3), Newfoundland & Labrador's Tom Marshall (64.0), Ontario's Kathleen Wynne (62.7), British Columbia's Christy Clark (61.8), and Quebec's Philippe Couillard (57.1). The three premiers scoring below 50 are Prince Edward Island's Robert Ghiz (45.2), Nova Scotia's Stephen McNeil (33.3), and New Brunswick's David Alward (27.7).

Corporate income tax

Table 5 displays the scores and rankings for the corporate income tax sub-component and individual measures. Alison Redford ranked first with a score of 84.9 on this sub-component because, at 10%, Alberta's then general corporate income tax rate when she left office was the lowest among the provinces and the rate did not change over her tenure. Brad Wall ranked second with a score of 82.4; he was the only premier to reduce the corporate income tax rate, on average, while in power. Kathleen Wynne ranked third with a score of 71.7,

eliminated the province's single-tax system effective October 1, 2015, by introducing four new tax brackets. Since Alison Redford left office in March 2014, her score was not influenced by this tax increase.

⁸ See Lamman et al., 2010, for an explanation of why these three income levels were selected. The income levels are in constant 2015 dollars (adjusted for inflation) to avoid the problem of threshold indexation causing perceived tax rate changes and to ensure longer term premiers are not disadvantaged compared to shorter term ones.

⁹ Between 2010 and 2015, seven out of ten provinces (British Columbia, Alberta, Ontario, Quebec, New Brunswick, Nova Scotia, and Newfoundland & Labrador) increased their top marginal personal income tax rates. In previous editions of this report, the marginal tax rate at \$150,000 of income adequately captured the top marginal rate for all provinces. However, the top income threshold for five provinces (including the federal government) now kicks in above \$150,000. To capture this recent development, a new variable was included in the personal income tax sub-component for this edition.

¹⁰ Alberta's current government, led by Premier Rachel Notley, has made two important changes to the tax system. First, it increased the corporate income tax rate from 10 to 12% on July 1, 2015. Second, it

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

Prov.	Premier	Deficits and debt		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
SK	Brad Wall	100.0	1	0.6	100.0	1	(3.4)	100.0	1
BC	Christy Clark	89.4	2	0.1	100.0	1	1.1	78.8	4
QC	Philippe Couillard	87.5	3	(0.3)	85.5	3	(1.2)	89.5	2
NS	Stephen McNeil	82.2	4	(0.4)	82.7	4	0.5	81.6	3
PE	Robert Ghiz	64.3	5	(0.9)	55.6	7	2.4	73.0	5
MB	Greg Selinger	58.2	6	(0.9)	57.3	6	5.3	59.2	8
ON	Kathleen Wynne	50.2	7	(1.5)	31.0	9	3.1	69.4	6
NB	David Alward	48.4	8	(1.4)	35.7	8	4.9	61.2	7
AB	Alison Redford	37.3	9	(0.5)	74.6	5	22.6	0.0	9
NL	Tom Marshall	0.0	10	(2.8)	0.0	10	17.9	0.0	9

Notes:

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

(b) 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 Alison Redford's tenure, Alberta's net assets decreased as a share of GDP by an average of 22.6 percent per year. Since the second deficits and debt measure is meant to capture annual changes in net debt, Redford's performance is evaluated using the reduction in Alberta's net assets.

(c) As a result of returning to the provincial sales tax (PST), the province of 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 deficit analysis above, the \$1.6 billion was excluded from BC's 2011/12 total spending because it is a one-time spending item that the current premier inherited from the previous leader.

(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.

(f) If accounting changes were made to the underlying deficits and debt data, the authors used data that had been adjusted retroactively.

Sources: Canada, Department of Finance (2015); Provincial Budgets (2015); Provincial Public Accounts (various issues); Statistics Canada (2015b); calculations by authors.

followed closely by Philippe Couillard (68.2) and Greg Selinger (67.3). All the other premiers failed to score above 50 on the corporate income tax sub-component. David Alward ranked last with a score of 32.4. He first oversaw a decrease in New Brunswick's corporate income tax rate from 11% to 10% in 2011, but then increased the rate to 12% in 2013. On balance, Alward presided over a 2.7% average

annual increase in the corporate income tax over his tenure.

Personal income tax

The scores and rankings for the personal income tax sub-component and measures are shown in tables 6a and 6b. Alison Redford ranked first overall with a score of 95.6. The single 10% rate in Alberta when Redford held

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Appendix: Select underlying fiscal and economic data over the period in which premiers are evaluated (unless otherwise noted)

Prov.	Premier	Period evaluated	Average program spending growth (%)	Average GDP growth (%)	Average inflation plus population growth (%)	Net debt (assets) as % of GDP, year before period evaluated	Net debt (assets) as % of GDP, 2014/15
BC	Christy Clark	2011/12 to 2014/15	2.1	3.7	2.1	15.7	16.4
AB	Alison Redford	2012/13 to 2013/14	7.1	7.3	4.1	(6.3)	(3.8)
SK	Brad Wall	2008/09 to 2014/15	6.0	7.4	3.6	11.2	6.7
MB	Greg Selinger	2010/11 to 2014/15	3.9	4.8	3.1	22.9	29.6
ON	Kathleen Wynne	2013/14 to 2014/15	2.6	3.0	2.7	37.1	39.4
QC	Philippe Couillard	2014/15	1.2	2.5	2.1	50.7	50.1
NB	David Alward	2011/12 to 2014/15	1.8	1.5	1.9	32.1	38.8
NS	Stephen McNeil	2014/15	0.3	1.3	1.7	38.3	38.5
PEI	Robert Ghiz	2007/08 to 2014/15	5.2	3.9	2.7	29.6	35.6
NL	Tom Marshall	2014/15	0.8	-4.2	2.1	26.0	30.6

Sources: Canada, Department of Finance (2015); Provincial Budgets (2015); Provincial Public Accounts (various issues); Statistics Canada (2015a, 2015b, and 2015c); calculations by authors.

office is amongst the lowest at income levels of \$50,000 and \$75,000, and is the very lowest at \$150,000. It is also the lowest top marginal rate. And since Redford did not change Alberta's single rate system during her tenure, and since no premier reduced personal income tax rates at the three income levels examined, she scored high in comparison.

British Columbia's Christy Clark (82.5) ranked second on the personal income tax sub-

component,¹¹ followed by Newfoundland & Labrador's Tom Marshall (78.4) and Saskatchewan's Brad Wall (73.5). Premiers from Cana-

¹¹ In BC's 2013 budget, the Clark government enacted a "temporary" new top marginal income tax rate of 16.8% applying to incomes over \$150,000 for 2014 and 2015. The new tax rate is set to expire on December 31, 2015. This means the top marginal rate will be 14.7% in 2016, which also reduces the number of brackets from six to five.

da's two most populous provinces, Ontario's Kathleen Wynne (53.7) and Quebec's Philippe Couillard (45.9), ranked seventh and eighth, respectively. Wynne ranked relatively poorly because Ontario has seven separate income tax brackets—the most of all the provinces—and it recently enacted a new top marginal tax rate of 20.53%, the second highest among the provinces behind only Nova Scotia.¹² Couillard's weaker performance reflects an uncompetitive personal income tax system in Quebec at all income levels, including the top rate (20.31%).¹³

Stephen McNeil of Nova Scotia and David Alward of New Brunswick were the other two premiers scoring below 50. Stephen McNeil ranked ninth with a score of 31.6, in part because Nova Scotia has the highest marginal tax rate in the country at the \$150,000 income level. David Alward ranked last with a score of 23.0 because New Brunswick's personal income taxes are generally uncompetitive and because he raised marginal rates at all income levels examined.¹⁴

It is important to emphasize that none of the premiers reduced personal income tax rates, on average, at the three income levels examined. While tax rates at the three income levels analyzed were mostly unchanged, Kathleen Wynne,

¹² There are seven income tax brackets in Ontario after accounting for provincial surtaxes.

¹³ In Quebec, the top provincial statutory personal income tax rate is 25.75%, which kicks in at income over \$200,000. However, the top marginal rate after accounting for the federal abatement is 20.31%.

¹⁴ In 2015, the New Brunswick government introduced two new tax rates: 21% for incomes between \$150,000 and \$250,000, and 25.75% for incomes over \$250,000. Because David Alward left office in September 2014, his score is not affected by these changes.

David Alward, and Stephen McNeil did oversee notable increases in the rate at \$150,000 of income.

Component 3: Deficits and debt

The final component measures the relative performance of the premiers on deficits and debt. Specifically, it measures a premier's use of deficit financing for government spending and whether the premier increased or reduced their province's debt burden. The deficits and debt 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 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 deficits and debt component (scoring a perfect 100) (see table 7). He was the only premier to both record an operating surplus and reduce net debt as a share of GDP, on average, during his tenure. Christy Clark of British Columbia ranked second (scoring 89.4) on this component, followed closely by Philippe Couillard of Quebec (87.5). Four other premiers (Stephen McNeil, Robert Ghiz, Greg Selinger, and Kathleen Wynne) also scored over 50, although all of them ran a deficit, on average, and increased the provincial government debt burden during their tenures. The remaining three premiers (David Alward, Alison Redford, and Tom Marshall) failed to score above 50. While Alberta's net financial position is unique among the provinces (the value of financial assets exceed gross debt), Alberta's net assets decreased as a

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share of GDP by an average of 22.6% per year during Redford's tenure.

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 report measures the relative performance of 10 Canadian premiers in three core areas of fiscal policy: government spending, taxes, and deficits and debt. 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.

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Charles Lammam is Director of Fiscal Studies at the Fraser Institute. He has published over 60 studies and 240 original articles on a wide range of economic policy issues. He holds an MA in public policy and a BA in economics with a minor in business administration from Simon Fraser University.



Milagros Palacios is a Senior Research Economist at the Fraser Institute. She holds a BA in Industrial Engineering from the Pontifical Catholic University of Peru and a M.Sc. in Economics from the University of Concepción, Chile. Since joining the Institute, she has published or co-published over 80 research studies and over 80 commentaries on a wide range of public policy issues including taxation, government finances, investment, productivity, labour markets, and charitable giving.



Feixue Ren is an Economist at the Fraser Institute. She holds a Master's Degree in Economics from Lakehead University and a BA in Statistics from Hunan Normal University in China.

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